United Nations
Global Compact

IMPACT

TRANSFORMING BUSINESS, CHANGING THE WORLD

The United Nations Global Compact

DNV·GL

A TIME FOR BUSINESS STATESMANSHIP

In 15 years, visionary leaders have changed the way we look at business. From this foundation, imagine what we can achieve in the decades to come.

Protecting human rights, preserving the environment, conducting ethical business: these principles are all considered essential to good business. But this has not always been the case. Many of today's fundamental corporate principles reflect the foresight of leaders who, 15 years ago, dared to challenge 'the business of business'.

On the brink of the new millennium, business leaders' only aim was to maximise value for their shareholders; there was little obligation to look beyond the bottom line. Yet a realisation was building that global markets were not working as they should. There was widespread concern over corporate abuse, corruption, and the failure of governments to ensure a more equal distribution of the benefits of globalisation. This eroded trust in global business and was threatening the continued openness of markets.

Then in 1999, former UN Secretary-General Kofi Annan threw down a challenge to the global business world:

"I call on you to embrace, support and enact a set of core values in the areas of human rights, labour standards, and environmental practices".

At the time, this seemed nothing short of revolutionary. But 44 visionary business leaders were ready to heed the call. In the face of widespread criticism, they immediately responded and together with the UN developed a new set of corporate priorities. The United Nations Global Compact was born. The goal: to underpin the global market with a set of universal values, and to ensure that business practices everywhere contribute to development, human rights and peace.

We owe these leaders a debt of gratitude. The formation of the Global Compact marked a turning point in the fundamental understanding of how business can be a force for good.

As we celebrate the Global Compact's 15th anniversary, DNV GL is humbled to have been invited by UN Secretary-General Ban Ki-moon to assess the impact of the initiative since its inception. It is a matter close to our hearts – for more than 150 years, DNV GL has worked to fulfil our vision of a global impact for a safe and sustainable future.

In this report, we examine how the global economy has developed over the years, and assess the central role the Global Compact has played in spearheading wide-reaching change. Our conclusion is that we have made great progress. And the Global Compact has indeed had significant impact in many important areas. But we are not moving fast enough. In the final part of this report we set out pathways to speed up change.

In the next 15 years, business must continue to work together with the Global Compact, policy makers, scientists, labour organisations and civil society to scale up actions and achieve real transformative impact. The solutions are within reach, and the opportunities are enormous. If we do, we can not only achieve the Global Compact's vision of a sustainable and inclusive global economy, we can also create a better, more stable and more prosperous future for all of humankind.

From my own career spanning 35 years in global business, I firmly believe sustainable, principled business is more important than ever. This in itself is testament to the work of the Global Compact: it has played a pivotal role in teaching all of us in the global business community that infinite growth is not possible on a finite planet.

As business leaders today, I hope this report inspires you to follow in the footsteps of the Global Compact's 44 founding partners. Let us join together to fight unsustainable world views. Let us have the courage to exercise business statesmanship, take risks, invest in new technology and explore new business models. Let us work together now to radically accelerate the pace of change and ensure a safe and sustainable future for all.

Finally, I want to express my deep gratitude to all contributors to this work, and the Global Compact for their strong support and collaboration throughout this process.

DR. HENRIK O. MADSEN
PRESIDENT AND CEO, DNV GL GROUP

CORPORATE SUSTAINABILITY COMES OF AGE

The idea of "a global compact of shared values and principles, which will give a human face to the global market" was first introduced in a speech to business leaders in 1999 by the UN Secretary-General. It was a time of fierce debate around globalisation, and we hoped that proposing universal principles in the areas of human rights, labour, the environment and, later, anti-corruption would have an impact. We had no idea that one speech would spark a global movement.

Upon our launch in 2000, it was already clear that for a business to be truly sustainable, it would need to change how it operated to ensure responsible practices, take steps to engage positively with society, and then tell their stakeholders and the world what they were doing. These remain the core commitments made by our participating companies today.

Networks of companies at the national level began to emerge quickly. Today, more than 85 Local Networks form the backbone of an extensive international community embedding the Global Compact's principles and nurturing collaboration across languages, borders and sectors.

During the first years of the Global Compact, we had to learn to walk and talk. We often found ourselves on the defensive, having to explain why the UN was in the business of business and deflect criticism that we lacked teeth. Only once an annual reporting requirement was introduced in 2004, and companies were removed for failure to disclose, did the debate begin to shift.

There have been many milestones since.

With the launch of our sister initiatives, the Principles for Responsible Investment (PRI) and Principles for Responsible Management Education (PRME), important players aligned to help make a strong case for sustainability.

Under the leadership of UN Secretary-General Ban Ki-moon since 2007, the Global Compact has experienced important growth and gained depth, especially through the launch of issue platforms and principles – including Caring for Climate, the CEO Water Mandate, the Women's Empowerment Principles, the Children's Rights and Business Principles and Business for Peace.

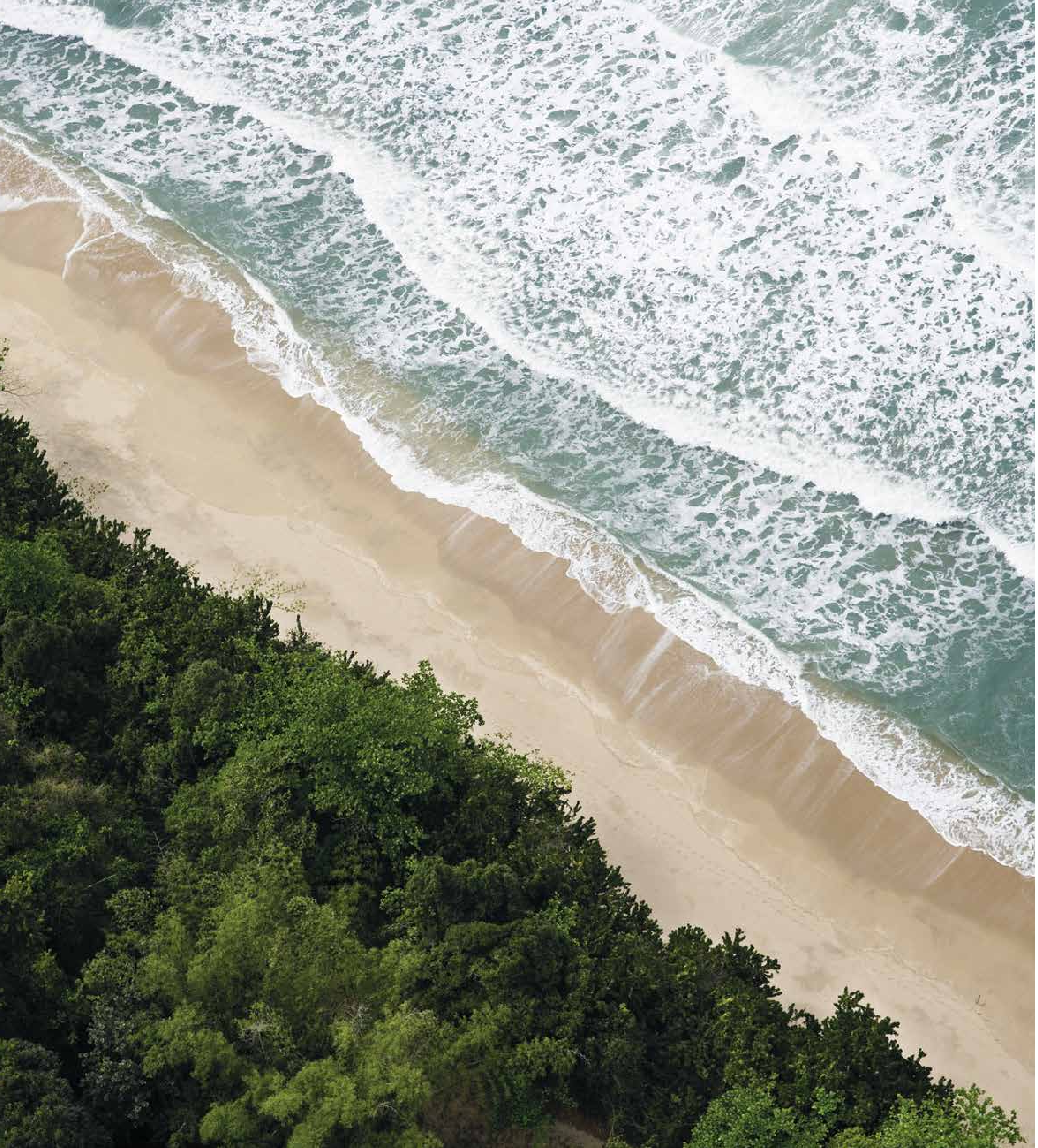
In 2012, the Rio+20 Corporate Sustainability Forum was a breakthrough – with 3,000 corporate participants and other stakeholders affirming their commitment to sustainability. After Rio, we were able to move from "making the case", to working with committed companies to unleash innovation and collaboration in support of societal priorities – recognising that everyone, including business, benefits from a better world.

Since Rio, the corporate sustainability movement has continued to take off globally due to three interconnected forces: the power of transparency, an increasing recognition that externalities must be accounted for, and a growing understanding of the opportunities associated with solving problems. Evidence is mounting that companies that focus on material sustainability issues are outperforming the rest.

Now, upon the 15th anniversary of the Global Compact, this report seeks to tell the story of how and why corporate sustainability came of age – and look at what role the Global Compact has been able to play in moving business in the right direction. We are deeply appreciative of DNV GL's expert and comprehensive review of our work. Our only objective is to learn how we can make faster and more systemic progress in ensuring that businesses everywhere are committed to sustainability.

We stand at a threshold. Corporate sustainability is changing markets from within and a tipping point is in sight. The challenge is to win over more companies, many more companies. As we head into our next 15 years, the Global Compact is up to the task. We are committed to working with business to produce the changes necessary to bring about a better future for us all – ultimately aiming for an inclusive and sustainable global economy that delivers lasting benefits to people, communities and markets everywhere.

GEORG KELL
EXECUTIVE DIRECTOR, UN GLOBAL COMPACT



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EXECUTIVE SUMMARY

GLOBAL IMPACT: MAKING SUSTAINABILITY PART OF EVERYTHING WE DO

This report marks the 15th anniversary of the launch of the United Nations Global Compact. 15 years ago, a small group of leaders from the UN and business came up with a visionary proposal: to align corporate practices with ten universal principles; to mobilise the global business community to advance UN goals; and to build a sustainable, inclusive global economy in which both business and society can thrive, within the environmental limits of the planet.

This change was never going to be easy. Entrenched business mindsets were not going to shift overnight. Now, 15 years on, it is time to take stock of how far we have come, what we have achieved, and the critical challenges we still face. It is time to build on the change we have seen over the past 15 years, and accelerate the scale of progress.

Our analysis begins by explaining how the UN Global Compact calls on businesses to take action, and its place in the history of the modern corporate sustainability movement. We then explore the role of the Global Compact in driving change by setting out 16 findings across three areas:

1. Corporate practices;
2. The corporate operating environment; and
3. Dominant worldviews.

To examine how the Global Compact is working to advance business leadership on some of the world's most pressing challenges, we present 'Spotlights' on key action platforms including Caring for Climate, Business for Peace, the CEO Water Mandate and the Women's Empowerment Principles. We also explore the effect of the Global Compact Local Networks, 88 country networks which work to anchor the Global Compact at the local level. Finally, we take a step back and reflect upon the impact we believe that the Global Compact has had over the years.

We conclude by setting out three pathways for the future – our recommendations for how we can work together to achieve the vision of a sustainable and inclusive global economy, and what the Global Compact can do to scale its impact.

OUR SOURCES

To conduct the assessment, we have interviewed **214** representatives from business, academia, civil society, labour unions, government and the United Nations. Of these, **56** were top executives. In addition, we have surveyed over **1,500** Global Compact participants, UN agencies and Global Compact Local Networks.

PART I

THE HISTORY OF THE MODERN CORPORATE SUSTAINABILITY MOVEMENT

The expectations and attitudes that prevailed in the business world 15 years ago were vastly different than those of today. The implications of an increasingly globalised world were yet to be fully understood, and business was seen to be profiting at the expense of communities and the environment. High-profile clashes between companies and civil society erupted around the world.

It was becoming increasingly clear that the single-minded goal of profit at any cost was fracturing societies and destroying the environment. Essentially, business was threatening the very elements that underpinned its own existence.

PART II

ASSESSING CHANGE 2000-2015 AND THE ROLE OF THE UN GLOBAL COMPACT

LEVEL 1: CHANGE IN CORPORATE PRACTICES – HAS BUSINESS BECOME MORE SUSTAINABLE?

CORPORATE PRACTICES: WHAT HAVE WE FOUND?

1. Taking root: The global spread of sustainability
2. Into the fold: Expanding the scope of corporate sustainability
3. Moving up: Sustainability gaining strategic ground
4. Mind the gap: Actions and intentions are still not aligned
5. Chain reaction: Sustainability cascading through the value chain
6. Nowhere to hide: Transparency is becoming the new norm
7. Smarter together: New forms of collaboration between business and society

Over the past 15 years, business has significantly increased its focus on sustainability issues. The number of Global Compact signatories is growing with both large influential and small companies coming on board. Corporate sustainability has become a broad global movement. A success story, in slow motion.

Today, the umbrella of 'corporate sustainability' covers a much broader range of social, environmental and governance issues than before. However, companies have become increasingly sophisticated in their approach, and are focusing on issues that matter the most – targeting responses to achieve greater impact.

Responsibility is also moving upwards in corporate hierarchies. Top executives are gradually taking ownership of developing sustainability strategies, and building them into core business functions.

However, there is still a very long way to go before sustainability is fully embedded into the DNA of business globally, but there are clear signs of progress. A much larger proportion of leading companies today show real commitment to embedding their sustainability efforts into the core business strategies and practices, and are doing so in a systematic way. Sustainability is gaining strategic weight and is increasingly understood as a driver of innovation, technology development and new business models.

Over the past 15 years, the Global Compact has made important strides to encourage companies to improve practices and advance reporting on performance. As the only global voluntary framework with a mandatory reporting requirement, the Global Compact has played an important role in challenging companies to become more open and transparent. And business is gradually responding by developing more strategic, systematic, integrated, transparent and collaborative approaches to sustainability.

As our understanding of the complex and systemic challenges humanity currently is facing deepens, and that stable and prosperous societies and business go hand in hand, the need for collaboration is increasingly clear. Cross-sector collaboration continues to evolve as the realisation of the need for this symbiosis grows.

Throughout this section, we demonstrate how corporate practices have changed by outing a spotlight on some of the Global Compact initiatives. These include Caring for Climate, the CEO Water Mandate and LEAD.

LEVEL 2: CHANGE IN THE CORPORATE OPERATING ENVIRONMENT – IS THE PRESSURE ON?

THE CORPORATE OPERATING ENVIRONMENT: WHAT HAVE WE FOUND?

1. Playing catch-up: Bringing regulation up to speed
2. Voluntary is booming: Business is taking the lead
3. Adding value to society: Investors' sights set on sustainability
4. From confrontation to collaboration: A new relationship with NGOs
5. Open for business: The UN embraces corporate partnerships

Business is not operating in isolation from a rapidly changing world. More informed stakeholders exert pressures from both markets and broader society. In this new paradigm, a corporate licence to operate is increasingly granted by society, not by governments or regulatory bodies.

Regulation is the most powerful driver of sustainability, but in some important areas governments lag behind. Conversely, leading companies have begun to push for smarter regulation. Even where regulation is lacking, there has been a significant increase in the number of businesses signing up to voluntary corporate sustainability initiatives. In fact, most multinational companies today are involved in some kind of voluntary scheme.

Investors are requesting a higher degree of disclosure and risk management from the companies they engage with. Instead of simply divesting, investors today are more likely to work with their investees to achieve better performance. More and more, environmental, social and governance (ESG) disclosures are being included in financial evaluations and forecasts.

In recent years, civil society tactics have evolved from 'naming and shaming' to seeking positive dialogues and partnerships. In this context, the Global Compact has facilitated the merger of interests that have long been at odds, leading to new and valuable understanding.

For the United Nations itself, relations with business in the early 2000s were limited and marked by a high degree of distrust. The private sector was largely excluded from international deliberations. Now, the UN is open for business, and partnerships are booming across the system.

Throughout this section, we highlight how changes in the corporate operating environment have been influenced by Global Compact activities, in particular the Principles for Responsible Investment, the Principles for Responsible Management Education and Business for Peace.

LEVEL 3: CHANGE IN DOMINANT WORLDVIEWS - WHO'S GETTING IT?

DOMINANT WORLDVIEW: WHAT HAVE WE FOUND?

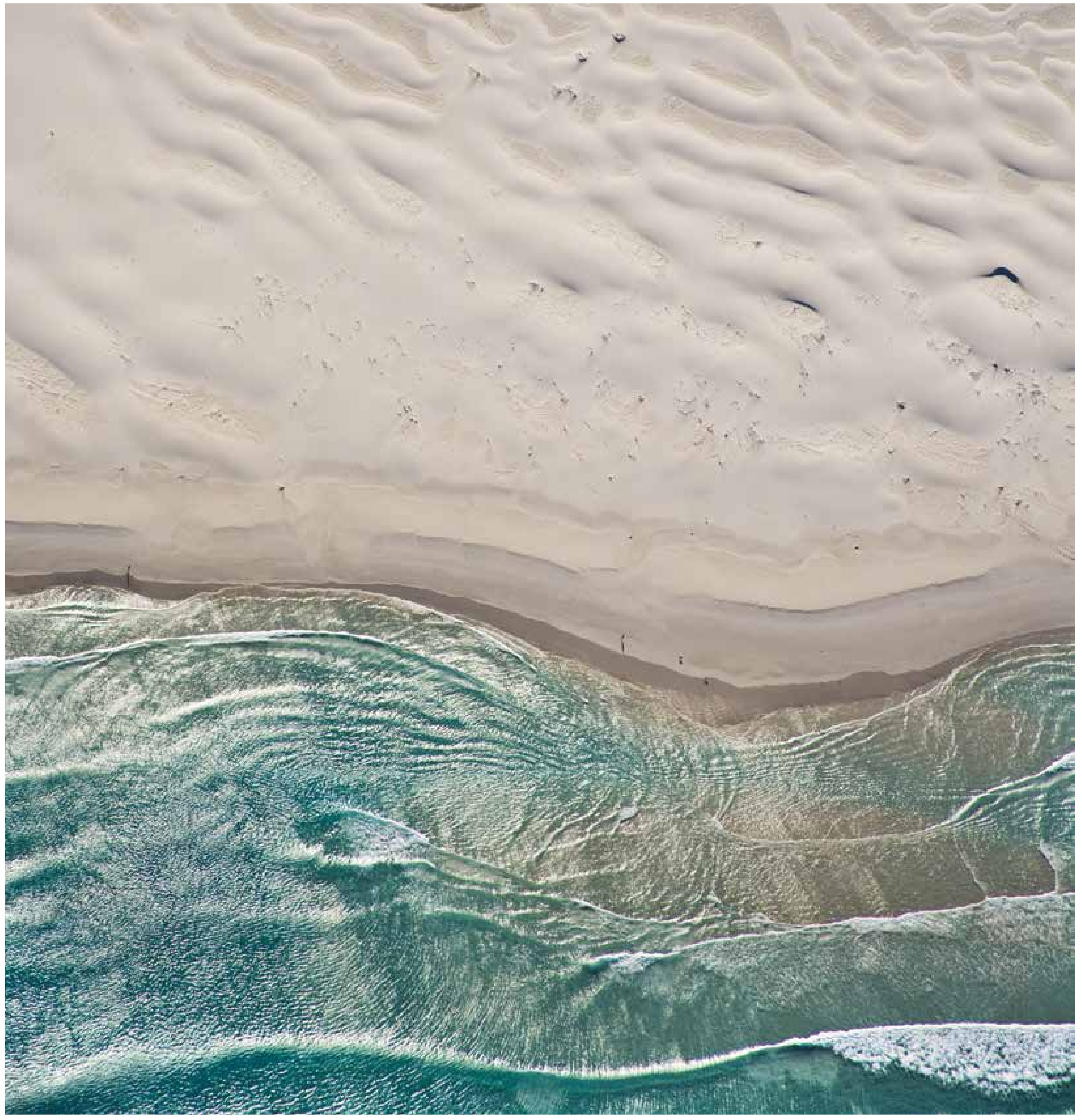
1. Wrong direction: A deep sense of urgency is emerging
2. More than just buzz: Mainstreaming sustainability in the business sphere
3. A balancing act: Redefining the fundamental purpose of business
4. Key to the future: Sustainability is critical to business success

For real transformation to a sustainable and inclusive economy to happen, it is not just corporate practices and operating environments that need to change. A change in the worldviews which ultimately guide behaviour is essential. As the social and economic cost of environmental degradation becomes clearer, a deep sense of urgency is emerging around the need to change that path that we are currently on.

Today, it would be implausible for any global company to exclude sustainability from its agenda. This has been a major shift over the last 15 years. Mainstream business media have clearly responded, raising aspirations and encouraging a more sophisticated discussion around the responsibility of business. New and different expectations on the role of business in society are emerging, focusing more on the opportunities associated with sustainability. When the Global Compact was launched, business was largely focusing on generating value for shareholders. Corporate sustainability and stakeholder matters drew marginal attention.

The idea that business can, and should, balance profit with purpose has started to challenge the long-held view of short-term profit-maximisation. The Global Compact has contributed to a cognitive overhaul around the purpose of business and its obligations to society, and importantly challenged the view that sustainability is only about risk.

In this section, we give concrete examples of how the dominant worldview has changed by turning the spotlight on the Women's Empowerment Principles.



LOCAL NETWORKS –A SUSTAINABLE GLOBAL ECONOMY FROM THE GROUND AND UP

The Local Networks take the Global Compact beyond boardrooms. Every nation faces a unique set of challenges and opportunities, and different political, economic, social and environmental conditions shape the business environment. Local Networks help companies identify the most pressing issues in a specific country, and seek to offer support particularly to smaller and mid-sized enterprises and to unite local stakeholders to mobilise change. In doing so, they anchor the Global Compact within individual national, cultural and linguistic contexts. To realise the full potential of the Networks, a significant effort must be made to strangthen capacity, stable funding and ensure better governance.

THE IMPACT OF THE GLOBAL COMPACT

There are a multitude of events, trends and organisations that together are contributing to shape and mainstream sustainable business globally. The Global Compact has been one of these driving forces, and perhaps one of the most important ones. Through encouraging all companies – no matter the size, nationality or starting point - to take the first steps towards sustainability, it has made real headway inspreading the idea of principled, sustainable business based on a set of universal values across the globe.

The Global Compact has impacted corporate practices by drawing more companies into the network, and pushing into markets where corporate sustainability was not yet on the agenda. However, much more remains to be done to drive active engagement, and to bridge the gap between commitment and action.

The Global Compact has played an increasingly important role in shaping the drivers of business conduct, and it's efforts have a flow-on effect to the wider business community beyond its immediate participant base.

Finally, the Global Compact has had a significant impact on shifting the dominant worldview by driving a change in our perception of the purpose and responsibility of business, and by inspiring a new narrative around business as a force for good. The outcome: It is almost impossible for a global company today to avoid having sustainability on the agenda. But there is still a long way to go to achieve the scale of mindset change the world needs.

PART III

PATHWAYS

TO A SUSTAINABLE AND INCLUSIVE GLOBAL ECONOMY

Tremendous progress has been made over the last 15 years. But the world needs to move much further, much faster to have any hope of achieving the Global Compact's vision. Sustainable business practices must evolve rapidly. Continuing the change that has been started is not enough. It is time to accelerate and scale up.

In the final Part of the report, we explore 15 of the trends that will shape the global business landscape over the next 15 years. Subsequently, we outline three pathways of transformation:

OUR PATHWAYS TO TRANSFORMATION

1. Sustainability is the 'business of business'
2. Break down barriers, energise positive drivers
3. New thinking for a new reality

More companies across the world need to engage with the Global Compact, rethink their corporate purpose, and recalibrate their goals. For the Global Compact, a smart, targeted strategy to recruit high-impact companies in high risk regions should be a priority.

Public policy needs to gear up to enable more consistent sustainable practices and to deliver sustainability outcomes. And business must voice their readiness for better regulation. Too often contradictions exist where companies have progressive corporate sustainability programs, but lobby for outcomes which conflict with their own sustainability commitments.

Collaboration between business, regulators, investors, academia and civil society organisations will be essential as work towards a common vision. Now, with the UN expected to launch a ground-breaking set of global Sustainable Development Goals in 2015, business will have a newly relevant framework to guide their efforts towards society, and is expected to play an important role, working together with other stakeholders, in achieving these goals for our world.

To ensure that positive change in a complex environment can be duly encouraged, Global Compact participants will need to work wisely. They should prioritise efforts on critical sustainability issues and identify where the biggest regulatory gaps lie. The Global Compact Local Networks will be critical in driving this action on the ground, provided more effective and harmonised structures are built.

The ultimate goal is to inspire new ways of thinking and generate transformative action by incentivising and scaling the new business models, technologies and innovations that hold the potential to solve the challenges we face today, and radically transform society for the better. There must be a fundamental shift in the way we think about growth and prosperity. We expect to see more focus on sustainability as the next generation of business leaders comes to the fore. The new vanguard is not just concerned with profitable business: they want to leave a profitable and sustainable legacy.

The Global Compact must inspire the next generation of leaders to step up, just as the first signatories did 15 years ago. It is critical to bring on board those who have the power and influence to set the agenda, but this should be done together with the future leaders - giving them a seat at the table where important decisions are made. The only way to get transformative change is if enough people have the courage to step up, take a risk, show leadership and make a difference.

BREAKING IT DOWN: GROWTH AND INFLUENCE

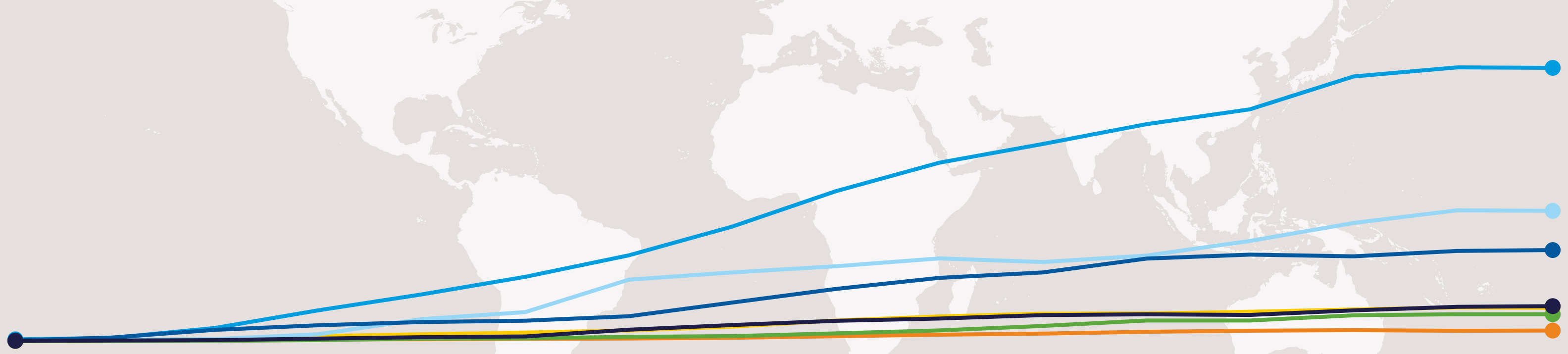
GETTING BIGGER

THE GROWTH OF THE UN GLOBAL COMPACT

01 GROWTH IN NUMBERS OF PARTICIPANTS 2000 – 2015

02 WHICH REGIONS HAVE THE MOST GLOBAL COMPACT BUSINESS SIGNATORIES?

	2000	2015
Africa	1	658
Asia	5	1904
Europe	32	5947
Latin America & the Caribbean	4	2772
MENA	0	477
North America	2	617
Oceania	0	115



Source: UN Global Compact Participant Database

GETTING BOLDER

HAS THE GLOBAL COMPACT MADE AN IMPACT?

03 HOW SIGNIFICANT HAS THE GLOBAL COMPACT BEEN IN SPREADING WORLDWIDE CORPORATE SUSTAINABILITY PRACTICES (BY YEAR OF JOINING THE GLOBAL COMPACT)?

	Company joins: 2000-2007	Company joins: 2008-2012	Company joins: 2013-2015
No impact	1%	1%	2%
Minimal	4%	7%	6%
Moderate	31%	37%	36%
Significant	49%	45%	40%
Essential	15%	10%	15%

Source: 2015 Global Compact Implementation survey

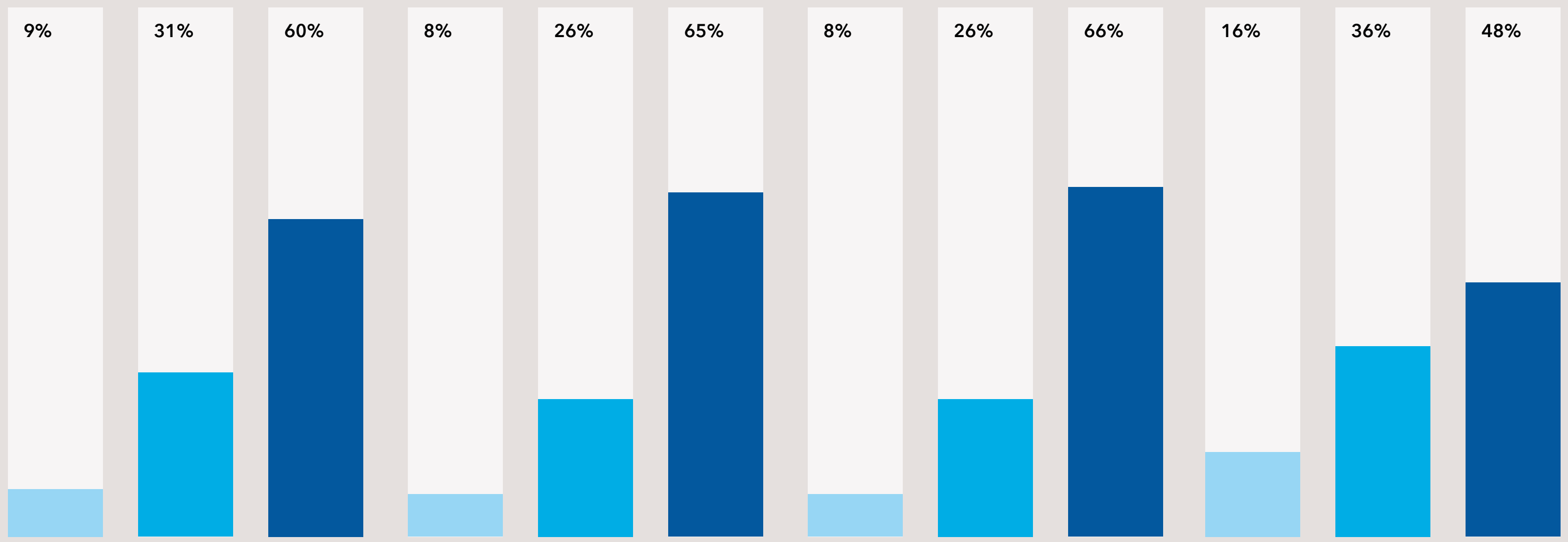
04 WHAT KIND OF INFLUENCE HAS THE GLOBAL COMPACT HAD ON YOUR WORK WITHIN THE FOUR PRINCIPLE AREAS? (BY YEAR OF JOINING THE GLOBAL COMPACT)

	Company joins: 2000-2007	Company joins: 2008-2012	Company joins: 2013-2015
No impact	3%	6%	9%
Minimal	16%	20%	19%
Moderate	40%	42%	37%
Significant	31%	24%	26%
Essential	9%	8%	8%

Source: 2015 Global Compact Implementation survey

05 TO WHAT EXTENT DO YOU AGREE WITH THE FOLLOWING STATEMENTS: THE GLOBAL COMPACT HAS PLAYED AN IMPORTANT ROLE IN…

- 'Agree' to 'Strongly agree'
- Neutral
- 'Strongly disagree' to 'disagree'



Motivating our company to advance broader UN goals and issues (e.g., poverty, health, education)

Guiding our corporate sustainability reporting

Driving our implementation of sustainability policies and practices

Shaping our company's vision

Source: 2015 Global Compact Implementation survey

THE VISION OF THE GLOBAL COMPACT

Since its launch, the Global Compact has worked towards the vision of a sustainable and inclusive global economy that delivers lasting benefits to people, communities and markets. To realise this vision, the Global Compact supports companies to:

1. Do business responsibly by aligning their strategies and operations with Ten Principles on human rights, labour, environment and anti-corruption; and

2. Take strategic actions to advance broader societal priorities, with an emphasis on collaboration and innovation.

INTRODUCTION

TOWARDS A SUSTAINABLE AND INCLUSIVE GLOBAL ECONOMY

In business, success depends on a variety of factors: an innovative idea, a brave entrepreneur willing to take risks, a good business model, capital to realise the idea, the right pool of people to build a strong organisation and a willingness to work with partners. With the right operating environment, a level playing field for competition, good incentives and a bit of luck, success should follow.

In the past decades, we have come to realise that prosperity – for a country as well as for a company – depends on more than accumulating wealth. We also need to nurture and protect the natural environment, to develop the right intellectual resources, to create a strong and motivated workforce and support stable societies.

Yet, the world remains on an unsustainable path. Despite tremendous progress in the past century, challenges are mounting. Rapidly deteriorating environmental conditions, widening income gaps, severe resource constraints, economic uncertainty, widespread social upheaval and conflict; a set of difficult, interconnected problems that threaten to seriously undermine our social stability and prosperity. Humanity is on a deeply troubling path.

But there is hope: in the midst of all this, we are seeing encouraging signs of change. Human ingenuity and capacity for creativity and innovation is astonishing. Unexpected new technologies pop up every day. Radical new approaches to doing business, such as the circular and sharing models, are flourishing. We also see new forms of collaboration – at the international, national and local levels, and across sectors – that continually bring new ideas to the table.

These are truly exciting times. If we can make the right decisions and work together, we can change the path we are on and make a leap towards a new sustainable, inclusive, prosperous future for all. We have the capital, the knowledge and the technology to create change – if we make the right choices, and if we make them now.

2015 is a critical year. In September, world leaders will meet to adopt new goals and targets for the sustainable development of the planet. In December, they will meet again aiming to reach a universal climate change agreement that will keep the world on a pathway to stay below 2 degrees Celsius – seeking carbon neutrality in the second half of this century. The next decades must be transformative, and business is a vital part of this transformation.

CORPORATE SUSTAINABILITY
is understood as a company's delivery of long-term value in financial, environmental, social and ethical terms.

FROM AN INSPIRATIONAL SPEECH TO THE WORLD'S LARGEST CORPORATE SUSTAINABILITY INITIATIVE:

THE UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact was launched at the UN Headquarters in 2000. It was the result of a speech by then UN Secretary-General Kofi Annan at the World Economic Forum in 1999, proposing that business and the UN jointly initiate a "global compact of shared values and principles, which will give a human face to the global market". The speech resonated with global business leaders in the audience, who were experiencing a crisis of legitimacy and pressure from all fronts to spread the benefits of globalisation. And thus from one phrase, a global movement was born.

What began as a small initiative, comprised of just 44 companies, is today the world's largest initiative to advance corporate sustainability – calling on business everywhere to deliver long-term value in financial, social, environmental and ethical terms. Over 8,000 companies and 4,000 non-business organisations in 170 countries are signatories.

THE VISION OF THE GLOBAL COMPACT

Leveraging the unparalleled convening power and moral authority of the United Nations, the Global Compact helps companies to meet their sustainability commitment by providing a principle-based framework, guidance and best practices, action platforms and networking events, as well as fostering collaboration among participants.

By encouraging companies to operate responsibly and take actions that support society, the initiative works to ensure that business activity adds value not just to the bottom-line, but also to people, communities and the planet. The goal is to make sure that the benefits we reap today do not come at the expense of the environment and to safeguard the well-being and prosperity of future generations.

In the next section of this report, we will introduce the Global Compact in greater detail.

THIS REPORT

This report, launched on the occasion of the 15th anniversary of the Global Compact, we explore the changes we have since sing the launch of the Global Compact in the year 2000, and the role that it has played in catalysing change.

The objectives of the report are three-fold:

1. To describe the main drivers, events and milestones that have shaped the emergence of the modern corporate sustainability movement (Part I).
2. To examine the changes that we have seen towards the vision of the Global Compact, and the role that the Global Compact has played in catalysing this change (Part II).
3. To look into the future and sketch out pathways for transformation towards the vision of a more sustainable and inclusive global economy in the next 15 years (Part III).

The report consists of three main parts.

PART I: THE HISTORICAL CONTEXT

In the first part of the report, we outline some of the main political, economic, social, environmental and cultural drivers, events and trends that have shaped the emergence and mainstreaming of corporate sustainability globally. This section provides the historical context behind the birth of the Global Compact.

PART II: ASSESSING CHANGE 2000-2015 AND THE ROLE OF THE UN GLOBAL COMPACT

In the second part of the report, we establish a baseline for the analysis by looking back and describing what the world looked like in the year 2000. To what extent were companies focused on what we now understand to be sustainability issues? What did the regulatory picture look like? Were financial markets concerned with non-financial risk? And what were our attitudes towards these issues?

Subsequently we present 16 findings related to changes across three dimensions: corporate practices, corporate operating environment and dominant worldviews. For each finding, we describe the broad changes we have seen in this area in the past 15 years, before we outline the role that the Global Compact has played in driving this change. Throughout, we present 'Spotlights' on different activities of the Global Compact ranging from issue engagement focusing on pressing societal issues, such as peace, climate, water and gender equality, to how the Global Compact works at the local level.

This part concludes by reflecting on the overall impact that the Global Compact has had in the past 15 years.

PART III: PATHWAYS OF TRANSFORMATION

In the final section of the report, we look 15 years into the future and ask what the Global Compact should to do to strengthen impact towards its vision. We argue that the vision – a sustainable and inclusive economy – is radical, and to achieve it, radical transformation is needed.

We start by pointing out 15 trends that will shape the business landscape in the next 15 years. This provides the context for our recommendations: What are the pathways and enablers that can deliver more transformational change towards the vision in the next 15 years?

OUR APPROACH

THE ASSESSMENT FRAMEWORK

This project sets out to assess whether the Global Compact has catalysed change towards its vision of a sustainable and inclusive global economy. As the global economy is a large and complex system comprising a myriad of actors, institutions, rules and mindsets, it is assumed systemic change is needed in order to achieve the vision. To guide the assessment, we use a three-dimensional framework for assessing how transformation can be catalysed in complex systems. The three levels have been selected not only because they make up important dimensions of the global economy; they also correspond to the purpose and activities of the Global Compact.

LEVEL 1: CORPORATE PRACTICES

We explore how corporate practices have changed in the past 15 years, and to what extent companies are today implementing the Global Compact's Ten Principles in their strategies, policies and practices.

LEVEL 2: CORPORATE OPERATING ENVIRONMENT

We look at changes in the external operating environment that influence corporate conduct. In particular, the report focuses on key drivers such as regulation, finance and education, as well as important organisations such as the United Nations.

LEVEL 3: DOMINANT WORLDVIEW

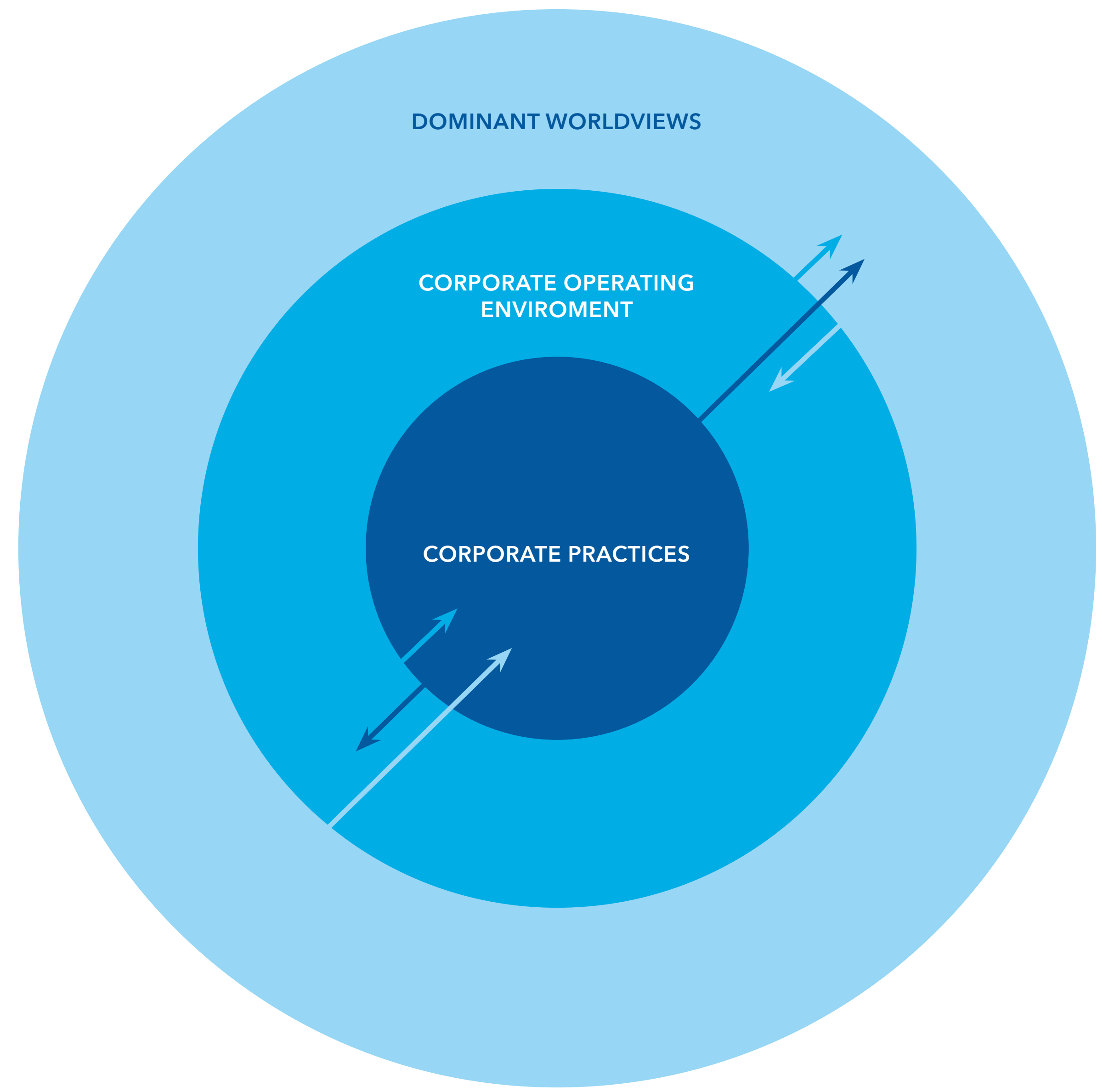
We observe changes in the dominant worldview, including attitudes, values and beliefs, which shape our understanding of business and the economy.

THANK YOU TO ALL CONTRIBUTORS

This project has relied on the collaboration and support of hundreds of people around the world, and we would like to thank everyone who has contributed valuable insights and reflections. See list of acknowledgements in the back of this report.

CATALYSING SYSTEM CHANGE

06 **Three levels of transformation framework**



The framework is developed by DNV GL, inspired by among others Karen O'Brien's "Three Spheres of Transformation" framework (2013) and Donella Meadows work on leverage points to catalyse systems change (1999).

THE ROLE OF THE UN GLOBAL COMPACT AND DNV GL

This report is a result of close collaboration between the United Nations Global Compact and DNV GL Group. Together, we have developed the scope and approach for the assessment. We have also jointly developed Part I: The historical context.

DNV GL has been responsible for conducting the assessment. The findings presented in Part II: The assessment of change between 2000 – 2015 represent the impartial and independent views of DNV GL based on the information we have collected.

The recommendations for the future in Part III have been developed by DNV GL but informed by discussion with the Global Compact office.

"Change does not happen by itself. It must be pursued with vigour, and by all of society. The sustainable journey that we need to take is in everybody's best interest. Nobody benefits from catastrophic climate change or rampant unemployment and the social unrest that comes with it. Prosperous, stable societies and a healthy planet are the bedrock of political stability, economic growth and flourishing new markets. Everyone has a role to play.

The UN Global Compact has brought business to the table as a key partner. We have seen that responsible business practices combined with innovation and collaboration can bring about powerful change. Now, we need more companies around the world to commit to sustainability, and take shared responsibility for achieving a better world."

H.E. Ban Ki-moon

Secretary-General
United Nations

UN PHOTO / ESKINDER DEBEBE

The United Nations Global Compact is a call to business 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. By doing so, business can help ensure that markets advance in ways that benefit all people and the planet.

THE UN GLOBAL COMPACT – A CALL TO BUSINESS

Launched in 2000, the Global Compact today includes more than 8,000 business participants from all parts of the world, working to advance corporate sustainability and environmental, social and governance (ESG) issues. Participants represent nearly every industry sector and size, and hail equally from developed and developing countries. With over 85 country networks convening companies to act on sustainability issues at the ground level, the Global Compact is truly global and local.

To be sustainable, the Global Compact asks companies to do five things:

- Operate responsibly in line with ten universal principles (see opposite page)
- Take strategic actions that support the society around them
- Commit at the highest level of the organisation
- Report annually on their efforts
- Engage locally where they have a presence

The Global Compact places emphasis on the importance of transparency, and asks companies to report annually on their commitment to advance sustainability. To uphold the integrity of the initiative, the Global Compact does remove companies that do not report.

In addition, the Global Compact has over 4,000 non-business signatories, primarily from civil society, labour, business associations, and academia. They play an important role in contributing to learning and guidance material, participating in dialogue on critical issues, and engaging in on-the-ground partnerships. Importantly, they also help to hold companies accountable to their commitments.

The Global Compact also engages with the drivers of sustainability, including investors, educators, consumers and policymakers. As part of the United Nations, the Global Compact also brings the voice of responsible business to major UN summits and negotiations, and facilitates collaboration between the UN and the private sector.

GLOBAL ENGAGEMENT OPPORTUNITIES

The Global Compact helps companies meet their commitments to operate responsibly and support society, whether they are beginning on their sustainability journey or recognised pace-setters.

The initiative undertakes a range of activities at the international and local levels – from raising awareness and developing resources and best practices (see page 77 for overview of top 50), to facilitating partnerships and developing action initiatives on critical issues like climate, water and women's empowerment (see Spotlight sections throughout this report).

Global Compact Local Networks advance corporate sustainability at the grassroots level by helping companies understand what responsible business means within their national context. Organised and run locally, networks are led by business, but always bring key stakeholders to the table. Through the 88 networks, both local firms and subsidiaries of foreign corporations can make local connections and receive guidance to put their sustainability commitments into action.

Finally, Global Compact sister initiatives - most notably the Principles for Responsible Investment, the Principles for Responsible Management Education, the Sustainable Stock Exchanges initiative and Cities Programme - have been developed to mobilise key stakeholder groups that have a critical role in the future of corporate sustainability. The Global Compact works with investors, academia and cities in a number of ways, ranging from taking part in global policy discussions to contributing tools and guidance for their day-to-day operations.

See Global Compact in a Nutshell the next page.

UN PHOTO / JC MCILWAINE

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.

THE SUSTAINABLE DEVELOPMENT GOALS: GLOBAL ACTION FOR PEOPLE AND PLANET

The United Nations is expected to launch a groundbreaking set of global Sustainable Development Goals (SDGs) in 2015, giving business a newly-relevant framework to guide their strategic priorities and efforts towards society. This represents a huge opportunity to drive sustainable business. The new framework builds on the Millennium Development Goals, broadening the scope to include a range of economic and environmental objectives alongside traditional development objectives such as health and education. The SDGs also set out goals towards a more peaceful, better-governed and more inclusive society. The Global Compact's work covers most areas expected to be addressed by the SDGs, and Global Compact Local Networks will play a key role in facilitating action and partnerships on the ground to implement the SDGs.

UNITED NATIONS GLOBAL COMPACT – IN A NUTSHELL

Translating UN objectives into business principles and action platforms

Three main UN objectives
§ Promote Sustainable Development
§ Protect Human Rights
§ Maintain International Peace and Security

UN Global Compact Principle
Action platform

Social

LABOUR
GLOBAL COMPACT PRINCIPLE 4
Businesses should uphold the elimination of all forms of forced and compulsory labour.

LABOUR
GLOBAL COMPACT PRINCIPLE 5
Businesses should uphold the effective abolition of child labour.

LABOUR
GLOBAL COMPACT PRINCIPLE 6
Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Women's Empowerment Principles

Child Labour Platform

LABOUR
GLOBAL COMPACT PRINCIPLE 3
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

HUMAN RIGHTS
GLOBAL COMPACT PRINCIPLE 2
Businesses should make sure that they are not complicit in human rights abuses.

Children's Rights and Business Principles

HUMAN RIGHTS
GLOBAL COMPACT PRINCIPLE 1
Businesses should support and respect the protection of internationally proclaimed human rights.

Governance

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

Collective Action Against Corruption Platform

Business for Peace

Business for Rule of Law

Environmental

ENVIRONMENT
GLOBAL COMPACT PRINCIPLE 7
Businesses should support a precautionary approach to environmental challenges.

CEO Water Mandate

Food & Agriculture Business Principles

ENVIRONMENT
GLOBAL COMPACT PRINCIPLE 8
Businesses should undertake undertake initiatives to promote greater environmental responsibility.

Caring for Climate

ENVIRONMENT
GLOBAL COMPACT PRINCIPLE 9
Businesses should encourage the development and diffusion of environmentally friendly technologies.

When business takes action in the environmental, social and governance realms, it helps to advance broader UN goals. The Global Compact's universal principles in the areas of human rights, labour, the environment and anti-corruption are derived from UN conventions and have inspired the creation of issue-specific action platforms.

1 SETTING THE SCENE

THE HISTORY OF THE MODERN CORPORATE SUSTAINABILITY MOVEMENT

THE SHIFT TOWARDS CORPORATE SUSTAINABILITY

In today's business landscape, corporate sustainability is becoming mainstream. As much as it feels like the new normal among an increasingly larger population of global business, it is easy to forget the seismic shift that has taken place in business since the turn of the century.

The story of how corporate sustainability emerged to shape the business agenda has been told many times. But to better understand why we are where we are today, we offer here a snapshot of the last 15 years – a story of the rise of the modern corporate sustainability movement within which the United Nations Global Compact was born.

The drivers that have influenced the evolving relationship between business and society are many, but can largely be grouped in two broad categories. First, major events such as the financial crisis or catastrophic industrial accidents, which are hard to predict but have a substantial and sometimes disruptive impact on the environment in which business operates. Second, longer-term global trends, such as population growth and climate change. These progress more gradually, but are no less influential in shaping the world we live in.

Against this backdrop, a wide range of organisations and initiatives were launched all over the world at the end of the last millennium, not only playing a part in moving the sustainability agenda forward but also helping to craft a more collaborative atmosphere between business and civil society.

Established in 2000, the Global Compact epitomised this new approach, and has come to represent a new paradigm in collaboration between the United Nations and business – playing a fundamental role in the tidal wave of change we have seen in the past decade.

HISTORICAL TIMELINE

THE EMERGENCE OF THE MODERN CORPORATE SUSTAINABILITY MOVEMENT

HISTORICAL TIMELINE

THE EMERGENCE OF THE MODERN CORPORATE SUSTAINABILITY MOVEMENT

UN HISTORY | CONCEPTS & THINKING | ESG EVENTS & TRENDS | CORPORATE SCANDALS | SOCIOPOLITICAL & ECONOMIC EVENTS | TECH DEVELOPMENT

"Working for social justice is our assessment of the past and our mandate for the future."

JUAN SOMAVIA, DIRECTOR-GENERAL, ILO

1919 – 1970

1919 The League of Nations is established to avoid the devastation from the first world war

1927 World population reaches 2 billion

1919 The International Labour Organization (ILO) is created to pursue a vision based on the premise that universal, lasting peace can be established only if it is based on social justice

1946 The United Nations is formed to prevent atrocities of World War II from ever being repeated

1948 The Universal Declaration of Human Rights is approved in the UN Generally Assembly

1960 World population reaches 3 billion

1970 The first Earth Day is organised

"If you put the federal government in charge of the Sahara Desert, in 5 years there'd be a shortage of sand."

MILTON FRIEDMAN

1970 Milton Friedman puts forth his view of business and society: "There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits."

1970 – 1990

1972 The United Nations Environment Programme is created

1972 "Limits to Growth" is published, claiming that 'limitless growth on limited planet is impossible'.

1972 OECD defines the 'Polluter Pay Principle' whereby "the polluter should bear the expenses of carrying out the measures decided by public authorities to ensure that the environment is in an acceptable state"

1974 World population reaches 4 billion

1976 The Organisation for Economic Development (OECD) adopts the first guidelines for multinational corporations

1977 The US passes the stringent Foreign Corrupt Practices Act because of the recognition of the growing problem of bribery and corruption

1977 A consumer boycott against Nestle over marketing infant formula over breast-feeding emerging economies

1983 Because of drought, the worst famine in human history occurs in Ethiopia - and emerges as top 1 deadliest natural disaster of the 20th Century with up to 1 million deaths

1984 The term "stakeholder", defined as "any group or individual who can affect or be affected by the achievement of an organisation's objectives" is coined

1984 The Bhopal disaster in India - considered the world's worst industrial disaster - kills thousands and exposes hundreds of thousands of people to dangerous chemicals

1986 The Chernobyl disaster - the worst nuclear power plant accident in history - releases large quantities of radioactive particles in the atmosphere and causes major human and economic costs

1987 World population reaches 5 billion

1987 The World Commission on Environment and Development (the Brundtland Commission) issues the report "Our Common Future" with the most commonly accepted definition of sustainability as: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

1988 The Intergovernmental Panel on Climate Change (IPCC) is formed to collate and assess scientific evidence for climate change.

1989 Exxon Valdez oil spill causes major environmental and human devestation in Alaska

"We just hadn't been ready for a spill"

JOHN DEVENS, MAYOR OF VALDEZ

1990 – 1995

1990s A decade of optimism, liberalism and openness. Blair, Clinton and Lula mark the global political landscape. Business led-global integration (trade and globalization).

1991 Sweatshop scandals with low-wages and poor working conditions emerge in Asia (particularly NIKE "Just don't do it")

1992 The World Business Council for Sustainable Development is established

1992 "The Rio Earth Summit" calls for commitment to the effort to "protect the integrity of the global environmental and developmental system, recognising the integral and interdependent nature of Earth, our home."

1993 Transparency International is founded

1993 Human rights activist Ken Saro-Wiwa is killed in Nigeria following protests over new Shell pipeline. Shell later agrees to pay $15.5 Mn in settlement.

"You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."

R. BUCKMINSTER FULLER

1994 The term "tripple bottom line" was coined by John Elkington.

1995 – 2000

1995 First smart-phone is launched by AT&T

1995 Brent Spar became an issue of public concern when the British government announced its support for Shell's application for disposal in deep Atlantic waters. Greenpeach launches a high-profile global media campaign.

1997 The Kyoto Protocol sets binding targets to greenhouse gas emissions for member states

1999 World population reaches 6 billion

1999 Riots erupt in Seattle as the World Trade Organization (WTO) meets, protesting the negative effects of globalization on the poor. Backlash against globalization is a fact.

1999 Globalisation is at its height, and Foreign Direct Investment (FDI) over 1.000.000 MN USD.

1999 Former Secretary-General Kofi Annan makes a call to the world business community at the World Economic Forum in Davos in January: "I propose that you, the business leaders gathered in Davos, and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market."

2000 – 2005

2000 First Guidelines on the Cooperation between the United Nations and the Business Community is issued.

2000 The Millennium Development Goals (MDGs) are adopted

2000 The United Nations Global Compact was launched by Kofi Annan on 26 June at the UN General-Assembly, in front of 44 business CEOs and 20 heads of civil society organisations.

2001 Corporate fraud and corruption reaches its height with the Enron scandal, resulting in billions of USD in shareholder value lost and jail time for several of its executives.

2001 The global number of internet users reaches 500 million, and the internet is starting to have a major impact on global culture and commerce.

2001 Emerging economies are rising, and the term "BRIC" is coined for the new economic powers Brazil, Russia, India and China - signalling a shift in economic power to the South and East

2001 China joins the World Trade Organisation

2001 The 9/11 terrorist attack on New York and the USA shocks the world, and a clash of civilisation thinking is beginning to emerges.

2002 The World Summit on Sustainable Development takes place in Johannesburg, and

2002 The Global Reporring Initiative (GRI) and the Extractive Industry Transparency Initiative (EITI) are launched

2003 The social media revolution kicks off, and major social media platforms like LinkedIn, Facebook (2004), YouTube (2005) and Twitter (2006) are launched - incresing transparency and transferring power to the people.

2003 Allied invasion of Iraq

2004 The United Nations Covention Against Corruption is adopted.

2005 – 2007

2005 The UN-backed Principles for Responsible Investment (PRI) is launched

2005 The UN "Oil-for-food" crisis erupts

"This recovery will take a long time. This recovery will take years."

GEORGE W. BUSH FORMER PRESIDENT OF THE UNITED STATES

2005 Hurricane Katrina hits the coastline of the US and becomes the most expensive natural disaster in human history, costing 147 billion USD.

2006 The Stern Review concludes that climate change damage global GDP by up to 20% if left unchecked, and climate change emerges firmly on the global business agenda.

2006 Fresh water scarcity emerges as one of the worlds most pressing problems.

2006 Nobel peace prize goes to Grameen Bank and Muhammad Yunus - the first time the price goes to a bank

2007 The Principles for Responsible Management Education (PRiME) are launched

2007 – 2011

2007 The global food crisis with dramatic increases in prices pushing millions of people back into extreme poverty.

2007 Ban Ki-moon takes over as Secretary-General of the United Nations and takes steps to support business in the work of the UN

2007 The global financial crisis erupts - considered by many economists as the greatest since the Great Depression in the 1930s leading to a global recession lasting several years and impacting national economies.

2008 Rapid urbanisation means that for the first time in human history more than 50% of the population lives in urban areas

2008 Youth unemployment rises rapidly in many advanced nations following the financial crisis, resulting in widespread social upheaval

2009 COP 15 in Copenhagen fails and causes massive loss of faith in multilateralism and ability of governments to govern

2009 Inequality rises to the top of the agenda

2009 Emergence of cleantech stimulus packages to stimulate the economy following the financial crisis while at the same time deal with decarbonisation

2010 BP Deepwater Horizon oil spill in the gulf of Mexico

2011 The human population reaches 7 billion

2011 Arab Spring popular revolts illustrates the power of social media – and how power is increasingly in the hands of the people

2011 The UK Bribery Act , an extraterritorial anti-bribery law comes into force, going beyond the FCPA and prohibiting facilitation payments

2011 – 2015

2011 Extremism and radicalism is on the rise, and ISIS gains grounds in Syria and Boko Haram in Nigeria

2011 UN Guiding Principles on Human Rights endorsed

2011 "Occupy Wall Street" movement erupts protesting corporate greed, continuing high unemployment and the growing gaps between the haves and have-nots

2012 "Rio + 20" conference calls for ensuring the promotion of an economically, socially and environmentally sustainable future for our planet and for present and future generations

2012 Big data technology allows processing of large volumes of data

2013 Number of 3G/4G subscriptions reaches 1.6 billion

2013 Whistleblower Edward Snowden leaks classified information from the NSA – revealing numerous global surveillance programs and causing massive controversy

2014 Oil prices are starting to fall dramatically from over 100 to below 50 USD per barrel in only a few months

2014 The European Union issues a new directive on non-financial reporting, requiring all concerned companies to report on policies, risks and outcomes related to ESG matters.

2015 Big corruption scandals in major countries

2015 The Sustainable Development Goals (SDGs) are adopted

2015 COP 21 takes place in Paris - the world hopes for a new strong climate agreement

FROM OPTIMISM TO FRAGMENTATION

BACKLASH: ANTI-GLOBALISATION AND 'THE BATTLE IN SEATTLE'

The story of the modern corporate sustainability movement begins in the late 1990s. The end of the Cold War and a new generation of political leaders including Clinton, Blair, Lula and Chirac had established a sense of optimism and opportunity in the global political and economic landscape. Business was going global, international trade and investment skyrocketed, and the widely held belief was that economies all over the world would prosper as a result.

However, the optimism was soon tempered by a growing unease at the social and environmental cost of globalisation. There was a sense that as world trade expanded and prosperity grew, so did the opportunity for exploitation of human and natural resources.

A range of high-profile disasters in the 1980s and early 1990s, such as Chernobyl, Bhopal and Exxon Valdez, placed environmental and social problems firmly on the public agenda worldwide and caused a growing erosion of trust in business.

With increasing concerns over environmental pollution, human rights abuses, corruption and exploitation of people in 'sweatshop' factories in less developed markets, commentators were beginning to ask, "Is globalisation out of control?"

Trade unions, environmental and human rights groups began rallying against global corporations and organisations governing markets like the World Trade Organisation (WTO). Despite the growth and success of globalisation, social, environmental and ethical issues were being neglected. A tipping point was reached with the protests at the WTO conference in 1999, dubbed 'the Battle in Seattle' (see box).

TURNING POINT: 9/11 AND THE WAR ON TERROR CHANGES THE MOOD

On 11 September 2001, the terrorist attack on the Twin Towers of the World Trade Centre in New York changed the geo-political landscape in an instant. Confidence in the vision of global openness and cooperation, and the optimism which had characterised the 1990s, crumbled. Political support and belief in multilateralism started to deteriorate.

After the 9/11 attacks, and the 2003 invasion of Iraq, a new language of division emerged, symbolised by expressions such as 'axis of evil' and 'clash of civilisations'. A growing view was that the world was entering into a new period of polarisation and conflict, this time, not only based on political ideologies and economic competition as in previous decades, but on culture and religion.

GLOBAL FINANCIAL CRISIS: DISTRUST IN THE ECONOMIC SYSTEM

The global financial crisis that swept across the globe from 2007 highlighted excessive risk-taking within an inadequate regulatory framework and destroyed the fragile reputation of the financial sector. It also revealed the precarious state of the global economic system. Macroeconomic imbalances, fiscal crises in developed economies, weak financial markets, and massive unfunded social liabilities were all in the spotlight.

Initially causing only a handful of high-profile casualties, the immediate aftermath of the crisis was characterised by corporate bailouts and huge economic stimulus packages. The longer-term fallout however, saw economic stagnation, pushing millions of particularly young people into unemployment, and a wide range of public austerity measures being introduced to tackle sovereign debt crises. There was, and still is, a widely held perception that the main culprits of the crisis were not being punished, while ordinary people suffered.

Yet, as the crisis grew, 'greed remained good' on Wall Street - there was very little sense of the need for ethical integrity in the financial sector, and as a result public trust reached an all-time low. Although short-termism within the financial model has been challenged, and the repercussions from the crisis can still be felt, the question of whether real change has taken place calls for future discussion.

'WTO PROTESTS 10' BY STEVE KAISER

FRAGMENTED WORLD: SHIFTING ECONOMIC POWER

In the brave new world after the Cold War, economic and political power shifted from an East-West axis to a more complex, multi-polar order. Starting with the rise of the BRICS, followed by other frontier markets like Nigeria, Indonesia, Mexico and Turkey, shows that economic power and influence are diffusing and increasingly migrating to the South and the East. This is perhaps most notably illustrated by China's rise to superpower status, joining the WTO in 2001.

> *"During the cold war, very few people had power but you knew who was in charge. Today, many have power but you do not know who is in charge."*
>
> THOMAS FRIEDMAN

The failure to reach an international deal at the Copenhagen climate negotiations in 2009 was another turning point causing a massive loss of faith in the ability of governments to address global issues. Today, fragmentation remains a dominant theme, undermining a multilateral approach to solving world problems.

In the face of economic recession and competition from emerging economies, power has diffused and is now nowhere and everywhere. The pendulum in many countries has swung back towards an unnegotiable prioritisation of national aspirations over global challenges and opportunities. Allied with this is a rising support for old political ideologies. More inward-looking, extreme right and left wing views have gained traction tilting towards extremist, nationalist or xenophobic political narrative.

Within countries, a vertical fragmentation has been happening. Power is shifting away from traditional actors, to a more diffused system. A growing, empowered middle-class with access to new sources of information, is questioning the legitimacy of traditional institutions of power, and demanding more accountability and transparency, and trust in government is eroding.

At the same time, the world has also witnessed an alarming acceleration in religious radicalisation and extremism, as terrorist organisations like ISIS, Boko Haram and Al Shabaab attract large numbers of alienated, frustrated and unemployed youth, fuelling terror and conflict across the globe.

Fragmentation is also happening in civil society, and the ideal of 'the global citizen' is being replaced with a new search for identity that is more rooted in nationality, religion, cultural, ethnic or other affinities. The byword is starting to shift from "think global, act local", to "think local, act local".

THE BATTLE IN SEATTLE

In November 1999, massive anti-globalisation and anti-capitalist protests erupted in Seattle. The target was the World Trade Organisation conference where a new round of trade negotiations was taking place. With an estimated 40,000 people on the streets, a demonstration of this scale against any organisation involved with economic globalisation was unprecedented. The protestors wanted to raise awareness of labour issues, environmental and consumer protection concerns, and the negative effects of globalisation on poor and 'third world' countries. Despite being marred by rioting and violence, the battle in Seattle marked a milestone in the rise of the backlash against globalisation and its visibility to a global audience for the first time.

BUSINESS NO LONGER AS USUAL

Global awareness and understanding of some of the complex challenges facing the world has risen vastly since the year 2000.

At the heart of this is the recognition that the remarkable progress and development seen in the past century have come at environmental and social costs, and that human activity is now threatening the future of the planet.

The setting is, however, not all futile. Along with the challenges come new innovations, technological solutions and opportunities to accelerate a sustainable and inclusive economy.

CLIMATE SCIENCE TOPS THE AGENDA

In the 25 years since the Intergovernmental Panel on Climate Change (IPCC) was established, climate science has communicated a clear message. Climate change is real and human activity is the dominant cause of the global warming observed in the last 50 years. This reality and the social and economic consequences and costs have driven it to the top of the international agenda.

A series of significant natural disasters through the 2000s placed climate change firmly on the public agenda. The occurrence and intensity of extreme weather, from storms and floods to heat waves and drought, has made the threat of climate change more real.

The serious impact of climate change has not been lost on business. While many companies are taking initiatives to reduce their emissions, even moving beyond regulatory requirements, leading companies have also started considering climate impacts on their own operations, products and supply chains.

DWINDLING NATURAL RESOURCES

The pressure on natural resources is unprecedented, from freshwater, land and food production, and from forests to oceans. Rapid and unsustainable rates of resource use and depletion of air, water and soil have focused attention on how economic development and a growing global population can be supported in future.

The economic and social impact of diminishing resources has the potential for huge disruption.

WEALTH CONCENTRATION AND WIDENING INCOME GAPS

Since the launch of the Millennium Development Goals in 2000 the world has seen a tremendous progress in human development. Although emerging economies will help to reduce income differences, the OECD predicts that by 2060 living standards in these economies will still be only 25-60 per cent of those enjoyed in the US.

Inequality within countries is also a major concern. Millions have been lifted out of desperate poverty. But, income distribution has not followed suit. In 2014, the World Economic Forum ranked income disparity as the second greatest risk facing the world, threatening economic and political systems, social stability and security on a global scale.

GOVERNANCE FAILURES

In the first decade of the 21st century a range of high profile corporate scandals including Enron, WorldCom and Parmalat, opened the world's eyes to greed, corruption and business fraud. Record fines have been paid in recent years by financial institutions for criminal behaviour. According to the Financial Times, the total amount of fines and settlements paid by some of the worlds biggest banks, Bank of America, UBS, RBS, JP Morgan, Citigroup, Barclays and Deutche Bank, reached a total of 56,7 billion USD in 2014[1]. With trust in business at an all-time low, this reckless behaviour destroys trust in markets, angers people on the streets, and erodes trust in governments.

Corruption is a way of life in many countries, and the detrimental effects are considerable. According to the World Bank corruption is the greatest obstacle to economic and social development. Besides the huge developmental and economic costs (estimated at around 1 trillion USD globally[2]), corruption erodes governance structures and trust, and provides fertile ground for social upheaval and extremism.

Concerted action to tackle corruption has been a feature of the last decade, with the UN Convention Against Corruption becoming effective in 2005 and national legislation around the world getting stricter. Despite these efforts, Transparency International reports that over 70 countries today suffer from systemic corruption, and that levels of corruption around the world are expected to worsen.


UN PHOTO / ERIC KANALSTEIN

Whereas corruption is now prohibited by law in most countries around the world, there are related grey zones such as tax evasion which are costing governments billions of dollars in lost revenue. One-sixth of multinational companies are currently headquartered in tax havens. Although only a moral issue as of yet, more governments are stepping up efforts to crack down on corporate tax avoidance.

TECHNOLOGY: MORE RADICAL THAN WE CAN IMAGINE

In the face of these significant challenges, technological change has radically transformed our world in the past 15 years, from developments in ICT, nano- and bio-technology to revolutions in energy and engineering. In every aspect of life, technology has made a difference for those who have access to it can afford it.

Technology has also changed how societies interact. The creation of social media platforms around 2004 has connected and mobilised people around the world, driving transparency and even contributing to political change, exemplified by the events of the Arab Spring.

With huge disruptive potential, communication technology has big implications for business. The rise of the 'social web' characterised by user-generated content, citizen journalism, and peer-to-peer advocacy, means transparency and authenticity are more important than ever. Information is freely available and in the digital landscape new trends develop at a lightning pace.

The fact is that technological solutions already exist to tackle many of the world's sustainability challenges. However, at present, innovations are not commercialised, scaled and distributed at a quick enough rate. Technological innovation can also raise challenging ethical dimensions, such as the consequences of genetic manipulation, stem cell research and the potentially unforeseen impacts of nanotechnology. The view that technology can solve all of the world's problems is not shared by all.

Environmental and social stress in many forms:

- Species loss, ecosystem degradation, deforestation
- Water scarcity, ocean acidification, fisheries depletion
- Air pollution, build-up of atmospheric carbon
- Obesity in developed nations, chronic hunger in the developing world
- Diminishing natural resources, increasing waste and pollution
- Wealth concentration and widening inequality
- Rising debt and economic uncertainty

Counting the cost

The increase in weather-related disasters comes at a high human and economic cost. The World Meteorological Organisation estimates that between 1970 and 2012 catastrophic weather events have killed as many as 1.94 million people and cost US$2.4 trillion in losses.

The food crisis

As early as 1983 the devastating famine in Ethiopia brought the inefficiency and inequality of the global food system to the world's attention. In 2007, world food prices soared creating a major food crisis that, according to the World Bank, drove an additional 44 million people into poverty. Today around 12% of the global population – some 868 million people – remain chronically hungry.

The escalating water crisis

The escalating water crisis has only been a focus of attention for little more than a decade. Demand for water has quadrupled since the 1950s and is continuing to increase, driven mainly by industry and agriculture. Today, 36 per cent of the world population live in water scarce regions. This is expected to rise to 52 per cent by 2050. In 2015, the water crises topped the World Economic Forum list of global risks threatening society.

All animals are not equal…

- Almost 50 per cent of the world's wealth is owned by just 1 per cent of the population
- The wealth of the top 1 per cent amounts to US$110 trillion, 65 times the total wealth of the bottom half of the world's population
- Seven out of ten people live in countries where economic inequality has increased in the past 30 years

THE WINDS OF CHANGE

In the space of a generation, the largely technology-driven transformation of global markets has transformed the climate in which business operates. In addition, regulatory changes and stakeholder expectations and greater public scrutiny have demanded that business act on emerging issues and deliver higher levels of business integrity, conduct and transparency.

When the United Nations proposed a “global compact” with business in 2000, it resonated with corporate leaders concerned about the situation they were in and the world around them.

THE EMERGENCE OF VOLUNTARY INITIATIVES

In response to the anti-globalisation movement and lack of global governance for environmental and social issues, a number of voluntary corporate initiatives emerged during the 1990s. Many of these have been instrumental in shaping what has emerged as corporate sustainability globally. Below, we highlight a selection of initiatives and organisations noted as important contributors to the global agenda:

BUSINESS FOR SOCIAL RESPONSIBILITY (1992)

BSR is a primarily US-based organisation that works with companies to integrate social and environmental considerations into their core business. It has expanded into a global organisation working across sectors on cross-cutting issues such as energy, women’s empowerment, climate change and water.

TRANSPARENCY INTERNATIONAL (1993)

In the early 1990s, corruption as a topic was not widely discussed. Companies could still write off bribes as business expenses in their tax filings. There was no global convention on corruption, and little in place to gauge corruption globally. Transparency International was established to fight corruption, by monitoring and publishing information about corruption and bribery in the public and private sectors. Their first major milestone was the publishing of the Corruption Perception Index in 1995 and the Corruption Barometer in 2003.

THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (1995)

Originating from the Rio Earth Summit in 1992, the WBCSD was set up to provide a platform for business to share knowledge and best practices, and to advocate business positions on sustainability issues. Its global network today comprises around 200 companies working on issues like energy and climate, ecosystems and the role of business in society.

THE GLOBAL REPORTING INITIATIVE (2002)

Originally formed by the the US based non-profit Ceres (formerly the Coalition for Environmentally Responsible Economies) and the Tellus Institute, the GRI issued its first exposure draft guidelines for sustainability reporting in 1999. The GRI’s mission is to make sustainability reporting standard practice by providing guidance and support to organisations. The GRI guidelines have developed into the de facto global standard for non-financial reporting. By 2015, 7,500 organisations were using the GRI guidelines to create their sustainability reports.

THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (2003)

EITI emerged from the ‘Publish What You Pay’ campaign in 1999 which encouraged companies to report on their payments to governments in developing countries. Set up as a tool to counter the ‘resource curse’ where revenues from oil, gas and mining do not deliver development but contribute to poverty, corruption and conflict. EITI consists of 12 principles for increased transparency on payments and revenues in the extractive industries.

THE PRINCIPLES FOR RESPONSIBLE INVESTMENT (2006)

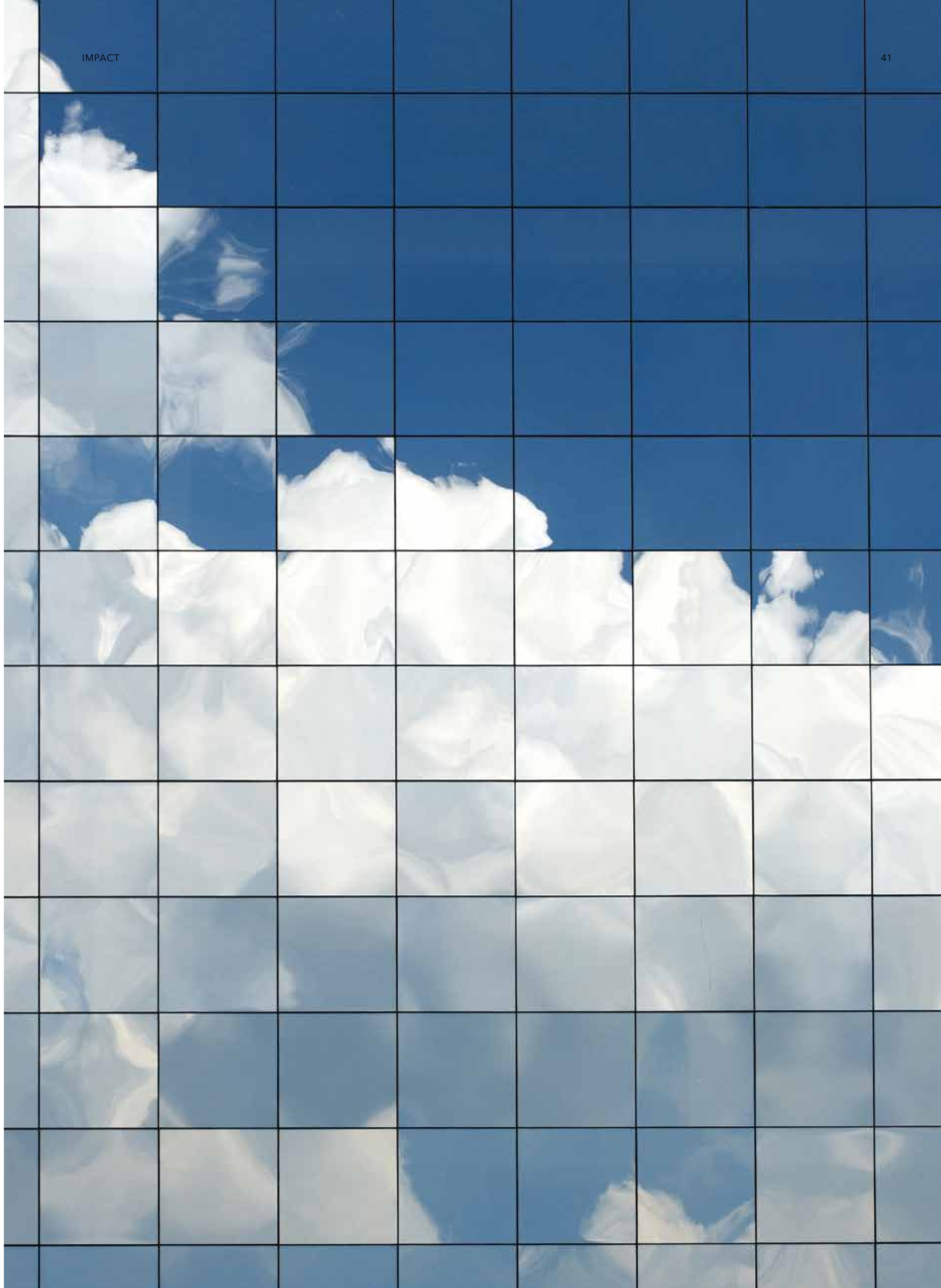
The PRI is a global network of investors working together to put six principles for responsible investment into practice (see p. 110 for more details). The PRI commits signatories to incorporate environmental, social and governance issues into investment decision-making and ownership practices. It has 1,325 signatories representing 45 trillion USD assets under management.

THE PRINCIPLES FOR RESPONSIBLE MANAGEMENT EDUCATION (2007)

The PRME is a global initiative which champions responsibility within business management education. It is a set of six principles that business schools and academic institutions commit to in order to advance social responsibility in their curricula and research (see p. 118 for more details). The mission of PRME is to develop a new generation of business leaders capable of managing the complex challenges faced by business and society in the 21st century.

THE INTERNATIONAL INTEGRATED REPORTING COUNCIL (2010)

The IIRC is a global coalition working to promote integrated thinking and reporting on financial and non-financial value creation as the next step in the evolution of corporate reporting.



UN HISTORY – A GIANT OPENS UP

THE UN AND BUSINESS: RECOVERING A LOST PARTNERSHIP

Most people are unaware that the private sector was a strong supporter of the creation of the United Nations and that many business representatives were present when the Charter was drawn up in 1945. The role of business is recognised in Article 55 of the Charter as promoting "higher standards of living, full employment and conditions of economic and social progress and development."

However, with the onset of the Cold War, relations between the UN and business changed to one of mistrust and suspicion. Business viewed the UN as an extended arm of governments whose only objective was to advance more regulation. On the other hand, the UN distanced itself from business, seeking to remain neutral to the conflicting ideologies of the Cold War. This largely remained the relationship for several decades.

As the Cold War ended, the door opened to reconciliation of interests. This coincided with business facing a host of new risks and responsibilities in the areas of human rights, labour conditions, environmental protection, social inclusion, and good governance – areas typically associated with the UN. At the same time, the UN needed to involve the private sector to stay relevant, maximise its influence and access the skills and resources of companies. This marked the beginning of a new era of collaboration between the UN and business.

THE BIRTH OF THE UNITED NATIONS GLOBAL COMPACT: GIVING A HUMAN FACE TO GLOBALISATION

The Global Compact was created as a result of a landmark speech made by former Secretary-General Kofi Annan at the World Economic Forum in 1999:

"I propose that you, the business leaders gathered in Davos, and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market."

Immediately, informal discussions began between business and the UN to explore the possibility of establishing a multi-stakeholder initiative. At historic meeting of 100 representatives from business, civil society and the UN, hosted by Lord Browne, CEO of BP, it was clear that significant labour and civil society organisations were willing to engage with business and had the appetite to embark on the initiative.

Moreover, it was also decided that learning, dialogue and partnerships would underpin the way that the initiative would operate.

The formal launch of the Global Compact was held on 26 July 2000 at the UN, bringing together 44 global companies, two labour and 12 civil society organisations, as well as 6 business associations. The announcement proved to be controversial. A number of organisations in civil society were extremely critical, accusing the companies of 'blue-washing', and denouncing the UN for collaborating with big business that had been accused of severe human rights abuses in many parts of the world.

However, the launch firmly established the Global Compact. A number of UN member states, in particular the UK and Swiss governments, voiced their support for the initiative from the outset. They also provided the critical early funding needed to get the initiative off the ground. At the launch, the idea of Local Networks was born, and the first network was planned for in India.

The Global Compact was primarily thought of as an instrument to fill the governance voids of the time – the neglect of human rights, social and environmental issues relative to economic rule making. The fundamental idea was that by embedding universal values in markets, the Global Compact would help reconnect markets with communities, avoid the emerging backlash against globalisation and correct some of the fundamental imbalances that were at the root of the problem. Based on enlightened self-interest, business – the main drivers and beneficiaries of globalisation – was asked to help by integrating UN principles in their business strategy and operations.

In many respects, the United Nations Global Compact is as relevant today, as it was then.

"When the initial speech was prepared, we had no plans to build an initiative. Building the UN's first public-private, global-local and network based organisation was hard work. We started with a bold idea without knowing how to act upon it. The early days were a struggle - we knew that learning, dialogue, and partnership was the way to go, but we had no idea how. We could not imagine then that an idea would grow into a global movement."

GEORG KELL
EXECUTIVE DIRECTOR, UN GLOBAL COMPACT

2 ASSESSING CHANGE 2000-2015 AND THE ROLE OF THE UN GLOBAL COMPACT

INTRODUCTION

15 years ago, the world looked very different. Globalisation had just kicked off and global investment was skyrocketing. NGOs were calling out corporate misconduct and governments were riding a wave of liberalisation. Google was just a baby and the number of Internet users in the entire world was 413 million, not even close to the size of Facebook in 2015 with 1.44 billion active users.

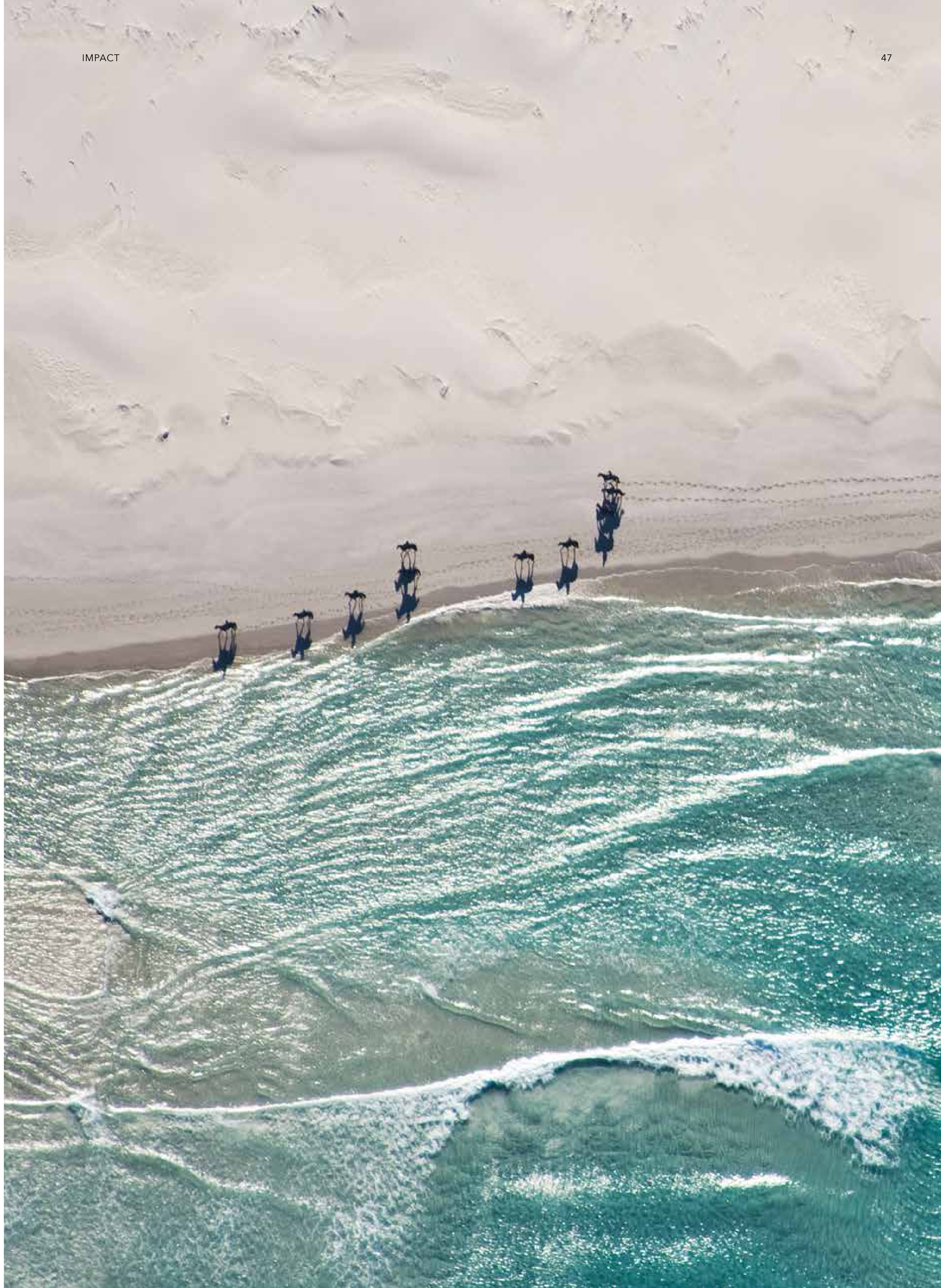
In this Chapter, we start by painting a picture of what the world looked like in the year 2000, in the context of corporate sustainability, when the Global Compact was launched. We then proceed to examine the change we have seen through to the present day.

Changes are observed across three levels (see model on page 19), towards the overarching goal of achieving the vision of a 'sustainable and inclusive global economy':

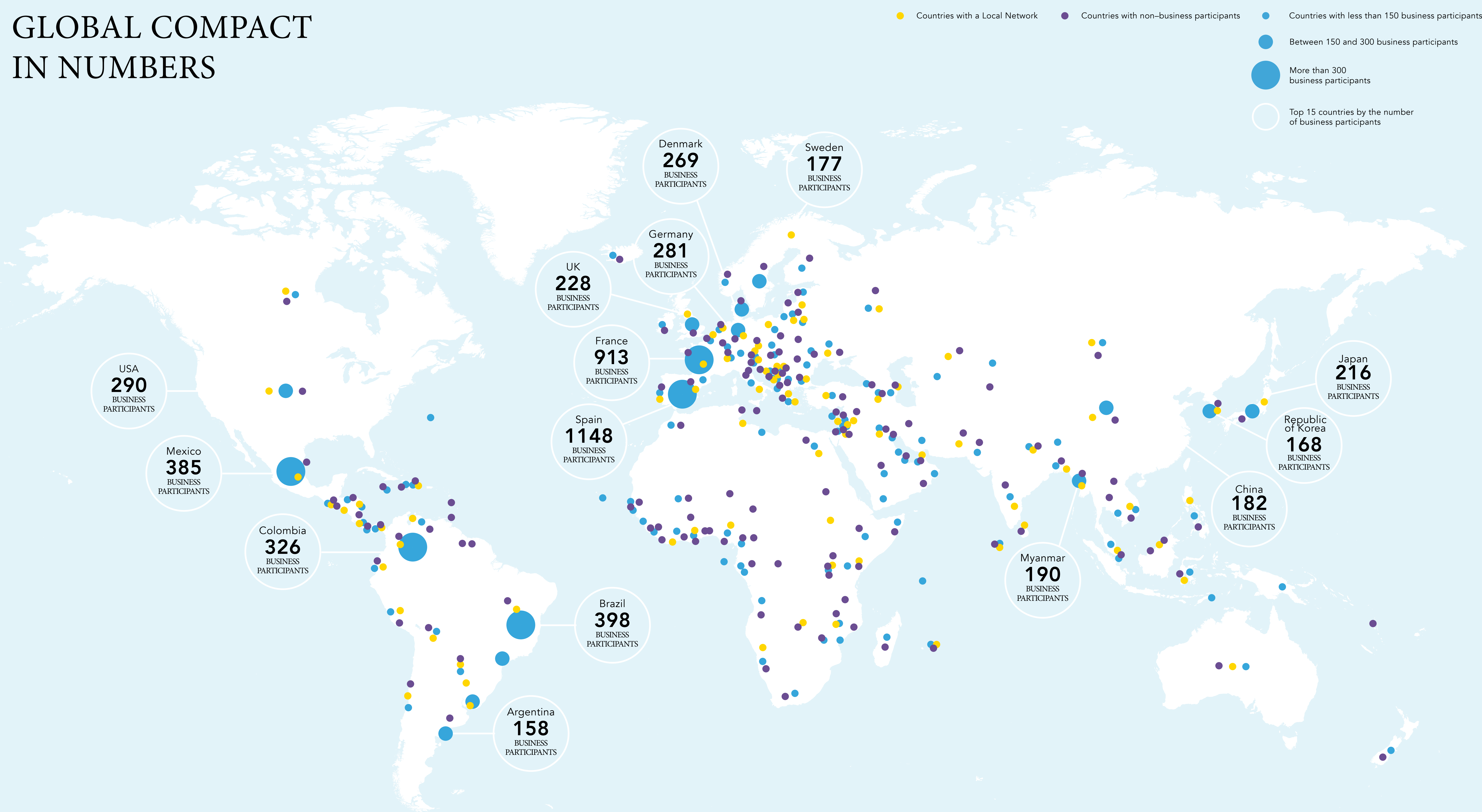
1. In corporate practices: How have global business practices changed towards deeper integration of sustainability and the Global Compact objectives?
2. In the corporate operating environment: How have conditions and drivers in the corporate operating environment changed so they are more supportive or enabling of sustainable business practices?
3. In the dominant worldviews: How has the dominant worldview, our thinking, attitudes, values and beliefs, over the role and responsibility of business changed?

We present in total 16 findings across these three levels, and for each finding we outline the role the Global Compact has played in driving change. To conclude this chapter, we reflection upon the impact that the Global Compact has had since it was launched.

Throughout this chapter you will find 'Spotlight' sections where we take a deeper look at specific Global Compact initiatives. Some are focusing on critical issues like climate, water and peace; others look at ways that the Global Compact is engaging with its participants, such as through the Local Networks and LEAD.



GLOBAL COMPACT IN NUMBERS



8 041
BUSINESS PARTICIPANTS

4 449
NON-BUSINESS PARTICIPANTS

88
LOCAL NETWORKS

58 MILL
PEOPLE WORK FOR GLOBAL COMPACT SIGNATORIES

25%
OF FORTUNE GLOBAL 500 COMPANIES

27 646
COMMUNICATION ON PROGRESS REPORTS SUBMITTED

349
MAJOR GLOBAL EVENTS & SEMINARS

9 171
LOCAL NETWORK EVENTS AND SEMINARS RECORDED SINCE 2007

251
TOOLS & RESOURCES CREATED BY THE GLOBAL COMPACT

53 568
VIEWS OF TOOLS & RESOURCES SINCE SEPTEMBER 2013

ESTABLISHING THE BASELINE

CROSSING THE CHASM OF CORPORATE SUSTAINABILITY IN THE YEAR 2000

At the turn of the millennium, the world was a very different place. Environmental and social responsibilities were not a great concern for the corporate world. 'Globalisation' was the keyword; otherwise it was 'business as usual'.

In 2000, what characterised company practices?

- Focus on compliance and own operations
- Ad hoc, reactive and scandal-driven
- Confrontation with stakeholders
- Few strategies or management systems
- Philanthropy presented as the answer

The Exxon Valdez oil spill in Alaska in 1989 had a major impact on public opinion and led to the first high profile call to action by business through the 'Valdez Principles'. Other major accidents and controversies around sweatshop exposés in Asia spawned new regulations in some countries and kicked off a conversation about corporate reporting in the 1990s.

By 2000, the conversation about the role of business in causing environmental pollution, involvement in human rights abuses and poor labour conditions was building in parts of civil society and at the political level, especially in Europe. However, the debate on how companies should respond was still in its infancy. Most boardrooms still lived by Milton Friedman's mantra that 'the business of business is business' and the profit imperative was king.

A CORPORATE FRAME OF MIND

As the international community started to recognise the growing threat of environmental degradation, it had yet to translate this awareness into action. The interdependence of environmental and social issues was not yet understood, and issues like pollution and social impact were treated separately.

In 2000, the early movers in the corporate world concentrated on environmental impacts that were under their direct control. Business had not really started engaging in social issues beyond the health and safety of their own employees. Combating bribery and corruption was seen as a government problem and something business could hardly affect. In some countries, bribes were even tax deductible and simply accepted as how you 'got the job done'. In truth, 'going global' was a challenge. Companies with otherwise a good track record at home was exposed to a host of new problems abroad, and was struggling to understand how to deal with these difficult situations.

Most companies that responded to early calls for Corporate Social Responsibility, or CSR, interpreted this as a local or community endeavour such as investments in sports facilities, charitable contributions to aid organisations in developing countries and staff volunteering for local events. Contributions made to good causes were largely ad hoc charity and far from strategic, long-term collaborations with expectations of positive social outcomes.

Driven by growing fears of damaged reputations, some companies, mostly from Europe and North America, started focusing on internal risks over which they had greater control. A focus on the broader value chain was entirely absent.

The idea of engaging with stakeholders as a strategic response to managing social and environmental issues was in its infancy in 2000. Dialogue between business and civil society was limited, and the interaction that did take place was very much confrontational, in the wake of a conflict. Relationships were characterised by a high degree of disrespect and mistrust from both sides. When civil society called for greater involvement and responsibility by the business community, the response was reactive and defensive in nature.

Very few companies were aware of the concept of collective action and few international joint initiatives were established. Few had established performance indicators or reported on their social and environmental impact, apart from a small number of leading companies.

Moreover, in these early days, there were hardly any tools and practical guidance available to help companies better understand these growing expectations.

EARLY EFFORTS

As the call for greater corporate responsibility grew, many companies struggled to see what this meant for them. In the absence of a clear view on how to respond, most companies concentrated on compliance and philanthropy.

By the year 2000, employee safety was becoming embedded more widely in corporate life and many companies included environmental management with safety in their organisations. The main driver was tougher health, safety and environment (HSE) regulations, introduced following huge industrial disasters like the Bhopal catastrophe in India in 1984, pushing operational safety in operations higher on the corporate agenda.

> *"It was becoming increasingly clear that the opening of the world economy, the liberalisation, the privatisation, the deregulation and so forth in the 1990s vastly expanded the role and influence of global companies, but neither governments nor companies were prepared to deal with the adverse consequences."*
>
> JOHN RUGGIE
> PROFESSOR, HARVARD UNIVERSITY

The few dialogues that were happening on social issues were yet to be linked to the wider human rights agenda of which most companies were completely unaware. Rapid globalisation and the immense growth in trade and investment across borders increased awareness of how Western companies were operating in countries where legislation on environmental and social and issues was either weak or not adequately enforced. This resulted in a number of highly public stories on corporate misconduct and abuse of natural resources and workers.

The breadth of new issues that had previously not been on the agenda in the boardroom was increasing. Some larger companies were slowly starting to accept a wider responsibility for their actions, but few looked outside of their organisations for help. A handful of companies, headed by forward-thinking business leaders, joined business networks such as the World Business Council for Sustainable Development to define the business case for corporate sustainability.

REGULATION IS SHAPING UP

By 2000, a growing number of issue specific protocols and international conventions were flowing to national and international law. Recognising that mankind was damaging the environment at a global scale, the Montreal Protocol on Ozone Depleting Substances was successfully reversing the 'hole' in the ozone layer caused by CFCs. In 1992, the UN Earth Summit in Rio de Janerio was the largest-ever gathering of world leaders. It resulted in landmark legislation on global climate change (leading to the Kyoto Protocol) and biodiversity. The anti-corruption debate emerged with the OECD Convention Against Corruption (1999), but was still in its infancy.

In September 2000, 189 countries committed to the eight international Millennium Development Goals (MDGs) for the world's development. However, these goals mainly targeted national governments, and business was not yet involved in the process.

National laws were generally not able to keep up with the globalisation of business, and although some regulations on specific issues were in place, these were fragmented and scattered, and governments especially in developing countries failed to enforce their own legislation. Environmental regulation mainly targeted high-risk sectors like oil, manufacturing and chemicals.

> *"Globalisation is a fact of life, but I believe we have underestimated its fragility. The problem is this. The spread of markets outpaces the ability of societies and their political systems to adjust, let alone to guide the course they take. History teaches us that such an imbalance between the economic, social and political realms can never be sustained for very long."*
>
> FORMER UN SECRETARY-GENERAL KOFI ANNAN
> ADDRESSING THE WORLD ECONOMIC FORUM IN DAVOS, 1999

What were we thinking?

- Business was seen as 'divorced' from society, and considered part of the problem, not a part of the solution
- Sustainability was a moral issue, and interpreted as charitable contributions
- Maximising shareholder value was still the dominant mindset in most businesses and business schools

It was governments that largely saw themselves as the main protectors of the environment and human rights, and there was a widespread notion that the challenges could be 'fixed' by punishing business. But some governments were realising that collaboration with business was needed.

At the same time, business was largely seen as divorced from the rest of society, and did not have a seat at the table on discussions of environmental, social and governance issues. As 'the business of business was business', the need for companies to get involved in politics was seen as non-existant. This led to the widespread notion that business was the cause of the problem, and not likely to be part of the solution.

CIVIL SOCIETY AS THE CORPORATE WATCHDOG

Although civil society organisations was targeting company behaviour, their main approach was to lobby for stricter regulations on business rather than voluntary and market-based approaches. Some NGOs successfully used 'naming and shaming' as a tool for raising awareness on the role of business in environmental and social issues. Confrontation was mirrored by a defensive corporate world, and the atmosphere was one of mutual suspicion and mistrust. Some of the most successful NGO campaigns set out to expose corporate misconduct revolved around high profile issues like deforestation and environmental pollution.

Few platforms for dialogue between business and other stakeholders existed, and campaigners like Greenpeace, Friends of the Earth, Human Rights Watch and Amnesty were reluctant to engage in direct dialogue with business. In this period just before the rise of the internet and social media, civil society organisations enjoyed massive media attention for their activism efforts, and were very important channels for forming public opinion.

THE DAWN OF SOCIALLY RESPONSIBLE INVESTMENT

Responsible investment was yet to be acknowledged as a concept, and in 2000, only a few investors in developed economies invested in socially and environmentally conscious, niche funds. Where responsible investment did exist, it focused exclusively on negative screening and exclusion of ethically questionable investments like tobacco, alcohol and weapons. Positive shareholder involvement and the concept of active ownership were mainly present in English speaking countries and through leaders in countries like the Netherlands, Switzerland and the Scandinavian countries. Few investors sought disclosure of information on environmental, social and governance action and policies, few exchanges were promoting such disclosure, and few brokers included these factors in their analyses.

BUSINESS ETHICS EMERGING IN SCHOOLS

Several accounting scandals around 2000 led to the introduction of ethics and responsibility in only a few business schools' curricula, typically available as elective classes rather than within the core course content. The Aspen Institute was an example of an early adopter with its Business in Society program, and later joined efforts with the World Resources Institute in developing the Beyond Grey Pinstripes ranking of business schools incorporating sustainability into their MBA programs.

FEAR OF 'BLUE-WASHING'AT THE UNITED NATIONS

Although some UN agencies were working with the private sector, business was largely seen as a source of funds rather than an active and strategic partner. There was initially significant resistance to the Global Compact within some agencies, due to fears of 'blue-washing'. The concern was that companies might exploit the UN brand, without being held to account for the quality of their actions.

Few parts of the UN family were dedicated to working with the private sector, and as a result staff had limited experience or capacity to deal with business. This resulted in random partnerships with fragmented approaches and methodologies for interaction. Due to this disparate management of business partnerships, doubts were raised whether partnering with business could develop successfully without giving up the neutral position of the UN, and whether these partnerships were even within the mandate of the UN agencies.

Key facts from 2000

6.12 BILLION
WORLD POPULATION

34%
1,751 BILLION PEOPLE, OR 34 % OF WORLD POPULATION, LIVE IN ABSOLUTE POVERTY

16%
245 500 000 CHILDREN, 16% OF ALL CHILDREN IN THE WORLD, ARE FORCED TO WORK

35%
35% OF THE G250 COMPANIES (88 COMPANIES) PUBLISH AN HSE REPORT

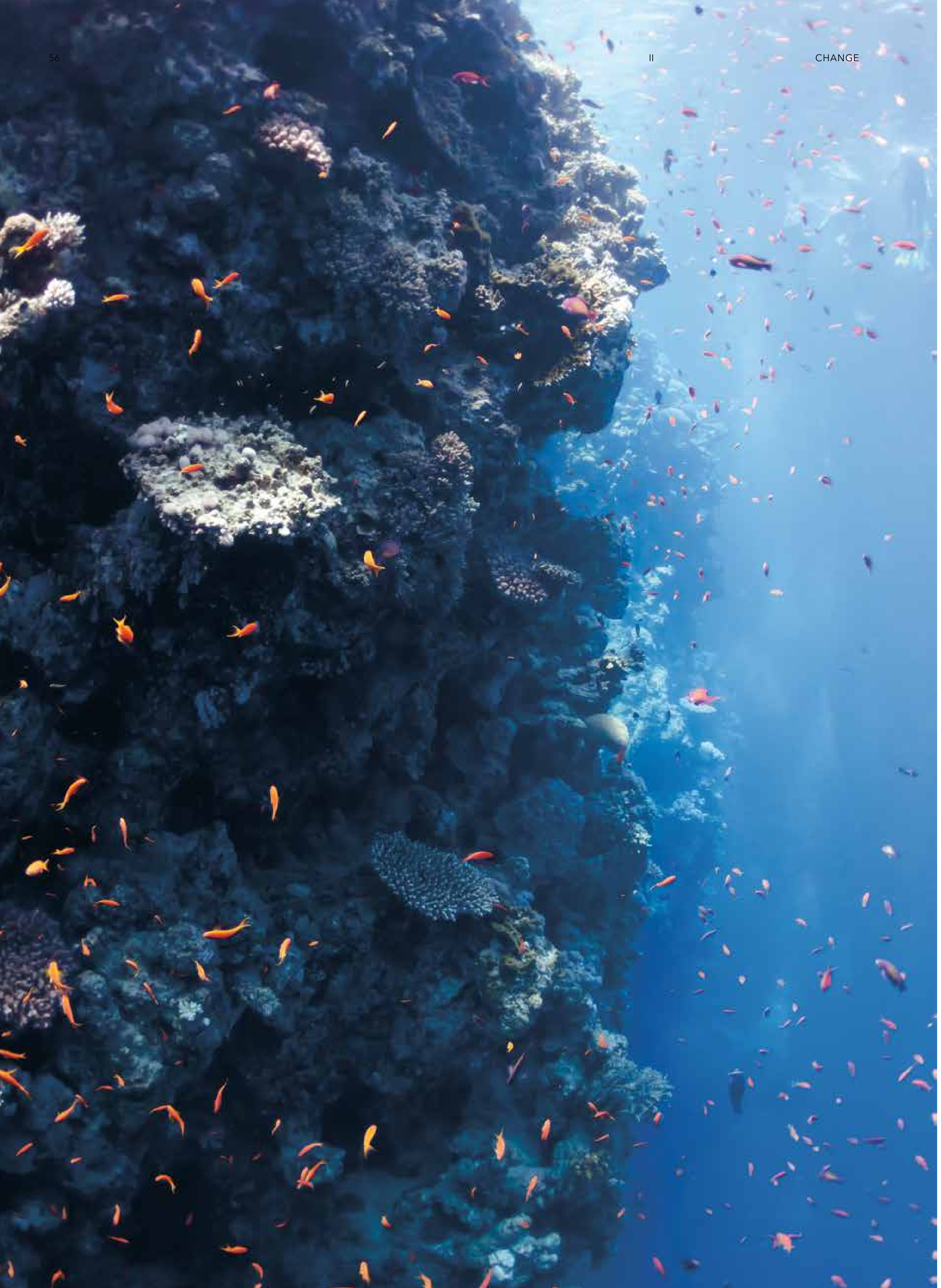
44
44 SUSTAINABILITY REPORTS IN THE GRI DATABASE

The Global Compact in the year 2000

44
BUSINESS PARTICIPANTS

0
NON-BUSINESS PARTICIPANTS

0
LOCAL NETWORKS



"The mindset of the day was still very much a combination of compliance on the one hand and philanthropy on the other."

Jane Nelson

Director of the CSR Initiative
Harvard University

WHAT WERE THE LEADERS WRITING ABOUT?

"My colleagues and I are totally committed to a business strategy that generates profit while contributing to the well-being of the planet and its people. We see no alternative."

SIR MARK MOODY-STUART
FORMER CHAIRMAN OF THE COMMITTEE OF MANAGING DIRECTORS OF ROYAL DUTCH SHELL GROUP OF COMPANIES

THE SHELL REPORT 2000

"CSR encompasses a broad range of interactions with society. It means responsibly managing a multiplicity of relationships every day with employees, consumers, shareholders, suppliers, governments, local communities and many others in wider society."

ANTONY BURGMANS AND NIALL FITZGERALD
CHAIRMEN OF UNILEVER

UNILEVER SOCIAL REPORT 2000

"It is essential for any enterprise with aspirations for the future that economic progress, environmental attitudes, awareness and social responsibility are balanced. Our challenge is to identify the opportunities present in the market's dawning awareness of these questions, and to develop sustainability as a competitive advantage for our company."

EGIL MYKLEBUST
PRESIDENT AND CEO OF NORSK HYDRO

NORSK HYDRO'S ANNUAL REPORT 2000

LEVEL 1
CHANGE IN CORPORATE PRACTICES

Is business becoming more sustainable?

In the past 15 years, to what extent have global business strategies, models and systems changed towards becoming more sustainable? Are Boards of Directors and top executives more involved than before? How has management of sustainability changed? Have companies' footprints on key issues like water improved? And are companies reporting and collaborating more than they used to?

In what follows, we present our seven key findings with regard to how business has changed since 2000. Our conclusion is that we are not yet there – there is a long way to go before the global business community has adopted a principled, sustainable approach. But promising progress has been made. See the next pages for a summary of what we have found:

1. **Taking root: The global spread of sustainability**
2. **Into the fold: Expanding the scope of corporate sustainability**
3. **Moving up: Sustainability gaining strategic ground**
4. **Mind the gap: Actions and intentions are still not aligned**
5. **Chain reaction: Sustainability cascading through the value chain**
6. **Nowhere to hide: Transparency is becoming the new norm**
7. **Smarter together: New forms of collaboration between business and society**

Level 1 - Finding 1

TAKING ROOT: THE GLOBAL SPREAD OF SUSTAINABILITY

In the past 15 years, sustainability has penetrated deeper into markets and sectors all over the world. This is shown by the growth in the number of Global Compact signatories, as well as their relative economic size and coverage of the global workforce. Corporate sustainability has grown to become a broad global movement.

Key facts

80%
OF ALL COUNTRIES HAVE GLOBAL COMPACT BUSINESS PARTICIPANTS

25%
OF THE FORTUNE GLOBAL 500 COMPANIES ARE SIGNATORIES TO THE GLOBAL COMPACT

1.8%
OF GLOBAL GDP IS REPRESENTED BY THE GLOBAL COMPACT SIGNATORIES ON THE FORTUNE GLOBAL 500 LIST

3.7%
OF PEOPLE WORKING IN THE PRIVATE SECTOR, WORK FOR A GLOBAL COMPACT SIGNATORY COMPANY (AS OF 2013).

2%
OF THE WORLD'S LISTED COMPANIES PARTICIPATE IN THE GLOBAL COMPACT (AS OF 2012).

GROWTH AND PARTICIPATION

The Global Compact works to mainstream the ten principles in business strategy and operations around the world. That entails having both a *global presence*, and penetrating *all sectors*.

Since the launch of the Global Compact in 2000, business participation has grown from 44 to more than 8,300, and from a representation of 13 countries to as many as 156.[1] Business presence in the Global Compact remains strongest in Europe, which has both the highest number of participants (52 per cent of total) and countries represented. The largest increase in the number of countries with Global Compact participants has been in Africa (from 1 to 32) and the largest increase in the number of participants has been in Latin America.

Figure 08 shows the growth in business participants per sector. While there has been growth across the board, the industrial sector has grown the most, including Construction & Materials and Industrial Goods & Services. Telecommunication is the industry in which the Global Compact has seen the lowest increase in participants.

SIGNIFICANT ECONOMIC PLAYERS ARE MOBILISING

Penetration into different geographies and sectors is important for global adoption of the principles. However, equally important is engagement with influential companies of a significant size which can inspire other businesses. An overview of participants in the Global Compact shows an increasing number of influential companies are taking part. Figure 09 illustrates Global Compact presence in the Fortune Global 500 list, the world's largest 500 companies. By the end of 2014, 25 per cent of the 2014 Fortune Global 500 companies had joined the Global Compact. These companies represent 32 per cent of the total revenue of Fortune Global 500 companies. Forty per cent of the Financial Times 500 companies are also Global Compact participants.

Comparing the profit[2] (including wages paid out)[3] of Global Compact participants on the Fortune Global 500 list for 2014 with the current global gross domestic product of around 77 trillion USD[4] shows that the economic footprint of Global Compact signatories in the Fortune Global 500 has grown to become 1.8 per cent of the global economy.

PERCENTAGE OF THE GLOBAL WORKFORCE

The number of people employed by Global Compact business participants had grown from 3.3 million in 2000 to 58 million as of March 2015 - a significant growth. To put this in global perspective, the percentage of the global private sector workforce employed by Global Compact participants increased from almost zero in 2000 to around 3.7 per cent in 2013.[5]

SMALL SHARE OF PUBLICLY LISTED COMPANIES

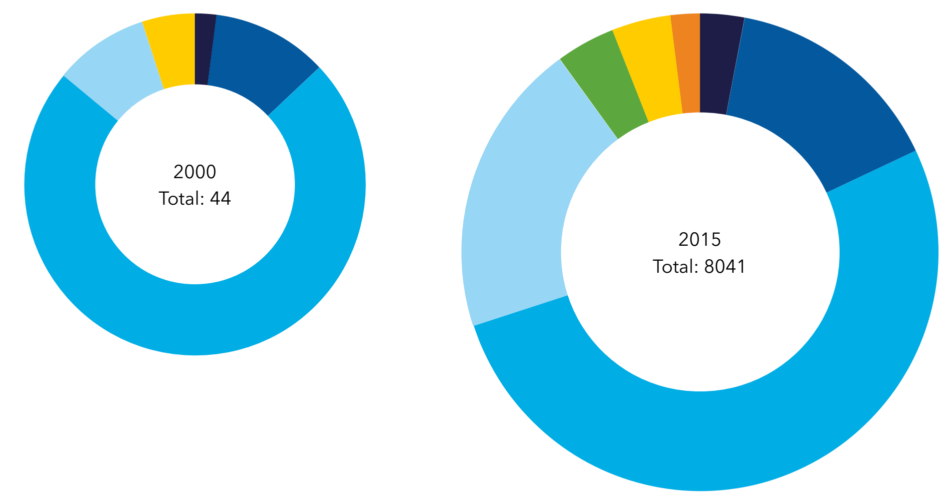
There has been a more limited rise when it comes to membership of the Global Compact among the world's publicly listed companies. Out of a total of 46,737 publicly listed companies in 2012[6], only two per cent were Global Compact signatories[7]. Since 2012 the number of publicly listed companies in the Global Compact had grown from 935 to 1,101 as of May 2015.

In 2014, 18,000 companies with a total of USD 35 billion in market capitalisation were traded on 16 Partner Exchanges to the Sustainable Stock Exchanges initiative – a sister initiative of the Global Compact.

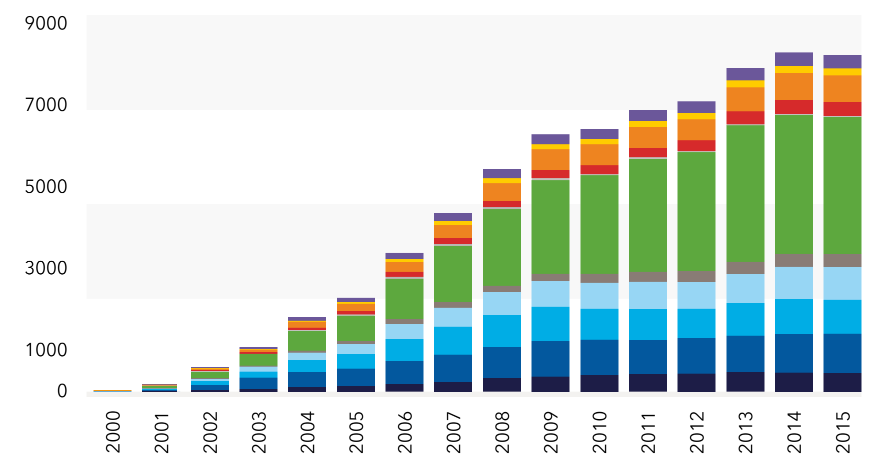
07 **World reach: Business participants by geographic region**

	2000	2015
Africa	1	262
Asia	5	1191
Europe	32	4186
Latin America & the Caribbean	4	1658
MENA	0	327
North America	2	346
Oceania	0	71

As of March 2015



08 **Into industry: Growth in business participation by sector**



THE ROLE OF THE UN GLOBAL COMPACT

MOBILISING BUSINESS FOR SUSTAINABILITY

As sustainability is increasingly penetrating markets globally, what has been the role of the Global Compact in catalysing change?

In the past 15 years, the Global Compact has undoubtedly played a significant role in spreading the practices of corporate sustainability around the world. Since its inception, the focus on outreach, knowledge-sharing and dialogue, as well as the launch of Local Networks, has encouraged companies and other stakeholders to join the initiative.

WIDENING THE REACH OF SUSTAINABILITY

Today, the Global Compact is the world's largest corporate sustainability initiative, and the only one which is truly global in nature. It has become a successful vehicle for mobilising businesses of all sizes, sectors and geographies, and for encouraging companies to undertake a sustainability journey. As a result, the number of participants and the number of influential players across different markets and sectors has grown steadily.

In 2008, the Global Compact strengthened its accountability mechanism and began removing participants that had not fulfilled reporting commitments. Since then, 5,579 companies have been 'delisted'. In addition, 798 companies have requested withdrawal.

Considering that the objective is to mainstream the principles in business practices everywhere, there is still a long way to go. Although the number of participants is gradually increasing, it still represents a marginal fraction of global economic activity. The vast majority of companies worldwide has yet to commit to the principles of the Global Compact.

GOING GLOBAL BY GOING LOCAL

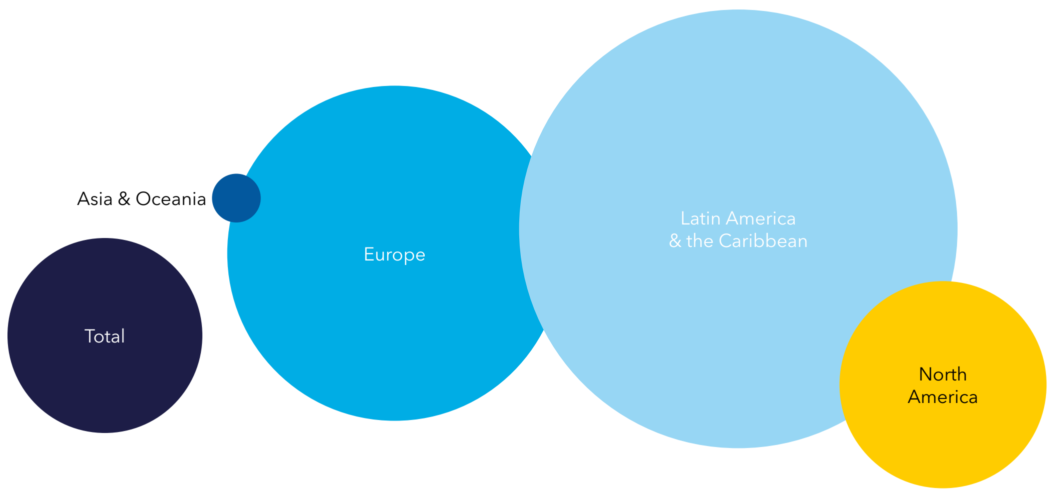
Importantly, through the launch of more than 85 Local Networks around the world (see page 151) the Global Compact has played a key role in spreading responsible business practices around the world. A unique feature of the Global Compact, the Local Networks play an important role in rooting the initiative within different national, cultural and linguistic contexts, and supporting companies in tackling local sustainability challenges. In some cases, the Global Compact has been a first mover bringing the corporate sustainability movement to life, most notably in countries like China and India.

"This is only the beginning. Today, some companies are new to the game, but they are still eager to advance. In the transition to a low carbon economy and sustainable society, this is what's going to happen; not everybody will go at the same pace. The Global Compact has been a good vehicle for companies to advance at their own speed."

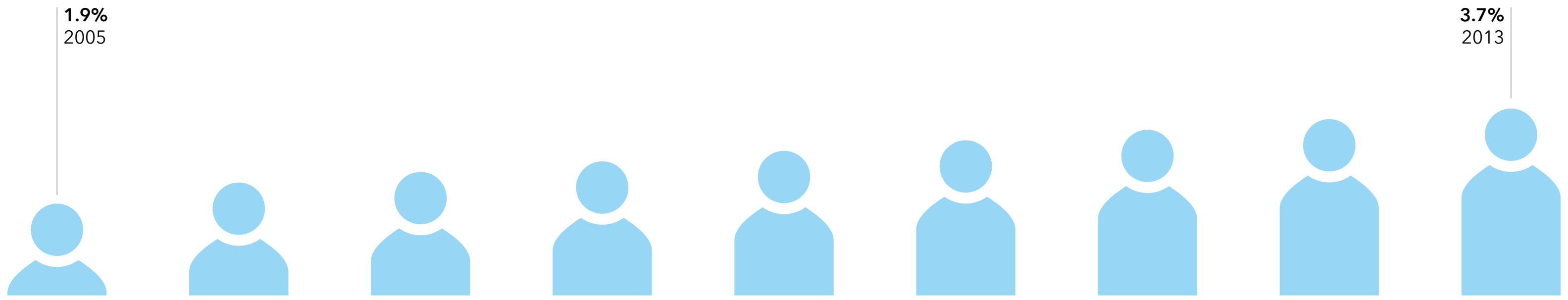
JUAN RAMON SILVA FERRADA
SUSTAINABILITY SENIOR EXECUTIVE DIRECTOR, ACCIONA

09 **Big money: Percentage of total Fortune Global 500 revenue that belongs to Global Compact signatories - in total and by region**

Total	32%
Asia & Oceania	8%
Europe	55%
Latin America & the Caribbean	72%
North America	34%



10 **World workforce: Percentage of the global private sector workforce employed by Global Compact business participants**

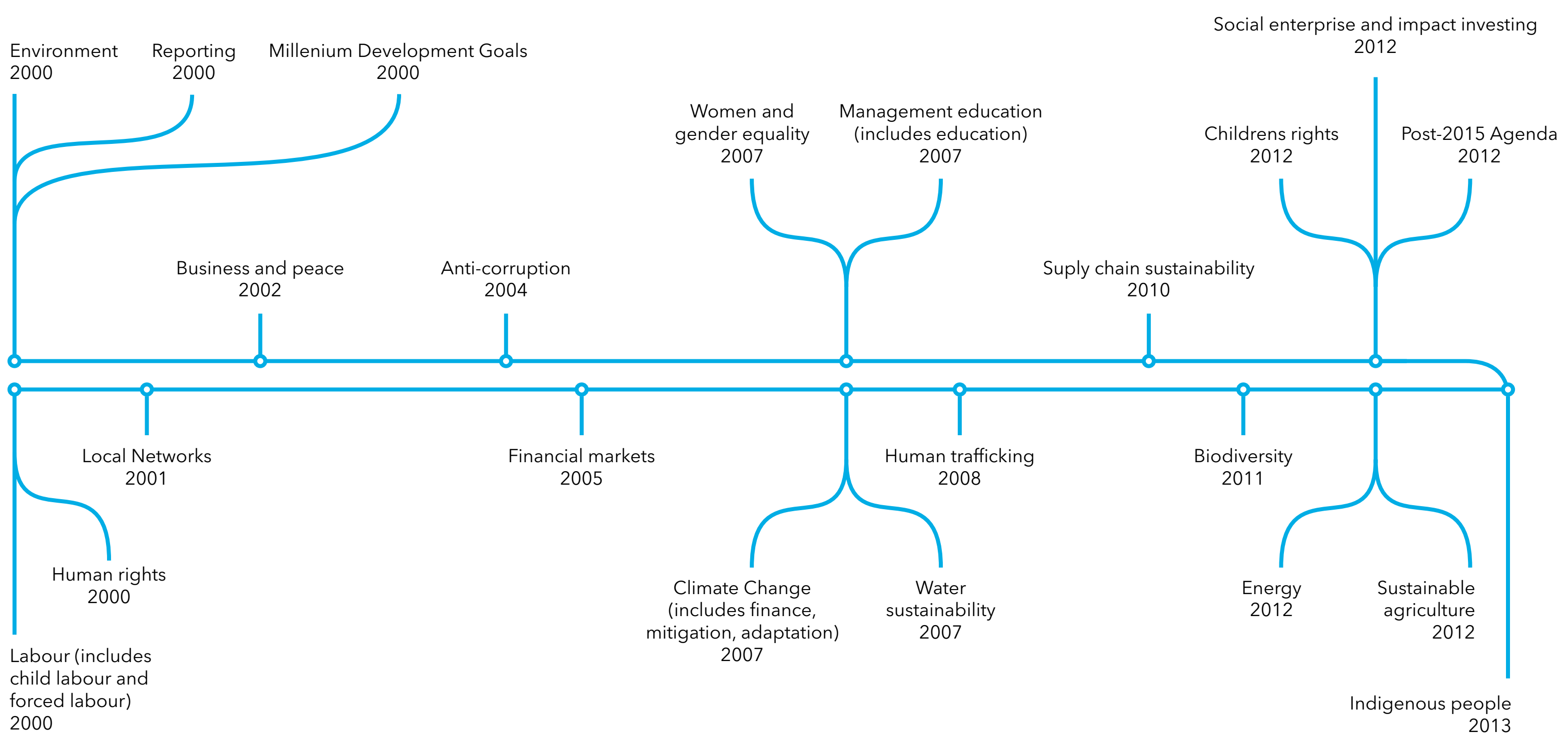


Level 1 - Finding 2

INTO THE FOLD: EXPANDING THE SCOPE OF CORPORATE SUSTAINABILITY

A broader range of social, environmental and governance issues fall under the umbrella of corporate sustainability today than 15 years ago. Leading companies recognise this diversity and are responding by becoming more sophisticated, targeting their efforts and resources where they matter most.

11 **Big issues: When did the Global Compact start working on broader range of issues**



WIDENING THE CIRCLE OF RESPONSIBILITY

In 2000, corporate sustainability had yet to emerge as a priority for business. Most manufacturing and heavy industry companies were actively managing health, safety and environmental issues in their own operations, and this trend was already widening to other sectors. Some leaders were exploring their social impact and in exposed sectors, such as sports apparel, efforts were being made to understand and manage supplier labour standards.

Reflecting a growing understanding of expectations and responsibilities, companies today address a much broader range of environmental, social and governance issues, both within and beyond their operations along their whole value chain.

Human rights issues have emerged as an area of risk that business should consider and seek to manage. Driven in part by the UN Guiding Principles on Business and Human Rights, the understanding of operational and reputation risks has grown considerably. This has strengthened the business case for managing human rights, especially for companies with extensive supply chains and those working in close proximity to local communities. There has also been a significant change in the understanding of anti-corruption. While bribery was until not long ago legally accepted and even tax-deductible in certain countries, corruption is now recognised as an important business risk.

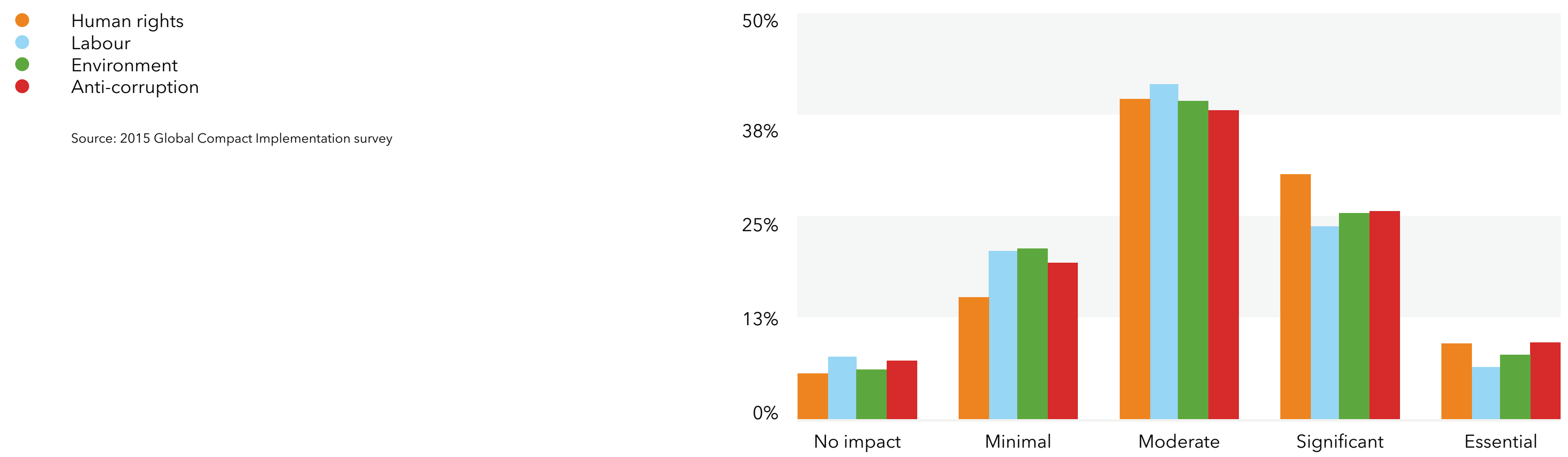
FOCUSING ON WHAT MATTERS MOST

As what falls within the scope of their responsibilities has broadened, more companies have begun to appreciate that not all issues present an equal risk to their operations. Emerging issues, and a better understanding of the impact that companies have on society beyond their direct operations, have created a risk landscape that is more complex than ever.

As they consider what their key risks and impacts are, companies are starting to focus on what they perceive to be the most important or 'material issues'. By concentrating on the issues that matter most to their business and its stakeholders, companies are able to focus their resources on maximising benefit while delivering efficiency.

Accepted practices have emerged for using stakeholder engagement to support materiality assessments, such as the approach recognised in the latest G4 version of the GRI Guidelines for Sustainability Reporting. The integrated reporting debate has directed the question towards what information is the most important for investors to understand future business performance, addressing a wider range of 'capitals' than financial capital.

12 **Impact areas: To what extent has the Global Compact influenced your work to address...?**



Source: 2015 Global Compact Implementation survey

"The ten principles of the Global Compact have been helpful to all companies. When DuPont joined the Global Compact we already did a good job on three of the principles, but the other principles made us think; how can we be more proactive in managing these issues?"

CHAD HOLLIDAY
CHAIRMAN OF ROYAL DUTCH SHELL
FORMER CEO OF DUPONT

THE ROLE OF THE UN GLOBAL COMPACT

WHAT SUSTAINABILITY IS ABOUT

As companies focus on a more diverse range of issues relating to sustainability, what has been the role of the Global Compact in catalysing this change?

Since its launch in 2000, the Global Compact has directly contributed to the broadening of both companies' awareness and responsibility, as well as their understanding of materiality.

THE TEN PRINCIPLES: DEFINING WHAT CORPORATE SUSTAINABILITY IS

The ten principles have helped to expand the scope of issues that companies should be managing as part of their responsibilities. By developing a rounded framework which covers environmental, social and governance issues, the Global Compact calls on business to *"embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption."*

As seen in Figure 12, more than one third of the companies surveyed in the 2015 Implementation Survey state that the Global Compact has had a **significant to essential influence** on the work done in implementing the principles. The human rights issue stands out as the area where the Global Compact has had the greatest impact, with 40% stating it has been 'significant' or 'essential'.

SUPPORTING IMPLEMENTATION

Through organising hundreds of events around the world, and by publishing tools and guidance covering all of the principles, the Global Compact has raised awareness around the understanding that being sustainable today means working holistically on all of the ten principles and the issues to which they relate. They have helped companies as they identify responsibilities and work out what issues they need to consider in being sustainable companies.

By establishing a variety of 'issue engagement platforms', such as the Women's Empowerment Principles, Caring for Climate and the CEO Water Mandate, the Global Compact provides signatories with the opportunity to engage more substantially on individual sustainability issues. Through these platforms the Global Compact has often set the agenda for some of the most pressing issues facing business.

INTRODUCING REPORTING REQUIREMENTS

In 2004, the Global Compact introduced mandatory reporting requirements for its participants as part of an effort to strengthen the accountability of the initiative. Today, all participants are required to report on all issues, and failure to do so can result in removal or "delisting" from the Global Compact database. As a voluntary initiative, the introduction of mandatory reporting requirements has contributed greatly to pressing companies to consider the impact of their operations and activities. The reporting requirement drives companies to report more comprehensively and assess management and performance on a broad range of issues.

ENCOURAGING ACTION WHERE IT MATTERS THE MOST

Companies joining the Global Compact are expected to consider their impact on all of the issue areas. However, participants are encouraged to focus their efforts on where they have the greatest impact. Important partnerships with the Global Reporting Initiative and International Integrated Reporting Council that have materiality at their core have further underscored this.

Recently, some have begun to question the 'materiality versus morality' question and wonder whether the focus on what is 'most important' is placing sufficient corporate attention on the big sustainability questions surrounding global systems and planetary boundaries.

SPOTLIGHT ON:
GLOBAL COMPACT LEAD

THE GLOBAL COMPACT'S SUSTAINABLITY VANGUARD

There is more to being a business leader today than 15 years ago. Just like we have come to appreciate the subtle difference between being in charge and being a leader, expectations on today´s executives have evolved from considering traditional bottom-line performance to delivering on a broader set of 'capitals', such as social, human and natural. Companies on the forefront have integrated sustainability into their business model and strategy across the entire organisation, and understand that sustainability is a driver of future success. Genuine forward-thinking leaders also raise the bar by helping to improve market conditions, push for smarter regulation, and actively spread leadership practices to the wider business community.

At the time of the Global Compact's launch, the companies that first committed to engage were by definition corporate sustainability leaders. Although some were subject to attacks by NGOs for alleged human rights abuses and reckless environmental performance they were, by the same token, the very same companies that others looked to for examples of good practice.

In the mid-2000s, the Global Compact began to go to scale, attracting thousands of companies globally. To meet the needs of these new participants, many of whom were just beginning their journey towards more sustainable business practices, the initiative focused on building Local Networks, providing opportunities for learning and support among companies and developing good practice guides to meet their commitment to the Global Compact and its principles.

By 2010 however, it became clear that in order to remain relevant, the initiative would need to support higher levels of corporate sustainability performance, ideally with the most progressive companies as co-drivers. In 2010, the Global Compact released the 'Blueprint for Corporate Sustainability Leadership' – a framework for advanced performance within the initiative. The Blueprint was, and continues to be, at the heart of Global Compact LEAD when it was launched by UN Secretary-General Bank Ki-moon at the World Economic Forum in January 2011.

The C-suite and senior executive peer-to-peer program that LEAD provides paves the way for learning and collaboration among leaders of sustainable business.

THE LEADERS

Today, there are 46 companies participating in LEAD, of which 46 per cent have more than 50.000 employees. Almost half of the LEAD companies are European, and nearly a third are headquartered in Asia. Participation is spread across sectors ranging from basic materials, consumer goods and oil and gas, with 65 per cent being publicly-listed companies. Seven of the LEAD members belong to the original 44 participants of the Global Compact in 2000, with the majority joining at the 2011 launch.

LEAD IN PRACTICE

LEAD was designed to challenge companies already on the forefront of corporate sustainability performance to reach even higher levels - to experiment, to innovate and to share knowledge. Comparable to a sustainability think-tank for corporate high achievers, LEAD seeks to set new boundaries by bringing the practitioners to the table to tackle sustainability leadership across various issues and geographies.

LEAD advances leadership within a company in multiple ways:

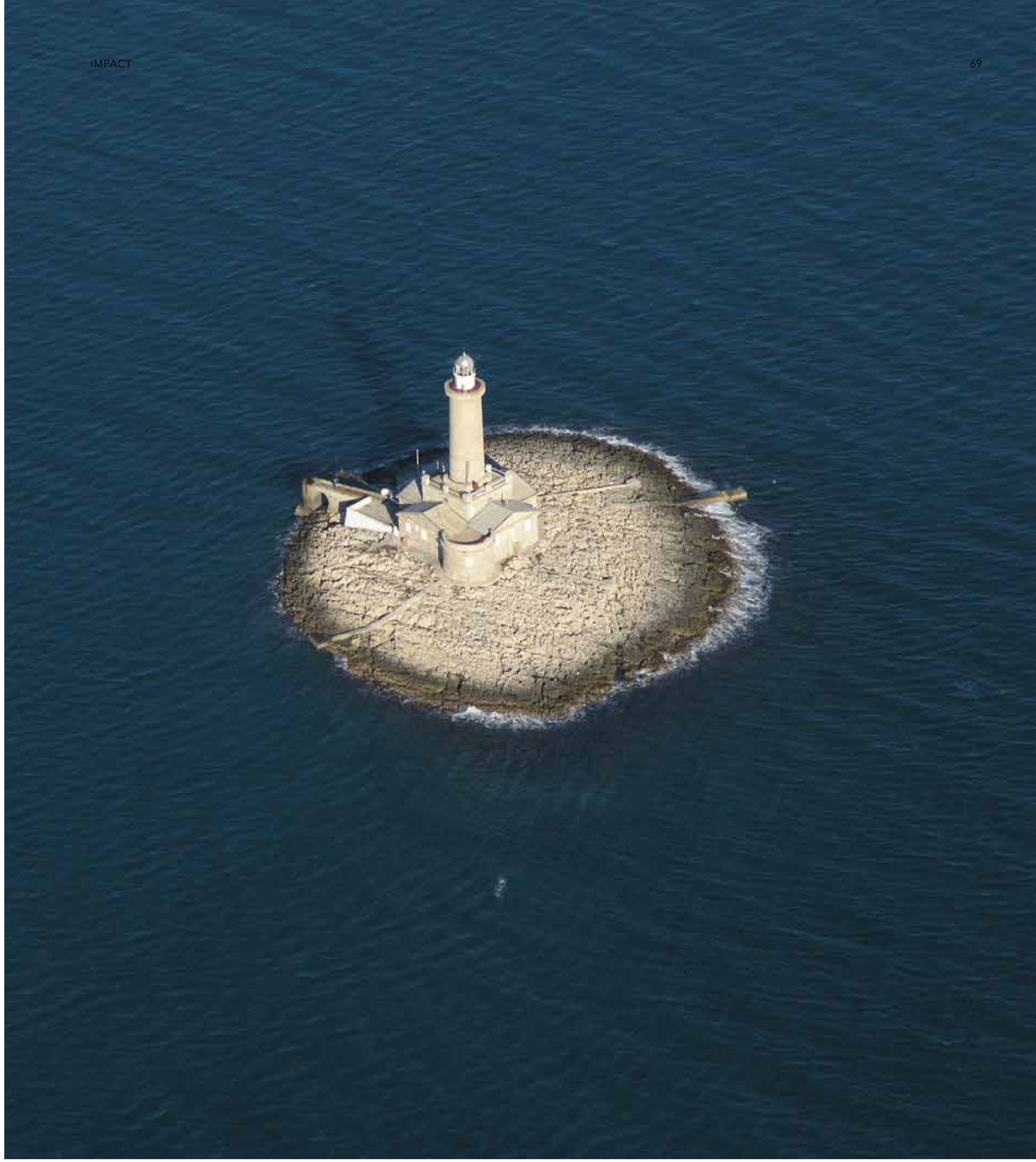
- Rather than focusing on specific issues, LEAD targets the integration of sustainability across corporate functions and operations, and at the highest levels within companies including C-suite and members of the Board.
- Priority focus areas are raised by the participants, who work together to produce guidance which is first piloted by LEAD companies, and then shared through best practice examples to all Global Compact participants including through Local Networks.
- It leverages the unique position of the Global Compact to provide responsible business leaders with the opportunity to shape the ever-evolving expectations of corporate sustainability.
- It looks beyond improving corporate practices – LEAD actively engages with stakeholders such as investors, business schools, governments and NGOs, providing a joint voice for leading companies striving to bring business into the post-2015 agenda.

Although LEAD is still a fairly new initiative, it is clear that it has provided a vehicle which re-examines the meaning of leadership. Given the scale of the challenge in achieving the vision of the Global Compact significant questions remain. Sharing the experiences of a selected number of companies may not be sufficient to transform the performance of the corporate sector at large, but it is an effective start. The next step for the Global Compact will be to raise the bar generally for all participants, not least amongst the largest multinationals and businesses with a substantial impact.

LEADERSHIP – IN CONSTANT RESPONSE TO MOVING TARGETS

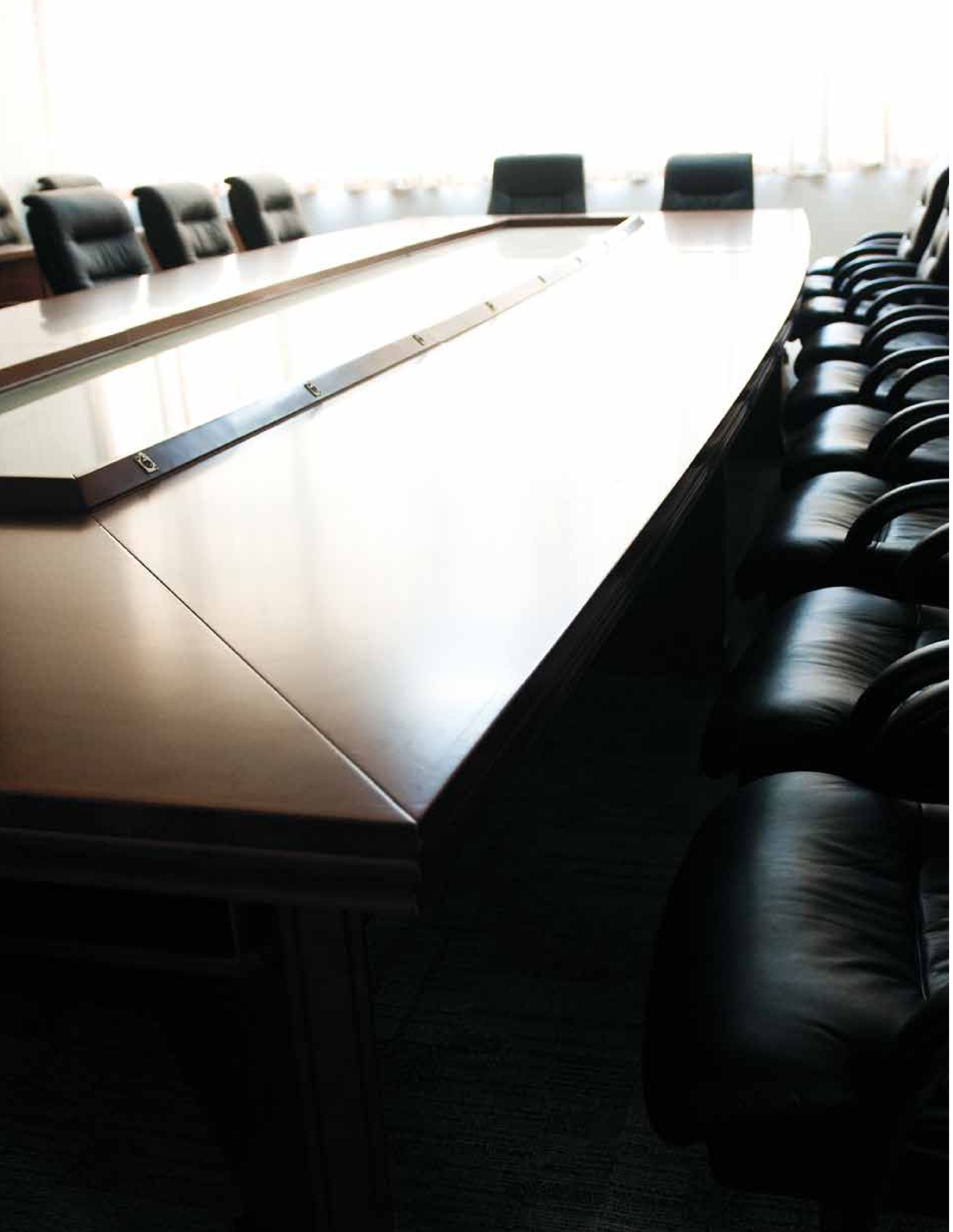
Constantly changing expectations combined with unprecedented challenges puts the onus on companies to demonstrate a willingness to work with partners and stakeholders in ways never imagined. Today, the notion of leadership has evolved dramatically from where it was 15 years ago, and leaders realise that they need to step into the role of architects of a better world and work with governments and others to jointly shape the future.

Leadership in 2000	Leadership today
Focus on shareholders and transactions	Focus on stakeholders and relationships
Focus on risk-management and philanthropy	Focus on opportunity and value creation
Tactical and issue specific	Integrated into business strategies and across all business functions
Reactive response to emerging events	Taking responsibility for driving systems change
Going at it alone	Multi-stakeholder collaboration
Narrow scope focused on own operations	Value chain focus, investing in leading others both in and beyond sector
Prioritising technical environmental issues over more poorly understood social priorities	Broad understanding of material and strategic issues for the company



Key facts and figures

46	7	65%	46%
COMPANIES PARTICIPATE IN LEAD	OF THE FOUNDING COMPANIES OF THE GLOBAL COMPACT ARE SIGNATORIES OF LEAD TODAY	OF LEAD COMPANIES ARE PUBLICLY LISTED	OF LEAD COMPANIES HAVE OVER 50 000 EMPLOYEES



BRINGING THE BOARD ON BOARD

Lack of board involvement on corporate sustainability was identified as a gap by LEAD participants at the first Annual LEAD Symposium in 2011. As a result, the Global Compact Board Program was developed and eventually launched in 2014 as the the first global Board training program on sustainability. In 2013 and 2014, five LEAD companies piloted the program which received positive feedback. Following the program, participants reported increased awareness within their respective organisations, renewed engagement, more focus on sustainability issues and a strengthened business case for integrating sustainability into core business and operations.

Using high-level experts and former chief executives as mentors, the program aims to 1) support Boards of Directors in fully integrating sustainability into their businesses by providing high-level knowledge and practical solutions, and 2) help Boards realise the decisive role they have in overseeing, incentivising and driving corporate sustainability.

SHAPING THE SUSTAINABLE DEVELOPMENT GOALS FOR THE FUTURE

In September 2015, the UN General Assembly will agree on the Sustainable Development Goals, which will succeed the MDGs that governments around the world signed up to in 2000.

LEAD has been integral in bringing the voice of the private sector to the development of the agenda, and for fostering more effective collaboration between the UN and business in general. LEAD together with the Global Compact ensures that the private sector is recognised as a key partner in the implementation and achievement of the SDGs, through core business activities as well as private-public partnerships.

Beyond communicating the voice of business during the process of shaping the SDGs, LEAD companies are supporting the development of guidance and tools to encourage widespread alignment of business goals with sustainable development objectives. Already, one valuable outcome has been the opportunity to build stronger connections between companies and Local Networks, and to explore how companies' corporate sustainability objectives fit with the SDGs and how they could become more aligned.

Going forward, LEAD is also expected to help shape tools and standards that can guide business action to advance the SDGs over the next fifteen years.

The Global Compact and LEAD ensures that the private sector is included in, and has an important role in, development. LEAD is a good force in driving that.

Bente Slaatten

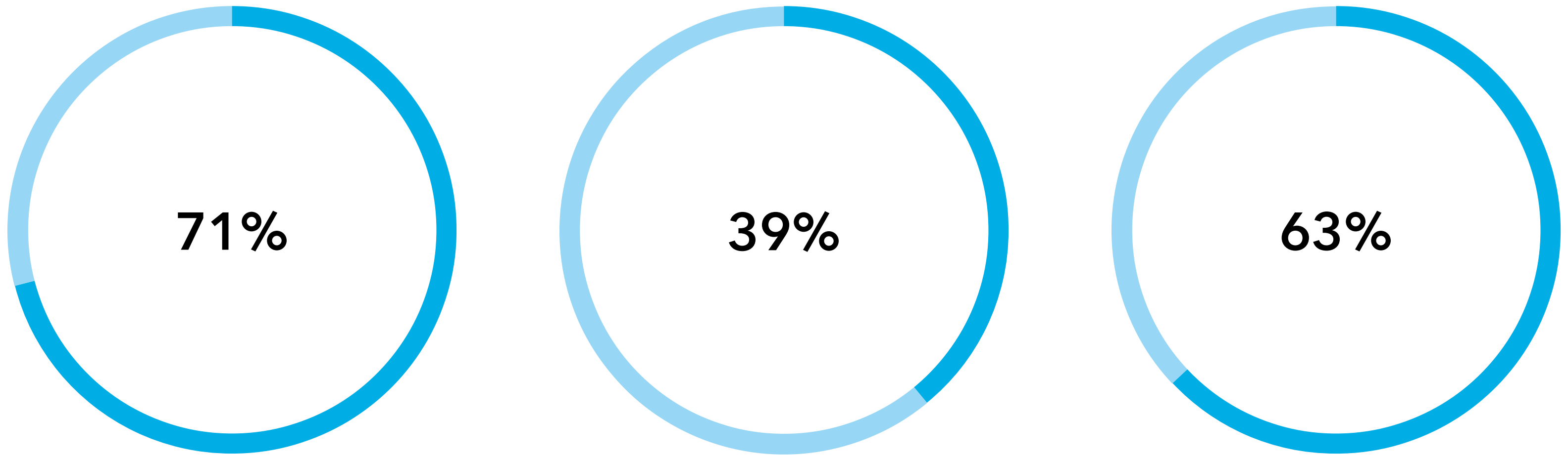
Chief Communication and Branding Officer
Yara

Level 1 - Finding 3

MOVING UP: SUSTAINABILITY GAINING STRATEGIC GROUND

Decision-making related to sustainability strategy and performance is increasingly being handled at the top executive level. It is more embedded in strategies and core business functions than ever before. However, sustainability is still not systematically integrated into the DNA of most companies.

13 **Mixed management: Sustainablity is increasingly a top executive issue, but boards are lagging behind**



of the survey respondents report that policies and strategies are being evaluated at CEO level, a 6 percentage point increase since 2008.

of the survey respondents indicate that their Board of Directors (or equivalent) addresses corporate responsibility issues as part of the regular agenda.

of companies reporting that sustainability is addressed at the Board level say that the Board is also responsible for approving the company's sustainability report. This is a 14 point per cent increase since 2010.

Source: 2008-2015 Global Compact Implementation surveys

From being tackled on an ad hoc basis 15 years ago, our findings show that sustainability is increasingly approached in a more strategic manner, with more explicit and formalised commitment from chief executive and boards. Oversight of sustainability performance is moving up the corporate ladder. A few mature companies are leading the way, with the vast majority of others following suit.

Yet nearly 60 per cent of respondents to the Implementation Survey[8] indicate that their board of directors does not address corporate responsibility as part of their regular agenda. There is a sense that boardrooms are lagging behind.

Whereas 'tone at the top' remains a key driver of performance, an emerging issue is how the 'tone at the middle' and lack of senior management involvement represents a barrier to organisational change.

INTEGRATION INTO STRATEGY AND CORE FUNCTIONS

An increasing understanding of the link between sustainability and business performance has led to a gradual integration of sustainability issues into core business strategies. This is particularly the case for environmental issues like climate and water management, which are high on the global agenda and represent areas in which companies increasingly face legal, operational and financial risks and opportunities.

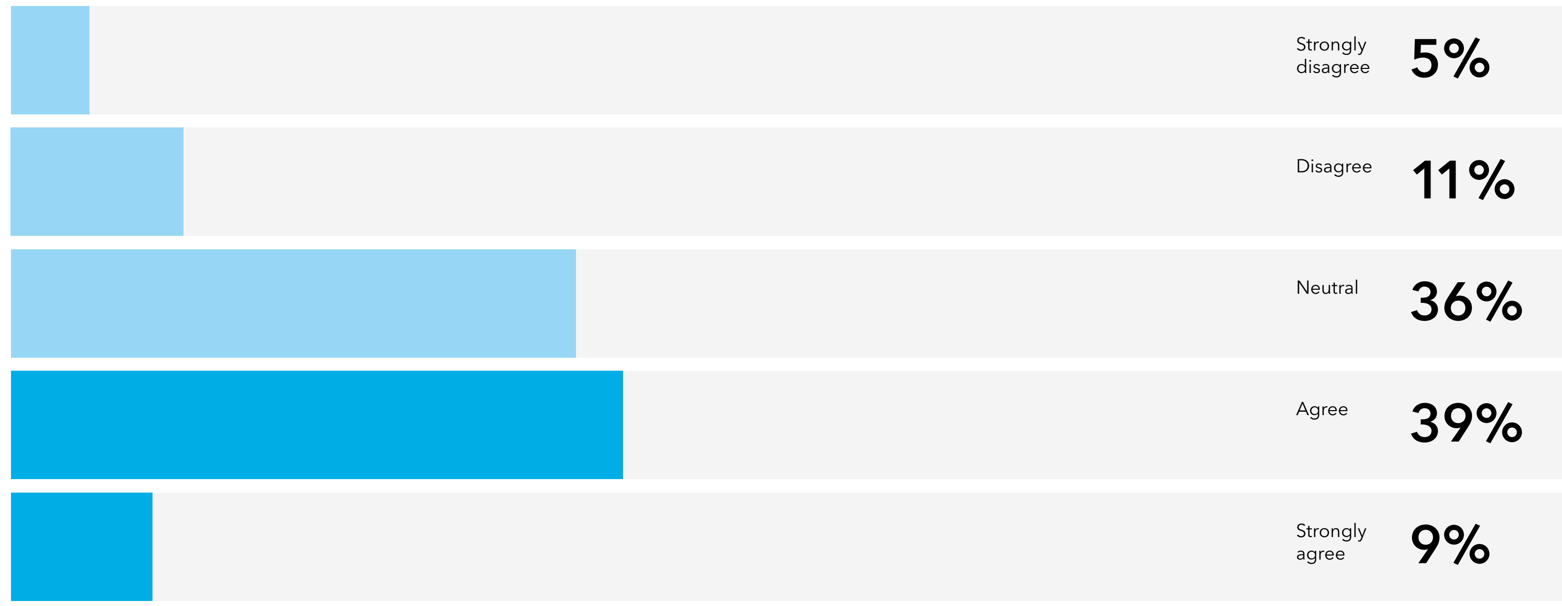
As such issues grow in importance, companies are investing more resources to improve performance, and there as been widespread growth in sustainability departments. Mature organisations are working to embed responsibility for performance into relevant corporate functions such as procurement, marketing, R&D, and product development.

Interestingly, nearly 50 per cent of respondents to the Survey state that they integrate sustainability into relevant corporate functions, business unit strategies and operations, indicating that sustainability is increasingly treated as a strategic issue.

"You have to start at the top. If the head of the fish is rotten, you don't want to eat the fish. If a CEO is not ethical, the company isn't ethical. So, the tone from the top is very, very important."

PAUL POLMAN
CEO, UNILEVER

14 **Clear vision: Almost 50 per cent of respondents state that the Global Compact has played an important role in shaping the company's vision.**



Source: 2015 Global Compact Implementation survey

THE ROLE OF THE UN GLOBAL COMPACT

ALL ABOUT COMMITMENT FROM THE TOP

As sustainability is increasingly being handled at the strategic level, what has been the Global Compact's role in catalysing change?

A PERSONAL PROMISE

The Global Compact has pushed commitment and responsibility up the corporate ladder in a number of ways. Perhaps the most important is the requirement that the CEO personally signs a Letter of Commitment addressed to the Secretary-General of the United Nations to join the initiative. Every year, CEOs are required to reconfirm their commitment in the company's Communication on Progress, ensuring that the focus from top management is maintained. Caring for Climate, the CEO Water Mandate and the Women's Empowerment Principles all follow the same model, and require additional commitments from the CEO.

Moreover, through organising events and conferences exclusively for CEOs and Board Members, such as the Global Compact Leaders Summit and UN Private Sector Forum, the Global Compact helps keep issues at the top of executives' minds.

MAKING IT CORE

In recent years, the Global Compact has stepped up its focus on the importance of integrating sustainability issues into core corporate functions, and has started organising events which target specific functions such as general counsels and compliance officers. In December 2014, as many as 300 compliance officers attended an event marking the tenth anniversary for the anti-corruption principle.

Another example is LEAD, the Global Compact leadership initiative, which has a specific focus on what sustainability leadership means for core corporate functions. The model is to identify good practice among leading companies, and then spread this to other Global Compact participants – ensuring that leading companies can inspire improved performance throughout the rest of the business community.

SHAPING VISION AND STRATEGY

Notably, almost half of surveyed participants state that the Global Compact has played an important role in shaping their company's vision (an equal number of small and large companies).

Level 1 - Finding 4

MIND THE GAP: ACTIONS AND INTENTIONS ARE STILL NOT ALIGNED

Companies are becoming increasingly systematic and proactive about integrating sustainability into their operations. However, implementation varies significantly between companies, progress is slow, and a large gap remains between talk and action.

Key facts and figures

251	349	9 171
TOOLS AND RESOURCES ISSUED	MAJOR EVENTS ORGANISED AT THE GLOBAL LEVEL	LOCAL LEVEL EVENTS RECORDED SINCE 2007

"We have screened all our 60,000 product applications to understand the impact on sustainability and the environment. Are we really best in class, or is it possible to improve our environmental footprint? A crucial part of this was evaluating whether to temporarily or permanently phase out perfectly legal products, because other alternatives were less harmful to the environment."

KURT BOCK
CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS, BASF

MORE SYSTEMATIC GOVERNANCE

A clear trend is that an increasing number of businesses globally are integrating sustainability issues into formal governing documents. An overwhelming majority of Global Compact participants surveyed[9] – 90 per cent - say they now have policies and practices in place encompassing all the Global Compact principle areas.

In general, larger companies tend to have advanced further in integrating sustainability issues into their governance structures and related documentation. This is most true when it comes to governance of environmental and labour risks, mainly related to health and safety of their own employees. The most significant change is seen in the area of anti-corruption – an increase from 81 per cent in 2008 to 91 per cent in 2015.

Sustainability policies are also becoming more specific. The percentage of surveyed companies that establish specific policies on issues such as corruption or forced labour is growing, albeit at a slow pace.

However, survey results relating to the degree to which companies are conducting activities such as risk and impact assessments, foot-printing and training suggest that policies are still not yet being translated into action. For instance, only 22 per cent of respondents conduct human rights risks assessments, despite 94 per cent saying they have policies and practices in place.

RISK ASSESSMENTS: A MIXED PICTURE

There seems to be a general tendency towards a greater use of risk assessments to enable proactive management of companies' sustainability risks, yet results from the survey show only a marginal increase in recent years. However, the difference is significant between issues.

A higher percentage of Global Compact companies surveyed state that they perform risk assessments on labour and environmental issues, while a much lower percentage conduct a similar exercise on human rights and anti-corruption. The most significant increase has been in the area of anti-corruption, with a notable rise of 18 percentage points in only four years.

Results show that while smaller companies have policies and practices in place, they are lagging behind in terms of proactive management of issues.

A STRONGER EMPHASIS ON PERFORMANCE MONITORING

Whereas risk assessment relates to how proactively a company is managing impacts, monitoring performance is key for enabling continuous improvement - a fundamental underlying principle for participation in the Global Compact.

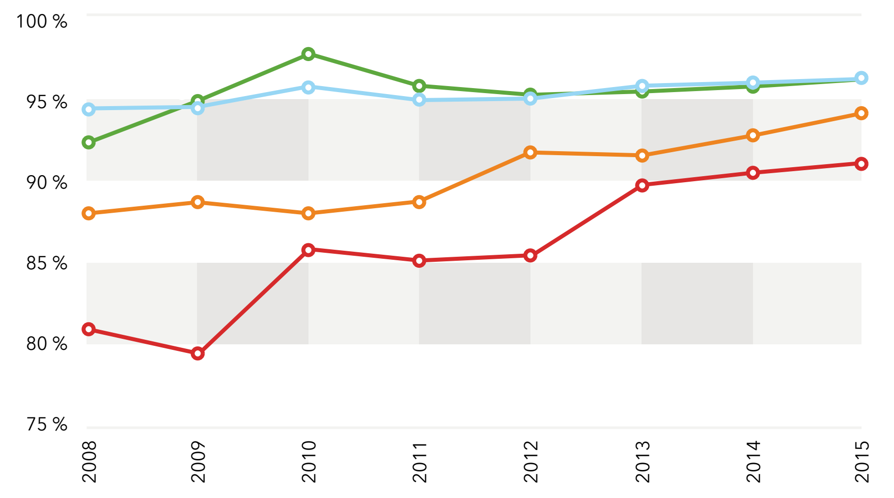
Around half of all survey respondents evaluate performance related to environment and labour, while less than a third do the same for human rights and anti-corruption. This is despite the fact 90 per cent of respondents have policies or practices for these areas.

Results from the survey show a substantial difference between the practices of large and small companies. In the area of human rights where business practices are generally considered less mature, there is very little difference between large and small companies.

15 **Already acting: Percentage of respondents with policies or practices in place**

	2008	2015
Human rights	88%	94%
Labour	94%	96%
Environment	92%	96%
Anti-corruption	81%	91%

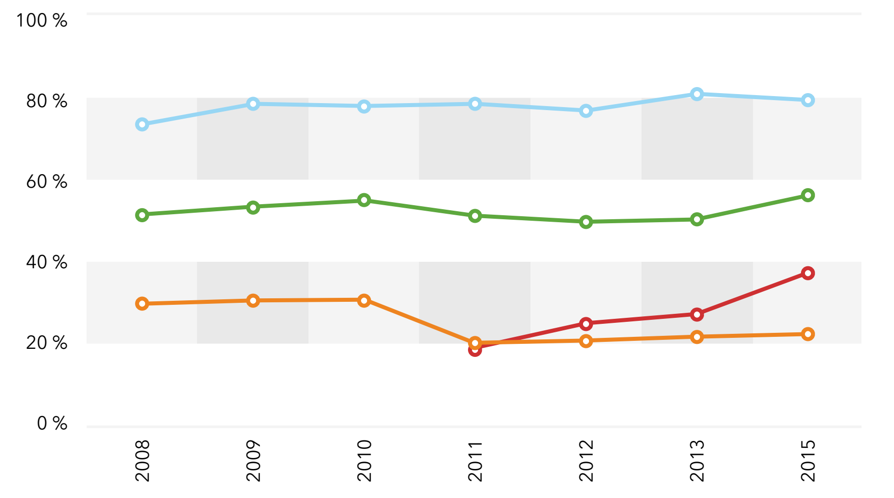
Source: 2008 - 2015 Global Compact Implementation surveys



16 **What's the risk: Percentage of companies using risk assessment as a tool to implement the principles**

	2008	2015
Human rights	30%	22%
Labour	74%	79%
Environment	52%	56%
Anti-corruption		37%

Source: 2008 - 2015 Global Compact Implementation surveys, Anti-corruption not included until 2011

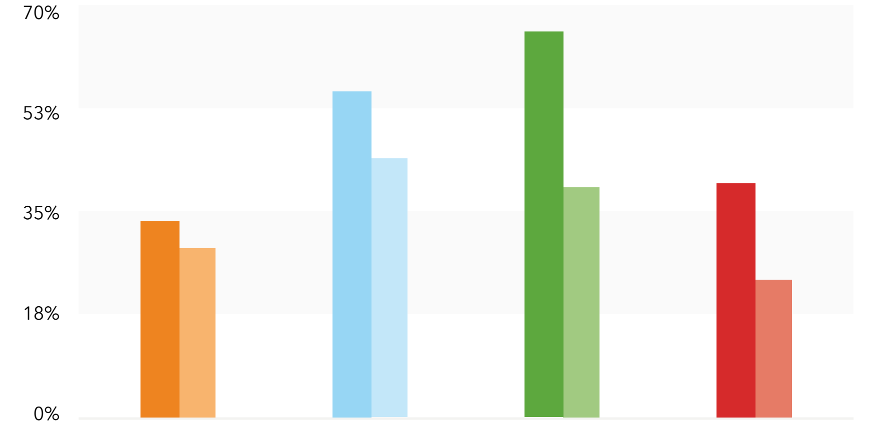


17 **Every business counts: Percentage of large and small- and medium-sized enterprises (SMEs) that monitor and evaluate performance to implement the principles**

Human rights
Labour
Environment
Anti-corruption

LARGE COMPANIES
SMES

Source: 2015 Global Compact Implementation survey



THE ROLE OF THE UN GLOBAL COMPACT

KICK-STARTING THE JOURNEY OF CHANGE

As business is gradually starting to integrate sustainability into operations, what has been the role of the Global Compact in catalysing this change?

Progress on integrating sustainability into operations has been slow overall. However, the Global Compact together with its partners has over the years delivered a significant amount of work which inspires, encourages and supports companies on their journey to sustainability.

ADVANCING ACTION

In the early days, the Global Compact focused primarily on facilitating multi-stakeholder discussions on good practice related to difficult sustainability risks. Over the years, the initiative has moved to producing an increasing amount of guidance on how to manage and disclose sustainability performance.

A remarkable total of 251 tools and guidance resources have been produced over the past 15 years, helping to clarify good corporate practice on a wide range of environmental, social and governance issues, such as operating in zones of conflict or handling child labour risk in the supply chain. The Global Compact has also produced several practical frameworks and specific tools for companies to conduct risk and other types of assessments, for instance to measure and report on performance.

In addition, a total of 349 global and 9,171 local events have been recorded by the Global Compact and its Local Networks. These constitute important platforms – both globally and at the national level – for multi-stakeholder dialogue and knowledge-exchange on challenges as well as approaches for how business can improve its positive impact.

DEEPENING ENGAGEMENT

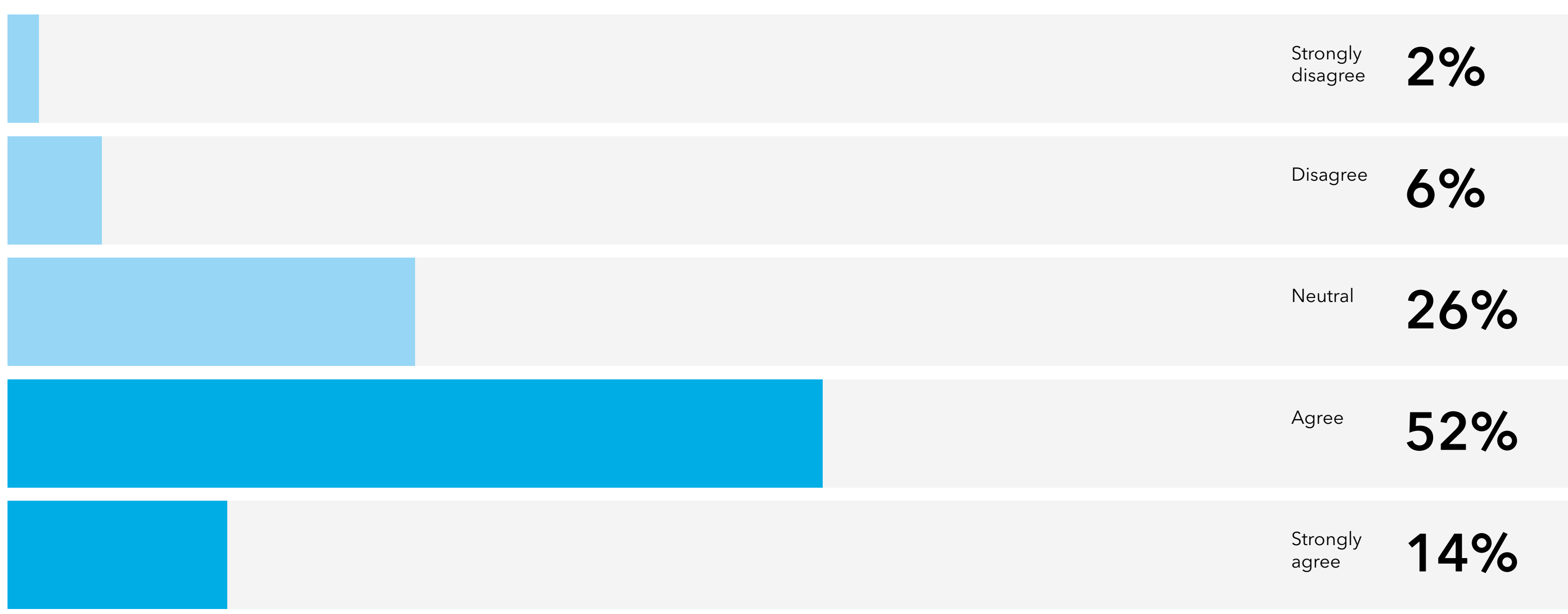
Since mid-2000, the Global Compact has launched a number of specific issue engagement platforms which offer opportunities for companies to be more active and take a stronger leadership position on issues of particular importance. Caring for Climate, the CEO Water Mandate and the Women's Empowerment Principles are examples of these platforms (see separate Spotlight sections). They primarily do two things: the framework defines what is good practice related to an issue, and they also enable like-minded participants to collaborate through local actions, initiatives and projects.

DRIVING THE DRIVERS OF CHANGE

Possibly the most significant impact of the Global Compact in this area concerns its activities to influence the external operating environment. It has played a critical role in mobilising the financial and educational sectors, as well as through advancing sustainable business practices through inspiring regulation and advancing responsible policy engagement (see finding on Level 2 for more details).

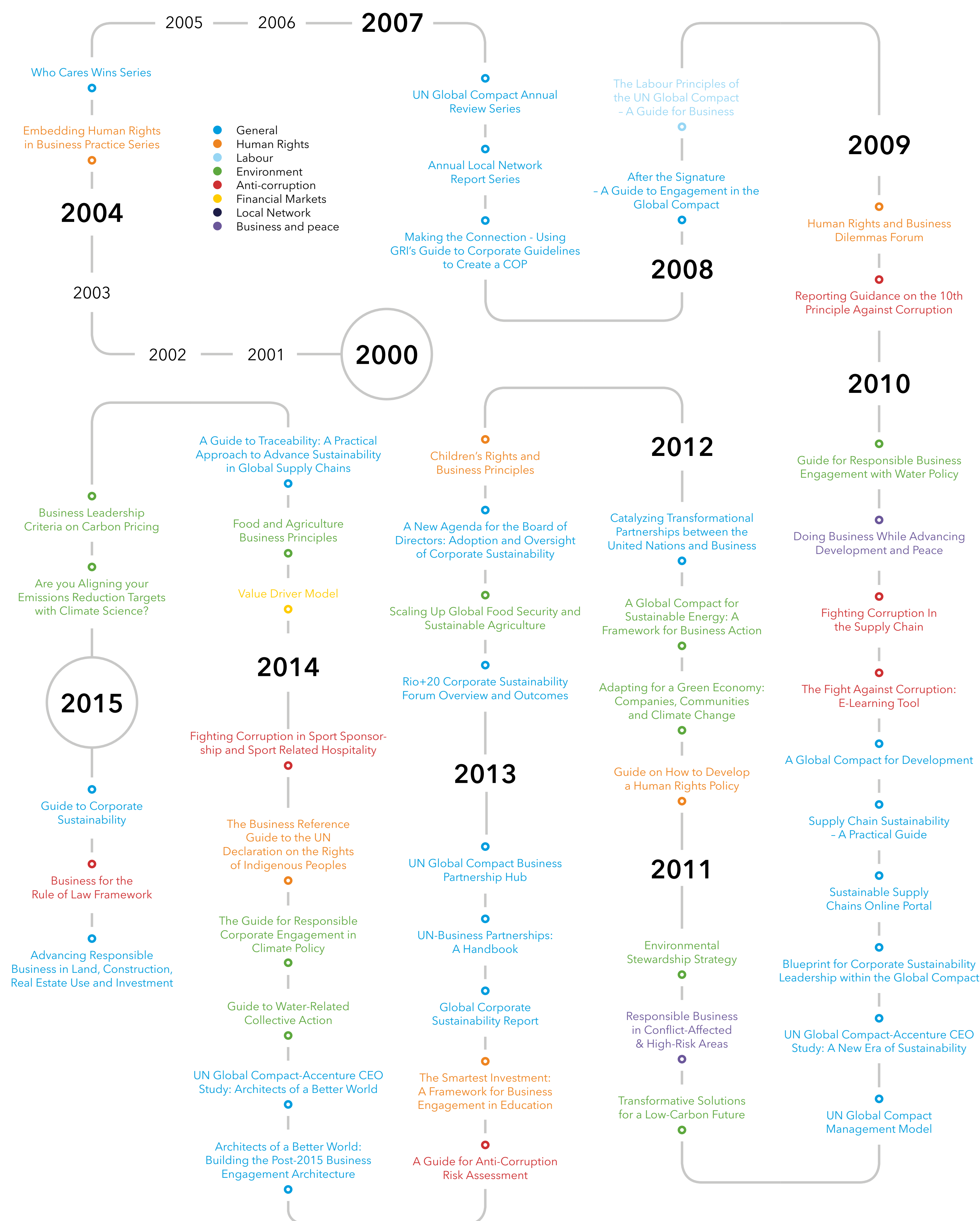
> *"If we had to pay consultants to deliver all of the guides, resources and tools that the Global Compact provides, it would be very expensive. The Global Compact is a goldmine. To get the most out of it, companies must not only sign on to the initiative; they must understand that being a proactive participant is crucial."*
>
> FEDERICO BERNALDO DE QUIRÓS
> CEO, RESTAURANTES TOKS

18 **Driving action: 66% of companies believe the Global Compact has played an important role in driving implementation of policies and practices**



Source: 2015 Global Compact Implementation survey

19 TOP 50 TOOLS AND RESOURCES



SPOTLIGHT ON:
THE CEO WATER MANDATE

THE FLOW-ON EFFECTS OF GOOD LEADERSHIP

The world is in the midst of a serious water crisis. From the farmlands of California, the mountains of Iraq, to vast areas in the Middle East and Africa – a growing number of countries are suffering from extreme water stress. According to the WHO, over 780 million people lack enough water to meet basic needs. Worryingly, if current rates of consumption continue, global water demand will vastly exceed supply by 2050.

This year, the water crisis was in the limelight of the World Economic Forum's global risk report when it was listed for the first time as the top societal risk facing business[10]. This speaks volumes about how water scarcity has shifted from being a non-existent issue to being recognised as one of the most important sustainability challenges of our time.

Over the coming decades, the water crisis will continue to worsen. It will threaten the ability of people to survive, ecosystems to flourish, food production to meet growing needs and the stability of societies as competition over scarce resources ramps up. It will also threaten our ability to develop strong and stable economies where businesses can thrive.

THE CEO WATER MANDATE: BRINGING IN BUSINESS

In 2007, understanding of the water crisis was growing, but companies lacked clear guidance and platforms to work together. In this context, the Global Compact and the Pacific Institute took steps to mobilise the business community and established the CEO Water Mandate. This constituted a voluntary set of principles designed to improve companies' management and disclosure of water practices and impacts.

A CEO-led initiative, the Mandate currently seeks to catalyse change in four main areas: responsible policy engagement and collective action, water and human rights, corporate water disclosure and water stewardship in the supply chain. It has responded by developing numerous practical tools and resources to help companies improve water management practices and impacts in their direct operations and in supply chains.

As of May 2015, 137 companies from a variety of sectors had endorsed the Mandate, with a majority belonging to highly water intensive sectors such as Basic Materials, Industrials and Consumer Goods. Participants include leading industry figures who are often subject to public scrutiny, and who might benefit from a proactive and transparent approach to water management.

FROM TALK TO ACTION

Water was already on the agenda of leading businesses when the CEO Water Mandate was launched. But as one of the first global business initiatives on the topic, it has helped raise awareness and attract attention to water issues at the global level.

Today, there is much higher awareness in the global business community of water risks. This is particularly the case in sectors and countries where water shortages have become a material risk to operations. We have seen a clear trend towards companies becoming more proactive in identifying, managing and reporting on water risks and opportunities. This is also true for firms outside the Mandate's endorser base. More companies are developing programs on water stewardship, efficiency and supply chains. In addition, they are requesting more practical tools and guidance for water footprinting, reporting and accounting.

However, water management cannot yet be described as mainstream (Figure 21). Basic Materials, Agriculture and Beverage Industries are leading the way, but awareness and engagement in other sectors vary.

With the launch of the CEO Water Mandate, there has been a focus on developing practical guidance for companies to ensure better water management and disclosure. The Mandate has also convened numerous events where companies and other organisations have been able to discuss challenges, share experiences and find new solutions. Many respondents point out that the collaborative tone and inspiration from peers has helped catalyse action within their own company.

Key facts and figures[11]

40%	52%	45%	90%
HOW MUCH WATER DEMAND WILL EXCEED SUPPLY IN 2030	OF THE GLOBAL POPULATION IS THREATENED BY WATER SCARCITY IN 2015	OF THE GLOBAL ECONOMY WILL BE THREATENED BY WATER SCARCITY IN 2050	OF DIRECT WATER WITHDRAWALS ARE FROM AGRICULTURE AND POWER-GENERATING INDUSTRIES

20 Participants in the CEO Water Mandate – by sector

Basic Materials	26	20%
Consumer Goods	38	29%
Consumer Services	6	5%
Financials	8	6%
Health Care	4	3%
Industrials	23	17%
Oil & Gas	2	1%
Technology	6	5%
Telecommunications	0	0%
Utilities	15	11%
Not Applicable	4	3%

21 Percentage of Global Compact companies responding to the Global Compact Implementation survey that state water is fully integrated into company strategy and operations

	2010	2011	2012	2013	2015
Basic Materials	44%	45%	41%	54%	53%
Consumer Goods	37%	39%	35%	39%	46%
Consumer Services	21%	29%	27%	30%	28%
Financials	19%	16%	17%	18%	25%
Health Care	31%	36%	36%	33%	50%
Industrials	24%	31%	29%	29%	34%
Oil & Gas	30%	39%	38%	31%	40%
Tecnhology	15%	11%	20%	15%	25%
Telecommunications	19%	7%	10%	26%	17%
Utilities	46%	35%	37%	36%	45%
Not Applicable	28%	21%	26%	21%	31%

Source: 2008 – 2015 Global Compact Implementation surveys

MEASURING THE IMPACT OF THE CEO WATER MANDATE

DNV GL has analysed data from 124 endorsing companies going back to 2007. Data was collected from publicly available annual or sustainability reports which were analysed for a variety of metrics, including water use and water saving.[12]

60 per cent of endorsing companies report comparable data on water use. 80 per cent of companies disclosing data on their water withdrawals are from three key sectors: Basic Materials, Industrial and Consumer Goods.

HOW MUCH WATER HAS BEEN SAVED?

IS WATER SAVED IN AREAS OF HIGH WATER STRESS?

46 per cent of the CEO Water Mandate companies are headquartered in areas of high to extremely high levels of water stress. However, to measure water used in production, especially for water intensive industries like textiles, the operating site is of most value to the analysis.

53 per cent of CEO Water Mandate companies report that they address water scarcity issues around the locations of their operations.

The evidence shows that companies participating in the CEO Water Mandate have saved water usage during the time they have been participating in the initiative. Although it is difficult to conclude from our findings that freshwater is saved where it is most needed, the reports indicate that water intensive industries are aware of local freshwater issues and many combat these issues locally.

12,690 million m^3 of water has been saved by CEO Water Mandate signatory companies since they joined the initiative. This is equivalent to the water supply needs of the world's ten largest cities for 7.6 years.

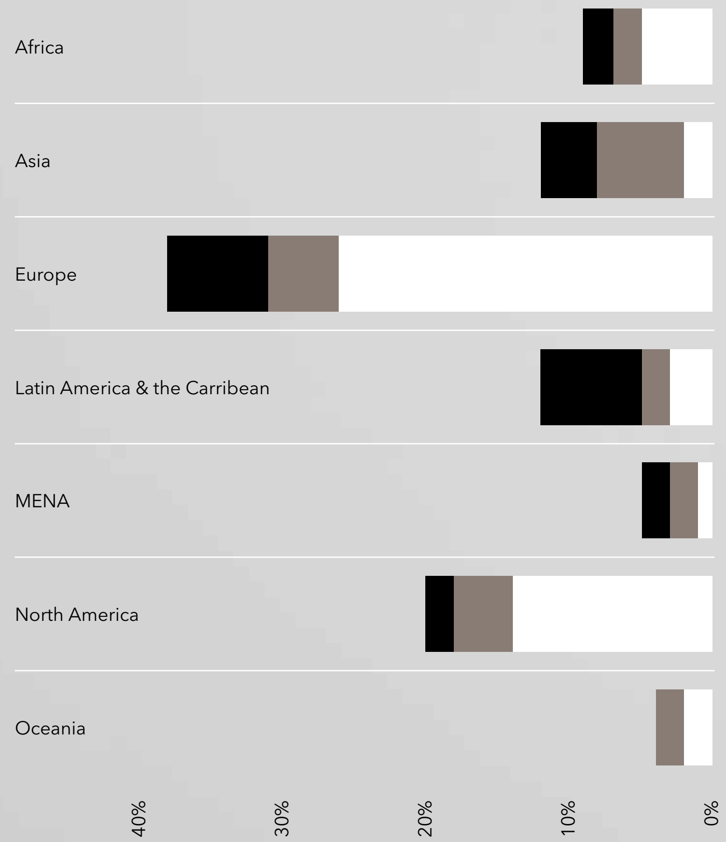
22 **CEO Water Mandate signatories reporting on water use**

Have reported data on water use	60%
Have not reported data on water use	32%
Does not produce / report not available*	8%

*Current relevant report/data unavailable: either have not yet published report after becoming Mandate signatory; not able to locate report; or report in local language only.

23 **CEO Water Mandate signatories reporting on water scarcity**

- Report on water scarcity
- Do not report on water scarcity
- Do not produce / report not available



THE WATER ACTION HUB

The Water Action Hub was developed with the Pacific Institute, GIZ, the International Business Leaders Forum and Deloitte in 2012 to encourage business collaboration in areas of high water stress. The digital platform connects companies with other stakeholders in water-stressed areas to come up with mutual solutions for water efficiency. The Hub involves **350** organisations in **178** projects over **357** project locations around the world.

UN PHOTO/MARTINE PERRET

HOW ARE FRAMEWORKS RESPONDING?

Governments have come to realise that water issues cannot be addressed by national and regional policies alone, and a key change has been the increase in cooperation and collaboration on these issues. More engaged governments have begun to reform water policies and reassess their water-related priorities.

Collaborations between international organisations and business have played an important role in helping NGOs understand business mentality and develop tools for water management.

The CEO Water Mandate cannot be said to have played a central role in shaping regulatory or institutional frameworks. However, through advocacy of water issues and facilitating dialogue, it has helped 'raise the bar' for performance and enabled business to engage in policy development and implementation.

CHANGING PERCEPTIONS

In the last two decades, attitudes relating to water have changed dramatically. Water has gone from being perceived as a 'public commodity' to a 'limited resource'. Around 2008, there was a significant increase in media, public and business recognition of the importance of water from social, economic and ecological perspectives. This was due in part to a greater understanding of the pressures and risks associated with the world's freshwater resources.

Awareness of the links between water and other sustainability issues is also growing, and the topic of 'water as a human right' has emerged. This has highlighted the crucial connection between company and state policy on water issues.

The CEO Water Mandate can certainly be said to have contributed to changing attitudes in terms of the risks water can pose to business and what responsibility and role business can and should take. Our findings show a clear change in perception and the fact that 50 per cent of endorsing companies have joined since 2013 represents a clear growth in general awareness.

HIGHLIGHTED WORKS

COLLECTIVE ACTION
'Guide to Water-Related Collective Action'

POLICY ENGAGEMENT
'Guide to Responsible Business Engagement with Water Policy'

"For us in WWF, it has been a great opportunity to be part of the UN Global Compact, especially in the CEO Water Mandate; to learn from others and bring our expertise into the discussion with business and civil society groups."

YOLANDA KAKABADSE
PRESIDENT, WWF INTERNATIONAL

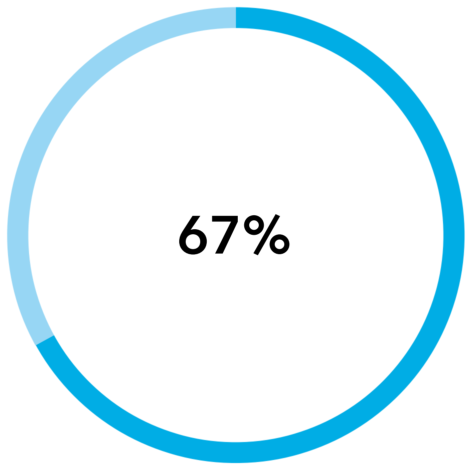
Level 1 - Finding 5

CHAIN REACTION: SUSTAINABILITY CASCADING THROUGH THE VALUE CHAIN

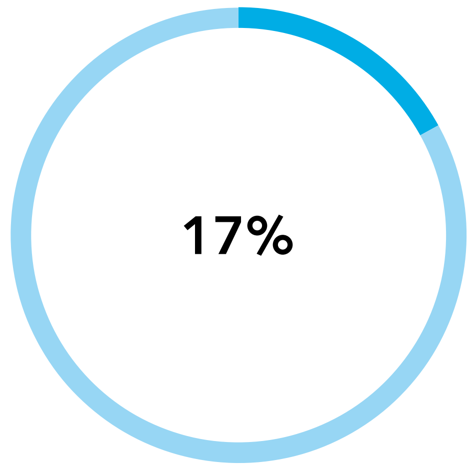
Companies have extended their focus beyond own operations to include impacts in their wider value chains. Scaling supply chain sustainability will mobilise a vast number of small firms in communities across the globe.

Key facts and figures

Source: 2015 Global Compact Implementation survey



of Global Compact companies surveyed consider adherence to sustainability principles in the supply chain.



of Global Compact companies require suppliers to adhere to the Global Compact to be selected as a partner.

In 2000, the boundary of responsibility for companies was largely limited to what they could directly control and manage internally, and often did not include upholding human and labour rights, environmental performance and anti-corruption issues in the value chain.

Corporate supply chain programs have evolved since then as a result of efforts to open up and bring greater transparency to global supply chains. This development is also a result of efforts to better understand the complexities around what is being sourced from where, and by whom.

Sophisticated supply chain programs are developing as many large companies recognise that the risks they are exposed to in the supply chain, whether relating to labour conditions, GHG emissions or risk of corruption, in many cases exceed the risk stemming from their own operations. More advanced approaches are moving beyond issuing requirements and demands to suppliers, towards collaboration and engagement.

INTEGRATION INTO SUPPLY CHAIN MANAGEMENT

A clear trend in the past 15 years is the increasing number of supplier codes of conduct covering all issue areas, and there is more monitoring of supplier performance and engagement with suppliers.

The number of survey respondents reporting they have policies and practices applying to suppliers has risen considerably. The most notable change has been a 23 percentage point increase in those reporting that their labour policies and practices apply to suppliers, from 37 percent in 2008 to 64 per cent today. However, according to the survey only 31 per cent of respondents consider labour issues in their supply and subcontracting agreements.

CHALLENGES REMAIN

Most companies are yet to examine their value chains and issues relating to them. No single multinational company operating in today's global marketplace can confidently state that they are fully aware of every potential supplier, contractor or sub-contractor.

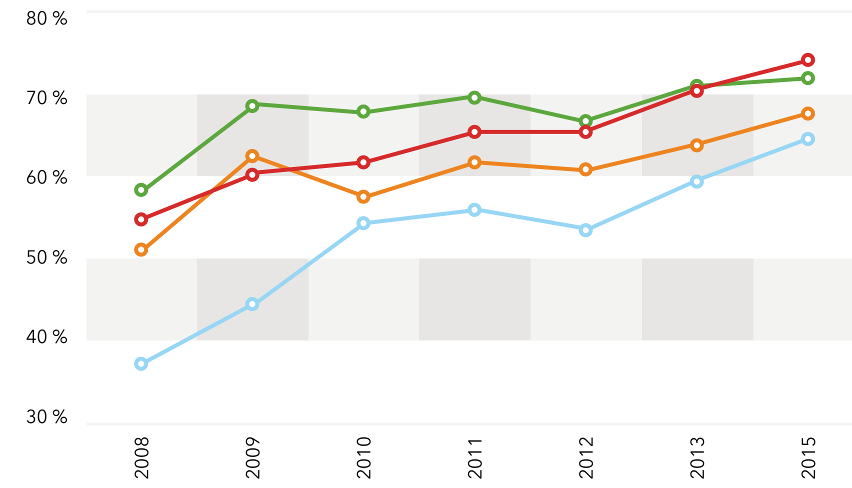
Businesses still also grapple with understanding and identifying boundaries of control, influence, and responsibility when it comes to value chains. For example, limited progress has been made by business in implementing systems that ensure respect for human rights is upheld, both across operations and the value chain.

"One of our main focus areas is to align our supply chain with the ten principles of the Global Compact. Polarisation in economic development is very unsustainable. We work with small communities around Mexico to help them develop and produce products in a better manner, so that we can source directly from them. In that way, we'll help build up local economies and lift people out of poverty."

FEDERICO BERNALDO DE QUIRÓS
CEO, RESTAURANTES TOKS

24 **Wider action: Percentage of large companies (more than 250 employees) with policies and practices that apply to suppliers.**

	2008	2015
Human rights	51%	67%
Labour	37%	64%
Environment	59%	72%
Anti-corruption	55%	74%



Source: 2008 - 2015 Global Compact Implementation surveys

THE ROLE OF THE UN GLOBAL COMPACT

EXPANDING BUSINESS SPHERE OF INFLUENCE

As companies are expanding their sustainability responsibility to the broader value chain, what has been the Global Compact's role in catalysing change?

A key contribution of the Global Compact has been the introduction of the term 'sphere of influence' in the preamble to the ten principles, stating that companies have 'a responsibility to embrace, support and enact a set of core values in their sphere of influence', and thereby signalling from the outset that business responsibility goes beyond direct or immediate operations.

ADVANCING BEST PRACTICES

Companies participating in the Global Compact are encouraged to engage with their suppliers around the ten principles, and thereby to develop more sustainable sourcing practices.

To assist companies in better managing supply chain risks and opportunities, the Global Compact launched a separate work stream on supply chain sustainability in 2010. The program aims to explore critical issues, and practically develop tools and guidance clarifying good practices in identifying, monitoring and improving performance in supply chains. Notable examples include the guide on fighting corruption within the supply chain, and the self-assessment and learning online tool.

Moreover, Global Compact engagement platforms like the CEO Water Mandate, the Caring for Climate initiative and the Food and Agriculture Principles all include a specific focus on supply chain management as a key element of how companies shall demonstrate stewardship and leadership on the different issues.

HIGHLIGHTED WORKS

FIGHTING CORRUPTION IN THE SUPPLY CHAIN:
'Stand Together Against Corruption: A Practical Guide to Help Prevent Corruption in the Supply Chain' (2013)

TRACEABILITY AND THE SUPPLY CHAIN:
'A Guide to Traceability: A Practical Approach to Advance Sustainability in Global Supply Chains' (2014)

SUSTAINABLE SUPPLY CHAINS: RESOURCES AND PRACTICES
A website for business seeking information about supply chain sustainability.
supply-chain.unglobalcompact.org

Level 1 - Finding 6

NOWHERE TO HIDE: TRANSPARENCY IS BECOMING THE NEW NORM

Huge progress has been made to improve corporate disclosure; companies today are far more open about their sustainability impact. Standardising reporting will help benchmark performance, letting transparency serve its purpose and dodging the risk of reporting into the void.

Key facts

27 646
COMMUNICATION ON PROGRESS REPORTS IN THE GLOBAL COMPACT DATABASE, AS OF DECEMBER 2014.

399
GLOBAL COMPACT BUSINESS PARTICIPANTS SUBMITTED AN "ADVANCED" COP REPORT IN 2014.

4 490
REPORTS SUBMITTED ACCORDING TO THE GLOBAL REPORTING INITIATIVE FRAMEWORK IN 2014.

74%
OF THE FORTUNE GLOBAL 500 COMPANIES PUBLISHED A SUSTAINABILITY REPORT IN 2014.[13]

"There's no place to hide anymore in the world. That's very, very powerful. I like to say transparency is not an act, it's a condition. Let's face it, when people are watching us, we behave differently."

ARON CRAMER
PRESIDENT & CEO, BSR

Since 2000, there has been a monumental shift in disclosure by companies on their sustainability performance. For example, while 646 Communications on Progress[13] reports (COPs) were submitted to the Global Compact in 2005, 5,404 COPs were submitted during 2014. This increase is also seen in the number of Global Reporting Initiative reports submitted, from 44 in 2000 to close to 4,500 in 2014.[15]

This shift reflects the growing recognition of the materiality of sustainability issues to business, as well as the enhanced stakeholder expectations of how companies are addressing sustainability. The resulting transparency and engagement has also helped to improve companies' understanding of good practice and shape their sustainability progress.

Evidence of the shift over the last 15 years is provided by the dramatic increase in sustainability reporting, to the point that it is now considered the norm for most large or multi-national companies. Reporting is also gaining traction within SMEs, often in response to top-down requirements from large companies for their suppliers to know and disclose their sustainability performance.

For Global Compact participants there has been significant progress in the disclosure in all principle areas, either through sustainability reports, Communication on Progress reports or other channels like company websites. For example the survey shows that there has been an average increase of 9 percentage points in the number of respondents that publicly disclose policies and practices related to the principle areas.

DISCLOSURE IS BECOMING MANDATORY

There is a clear trend going toward regulation of non-financial disclosure from large companies. Most notable is the recent EU Directive (2014) on disclosure of non-financial and diversity information by certain large undertakings and groups'. This amendment will require some 6,000 large businesses across Europe to publicly report on social, environmental, and human rights.

Mandatory reporting requirements have been introduced in South Africa, where 450 companies on the Johannesburg Stock Exchange are required to produce an integrated report. There are also reporting requirements in Denmark, Norway, Brazil, India and in the United States.

THE EVOLUTION OF SUSTAINABILITY REPORTING

As the volume of sustainability reports has increased, so has the sophistication and maturity of reporting practices:

- Shifting focus: From EHS and CSR reports to sustainability and, more recently, integrated reports
- Materiality: Reports reflect issues with the greatest importance to an organisation and its stakeholders
- Assurance: Independent validation of sustainability reports has grown, particularly for larger companies
- Evolving standards: Global Reporting Initiative (GRI) remains the dominant standard, targeting a broad range of stakeholders. The International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB) are gaining traction particularly amongst investors
- Issue-specific reporting: Growing maturity and understanding of material issues has led to more sophisticated issue-specific reporting (on GHG emissions, human rights, supply chain)
- Reporting systems: Significant rise in the number of sustainability software systems to automate data collection and reporting
- Reporting fatigue: Some reporters showing 'reporting fatigue' caused by ever-greater information requirements from rating agencies, investors and disclosure initiatives

HEADING IN THE RIGHT DIRECTION

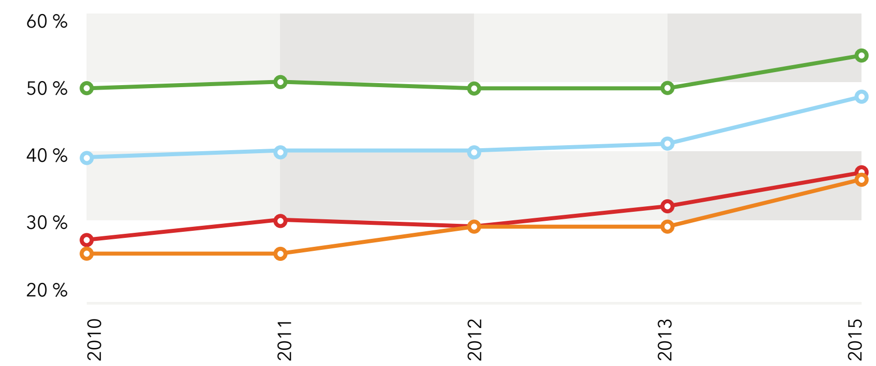
Disclosure levels on human rights, anti-corruption and supply chain have increased over the last 15 years. However, many companies remain hesitant to report openly on sensitive issues like human rights violations and corruption. This is perhaps due to difficulties in identifying risks and impact within their own operations, as well as concerns that transparent disclosure might backfire, generate negative publicity or result in legal issues.

For human rights, a recent study suggests current disclosure is mainly limited to general statements on human rights policies and processes with little reporting on specific risks or impacts and companies' responses to them.[16]

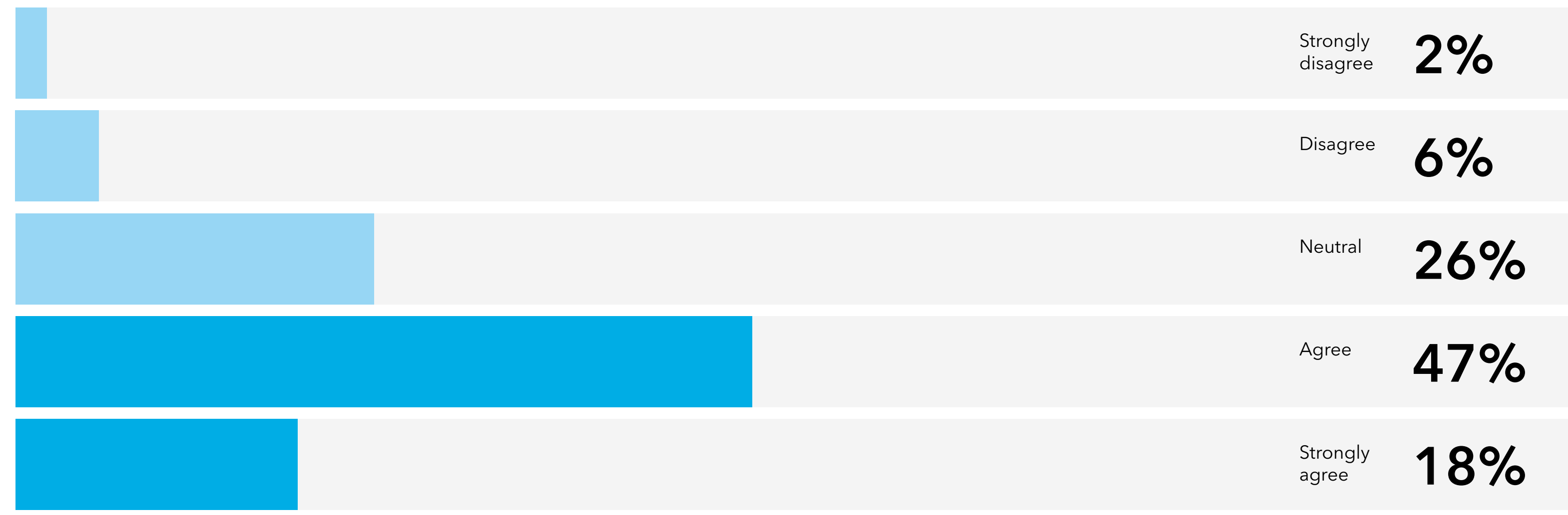
25 **Nothing to hide: Percentage of companies publicly disclosing policies and practices related to each principle area**

	2010	2015
Human rights	25%	36%
Labour	39%	48%
Environment	49%	54%
Anti-corruption	27%	37%

Source: 2010 - 2015 Global Compact Implementation surveys



26 **Good guidance: Participants agree that the Global Compact has played a significant role in guiding their sustainability reporting**



Source: 2015 Global Compact Implementation survey

THE ROLE OF THE UN GLOBAL COMPACT

ADVANCING OPENNESS ON SENSITIVE ISSUES

As transparency is increasingly becoming the norm, what has the Global Compact done to catalyse change?

Although not a reporting initiative, the Global Compact has transparency at its core. Not only does it promote transparency through its annual Communication on Progress reporting requirement for participants, it is also a strong supporting voice for other sustainability reporting and disclosure initiative like the GRI, IIRC and the Carbon Disclosure Project (CDP).

REQUIRING DISCLOSURE

In fact, a notable 65 per cent of business participants surveyed in the 2015 Implementation Survey state that they agree that the Global Compact has played an important role in guiding their sustainability reporting. This points to the fact that the Global Compact is no longer only a driver of sustainability performance but very much also a driver of reporting.

To strengthen the accountability of the initiative, the Global Compact introduced the reporting requirement for business participants in 2004, making it a requirement to report on progress in implementing the principles every year. Today, the Global Compact has the world's largest database of publicly available sustainability disclosures, containing close to 28,000 Communication on Progress reports.

The most notable outcome from this has been the drive to encourage companies to talk openly about the impacts and opportunities that they face in these areas, in particular on challenging issues like corruption and human rights.

As of 2013, non-business participants to the Global Compact are required to disclose specific activities in support of the initiative and the results of these activities every two years - a Communication on Engagement. In the spirit of continuous improvement and engagement, this is designed to be a tool for non-business participants to express their commitment through transparency, and to communicate the ways they advance the Global Compact.

IMPROVING REPORTING PRACTICES

By issuing reporting tools and guidance on a variety of topics for different audiences, the Global Compact, together with partners such as the GRI, has helped improve company reporting on the different principle areas. In doing so, it has enhanced transparency. In some areas, the Global Compact has been the first mover, in particular the reporting guides on anti-corruption, human rights, gender equality and water.

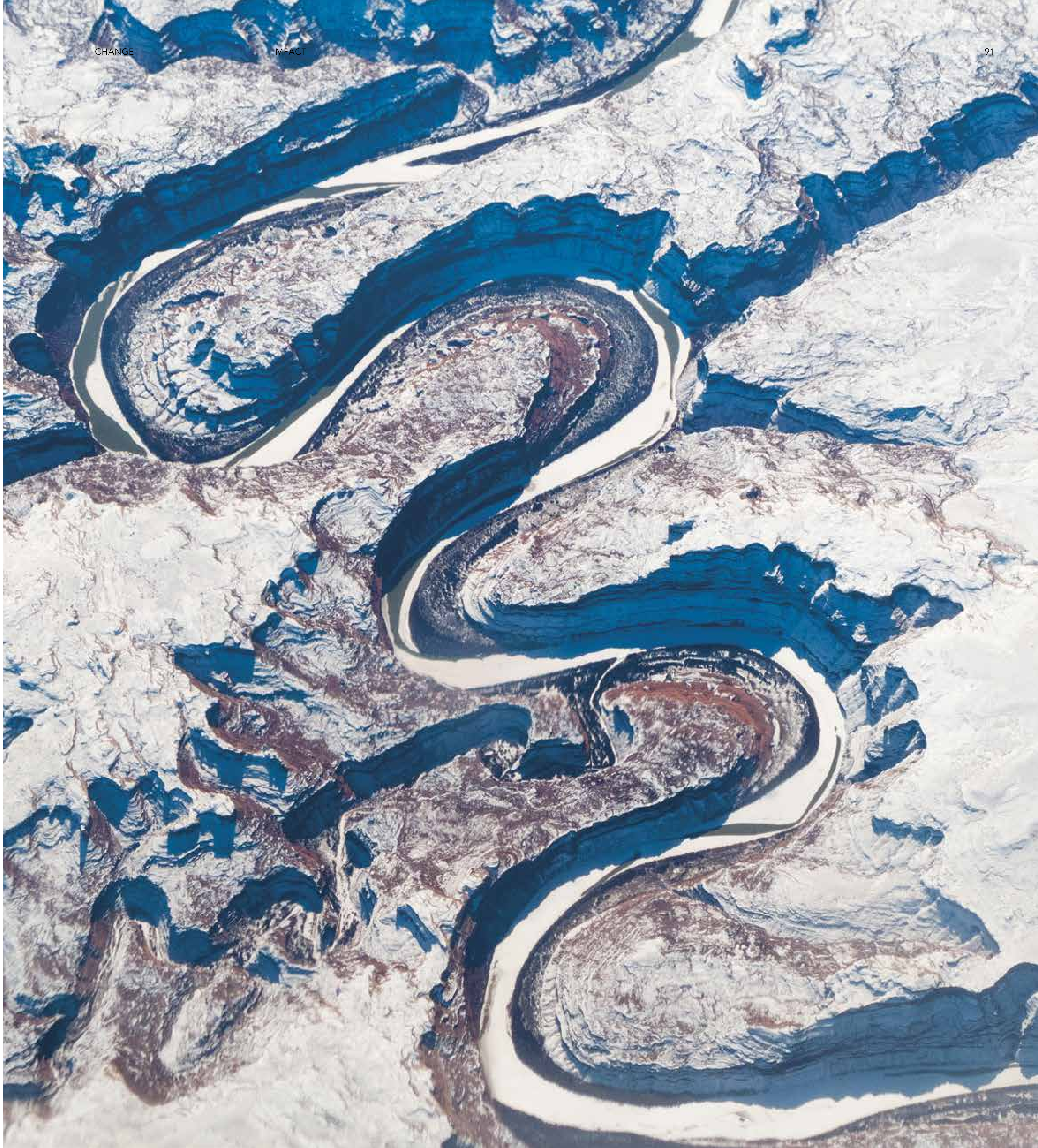
HARMONISING EXPECTATIONS

By deepening collaboration with other reporting initiatives, the Global Compact has helped to harmonise expectations on reporting. Examples include the Memorandum of Understanding signed with the GRI, the collaboration with the IIRC, and the encouragement to use the CDP to report on carbon emissions.

SPOTLIGHT ON:
CARING FOR CLIMATE

MOBILISING BUSINESS TO COMBAT CLIMATE CHANGE

Climate change is one of the greatest challenges facing humankind. Every day, millions of investment decisions are made that will affect the health of our planet for decades to come. Changing the way businesses think about climate change will not only be the key to limiting global warming; it will also be the first step towards a future of sustainable economic growth.



Since the launch of the Global Compact, global CO_2 emissions have increased by 46 per cent[17] and global atmospheric CO_2 levels are up 8 per cent[18]. At present, the reality is that the world is not on target for a global temperature rise of only 2 degrees Celsius - and it will be impossible to change course without the active involvement of business.

CARING FOR CLIMATE: SETTING THE PATH FOR LOW-CARBON GROWTH

Caring for Climate was launched by UN Secretary-General Ban Ki-moon in 2007. It is an initiative by the Global Compact, UNEP and the UNFCCC secretariat, and is committed to advancing the role of business in addressing climate change. It provides a framework for business leaders to advance practical solutions and help shape public policy and attitudes. The initiative has two goals:

1) inform the global climate change policy agenda through sharing successful practices; and
2) mobilise business to develop a strategy for energy efficiency and the transition to a low carbon economy.

Today, Caring for Climate is supported by over 400 companies and has become the world's largest initiative for business leadership on climate change. Many of the most carbon intensive industries participate, but some sectors like Oil and Gas, Basic Materials and Transport remain underrepresented.

FROM DEFENCE TO OFFENCE

In the early 2000s, businesses regarded climate and environmental issues as purely regulatory questions. Today, businesses play a more active part in dealing with climate change, often moving faster than environmental standards and regulations.

Since its launch, Caring for Climate has responded by supporting companies in improving practices on a range of issues. Recent examples of guidance include 'Adapting for a Green Economy: Companies, Communities and Climate Change' (2011), and 'Are you aligning your emissions reduction targets with climate science?' (2014).

Caring for Climate has also helped with the streamlining of reporting. In the period between 2009 and 2014, the percentage of signatories that responded to the Carbon Disclosure Project rose from 28 per cent to 48 per cent. This illustrated the increased willingness of climate leaders to participate in a robust disclosure system[19].

Part of the objective is to incentivise signatories to undertake emission reduction efforts. A study by Deloitte[20] shows that 33 large signatories have achieved a decrease in emissions of approximately 13 per cent from 2013, compared to 2007. Their emissions are also at their lowest level since 2007.

Leading companies are shifting gear and are now more proactively developing solutions to climate change. There is a clear trend of companies increasing investment in renewable energy and technology. They are focusing on becoming more transparent and more consistent with regard to lobbying, and on setting carbon pricing and their own targets to meet the 2 degree climate change target.

GREEN MARKET GROWTH

While the international climate negotiations under the UNFCCC are progressing, the talks have not yet reached a much-needed international agreement on climate change. At a national level, climate legislation is rapidly developing (climate legislation has doubled since 2009[21]) and is increasingly incentivising business to take action. But while we are closer to a consensus on what is required, much change is needed before regulation effectively supports a transition to a low carbon economy.

There have been positive signs with regard to the awareness of climate risks among financial markets. Investors are beginning to see the link between climate and financial risk, and increasingly require companies to disclose strategies for managing climate risks and costs. Recently, investors have started to fear the effect of stranded assets - investments that will become unusable if laws to curb emissions tighten even further. The recent fall in the share price of coal companies reflects this issue.

RESPONSIBLE ENGAGEMENT ON CLIMATE

Fifteen years ago there were few channels for constructive engagement between private sector companies and other stakeholders. This has changed as private sector companies seek to engage stakeholder groups more actively. Caring for Climate has played a significant role in this regard. Since 2013, the Caring for Climate Business Forum has been the official business–focused event at the international COP negotiations, allowing business, policy-makers and civil society to exchange good practice and discuss climate policy.

The initiative has also developed pioneering resources on responsible engagement in climate policy, designed to help businesses follow transparent guidelines when approaching government and elected bodies to discuss climate policy.

GREENER THOUGHTS AND MINDS

General awareness of climate issues was rising as early as 2000. However, there was a high level of disagreement concerning the most effective actions that should be taken to overcome the momentous challenges ahead.

Today, climate is on the minds of most international business leaders, and companies are looking more for win-win solutions on the climate and the economy as a whole. More than ever before, business is seen as the source of innovation and solutions, as well as an advocate for climate policy. A new generation of climate-conscious managers are stepping into boardrooms, ready to strike a blow for the environment and to find meaningful solutions to combat climate change.

Caring for Climate has, through its various initiatives, been instrumental in shaping beliefs that companies can be a force for good. The initiative is gaining global recognition from other institutional and organisational frameworks, and is a significant driver of business engagement on climate globally.

2015 – THE MAKE OR BREAK YEAR?

In December 2015, world leaders will meet for the 21st round of COP negotiations and hopefully reach a global agreement on climate change. The outcome will greatly change the operating environment for companies, and their inclusion in the process is important for delivering results. Committing to the Caring for Climate initiative is the best way for business to participate in this process, and declare itself a provider of solutions rather than part of the problem.

CEOs supporting Caring for Climate commit to:

- Reduce emissions, set targets, and report annual performance
- Devise a business strategy to approach climate risks and opportunities
- Engage with policymakers to encourage scaled-up climate action
- Work collaboratively with other enterprises to tackle climate change
- Become a climate-friendly business champion with stakeholders

Key Facts

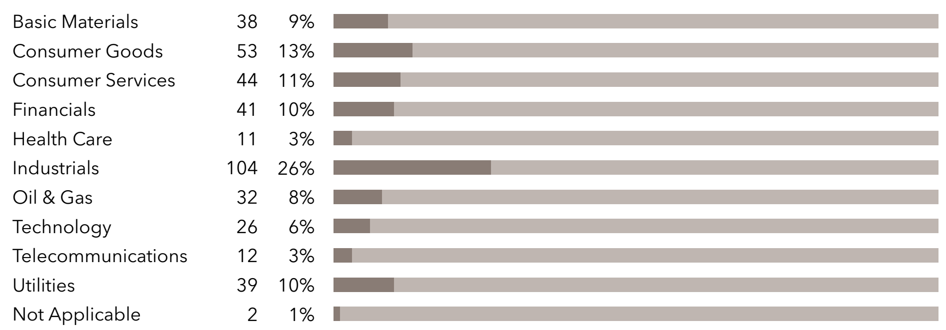
400 CEOS ARE COMMITTED TO CARING FOR CLIMATE (C4C)

125 MILLION TONNES OF CO_2 EMISSIONS COULD BE REDUCED IF 126 C4C SIGNATORIES MEET TARGETS THEY SET IN 2014[22]

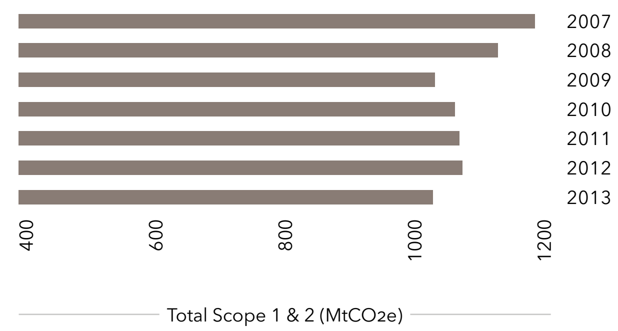
85% OF C4C SIGNATORIES ARE REPORTING ON PROGRESS ON CLIMATE CHANGE PUBICALLY[23]

81% OF GLOBAL COMPACT CEOS BACK THE DEVELOPMENT OF LEGISLATION TO SUPPORT A GREEN ECONOMY[24]

27 **Signatories by sector**



28 **Company progress**



Source: Caring for Climate progress report 2014

LEADERSHIP

BUSINESS IS CALLING: PUT A PRICE ON CARBON

Setting a price on carbon that reflects the toll fossil fuels are taking on the planet has been a target area for Caring for Climate, as it is a key step to limiting greenhouse gas emissions and getting ahead of the climate curve.

To challenge companies to integrate carbon pricing into long-term corporate strategies and investment decisions, plus advocate for carbon pricing and communicate on progress, Caring for Climate has developed the Business Leadership Criteria on Carbon Pricing (BLC). Around 40 companies and investors have aligned with the criteria so far. Caring for Climate plans to mobilise at least 100 companies by the end of 2015.

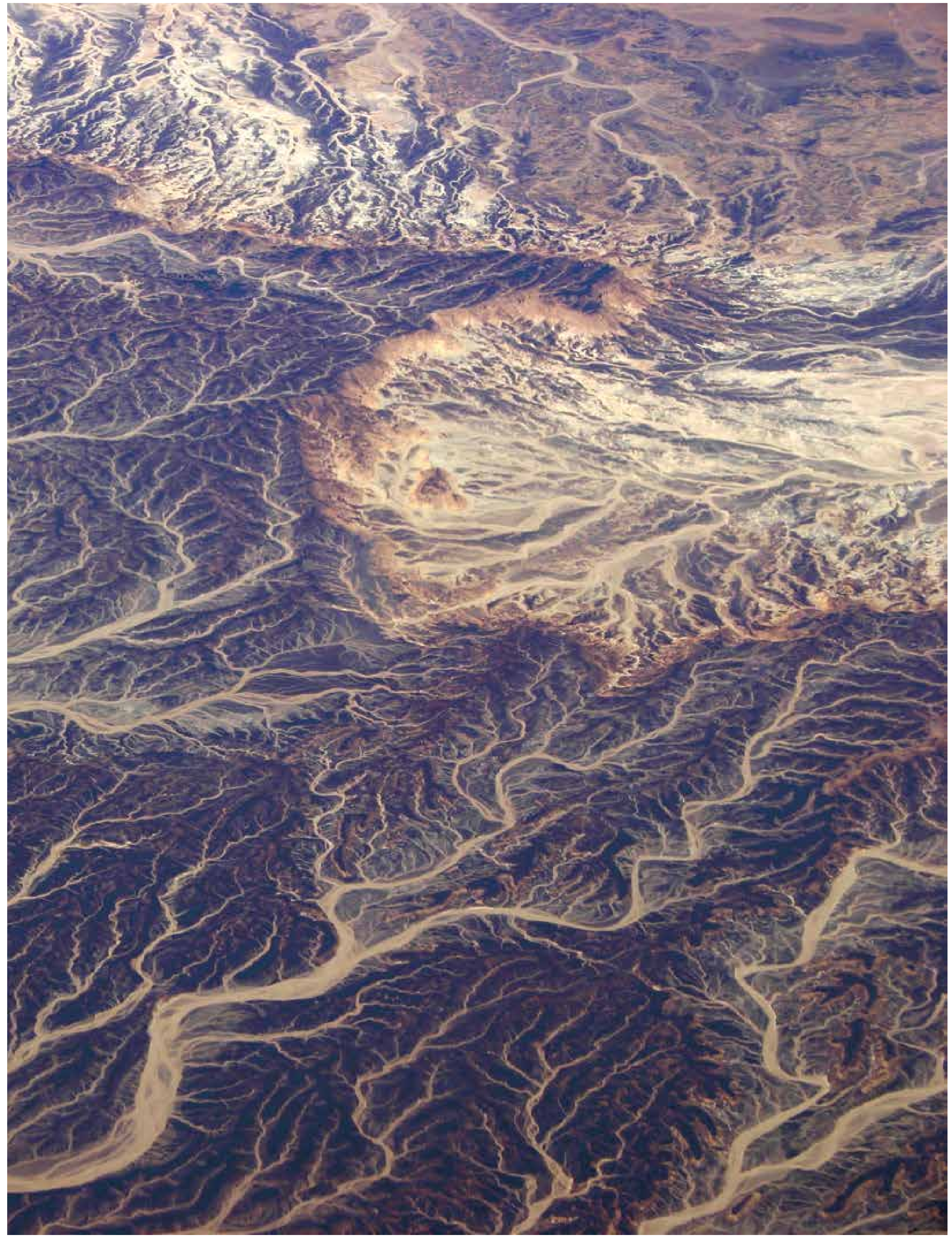
In May 2015, 6 major oil and gas companies - BG Group plc, BP plc, ENi S.p.A., Royal Dutch Shell plc, Statoil ASA and Total SA - issued a joint call to world governments and the UNFCCC to introduce carbon pricing systems.

UN PHOTO / UNICEF / MARCO DORMINO

“Climate change is the defining challenge of our time. I also believe it is the most potent game-changer for business...It is an opportunity we must seize. I want to challenge you. I want to see you in the vanguard of an unprecedented effort to retool the global economy into one that is cleaner, greener and more sustainable.”

H.E. Ban Ki-moon

Secretary-General
United Nations



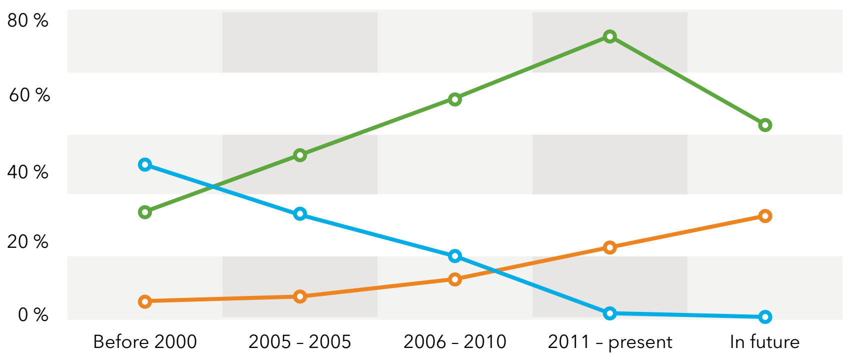
Level 1 - Finding 7

SMARTER TOGETHER: NEW FORMS OF COLLABORATION BETWEEN BUSINESS AND SOCIETY

The more we understand the complex challenges the world now faces, the more we see the overlapping interests of economic and societal actors. New forms of cross-sector collaboration are emerging to deliver smarter, more long-term solutions

29 **Coming together: Sustainability collaborations on the rise - How many sustainability-related collaborations has your organisation been involved in over time?**

Number of sustainability related collaborations	Before 2000	In future
0 sustainability collaborations	40%	0%
1 to 25 sustainability collaborations	28%	50%
More than 25 sustainability collaborations	4%	26%



Source: BCG-MIT SMR-UN GC 2014 Sustainability Survey (based on company data-set with 749 responses); BCG analysis

"Initially, corporate responsibility was just about awareness. Now it has changed the way we actually do business. Business is realising that they cannot work alone. You need to work together with your stakeholders to find the best practices and standards. This is becoming part of daily business."

MÓNICA DE GREIFF
PRESIDENT, BOGOTA CHAMBER OF COMMERCE

At the turn of the millennium, few companies engaged actively with their stakeholders. Different sectors were kept apart by a deep sense of mistrust and in some cases outright antagonism, as well as the view that governments alone were responsible for managing societal issues.

Since then, a deeper sense of the complexity of global challenges has emerged. So too has the understanding that by pooling the resources, competence and insights from different stakeholders together, new approaches and opportunities can be brought to light and efforts to transform existing structures and practices scaled.

PARTNERSHIPS ARE PROLIFERATING

Today, collaboration is thriving across sectors and geographies, from policy dialogues, stakeholder consultations and collective actions to concrete, on-the-ground local partnerships. Efforts include developing joint standards, levelling the playing field and developing new models and solutions. A recent survey[25] shows that the number of sustainability related collaborations has increased dramatically since 2000.

MORE STRATEGIC AND TRANSFORMATIVE

In 2000, 'collaboration' was often interpreted as charity for a good cause or an ad hoc partnership driven by the main office. Today, collaboration is becoming more targeted, long-term and focused on transformative and scalable models. However, research shows that realising synergies and multiplier effects are often difficult in practice, and more effective models are needed to leverage the unique competence and expertise of different partners.

CONSULTATION IS MORE FORMALISED

Stakeholder engagement is also becoming more formalised, and there is a growing tendency for consultations to be more integrated in regular business processes.

It is interesting to note that there has been only a marginal increase in stakeholder engagement levels among Global Compact participants over the years (this does not seem to reflect trends in the broader business community). Interestingly, there is a considerable difference between labour issues, where more than 60 per cent of respondents conduct regular engagement and activities, than in the other principle areas (in particular anti-corruption). This could be due to more frequent dialogue between companies and labour unions.

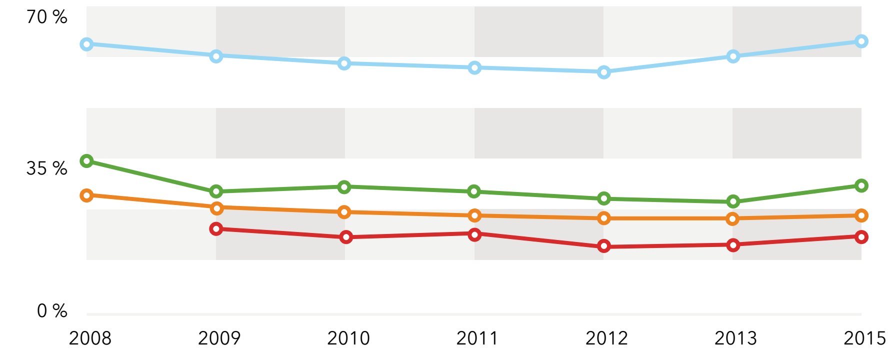
MORE SECTOR AND ISSUE-SPECIFIC

There has been a clear positive trend of higher participation in industry or issue-specific initiatives over the last few years. But again, there is a considerable difference between the principle areas, with companies engaging to a much lesser degree in collective and joint action on anti-corruption (see Figure 31). Less participation in anti-corruption and human rights initiatives may reflect the sensitivity of these issues. This also varies significantly across regions. Around 40% of respondents in Africa take part in industry or issue-specific initiatives on anti-corruption.

30 **Let's talk: Percentage of companies using stakeholder dialogue to implement the principles**

	2008	2015
Human rights	28%	23%
Labour	63%	63%
Environment	36%	30%
Anti-corruption		18%

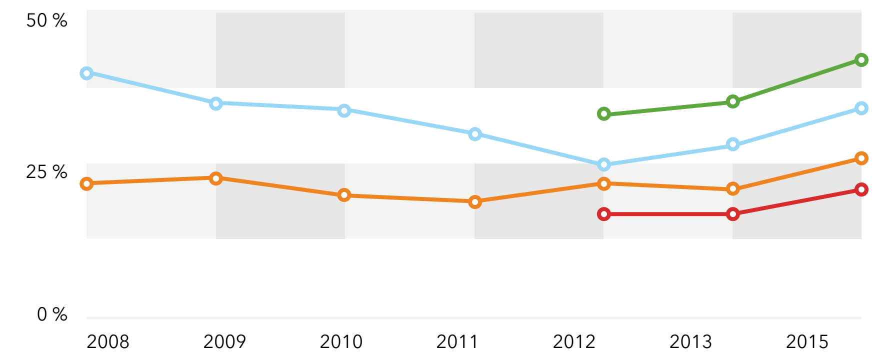
Source: 2008 - 2010 Global Compact Implementation surveys. Anti-corruption not included until 2009.



31 **Deeper engagement: Percentage of Global Compact respondents stating that their company participates in industry or issue-specific initiatives to implement the principles**

	2008	2015
Human rights	22%	26%
Labour	40%	34%
Environment		42%
Anti-corruption		21%

Source: 2008 - 2010 Global Compact Implementation surveys. Environment and anti-corruption not included until 2012.



THE ROLE OF THE UN GLOBAL COMPACT

A PLATFORM FOR COLLABORATION

As companies increasingly collaborate on sustainability issues, what has been the Global Compact's role in catalysing change?

The Global Compact was formed as a multi-stakeholder initiative and was one of the first global platforms where business could engage in dialogue with its stakeholders.

Today, multi-stakeholder collaboration is thoroughly embedded throughout the Global Compact network. The Board itself, chaired by the UN Secretary-General, comprises representatives from business, international labour and civil society. Many work areas of the Global Compact are governed by multi-stakeholder working groups, and the vast majority of resources produced in the past 15 years have involved widespread consultation and collaboration with government, civil society and academic partners. Also, most of the Global Compact's 88 Local Networks are multi-stakeholder in nature.

CONVENING MULTI-STAKEHOLDER DIALOGUES

From its inception, the Global Compact's model of engagement has been to bring stakeholders together in the form of 'policy dialogues' to discuss challenging issues, such as business operating in zones of conflict. A large number of events have been held at the global, regional and local level since then. As such, the Global Compact has played a critical role in facilitating structured engagement between governments, civil society and the business community at large. It has brought unique sets of skills, experiences and knowledge of different actors together to bring about new solutions.

IMPROVING PARTNERSHIP VALUE

The Global Compact and its partners have also provided operational guidance for business, the UN system and civil society to improve the effectiveness, value and impact of collaboration. A large number of practical tools have been produced to improve the performance and impact of partnerships. In fact, 60 per cent of companies surveyed agree or strongly agree that the Global Compact has played an important role in motivating the company to take action to advance broader UN goals.

FACILITATING PARTNERSHIPS AND COLLECTIVE ACTION

In 2013, the Global Compact launched the UN Global Compact Business Partnership Hub, an interactive platform to connect businesses with partners in support of UN goals and issues. Action hub areas include water, anti-corruption, climate & energy, social enterprise and UN-business partnerships.

To date, as many as 2,391 organisations have registered 268 projects across all of the Global Compact Partnership Hubs. Although the number of registered organisations grew by 194 per cent in the last year, the amount of projects grew by only 37. This could indicate that an emerging interest has not yet been translated into significant action on the ground. However, there are promising developments underway especially in the area of water.

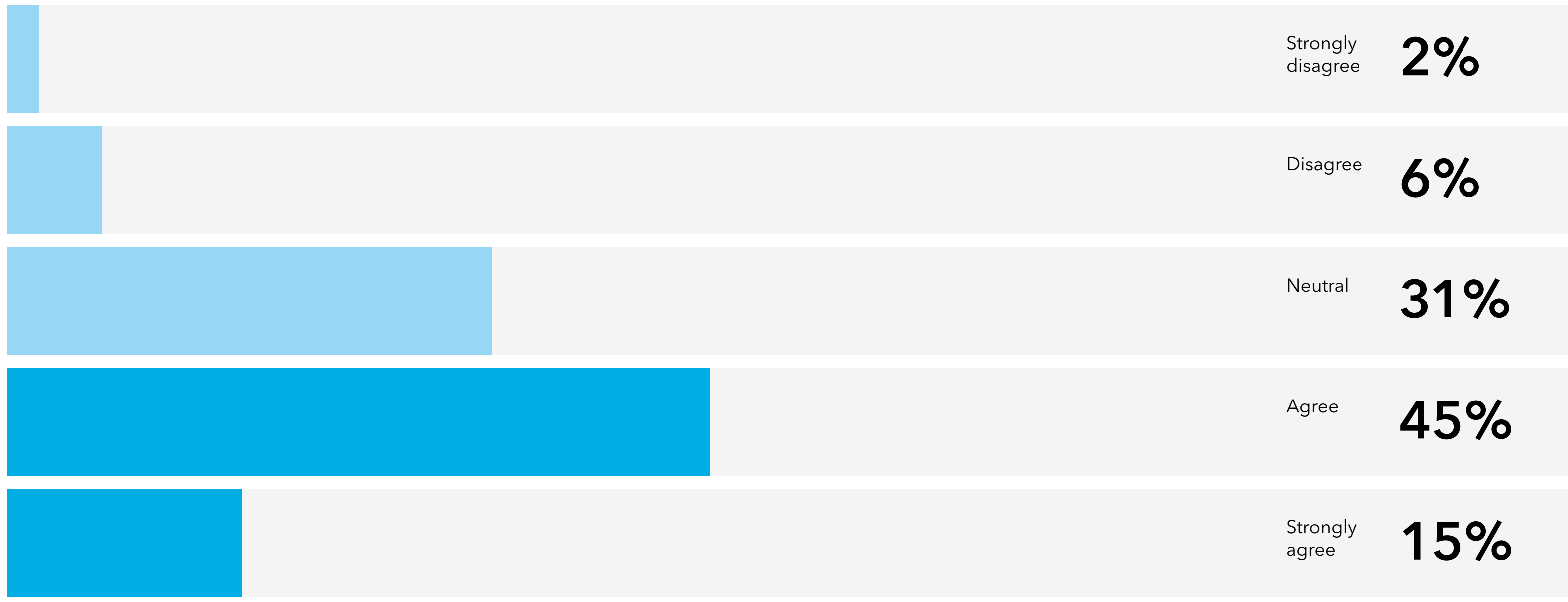
At the local level, a total of 775 Local Network partnership activities have been recorded since 2007.

Global Compact Cities Programme

The Global Compact Cities Programme is dedicated to the promotion and adoption of the Global Compact's ten principles by cities, and provides a framework for translating the principles into day-to-day urban governance and management. In the spirit of the UN Global Compact, the Cities Programme focuses on collaboration between all levels of government, business and civil society in order to enhance sustainability, resilience, diversity and adaptation within cities and in the face of complex urban challenges. Administered by an International Secretariat based at the Global Cities Institute at RMIT University in Melbourne, Australia, the Global Compact Cities Programme provides unique expertise and guidance to participating cities.

> *"The very first signatories got together and looked at mutual problems, and how business, civil society and labour unions could learn from each other. This model has run through the development of the Global Compact. We identify problems and sit down together with civil society – who may have a completely different view, but share the common objective to find practical solutions. These solutions are in turn more widely accepted because ofthis range of input."*
>
> SIR MARK MOODY-STUART
> CHAIR OF THE FOUNDATION FOR THE GLOBAL COMPACT
> FORMER CHAIRMAN OF ROYAL DUTCH SHELL

32 **Let's go: Participants say that the Global Compact has played an important role in motivating the company to advance broader UN goals and issues**



Source: 2015 Global Compact Implementation survey

HIGHLIGHTED WORKS

THE UN-BUSINESS PARTNERSHIP HUB

An online platform enabling the public and private sectors to propose projects related to UN goals. businesspartnershiphub.org

PARTNERSHIP FUNDAMENTALS

A 10-Step Guide for Creating Effective UN-Business Partnerships (Sept 2011)

UN-Business Partnerships: A Handbook (2013)

Barcelona, one of the cities in the Global Compact Cities Programme.

LEVEL 2
CORPORATE OPERATING ENVIRONMENT

Is the pressure on?

Companies operate in a complex web of rules and regulations, institutional frameworks, incentive systems and different societal, economic and political contexts. This section examines change in the corporate operating environment – at the global, regional and national level – that shape corporate conduct. Factors in the external operating environment may hinder or block, or enable and catalyse, change in the right direction. In this assessment, we consider four important drivers of change: regulation, finance, education, and the institutions and frameworks such as international organisations, government institutions and civil society organisations.

In what follows, we present our five key findings with regard to how the corporate operating environment has changed since 2000. As you can see from the following pages, promising change has occurred in many areas. Here are the findings we present:

1. Playing catch-up: Bringing regulation up to speed
2. Voluntary is booming: Business is taking the lead
3. Exercising power: Investors' sights set on sustainability
4. From confrontation to collaboration: A new relationship with NGOs
5. Open for business: The UN embraces corporate partnerships

Level 2 - Finding 1

PLAYING CATCH-UP: BRINGING REGULATION UP TO SPEED

Regulation is more geared towards driving sustainable corporate behaviour than ever before, but enforcement remains a challenge. In some areas regulation is lagging behind, and progressive companies are leading the push for better governance.

At the turn of the millennium, many international conventions and treaties existed on issues relevant to the Global Compact principles. Some gaps existed which have since largely been addressed, for instance corruption through the UN Convention Against Corruption (2003). However, for many areas of global importance, governance gaps remain, and uniform and effective implementation at the national level continues to be a challenge.

NATIONAL REGULATORS ARE STEPPING UP

There is a clear trend towards more national regulation across most markets on all issue areas of the Global Compact. Yet where international rules have been agreed, the pace of local implementation has been slow.

Where strong national environmental, equality and labour laws exist, they continue to positively influence corporate behaviour. Regulation in the area of business and human rights remains in its infancy. But following the new UN Guiding Principles on Business and Human Rights, many governments are in the process of developing national action plans which could result in more business regulation.

Globally, there remains a need for greater coordination and consistency in regulatory development to create a more level playing field. With regard to mandatory reporting, the new EU Directive on disclosure of non-financial and diversity information is a positive development. This will require some 6,000 large companies to disclose information about their environmental, social and governance performance from the Financial Year 2017.

It is difficult for multinational companies to operate while regulations remain inconsistent across markets. There is a risk of companies exploiting these differences. Sharp practice by multinational companies continues to attract criticism, and attention remains focused on corporate tax transparency and the offshoring of environmental and social responsibilities to less regulated markets.

ENFORCEMENT – A DEAL-BREAKER

Whilst more stringent laws and regulations have come into force since 2000, there remains a challenge around inconsistent implementation of laws and regulations. Judicial corruption remains widespread in many countries and standards of governance and the rule of law are likely to become major sustainability goals in their own right.

BUSINESS RAISES THE BAR

Prior to 2000, few channels existed for constructive engagement between business and government with regard to sustainability. Business struggled to take part in environmental initiatives. Today, leading companies are often ahead of regulation and drive the debate to improve regulation and make it smarter. Yet progressive companies do not form the majority, and there are still considerable challenges with less progressive companies blocking positive change.

"If there is enough clinical mass of business that say 'We want it', you de-risk a political prosess. It's also our task as businesses because it's very difficult nowadays to be a politician. In order to give the politicans more courage, we as businesses need to help de-risk the political process."

PAUL POLMAN
CEO, UNILEVER

"Businesses can make decisions much more quickly than the political process. Companies have the potential to make a very powerful positive impact by joining together and renouncing corruption. That would deal with the supply side of corruption very substantially."

JERMYN BROOKS
CHAIR OF BUSINESS ADVISORY BOARD, TRANSPARENCY INTERNATIONAL

THE ROLE OF THE UN GLOBAL COMPACT

BRINGING THE VOICE OF BUSINESS TO THE TABLE

What has been the role of the Global Compact in catalysing change as regulatory regimes respond to responsible business needs?

By providing a platform for business to interact with governments and the UN, the Global Compact has enabled a clearer role and more structured way for companies to engage constructively at an international governmental level.

Examples of this include the Global Compact's Caring for Climate initiative, which is the main interface between business and the political negotiations around a new international agreement on climate change. The Global Compact convenes the Caring for Climate Business Forums in association with the UN climate change conferences. Another example is how the Global Compact is consulting with business for the development of the post-2015 Sustainable Development Goals.

INSPIRING LEGISLATION

The Global Compact enjoys the support of the UN General Assembly and has been recognised in a number of other inter-governmental contexts. The G8[26] has regularly referenced the Global Compact in its declarations and communiques over the last 15 years. This is now accompanied by similar recognition from the G20, as in the Action Plan for Development set out at the G20 Seoul Summit of 2010.

On 6 December 2013, the UN General Assembly renewed the mandate of the Global Compact Office in its resolution, Towards global partnerships: A principle-based approach to enhanced cooperation between the United Nations and all relevant partners (A/RES/68/234).

The Global Compact has also been explicitly referenced in national regulation on mandatory reporting requirements. This has been seen in Denmark and Norway, and some Global Compact Local Networks are actively contributing to the public debate around new policies and regulatory developments.

HIGHLIGHTED WORKS

The Guide for Responsible Corporate Engagement in Climate Policy (2013)

Guide to Responsible Business Engagement with Water Policy (2010)

GUIDANCE ON RESPONSIBLE POLICY ENGAGEMENT

The Global Compact has developed ground-breaking guidance in the area of responsible policy engagement with government. There has been a wide recognition that business should align its public policy engagement with sustainability principles. There have been notable examples of companies taking lobbying actions that are in direct conflict with their stated values, either individually or through trade associations.

Progressive companies see the value in urging governments to enact policies that support sustainable business. Where businesses advocate for key goals, there is huge potential for transformative impact. On carbon pricing, a call by business for an effective, well-functioning carbon market and to put a true value on the cost of carbon would provide powerful momentum.

THROUGH THE GLOBAL COMPACT AND PARTNERS, BUSINESS IS CALLING ON GOVERNMENTS TO:

- Set a global price on carbon. For example, six major oil and gas companies have now called for governments to introduce carbon pricing systems.
- Address corruption and foster good governance

RULE OF LAW

Business for the Rule of Law (B4ROL) is an initiative that was announced by the UN Secretary-General in September 2013 to engage companies on this important topic. By having a strong rule of law, governments give business and society the stability of knowing that all rights are respected and protected. Where the rule of law is weak, it is harder for responsible businesses to function. Through B4ROL, the Global Compact has developed a framework to help companies understand how they can support the building and strengthening of legal frameworks and accountable institutions.

Level 2 - Finding 2

SIGNING UP: VOLUNTARY ACTION IS BOOMING

The last 15 years have seen a boom in voluntary corporate sustainability initiatives across markets and sectors. Today, most multinational companies worldwide take part in some kind of voluntary scheme.

"We need partners to succeed. The key partners for success, of course, need to be the UN and the governments. We can arrange it, we can lead it, but we cannot do it by ourselves. This needs to be a joint effort between the public and private sector, working together."

RAN MAIDAN
CEO, NETAFIM

Voluntary standards and initiatives fill governance gaps and allow businesses to progress beyond legal minimum requirements. Initiatives involve voluntary codes of conducts, standards of performance and disclosure, principles of conduct and other types of practice requirements over a wide range of environmental, social and governance issues.

FROM GENERIC TO SPECIFIC

Voluntary initiatives are moving from generic schemes, such as the Global Reporting Initiative, ISO 26000 and the UN Global Compact itself, to more issue-specific schemes such as the Sustainable Soy and Palm Oil initiatives and sector-specific schemes like the Extractive Industries Transparency Initiative (EITI), the Electronic Industry Citizenship Coalition (EICC) and the Sustainable Shipping Initiative.

The development of the UN Guiding Principles on Business and Human Rights (2011) is a milestone in its field. Today this is the most widely recognised framework for businesses aiming to operate and invest in a way that respects human rights.

Our findings show that many leading companies are increasingly turning to issue and sector-specific schemes for practical support and guidance in terms of establishing good practice.

Evidently, wide variations between regions exist, as well as variations between the requirements that different schemes ask of their participants.

BUSINESS TAKES THE LEAD

The past decades have seen continuing and often intense discussions around the merits of voluntary versus regulatory approaches, and whether voluntary initiatives undermine attempts for stricter regulatory controls. However, as authorities have failed to agree on regulating some of the world's most pressing issues like GHG emissions and natural resource management, voluntary approaches are seen as having played an important role in supporting leading business to improve performance.

One promising development is the increasing extent to which companies set voluntary goals for carbon and water neutral operations, and work to remove or replace the use of limited natural resources in their products. Many are investing heavily to develop and shift to more environmentally friendly technologies (global investments in green energy increased with almost 17 percent in 2014[27]). For business, this is no longer only a matter of responding to stakeholder pressure, it is increasingly about cost saving, gaining a competitive advantage and pre-empting future legislation.

CALLING FOR MORE REGULATION

An increasing number of forward-thinking companies are voicing their readiness for smarter and more responsible regulation of natural resources. An example of this is the Call to Action on Sustainability in the Water-Energy-Food Nexus issued by WBCSD in 2014.

Voluntary schemes are good supplements to regulation, and at the moment they are playing a partial, arguably crucial, role in influencing and inspiring corporate behaviour.

THE ROLE OF THE UN GLOBAL COMPACT

CHANGING THE PACE OF CHANGE

As voluntary initiatives have gone global and increasingly filled important governance gaps, what has been the role of the Global Compact in catalysing change?

The Global Compact has grown to become the world's largest voluntary corporate citizenship initiative, with increasingly deeper penetration in markets and sectors everywhere. Its most significant contribution lies in the ten principles themselves. Covering a broad range of human and labour rights, environment and anti-corruption issues, the principles define the meaning of corporate sustainability and clarify the range of actions needed for companies to call themselves sustainable. Moreover, by encouraging business to take action to positively impact broader societal and environmental goals, and by mobilising leading businesses around policy and broader systems change, the Global Compact is raising the bar for how the corporate sector can play an important role in catalysing positive change.

MANDATORY DISCLOSURE

A unique aspect of the Global Compact is the mandatory requirement to report on performance every year. This accountability mechanism seeks not only to strengthen the legitimacy of the initiative itself but also to function as a catalyst for improving business performance. As such, the Global Compact has been widely accepted as a hybrid voluntary organisation with some mandatory requirements.

DEEPER ENGAGEMENT ON ISSUES

Since 2007, the Global Compact has moved towards more voluntary issue-specific engagement for companies who seek to take a leading role on critical issues. Examples include the Caring for Climate platform on climate leadership, the CEO Water Mandate on water management and the Women's Empowerment Principles advancing non-discrimination and gender equality. In many cases, these initiatives have grown to become the largest initiatives of their kind globally.

ADVANCING THE WORK OF OTHERS

As a result of its collaborative nature, the Global Compact has in many instances acted as a platform for other voluntary initiatives. It has become a megaphone for other organisations such as Transparency International in the area of anti-corruption, the ILO in the area of labour standards, and Business for Social Responsibility in the area of supply chains. While aiming to avoid parallel efforts, the Global Compact is contributing to making the landscape of voluntary initiatives easier to navigate for business. This is particularly exemplified by the Memorandum of Understanding with the Global Reporting Initiative (GRI) and the International Standards Organisation (ISO).

Level 2 - Finding 3

EXERCISING POWER: INVESTORS' SIGHTS SET ON SUSTAINABILITY

Investors are slowly realising that sustainability issues can impact returns. While the volume of assets under sustainable management is growing, implementation is slow and money is not shifting in the right direction fast enough.

"The problem with focusing only on risk is that it can be seen by investors as window-dressing or box-ticking, rather than focusing on the future of the company. Focusing on the future means looking for an aspirational opportunity to align a corporation with its shareholders, based first on the outlook for profitability, and then ultimately global economic growth."

ERIKA KARP
FOUNDER & CEO, CORNERSTONE CAPITAL GROUP

Global capital markets have made significant progress on responsible investment since 2000. The volume of assets under responsible management has increased dramatically, and the sophistication of responsible investment practices has developed markedly. Driven by an emerging appreciation of how sustainability and governance affects long-term profitability, there is greater awareness amongst investors of their responsibility to manage these risks for their clients.

RESPONSIBLE INVESTMENT: A WHOLE NEW BALLGAME

In the early 2000s, the recognition that sustainability issues were potentially material to returns started to emerge. Around 2004, investors began adopting the term 'ESG integration' to denote the systematic inclusion of environmental, social and governance factors into traditional financial analysis. However, negative screening and 'blacklisting' of high risk sectors continues to be the dominant approach, and there have been claims the financial sector is lagging 5-6 years behind business in terms of understanding the materiality of sustainability.

Over the past 15 years, responsible investment has gradually moved from being solely linked to listed equities to being considered in a whole range of asset classes, including fixed income, private equity, property and infrastructure. However, the maturity of approaches varies significantly between asset classes.

In terms of policy, there has been an increase in measures requiring investors to exercise their rights and responsibilities as owners. One prominent example is the UK Stewardship Code of 2010, which aims to enhance the quality of engagement between asset managers and companies to help improve long-term risk-adjusted returns.

DRIVING BETTER DISCLOSURE

Disclosure of companies' material non-financial performance currently represents a significant challenge for investors. With no standardised metrics adequately translating the language of sustainability into the language of finance, the quality of the data investors use to make projections and forecasts, and compare company performance, is weak. Investors are increasingly pushing companies to be more transparent on ESG risks, and to a lesser extent opportunities, especially if these are material to asset value. They are also increasingly demanding reporting based on recognised standards for assurance and trust, and some groups are actively engaging in initiatives to develop standardised metrics.

A NEW ERA - FROM RISK MANAGEMENT TO IMPACT?

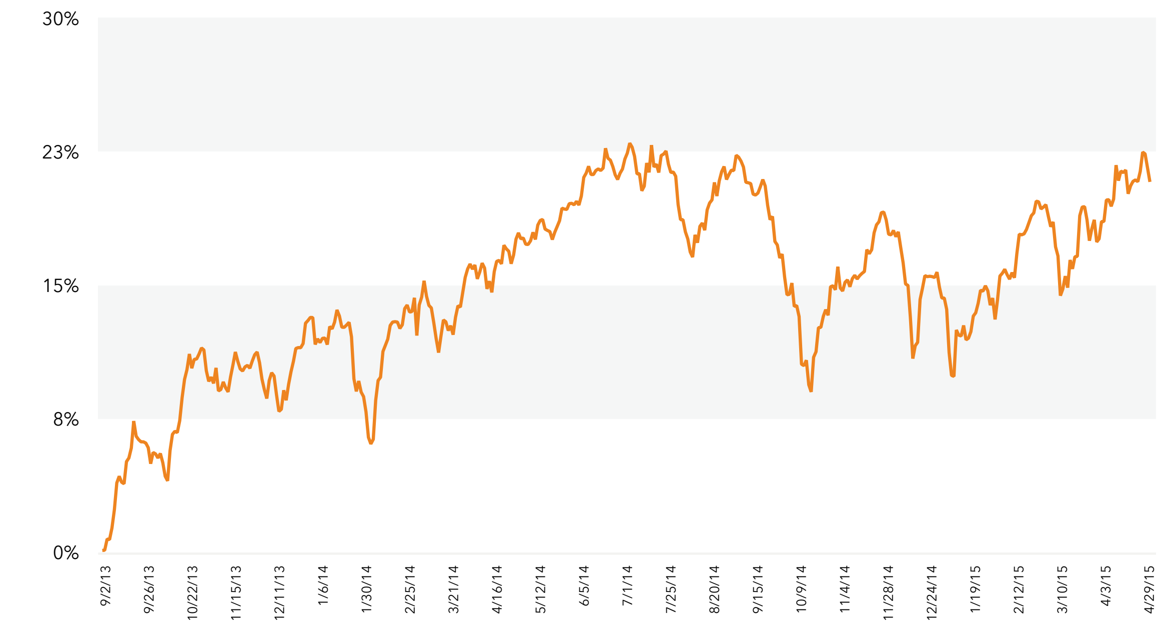
While some investors have started to incorporate ESG factors into traditional financial analysis, many investors have also become interested in 'impact' investing - investing in companies or funds with the aim of generating social and environmental benefit in addition to financial return.

Impact investing has grown to a market of around €20bn. With a growth rate of 132% from 2011 to 2013, it was the fastest growing responsible investment strategy in Europe[28]. The findings compiled for this report suggest that more investors will shift from risk-based approaches to more proactive strategies in the coming years.

CASE EXAMPLE: THE GLOBAL COMPACT 100 INDEX

The Global Compact 100 is made up of a representative group of Global Compact companies. The index does not look at performance solely in terms of basic financial health, but combines corporate performance on environmental, social and governance issues with a requirement of consistent base-line profitability. Unveiled in 2013, it showed a total investment return of 21.8% by the end of its first year.

A sustainable bottom line: The Global Compact 100 Index - Cumulative Total Return (in US dollars) since inception



THE ROLE OF THE UN GLOBAL COMPACT

BRINGING IN MAINSTREAM INVESTORS

The Global Compact started involving the investor community in the dialogue around corporate sustainability performance very early, and was among the first to recognise the importance of capital markets in fostering sustainable business. As such, it can be seen as instrumental in helping change mainstream investor attitudes on ESG issues.

In 2004, the Global Compact brought investors and businesses together in the initiative 'Who Cares Wins' which sought to embed environmental, social and governance issues in capital markets. At the same time, the UNEP Finance Initiative launched 'The Materiality of Social, Environmental, and Corporate Governance Issues to Equity Pricing', outlining how ESG issues could be integrated into mainstream investment analysis. Together, these two initiatives helped shift the approach away from negative-screening and blacklisting towards integration. They also helped catalyse thinking in the mainstream investment world, that better management of ESG risks can enhance competitiveness and generate longer-term value.

These developments laid the grounds for the creation of the Principles for Responsible Investment (PRI), which was launched at the New York Stock Exchange in April 2006. Through the PRI, the Global Compact has exercised influence on companies far beyond their signatory base (see Spotlight on PRI for more details).

SUSTAINABLE STOCK EXCHANGES: CHANGING THE HEARTBEAT OF FINANCE

The Global Compact is also one of the four UN organisers of the Sustainable Stock Exchanges initiative, a peer-to-peer learning platform for exploring how exchanges can encourage sustainable investment and enhance corporate transparency. Stock exchanges can join the initiative by making a voluntary public commitment to promote ESG disclosure and performance among listed companies.

Today, 31 per cent of all publicly listed companies are traded on a Partner Exchange to the Sustainable Stock Exchanges initiative. This covers 18,000 out of the world's 45,000 listed companies.

Forbes has named the Sustainable Stock Exchanges initiative one of the "World's Best Sustainability Ideas".

FINANCIAL TIMES
WEDNESDAY 24 MARCH 2004

Stock exchanges join UN forum

By Mark Turner
at the United Nations

The United Nations has inaugurated the first ever meeting of corporate social responsibility (CSR) experts and national stock exchanges. The move is part of a push to convince companies that social and environmental strategies are central to managing risk.

The first meeting, which took place last week, was not publicised because of sensitivites at some exchanges about discussing an area not traditionally viewed as within their remit. Offical said the meeting was exploratory.

The discussion followed a meeting in Zurich between the UN and financial analysts from 40 leading companies including Goldman Sachs, UBS ans BNP Paribas. The Zurich meeting focused in how investment companies could better integrate CSR into their risk analyses.

Georg Kell, head of the UN Global Compact, a voluntary alliance of companies and social actors promoting nine basic standards, said: "The potential is that we send a signal to publicly traded companies that having a pro-active policy on social and environmental issues is increasingly expected by those who facilitate trading and those who analyse market actors."

Mr. Kell added that taking a pro-active policy equipped companies better to deal with the unexpected risks of environmental litigation and social upheaval.

The UN Global Compact insists it is not aiming to establish prespective rules. The meeting did not aim to establish new listing criteria. The alliance's approach contrasts with past efforts to promote detailed norms for companies, focusing instead of in broad objective driven companies.

SPOTLIGHT ON:
THE PRINCIPLES FOR
RESPONSIBLE INVESTMENT

TAKING MATERIALITY TO A NEW LEVEL

The Principles for Responsible Investment (PRI), a collaborative initiative of the UNEP Finance Initiative and the Global Compact, has been a key driver in getting sustainability on the agenda of the global finance community.

From its launch by then UN Secretary-General Kofi Annan in 2006 at the New York Stock Exchange, the PRI has grown to become the world's largest network of responsible investors with 1,325 signatories representing US$45 trillion of assets under management.

The PRI supports asset owners and managers in incorporating ESG issues into their investment analysis and decision-making practices based on recognition that ESG issues can be material to investment returns. The ultimate goal is to create a sustainable global financial system and support the Global Compact's vision of an inclusive and sustainable global economy.

HOW DOES IT WORK?

The PRI constitutes, in essence, a set of six aspirational principles that signatories incorporate in their investment practices. It is a collaborative platform through which asset owners, asset managers and financial service providers work together to implement the principles, foster good governance, integrity and accountability, and remove structural and regulatory obstacles to a sustainable financial system.

SUSTAINABLE INVESTING GOING MAINSTREAM

Responsible investment[29] (RI) was in many respects in its infancy 15 years ago. As shown on the next page, the significant progress made since 2000 can broadly be seen in two main areas:

- The number of investors engaged in responsible investment and volume of assets under management have both grown considerably.
- The practice of responsible investing has evolved considerably in both approach and sophistication.

Another sign that responsible investment is becoming mainstream is the involvement of large institutional investors. Many of these are now signatories to the PRI, and view responsible investment as a notable part of their business. On the other hand, the small percentage of funds managed according to responsible investment criteria shows there is a long way to go before responsible investment is comparable with traditional investment approaches.

The direct contribution of the PRI Initiative to change in responsible investment practices depends on the particular market and size of the asset owner or investment manager. Research suggests that the PRI has been more influential in shaping the practices of signatories at the start of their responsible investment journey than in shaping those of larger investors with sophisticated RI programs already in place before joining.

Beyond its influence on individual signatories, the PRI also makes important contributions through clarifying what responsible investment means in different asset classes; clarifying what active ownership practices responsible investors can exercise; supporting collaborative initiatives through the Clearinghouse[30]; and promoting transparency on responsible investment practices through its Reporting Framework.

IMPROVING REGULATION

In recent times, the external operating environment has become more conducive to responsible investment. Regulations have increasingly guided asset owners to consider ESG issues in their investment decisions. There are many actors in this space working in parallel with the PRI. However, the PRI has played an indirect role in the development of some regulations related to responsible investment such as the Code for Responsible Investment in South Africa (CRISA). Moreover, the initiation of the Sustainable Stock Exchanges (SSE) initiative together with the Global Compact, UNCTAD and UNEP FI is a considerable contribution to the environment in which the finance industry and companies operate.

IS CAPITAL SHIFTING IN THE RIGHT DIRECTION?

Although RI is now an accepted part of the investment landscape, the question of short-term versus long-term investment is still a considerable issue. The majority of investors are still looking at companies' quarterly performance, and in response companies are still operating with this timescale in mind.

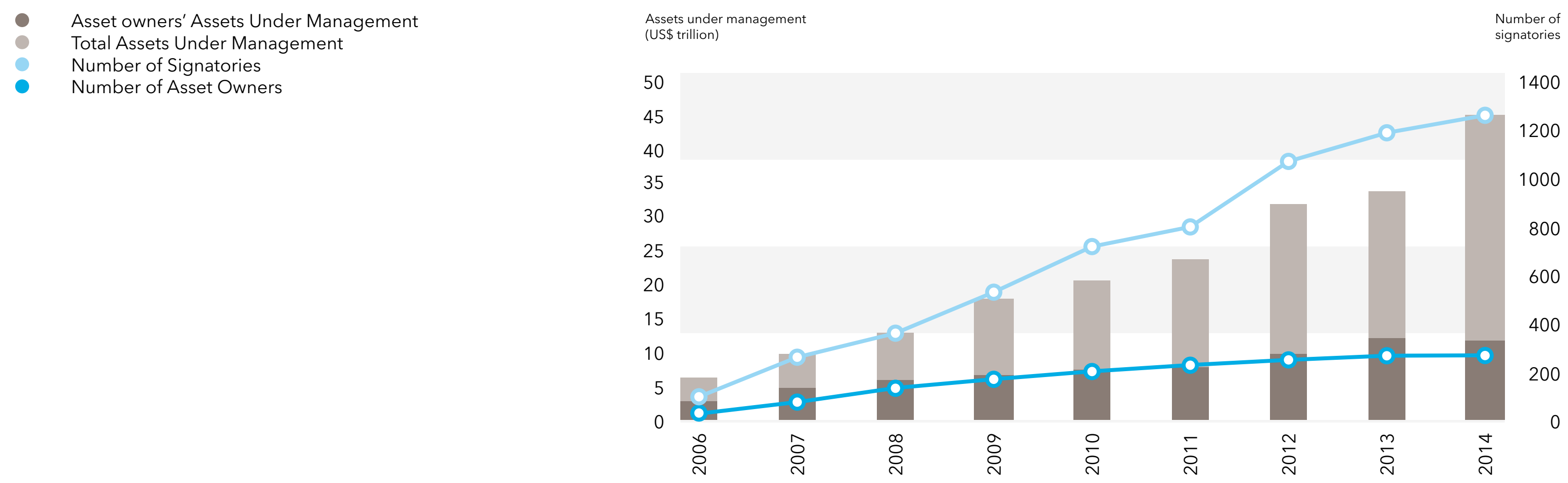
The PRI itself has played a significant role in directing investor and company attention towards longer-term value creation. Globally there has been a shift in the conversation on responsible investment from the fringe to the relative mainstream. The PRI has advanced thinking and dialogue in this area, in particular on fiduciary duty and the consideration of ESG issues in investment analysis and decision-making. Overall, the PRI can be seen to have facilitated and globalised the conversation on responsible investment and put it on the agenda of many financial institutions.

Despite this progress, it is worth asking if the allocation of capital is shifting in the right direction, onto a more sustainable footing. Here, it is clear that the transformation of the investment industry has a long way to go. The majority of the investment universe is not switched on to responsible investment yet and the short-term perspective remains an ingrained way of thinking. The PRI and the Global Compact, along with the SSE initiative, are likely to have a valuable role to play in this process through their ability to provide a platform for engagement and capacity-building among companies, investors, policymakers and other key stakeholders.

PRI MISSION

"We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole."

33 **Growth of the PRI Initiative**



CASE EXAMPLE

USING INVESTOR POWER TO DRIVE THE GLOBAL COMPACT

One of the core ideas behind the PRI is to mobilise investors to advance UN values, such as those represented by the Global Compact. It aims to do this by encouraging the incorporation of ESG issues into investment analysis and thus making corporate sustainability performance a part of decisions whether or not to invest. The PRI also aims to do this through shareholder engagement as a means to improve corporate performance on ESG issues.

Examples of this approach that can be found through the PRI Clearinghouse, with activities including the coordination of:

- Numerous collaborative engagements on topics relating to the Global Compact principles, such as human rights in the extractive sector, labour standards in the agricultural supply chain, water risks and anti-corruption
- The annual 'Communication on Progress: Leaders and Laggards' campaign. This ran for over five years and asked non-reporting Global Compact companies to submit their Communication on Progress to regain active status or welcomed advanced-level reporting
- Direct collaboration between PRI signatories and Global Compact participants on topics such as responsible business in conflict-affected and high-risk areas. This project created a common language and understanding of a specific issue between investors and companies

"The systemic problems that the PRI was established to address persist: financial markets function in ways that do not always service investors or society over the longer term; interests and incentives are misaligned; capital is allocated to businesses that may prove unsustainable. There has been a general loss of trust in financial institutions."

Martin Skancke

Chair
Principles for Responsible Investment

The six Principles for Responsible Investment

PRINCIPLE 1

WE WILL INCORPORATE ESG ISSUES INTO INVESTMENT ANALYSIS AND DECISION-MAKING PROCESSES.

PRINCIPLE 2

WE WILL BE ACTIVE OWNERS AND INCORPORATE ESG ISSUES INTO OUR OWNERSHIP POLICIES AND PRACTICES.

PRINCIPLE 3

WE WILL SEEK APPROPRIATE DISCLOSURE ON ESG ISSUES BY THE ENTITIES IN WHICH WE INVEST.

PRINCIPLE 4

WE WILL PROMOTE ACCEPTANCE AND IMPLEMENTATION OF THE PRINCIPLES WITHIN THE INVESTMENT INDUSTRY.

PRINCIPLE 5

WE WILL WORK TOGETHER TO ENHANCE OUR EFFECTIVENESS IN IMPLEMENTING THE PRINCIPLES.

PRINCIPLE 6

WE WILL EACH REPORT ON OUR ACTIVITIES AND PROGRESS TOWARDS IMPLEMENTING THE PRINCIPLES.

Level 2 - Finding 4

FROM CONFRONTATION TO COLLABORATION: A NEW RELATIONSHIP WITH NGOS

From a state of mutual distrust and hostility, the relationship between civil society and business has radically changed to one of collaboration towards common goals.

UN PHOTO / MARK GARTEN

Secretary-General Ban Ki-moon (right) at the People's Climate March held in New York City

In 2000, there was a high degree of suspicion between civil society and companies, and NGO activism mostly focused on exposing corporate misconduct and abuse. A small, vocal and effective cohort of anti-globalisation, anti-trade and anti-big business organisations drove these efforts, pushing towards stricter regulation as the only solution. Although relations have changed, civil society continues to play a critical role in holding companies to account.

BREAKING BARRIERS: ALLIANCES ARISE

Driven by a recognition that many of the challenges currently facing the world are too complex for any one actor or sector to handle alone, closer alliances between civil society and business began to emerge. From seeing companies primarily as a source of funding, business is increasingly viewed as a source of knowledge, technology and networks – vital to bring about positive changes in society.

Today, a broad range of initiatives unite civil society and business, from policy dialogues around developing standards and best practices, to more sophisticated partnerships based on sharing of knowledge and expertise on more equal terms.

However, there has been a surge in campaigning against business following the financial crisis, focusing on tax transparency and wider aspects of accountability. Some NGOs have retained a strong degree of activism in their strategies, such as Oxfam's 'Behind the Brands' initiative and Greenpeace.

ARE NGOS LOSING THEIR 'TEETH'?

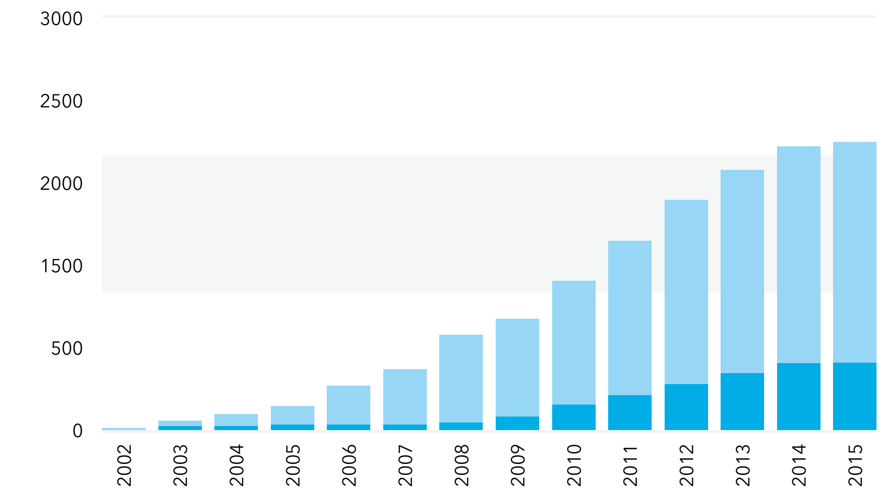
Many organisations have shifted strategy away from the traditional 'watchdog' function towards collaboration, and are increasingly relying on private sources of funding to exist. This can effect their traditional role of holding companies to account. In some cases a more nuanced approach is emerging, where an organisation may work with a company on one issue and campaign against it on another. Another trend is that many NGOs are themselves becoming hybrid in nature, as some become part-consultancies providing advisory services to companies on social and environmental challenges.

BOTTOM UP MOVEMENTS ARE RISING

New technology has in the past decade changed the nature of activism. Social media campaigns and citizens' movements such as Occupy Wall Street provide a greater voice for grassroots movements in civil society. In some cases these have been vastly more successful in terms of mobilising engagement (most notably the 2,646 simultaneous 'People's Climate Marches' around the time of the UN Summit on Climate Change in New York in 2014).

34 **Community collaboration: The growing number of NGOs in the Global Compact**

	2002	2015
NGO Global	0	487
NGO Local	5	1602



"When people have the chance to talk to each other, sitting side by side solving common problems, very soon they realise that they all care about some of the major issues in our world."

HUGUETTE LABELLE
FORMER CHAIRMAN, TRANSPARENCY INTERNATIONAL

THE ROLE OF THE UN GLOBAL COMPACT

BUILDING THE INFRASTRUCTURE

As closer alliances have emerged between business and civil society, what has been the Global Compact's role in catalysing this change?

A NEUTRAL PLATFORM FOR DIALOGUE AND COLLABORATION

The legitimacy and neutral convening power of the UN has enabled the Global Compact, perhaps more than any other initiative, to bring different parties, from civil society, labour, governments, the UN and business, to the table all over the world. This space has allowed and enabled dialogue between institutions that were previously not ready, willing or able to cooperate. As such, the Global Compact has helped build trust in relationships between sectors both at the global and the local level.

The multi-stakeholder model which sits at the heart of the Global Compact has played a key role in advancing dialogue and understanding. It has provided a place where business and non-business organisations can interact, bridging gaps while deepening engagement and collaboration.

At the local level, most Global Compact Local Networks are multi-stakeholder in nature, and play a similarly important role as a platform for knowledge-sharing and learning at the national level.

Civil society organisations are actively involved in developing tools and resources and participate in events, working groups and steering committees globally and locally. Nearly all governing bodies of the Global Compact and its Local Networks comprise members of civil society.

GROWTH IN NUMBERS BUT LACK OF ENGAGEMENT

The number of global and local NGOs participating in the Global Compact has grown significantly in the past 15 years – from a baseline of zero to more than 2,100 in total today (see figure 34). Civil society organisations play an important role in sharing knowledge and perspective that complements and supports business, contributing to the development of tools and practices, as well as vetting corporate reporting.

However, the fact that only a small fraction of the participating organisations contribute actively remains a challenge. To counter this, the Global Compact introduced a Communication on Engagement (CoE) requirement for non-business participants in 2013. Failure to communicate will, similar to the COP requirement, result in delisting from the Global Compact database. The expectation is that this may significantly reduce the number of civil society organisations participating in the next year.

SPOTLIGHT ON:
THE PRINCIPLES FOR RESPONSIBLE MANAGEMENT EDUCATION

EDUCATING THE BUSINESS LEADERS OF TOMORROW

Business schools play a key role in shaping the skills of future business leaders and can be powerful drivers of corporate sustainability. The Principles for Responsible Management Education initiative provides a platform to raise the profile of sustainability in business schools around the world and equip today's business students with the understanding and ability to deliver change tomorrow.

In the mid-2000s the Global Compact and its academic community recognised that the business leaders of tomorrow would need to play a critical role in tackling the sustainability challenges of the next century.

The response was the Principles for Responsible Management Education (PRME), launched in 2007 by UN Secretary-General Ban Ki-moon with a mission "to inspire and champion responsible management education, research and thought leadership globally." Working through six voluntary principles, PRME engages business schools to ensure they provide future business leaders with the skills needed to balance economic and sustainability goals.

HOW DOES IT WORK?

PRME encourages business schools to become advocates for an inclusive and sustainable global economy by incorporating values of business responsibility and sustainability into their activities and teaching. In summary, PRME:

- Provides a platform for dialogue and learning on responsible management education
- Develops and publishes tools and resources to help increase responsible management education
- Identifies and develops thought and action leadership on responsible management education

INCORPORATING SUSTAINABILITY IN BUSINESS SCHOOLS

In the year 2000, only a few forward-thinking business schools were covering topics relating to responsible business, business ethics or the role of business in society. Since the mid-2000s, however, there has been a fundamental shift in the appreciation, coverage and delivery of responsible management education. While there is limited research in this area, a review of business school practices today shows a groundswell of change.

With almost 600 signatories, PRME has now been accepted among business schools worldwide, signalling an emerging commitment to change. A significant area of progress has been incorporating responsible management education into business school curricula and courses, and ensuring closer integration among different disciplines. Although corporate sustainability and business ethics are still primarily electives rather than core options or systematically integrated into business courses, progress in this area is clear.

However, many business schools face the challenge of establishing responsible management teaching across their whole organisation. There tends to be a committed core and ensuring that all faculty members are aware of and respond to PRME remains an important goal.

A PUSH FROM ACCREDITATION BODIES

Business schools have always focused on accreditation and rankings by external bodies because of their direct link to attracting students. While rankings have not changed substantially over the past 15 years, accreditation bodies are becoming increasingly more supportive of responsible business management teaching.

In recent years, all of the three largest accreditation bodies have incorporated criteria on sustainability, ethics or the role of business in society in their standards. One standard makes an explicit reference to PRME. Although these new criteria are broad-ranging and provide considerable flexibility to meet their requirements, they also send a positive signal to business schools on the growing importance of responsible management education.

A VAST POTENTIAL

Our research shows that since the turn of the century, understanding of the importance of responsible management education has grown. Many business schools now refer to the wider responsibility business managers have to stakeholders in their mission statements. At the same time, they are starting to accept and explore the role of 'business in society'. But it can be argued that the general approach is a few years behind leading corporations with regard to business sustainability, and while many schools present a commitment to responsible management education, many are yet to meet their commitments.

Although the direct impact of PRME is hard to quantify, it is clear the initiative has catalysed a wider debate and acceptance of responsible management education. As with other Global Compact initiatives, it provides a platform for discussion and learning at a global level.

Many see the opportunity of PRME to be a powerful driver of corporate sustainability considering the 'long-term effect' of education. Students educated at PRME schools today will not be business leaders for another few years. However, over time they have the potential to be generators of sustainable value for business and society.

KEY STATISTICS

- Over 600 signatories worldwide (June 2015)
- In 81 countries
- 40% in Europe
- The USA leads the way (91 signatories, 16% of total)
- Almost half of UK business schools are signatories
- One third of the Financial Times' top 100 business schools are signatories

THE STUDENT REVIEW

In a survey of 1,250 MBA students at 48 PRME signatory schools, students were found to demonstrate positive attitudes towards CSR and responsible management education.

CASE EXAMPLE

COLLABORATION IN ACTION - SHAPING FUTURE BUSINESS LEADERS

There is often a gap between the sustainability skills that leading companies say they need and the reality of graduate recruitment campaigns in business schools, where demand for students with sustainability skills is low. Set to launch in 2015, the Shaping Future Business Leaders (SFBL) project will work to bridge this gap. It will do so by continuing to promote sustainability topics in management education, and by getting companies to recognise and recruit graduates with sustainability skills. SFBL is a collaboration between PRME Champions, a group of the most engaged PRME signatories, and LEAD, the Global Compact's program for leading companies.

THE PRINCIPLES FOR RESPONSIBLE MANAGEMENT EDUCATION

PRINCIPLE 1 – PURPOSE

WE WILL DEVELOP THE CAPABILITIES OF STUDENTS TO BE FUTURE GENERATORS OF SUSTAINABLE VALUE FOR BUSINESS AND SOCIETY AT LARGE AND TO WORK FOR AN INCLUSIVE AND SUSTAINABLE GLOBAL ECONOMY.

PRINCIPLE 2 – VALUES

WE WILL INCORPORATE INTO OUR ACADEMIC ACTIVITIES AND CURRICULA THE VALUES OF GLOBAL SOCIAL RESPONSIBILITY AS PORTRAYED IN INTERNATIONAL INITIATIVES SUCH AS THE UNITED NATIONS GLOBAL COMPACT.

PRINCIPLE 3 – METHOD

WE WILL CREATE EDUCATIONAL FRAMEWORKS, MATERIALS, PROCESSES AND ENVIRONMENTS THAT ENABLE EFFECTIVE LEARNING EXPERIENCES FOR RESPONSIBLE LEADERSHIP.

PRINCIPLE 4 – RESEARCH

WE WILL ENGAGE IN CONCEPTUAL AND EMPIRICAL RESEARCH THAT ADVANCES OUR UNDERSTANDING ABOUT THE ROLE, DYNAMICS, AND IMPACT OF CORPORATIONS IN THE CREATION OF SUSTAINABLE SOCIAL, ENVIRONMENTAL AND ECONOMIC VALUE.

PRINCIPLE 5 – PARTNERSHIP

WE WILL INTERACT WITH MANAGERS OF BUSINESS CORPORATIONS TO EXTEND OUR KNOWLEDGE OF THEIR CHALLENGES IN MEETING SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES AND TO EXPLORE JOINTLY EFFECTIVE APPROACHES TO MEETING THESE CHALLENGES.

PRINCIPLE 6 – DIALOGUE

WE WILL FACILITATE AND SUPPORT DIALOG AND DEBATE AMONG EDUCATORS, STUDENTS, BUSINESS, GOVERNMENT, CONSUMERS, MEDIA, CIVIL SOCIETY ORGANISATIONS AND OTHER INTERESTED GROUPS AND STAKEHOLDERS ON CRITICAL ISSUES RELATED TO GLOBAL SOCIAL RESPONSIBILITY AND SUSTAINABILITY.

Level 2 - Finding 5

OPEN FOR BUSINESS: THE UN EMBRACES CORPORATE PARTNERSHIPS

In the early 2000s, relations between the United Nations and business were limited and largely characterised by mistrust. This has changed fundamentally, and most UN agencies today engage with business towards the objectives of the UN.

"From a broad global governance perspective, the most important development is that there isn't a single UN meeting to my knowledge that doesn't have business representation. The Global Compact has brought business to the table and included its voice in UN deliberations."

JANE NELSON,
DIRECTOR OF THE CSR INITIATIVE, HARVARD UNIVERSITY

The relationship between the United Nations and the private sector has gone through a paradigm shift since the turn of millennium. When the Global Compact was launched, few agencies had any interaction with private companies and the UN and business viewed each other with scepticism. The UN largely considered private sector profit-seeking at the expense of societal goals, while business viewed the UN as bureaucratic and ineffective.

THE SYSTEM OPENS UP

The first Guidelines on UN-Business Cooperation established in 2000 were a milestone in the efforts to modernise the organisation, and encouraged all UN entities to develop strategies to partner with the corporate sector. Government perceptions have also radically changed. Since 2001, the biannual General Assembly resolutions 'Towards Global Partnerships' have recognised the importance of business involvement as a prerequisite to achieving the goals of the UN; from economic development, poverty reduction, and sustainable job creation to peace and stability.

TOWARDS STRATEGIC AND TRANSFORMATIVE PARTNERSHIPS

Over the last 15 years, many UN agencies have realised that there is more to working with business than ad hoc engagement on donations or sponsorship deals, and more sophisticated approaches to partnering have emerged. With higher levels of awareness, competence and more dedicated resources, many UN agencies have established processes for seeking and screening potential partners.

While the level and effectiveness of partnerships still varies greatly across the UN, many agencies have become more sophisticated in their approach. Fundraising remains an important objective, and a growing number of partnerships are also mobilising core business competencies and fostering private sector development.

A recent survey on how the UN partners with business shows that 47 per cent of UN agencies now hire staff with private sector experience, signalling that the gap between the UN and corporate culture is closing[31].

ALIGNMENT WITHIN

Over time, a culture of sharing between UN agencies has emerged. Regular meetings enable best practices on due diligence, internal policies, experiences and learning. All significant UN summits now include business representation.

The Global Compact helps companies find strategic partners, working with over 20 UN entities. This is now a key entry point for matching companies with United Nations entities.

Whereas some organisations have sophisticated programs in place, more recently-established agencies can lack the same capabilities to deal with business. The ways in which different UN agencies interact with the corporate sector still vary significantly.

UN PHOTO / MARK GARTEN

THE ROLE OF THE UN GLOBAL COMPACT

A NEW STAGE OF COLLABORATION

As the UN is opening up for collaboration with business, what has been the role of the Global Compact in catalysing this change?

Former UN Secretary-General Kofi Annan's speech at the World Economic Forum in 1999 paved the way for institutional change in the UN, and when the Global Compact was launched a year later, the door for UN-private sector engagement was opened. Since then, the Global Compact has been instrumental in nurturing understanding, trust and collaboration between the Organisation and business.

ACCEPTING THE VALUE OF VOLUNTARY

Today, the UN has largely accepted that business engagement can complement rather than pre-empt regulation, and that business competencies and resources can be harnessed to meet the objectives of the Organisation. Through convening numerous platforms for engagement, the Global Compact has enabled this shift in perception, and it is also increasingly working as an entry point for UN agencies and business seeking collaboration.

BRINGING BUSINESS TO THE TABLE

Over the years, the Global Compact has strengthened the voice of business at international negotiations previously only attended by governments. One of the most significant institutional innovations of the Secretary-General was to bring CEOs to the UN for the "UN Private Sector Forum". Organised by the Global Compact in collaboration with other UN partners, it was one of the first opportunities CEOs had to engage directly with governments on priority issues.

BUILDING CAPACITY AND COMPETENCE

Together with UN partners, the Global Compact has played an important role in cultivating the architecture required for the UN to more effectively partner with business, whilst at the same time, safeguarding the UN brand.

Almost 400 business participants have reported that they have partnerships with the UN. Through the annual UN System Private Sector Focal Point meetings, a learning platform for interaction between UN staff and business, and the monthly UN-business focal point newsletter, the Global Compact has largely contributed to bringing about institutional change.

Working particularly through its Local Networks, the Global Compact's wide range of practical resources and events have provided the basis for improving partnership effectiveness and expanded collaboration across sectors and geographies. They have also responded to government requests for more training and institutional capacity-building to drive partnership effectiveness.

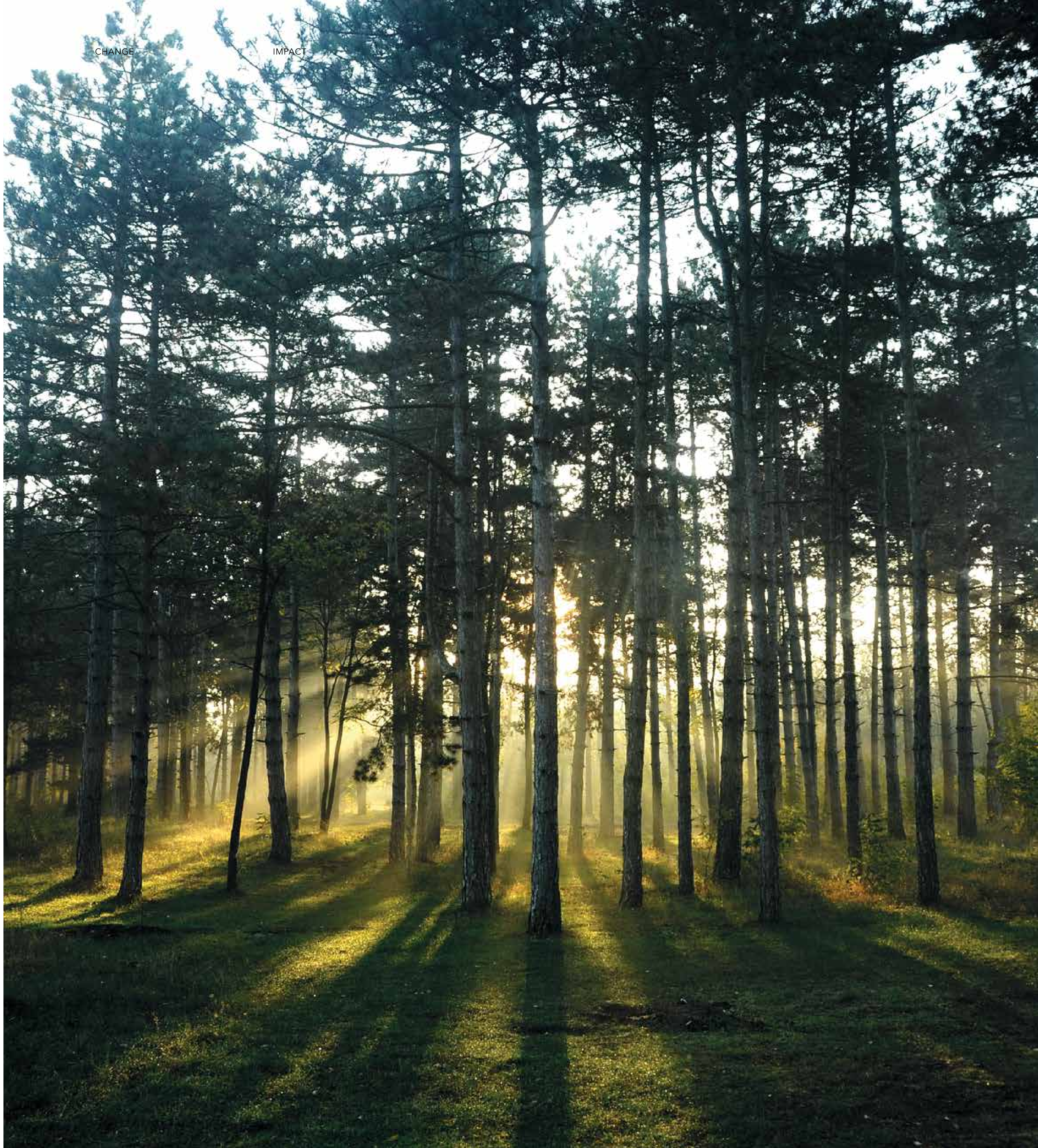
SHARPENING DUE DILIGENCE

A significant change has been the system-wide creation of internal due diligence processes based upon the ten principles and other tools developed by the Global Compact. However, many UN entities are still partnering with companies without conducting a proper ESG assessment, and there seems to be a significant opportunity for the UN to enforce stricter measures to ensure that prospective partners are aligned with UN values. This includes introducing participation in the Global Compact as a requirement for partnerships.

SPOTLIGHT ON:
BUSINESS FOR PEACE

BUSINESS AS A STABILISING FORCE

We live in turbulent times. Although political unrest has been an intrinsic part of global development since the dawn of time, recent years have seen global security issues rise to the top of the political agenda. Conflict and instability hamper economic and social development and discourage investment. Business presence in fragile societies is not only key to economic growth and development, it can also play an important stabilising role – before, during and after conflict. It is in turbulent times that business leadership is needed most.



Companies make a critical contribution to economic development, peace and stability by providing employment opportunities, expanding markets and providing revenue to local economies. They can set an example of sustainable business practice. And they can provide direct financial help for various programs through strategic social investments.

While the primary responsibility for peace lies with governments, business has an important role to play in conflict-affected areas. The decisions a company makes - including investment and employment, relations with local communities, protection for local environments, or security arrangements – can either help a country to overcome conflict, or exacerbate the tensions that fuelled violence in the first place.

Many post-conflict areas have great potential for growth as they re-establish the rule of law and take other steps to boost business confidence, and are therefore promising investment destinations. It is important that investors do not simply avoid investing in challenging regions, but seek to invest responsibly in ways that promote stability, peace, protection of human rights and long-term security in line with universal principles.

Operating in conflict-affected areas is clearly challenging and the stakes are high. Done the wrong way, business can cause conflict and instability even where they set out with the best of intentions. But when companies take steps to understand the complex issues associated with such contexts, they can minimise the potential for negative impact, ensure long-term sustainability of their business and play an important role in supporting development and peace.

EXPLORING THE ROLE OF BUSINESS

Perhaps the most promising development in the last 15 years lies with the ever stronger engagement of local actors on the ground, and their strengthened connection and collaboration. Global Compact Local Networks are increasingly becoming powerful hubs where companies and others can share experiences and focus on the critical factors for each particular country.

Over the years, the Global Compact has held a series of policy dialogues and initiatives on these issues, and some of the highlights include:

RESPONSIBLE BUSINESS IN SUDAN

Following two years of raising awareness locally in Sudan, a Global Compact Local Network was launched in 2008. The launch brought together more than 150 senior representatives from business, the United Nations, government and civil society organisations. Among the participants were companies that had been under massive public scrutiny for their local activities.

To explore what "responsible" business in Sudan meant, and how companies could support peace, the Global Compact and the PRI set up a dialogue between stakeholder groups. Investors were invited to engage with companies operating in Sudan.

An interesting outcome was that the investors' perspectives shifted from simply considering divestments, to thinking about how they could use their leverage to promote responsible business. Getting directly involved with companies operating in conflict-affected and high-risk areas gives investors access to information on operations and raises their awareness of how complex the local issues really are. In turn, this could contribute to developing mitigating policies and risk strategies.

GUIDANCE ON RESPONSIBLE BUSINESS

The work in Sudan grew into a larger project, and since 2009, the Global Compact together with the PRI has convened regular conversations between business, civil society and academia to develop the "Guidance on Responsible Business in Conflict-Affected and High-Risk Areas" (2010).

Notably, this was one of the first times companies from all over the world, including China and India, worked together with other stakeholders to find a common reference for "responsible" business practices in high-risk areas.

"The emphasis of conflict zones has been one of the most important areas of focus for the Global Compact. I recall the learning forum that the Global Compact put together beginning in 2002 or 2003 was very important in getting corporations to understand the particular challenges of operating in conflict zones. The Business for Peace Initiative is a very commendable outgrowth of that focused on conflict zones."

BENNETT FREEMAN
FORMER SVP FOR SUSTAINABILITY RESEARCH AND POLICY, CALVERT INVESTMENTS

CONFLICT-AFFECTED AND HIGH-RISK AREAS

Conflict-affected and high-risk areas are often plagued by: human rights violations; presence of an illegitimate or unrepresentative government; lack of equal economic and social opportunity; systematic discrimination; lack of political participation; and poor management of revenue, including from natural resources.

UN PHOTO / ALBERT GONZÁLEZ FARRAN

FROM THEORY TO PRACTICE

Through a two-year pilot project, a group of companies and investors committed to test the practical relevance of the Guidance in several of the high-risk countries where they operated. The publication “Responsible Business Advancing Peace” describes the outcomes of the project, and lays out a number of concrete examples of how companies, Global Compact Local Networks and investors have worked together to advance their positive impact.

THE BUSINESS FOR PEACE PLATFORM

Business for Peace (B4P) was launched in 2013, elevating the work of the Global Compact in this area and building on over 15 years of experience and consultations with Local Networks, companies, investors, UN bodies and civil society organisations. It is a forum where companies can learn, identify actions, discuss and share best practices with other companies in similar situations. Using the tools provided by B4P, corporations can better understand how they can take action to support peace in the areas of the world where they have existing operations, and before investing in high-risk areas.

130 participants ranging from large multinationals to small companies from 38 countries and all regions of the world have joined the platform so far.

Sources of instability vary significantly according to the local context and need to be handled in different ways. Local Networks in B4P are able to tailor to diverse needs, including for example, training programs to increase human capital, especially for ex-combatants and youth, providing basic needs like water, shelter and food, encouraging entrepreneurship and job creation, or supporting intercultural and inter-religious understanding – all of which can help to support peace.

Perhaps the most promising development is the fact that businesses are increasingly asking for more concrete tools from B4P and efforts are underway to develop improved metrics so companies can better measure their impact on peace. This increase in demand from both multinationals and local business is a testament to the impact of B4P, and shows how corporate attitudes towards local social issues are indeed changing.

MAKING A DIFFERENCE LOCALLY

Investors are increasingly realising that there are other options than simply divesting from companies in difficult operating environments. Today, more investors use their leverage to positively contribute to company conduct and reward companies that adopt best practices in the protection of human rights, social development and governance.

Stronger engagement of local actors on the ground is evident, and Global Compact Local Networks are becoming important centres for companies and other stakeholders to interact and share experiences within a specific country’s context. Some Local Networks have convened multi-stakeholder dialogues to come up with better and more concrete solutions to local challenges that involve business as a partner.

B4P has spearheaded countless local and global initiatives, and the issue of business’ role in peace is identified as one of the top five areas where corporate sustainability can really make a difference, according to Forbes Magazine. By learning from each other, companies and investors alike are becoming more aware of their role in providing local communities with a safer, more stable future.

The publication named ‘Guidance on Responsible Business in Conflict affected and High-Risk areas: A resource for companies and investors’ was a very relevant publication for Colombia, so we adopted it and shared it with the companies we have been working with on these issues. That is a powerful example of how these resources really matter and how the Global Compact helps others to act.”

MÓNICA DE GREIFF
PRESIDENT, BOGOTA CHAMBER OF COMMERCE

BUSINESS FOR PEACE IN PRACTICE

The Colombian Local Network works with government agencies like the Colombian Agency for Reintegration and others to increase business leaders’ sensitivity to and engagement with ex-FARC combatants in Colombia’s insurgency. Ex-combatants are encouraged to find productive civilian roles through workshops and visits to business centres. When these efforts result in job placements, it provides them with a solid foundation to lead normal lives. The initiative is coordinated with the overall national development strategy of Colombia.

35 **Companies responding that they operate in conflict zones, by sector.**

	2011	2012	2013	2015
Basic Materials	24%	15%	16%	23%
Consumer Goods	22%	15%	22%	17%
Consumer Services	13%	22%	7%	16%
Financials	14%	14%	15%	21%
Health Care	28%	21%	13%	21%
Industrials	21%	18%	23%	23%
Oil & Gas	44%	46%	46%	33%
Other	17%	15%	19%	19%
Technology	10%	16%	17%	17%
Telecommunications	31%	19%	42%	23%
Utilities	21%	22%	19%	25%

Results from the Global Compact Implementation survey 2011-2015

36 **Companies responding that they operate in conflict zones, by region.**

	2011	2012	2013	2015
Africa	29%	46%	32%	22%
Asia	22%	19%	23%	26%
Europe	17%	16%	17%	18%
Latin America and the Caribbean	19%	14%	17%	18%
MENA	25%	31%	47%	38%
North America	30%	18%	22%	33%
Oceania	18%	18%	33%	13%

Results from the Global Compact Implementation survey 2011-2015

Key Facts

130+

BUSINESS PARTICIPANTS FROM 38 COUNTRIES

18

LOCAL NETWORKS HAVE SIGNED ON: CANADA, COLOMBIA, EGYPT, GERMANY, INDIA, INDONESIA, IRAQ, ISRAEL, MEXICO, NIGERIA, PAKISTAN, REPUBLIC OF KOREA, SRI LANKA, SUDAN, TURKEY, UGANDA, UNITED KINGDOM AND UKRAINE.

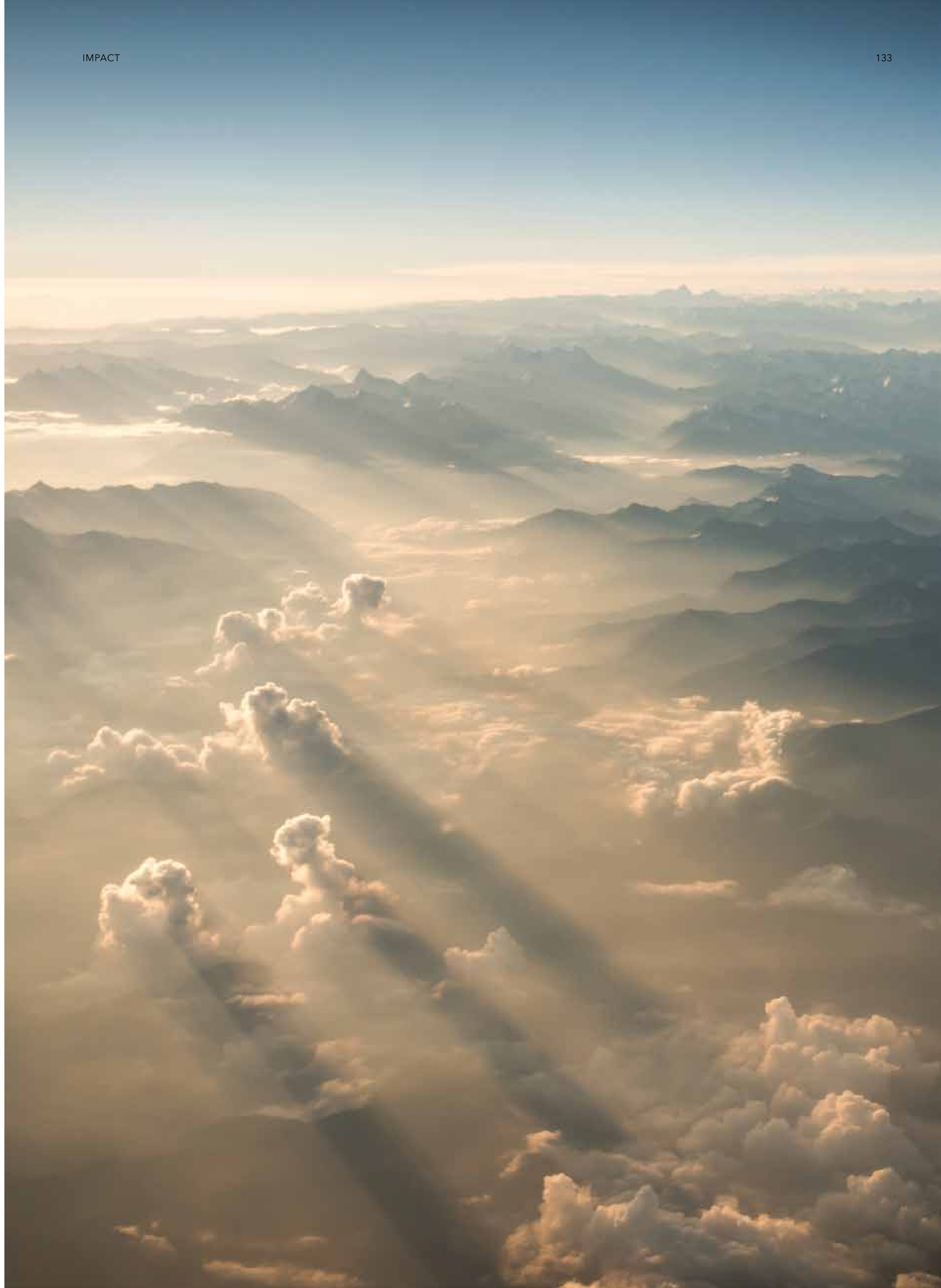
LEVEL 3
DOMINANT WORLDVIEWS

Who's getting it?

At a basic level, true commitment to sustainability is the product not of cumulative practices and regulations, but rather of a fundamental change in perception. This section examines the change in dominant worldviews which guide and influence our attitudes, thinking, values and behaviour. It focuses specifically on perceptions around the role of business and the economy, and how this has evolved over the past 15 years.

In the following section, we present our four key findings related to how worldviews and mindsets have changed since 2000. As you can see from the following pages, promising change has occurred in many areas. Here are the findings we present:

1. Wrong direction: A deep sense of urgency is emerging
2. More than just buzz: Mainstreaming sustainability in the business sphere
3. A balancing act: Redefining the fundamental purpose of business
4. Key to the future: Sustainability is critical to business success



Level 3 - Finding 1

WRONG DIRECTION: A DEEP SENSE OF URGENCY IS EMERGING

Just 15 years ago, most of us did not understand the sustainability cost of economic progress. Leading companies now recognise they are a part of the problem, and must do more to take the lead in securing a sustainable future before it is too late.

Key facts and figures[32]

97%
of scientists agree that human activity is the main cause of climate change.

1.6 BILLION
people at risk from natural disasters by 2050.

200 MILLION
climate refugees by 2050.

6.6 TRILLION
the estimated annual hidden costs, in USD, of global economic activity, through pollution damage, climate change and other externalities (11% of global GDP)

"If we are truly to experience a transition to a more sustainable and inclusive economy, we need to create a shift in mindset. We want corporate leaders to carry out a sustainable change because they want to – and not because they are forced to."

ROBERT COLLYMORE
CEO, SAFARICOM

'Eco justice', 'climate refugees', 'resource wars', the 'food-water-energy nexus' – these terms have emerged in recent years, signalling a much greater understanding today about how economic, social, environmental and governance issues are closely intertwined.

Connecting the dots

There has been a significant development in our understanding over the past 15 years of how issues impact each other. From a high degree of silo-thinking, resulting in often very separate and disconnected approaches to deal with challenges, we are increasingly connecting the dots between the economy and society and the environment. We now understand that the consequences of social and environmental pressures will affect vulnerable populations the most.

Sceptics are converting

Today, the linkages between human production and consumption patterns, climatic changes and environmental deterioration, and social and economic costs are undeniable. Ninety-seven per cent of scientists agree that human activity is the main cause of climate change. In the last couple of years, there also appears to have been a palpable shift among sceptics towards accepting climate change is real and humans have an impact.

Predicting the future

Our methods to predict the implications of climate change and resource stress for humanity in the decades to come have become more robust. Unfortunately, the picture is dire. Science tells us that if we continue on the current trajectory, human suffering will increase, political instability and social unrest will be widespread, we will see mass-migration from increasingly uninhabitable areas, economic costs will rise, and conflicts will erupt.

A deep sense of urgency

There is a growing sense of urgency that if we do not change course soon, we are headed for a world that will be much more difficult to live in. Previously thought to be distant problems long into the future, we are increasingly realising that climate change and resource scarcity are already happening, and will hit us hard within just a few decades.

Scientists as activist

The scientific community has played a central role in building this sense of urgency through more active communication and targeted outreach. One example is how the Planetary Boundaries Science Collaboratory has targeted key business networks with more business-friendly messages relating to how the planetary changes witnessed today affect long-term development and prosperity.

As such, the 'responsibility' of the scientific community has changed. From a neutral messenger of facts and knowledge for others to act upon, scientists today play a much more active role in informing decision-makers in all sectors about adequate and necessary solutions.

Action at a slow pace

Despite the unquestionable science, and a growing push from people around the world, leaders have yet to agree on mechanisms to effectively deal with the challenges we face. The new Sustainable Development Goals (SDGs) to be adopted in September and the 21st round of climate negotiations in Paris in December offer some hope. Translating knowledge into long-term targets is an important element to steering society towards a new kind of growth and development.

There are some bright lights on the horizon. Investors are gradually shifting their thinking around risk. There is a growing 'moral movement' to convince institutional investors (in particular church, university and private endowments) to pull out of old business models (like coal and fossil fuels) that at their essence threaten our survival. For example, several investors have now decided to divest from fossil fuels.

Increased collaborations between a wide range of sectors is now seen as the only way to solve these complex issues, with the business sector increasingly viewed as a critical part of the solution.

The role of the UN Global Compact

RAISING AWARENESS OF WHAT IT MEANS TO BE SUSTAINABLE

As we gain a deeper understanding of the interconnectedness of problems and the urgency to address them grows, what has been the role of the Global Compact in catalysing change?

In his speech at the World Economic Forum in Davos in 1999, proposing the idea of a global compact between the UN and business, then Secretary-General Kofi Annan said:

> *"I call on you -- individually through your firms, and collectively through your business associations -- to embrace, support and enact a set of core values in the areas of human rights, labour standards, and environmental practices. Why those three? […] because they are all areas where you, as businessmen and women, can make a real difference [and] because they are ones where I fear that, if we do not act, there may be a threat to the open global market, and especially to the multilateral trade regime."*[33]

At its core, the Global Compact was built upon a recognition of the interconnectedness of world problems. Through speeches and publications over the years, Global Compact leaders have spent a considerable amount of time communicating two key messages.

The first is that global markets must be underpinned by universal values to counter the negative impacts of business activity, and to preserve the legitimacy of markets and trust in business. The second is that in a globalised world, changes will affect you no matter where you are located. As Georg Kell said in 2000:

> *"Either we reconnect markets with society by building the pillars that markets need to be sustainable, or we risk a rollback -- if not a crushing end to globalisation".*[34]

Our findings also strongly support that the ten principles themselves, collecting a broad set of issues under one umbrella, have helped business to understand the broader scope of its responsibility. Recent resources provided by the Global Compact office are making the connections between different challenging issues, such as climate and social justice (see some notable examples below).

HIGHLIGHTED WORKS

RIGHT TO WATER AND SANITATION
'Guidance for Companies on Respecting the Human Rights to Water and Sanitation: Bringing a Human Rights Lens to Corporate Water Stewardship' (2015)

CONFLICT AND WATER
'Water as a Casualty of Conflict: Threats to Business and Society in High Risk Areas' (2012)

CLIMATE RISK
'Connecting the Dots: How Climate Change Transforms Market Risks and Opportunities' (2009)

Level 3 - Finding 2

MORE THAN JUST BUZZ: MAINSTREAMING SUSTAINABILITY IN THE BUSINESS SPHERE

As a global company it is almost impossible to ignore sustainability today; a major shift from 15 years ago. Major business media has changed their stance, and sustainability is talked about more often, at a higher level, and in more mainstream business forums all around the world.

> *"Even The Economist magazine writes: 'the question is not whether, but how we go forward on corporate responsibility'. That I think is a big development."*
>
> JOHN RUGGIE
> PROFESSOR, HARVARD UNIVERSITY.

In 2000, sustainability was on the agenda of only a few pioneering business leaders, mostly motivated by their personal convictions, and often without the backing of the companies they led.

This picture has now changed dramatically, with an increasing number of business leaders talking publicly about sustainability. According to the PwC Global CEO survey, three out of four CEOs believe satisfying societal needs and protecting the interests of future generations is important.[35] A recent survey[36] of 2,000 companies found that two-thirds of business persons think social and environmental matters are "significant" or "very significant".[37] And 93 per cent of CEOs of Global Compact signatories say that sustainability is key to future business success, however only 33 per cent believe that companies are doing enough to address global sustainability challenges.[38]

Talk is translating into commitment. Not only has the total number of Global Compact signatories increased in the past 15 years, perhaps most notable is the number of the world's most influential economic players that are now also on board (see finding 1).

Generally, we also see increasing participation in a growing number of sustainability events, attended by higher-level company representatives. Notably, the UN Private Sector Forum in 2014 was the largest gathering in history bringing together heads of state and governments, and chief executives from business, on the issue of climate change.

A milestone was reached at the Rio +20 conference in 2012, where more than 3,000 business people convened for a full three day conference, firmly establishing that corporate sustainability has become a global movement.

Whereas traditionally conservative trade and industry associations have been slower to act, there are signs that an increasing number are launching initiatives to advance sustainability. One notable example is the International Council on Metals and Mining Sustainable Development Framework.

CORPORATE SUSTAINABILITY REACHES MAINSTREAM BUSINESS MEDIA

At the turn of the century, 'corporate sustainability' had not yet made the jump from niche news reporting to the wide public consciousness. Tracking mentions of the term in the international press gives an indication of when this transition occurred.

The English-language press led the way with a sudden spike in mentions between 2001 and 2002, followed by steady growth until 2007.

After 2008 this trend was briefly reversed, probably due to the fall-out from the financial crisis which took up column inches in the business sections. Although robust press interest resumed in 2011, it has still not reached pre-crisis levels.

A key symbolic turning point was when the influential newspaper The Economist, previously dismissive of CSR as a business cost, acknowledged that it was a central part of business activity in 2008:

> *"Done well, though, it is not some separate activity that companies do on the side, a corner of corporate life reserved for virtue: it is just good business."*

COVERAGE IN BRAZIL

As early as 2000, the business magazine Revista EXAME launched an award for "good corporate citizenship", helping to shed light on corporate sustainability in Brazil. This later evolved to become the major corporate sustainability award in the country. However, other than this, we find scarce corporate sustainability coverage in Brazilian media in the early 2000s.

In 2004-2005 however, the issue started gaining relevance, primarily due to the events like the launch of the BOVESPA Sustainability Index. In 2007, another important milestone was reached when the publishing house Editora Abril launched Planeta Sustentável - one of the most important news platforms on sustainability issues today.

The Global Compact was first mentioned in Brazilian media in 2001, in a short article by Valor Economico.

COVERAGE IN CHINA

In China, there has also been a significant increase in mainstream coverage. Media coverage started with coverage on pollution control in 1999, when the government initiated a campaign to shut down polluting factories around the Huai River area.

Mainstream business media covered Global Compact's second annual summit in Shanghai in 2005. Shanghai Oriental Morning explained then the notion that sustainability can be of business values rather than being "a luxury".

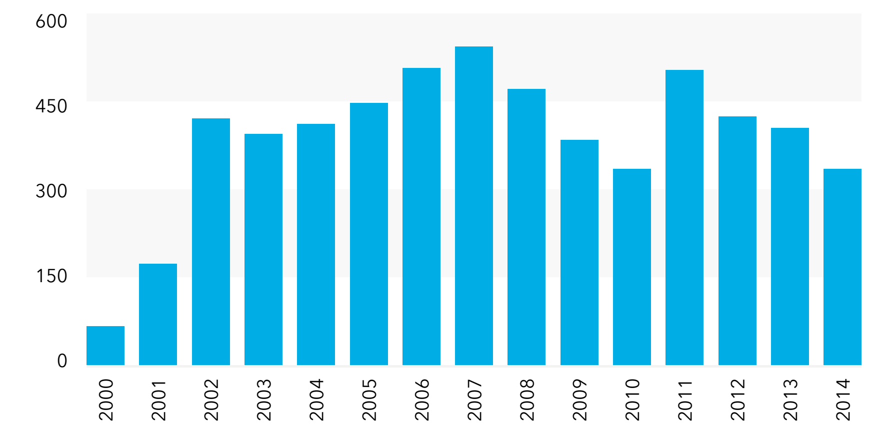
The same year, the China Business Times had a ground breaking article on a private company's program to support the social development in rural areas in western China, linking the initiative to SA 8000 standards and UNDC's principles.

Larger scale media coverage followed from 2006, when State Owned Enterprises was encouraged by the state to issue social responsibility reports annually. More recently, media coverage has also started to include issues such as recycling and the circulate economy.

Key facts and figures

75% OF CEOS IN THE PWC GLOBAL CEO SURVEY BELIEVE MEETING SOCIETAL NEEDS IS IMPORTANT[39]	**93%** OF THE WORLD'S 250 LARGEST COMPANIES PUBLISHED A SUSTAINABILITY REPORT IN 2013[40]	**93%** OF CEOS COMMITTED TO THE GLOBAL COMPACT SAY THAT SUSTAINABILITY IS KEY TO FUTURE BUSINESS SUCCESS[41]
349 MAJOR GLOBAL COMPACT EVENTS AT THE GLOBAL LEVEL[42]	**9 171** GLOBAL COMPACT EVENTS AT THE LOCAL LEVEL RECORDED SINCE 2007[43]	**53 568** VIEWS OF TOOLS AND RESOURCES ON THE GLOBAL COMPACT WEBSITE SINCE SEPTEMBER 2013[44]

37 **Good news: Corporate social responsibility and corporate sustainability mentions in the English-speaking Tier 1 media**[45]



THE ROLE OF THE UN GLOBAL COMPACT

DRIVING UP THE AGENDA

As sustainability becomes more embedded on the world business agenda, what has been the role of the Global Compact in catalysing change?

There are, of course, many players that have contributed to infusing sustainability into the minds of the global business community. A deeper understanding of issues and interdependencies, civil society pressure, high-level corporate scandals, the emergence of social media with real time reporting of events, greater demands for transparency and platforms such as WikiLeaks, of course all contribute to move issues up the corporate ladder.

PAVING THE WAY

However, the Global Compact has in our view played a significant role in driving sustainability up the business agenda globally. By acting as a first mover, a convenor and a reliable and trusted source of expert guidance, the Global Compact helped pave the way for the sustainability agenda to grow. In fact, the majority of the surveyed Global Compact signatories, 57 per cent, state that the Global Compact has played a "significant" or "essential" role in spreading the practice of corporate sustainability worldwide (See figure on the next page).[46]

Particularly in the area of human rights, the Global Compact has been instrumental in shaping business interest in and understanding of the topic. By putting human rights firmly into the first two principles and systematically focusing on human rights over the years, the Global Compact has contributed to a change in the understanding of the role of business in respecting and supporting human rights. The Global Compact has also contributed to putting anti-corruption on the business agenda, particularly in developing countries.

The Global Compact has also played an important role in the area of climate, influencing the UN's climate change narrative at a leadership level and the priorities of key stakeholders in the process, as well as in the area of water which is now seen as a real business risk.

The process to bring business voices into the post-2015 sustainable development debate has also been noteworthy. Through the Global Compact and Local Networks, thousands of companies have been consulted in the post-2015 Sustainable Development Goal development process. Through this process business have been able to shape these critical goals for the future.

DIFFUSING IDEAS

Although the impact is difficult to attribute definitively, there is no doubt that the 349 major global and 9,171 local Global Compact events organised over the course of the past 15 years have contributed to the advancement of the corporate sustainability agenda globally.

Since 2009 the number of media mentions of the Global Compact has risen dramatically, indicating that the general public's awareness of the Global Compact is on the rise. In many countries, the Global Compact has been a key driver in introducing the idea and practice of corporate sustainability through its many Local Networks, launches and summits. A notable example is the 2005 summit in China, 'Building Alliances for a Sustainable Economy'.

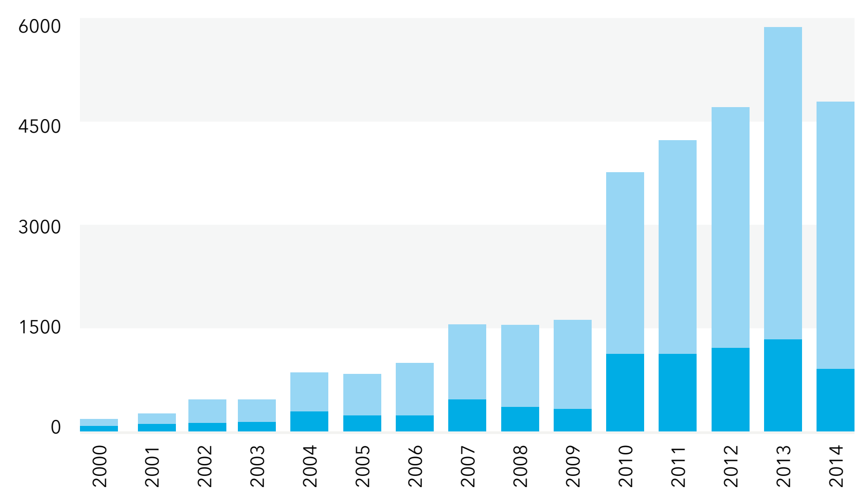
It is difficult to estimate the full impact, but it is clear that the hundreds of tools and resources produced have also significantly shaped the debate over the years. Today, the Global Compact website contains the largest public knowledge base with practical information about sustainable business. Some resources have been ground-breaking and raised the bar for what companies should do, such as 'Fighting Corruption in the Supply Chain'.

"I can see significant changes in the Japanese business communities' management mindsets, and their conduct relative to their social responsibility."

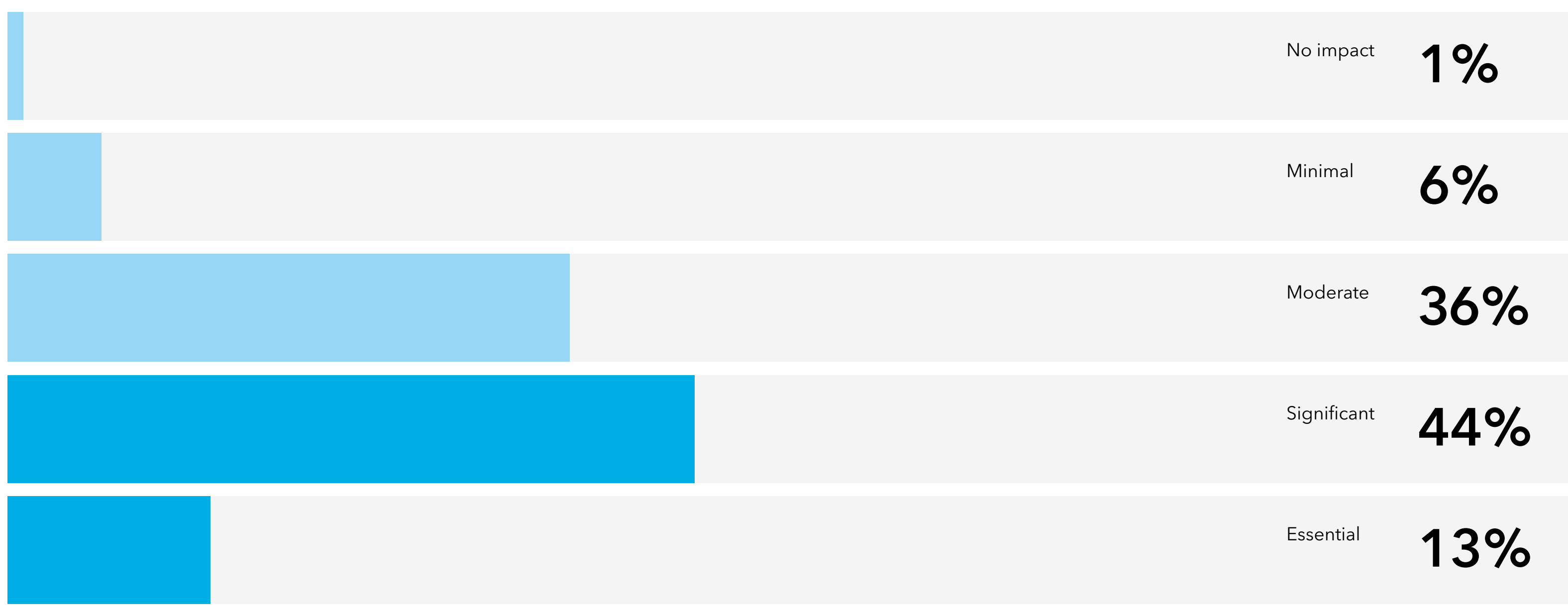
TOSHIO ARIMA
FORMER CHAIRMAN, FUJI XEROX

38 **Grabbing headlines: Occurrence of media mentions**

- The number of instances where Global Compact was mentioned in a media source
- The number of instances where Global Compact was used in the title or first paragraph of a media source



39 **Global impact: How significant has the Global Compact been in spreading the practice of corporate sustainability worldwide?**



Source: 2015 Global Compact Implementation survey

SPOTLIGHT ON:
THE WOMEN'S EMPOWERMENT PRINCIPLES

CRACKING THE CEILING, RAISING THE FLOOR

15 years ago, gender equality was not a primary concern for most businesses or governments but this has steadily emerged on the agenda. Today it is widely acknowledged that there is a strong business case for gender equality and that women's empowerment contributes significantly to sustainable development.

Research in various countries indicates that greater gender diversity has a positive impact on business. For example, companies with a higher representation of women at the most senior levels deliver stronger organisational and financial performance and better corporate governance than companies run solely by men. Meanwhile, governments are coming to the realisation that gender equality plays a significant part in both economic growth and sustainable development. However, the challenge remains that as many as 860 million women do not partake in the global economy[47]. Some countries still fail to engage half of their available resources in the formal workforce; and where women are engaged in the workforce, few make it to the top.

THE WOMEN'S EMPOWERMENT PRINCIPLES: EQUALITY MEANS BUSINESS

The Women's Empowerment Principles (WEPs) are a joint initiative of UN Women and the Global Compact, and was launched on International Women's Day in 2010. The WEPs comprise seven principles for business on how to empower women and achieve gender equality in the workplace, marketplace and community. The WEPs are comprehensive, setting out all the actions that business should and can take to achieve their gender equality goals, and they urge a systematic approach to embedding gender equality.

The initiative aims to raise business' awareness of what they can do to respect and support women's rights and the business case for doing so. It involves a leadership commitment to add greater impetus to the business' own efforts towards gender equality, supports companies with tools and resources to assist with implementation, and through global and local activities helps to build coalitions of organisations working together to achieve gender equality for all.

Thus far, nearly 1,000 companies have signed the CEO Statement of Support for the WEPs, and 40 per cent of these companies are also Global Compact participants. This is a rapid increase from its launch in 2010, when 39 companies initially signed on. The majority of current signatories are based in Europe (38%) and Asia (34%).

FROM TALK TO ACTION AT THE CORPORATE LEVEL

The issue of gender equality has steadily risen on the business agenda, and an increasing number of companies address gender equality in a more systematic way. Communication on Progress reports submitted by WEPs signatories indicate that the most significant progress with regard to policies and practices related to supporting women's empowerment and advancing gender equality is in the workplace[48]. This includes policies and practices related to access to child and dependent care, and gender equality in senior management and board positions. Data from the 2015 Implementation Survey supports this, showing that 84% of respondents have a non-discrimination policy in place, a 7% increase in the last seven years. A smaller percentage of companies have policies and practices in place related to gender equality in the marketplace and community.

The WEPs initiative supports businesses by providing a comprehensive framework for addressing gender equality in the workplace, marketplace and community. By ensuring that the CEO of signatories signs a Statement of Support, the issue of gender equality is also raised to the highest level in the signatory organisation. The WEPs initiative has helped build a community of best practice for business by providing a platform to discuss challenging issues and share experiences and learnings with peers and relevant stakeholders.

Mainstreaming gender in sustainability reporting and encouraging greater transparency and reporting on gender equality is another role that the WEPs initiative plays. As of 2014 the Global Compact signatories to the WEPs are required to report their progress on these issues as part of their overall Communication on Progress reporting.

A CLEAR SET OF EXPECTATIONS

The external environment is becoming more favourable for companies that are working on implementing the WEPs. Gender equality legislation has strengthened in a number of countries. For instance, we have seen the introduction of stricter penalties for sexual harassment, and some countries have established quotas for women on boards of directors of publicly listed companies. Still, the gap remains between legislation and practice, and some legal and institutional frameworks also limit or prevent women's participation in the economy[49]. There is recognition that governments have a role to play in creating an enabling environment for the private sector to advance the WEPs including by addressing discriminatory laws.

Even though the initiative is still relatively new, governments have expressed strong interest in the WEPs. Among other things, heads of state and governments of G7 countries stated their support for the WEPs and called on companies worldwide to integrate them into their activities in the G7 Leaders' Declaration, the outcome document of the 2015 Summit. The Global Compact working with UN Women has through an extensive consultation process developed the recognised, global framework for business and gender equality, and has presented a clear set of expectations for what companies should be doing to reach gender equality in their organisations.

RADICAL CHANGE IN ATTITUDES

Corporate mindsets related to gender equality have shifted radically in recent years. In addition to acknowledging that there is a strong business case for gender equality, businesses are also realising that they can positively influence women's lives through their own operations, by supporting women in the marketplace and the local communities in which they live; not only by empowering their own female employees.

There is also increased awareness of how social norms and institutions systematically discriminate against women - in many cases rendering their chances of success impossible. Programs aimed at boosting women as well as programs to tackle institutional challenges are needed.

Key facts and figures

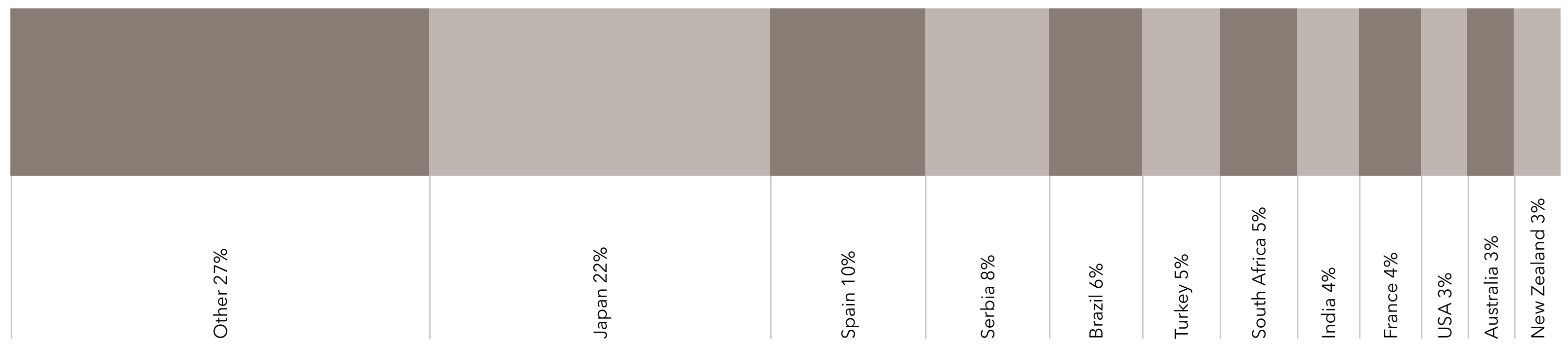
1 BILLION
WOMEN AROUND THE WORLD COULD ENTER THE GLOBAL ECONOMY IN THE COMING DECADE[50]

5%
OF THE CEOS OF THE WORLD'S LARGEST COMPANIES ARE WOMEN[51]

19%
OF BOARD SEATS GLOBALLY ARE HELD BY WOMEN[52]

25%
OF ECONOMIC GROWTH IN OECD COUNTRIES OVER THE PAST 50 YEARS IS DUE TO GIRLS HAVING HAD ACCESS TO HIGHER LEVELS OF EDUCATION[53]

40 **Women's Empowerment Principles signatories by country**



THE WOMEN'S EMPOWERMENT PRINCIPLES ANNUAL EVENT AND CEO LEADERSHIP AWARDS

The Global Compact and UN Women bring leaders from business, government, civil society and academia each year for the flagship Women's Empowerment Principles Annual Event. Growing from 150 participants in 2010 to over 600 in 2015, the WEPs Annual Event is now the premier UN event focused on gender equality and business.

The event provides a stock taking opportunity, highlighting how companies are working to implement the seven Principles, the challenges encountered and innovative solutions identified. The Women's Empowerment Principles CEO Leadership Awards were introduced to provide further insight into how business leaders are using the WEPs framework and championing gender equality around the world. The awards recognise five CEOs for their support for the WEPs and actions they have taken to advance gender equality in the workplace, marketplace and community.

UN PHOTO / LOEY FELIPE

This is the area where the WEPs initiative has likely achieved the greatest influence to date. Most of the initiative's activities have focused on raising awareness of business' role in gender equality and promoting the role of leadership and the WEPs roadmap to take progress to the next level.

GOING FORWARD

The WEPs are considered by many signatories and stakeholders as a valuable framework for companies to structure their work towards achieving gender equality.

Thus far, a limited number of companies have systemically implemented the Principles, and the companies that are doing so are at different levels of maturity. This is natural as the Principles were only launched in 2010; moving from awareness-raising to strengthening implementation is in line with the initiative's strategy.

While the Principles provide guidance on policies and programs, the WEPs can help generate important discussions around the need to address stereotypes and unconscious bias, which are seen as key barriers to successful implementation of the Principles by companies.

As the initiative grows, the WEPs have the potential to make a more significant impact on corporate practices and mindsets than it has to date, and perhaps even setting the global norm for expectations on business and gender equality.

> "I salute the Global Compact and UN Women for understanding how important it was to forge this relationship. The adoption of the Women's Empowerment Principles is the best step forward that the Global Compact has taken in the last 15 years."

Mary Robinson

Chair & President of Mary Robinson Foundation
Former President of Ireland

Keynote speech at
2015 WEPs Annual Event

Level 3 - Finding 3

A BALANCING ACT: REDEFINING THE FUNDAMENTAL PURPOSE OF BUSINESS

Changing expectations around the role of business in society reflect a significant shift in mindsets over the last 15 years. The idea that business can, and should, balance profit with purpose is challenging the long-held view that the role of business is purely about maximising short-term profit.

"My initial attitude was, 'Look, we're a heavy industry. Child labour has nothing to do with us.' But when you start to look at it in terms of supply chain, it does becomes an issue. We're putting ethanol in gasoline, which comes from sugar cane in Brazil, and the sugar cane industry has a big problem with child labour. So nowadays we would say, 'Of course it does.' I think the Global Compact played a part in increasing concentration on the supply chain."

SIR MARK MOODY-STUART
CHAIR OF THE FOUNDATION FOR THE GLOBAL COMPACT
FORMER CHAIRMAN OF ROYAL DUTCH SHELL

Not long ago, "the business of business is business" was the accepted mantra. Few companies saw sustainable development as part of their mission. However, a number of converging factors have led to a growing discussion about the purpose and role of business in society. Taken together, these have started to reframe our understanding of what business is and should be, supporting the emerging view that business needs to play a role that is more than just money-making.

BUSINESS IS PART OF SOCIETY

Growing concerns over the negative impacts of economic activity have prompted discussion on the fundamental role and responsibility of business in society. From being viewed as 'the root of societal problems', business is increasingly seen as having the scale, skills and resources to deliver solutions and social change.

This is closely linked to the early perception that business was somehow autonomous from society at large. Today, more business leaders realise that their ability to thrive depends on well-functioning and stable societies and a healthy environment. Contributing to this must be part of the business objective. This, in part, means incorporating scientific knowledge into corporate policy-making and business projections. It is no longer only a matter of succeeding or growing, it is a matter of surviving.

TOWARDS BROADER VALUE CREATION

At the same time, leading corporations are looking beyond models that simply minimise negative impacts to those that focus on maximising the positive. Delivering profit does not need to conflict with addressing environmental and social concerns. On the contrary, it is now generally agreed that these factors are essential for delivering long-term sustainability and growth.

There is a vibrant discussion about the purpose of business and the economy. We need to broaden the concept of 'value' beyond the purely financial, and incorporate this new understanding in business performance metrics. Today, some business leaders are starting to take a more long-term view, and to develop visions, goals and targets which implicitly take broader societal and environmental changes into account.

LEADERS ARE PAVING THE WAY

More companies are now positioning themselves as a driving force for sustainability, going beyond mere compliance with minimum standards. Achieving more equitable, greener outcomes becomes a factor in decision-making. New innovations, technologies, and business models build social and environmental considerations into products and services.

Some companies have adopted the language of "net zero footprint", looking to achieve zero carbon, water or waste, and setting ambitious social targets to ensure, for example, gender balance. Leaders have established concrete goals for zero footprint levels within a fixed timeline. This stance sends strong signals from the business community to governments that they are ready for better regulatory regimes, accommodating the sustainability needs of the new millennium.

THE ROLE OF THE UN GLOBAL COMPACT

A FORCE FOR GOOD

With evolving expectations of business impact, what has been the role of the Global Compact in catalysing this change?

PRINCIPLED BUSINESS

Possibly the greatest contribution of the Global Compact in the past 15 years has been in changing the perceptions and understanding of the role of business in society, spreading the idea that business has a shared responsibility for the development of society. The 'principled business' approach conveys that business must be based on shared values which support society, and contribute positively to solve global challenges. This is a paradigm shift from the view that business by default is essentially unsustainable.

The Global Compact has raised the profile of sustainability issues and their relevance to business, in particular with regard to the scale of the issues and the extent of inequalities in the world. As an advocate and educator on the issues, the Global Compact has raised awareness of what can be expected of business, which has in turn helped to raise expectations on corporate responsibility.

CREATING PARTNERSHIPS

The wide range of issue platforms created under the umbrella of the Global Compact has worked to make connections between companies, governments NGOs and society. Through these networks, the Global Compact has been able to promote the understanding and sharing of ideas on the issues, opening the floor for a wide range of opinions, and influencing the mindsets of a range of stakeholders.

DOING GOOD

An important element of the Global Compact has also been to encourage companies to go beyond minimum requirements, and engage in activities that contribute positively to sustainability goals. The new Sustainable Development Goals will be an important framework for aligning business priorities with societal goals going forward.

Level 3 - Finding 4

KEY TO THE FUTURE: SUSTAINABILITY IS CRITICAL TO BUSINESS SUCCESS

Clarity around how sustainability impacts the bottom line is gaining ground. Sustainability is no longer seen as only as a risk, but also as a driver of innovation and opportunity. The task now remains to communicate this in the language of business and capitalise on sustainable market opportunities.

Key facts and figures[54]

2.15 TRILLION USD	32 TRILLION USD	28.6 TRILLION USD
THE ESTIMATED COST OF THE EXTERNALITIES OF THE TOP 3000 LISTED COMPANIES	WORTH OF PROPERTY IS AT RISK DUE TO COASTAL FLOODING IN 2070	THE PROJECTED EXTERNAL COST OF ECONOMIC ACTIVITY RELATIVE TO GLOBAL GDP, EQUIVALENT TO 18 PER CENT OF GDP IN 2050

"The most prominent development is the fact that corporate sustainability has progressed from being a moral obligation or argument, to making business sense: the ability for a business to grow and perform well in the long-term depends on the collective well-being of the society in which it operates."

PAUL BULCKE
CEO, NESTLÉ

MORALITY AND MATERIALTY

At the turn of the millennium, the efforts of most companies to address social and environmental issues largely followed two models. The first was essentially a 'do no harm' compliance-driven risk management approach, often developed in the wake of big corporate scandals. The second approach was philanthropy, driven primarily by a sense of a moral responsibility to give back to society, often motivated by a marketing or brand perspective.

Today, a growing number of leading companies realise that sustainability issues impact business value in many ways, positively and negatively, and both short and long-term.

On an issue like climate change, many companies see that long-term success can only be achieved with new and less carbon intensive technologies. However, in the case of some social issues and human rights in particular, the clarity around the significance for business performance is only now starting to emerge.

FROM RISK TO OPPORTUNITY – MEETING THE NEEDS OF THE 21ST CENTURY

As an increasing number of companies recognise sustainability as critical for long-term success, business mindsets are shifting towards seeing the opportunity-side of the equation. More investment is challenged towards new models, technologies and products that generate business value, whilst at the same time address social and environmental challenges.

For key resource issues like access to water or energy, large and small companies alike are actively engaged in developing new strategies to reduce their needs and optimise performance.

New business models are zero-footprint, sharing, circulate and Companies which recognise that meeting the needs of the 21st century differs from the past will emerge as the winners in the future.

SPEAKING THE LANGUAGE OF BUSINESS AND FINANCE

Although mindsets are clearly shifting across the globe, a challenge remains to translate the language of sustainability into concrete goals, actions and business metrics.

This has been particularly true in the social space, where identifying the right language has been a complex process. The introduction of the phrase 'due diligence' in the UN Guiding Principles on Business and Human Rights was a significant step forward in enabling human rights to be communicated in the language of business.

THE ROLE OF THE UN GLOBAL COMPACT

MAKING THE BUSINESS CASE

As the global business community increasingly start to see the relevance of sustainability for business performance, what has been the role of the Global Compact in catalysing change?

Since its launch, the Global Compact has been active in clarifying and developing the business case for sustainability. It has developed and disseminated numerous tools and resources that have raised awareness on the business case for corporate sustainability.

WORKING ON THE DRIVERS

The Global Compact initiative to launch the Principles for Responsible Investment together with UNEP Finance Initiative in particular has helped shift mindsets in both business and finance towards increasingly focusing on how environmental, social and governance performance impacts financial value.

FROM 'DO NO HARM' TO 'DO MORE GOOD'

At its core, the ten principles of the Global Compact set a minimum requirement for how companies should operate in order to be sustainable, outlining the shared responsibility of business to safeguard societal and environmental needs.

A call to action and innovation to 'do good' is inherent to the initiative, as exemplified with Principle 1 on supporting the protection of human rights and Principle 7 on developing environmentally friendly technologies. The Global Compact also asks companies to 'take action' to support broader UN goals, opening up for innovation and collaboration to find new solutions, new business models that at the same time meets societal needs and contribute to long-term value creation for business.

HIGHLIGHTED WORKS	INVOLVING STAKEHOLDERS	ADAPTATION
	'Indigenous Peoples' Rights and the Role of Free, Prior and Informed Consent' explains the business case for obtaining consent from indigenous groups.	'Adapting for a Green Economy: Companies, Communities and Climate Change' presents the business case for private sector adaptation to climate change.

DEEP DIVE ON:
LOCAL NETWORKS

BUILDING A SUSTAINABLE AND INCLUSIVE GLOBAL ECON-OMY FROM THE GROUND UP

"I would say that one of the key contributions of the Global Compact is that it has brought broad local dialogue amongst all stakeholders. It has uniquely been able to drive dialogue forward in a way that other institutions really could not do to the same degree."

ARON CRAMER
CEO, BUSINESS FOR SOCIAL RESPONSIBILITY

As the world's largest voluntary corporate sustainability initiative, it's easy to think of the Global Compact as a community solely connecting boardrooms across continents. But it is the interconnections that have spread and blossomed at the local level that make the Global Compact a truly global network. Today, 88 of the 193 UN member states have an active Local Network.

These networks bring local communities together to carry out meaningful change, whether that's improving access to clean water in India, enshrining human rights in Argentinian work practices, stamping out corruption in Nigeria, or creating online tools to help small business owners in Spain.

In this way, the universal principles that the Global Compact champions across human rights, labour, the environment and anti-corruption are supported by every facet of society.

BEING GLOBAL MEANS GOING LOCAL

Every country faces a unique set of challenges and opportunities. Cultural, political, economic and linguistic contexts vary across the world, creating vastly different environments which businesses must navigate.

The Global Compact Local Networks act as both a compass and an anchor for local participants. They help guide businesses through country-specific pitfalls, such as substandard working conditions or high levels of corruption. At the same time the Local Networks help unite companies with communities and authorities, so they can work together to address these problems at the source. In this way the networks anchor the Global Compact's universal principles at a local level.

This is what makes the Local Networks so critical: they have the local insight needed to bring about genuine change from the ground up.

ACTION ON THE GROUND

At the most basic level, Local Networks help local communities bring the Global Compact principles to life. They help get sustainability initiatives up and running, then teach communities how to monitor and report on programs to make sure they're having the right impact.

Most networks are geared towards helping smaller and mid-sized enterprises, meeting their needs in a myriad of ways. This could include providing workshops for education and training, building partnerships, or giving a voice to small stakeholders in policy debates.

Local Networks also localise global campaigns and resources. They can take overarching Global Compact initiatives like the WEPs, the CEO Water Mandate or B4P, and make them relevant at a local level. In this way, important campaigns trickle down throughout the entire network. Local Networks also collaborate with neighbouring networks, sharing ideas and solutions around regional issues.

The graph below charts the consistent growth of Local Network activities over the past decade. There has been a strong increase in the learning category, and also in efforts to recruit new companies to join the Global Compact.

A GROWING NETWORK OF NETWORKS

India was the birthplace of the very first Local Network back in 2003. Today, the initiative has grown to encompass 88 countries across the world. The Global Compact encourages its member companies to engage with Local Networks in the countries where they operate, helping to spread the initiative. But this spread has been uneven: while there are active Local Networks in most European counties, the take-up has been slower in other regions. Africa has the fewest Local Networks.

Networks are based on a bottom-up approach. Each has a large degree of freedom to act when it comes to deciding how the network should be run, choosing the most pressing local issues to tackle, and sourcing funding.

This level of autonomy and the staggered establishment of Local Networks over the past 15 years mean different networks are at very different stages of maturity. Some are well-established in their communities, very active, and can provide sophisticated support. Others are much more informal and are not as effective yet. Regardless of their structure, each Local Network checks in with the Global Compact Office every year, renewing their Memorandum of Understanding.

A PATCHWORK OF PROGRESS

The progress is encouraging: our review of the Local Networks shows corporate sustainability has gained a stronger foothold across the globe over the past 15 years. But given the diversity of the Local Networks and their freedom to prioritise issues, it is not surprising that we see very different rates of change across the different areas.

On top of the internal differences, we also need to factor in the external context in which each Local Network operates. Different political and economic systems affect the progress Local Networks can make. The relationships between business and society and the responsibilities companies have are regarded very differently around the world. Likewise, the issues themselves carry different meanings: in some countries for example, human rights largely centres around non-discrimination. In other regions, the key human rights issue could be freedom of speech.

Some of the most advanced Local Networks and companies are found in Europe, the first region to really focus on corporate sustainability. In North America however corporate sustainability has developed more slowly, with the focus instead on corporate philanthropy and regulatory compliance.

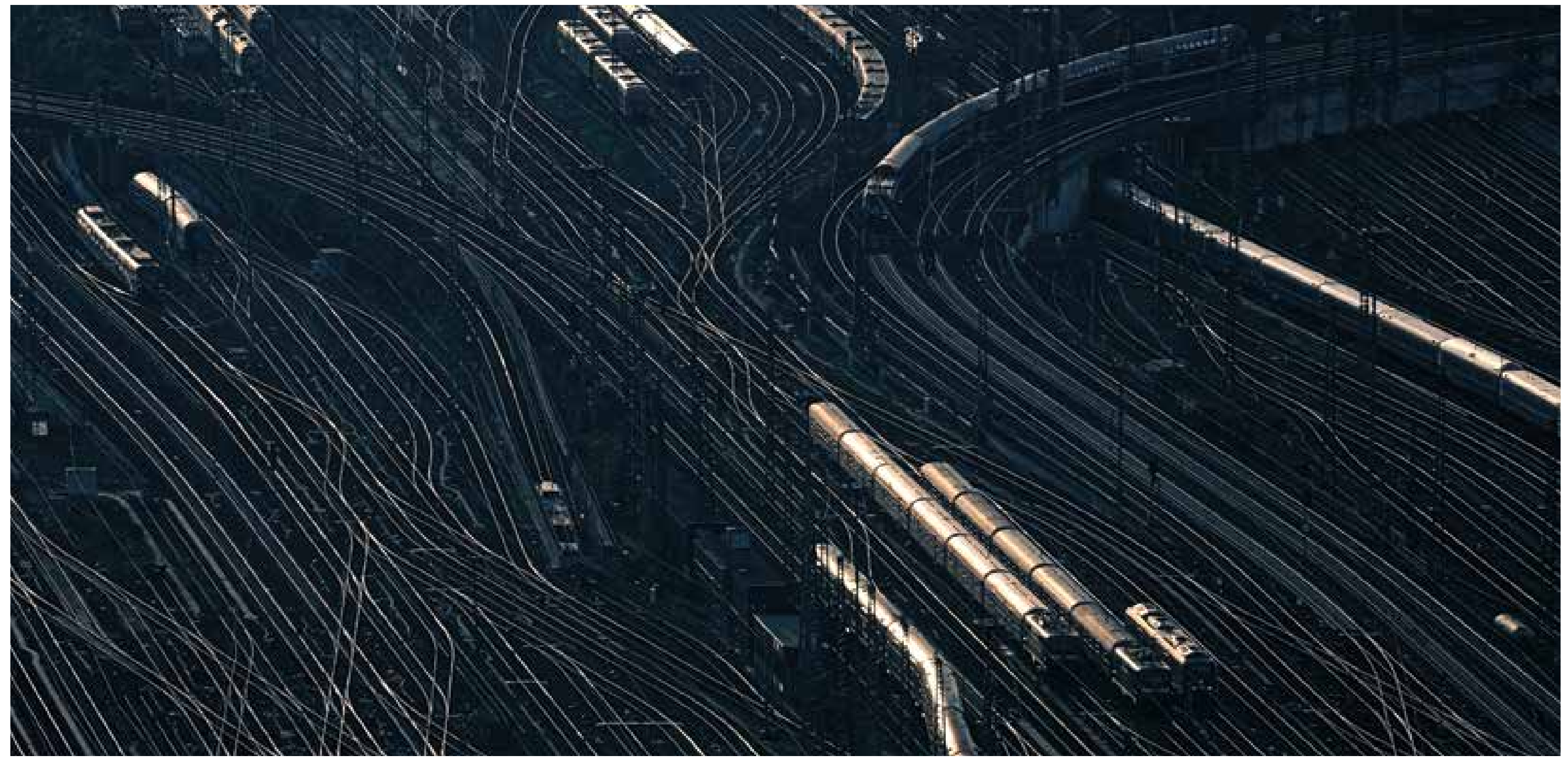
In the following section, we turn the spotlight on four Local Networks across the world. These insights show how networks are anchoring the Global Compact in their communities, joining the groundswell of sustainable economic change.

LOCAL NETWORKS UNDER THE LENS

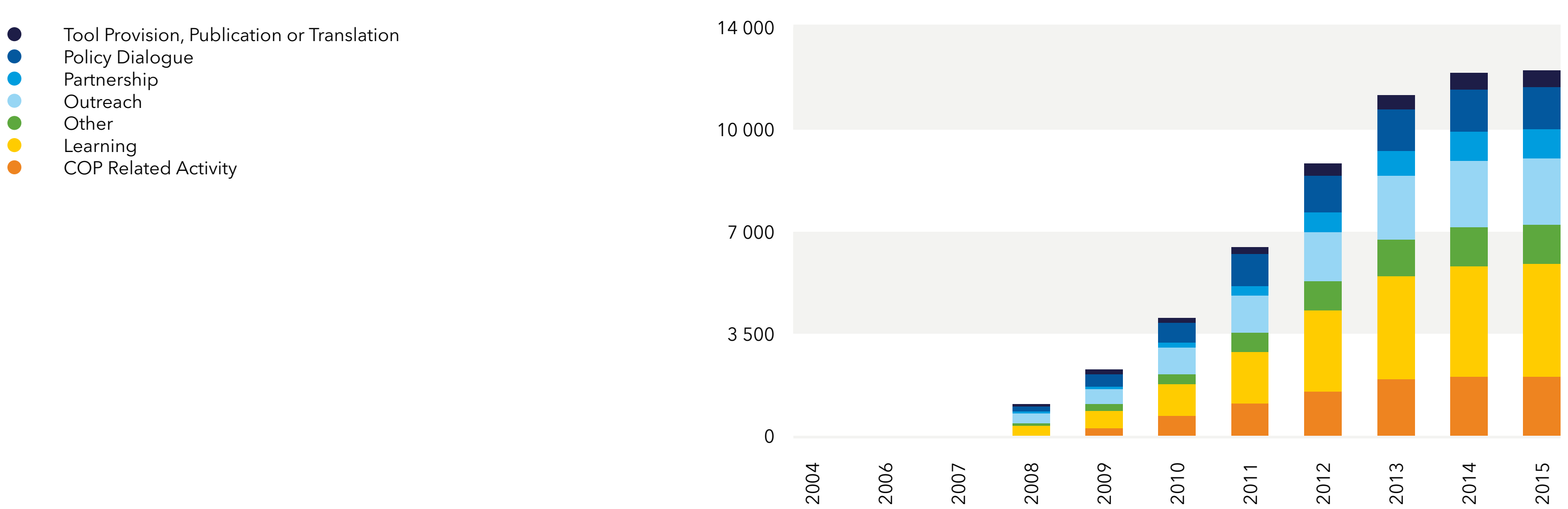
We've taken an in-depth look at four Local Networks: India, Argentina, Nigeria and Spain. We spoke with Local Network representatives, as well as stakeholders from business, finance, civil society, government and academia.

We've also interviewed Local Network representatives in Bangladesh, Germany, Turkey and South Korea. The insights they shared form part of the overall Local Network study.

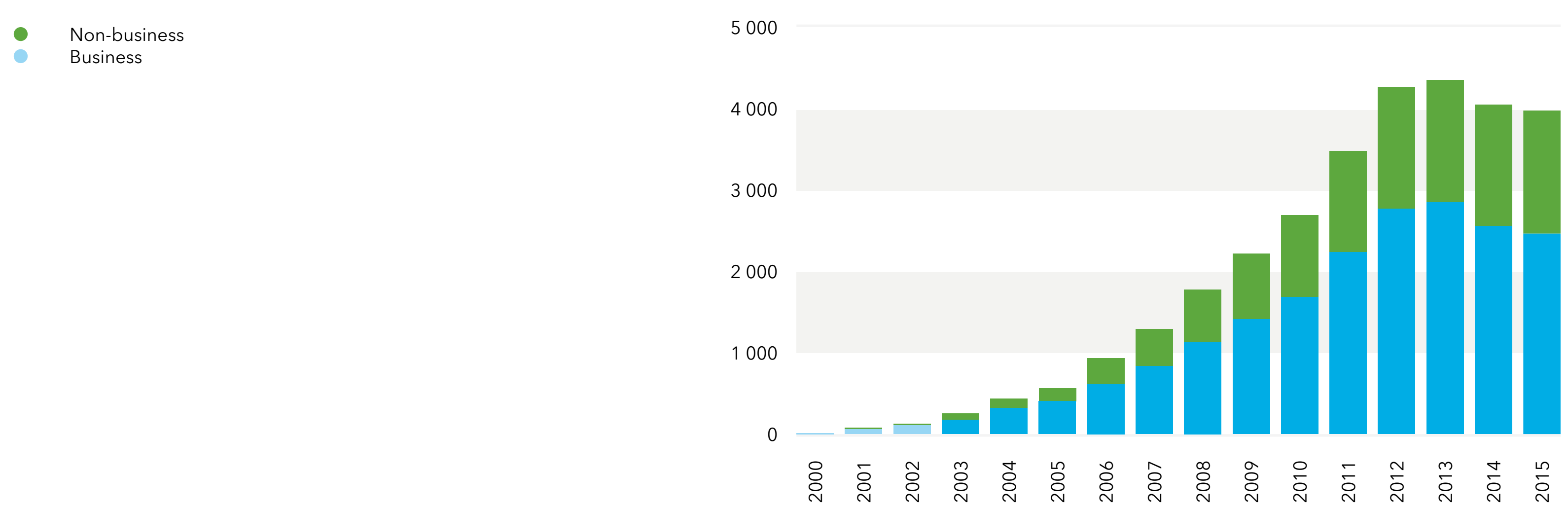
Here we present the highlights from the assessment. More information can be found on the project website.



41 **A significant growth in Local Network activities (cumulated, by category)**



42 **Number of Global Compact signatories that are participating in a Local Network**



NOTABLE LOCAL NETWORK ACTIVITIES

Supporting reporting
–
Global Compact Network Spain launched a new tool, based on GRI indicators, supporting participants to produce better sustainability reports.

- Year of event: 2015
- COP Related Activity
- 40 participants

Managing supply chains
–
Global Compact Network UK and partners organised an event to promote peer-to-peer knowledge exchange on the subject of managing supply chain sustainability.

- Year of event: 2014
- Learning
- 27 participants

Multi-stakeholder dialogue
–
Global Compact Network Serbia, in collaboration with the Business Leaders Forum, organised a cross-sector dialogue on CSR and the role of business.

- Year of event: 2014
- Outreach
- 25 participants

The Post-2015 agenda
–
The Local Network in Turkey organised a consultation in Ankara promoting inclusive dialogue on the Post-2015 Development Agenda.

- Year of event: 2014
- Policy Dialogue
- 96 participants

A focus on human rights
–
Global Compact Network Russia hosted a roundtable focusing on the experience and complexity of applying the UN Guiding Principles on Business and Human Rights in Moscow.

- Year of event: 2014
- Outreach
- 35 participants

Greening the hospitality industry
–
Global Compact Network Mongolia and partners organised a green hotels initiative to promote greater environmental responsibility among Mongolian businesses.

- Year of event: 2015
- Partnership
- 10 participants

Addressing climate change
–
The Global Compact Network China hosts an annual China Summit on Caring for Climate for companies, local governments and other stakeholders addressing areas ranging from carbon pricing, water, green technology, green finance and low-carbon development in specific industrial sectors.

A focus on Children's rights
–
The Local Network in Vietnam and partners jointly conducted an event focusing on Children's Rights and Business Principles in Hanoi and Ho Chi Minh city.

- Year of event: 2015
- Outreach
- 120 participants

Collective action for recovery and rehabilitation
–
The Local Network in Japan organised a collective action program at Watari-cho to help with recovery following the Great East Japan Earthquake disaster in 2011.

- Year of event: 2014
- Partnership
- 46 participants

Broad Post-2015 consultations
–
Global Compact Network Mexico, together with its partners, conducted post-2015 development agenda consultations. The consultations engaged more than 60 organisations in five roundtables.

- Year of event: 2014
- Policy Dialogue
- 60 participants

Best practices in reporting
–
Global Compact Network Chile published a report highlighting best practices in sustainability reporting among Chilean companies.

- Year of event: 2014
- COP Related Activity
- 70 participants

Involving CEOs to improve governance
–
Global Compact Network Ghana organised a CEO roundtable focusing on the challenges companies face in improving governance, and the types of regulation needed to ensure that investment inflows support inclusive and sustainable growth.

- Year of event: 2014
- Learning
- 60 participants

Training government officials
–
Global Compact Network Nigeria, together with its partners, organised a training course on corruption risk assessment for government representatives. It was the first course of its kind under the Global Compact.

- Year of event: 2015
- Learning
- 84 participants

Responsible procurement in construction
–
Global Compact Network South Africa organised a roundtable meeting to bring construction sector leaders together to discuss Integrity Pacts in the sector's procurement processes.

- Year of event: 2014
- Policy Dialogue
- 8 participants

Anti-corruption guidance
–
The Local Network in Kenya launched a practical anti-corruption compliance guidebook to help executives, legal counsels, and managers design and maintain effective compliance programs.

- Year of event: 2014
- Tool Provision, Publication or Translation
- 44 participants

Focusing on a better future
–
The Local Network in Bangladesh, in collaboration with the CSR Centre, officially launched a report on CSR in Bangladesh titled "Sustainability for a Better Future".

- Year of event: 2014
- Outreach
- 50 participants

Promoting inter-religious understanding
–
Global Compact Network Indonesia convened a private sector leaders roundtable on the role of business in promoting inter-cultural and inter-religious peace and harmony and works closely with the Global Compact's Business for Peace platform on this issue.

- Year of event: 2014
- Policy Dialogue
- 73 participants

Advancing human rights in the supply chain
–
Global Compact Network Australia organised a forum on human rights in the supply chain, focusing on learning and capacity-building, providing insights from Australia's leading companies.

- Year of event: 2014
- Learning
- 30 participants

SPOTLIGHT ON: INDIA

CORPORATE SUSTAINABILITY IN INDIA

Corporate sustainability in India remains largely philanthropic in nature. Most initiatives focus on education, healthcare, community livelihood and infrastructure development. The Indian Government's Ministry of Corporate Affairs (MCA) has developed Voluntary Guidelines on Corporate Social Responsibility. These are based on insights garnered through the Global Compact, GRI and OECD Guidelines on Multinational Enterprises. These guidelines were drafted with the aim of encouraging sustainability disclosures by Indian companies on environmental, social and governance parameters. The Indian government was perhaps the first in the world to have formally mandated CSR through legal requirements in 2013. For-profit companies are required to invest a percentage of their profits in development projects identified by the Indian government.

THE LAUNCH OF THE NETWORK

In the early 2000s, participants in the Global Compact movement in India met in informal networking meetings in both Mumbai and New Delhi. On 24 November 2003 Global Compact Network India (GCNI) became the first Local Network to be registered with full legal recognition.

KEY HIGHLIGHTS

The Network has engaged in a variety of activities since its launch, including networking, awareness-raising and capacity-building. Highlights include:

- Launch of the network website in 2004.
- Monthly knowledge-sharing and networking meetings.
- Launch of the Children's Rights and Business Principles in 2012, the WEPs in 2013 and B4P in 2014.
- Establishment of the India CEO Forum on Business and Human Rights.
- Launch of the Asia-Pacific Resource Centre on Responsible Business Practices.
- Formation of the Sustainability Alliance Partners group.

THE ROLE OF THE LOCAL NETWORK IN CATALYSING CHANGE

The Global Compact Network India provides opportunities for networking while facilitating peer learning and the sharing of good practices among key stakeholders. The Local Network's greatest impacts to date have been:

- Launch of the Collective Action Project (CAP) in 2011 with the objective of fostering collective-action platforms on anti-corruption by facilitating ongoing dialogue between the private and public sectors.
- Raising awareness on the issues of water scarcity and poor access to sanitation through organising a number of events together with the CEO Water Mandate. This includes the event 'India Collaboration Lab: New Alliances for Water and Sanitation' and the 11th working conference of the CEO Water Mandate in Mumbai in 2013. Amongst other things, these events promoted partnerships among stakeholders that advanced innovative projects in water access, sanitation and hygiene (WASH) and water risk management.
- The India CEO Forum was established with the aim of advancing human rights in a business context among Indian industry. GCNI has been raising awareness on what actions businesses can take to support and respect human rights in different industries.

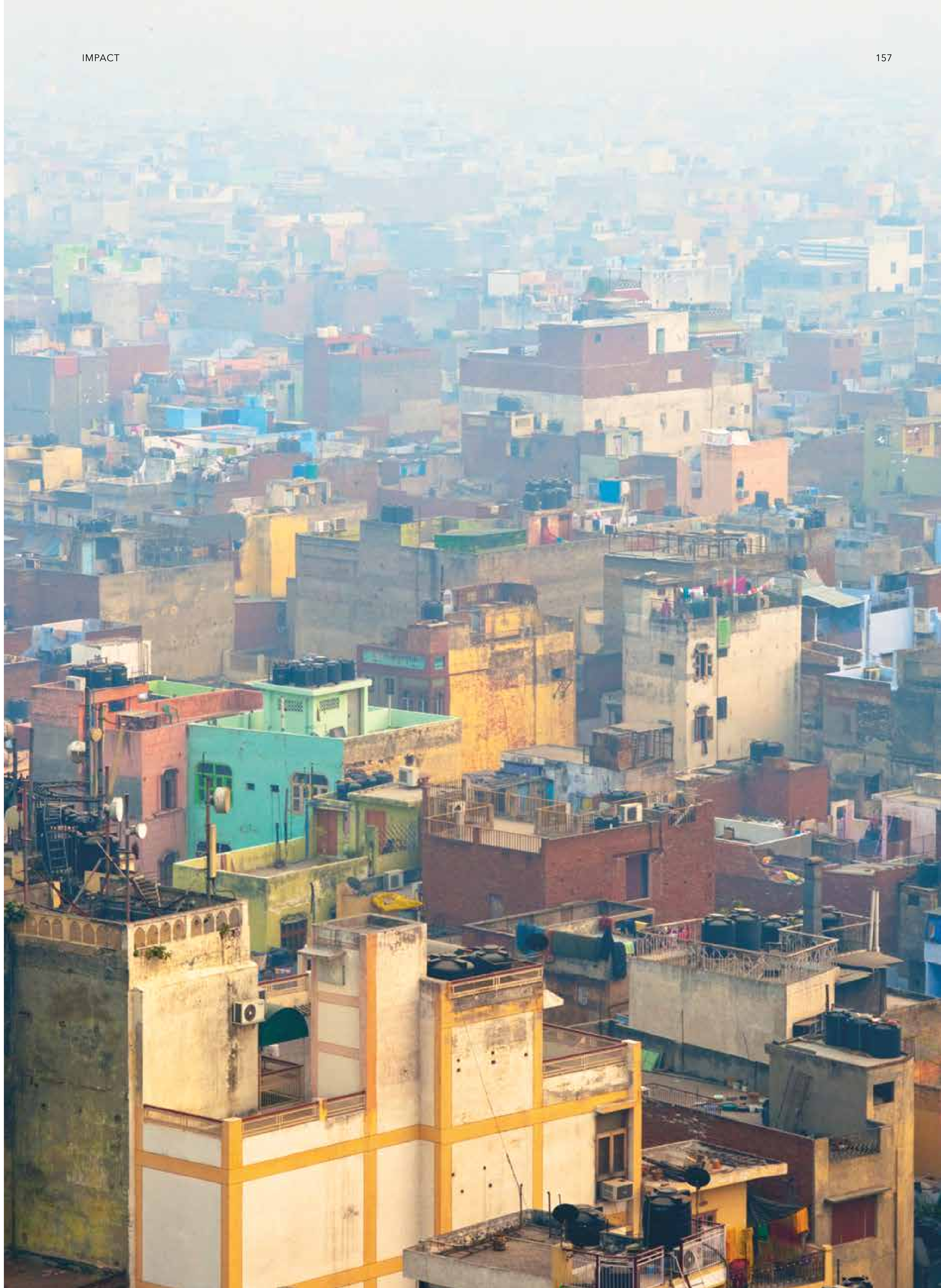
CASE: CENTRE FOR EXCELLENCE FOR TRANSPARENCY & ETHICS IN BUSINESS

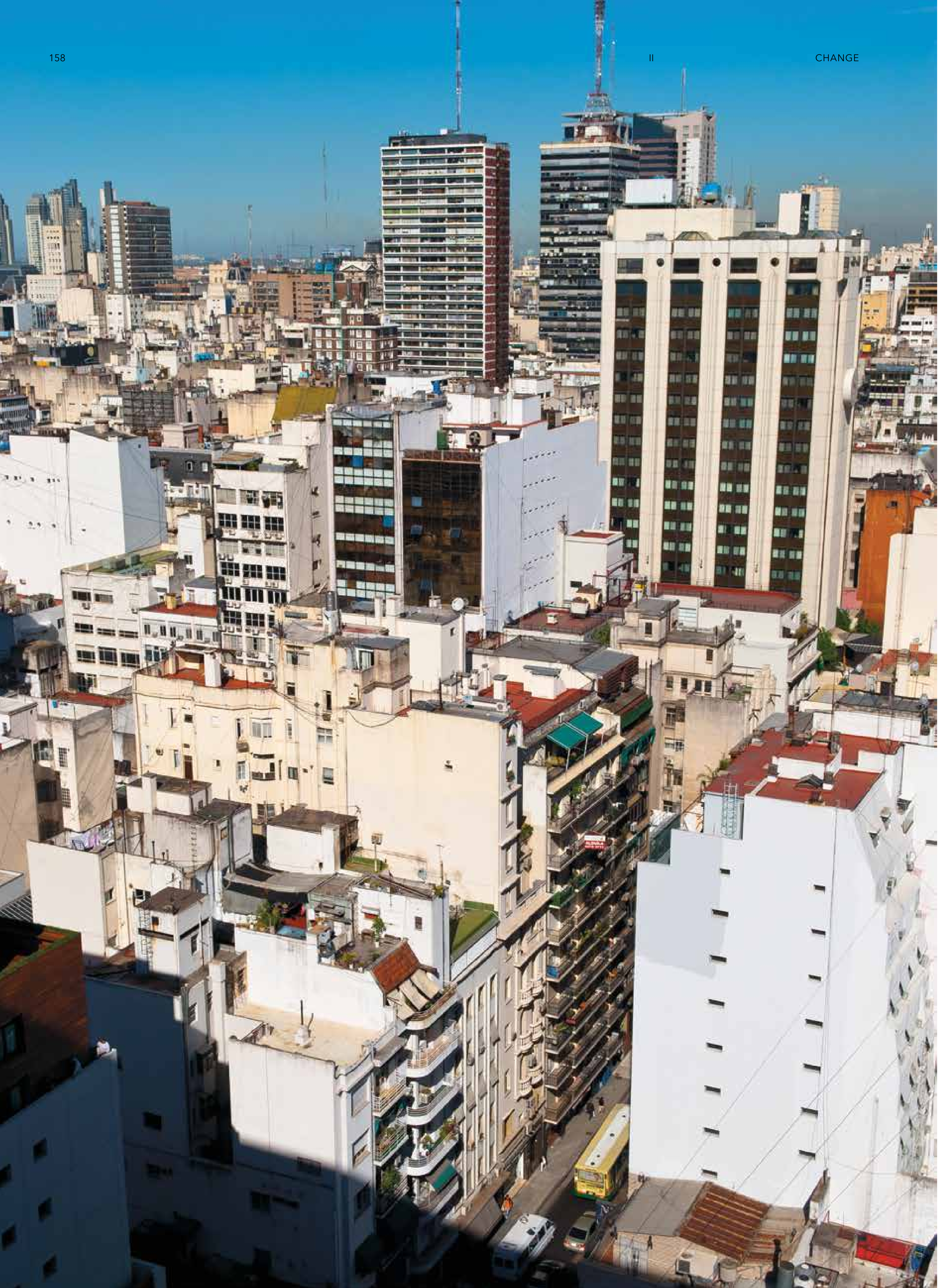
The need for a Centre of Excellence emerged from the Collective Action Project (CAP) of 2011 – 2015, which concluded that corruption must be combatted through private-public sector dialogue. The CAP project educated business executives, government officials and the general public about how corruption can be prevented through collective action. It also offered them examples of strategies to help them meet their goals.

Drawing on the conclusions of the project, the Centre for Excellence opened on 1 March 2015 supported by the Siemens Integrity Initiative. It is designed to conduct research and training, provide a platform for dialogue and encourage policy change to strengthen transparency in business.

KEY FACTS AND FIGURES

Network launch	2003
Number of business participants	118
Number of non-business participants	82
Total number Global Compact signatories in India	312
Hosting organisation	Global Compact Society (GCS) (2003)
Key focus area	Environment, human rights and anti-corruption
Notable fact	The India network was the first Local Network to be launched





SPOTLIGHT ON: ARGENTINA

CORPORATE SUSTAINABILITY IN ARGENTINA

When the Global Compact was launched in 2000, Argentina was in the middle of a political, economic and institutional crisis. CSR was seen mainly as philanthropic action, although understanding was beginning to shift towards a wider notion of CSR encompassing "private social investment" and "community relations". Some companies did have codes of conduct and compliance regimes in place, but were struggling with haphazard implementation. Labour rights were weak. Awareness of HSE issues was triggered by severe floods in Santa Fe and the death of 194 people after a fire in Cromañon nightclub in 2004.

THE LAUNCH OF THE NETWORK

On 24 April 2004, 220 organisations established the Global Compact Network Argentina. Since 2005, a board of 20 members representing companies, business associations, NGOs, academic institutions and others stakeholders have led the Network. The Board is renewed every two years through a democratic process that elects an Executive Secretariat.

KEY HIGHLIGHTS

The Global Compact Network Argentina has engaged in a variety of activities since its launch. Highlights include:

- Through university lectures, conferences and open meetings, the Local Network promoted and spread CSR good practices, creating greater awareness about the ten principles and methodologies for the implementation of the Global Compact principles.
- A Diploma of Advanced Studies in CSR was established in 2013 and several CSR e-learning courses were conducted.
- Strengthening public-private collaboration through the identification and implementation of activities with new actors. An example of this is the institutional support provided to the "Practical Workshop: Building CSR programs for SMEs" alongside the Union of Industrialists for Matanza-Riachuelo Basin Sanitation and Reconquista (UISCUMARR).

THE ROLE OF THE LOCAL NETWORK IN CATALYSING CHANGE

The Local Network has provided a common framework for companies, allowing them to express their organisation's social and environmental commitment, values and practices whilst integrating them into business logic. It serves as a tool to engage management, and embed values and principles at the top of an organisation. For organisations that had already developed a significant degree of maturity in sustainability, the Local Network has represented a means to work with an international corporate sustainability forum but with local applicability and benchmarking. Corporate sustainability is now seen not only in terms of reputation - as it was before the 2001 crisis - but as a mechanism to access new markets and create business opportunities.

CASE: LAUNCHING THE GUIDE BUSINESS AND HUMAN RIGHTS 'PROTECT, RESPECT AND REMEDY': WE ALL WIN IN THE CITY OF BUENOS AIRES AND CÓRDOBA.

In 2012, the Global Compact Network Argentina and UNDP Argentina developed a guide to support Argentinian companies to internalise the 'Protect, Respect and Remedy' framework. This guide is designed to enable businesses to operate effectively in the context set by the UN Guiding Principles on Business and Human Rights.

The Network partnered with the Social Responsibility Secretary from the National Ministry of Social Development to launch the Guide. In addition to a launch event in Buenos Aires, the Guide was presented in front of 150 representatives from business, academia and civil society in the city of Cordoba, sponsored by the provincial government and Telemercado, a local communications company. The presentation was closed by the Minister of Finance Ángel Elettore and the Minister of Industry Jorge Lawson, who emphasized the role of the state in the diffusion of corporate sustainability practices. The event received comprehensive coverage from several television media and the local press.

KEY FACTS AND FIGURES

Network launch	2004
Number of business participants	402
Number of non-business participants	137
Total number Global Compact signatories in Argentina	300
Hosting organisation	United Nations Development Programme (UNDP)
Key focus area	Human rights and anti-corruption
Notable fact	One of the top 10 performers according to other Local Networks

SPOTLIGHT ON: NIGERIA

CORPORATE SUSTAINABILITY IN NIGERIA

The death of General Sani Abacha in 1998 and the resulting transition to democracy in 1999 raised the public appetite for good governance, transparency and corporate sustainability. Citizens had good grounds for concern: A survey by the Nigerian Securities and Exchange Commission (SEC) in April 2003 showed corporate governance was only at the rudimentary stage. Only around 40 per cent of surveyed companies had a corporate governance code.

The same year, the SEC adopted a voluntary Code of Corporate Governance Best Practices for publicly quoted companies, known as the SEC code. Around the time the Global Compact was launched in Nigeria in 2006, the degree of implementation of corporate sustainability was low. Nigerian companies typically perceived CSR or corporate sustainability practices as philanthropy aimed at addressing socio-economic challenges.

THE LAUNCH OF THE NETWORK

The Global Compact Network in Nigeria was formally launched as a tripartite alliance of the Nigerian Economic Summit Group (NESG), the African Leadership Forum and the Nigerian Institute of International Affairs. Despite low levels of activity in its early years, by 2010, the situation had changed as a result of a multilateral project partnership agreement with the Siemens Integrity Initiative.

KEY HIGHLIGHTS

Since its launch the majority of the activities of the Local Network have focused on corruption. Highlights include:

- Hosting the Africa Sustainable CEO Business Roundtable Forum in January 2015, focused on addressing the issues influencing collective action efforts related to corporate sustainability in Africa.
- Launch of the Children's Rights and Business Principles in 2012, the WEPs in 2013 and B4P in 2014.
- Two-day training workshop on anti-corruption risk assessment for senior administration officials from government ministries and agencies (see case below).

THE ROLE OF THE LOCAL NETWORK IN CATALYSING CHANGE

Today, corporate sustainability in Nigeria has become more sophisticated, going beyond philanthropy and becoming embedded in corporate culture. More companies, particularly in banking, now report explicitly on sustainability measures. There is also greater awareness of corporate sustainability in society at large. The Local Network has contributed to a wider dialogue among stakeholders in Nigeria which has led to considerable change. The Network's greatest impacts to date include:

- Raising awareness on anti-corruption, in both the public and private sector. The Local Network has also targeted corruption in sports.
- Supporting the Extractive Industry Transparency Initiative (EITI) policy dialogues.
- Creating awareness about the COP reporting process through training of participants.

CASE: CORRUPTION RISK ASSESSMENT TRAINING FOR NIGERIAN PUBLIC SECTOR OFFICIALS

In March, 2015, a two-day training workshop on anti-corruption risk assessment for senior public sector officials was successfully organised by the Network in collaboration with the Global Compact, NESG, the Convention on Business Integrity (CBI) and the Economic and Financial Crimes Commission (EFCC). This was supported by the Siemens Integrity Initiative. Attendees included officials in charge of ethics, compliance, legal, internal audit and risk management, as well as those in charge of procurement, accounting, finance and human resources at several ministries and agencies in Nigeria.

The approach was interactive and practical. Using a fictional case study titled "Ms. Cora Liam joins the public service", participants were taken through various definitions and forms of corruption, the justification for conducting risk assessments, as well different issues surrounding leadership and responsibility in risk assessments.

Participants were also guided through the process of planning for a risk assessment exercise. Other skills that participants were equipped with included identifying factors, types, forms, risks, schemes of corruption and control measures that needed to be put in place. There was also an exercise to help them rate the probability and potential impact of corruption.

The course was unique because it showed how the private sector could, through collaborative action, help develop the public sector's capacity in the area of anti-corruption.

KEY FACTS AND FIGURES

Network launch	2006
Number of business participants	41
Number of non-business participants	107
Total number Global Compact signatories in Nigeria	139
Hosting organisation	The Nigerian Economic Summit Group (NESG)
Key focus area	Anti-corruption
Notable fact	In 2010, NESG signed a project partnership agreement with the Foundation for the Global Compact and the Global Compact Office to implement an anti-corruption project aimed at creating fair market conditions and fighting corruption. The agreement was supported by the Siemens Integrity Initiative and lasted from 2011-2014.

SPOTLIGHT ON: SPAIN

CORPORATE SUSTAINABILITY IN SPAIN

When the Local Network was established, Spain was on the verge of a period of unprecedented economic growth. Then the 2008 financial crisis hit. These two contrasting time periods have affected how Spanish companies address corporate responsibility and the ten Global Compact Principles. Legislation related to the areas covered by the Principles has been promoted by both the European Union and Spain. On the national level, apart from sectoral or area-specific regulations, the Law for a Sustainable Economy was passed in 2011 and the Spanish CSR Strategy was approved in 2014.

THE LAUNCH OF THE NETWORK

Initial activities started in 2002, leading to the formal launch of the Local Network in Spain in 2004. By 2014, the Network had grown to 2,535 participants led by an Executive Committee with representatives from some twenty Global Compact participants, renewed every four years. Today, the Spanish Local Network is by far the largest Global Compact Local Network.

KEY HIGHLIGHTS

The Network has engaged in a variety of activities since its launch, focusing on networking and capacity building with a particular focus on outreach to support SMEs. Highlights include:

- Engaging large corporations during the early stages of establishing the Network. This was an important step in the promotion of corporate sustainability in Spain.
- Publishing regular reports showing how the number of participants and members has increased, and the progression of activities and support provided to companies. It has also published annual reports analysing the COPs submitted by Spanish participants.
- Developing a range of publications and tools for participants, including several tools to support participants with their COPs, corruption risk management and a guide for sustainable supply chain management.

THE ROLE OF THE LOCAL NETWORK IN CATALYSING CHANGE

In the ten years of its existence, the Local Network has been active in promoting corporate sustainability and also in promoting corporate sustainability-related initiatives at the government level in Spain. The Local Network has been a pioneer in developing material and tools for its participants from the start. In 2006 the Local Network launched an online tool to support the preparation of the COP. In 2013, CompactLink was launched. This is an online platform creating a corporate responsibility ecosystem for its participants, which allows them to access an online training course, interact with other companies and use different tools available to report and monitor progress in different areas.

The Local Network has been an active participant in CSR-related initiatives at the government level in Spain, and the government has both referenced the Global Compact in its communications and accepted the Communication on Progress for reporting purposes.

CASE: SUPPORTING SMES

In 2009, the Local Network identified the need to provide more support to SMEs. It engaged some of the large companies in the Network to start targeting relevant activities in their supply chains to this end.

In 2011, an initiative to train and attract SMEs, called RSE-PYME, was launched in co-operation with the investment bank ICO. Over the years, this initiative has provided specialized CSR training and support to more than 700 small companies. In 2013, 197 SMEs became participants through this initiative.

The Network has also published specialised tools for SMEs including the COP Template, as well as an online tool for corruption risk management specially focused on SMEs in 2013.

KEY FACTS AND FIGURES

Network launch	2004
Number of business participants	2,129 (as of March 2014)
Number of non-business participants	406 (as of March 2014)
Total number Global Compact signatories in Spain	1,648
Hosting organisation	Global Compact Society (GCS) (2003)
Key focus area	Currently: post-2015 sustainable development agenda, human rights, corruption and sustainable volunteering
Notable fact	The Local Network in Spain is the largest of all the Global Compact Networks, with 2,535 participants as of March 2014. The network includes organisations that are not Global Compact participants.

DELIVERING VALUE ON THE GROUND

> *"I think the most important thing for the Global Compact going forward is to intensify resources for country level networks, country ownership agenda and country level implementation. It's going to be very, very important going forward."*
>
> JANE NELSON, PROFESSOR
> HARVARD UNIVERSITY

Fifteen years on from the launch of the Global Compact, no picture of the initiative's impacts and achievements would be complete without looking at the contribution the Local Networks have made.

While the Global Compact guides the overall direction of the initiative, the role Local Networks play in advancing the Global Compact principles is critical. Jan Eliasson, the UN Deputy Secretary-General, goes so far as to say that the "Local Networks are the soul and foundation of the Global Compact."[55]

It is only at the local level that overarching principles can be turned into concrete action, making progress in line with national priorities. That's how we know that a Local Network is a success: the community sees the ten Global Compact principles as relevant and valuable, and there's meaningful change at a regional level.

These tangible 'on the ground' results are not just important in their own right. They are also the yardstick to justify the ongoing existence of the Global Compact as a whole, as well as contributing to the success of the Sustainable Development Goals.

But as we have seen, there is a large variation in the maturity and effectiveness of Local Networks. Some groups are vibrant and dynamic; others are still finding their feet. We have discovered the most successful networks include:

- A clearly articulated and communicated value proposition,
- Stable resources and funding,
- A strong and visible brand highlighting the link with the UN
- Systematic mechanisms for supporting participants with the COP process, and
- Acting as a convening platform for other local corporate sustainability initiatives, and engaging in strategic and tactical relationships with these initiatives.

The well-being of the Local Networks is paramount to the ongoing success of the Global Compact. Going forward, these groups will need to be nurtured, trained, and equipped with the tools they need to truly take root within their communities.

In this way, the ten Global Compact principles across human rights, labour, environment and anti-corruption can also take root, building a sustainable and inclusive global economy from the ground up.

SPOTLIGHT ON:
COLLECTIVE ACTION AGAINST CORRUPTION

A LEVEL PLAYING FIELD FOR FAIR COMPETITION

If corruption were an industry, it would be the world's third largest, corresponding to 5 percent of global GDP or USD 3 trillion. Corruption adds another 10 percent on the cost of doing business internationally and is estimated to be even higher in developing countries. It is the greatest obstacle to economic and social development around the world.

Corruption is not only a problem of pour countries. With the global business community and extensive supply chains across different markets, corruption impacts even the most transparent economies, with scandals surfacing in the top five least corrupt countries in the world, costing shareholders and the society at large billions of dollars.

Corruption gives a direct as well as a long-term delayed impact. It generates a direct cost on the balance sheet, and hinders the development of civil society when resources for public housing, hospitals and schools are siphoned off by cleptocrats and corrupt officials or when bribes are paid to evade environmental regulations. As the last item on the list of sustainability issue areas, it has perhaps the greatest impact and can make the biggest change with regards to the ambition of the Global Compact to achieve a sustainable and inclusive global economy.

In 2004, the Global Compact established the tenth principle against corruption, stating that "Businesses should work against corruption in all its forms, including extortion and bribery". The principle sends a clear message to the global business community about the need to proactively manage the risk of corruption, and ensure that anti-corruption is recognized as integral part of sustainability.

In recent years, a growing number of companies are also developing zero tolerance policies for bribery and corruption. However, fighting corruption alone represents a host of reputational, legal and financial challenges.

WORKING TOGETHER

Collective Action methods encompass project-specific, sector-wide and long-term initiatives. The concept is closely related to Integrity Pacts, which are intended to guarantee transparency in the order-awarding process and to rule out bribery in the awarding of public-sector contracts. Some Collective Action initiatives work to establish sector-wide codes of conduct, developed by companies from the same sector.

Collective Action provides a reason to get together and allows companies to talk about corruption without being singled out, and describes various methods of combating corruption, with the ultimate goal to create a "level playing field", setting up the conditions for fair competition within a corrupt environment and thus promoting innovation.

Clearly in contrast to other issue areas such as environment or women's rights, companies operating alone are very exposed and challenged in their anti-corruption efforts. By the same token, there is a sense of resistance even to join working group because of the risk of being tarnished by the very association with the corruption issue.

The first Collective Action initiative was developed in Egypt in 2010. It aimed to produce policies and procedures for SMEs, support integrity in transactions between business and government, and draw up a local anti-corruption declaration.

Other initiatives have since followed in South Africa, Nigeria, Brazil and India. These Collective Action programs have helped encourage best practice and protect corporate reputations. Companies with international ambitions can prove that they are sustainable, and increase their chances of joining global supply chains.

Perhaps most importantly, Collective Action initiatives can influence local public policy and regulatory development. In India, following the National Consultation on Anti-Corruption in 2012, local participants developed a white paper on consultation proceedings with recommendations that fed into the Public Procurement Bill (2012).[56]

EXAMPLES OF INITIATIVES:

Country	Year	Project
Nigeria	**2004–**	Anti-corruption declaration, integrity pact, training program of public officials (see case in the deep dive on Nigeria).
South Africa	**2011–**	Integrity pact. A collective action initiative participated in round table talks with the South African government regarding a Public Service Anti-Corruption Strategy in 2014[57].
India	**2011–**	Integrity pact. A fraud report from the Indian Local Network in 2013 resulted in questions to the Indian Lower House of Parliament, while Global Compact recommendations were fed into India's Public Procurement Bill a year earlier.
Nigeria	**2011–**	Siemens integrity pact, anti-corruption declaration, collective platform for private sector operations.
Brazil	**2011–**	A collective action program to promote transparency and integrity for the 2014 World Cup and the 2016 Olympic Games was set up in 2011. This was delivered through social monitoring and control

REFLECTING ON THE IMPACT
OF THE UNITED NATIONS
GLOBAL COMPACT

FROM ACTION TO ATTITUDES

PUTTING THINGS IN PERSPECTIVE:

"The concentration of economic power in the private sector is unprecedented. So we are not talking about companies. We are talking about world powers."

ERIKA KARP
FOUNDER & CEO, CORNERSTONE CAPITAL

Catalysing change in a complex, global system such as the global economy is an ambitious goal, which challenges the actors, institutions, norms and many vested interests that comprise the status quo. But change is urgently needed - if we are to preserve a safe operating space and a prosperous future for humanity.

Standing back, we reflect on: How can change be catalysed in such a large and complex system? How effective has the Global Compact been in terms of catalysing change in the right direction? What has been the actual *impact*[58] of the Global Compact over the years?

Building on the findings presented in the previous sections, we offer our observations on the key impacts of the Global Compact, and reflect upon whether the initiative has galvanised transformation towards its vision.

THE IMPACT OF THE GLOBAL COMPACT ON CORPORATE PRACTICES

The goal of the Global Compact is to mainstream sustainable business practices, by way of mainstreaming the ten principles, into corporate practices everywhere and to advance action in support of UN goals, to ensure that global markets work in favor of broader societal goals.

Based on our analysis, the Global Compact's most significant impacts in changing corporate practices have been:

IMPACT 1: A UNIFYING FRAMEWORK

To establish a unifying framework for sustainable, ethical business through a set of principles that are universally accepted by business, governments, labour organisations and civil society. This builds a common language and understanding, enabling business and other stakeholders to work in the same direction.

IMPACT 2: SPREADING TO NEW MARKETS

To mobilise thousands of businesses to embark on the sustainability journey, including a significant proportion of the world's largest companies. Companies in 156 countries are now talking about corporate sustainability and the Global Compact's ten principles.

IMPACT 3: WIDER RANGE OF TOPICS ON THE CORPORATE AGENDA

To help legitimise a wider range of sustainability topics on the corporate agenda, and turning attention towards issues including human rights, bribery and corruption. This level of awareness did not exist before the Global Compact's launch. The main issues of the Global Compact are now becoming part of the operational story of companies all over the world.

IMPACT 4: EXPANDING THE BOUNDARIES OF BUSINESS

By helping to expand the boundaries of responsibility, companies are now starting to take a broader responsibility for their impacts along the value chain.

IMPACT 5: FOSTERING CROSS-SECTOR COLLABORATION

To create a common space for dialogue, learning and collaboration between business and stakeholders at the highest level, including from government, in a way that no other organisation has ever achieved. This has been critical for bringing about better long-term solutions to complex sustainability challenges.

IMPACT 6: RAISING THE BAR ON PERFORMANCE

In some areas, by producing ground-breaking best practice resources, the Global Compact has helped push the sustainability agenda forward and raising the bar for corporate performance and practices. These tools have helped companies improve their performance (see page 77 for 50 key resources).
The guidance is distinctively practical, a result of being produced jointly with business and other stakeholders. Several hundred participants are also actively involved in the many business leadership platforms, including Collective Action Against Corruption, the CEO Water Mandate and the Women's Empowerment Principles.

IMPACT 7: FROM GLOBAL VALUES TO LOCAL PRIORITIES

Advancing a set of global values reflected in the ten principles. Through the 88 Local Networks, the principles are applied to local challenges, priorities and opportunities. However, many remaining barriers will need to be removed before networks will reach their full potential and become uniformly effective.

SUMMING UP

The Global Compact has undoubtedly played an important role in spreading sustainable business practices around the world, most notably to markets where corporate sustainability was low on the corporate agenda prior to the launch of the initiative.

The Global Compact has to a lesser extent contributed to operationalising practices within companies, and in many areas, a clear gap remains between commitment to sustainability and evidence of implementation. Consequently, there is an urgent need to focus more on companies' sustainability outcomes. There are indications, however, that the more actively engaged a company is in the initiative, the greater value it derives from participation and the more it seeks to actively advance sustainability within its own operations.

In terms of advancing sustainability leadership, it is too early to say anything about the impact of most of the initiatives. However, there is a strong potential to have a greater influence through many of the Global Compact's focus areas. More radical, innovative approaches need to be explored to drive transformative change. Many companies express a demand for more guidance on leadership practices.

There is still a very long way to go before the Global Compact principles around sustainable business become the universal norm. However, recent changes in the corporate operating environment suggest corporate sustainability has the potential to scale up significantly in the coming years.

Key impacts

156
COUNTRIES WITH GLOBAL COMPACT BUSINESS PARTICIPANTS

25%
OF FORTUNE GLOBAL 500 COMPANIES ARE GLOBAL COMPACT SIGNATORIES

58 MILLION
PEOPLE WORK FOR A GLOBAL COMPACT COMPANY

50%
OF SURVEY RESPONDENTS STATE THAT THE GLOBAL COMPACT HAS PLAYED AN IMPORTANT ROLE IN SHAPING THEIR COMPANY'S VISION

17%
OF LARGE SURVEY RESPONDENTS REQUIRE THEIR SUPPLIERS TO ADHERE TO THE GLOBAL COMPACT

65%
OF SURVEY RESPONDENTS SAY THAT THE GLOBAL COMPACT HAS PLAYED AN IMPORTANT ROLE IN GUIDING THEIR SUSTAINABILITY REPORTING

60%
OF SURVEY RESPONDENTS SAY THAT THE GLOBAL COMPACT HAS PLAYED AN IMPORTANT ROLE IN MOTIVATING THE COMPANY TO TAKE ACTION TOWARDS BROADER UN GOALS

THE IMPACT OF THE GLOBAL COMPACT ON THE CORPORATE OPERATING ENVIRONMENT

While the Global Compact's direct influence on corporate practices can be observed and measured, it is more difficult to gauge its impact on the broader operating environment. Bearing that in mind, our research indicates the Global Compact has in some areas exercised significant influence on the external drivers of corporate conduct, which has spread its influence beyond its immediate participants.

In our opinion, these have been the most significant impacts of the UN Global Compact on the corporate operating environment:

IMPACT 1: HARMONISING THE LANDSCAPE OF VOLUNTARY INITIATIVES

By focusing on collaboration with other organisations, the Global Compact has helped to simplify the landscape of voluntary initiatives. By harmonising efforts and aligning guidelines, the Global Compact is minimising duplication of work and concentrating the efforts and impacts of voluntary schemes. As a result this has made the landscape less confusing for business.

IMPACT 2: MOBILISING CAPITAL MARKETS

The Global Compact has played a significant role in changing mainstream investor attitudes and practices. It has mobilised capital markets on ESG issues, most notably through the launch of the Principles for Responsible Investment[59] and the Sustainable Stock Exchanges initiative[60]. Although a gap also remains between commitment and practice in the financial sector, the USD 45 trillion in assets under management backing the PRI shows an immense achievement. Even though implementation is lagging, the fact that investors increasingly show commitment on these areas can be seen as a catalyst of change in itself.

Bringing investors together, particularly over high-risk issues under the Business for Peace umbrella, seems to have been particularly effective in fostering a common understanding between investors and companies. This has helped to show how investors can support companies operating in difficult environments.

IMPACT 3: FOSTERING UN-BUSINESS COLLABORATION

The Global Compact has played a significant role in catalysing institutional change, particularly within the United Nations itself. Attitudes have shifted from concerns about the risk that business might pose to the UN brand. Now, business is seen as a partner to meet UN objectives.

SUMMING UP

The Global Compact has played an increasingly active and important role in strengthening the enabling conditions for sustainable business. This has indirectly impacted the uptake of corporate sustainability by breaking down political, financial and other barriers, and energising positive drivers.

As seen in Part I, there are many drivers of change in the global economy, and caution is needed in terms of offering statements about the unique influence the Global Compact has had.

In terms of influencing regulation, the contribution of the Global Compact is more difficult to assess. In recent years, there has been a move to mobilise leading companies to speak out about the need for smarter regulation, most notably in the area of anti-corruption, climate and water. An increasing number of public authorities are recognising the Global Compact as the globally accepted framework for corporate sustainability. Notable examples include the EU directive on non-financial reporting and the recent G7 declaration referencing the Women's Empowerment Principles.

Further, in the area of education, it is promising to see that business schools are committing to the Principles for Responsible Management Education. In the UK particularly this is nearing a tipping point: 50 per cent of business schools have now joined the initiative. We acknowledge that a significant gap between commitment and implementation needs to be bridged before real impact can be achieved.

Consequentially, through its work on driving change in the corporate operating environment, it is likely that the Global Compact has extended its influence on the business community much beyond its immediate participant base.

Key impacts

45 TRILLION
USD IN ASSETS UNDER MANAGEMENT, BACKING THE PRINCIPLES FOR RESPONSIBLE INVESTMENT, A GLOBAL COMPACT SISTER INITIATIVE.

18 000
COMPANIES ARE TRADED ON 16 PARTNER EXCHANGES OF THE SUSTAINABLE STOCK EXCHANGES – A GLOBAL COMPACT SISTER INITIATIVE.

500
BUSINESS SCHOOLS HAVE ENDORSED THE PRINCIPLES FOR RESPONSIBLE MANAGEMENT EDUCATION, A GLOBAL COMPACT SISTER INITIATIVE.

THE UN GLOBAL COMPACT TOOL BOX FOR CATALYSING CHANGE

Being the United Nations: Being the UN, Global Compact enjoys, in most countries, greater legitimacy and convening power than similar organisations, enabling more effective facilitation of multi-stakeholder dialogue and access to high-level decision-makers.

Dynamic, flexible and principles-based: The ten principles represent fundamental human values that can be supported by business all over the world. Although participants are required to address all principles, the dynamic model based on a philosophy of continuous improvement encourages focus on issues where their biggest impacts are.

The multi-stakeholder nature: The involvement of civil society and labour, together with business, is a key differentiator, and enables important learning and cross-fertilisation across sectors.

Low barrier to entry yet accountability: The Global Compact is purposefully set up so that there is a low barrier to entry, and all companies are invited to join irrespective of size, nationality or starting point. The requirement: a signature of your CEO, and commitment to a process of continuous improvement and annual reporting. The accountability mechanism: If the company fails to report on progress, it is removed from the Global Compact participant list.

The engagement model: The Global Compact engages companies primarily through activities focusing on learning, dialogue, partnerships and actions. The purpose is to raise awareness, foster collaboration and engagement in collective initiatives and improve practices.

"The future cannot be known. The only thing certain about it is that it will be different from, rather than a continuation of, today. But the future is as yet unborn, unformed, and undetermined. It can be shaped by purposeful action. And the one thing that can effectively motivate such action is an idea – an idea of a different economy, a different technology, or a different market exploited by a different business. But ideas always start small…"

PETER F. DRUCKER
THE BIG POWER OF LITTLE IDEAS (1983)

THE IMPACT OF
THE GLOBAL COMPACT ON

THE DOMINANT WORLDVIEW

Over the past 15 years, there has been a significant shift in the understanding of the role and responsibility of business, and how business can contribute to sustainability solutions. Although this area is challenging to assess, our analysis indicates that the Global Compact has made an important contribution to this change in attitude.

Based on our analysis, the Global Compact's most significant impacts in changing the dominant worldview have been:

IMPACT 1:

GLOBAL RECOGNITION OF WHAT 'SUSTAINABLE BUSINESS' IS

The Global Compact has been instrumental in spreading a common understanding of the principles of responsible business and sustainability on a global scale. The framework has been largely accepted by global business, civil society and governments all over the world.

IMPACT 2:

CHANGING THE UNDERSTANDING OF THE ROLE OF BUSINESS

Over the past 15 years, there has been a significant shift in the understanding of sustainability amongst global business executives. Attitudes have changed from viewing the role of business purely in transactional terms, to understanding that long-term business value depends on good performance across a broader range of 'capitals'. This includes a fundamental shift towards recognising the positive role that business can play as a partner and contributor to sustainable development. The Global Compact has, in our opinion, played a significant role in catalysing this change.

IMPACT 3:

CHANGING THE WORLDVIEWS OF IMPORTANT STAKEHOLDERS

The Global Compact has inspired a change in government mindsets, as seen through the biannual General Assembly resolutions. These decisions increasingly acknowledge that business is a powerful force and an essential contributor to the world's development priorities.

There has also been a shift in the mindset of the global investor community regarding the importance and materiality of ESG risks. The Global Compact has played a key role through its work with the financial sector since 2003, and the launch of the PRI.

IMPACT 4:

SUSTAINABILITY AS AN OPPORTUNITY

The business approach to sustainability has gradually evolved from a mere 'do no harm' attitude, to understanding the potentially significant opportunities arising from being more sustainable. There has been a significant shift in mindsets among leading businesses. In particular, the opportunities identified in the transition to a low-carbon economy are driving innovation, efficiency, technology development and new business models.

IMPACT 5:

ON DIFFUSION OF IDEAS AND NARRATIVE

Through its Local Networks, the Global Compact has helped diffuse ideas and concepts around responsible business at the country and community level worldwide. Global norms and values have been adopted locally through translation and appropriation. This makes the universal principles real and relevant to businesses in their local contexts.

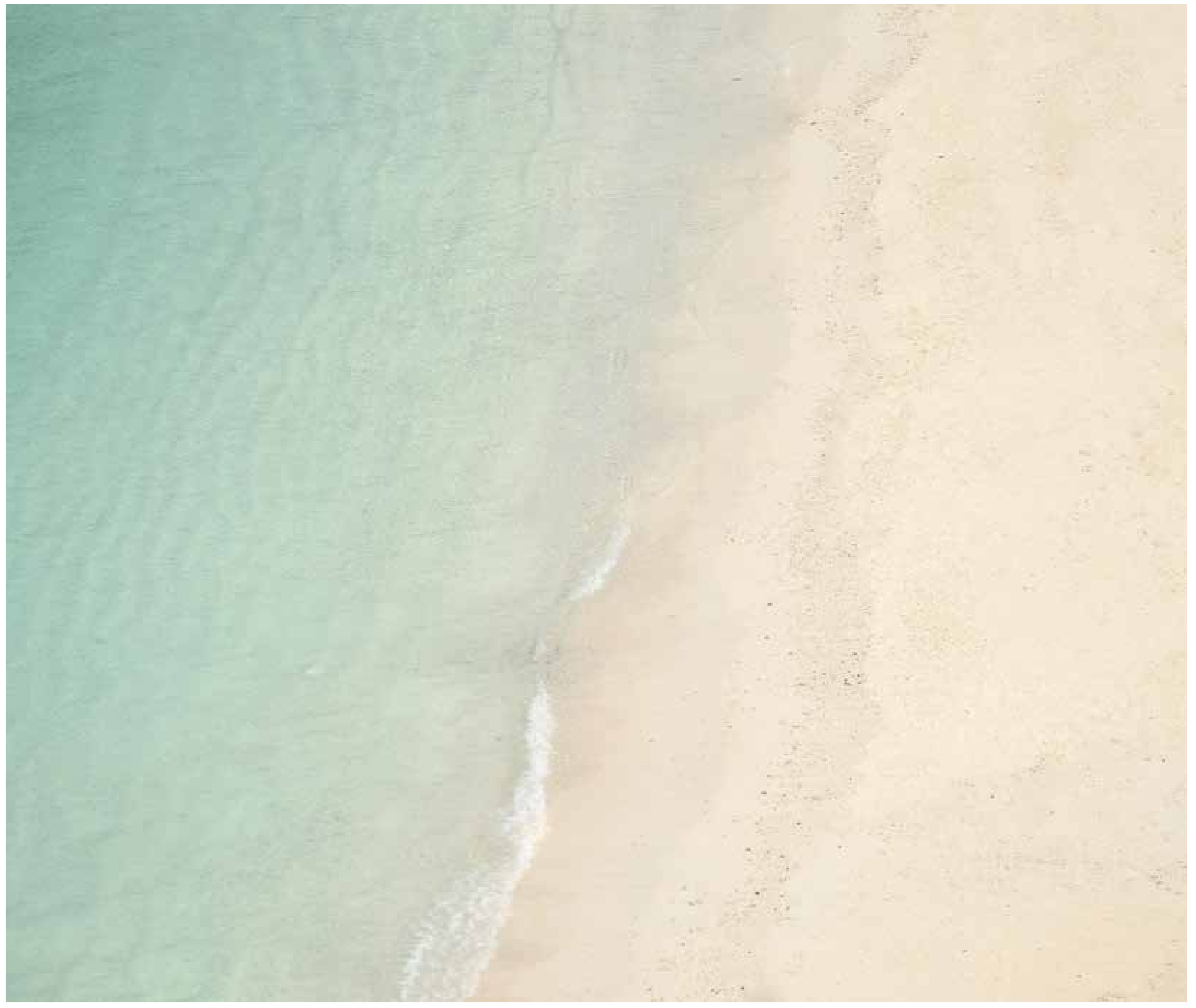
SUMMING UP

Sustainable business is by no means 'the new normal'. However, for most global companies, it is almost impossible not to have sustainability on the agenda. As global business leaders become increasingly outspoken on sustainability issues, it is likely action and awareness will spread to a broader segment of the business community.

Our analysis and observations on the impacts of the Global Compact show that the business narrative has shifted. The way mainstream global businesses talk about corporate sustainability and responsibility today is vastly different from 15 years ago. Far more companies are involved in sustainability reporting, the reports are much more sophisticated, and the issues are more widely covered in mainstream business media. It is evident that a change in worldviews has occurred beyond the Global Compact participant base.

There is, as noted earlier, a multitude of events, trends and organisations that should be recognised for having contributed to the changes we have observed. It is implausible to fully attribute change to any one initiative or event. However, the Global Compact has been a an incubator of ideas and a first-mover in raising the bar when it comes to sustainability, advancing collective business attitudes, expanding the notion of business responsibility and spreading these ideas globally through its networks.

Although it is difficult to unassailably qualify, we believe the Global Compact has played a distinct and important role in changing our understanding of and attitudes towards business. It will continue to have a key role going forward.



THE IMPACT OF THE GLOBAL COMPACT

FROM ACTION TO ATTITUDES

Common knowledge tells us that to make significant changes; you must first alter people's mindsets, then behavioural change will follow. In a global context, this would mean we would need a significant shift in worldviews in order for transformation at the practical level to occur.

Over the years, this has been the focus of sustainability change-makers: spreading knowledge about the challenges we face, the barriers blocking progress, and the actions needed to overcome these issues. However, it is obvious from our unsustainable global trajectory that all this talk of facts and figures is not driving change at the scale or speed that is needed.

Returning to our original question: How can change in large-scale systems be catalysed? If new knowledge is not enough to trigger change, what will it take?

The latest research in climate psychology and behavioural change postulate quite the opposite story of change. In fact, contrary to common knowledge, the most effective way to begin a change process is through first incentivising minor changes in behaviour.

Our research demonstrates that the Global Compact has had a significant impact on the change observed over the past 15 years. And perhaps it was the simple idea that change begins with practice which in the end has been the most significant contribution. The Global Compact's low barrier to entry ensures that many companies are willing to sign a practical and simple act of commitment – without a range of requirements attached. Companies "start where they are", and embark on a continuous process of change with a high degree of freedom with regard to focus and speed.

For many, this is a main point of critique. In our view, this might be a decisive factor that has enabled the Global Compact to have had an actual impact. By targeting first and foremost corporate practices as seen through the objectives, and shepherding participating companies to continuously improve practices and reach new levels of maturity, gradually raising expectation levels, this has enabled change in the other important dimensions of the system.

In conclusion, the jury is still out on whether a sustainable and inclusive economy will be achieved. But the Global Compact has been an institutional entrepreneur, an incubator of new ideas, which have contributed to changing the understanding of the responsibility of business all around the world. Perhaps its most significant contribution is exactly through its simple model which encourages business to take the very important first step towards sustainability. Changing practices first, then frameworks and minds will follow.

3 PATHWAYS OF TRANSFORMATION

TOWARDS A SUSTAINABLE AND INCLUSIVE GLOBAL ECONOMY

Let's face the facts. There is a vast gap between where the economic system is today and where it needs to be. The incremental progress we are making is not sufficient to stay within the boundaries of a planet with finite resources. We are not doing enough to secure a safe and prosperous future for humankind. Change takes time, but science tells us time is not on our side. We need radical transformative change.

Realising a sustainable economy will not be a smooth ride for society. It requires 'creative destruction' to change direction, dismantle cultures and structures that uphold unsustainable behaviour and create new practices, technologies and resource systems.

Opportunity and innovation lie at the core of this transition. We are at a pivotal moment in time where we have the knowledge to consciously create new ways of living. As the environmental economist Pavan Sukhdev says, "change will happen in any case, either by default, design or disaster"[1]. It is in our power to decide how this change will occur. We have the resources, the technology and solutions – if we make the right choices, and if we make them now.

AN AMBITIOUS VISION OF CHANGE

The vision of the Global Compact is audacious: to work toward a sustainable and inclusive global economy. By offering a set of shared values, convening key actors, establishing best practice and scaling up solutions to create impact, the Global Compact is in a unique position to drive the necessary change.
As described in Part II of this report, the past 15 years have kick-started the process of mainstreaming the ten principles into corporate practices and catalysing action in support of broader UN goals:

1. *Corporate practices:* More companies across the globe are realising and acting on the impact that they have on society and the environment. However, much of this work is incremental and the scale and pace of change is not enough. A step change in ambition and outcomes is needed.
2. *Corporate operating environment:* Whilst the operating environment is becoming more conducive to change, many barriers remain. We need to proactively deconstruct these barriers and incentivise drivers of change.
3. *Dominating worldviews:* A significant shift in our understanding of the role of business and the economy has occurred in the past 15 years, and sustainability is higher on the business agenda than ever before. But it has yet to be mainstreamed and translated into action.

The Global Compact has had a profound, and probably underrated, impact in many areas. However, given the current and projected challenges of the world, there is a need to revitalise efforts to deliver a real and lasting impact.

Part III is divided into two sections. First, we present 15 trends that will influence the global business landscape in the next 15 years. Subsequently, we propose three possible pathways of change to realise the vision of a sustainable and inclusive economy, which the Global Compact should strive to support through learning, dialogue and partnerships.

THE WORLD IN 2050: BUSINESS AS USUAL DISTRACTS FROM THE VISION[2]

Wilder weather
- Between 3–6 °C temperature rise by 2100 causing storms, heat waves, extreme precipitation
- 65% of mega-cities - home to 10% of world population - at risk of sea level rise
- USD 70–100 billion a year will be the cost of adapting to a 2 °C warmer world

Ecosystems under strain
- 5 out of 10 million species will be extinct by end of century
- 60% of ecosystems will be under strain
- Global waste generated will be 13.2 billion tonnes per year

Social stress
- 1.5 billion people will be negatively affected by degraded land
- 6 million people die every year from air pollution
- Water scarcity threatens 52% of global population
- 1 billion people may be displaced due to environmental factors by 2080

Rising costs
- 5-20% of global GDP is the long term cost associated with climate change per year
- Cost of externalities are USD 28.6 trillion, 18% of global GDP
- 40% gap between water supply and demand has the potential to put 45 %, or USD 63 trillion, of global GDP at risk by 2050 – the approximate size of today's global economy

STAYING IN THE GAME: 15 TRENDS IMPACTING THE GLOBAL BUSINESS LANDSCAPE

Change is a constant. Business leaders cannot rely on a rear-view mirror in a fast-changing world. To provide context for the next section, we highlight 15 trends that will shape the global business landscape in the next 15 years.

LOOKING FORWARD TO 2030: 15 TRENDS FOR 15 YEARS

1. PLANET UNDER PRESSURE
Human activity is driving negative changes in the global environment resulting in climate change, deforestation, loss of biodiversity, ocean acidification, soil degradation and pollution. We are crossing planetary boundaries and changing fundamental earth systems, which risks triggering abrupt and irreversible damage to the planet. This will have catastrophic consequences for humanity, threatening long-term development opportunities and prosperity.

2. RESOURCES – FROM ABUNDANCE TO LIMITS
The world has entered a period of intensified resource stress. Three planets are needed to meet human consumption by 2050. The essentials for human life – water, food and energy – are under pressure. In 2050, severe water stress will affect 45% of global GDP. The challenge of increasing food production by 70% to meet future demand will be enormous.

3. ENERGY TRANSITION
Changing regulations, dramatic reductions in renewable energy costs and concerns about energy security will impact energy markets. Climate change and new divestment initiatives will put pressure on fossil fuel-based energy companies. Developing countries will have the opportunity to leapfrog into the renewable age; however the entrenched position of fossil fuels will make the timing of this transition uncertain.

4. FUTURE DEMOGRAPHICS
The population will pass 8 billion by 2030 with most growth in low-income countries. Western countries face stagnant and ageing populations and a shrinking pool of workers. Developing regions face youth bulges that pressure education and employment. Environmental stress makes areas uninhabitable and may force up to 1.6 billion people to migrate, destabilising societies and fuelling conflict.

5. THE GROWING WEALTH GAP
The rich are getting richer and income inequality is widening both within and between countries. Today, the richest 1% own more than 50% of the world's wealth, although absolute poverty is likely to fall and the middle class grow. Wealth is concentrating and extreme inequality poses great risk to global stability, erodes trust in governments and fuels social unrest.

6. EMPLOYMENT UNDER PRESSURE
Automation will continue to reduce labour intensive industries, lowering employment opportunities. The full impact of large scale automation has yet to be felt - income generating work designed to pay for basic needs may cease to be the norm. Mass unemployment and accumulated wealth in the hands of the few will become one of the defining issues of our age.

7. GENERATION NEXT
The Millennial Generation are digital natives and understand the opportunities inherent in crowd-sourcing and connectivity. Better-educated, empowered and more self-reliant, Generation Next knows the challenges of their time and demand transparency and accountability. Unprecedented access to information and innovation platforms is nurturing new relationships, and drives co-creation of solutions between business and change makers.

8. LOCAL IS KING
Small is beautiful in economies where people matter. Local entrepreneurship is growing to foster more sustainable lifestyles as a backlash to globalisation. The global citizen is trying to re-root and reconnect with place and locality. The "think global, act local' movement will favour urban farmers, local producers and community groups working to transform their communities.

9. FRAGMENTING POWER
Economic power is moving South and East. Power is dispersed and congregating around new countries and entities. A reassertion of nationalism and protectionism will create a less open world, putting global agreements and multilateralism under stress, closing the space for business. New transnational networks can bridge this governance gap by bringing actors together under shared global policy objectives.

10. DETERIORATING SECURITY
Fierce competition for natural resources, crowded urban centres, mass migration, and a widening gap between rich and poor will intensify social pressures and cause violence to erupt. The rise of religious extremism and populist nationalist movements makes states vulnerable and unstable, and fuels terrorism. Business activity is increasingly more difficult and dangerous in vast regions around the world.

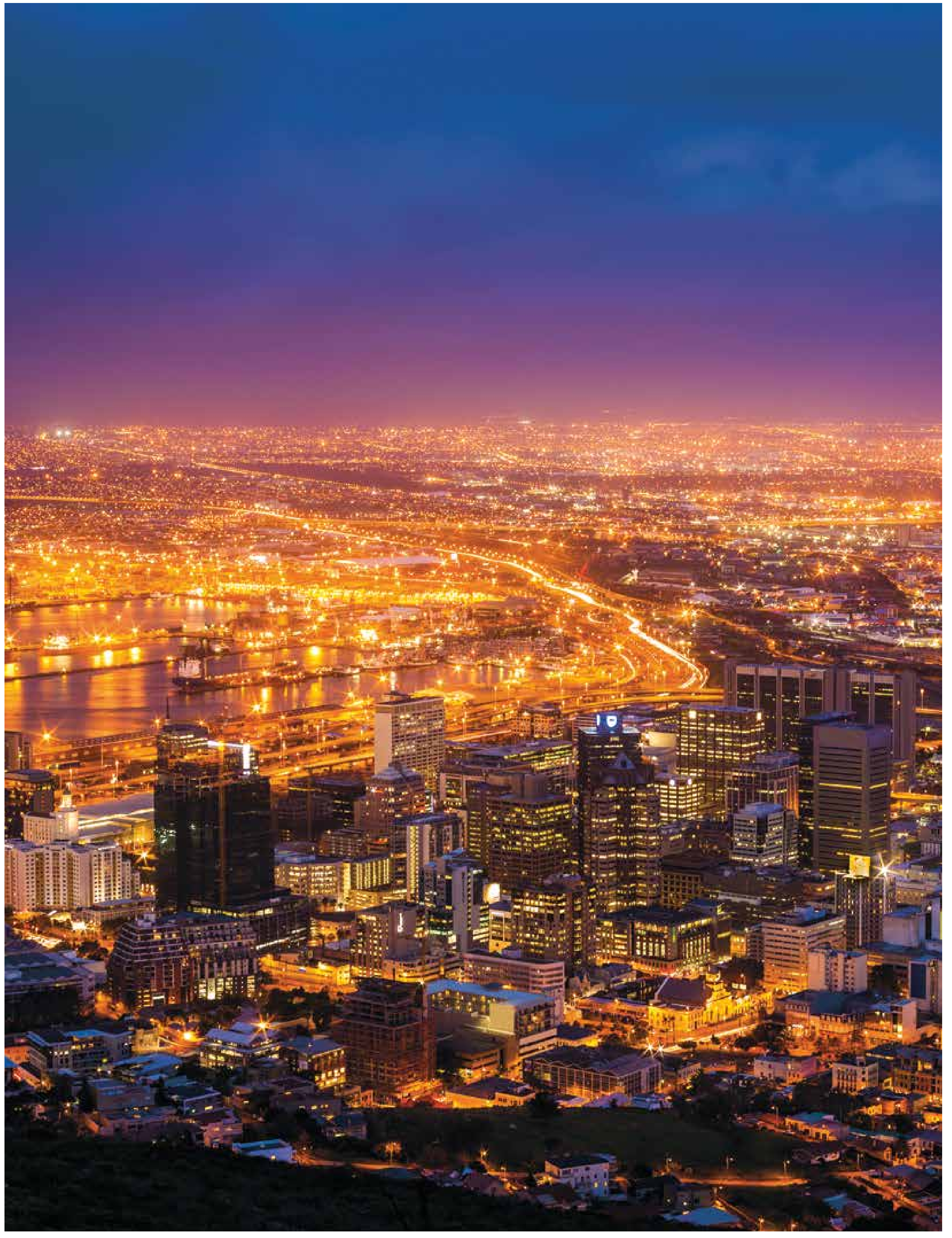
11. RISE OF THE CITY
60 percent of the world's population will be urban by 2030. Affluent cities will be powerhouses with smart technology driving green and resilient environments. By contrast, rapid and unmanaged urbanisation in the developing world leads to overcrowded slums with poor sanitation, polluted air, poverty, unemployment, crime and social tension.

12. HYPER-TRANSPARENCY
Digital technology will continue to revolutionise communications. There will be even greater demand for hyper-transparency in business supply chains, at all levels. Social media will escalate the pressure on business to disclose and self-regulate. Hyper-transparency is a powerful force as wealth in the information age will be held in 'intangible' assets such as brands, patents and customer trust.

13. INTERNET OF THINGS
The Internet of Things will reach a tipping point. By 2020, an estimated 50 billion devices will be connected to the Internet making it possible to autonomously monitor, optimise and control our lives. Threats to security and our privacy will increase, nevertheless the Internet of Things will revolutionise manufacturing, resource use, smart grids and profoundly change personal health care.

14. SUSTAINABLE BUSINESS
Full cost accounting will become the norm and 'all inclusive' pricing systems will reflect social and environmental impacts. Accounts will recognise a broader set of 'capitals' than merely financial. Traditional business models will be challenged as entrepreneurship flourishes with 'bottom of the pyramid' models, crowd-funding, open source tools, the sharing economy (e.g. Airbnb, Cleanweb, Uber) and circular "cradle-to-cradle" thinking.

15. RADICAL INNOVATION UNLEASHED
Transformative breakthroughs ranging from nano- and biotechnology, graphene, bio mineralisation, robotics, artificial intelligence to 3D printing will revolutionise the world. But technology in the hands of ill-intended groups can do harm. Deliberate large-scale manipulation of the planet like geoengineering, fears of corporate ownership of the genome, cross species genetic fusion gone wrong, create reasons for concern.



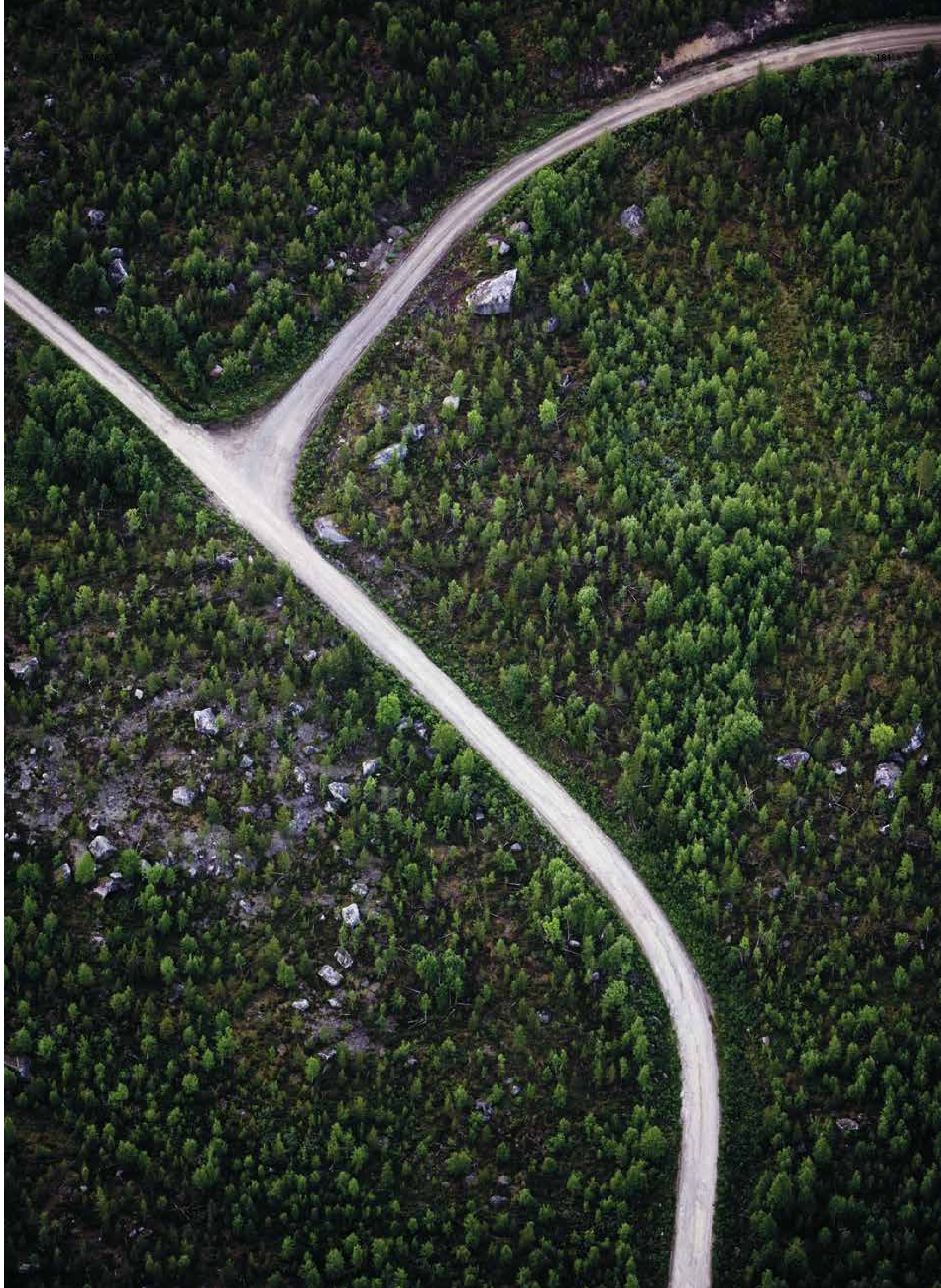
PATHWAYS OF TRANSFORMATION

Standing in 2015 and looking towards 2030, we face a very complex and fast-changing world. Our ability to achieve a sustainable and inclusive global economy depends on how we understand trends and critical risks. Most importantly, it depends on our ability to take concerted actions to change course. For those able to navigate the map of the new Millennium, the path to a sustainable and inclusive economy is paved with opportunity.

In this section, we present three broad pathways of transformation which we believe are crucial to accelerating progress towards sustainability. The pathways should not be seen as separate, but as interconnected aspects of what it will take to secure the future we want. We begin each pathway by describing where we need to be and then outline the essential building blocks – the enablers – that help us reach our destination. In conclusion, we offer some concrete recommendations for change to be realised.

The recommendations for the Global Compact builds on the assessment of impacts and strengths previously described in this report, to encourage mobilisation of resources and efforts where the initiative seems to have the greatest leverage. Our strong recommendation is that most activities should be conducted jointly with relevant partners from the UN, governments, other voluntary initiatives, and relevant civil society and academic institutions, as well as business.

PATHWAYS	PATHWAY 1: SUSTAINABILITY IS THE 'BUSINESS OF BUSINESS'	PATHWAY 2: BREAK DOWN BARRIERS, ENERGISE POSITIVE DRIVERS	PATHWAY 3: NEW THINKING FOR A NEW REALITY
ENABLERS	1. Mobilising the majority: Getting all companies on board 2. A new motive: Adapting corporate visions and objectives 3. Reboot corporate sustainability: Making sustainability a part of daily business	4. Better governance: Aligning regulation with sustainability priorities 5. Add value to society: Mobilising capital to enable the transition 6. Transformative collaboration: Scaling up new practices to achieve impact 7. Awaken the consumer: Catalysing consumer action in partnership with business	8. A compelling story: Creating a new narrative of opportunity 9. Redefining value: A new perspective of worth and prosperity 10. Visionary leaders: Redefining the notion of leadership 11. Spreading the messages: Getting the word out



PATHWAY 1:

SUSTAINABILITY IS THE 'BUSINESS OF BUSINESS'

In a sustainable and inclusive global economy, business is principled and all externalities are taken into account. Valuation considers a broad range of social, environmental and economic 'capitals'. Resources are produced, consumed and returned into a recycling, circular economy. Governance interests are stakeholder inclusive; business is transparent and aims for a zero or positive footprint.

Sustainability is fully embedded in core business practices globally. This means aligning the corporate vision and strategy with sustainability objectives and setting business targets that drive broader values. Leading companies treat sustainability both as a shared responsibility as well as an opportunity, accompanied by proactive strategies that drive transformation through market-changing ideas and products and by investing in technological innovation and new business models.

The three enablers in this pathway:
1. Mobilising the majority: Getting all companies on board
2. A new motive : Adapting corporate visions and objectives
3. Reboot corporate sustainability: Making sustainability a part of daily business

ENABLER 1: MOBILISING THE MAJORITY: GETTING ALL COMPANIES ON BOARD

Despite great progress, the vast majority of the world's companies have not started the journey towards sustainability. At present, Global Compact signatories total more than 8,000 companies. 25 per cent of the Fortune Global 500 participate and two per cent of publicly listed companies. Of course, sustainability can be pursued outside of the Global Compact. However, Global Compact participation is a good proxy for the spread of sustainable business practices.

Most companies still need to be convinced that sustainability is not about philanthropy and public relations, but simply about doing better business. The greatest challenge in the next 15 years will be to penetrate all markets and sectors and to mobilise the majority of companies.

RECOMMENDATIONS

1. Boards and chief executives should urgently plan their businesses transition towards a sustainable and inclusive mode of business. This means committing to the Global Compact.
2. Large companies should encourage suppliers to join the Global Compact as the best way to drive uptake amongst smaller companies.
3. Trade and industry associations should encourage their members to join the Global Compact.
4. Governments should urge state-owned companies to commit to the Global Compact principles and make state-owned enterprises leaders in sustainability.

RECOMMENDATIONS FOR THE GLOBAL COMPACT

a. *Targeted recruiting:* Develop a differentiated recruitment strategy, in collaboration with Local Networks, focusing on the "right" companies in terms of critical or high-risk planetary, social and governance issues and high-impact industries.
b. *Mobilise value chains:* Call on large signatories to encourage participation of small and medium-sized enterprises throughout their value chains.
c. *Create a buzz:* Launch a coordinated global mass-marketing campaign to promote sustainable business and to encourage partners and peers to sign on to the Global Compact (e.g. using corporate twitter accounts).
d. *Build local capacity:* Strengthen the capacity of Local Networks to recruit, to reach out to local companies, and to drive change at a scale and speed through a joint campaign approach.
e. *CEO-to-CEO:* Convene dialogues between leading top executives participating in the Global Compact and executives from companies that are not yet convinced of the sustainability agenda.

ENABLER 2: A NEW MOTIVE: ADAPTING CORPORATE VISIONS AND OBJECTIVES

The global economy cannot be based on business that builds on high material consumption and impacts negatively on natural capital and societal health. This is dawning on leaders in most sectors. Social deficits and environmental constraints generate economic costs, reduce business productivity and hamper competitiveness. A new generation of entrepreneurs see social and environmental issues for what they really are: business opportunities to satisfy unmet needs and address the challenges of the 21st century. Business is re-inventing itself to produce shared value while optimising results for shareholders.

RECOMMENDATIONS

1. Align corporate vision and strategy with the ten Global Compact principles, the Sustainable Development Goals (see box on page 23) and other relevant UN declarations.
2. Map the synergies between business purposes and objectives and the Sustainable Development Goals. Assess how your company contributes to the Goals and respond in your strategy with goals aligned with science (e.g. the Planetary Boundaries framework).
3. Understand organisational performance and value in terms of inputs from, and impacts on, a wider range of environmental and social 'capitals' in addition to financial.
4. Formalise oversight and responsibility for performance with boards and top executives.
5. Work proactively to ensure a smooth transition from the old to the new practices, technologies and resource uses, and support and scale radical new business models.

RECOMMENDATIONS FOR THE GLOBAL COMPACT

a. *Invigorate motives:* Inspire thinking about the broader purpose of business that meets the needs of the 21st century.
b. *Act as a bridge:* Connect scientific research and business to align and translate scientific goals into practical business activities.
c. *Broaden the scope:* Equip participants with knowledge and practice on the integration of non-financial capital and impacts in company decision-making and performance.
d. *Inspire leadership:* Strengthen the focus of LEAD to explore and spread more radical business models of the future. Showcase innovative solutions and best practices.
e. *Mentor old with new:* Use the convening power of the Global Compact to drive engagement between existing companies, enabling institutions and new players to rapidly scale new business models and innovations.

ENABLER 3: REBOOT CORPORATE SUSTAINABILITY: MAKING SUSTAINABILITY A PART OF DAILY BUSINESS

The urgency to 'future proof' business against sustainability risks - pressures on people, natural resources and profitability - is mounting. The objective must be zero or positive footprint through systematic integration of the Ten Principles and the Sustainable Development Goals into core business decisions, processes, activities and culture. The flipside is opportunity. Evaluating current performance through a more sophisticated, next generation-oriented, sustainability lens is a good starting point. Use this knowledge to drive operational efficiency, solutions and innovation. Organisations which are already doing this will have a distinct advantage.

"The purpose of the economy is not producing GDP, it is increasing the welfare of citizens, and it is increasing the welfare of most citizens"

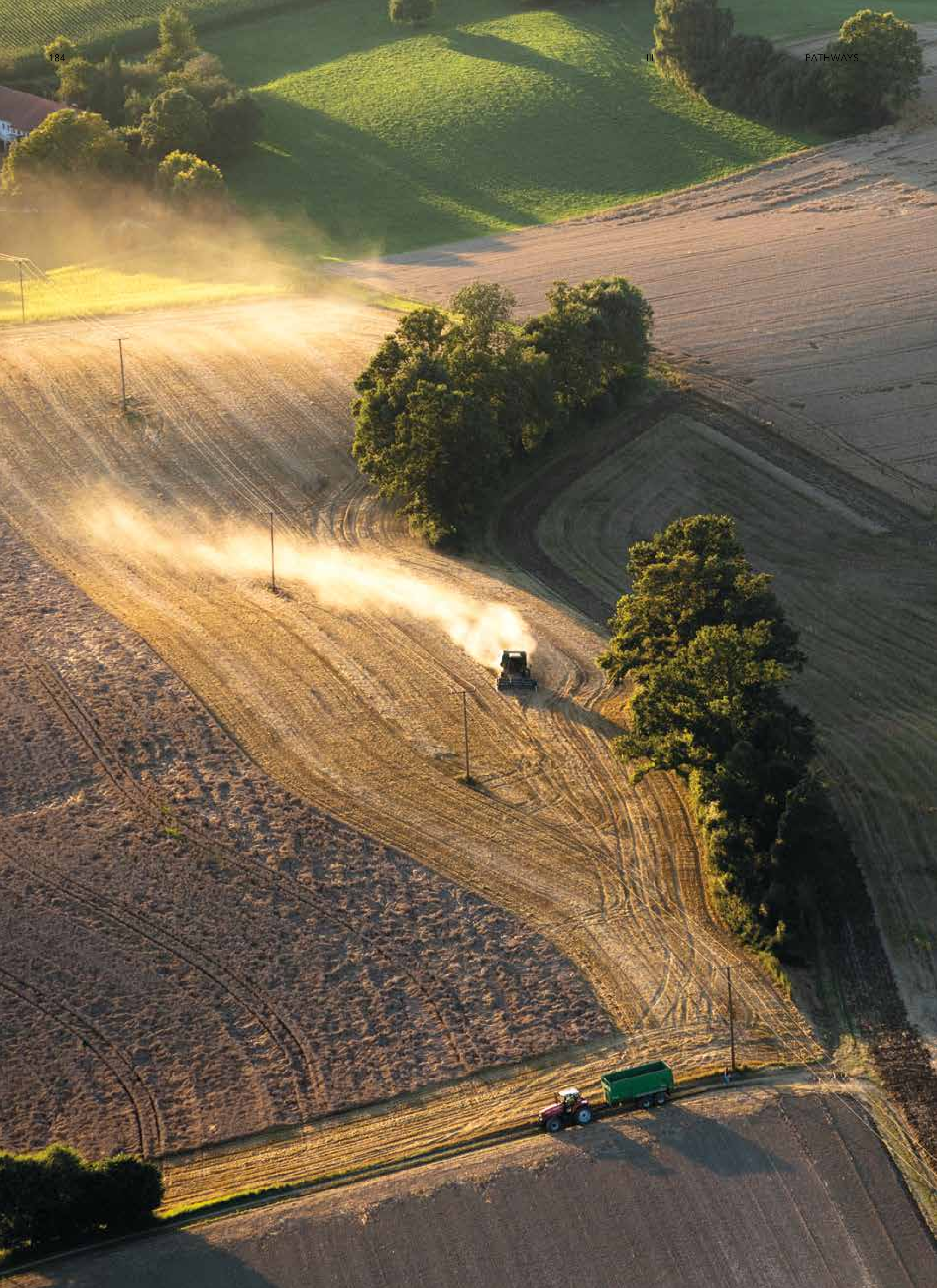
JOSEPH STIEGLITZ

RECOMMENDATIONS

1. Embed oversight and accountability for sustainability performance within the highest governance body (i.e. the Board). Assign clear responsibility to all core business functions.
2. Assess sustainability footprint across the entire value chain, determine material issues and factor them in when measuring and accounting for business performance and product cost.
3. Systematically embed sustainability into goal setting, management systems and day-to-day operations. Monitor performance using agreed metrics and indicators.
4. Develop transparent and integrated performance reporting.
5. Lobby responsibly to ensure that public policy, marketing and communications are aligned with sustainability priorities.
6. Engage with Global Compact issue initiatives and principles relating to challenging issues such as water, gender equality, human rights, business ethics and biodiversity.

RECOMMENDATIONS FOR THE GLOBAL COMPACT

a. *Prioritise BIG issues:* Match high-impact players with high-risk issues, geographical hotspots or countries, on critical planetary, social and governance issues to have the greatest impact.
b. *Support integration:* Raise awareness of practical tools and guidance on how to embed the Global Compact objectives into business strategies and operations.
c. *From generic to specific:* Stronger focus on sector and value chain specific information through targeted peer-to-peer learning, convening events and disseminating best practice.
d. *Race to the top:* Re-energise and reward leadership. Expand engagement with leading companies.
e. *Improve reporting:* Refresh the accountability model by strengthening the searchability of the Communication on Progress reports to facilitate use among stakeholders. Support development of standardised and sector-specific reporting metrics, and bring in investors and other stakeholders to the discussion.
f. *Strengthen local:* Significantly build the capacity of Local Networks to realise their full potential, by providing the 'basics' for success: a common brand, empowered leadership, strengthened governance requirements, stable funding and improved communication.



PATHWAY 2:

BREAK DOWN BARRIERS, ENERGISE POSITIVE DRIVERS

In 2030, corporate sustainability will come of age, permeating all levels of commerce. Effective corporate actions and performance are rewarded by fiscal and other incentives. The corporate operating environment has shifted towards penalising unsustainable business behaviour. Policy makers, regulators, investors and educators have adopted consistent and complementary positions on sustainability.

To achieve the vision of a sustainable and inclusive global economy, actors and conditions in the corporate operating environment need to facilitate the dismantling of old practices and the building of new by sending the right signals, and by pooling competences and resources towards the right priorities. Strong directional impetus is needed to close the gap between where we are today, and where we need to be. Regulatory bodies, investors, educational institutions, civil society and the UN should work with common purpose to legitimise, incentivise and catalyse a systemic shift in the economy.

The 4 enablers in this pathway are:
1. Better governance: Aligning regulation with sustainability priorities
2. Add value to society: Mobilising capital to enable the transition
3. Transformative collaboration: Scaling up new practices to achieve impact
4. Awaken the consumer: Catalysing consumer action in partnership with business

ENABLER 1: BETTER GOVERNANCE: ALIGNING REGULATION WITH SUSTAINABILITY PRIORITIES

For the transition towards a sustainable and inclusive economy to take hold, sustainability must be adopted as a priority across all levels of governance. Any policy, framework agreement, mandate, law, regulation or incentive that acts against this priority needs to be amended. Smart and well-designed regulatory frameworks must respond to immediate social and planetary needs whilst at the same time lay the ground for long-term prosperity. The post-2015 agenda requires: widespread adoption of the UN Sustainable Development Goals; a strong global climate agreement from the COP 21 (Conference of the Parties to the UNFCCC) negotiations; a new governance mechanism for global water, food and energy supplies and regulation to protect our global commons such as our air, oceans and fish stocks.

RECOMMENDATIONS

1. Adopt new measures for growth and prosperity – Beyond GDP –that include social and environmental 'capitals' in national accounts.
2. Create confidence and incentivise transformation by: setting sustainability targets, ensuring predictability and stability in policy frameworks, scaling up innovation incentives, introducing carbon pricing and ending harmful subsidies.
3. Make information about public procurement public.
4. Take robust steps to stamp out tax evasion. Crack down on tax havens, close tax loop-holes, require companies to provide transparent county-by-country accounts, enforce equitable tax laws to ensure that tax benefits society.
5. Education policy should embed systems theory, environmental science, human rights and ethical conduct in all curricula.
6. Conduct multi-stakeholder consultation to develop National Plans to deliver Sustainable Development Goals. Use these as a unique opportunity for business to influence and interact with policy and science.
7. Urgently address governance gaps related to critical planetary boundaries and social deficits that threaten to destabilise and disrupt the planet and global society.

RECOMMENDATIONS FOR THE GLOBAL COMPACT

a. *Voice the voice of business:* Mobilise leading companies to speak out on issues where there are regulatory gaps and call for better governance. Bring leading companies to the table in important international negotiations.
b. *Responsible lobbying:* Develop guides for responsible lobbying and policy engagement in areas where governance gaps remain, in collaboration with leading companies and stakeholders.
c. *Public-private dialogue:* Convene smaller leadership dialogues between public officials, leading companies and relevant trade and industry associations on critical sustainability issues (high-risk, high-impact approach), in collaboration with Local Networks where relevant (including on a new measure of growth beyond GDP).
d. *Guide for governments:* In close collaboration with the Friends of the Global Compact government group, develop a guide to implement the Global Compact in government institutions, including public procurement to foster responsibility, accountability and sustainability in the public domain.
e. *Foster a new attitude on tax payment:* Propose new aspirational principles promoting the fair payment of taxes in every jurisdiction to discredit tax avoidance and secretive tax strategies.
f. *Engagement at the national level:* Mobilise Local Networks to use the new requirement to write National Plans to deliver on the Sustainable Development Goals as a unique opportunity for responsible business engagement with public policy.
g. *Innovation platforms:* Support platforms addressing opportunities and barriers to leapfrog old solutions in emerging economies, to make new innovative models possible.

ENABLER 2: ADDING VALUE TO SOCIETY: MOBILISING CAPITAL TO ENABLE THE TRANSITION

Finance has to catch up. Most capital today is invested in companies based on short-term profit maximisation with no consideration for non-financial risks that may impact value in the longer term. The result is that financial markets encourage unsustainable company behaviour. While an increasing volume of assets are managed according to ESG criteria, there is a growing gap between commitments, such as to the Principles for Responsible Investment, and proper integration into analysis and investment decisions. At the same time, investments in new, green, circular, sharing businesses and technologies have never looked as attractive on a risk reward basis, and it is in the self-interest of capital owners to allocate money towards sustainable investment.

RECOMMENDATIONS

1. Mainstream the adoption of the Principles for Responsible Investment
2. Future-proof investment decisions by integrating ESG risks into mainstream investment analysis and decision-making.
3. Investors should actively engage with companies to further stewardship and responsible ownership.
4. Require transparency and disclosure of corporate performance across a broader range of capitals. Contribute to development of standards for disclosure of material ESG issues by sector in order to create best-in-class reference.
5. Incentivise corporate management based on long-term rather than short-term objectives.
6. Develop and encourage the use of financial instruments that advance sustainable business practices and positive sustainability outcomes, such as access to capital through green bonds.
7. Develop a binding code of ethics for the financial sector.
8. Transform education to train future financial analysts in sustainable investment practices.

RECOMMENDATIONS FOR THE GLOBAL COMPACT

a. *Foster commitment:* Continue to advocate the Principles for Responsible Investment.
b. *From talk to walk:* Work with the PRI to convene regular investor-company dialogues and collaboration to enhance skills and capabilities on critical sustainability issues to translate the language of sustainability into the language of finance.
c. *Standardisation:* Contribute to initiatives and involve leading participants to develop standardised metrics for disclosure of sustainability performance by sector.
d. *The power of clients:* Mobilise leading companies to influence their owners to move away from short-term perspectives to longer-term valuations.
e. *Engage regulators:* Encourage work by national securities regulators to mandate detailed disclosure of ESG risks by companies.

ENABLER 3: TRANSFORMATIVE COLLABORATION: SCALING UP NEW PRACTICES TO ACHIEVE IMPACT

We live in an era of interconnected trans-border problems too large and complex for any one actor or sector to solve alone. Embracing complexity means recognising the need for cross-sector collaboration. Operating in silos has proven costly and failed to adequately address challenges; however, realising synergies from collaboration has been difficult. Aligning objectives, pooling resources, knowledge, competence and insights from a range of actors – private and public – can deliver new solutions, bring new approaches and opportunities into light and scale efforts to transform existing structures and practices. However, for collaboration to work and be more effective, there is a need to develop better collaboration models.

RECOMMENDATIONS

1. Use and align the Sustainable Development Goals and the Global Compact principles as the basis of a common language of sustainability and sustainable business.
2. Foster a culture of collaboration and inclusivity, recognising diversity but corralling opinion around common values.
3. Actively engage in multi-stakeholder initiatives around critical issues where the organisation has expertise, impact or influence.
4. Rebalance power bases by building capacity amongst the disenfranshised and empowering transition economies to make sustainable choices.

RECOMMENDATIONS FOR THE GLOBAL COMPACT

a. *Facilitate collaboration:* Continue to act as a convener and facilitator of collaboration related to critical sustainability issues but allow others to support at a more operational level.
b. *Transformative solutions:* Use the convening power to bring in the 'radicals' for dialogues on new, ground-breaking innovations and solutions. Facilitate conversation between 'new' businesses and the 'old' to share learning and enable transfer of information and competence to smooth the transition.
c. *Assess impact:* Improve and disseminate models and tools to improve the value and impact of partnerships, and call on companies and other stakeholders to use tools when designing, managing and reporting on partnership impact.
d. *Share practices:* Collect and share good stories of the impacts partnerships are having on the ground.
e. *Foster transformative partnerships:* To raise standards related to critical issues, form collective action groups of leaders to lead the way. Convene the 8-10 biggest businesses in any sector and match with the 4-5 most relevant governments to agree on collective targets.

ENABLER 4: AWAKEN THE CONSUMER: CATALYSING CONSUMER ACTION IN PARTNERSHIP WITH BUSINESS

The digital revolution is fundamentally changing access to information. Whilst we still cannot assume everyone has access to telecommunications and uncensored information, increasingly we are a global community with shared resources and Generation Next will be digital natives. The challenge now is how far we trust information, how reliable it is and how it can push consumer intention into action. To change consumer habits and decisions, global citizens can be aided and stimulated to assume greater personal responsibility for their lifestyles and choices. This will enable them to hold business to account, which in turn will help business see the value in delivering sustainable products and services.

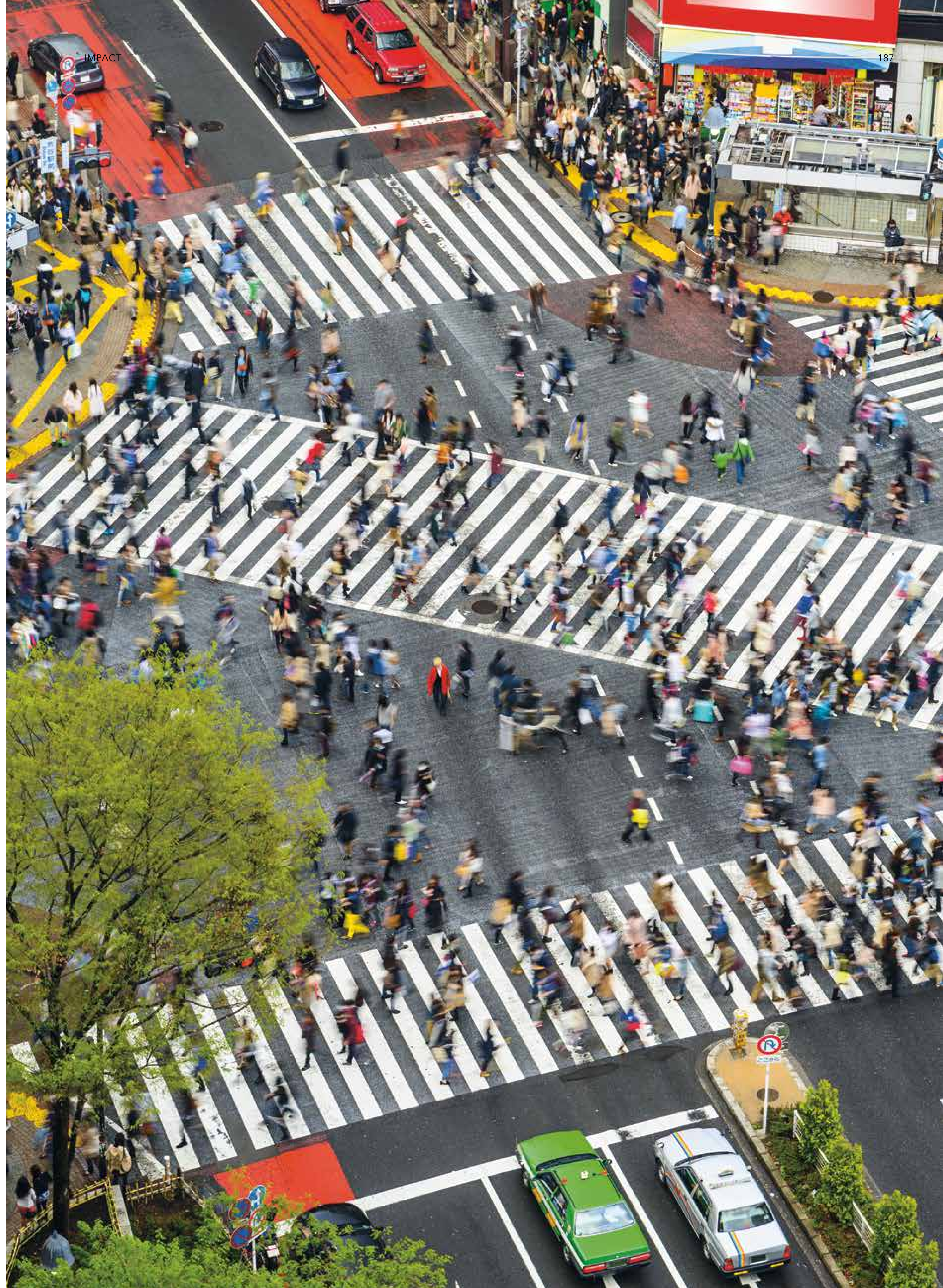
RECOMMENDATIONS

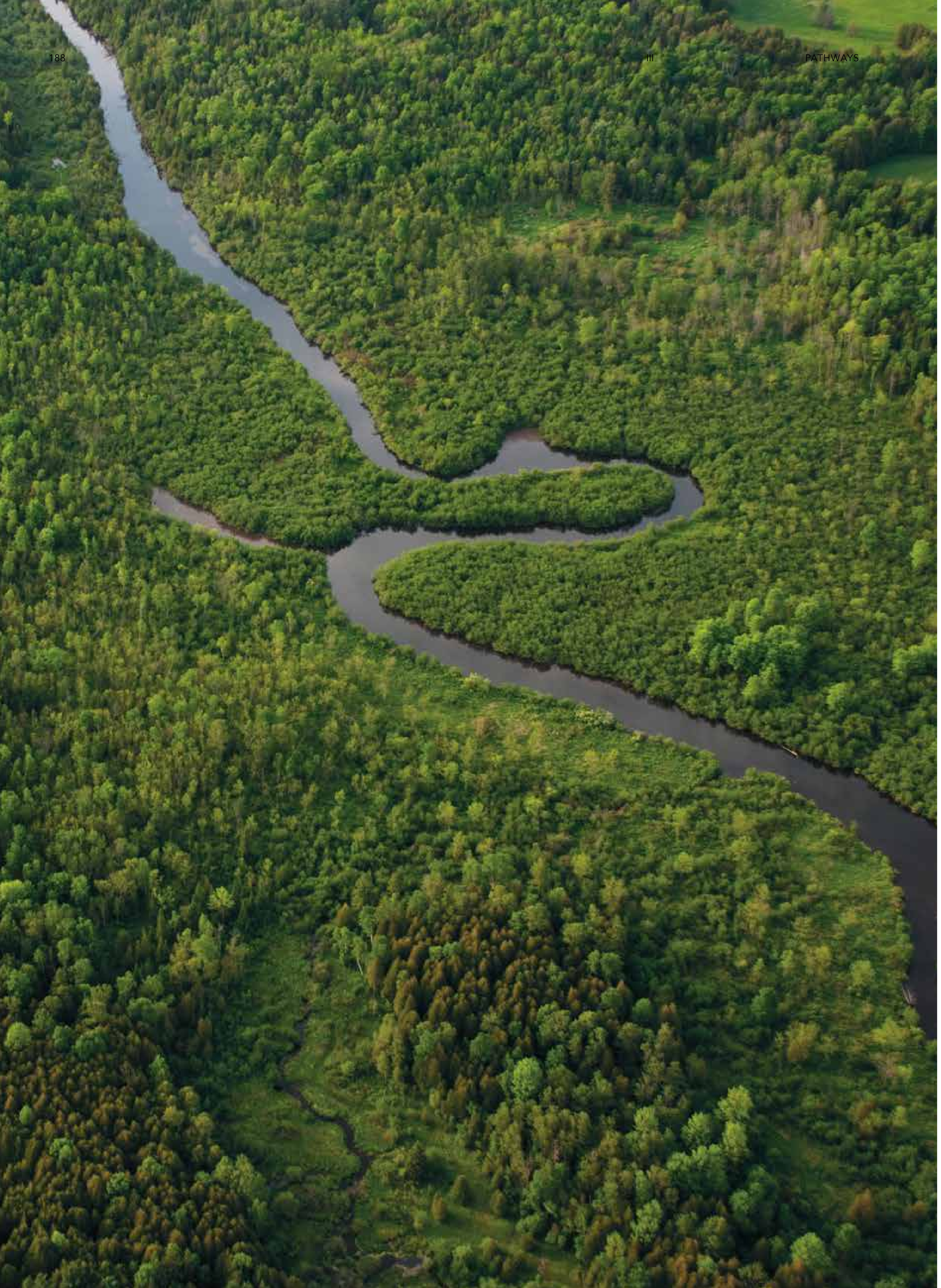
1. Strengthen laws and legal recourse for misleading advertising to increase scrutiny, and to ensure greater alignment with sustainability objectives, prevent green-washing and recognise best practices.
2. Enforce guidelines for product communication by supporting the expansion, standardisation and accessibility of product transparency disclosures to strengthen the ability of consumers to evaluate products and take action.
3. Push the valuation and measurement of non-financial capitals and impacts allowing consumers to compare the sustainability performance – real cost and real value - of products and companies; and for sustainability to become a competitive advantage with increased transparency.
4. Support consumer engagement and behavioural change campaigns.

RECOMMENDATIONS FOR THE GLOBAL COMPACT

This may be a less obvious area for the Global Compact to lead and place full efforts, primarily because of the multitude of existing organisations in this field and the fact that consumer initiatives are often very local. However, some points can be raised:

a. *Share good practices:* Collect good stories of how participants are working to raise consumer awareness and influence demand and behaviour and drive the 'sustainable' consumer.
b. *Convene platforms to explore new models:* Support dialogue and awareness of new business models which empower consumers to make more sustainable choices, where relevant together with Local Networks.
c. *Open source:* Support efforts to increase transparency, create open source environments so that solutions can be copied, adopted and tailored to various audiences.
d. *Local activities:* As consumer initiatives often are local, link Global Compact Local Networks with most prominent players on the ground and support their efforts.





PATHWAY 3:

NEW THINKING FOR A NEW REALITY

In 2030 we are adjusting towards the transition towards a sustainable and inclusive economy. A new worldview has emerged where people have a different understanding of corporate success and outcomes. The narrow view of 'economic efficiency' has been replaced by a broader measure of how organisations contribute towards economic prosperity, ecosystem resilience, social cohesion and a good quality of life for all.

To have a chance of achieving this vision, we need to accept new ways of thinking. Even though change is often resisted, experience shows that even the most embedded cultural norms can be reversed. Real change has happened in the past, it can happen again.

The Global Compact is uniquely positioned to facilitate a renewal in thinking and priorities in the global business community. Our recommendations below involve creating a sea change for sustainability, bringing networks of people together and redefining prosperity.

The four enablers in this pathway:
1. A compelling story: Creating a new narrative of opportunity
2. Redefining value: A new perspective of worth and prosperity
3. Visionary leaders: Redefining the notion of leadership
4. Spreading the messages: Getting the word out

ENABLER 1: A COMPELLING STORY: CREATING A NEW NARRATIVE OF OPPORTUNITY

The world needs a new language of sustainability that is both transformative and realistic, and that communicates, simplifies and inspires. A story about the challenges we face and the consequences of inaction, but most importantly a vision of the desired future that we would like to see – one that is safer, fairer and more vibrant. Rational facts appear to have insufficient capacity to compel change. To set in motion new ways of thinking and new courses of action, we need a compelling narrative focusing on the upside of living within the limits of the planet - emphasising sustainability-centred creativity, ingenuity and entrepreneurship.

RECOMMENDATIONS

1. Create the positive vision for the world, uniting all actors in society, mobilised around the new Sustainable Development Goals.
2. Develop the 21st Century Capitalism Story about the new sustainable economy, revamping the purpose from generating GDP to increasing the well-being of all citizens.
3. Balance the language of risk with the language of opportunity. A new set of messages should focus on sustainability not as about risks or constraints, but as about innovation, creativity and smarter ways of living.
4. Move the proof of concept by sharing convincing success stories about actions, breakthrough innovations and solutions to motivate and encourage behavioural change.
5. Popularise sustainability information by developing short and concise narratives tailoring messages to specific audiences.

RECOMMENDATIONS FOR THE GLOBAL COMPACT

a. *Make the vision a laboratory for action:* Convene stakeholder dialogues to build a shared understanding of what an 'inclusive and sustainable global economy' looks like – the destination – and use it as a reverse 'engineering' frame in terms of the technologies, investments, policies and behaviours needed to get there.
b. *Showcase inspiring practices and solutions:* Continue sharing good practices to inspire companies to take the first step and to encourage 'the possible'. From the pool of participants, focus on identifying and highlighting vibrant new business models and solutions of the new economy.
c. *Create the boardroom story:* To capture the attention of boardrooms around the world, focus on telling stories not only of risks but of opportunities, about innovation, future winners and losers.
d. *Celebrate stories of success:* Be more vocal about signatory and partnership successes and the value of the Local Networks.
e. *Simplify the message:* Develop a set of inspiring core messages about the Global Compact that unites issues and activities, to communicate more effectively its value.

ENABLER 2: REDEFINING VALUE: A NEW PERSPECTIVE ON WORTH AND PROSPERITY

Measuring affects what we do, and if measurements are flawed, so are decisions. The current practice of measuring GDP means that we do not capture vital aspects of national wealth and well-being (e.g. quality of natural resources and health). We need a new holistic measure of wealth and worth, reflecting a broader picture of progress and prosperity, beyond GDP. This implies redefining the purpose of the corporation to deliver value across a broader range of capitals, not just financial profit for the shareholders. The purpose of the economy and business will be to add value also to society and the planet. At the individual level, a new understanding of success and worth should be promoted, not based on the accumulation of material wealth but enhancing other relational, collective qualities, based on the fundamental dignity of each human being.

RECOMMENDATIONS

1. Develop a new notion of growth, redefine prosperity and the role of the corporation and translate this into concrete tools to measure all types of capitals.
2. Rethink current financial and economic models and consider concepts such as the 'regenerative economy' recognising the need to regenerate the fundamental capitals.
3. Advance a new understanding of human value and worth, away from viewing human success in terms of accumulation of material goods. Promote a wider view of 'quality of life'.
4. Governments should integrate 'well-being' indexes and hold all agencies accountable for measuring progress against them.

RECOMMENDATIONS FOR THE GLOBAL COMPACT

a. *A new notion of prosperity:* Support initiatives to develop new ways of measuring growth and prosperity. Take initiative to facilitate multi-stakeholder dialogue to advance the issue through platforms like LEAD.
b. *Total impact:* Call on participants to lead by example by measuring total impact and implementing integrated bottom line accounting.
c. *Advancing human values:* Encourage companies to develop organisational strategies that safeguard the human and labour rights principles, emphasising the dignity and worth of each employee.
d. *Protecting the well-being of employees:* Encourage participants to improve work-life balance, implement flexible working hours and other efforts to better the lives of employees.

ENABLER 3: VISIONARY LEADERS: REDEFINING THE NOTION LEADERSHIP

A fundamental shift in the quality of leadership is needed, across all domains, if we are to bring about positive change. Leaders must become ambassadors of change, and reconnect with a greater purpose that serves the greater good. Short-termism fostered by political election cycles, quarterly performance reporting and immediate rewards represents significant barriers for leadership and decisions for the long-term.

To restore legitimacy and trust, business leadership must be invigorated and reconnected with societal progress. The attention of the boardroom to foster big and bold leadership is needed to ensure we actively manage risks, identify opportunities and catalyse innovation. Leaders across all domains must rise to the challenge and take responsibility for steering the world towards a resilient, stable and equitable future within the environmental limits of the planet.

RECOMMENDATIONS

1. Network with other leaders to develop collective visions for – and pathways towards – sustainability within their spheres of influence (country, sector).
2. Within own organisations, leaders from all sectors must develop long-term visions and ambitious (zero footprint) aspirations and targets aligned with long-term sustainability objectives, including mapping how the company can contribute to the Sustainable Development Goals.

3. CEOs and leadership should better advocate for sustainable business practices and take long-term perspectives in public commentary, and towards peers and stakeholders including investors.
4. Publicly recognise and convey that the kind of growth created in the future must be different from the kind of growth created in the past.
5. Show courage and dare to voice concerns that may be unpopular and uncomfortable to hear. By clearly articulating positions such as 'business as usual cannot continue', business leaders can help to challenge outdated conventional wisdom and create the conditions for change.
6. Be political: Support and advocate for good regulation to set the framework for sustainability innovation. Publicly welcome clear policy frameworks with appropriate targets and price signals.

RECOMMENDATIONS FOR THE GLOBAL COMPACT

1. *Reward true leadership:* Create a platform or mechanism for recognising and rewarding the real visionary business leaders not only by participating in the Global Compact but by significantly contributing to raising the bar.
2. *Define the 21st century CEO:* LEAD should engage its participating companies to discuss and describe the role of business leaders. What does the 21st century business leader look like? What are expectations of him/her?
3. *Use convening role to create small networks of leaders:* Create sector- and issue-specific networks of C-suite leaders to develop more systemic and standardised solutions.

ENABLER 4: SPREADING THE MESSAGES: GETTING THE WORD OUT

The Global Compact has undoubtedly had a positive impact on the world by gradually embedding the universal values in the global market place. However, despite an ever increasing proportion of the world's corporations supporting Global Compact principles, the vast majority of global business and the public in general are unfamiliar with the initiative. Even the employees of participating companies have a low level of awareness with regard to how their own organisations are adopting and acting on the principles. Also the public at large know relatively little about the Global Compact despite the broad support it has with 8,041 participating companies. There is an urgent need to revamp communication and marketing – exploring new strategies and tools to get the message out.

RECOMMENDATIONS

1. Global Compact participants and partners should initiate a joint marketing campaign to inform peers, partners and suppliers about the Global Compact (such as through the company or organisations social media accounts).
2. Government leaders should underscore the importance of responsible business in all public remarks to the business community, and refer to the Global Compact as the world's most acknowledged framework for sustainability.
3. Mainstream media should take a more active role and responsibility to ensure that positive stories about new sustainable business models, future-oriented solutions, and radical breakthrough innovations are communicated broadly.
4. Leverage artists and storytellers that can help raise awareness among the younger generation.

RECOMMENDATIONS FOR THE GLOBAL COMPACT

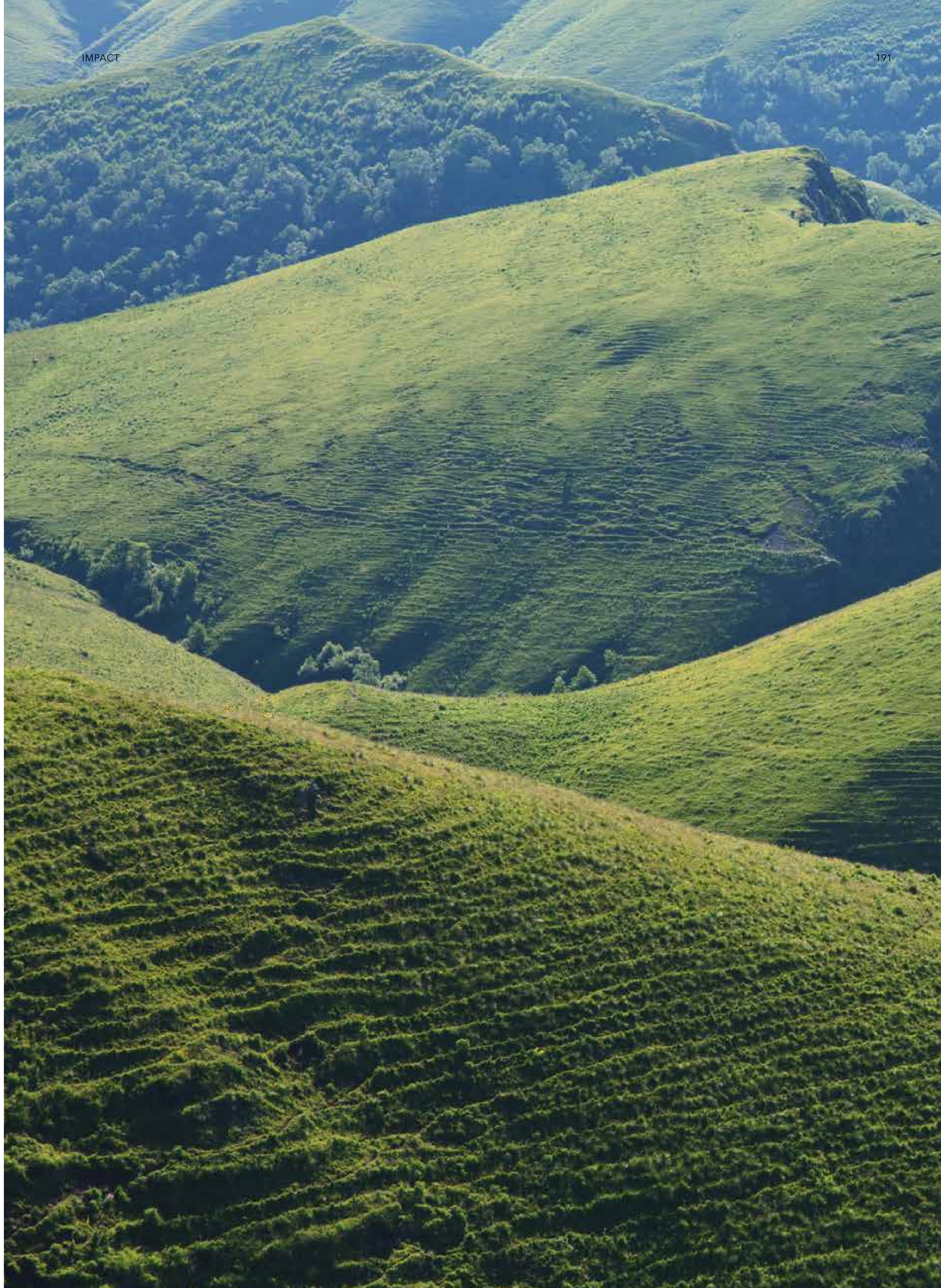
a. *Targeted outreach:* Conduct more targeted outreach towards different audiences (sectors, leaders, youth, authorities). Identify key agents of change in the network, and collaborate with them to mobilise broader networks.
b. *Local campaigns:* Initiate regular outreach campaigns together with the Local Networks, and support them more actively in their communication efforts. Develop a more standardised approach to communication across the Global Compact network.
c. Convene a multi-stakeholder meeting to develop the 21st century messages for the future of the Global Compact, focusing on simple messages that speak the language of business, and that can be easily tailored to specific markets and different audiences.
d. *Involve religion:* Invite religious leaders to become more engaged in sharing the message about sustainable principled business.
e. *Speak to Generation Next:* Explore use of new media to communicate brief, inspirational stories from the network. Promote the use of open source advisory tools, and information sharing through collaboration and unconventional learning arenas on the web, through art and in public spaces to engage a wider audience.

Whereas industrialisation was the great project of modernity, sustainability has become the greatest project of our time. The question is: Will mankind step up, take responsibility and meet this challenge in time to avert major crisis?

CONCLUSION

It is naive to think that the challenges we face today are marginal. They are not. In the face of the greatest challenge humanity has ever faced – the gradual destruction of the planet upon which we depend for our existence – our response must not be inaction. It must not be resistance to change. Our response must be to trust science, embrace change and show leadership to turn challenges into opportunities.

Because in change lies opportunity. The global business community must seize this juncture in history and become part of the solution by reconnecting with a broader social purpose, and by recognising that the well-being of society and the planet is core to business success.



A CALL TO ACTION FOR…

- Business to join the Global Compact and fully embed sustainability in business strategy and day-to-day operations

- Governments to recognise and support the Global Compact, create an enabling environment for sustainable business, and align regulation with sustainability priorities

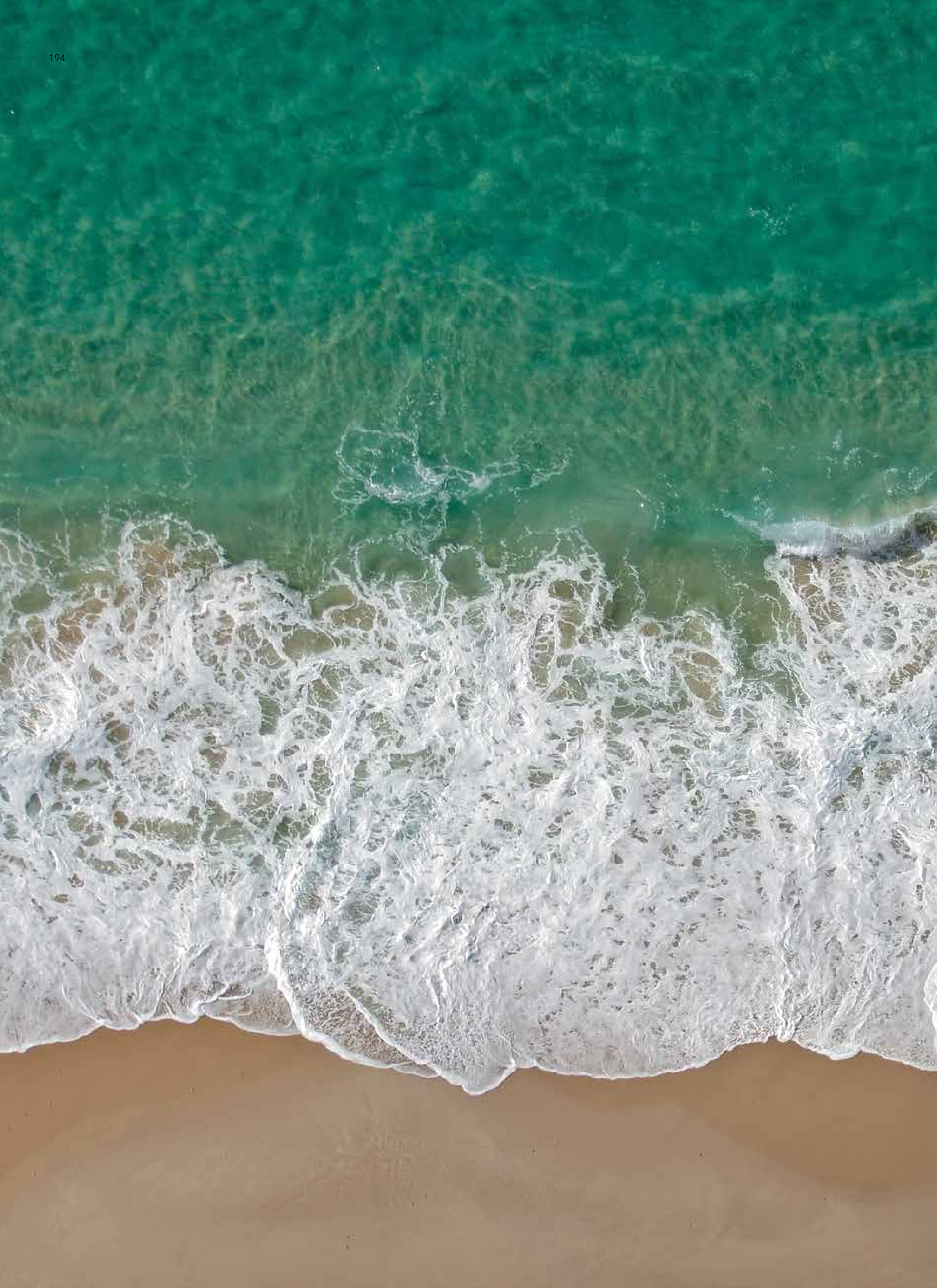
- Investors to sign up to the Principles for Responsible Investment and ensure environmental, social and governance issues are incorporated in investment analysis and decision-making

- Business and industry associations to encourage their members to pursue sustainability and adopt the Global Compact's principles

- Business schools to commit to the Principles for Responsible Management Education and incorporate sustainability into curricula and research

- Civil society to collaborate with business to develop solutions to societal challenges, while holding companies accountable for their actions

- The United Nations to actively engage with business to achieve the Sustainable Development Goals, and promote the Global Compact



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5 The Global Private Sector Workforce has been estimated based on the Global Employed Workforce and the average share of public employment in total employment (Survey on public sector employment statistics, Bureau of Statistics, ILO, October 1998). The Global Employed Workforce is based on World Development indicators 'Labor Force, total' and 'Labor force participation rate, total' (World Bank - World Development Indicators, 2015-04-14).

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10 WEF (2015)

11 DNV GL (2014)

12 The data does not reflect that some of the larger companies had negative savings over time due to company growth or improved methods of measurement. Efficiency measures were not significant enough or largely comparable, but in terms of water saved relative to company size we can assume the impact described is a conservative estimate. Report content also varies significantly, and some reports were excluded as they do not provide comparable data.

13 Ceres (2014)

14 Communication on Progress (COP): Companies participating in the Global Compact commit to issue an annual Communication on Progress, a public disclosure to stakeholders (e.g., investors, consumers, civil society, governments, etc.) on progress made in implementing the ten principles of the UN Global Compact, and in supporting broader UN development goals. Violations of the COP policy (e.g., failure to issue a COP) will change a participant's status to non-communicating and can eventually lead to the expulsion of the participant.

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Key facts

216	34	56
INTERVIEWS CONDUCTED IN TOTAL	COUNTRIES REPRESENTED BY THE INTERVIEWEES	TOP EXCECUTIVES INTERVIEWED

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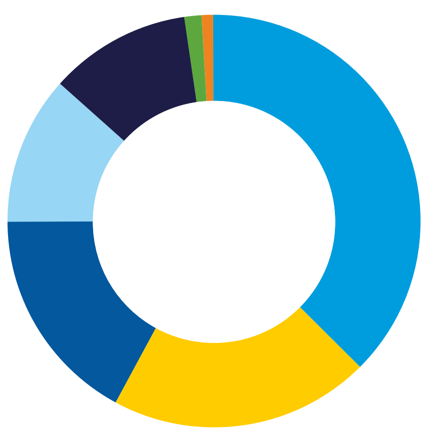

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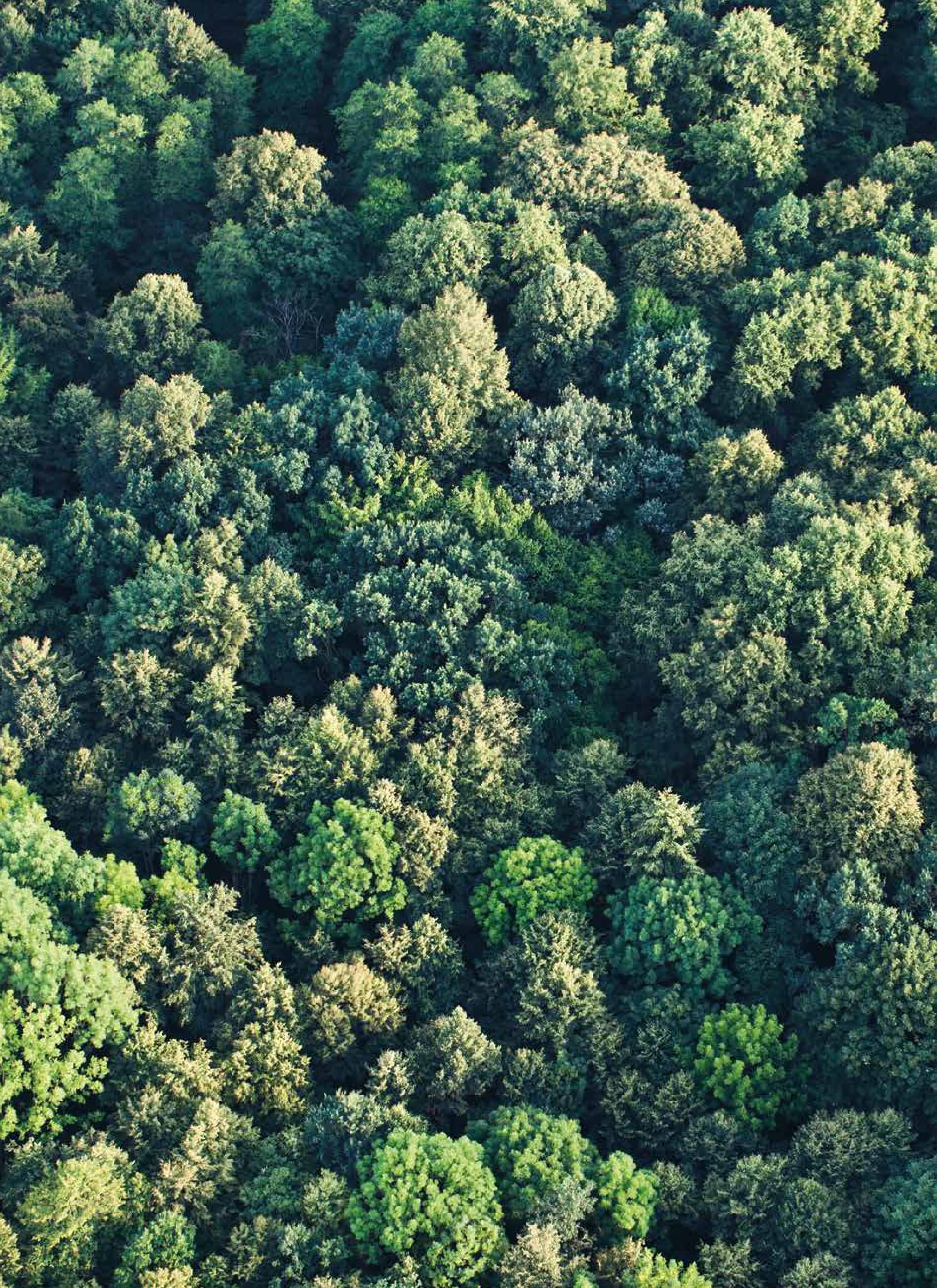

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