



UN GLOBAL COMPACT ANNUAL REVIEW

2007 LEADERS SUMMIT

Acknowledgements

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Additionally, through the Foundation for the Global Compact, many generous contributions have been made by the private sector to support activities of the Global Compact. A full list of foundation contributors can be found within this publication.

Special recognition is given to The Wharton School of the University of Pennsylvania. Under the leadership of Professor Keith Weigelt, a team of staff and students worked closely with the Global Compact Office to develop and manage the first "Global Compact Implementation Survey".

A final word of thanks to Global Compact participants who completed the first "Global Compact Implementation Survey" that is featured throughout this review.

The Global Compact

The UN Global Compact brings business together with UN agencies, labour, civil society and governments to advance ten universal principles in the areas of human rights, labour, environment and anti-corruption. Through the power of collective action, the Global Compact seeks to mainstream these ten principles in business activities around the world and to catalyze actions in support of broader UN goals. With over 4,000 stakeholders from more than 100 countries, it is the world's largest voluntary corporate citizenship initiative. For more information, please visit www.unglobalcompact.org.

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Preface

It is with great pleasure that we release the first comprehensive Annual Review of the UN Global Compact, published on the occasion of the 2007 Global Compact Leaders Summit. With this review, we hope to clearly demonstrate how the wide constellation of Global Compact stakeholders — business participants, government, civil society, labour, the UN — are working individually and collectively to achieve a new phase of globalization that creates inclusive and sustainable markets, ultimately resulting in widespread development and enhanced international cooperation.

This first Global Compact Annual Review takes stock of key actions by key actors, providing both a quantitative and qualitative look at the various ways in which the initiative is functioning and, in many cases, progressing. From figures on the Global Compact's growth and geographic spread, statistics on policy implementation by companies, and numbers of Communications on Progress to stories of cross-sector partnerships, dialogues held by Local Networks, new resources for key issues, exciting trends in the financial markets, updates on UN system facilitation and anecdotal evidence of value creation through responsible corporate actions. The result is a mosaic of activity, with each piece essential to the overall ability of the Global Compact to help bring about meaningful change to markets and societies around the world.

Global Compact Implementation Survey

Notably, the Annual Review presents the results of the "Global Compact Implementation Survey" – our first in-depth, quantitative look at the actions of business participants to implement the ten principles and advance the initiative. Findings are heartening in many areas, particularly with respect to the high level of senior executive commitment and participants' belief that engagement in the Global Compact is indeed an effective method of building trust with their stakeholders.

In terms of principle implementation, the survey shows that there are distinct areas where companies are excelling and others where they lag. A majority of survey respondents do have a number of policies in place related to human rights, labour, environment and anti-corruption. However, there is much room for advancement in areas such as conducting human rights impact and risk assessments, applying labour standards throughout supply chains, utilizing environmental management systems, and reporting on instances of corruption. This first implementation survey will serve as an important benchmark for measuring participant actions in the future. The results will also help prioritize and guide the Global Compact's future development of resources, dialogues and learning events for stakeholders.



UN GLOBAL COMPACT MISSION

Realize a more sustainable and inclusive global economy through responsible business practices

Deeper

economic relations,
trade and investment
can actually accelerate the
diffusion of the ideals
that the United Nations
has advanced for
more than 60 years —
including peace,
development and
upholding human rights.

Corporate responsibility drivers, trends and incentives

As the world's largest voluntary corporate citizenship initiative with more than 4,000 stake-holders in 116 countries, a chief concern of the Global Compact is to better understand how and why companies around the world implement universal principles into their corporate culture and operations. Over time, we have seen that drivers, trends and incentives have shifted and intensified significantly. A number of key developments have contributed to the initiative's global momentum by establishing more clearly the business proposition of the Global Compact. These include:

- Global awareness and understanding of the notion of "corporate responsibility" is markedly higher than a decade ago.
- *Financial markets* are starting to recognize that environmental, social and governance issues can be material to long term performance.
- The *business case for principles-based change* is no longer just about avoiding costs for getting it wrong; it is increasingly about the benefits for getting it right.
- There is growing recognition that voluntary and regulatory efforts are complementary.
- The call for transparency and accountability has brought about the convergence of corporate governance and corporate responsibility.
- Interdependencies continue to deepen between states, cultures and people due to expanding global commerce. However, the willingness to sustain and cultivate openness remains under stress. Globalization continues to be an uneven, fragile process.

Taken together, these trends are indicators of a growing premium on proactive and collaborative efforts by business to address environmental, social and governance issues — by applying solutions that both mitigate risks and seize previously untapped opportunities. Today, a company's ability to compete, gain trust and ensure long-term financial viability can more clearly be linked to issues of responsibility and accountability.

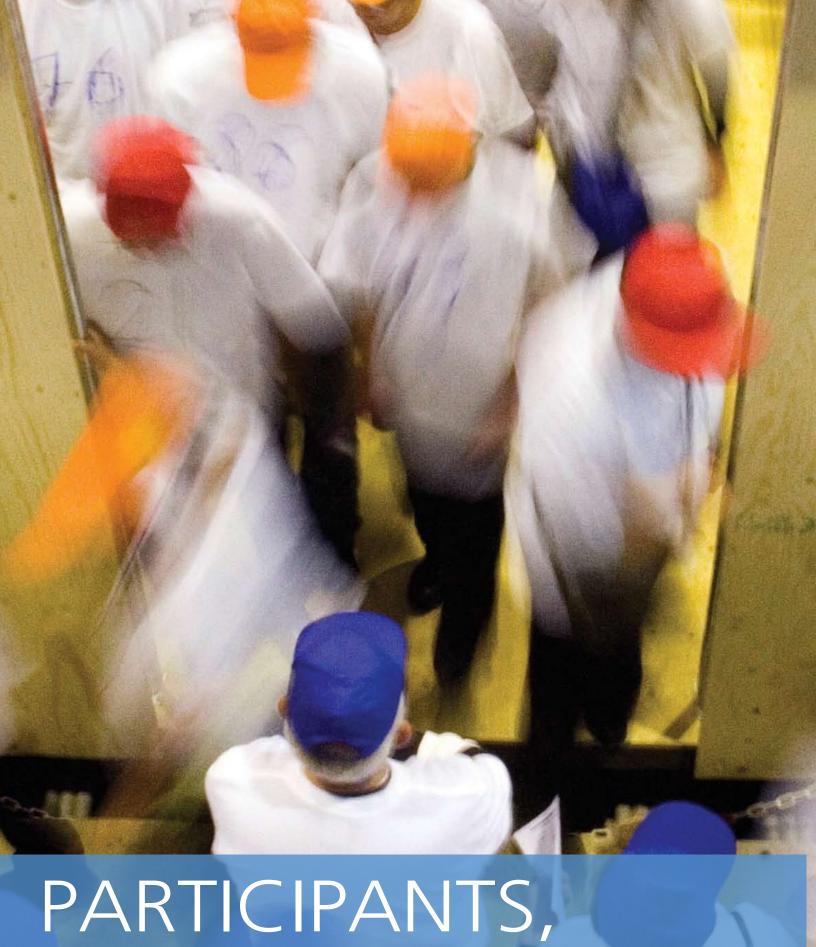
This is good news for the United Nations and society at large. It means that deeper economic relations, trade and investment can actually accelerate the diffusion of the ideals that the Organization has advanced for more than 60 years – including peace, development and upholding human rights. We sincerely hope – and are working hard to show – that globalization can in fact be a race to higher standards and contribute to well-being in every corner of the earth.

Georg Kell

Executive Director

UN Global Compact Office

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PARTICIPANTS,
STAKEHOLDERS AND GOVERNANCE

INTRODUCTION

The Ten Principles of the UN Global Compact

The United Nations Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core principles in the areas of human rights, labour standards, the environment and anticorruption. The principles are as follows:

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 are asked to support a precautionary approach to environmental challenges;
Principle 8 undertake initiatives to promote greater environmental responsibility; and
Principle 9 encourage the development

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 Global Compact's ten principles are derived from:

- The Universal Declaration of Human Rights:
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work;
- The Rio Declaration on Environment and Development; and
- The United Nations Convention Against Corruption

Global Compact Annual Review 2007

The Global Compact is a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

As the world's largest, global corporate citizenship initiative, the Global Compact is first and foremost concerned with exhibiting and building the social legitimacy of business and markets.

We know that business, trade and investment are essential pillars for prosperity and peace. But in many areas, business is too often linked with serious dilemmas – for example, exploitative practices, corruption, income equality, and barriers that discourage innovation and entrepreneurship. Responsible business practices can in many ways build trust and social capital, contributing to broad-based development and sustainable markets.

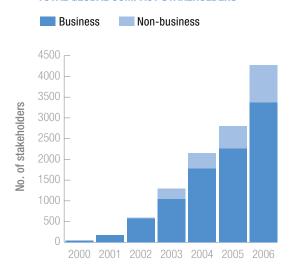
Never before have the objectives of the international community and the business world been so aligned. Common goals, such as building markets, combating corruption, safe-guarding the environment and ensuring social inclusion, have resulted in unprecedented partnerships and openness among business, government, civil society, labour and the United Nations. Many businesses recognize the need to collaborate with international actors in the current global context where social, political and economic challenges – whether occurring at home or in other regions – affect companies as never before.

With this in mind, the Global Compact has shaped an initiative that provides collaborative solutions to the most fundamental challenges facing both business and society. We seek to combine the best properties of the UN, such as moral authority and convening power, with the private sector's market-driven, solution-finding strengths. We are global and local; private and public; voluntary yet accountable.

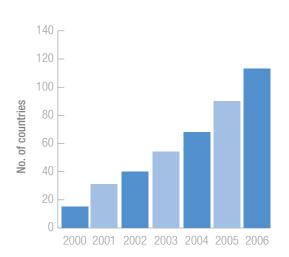
The Global Compact's unique constellation means that assessing progress is a multifaceted process. Success has a different meaning for each stakeholder group since business, government, civil society, labour, the United Nations and academia each bring different capabilities and expectations to the table. Ultimately, the Global Compact can only claim progress when all stakeholders are taking suitable actions to advance the initiative's mission and principles.

INTRODUCTION 7

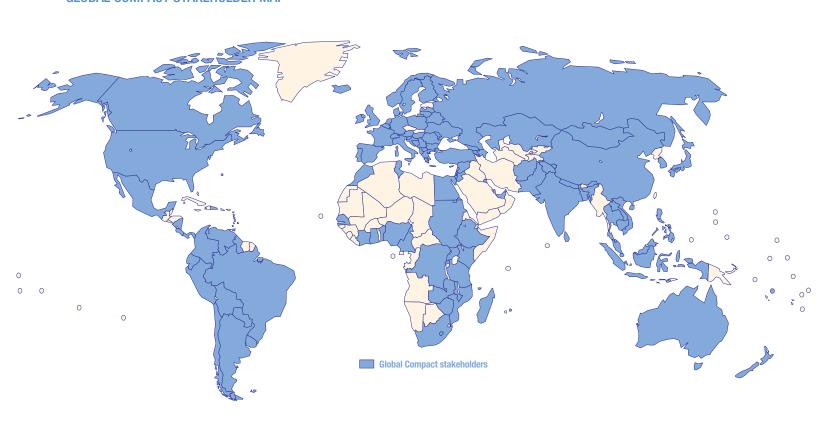
TOTAL GLOBAL COMPACT STAKEHOLDERS



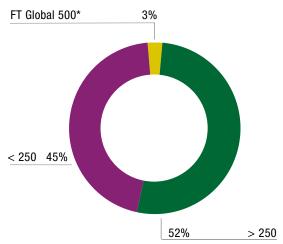
COUNTRIES WITH GLOBAL COMPACT STAKEHOLDERS



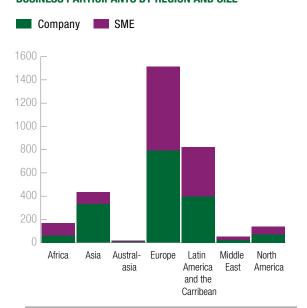
GLOBAL COMPACT STAKEHOLDER MAP



PARTICIPANTS BY # OF EMPLOYEES



BUSINESS PARTICIPANTS BY REGION AND SIZE



Business Participants - Top 20 countries Language Company Busin Busi

*Companies listed on the *Financial Times* "FT Global 500" list

Business Participants

With over 3,000 corporate participants from 116 countries around the world, the Global Compact is the world's largest corporate citizenship initiative. In an ideal world, each and every company would implement the Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption into their operations and strategies. As a minimum, the Global Compact must have a presence in developed and developing countries alike, and engage companies of all sizes across a variety of sectors. The initiative must be found in countries and companies where the ten principles are already a "given", and also in those where they are unfamiliar or even contested.

The current diversity of participants suggests that the notion of corporate responsibility is increasingly understood and valued by companies of all sizes, sectors and cultures. The range is wide: from transnational corporations based in London or Mexico City and large manufacturers in Turkey or France, to medium-sized agriculture companies in the United States or Ghana and supply chain partners in Egypt or India. The Global Compact has many faces; there is no stereotype. However, there is one dominant trend: companies — whether small or large, from North or South — whose operations are deeply integrated in the global economy tend to strive toward higher performance levels on the issues in which the Global Compact focuses.

Company Size

With regard to company size, the Global Compact is divided almost evenly between companies with more than 250 employees ("large companies") -55% – and small- and medium-sized enterprises with less than 250 employees ("SMEs") -45%.

Of the large companies participating in the Global Compact, 108 rank on the *Financial Times* "FT Global 500" list. The engagement of such companies is important, firstly, because of their sheer size and resources. The "Global 108" employ approximately 10 million workers, have a total market capitalization of approximately \$5 trillion, and recorded revenues of about \$3.5 trillion (in 2005). Rolling out the Global Compact principles throughout the subsidiaries and supply chains of the largest Global Compact companies would give great impetus to the initiative, and to the corporate citizenship agenda more broadly. Additionally, companies with extensive name or brand recognition have the powerful ability to raise awareness of the importance of responsible business practices with customers, governments, suppliers, peers and the media.

In total, and also by region, SMEs account for nearly half of participants. This is a positive signal that corporate responsibility is no longer viewed as relevant only to transnational or large domestic companies. Today, SMEs are increasingly directly connected to other businesses and customers around the world—whether in supply chains, financing arrangements, or by sheer proximity in local markets. The increasing presence of foreign investment in all regions of the worlds exposes local companies to new ways of operating and cooperating.

Working with key partners such as the United Nations Industrial Development Organization (UNIDO), the Global Compact is finding more effective ways to engage SMEs in the initiative. For example, to address the difficulties that SMEs face in assessing their corporate responsibility performance comprehensively, UNIDO launched "REAP", the Responsible Entrepreneurs Achievement Programme, which is a framework for measuring and reporting on social and environmental performance. In addition, the Global Compact is coordinating an international task force on SME engagement that includes roughly 40 members from different stakeholder groups. In 2007, the taskforce will release a report focusing on (i) outreach mechanisms, (ii) capacity-building, and (iii) training and coaching of SMEs on reporting via the Global Compact's framework.

About the "Global Compact Implementation Survey"

In preparation for this Annual Review – which seeks to provide a comprehensive look at the efforts made by business and other stakeholders to advance the Compact's mission and principles – the Global Compact undertook our first in-depth survey of business participants.

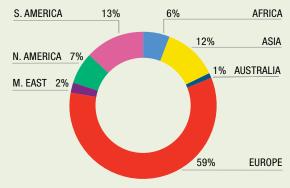
The "Global Compact Implementation Survey" was designed to better understand how and why participants are implementing the ten principles and partnerships, for example through management involvement, policy implementation, and engagement in Local Networks. This survey is intended to serve as a benchmark for measuring changes in engagement in future years.

Through a joint project with The Wharton School of the University of Pennsylvania, all companies participating in the initiative were invited to take the anonymous online "Global Compact Implementation Survey" in February

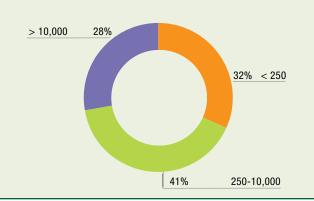
2007. Approximately 400 companies from all regions and a wide range of industries successfully completed the questionnaire, representing a 15% response rate based on available contact data for participants.

The results of the "Global Compact Implementation Survey" are featured throughout this Annual Review, in many cases including notable variations in responses by region or company size (based on employee numbers).

SURVEY RESPONSES BY REGION



SURVEY RESPONSES BY # OF EMPLOYEES



Geographic Spread

In 2006, the Global Compact experienced growth across all regions — with vast increases seen in Africa, Asia and Europe. With respect to geographic distribution, over half of all Global Compact participants are from developing countries. This gives the Global Compact a credibility and opportunity where needs are the greatest and Global Compact objectives are seen as delivering special value. Thirteen of the top 20 countries, with respect to Global Compact participation, are classified as developing or emerging economies. The initiative has experienced particularly active engagement in Brazil, India, Mexico, China, Turkey and Egypt, as well as growing participation in countries including Thailand, Singapore and Pakistan in Asia; Ghana, Malawi, Zambia and Nigeria in Africa; and Panama, Argentina, Chile and Peru in Latin America.

As the Global Compact's participation has grown dramatically across the globe, "local networks" have been an increasingly important driving force. Indeed, Local Networks — of which there are approximately 80 existing or emerging around the world — are the only viable way of managing an initiative with such geographic and stakeholder spread. A country network's presence "on-the-ground" enables more frequent dialogues between companies and other stakeholders and facilitates the sharing of good practices. Networks' knowledge of the local business environment and their familiarity with social, cultural and political factors are positive drivers for the implementation of the principles and for collaborative problem-solving. Increasingly, networks also serve as an important resource for companies in relation to the Communication on Progress requirement.

Engagement

Growth alone is not an adequate measure of progress by the Global Compact; there must also be requisite dedication and action by participants. Signing on to the Global Compact is a significant commitment by a company at the highest level — the chief executive, the board or an equivalent — to mainstream the ten principles into its business activities.

At its most fundamental, engagement in the Global Compact entails three elements:

1 Leadership commitment

 Involve and ensure buy-in from key senior management and governance bodies, including the board of directors and relevant committees

2 Policy development and implementation

- Develop, augment and implement policies and practices related to all ten of the principles
- Cascade GC commitment to all relevant local (i.e. country/regional) divisions while infusing the GC into corporate culture

3 Communication

- Produce Communications on Progress
- Advocate the initiative

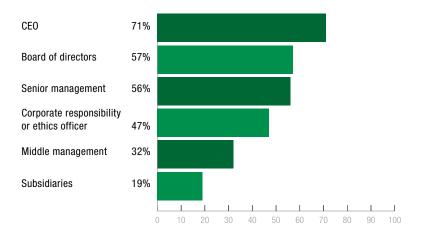
This approach is best reflected in the Global Compact's Performance Model, a management process covering, in general terms, the spectrum of internalization activities. The internalization process reflects the spirit of the Global Compact, which is one of continuous improvement.

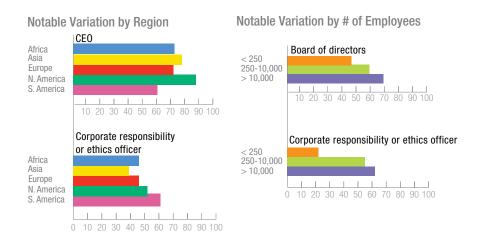
Leadership

The implementation of universal principles into business is a long-term process. This means that the sustained commitment of leadership is critical in guiding the company on a path of continuous improvement. The Global Compact must be a CEO-led initiative if results are to be realized. It seeks business-statesmen — leaders who are willing to take environmental, social and governance issues into account. Those who contemplate the long-term view amid pressures to deliver in the short-term, and show commitment to activities that impact the bottom-line in ways that may not have been traditionally valued or even understood. It requires engagement in dialogue, willingness to learn and dedication to practical actions.

The Global Compact's triennial Leaders Summit, first held in June 2004, is designed to foster the continued commitment of leaders of participating companies. With the theme "Facing Realities: Getting Down to Business", the July 2007 Leaders Summit aims to be the largest and most significant event on the topic of leadership and corporate citizenship. Through peer-to-peer interactions with top decision-makers from all segments of the international community, business leaders will be given access to never-before released intelligence on socio-economic and geopolitical megatrends while developing strategic frameworks to address a range of issues at the nexus of business and society - including climate change, human rights, anti-corruption, and access to finance and capital. Chaired by UN Secretary-General Ban Ki-moon, the Global Compact Leaders Summit will focus on building the markets of tomorrow.

At what levels within your company are corporate responsibility policies and practices developed or managed?



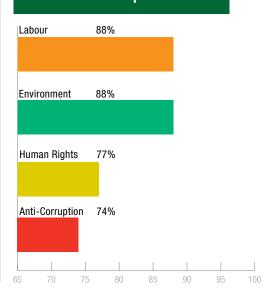


GLOBAL COMPACT PERFORMANCE MODEL





Do you have policies or practices in place related to the four issue areas of the Global Compact?



Policy Development and Implementation

The greatest challenge for the Global Compact is to deepen engagement by companies on a continuing basis. Implementation is a dynamic process; expectations, innovations and "standards" are constantly evolving.

Following sections of this Annual Review specifically examine the extent of policy implementation, as well as other actions taken, in each of the four issue areas covered by the ten principles (human rights, labour, environment and anti-corruption). While survey results show that some companies are extremely active — with respect to internal implementation and partnerships — it is clear that others are lagging behind.

Many factors affect a company's level of corporate responsibility policy development and implementation: knowledge, incentives, authority and resources. For example, some companies treat the Global Compact as just another "CSR" initiative by consigning the commitment to a single department of the enterprise. Other companies may face real hurdles in implementation when operating in environments where public institutions are weak or overall governance is under stress.

The Global Compact is working to provide various learning and engagement opportunities for all companies to spur implementation and progress. These include: Local Networks where issues and activities are driven at a local level; practical tools and guidance documents on the principles and other priority issues; and international and local events where multi-stakeholder participants can exchange experiences, partake in learning and problem-solving exercises, engage in dialogue and identify like-minded organizations for partnering projects.

The Global Compact has developed a considerable library of guidance documents and practical tools covering our priority issue areas, as well as financial markets, conflict prevention and peace-building, and partnerships for development. Highlights include: "After the Signature: A Guide to Engagement in the United Nations Global Compact", "Leading the Way in Communication on Progress", and "A Guide for Integrating Human Rights into Business Management". A full list of resources can be found in Annex A.

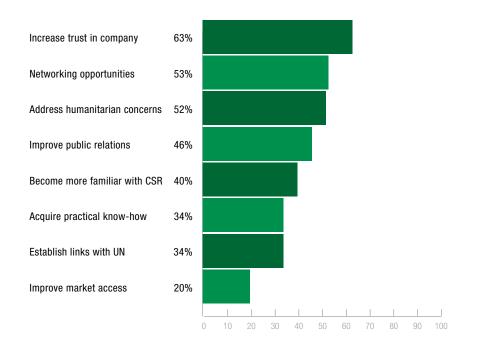
On a positive note, it is likely that we will see more widespread and deeper internalization as the business case expands for a principle-based change process. Along with the moral case is a business case for corporate responsibility, which is increasingly shifting from "avoiding"

INTERNATIONAL EVENTS

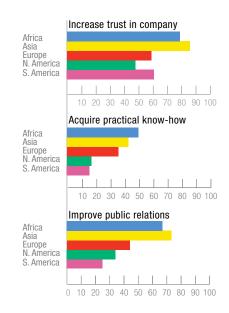
Ghana In November 2006, the UN Global Compact convened the 4th International Learning Forum Meeting in Accra, Ghana in partnership with the University of South Africa and UNDP. Marking the first international forum to be held in Africa by the Compact, the meeting brought together nearly 200 stakeholders. The Forum utilized an "open learning space" methodology whereby participants convened their own small discussion groups on dozens of questions that, if answered, could help advance the corporate citizenship agenda.

China Another significant international event took place in Shanghai, China in November 2005 when more than 500 business leaders and representatives of government, civil society, labour and academia from around the world gathered for the UN Global Compact Summit: China. It was the largest event ever held in China on the topic of corporate citizenship. The Summit offered Chinese leaders the opportunity to discuss the emerging corporate responsibility movement in China and how the Global Compact's ten principles can be used to contribute to sustainable development and poverty alleviation, in addition to their value in further integrating Chinese enterprise into the global economy.

What are the reasons for your organization's participation in the Global Compact?



Notable Variation by Region



costs for getting it wrong" to "creating value for getting it right". Companies have shown time and time again that proactive policies and practices that respect human rights and ensure safe and decent workplace conditions, environmental protection and good corporate governance are creating sustainable value and benefits for the business, workers, communities, and society at large. They are also enabling business to attract and retain skilled workers, save costs, enhance productivity, create trust and positive reputation with stakeholders, and build brands.

Bolstering this business case is the fact that the financial markets are beginning to truly take notice of the value of values. From asset managers, pension trustees and stock exchanges to project lenders and insurers, the investment community increasingly connects environmental, social and governance — or ESG — performance to long-term viability and financial performance. For example, mainstream financial analysts are incorporating these issues into research and processes, while institutional investors are recalibrating policies and mandates to reflect this new reality. The mainstreaming of ESG in the investment community will provide a most powerful incentive for companies to implement the Global Compact's principles.

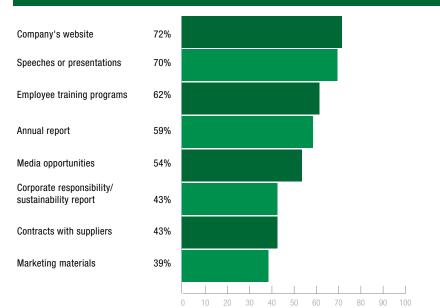
Communication

Credibility and accountability are critical factors for advancing the responsible business agenda — and for protecting the legitimacy of the Global

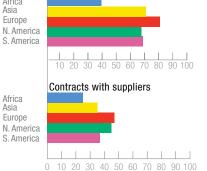
Compact. Therefore, a key requirement for participation in the initiative is an annual Communication on Progress ("COP") that describes a company's efforts to implement the ten principles. A company's first COP is due within two years of joining the Global Compact, and every year thereafter. We take this integrity measure seriously, and companies that fail to meet consecutive COP deadlines will be classified as "non-communicating" and eventually deactivated. The COP can serve as far more than a simple indication of engagement in the Global Compact. We encourage companies to regard the process as a mechanism for assessing and demonstrating the impact of their actions to incorporate responsible practices into day-to-day operations and to bring about meaningful change in society. Further details can be found in the "Communication on Progress" section.

Another important aspect of participant communication is advocacy of the initiative. This function can be immensely important in raising awareness of the GC, helping to recruit new companies and building interest and momentum around the initiative. Key elements can include general advocacy via corporate speaking platforms and other key corporate communications; specialized advocacy via involvement in key business associations and councils; advocacy to and via the members of key company councils, including the board of directors and advisory groups; communication to financial markets — e.g. investor road shows; and incorporation of "We Support the Global Compact" logo on branded products and services.

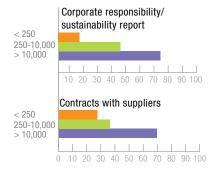
How does your company communicate or report its corporate responsibility policies and practices?



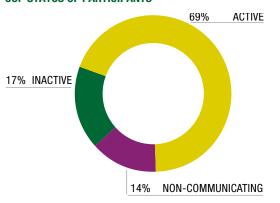




Notable Variation by # of Employees



COP STATUS OF PARTICIPANTS





Non-business Stakeholders

From the beginning, the Global Compact has considered the active engagement of non-business stake-holders a critical factor for making real progress; without them the initiative would lack the collaborative element that is so critical for tackling today's challenges. The involvement of civil society, labour, government, the United Nations and academia serves many important purposes, as each group brings different strengths and focus to the corporate citizenship agenda.

In many cases, these stakeholders can provide expertise on issues, hold businesses accountable for their commitments and deficiencies, offer incentives and rewards for responsible actions, provide knowledge that facilitates implementation, and serve as excellent partners on a variety of issues, such as education, health, infrastructure and water. This Annual Review abounds with examples of engagement by and collaboration with non-business stakeholders, particularly in the "Advancing the Issues" and "Local Networks" sections.

Government

Government has clear roles and responsibilities in this agenda. It is the duty of government to cultivate an environment which has sufficient economic institutions and supportive policy to provide long-term stability and promote transparency, innovation and entrepreneurship. An investment climate that encourages business development and rewards good practices is critical.

In relation to the Global Compact, governments from around the world have provided broad-based support for the initiative and the ten principles. In many countries, high-level government officials - including heads of state and government - have presided over Global Compact launches and events. Their actions have given legitimacy and public policy support to the initiative. Moreover, many governments have successfully applied soft power measures to encourage implementation of the Global Compact, including: identifying and recognizing good practices, providing public forums for the Global Compact, and taking broad-based measures to create awareness.

The Global Compact also enjoys widespread support from Member States of the United Nations. The voluntary nature of the initiative and its ability to complement government efforts has been recognized, and the United Nations General Assembly has expressed explicit support for the Global Compact.

Member States have furthermore come to appreciate the benefits of granting the United Nations the space for growing public-private partnerships, without which the Global Compact could not have come into existence. The initiative is focused on pragmatic solution-finding, moving beyond a "lowest common denominator" approach that can hinder progress in the multilateral domain.

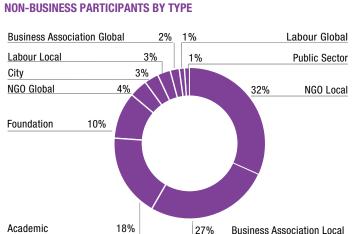
Finally, the Global Compact Office – which acts as the hub for the support and overall management of the Global Compact

initiative — has been funded through a trust fund supported by numerous Member States of the United Nations, specifically: Brazil, China, Denmark, France Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom. Their support has enabled the initiative to grow and build global reach, and remains essential to the development of the initiative in the future.

United Nations

In addition to its main role of embedding universal principles within business operations, the Global Compact also plays a central role within the United Nations by developing policy on UN-business engagement and advancing the partnership agenda across the UN system. In September 2006, former Secretary-General Kofi Annan presented his final annual report which reiterated the importance of collaboration between the UN system and the private sector. As a result, formal recognition was given by the General Assembly to the Global Compact Office, the UN entity formally entrusted with the support and overall management of the Global Compact.

Most importantly, Secretary-General Ban Ki-moon has provided full support for the Global Compact. In his first address outside the UN on 10 January 2007, he reinforced the centrality of the Global Compact to United Nations engagement with the private sector. At the meeting, he called on business "to advance universal principles within your spheres of influence". Secretary-General Ban





has since shown his support by serving as Chairman of both the Global Compact Board and the 2007 Global Compact Leaders Summit.

The Global Compact continues to play a key role in supporting the conceptual development of the UN's policies and practices in the area of UN-business partnerships and leads a number of initiatives which aim to enhance the UN's capacity in this area. Key initiatives include:

- Preparing the Secretary-General's biennial report to the General Assembly under the item "Towards Global Partnerships";
- A System-wide Virtual Liaison Office with a new website platform to enhance UN-business collaboration by showcasing potential engagement opportunities to non-state actors in a more coherent manner;
- Oversee the UN system-wide quarterly electronic newsletter, "The UN-Business Focal Point", which includes contributions from UN staff across the Organization that are working with business;
- Revision of the Guidelines on Cooperation between the UN and the Business Community;
- Working with the Office of Legal Affairs to produce an updated set of "UN Guidelines on Cooperation between the United Nations and the Business Community" reflecting the shared experience of the Organization since 2000;
- Operational support to the UN system by convening annual "UN System Private Sector Focal Points Meetings" designed to strengthen learning and improve coordination across the Organization; and
- Support for the UN's efforts to internalize the Global Compact principles, particularly through the UN Joint Staff Pension Fund and the Procurement Service.

Civil Society & Labour

Civil Society Organizations ("CSOs" or "NGOs") and labour add critical dimensions to the

Global Compact's operations. They offer substantive knowledge, problem-solving capacity and practical reach. Also, they provide a checks-and-balances system and lend credibility to the initiative. These characteristics help entrench the Global Compact's principles in a broader social context and are critical for consensus-building.

Engagement in the Global Compact by CSOs has increased in recent years, particularly with the participation of local CSOs. As project partners, the practical reach and skills of these organizations are often crucial to the design and implementation of initiatives which give practical meaning to the Global Compact's principles. We are working to further strengthen and clarify the role of participating CSOs in the initiative. A senior CSO coordinator was hired in 2006 to work toward this goal.

Because labour is part of both industry and civil society, it plays a role that is distinct from both business and other elements of civil society, and is therefore recognized as a separate group by the Global Compact. The organizational structures of the international trade union movement equip it to coherently participate in the Global Compact in a way that covers engagement on both sectoral and general policy issues.

One mechanism for engagement between international labour and Global Compact participants is a global framework agreement which establishes an ongoing relationship between the parties and ensures that companies respect core ILO labour standards in all the countries where they operate. These agreements are struck between global trade unions and transnational businesses, as opposed to at the local union level, in response to the increasing global nature of companies. Many of these frameworks have been signed by Global Compact participants (e.g. IKEA, H&M, Statoil, Telefonica, Carrefour, EDF) and in some cases specifically invoke the Global Compact's principles as part of the commitment. Examples include an agreement in December 2006 between France Telecom and Union Network International (UNI) and a September 2005 agreement between Lafarge and International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM).

The Global Compact is working together with global trade unions, such as the International Trade Union Confederation (ITUC), to ensure increased engagement by labour on the local level, including in Global Compact Local Networks and at regional and local events.

Academia

From its inception, the Global Compact has greatly benefited from academic support. The very design of the initiative was strongly influenced by academic thinking - notably, embedded liberalism, social contracts theory, business management and macroeconomics. Academics have long-supported the Global Compact by advancing case study methodologies and developing learning tools for implementation of the principles. Fundação Dom Cabral (Brazil), Sabancı University (Turkey), The Wharton School of the University of Pennsylvania (US), Thunderbird School of Global Management (US), and the University of South Africa - UNISA have actively contributed to the Global Compact in this regard.

Also of note is the Globally Responsible Leadership Initiative which aims to promote understanding of what constitutes globally responsible leadership within organizations around the world. The initiative resulted from the work of a group of senior representatives from companies, business schools and centers for leadership-learning from five continents. The group was formed by the European Foundation for Management Development (EFMD) and the Global Compact.

A number of educational institutions have made use of Global Compact case studies and Communications on Progress as teaching materials. Many have also joined the Global Compact as participants committed to implementing the principles within their organizations.

In 2006, key events were held in cooperation with academic institutions. "Peace Through Commerce: Partnerships as the New Paradigm" was co-hosted in November 2006 by Notre Dame University and the Global Compact. The meeting brought academic experts, corporate executives, CSOs and government policy makers together to examine how businesses and CSOs can advance initia-

tives for peace. The Global Compact's 4th International Learning Forum (Ghana) held in November 2006 was developed and organized in close coordination with UNISA.

Due to the increase in educational institutions embracing the Global Compact, we have initiated a large-scale effort to effectively leverage the key role these institutions play as change agents. The Principles for Responsible Management Education platform establishes a framework of voluntary action for the academic community in regard to educating future business leaders, undertaking research and facilitating dialogue. The initiative is the outcome of the "Business as an Agent for World Benefit" conference (Cleveland, October 2006) held in partnership with the Academy of Management and Case Western Reserve University.

Co-conveners of the principles include AACSB International — Association to Advance Collegiate Schools of Business, The Aspen Institute's Business and Society Program, European Foundation for Management Development (EFMD), Globally Responsible Leadership Initiative and Net Impact. Contributions and support were also provided by members of the Academy of Management.

Other Key Alliances

In an ongoing effort to position the Global Compact strategically in the broader land-scape of voluntary initiatives in general, and corporate responsibility concepts in particular, we have established complementary partnerships with a broad range of organizations, notably the International Organization for Standardization (ISO) and the Global Reporting Initiative (GRI). The GC continues to pursue a strategy of convergence, so that the initiative and its principles can indeed evolve into the world's most important reference point for corporate responsibility.

Global Reporting Initiative. In October 2006, the Global Compact and GRI announced a strategic alliance aimed at providing the global private sector with an opportunity to embrace a responsible business strategy that is at once comprehen-

sive, organizing, integrated and enjoys near universal acceptance. Both initiatives will undertake advocacy and other partnership efforts to encourage companies and corporate responsibility organizations to support the synergistic platforms of the Global Compact and GRI. Global and local corporate responsibility organizations have been invited to join. This is the latest development in a long-standing cooperation between the two organizations, which dates back to the inception of the Global Compact.

ISO and the "Social Responsibility Standard". In November 2006, the Global Compact Office entered into a Memorandum of Understanding with ISO with the purpose of encouraging cooperation and mutual support related to the forthcoming Social Responsibility guidance (ISO 26000). The GC believes that an ISO 26000 standard that is built on existing expertise and consensus, and which encourages voluntary commitment to social responsibility, could help provide widespread common understanding and guidance on social responsibility concepts, definitions and methods of evaluation. ISO 26000 also has the potential to build local capacity and foster local ownership of the corporate citizenship movement - particularly in developing countries - which is a critical step in better establishing the business-society agenda worldwide and achieving a level playing field for all businesses. Through the MOU, both parties agreed that the ISO SR guidance will be consistent with the Global Compact's ten principles. To this end, the current draft of the ISO standard incorporates each of the Global Compact's ten principles.

Other important relationships include the *World Business Council for Sustainable Development* (WBCSD), with whom the Global Compact has recently established the "Caring for Climate" platform for business leaders, as well as the *International Finance Corporation* (IFC) which has long supported the Global Compact's financial market initiatives, notably "Who Cares Wins". Moreover, productive cooperation is ongoing with the *International Organization of Employers* (IOE) and the *International Chamber of Commerce* (ICC).

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 dialogue and debate among educators, business, government, consumers, media, civil society organizations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability.

GOVERNANCE

GLOBAL COMPACT BOARD

as of 1 June 2007

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Huguette LABELLE

Chair, Transparency International

Mary ROBINSON

Chair, Realizing Rights: The Ethical Globalization Initiative

EX-OFFICIO

Georg KELL

Executive Director, UN Global Compact Office

* To be appointed by United Nations Secretary-General Ban Ki-moon

Governance

The Global Compact's unique governance framework, which was adopted in August 2005, is now fully implemented and thriving. The governance framework was developed to foster greater involvement in, and ownership of, the initiative by participants and other stakeholders. In keeping with the Global Compact's voluntary and network-based character, the governance structure is light and non-bureaucratic. Governance functions are shared by six entities, each with differentiated tasks within a multi-centric framework — reflecting the initiative's global and local dimensions, as well as its public and private character.

- Triennial Global Compact Leaders Summit
- Global Compact Board
- Local Networks
- Annual Local Networks Forum
- Global Compact Office
- Inter-Agency Team

Good progress has been made on the implementation of each element of this governance framework. For example, the Global Compact's multi-stakeholder Board has held two annual meetings — June 2006 and April 2007 — since being appointed in early 2006. Its role has been established in many ways, including through consultations on the 2007 Leaders Summit, representing the Global Compact at numerous events, and providing recommendations on issues and partnership projects, such as climate change. In addition, many Board members are engaged in Global Compact working groups in areas including human rights, anti-corruption and Local Networks.

The Global Compact continues to work closely with the Inter-agency team, which includes: the Office of the UNHigh Commissioner for Human Rights (OHCHR), the International Labour Organization (ILO), the United Nations Environment Programme (UNEP), the United Nations Office on Drugs and Crime (UNODC), the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organization (UNIDO). Engagement occurs through working groups, publications, tools and meetings across all key issues.

Examples of joint activities with Inter-agency partners include a dialogue on "Combating Discrimination and Promoting Equality" convened with the International Labour Office in October 2006, a series of publications on "Embedding Human Rights into Business Practices" developed with OHCHR, "Caring for Climate: The Business Leadership Platform" launched with the World Business Council for Sustainable Development (WBCSD) and UNEP, and the "UN Global Compact Operational Guide for Medium-Scale Enterprises" developed with UNIDO.

Both the Local Networks and their annual forum continue to grow in strength. Since June 2006, at least nine Local Networks have launched with another ten in development. Many existing networks continue to evolve in terms of capacity and composition. The 4th Annual Local Networks Forum held in Barcelona in September 2006 was the largest to date, with 180 representatives from 60 emerging and operative networks. UNDP plays an important role supporting and advancing many Local Networks in developing countries. Greater detail can be found in the "Local Networks" section of this review.

And finally, the 2007 Global Compact Leaders Summit to be held in Geneva on 5-6 July will mark the United Nations' largest gathering of business leaders. Chaired by UN Secretary-General Ban Ki-moon, the Summit will feature an international roster of business leaders, government ministers, and heads of civil society. During the Summit, never-before released intelligence on socio-economic and geopolitical megatrends will be shared, as well as strategic frameworks to address a range of issues at the nexus of business and society — including climate change, human rights, anti-corruption and access to finance and capital.

Foundation for the Global Compact

The Foundation for the Global Compact was launched in April 2006 to raise funds to support the work of the UN Global Compact Office and other Global Compact-related activities. It is incorporated as a not-for-profit organization and is the official fundraising vehicle of the UN Global Compact Office with respect to the private sector. Donations are encouraged on an annual basis.

The Foundation is governed by an independent board of directors and is chaired by Sir Mark Moody-Stuart, Chairman of Anglo American plc. Foundation board members include: James Kearney, Partner, Latham & Watkins LLP; Caroline Williams, Board Member, Principles for Responsible Investment initiative; and Oliver Williams, Professor, Notre Dame University.

In its first year, the Foundation for the Global Compact received more than \$500,000 in general contributions from more than 50 Global Compact participants in support of its mission. These funds were spent on high impact activities in support of the Global Compact, including:

- · Global Compact Local Network meetings and activities
- Analysis of compliance with the Communications on Progress requirement
- Global Compact website upgrades and support
- Publishing the UN-Business Focal Point Newsletter
- Global Compact logo redesign
- Global Compact Learning Forum in Accra, Ghana, November 2006
- Developing guidance for financial reporting on sustainability
- Global Compact CD-Rom Resource Package

Additionally, the Foundation for the Global Compact is the funding vehicle for the 2007 Global Compact Leaders Summit and the Principles for Responsible Investment initiative. In such capacity, the Foundation handles all of the financial and administrative requirements for these activities, enabling them to be funded through contributions from the private sector.

Volvo

Diageo



The Foundation for the Global Compact wishes to recognize the generous donations received since its launch in April 2006:

2006*

Talal Abu-Ghazaleh Organization (TAGorg)

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2007*

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^{*} Chronological order by date of donation, as of 1 June 2007



The Global Compact's Local Networks remain the most important vehicle for increasing and intensifying the impact of the initiative – by providing on-the-ground support and capacity-building tied to distinct cultural, economic and linguistic needs. Global Compact networks can be found in approximately 80 countries around the world - ranging from the earliest stages of development to those that are highly advanced in terms of their activities and organizational structures. Since January 2006, Global Compact networks have been launched in Albania, Armenia, Belarus, Belgium, Bolivia, Croatia, Cyprus, the Dominican Republic, Georgia, Kenya, Moldova, Morocco, Netherlands, Nigeria, Switzerland and Ukraine.

The primary function of Local Networks is to promote the Global Compact principles and facilitate their implementation by participants. They undertake a variety of activities to do so, including identifying local priorities relating to responsible business, organizing learning and dialogue events, mobilizing collective action efforts and motivating participating companies to develop partnership projects to contribute to the UN Millennium Development Goals. Participants have increasingly sought

the assistance of Local Networks in preparing their annual Communication on Progress – a process which many networks consider a valuable mechanism to assure quality and deepen engagement.

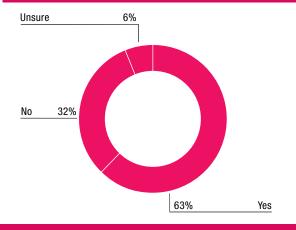
The "Global Compact Implementation Survey" shows that a majority of companies are engaged in Local Networks, and indicates that the top reasons for doing so are networking with other stakeholders and assistance with the implementation of the principles and production of COPs. For companies not engaged locally, the majority were not aware of the existence of a network in their country.

In an effort to strengthen Local Networks, regional meetings were organized for the first time in 2006 and held in Asia, Europe and Latin America. The purpose of these meetings is to ensure greater coherence and effectiveness among networks and provide networks the opportunity to exchange experiences on activities and governance. As a result of their initial success, regional meetings have already taken place in Asia, Europe, and Latin America in 2007, with plans in Africa and the Middle East later in the year.

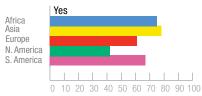
Another recent development has been the establishment of regional centers in support of the Global Compact in Bangkok and Bogotá, which have been established following the example set by existing hubs in Eastern Europe (Bratislava) and Southern Africa (Pretoria). The Global Compact Centre for Asia and the Pacific is hosted by UNESCAP in Bangkok and the Centre for Latin America and the Caribbean in support of the Global Compact will be located in Bogotá, Colombia. Regional hubs can contribute significantly to the Global Compact in a number of key areas: outreach, training of network focal points and the creation and support of Local Networks.

The 4th Annual Local Networks Forum (ALNF) was held in September 2006. With more than 180 delegates representing over 60 emerging and existing Global Compact networks, it was the largest ALNF to date. The forum – which is the formal link between the networks and the overall governance of the Global Compact initiative – is the primary occasion for Local Networks to share experiences, review and compare progress, identify best practices, and adopt recommendations to enhance the effectiveness of networks. At the 4th ALNF, participants reached an important consensus on the Forum's role as an element of the Global Compact's governance structure. The next ALNF is scheduled for October 2007 in Monterrey, Mexico.

Is your company engaged in a Global Compact Local Network?







MINIMUM CRITERIA FOR A NETWORK

- 1. Each network must be committed to the principles and multi-stakeholder nature of the Global Compact. This includes the ten principles, the practice of learning by doing, dialogue, partnerships, and striving to bring together other stakeholders.
- 2. Each network, for management purposes, should establish a focal point authorized by the network to interact with the Global Compact Office and the wider Global Compact network.
- 3. Each network should produce an annual activities report, describing activities and initiatives undertaken in the previous year. Each network is expected to run a minimum number of events or activities annually.
- 4. Each network should display a willingness to actively support efforts by participants to develop Communications on Progress, and help find solutions to situations related to the Global Compact's Integrity Measures.

TYPES OF NETWORKS

Emerging An emerging Network is one in which a contact point or promoting institution is undertaking awareness-raising and advocacy activities to promote the Global Compact within the local setting. During this phase, the main activity is the recruitment of companies and the promotion of the "business case" for engaging in the Global Compact.

Operative The contact point or promoting institution is still very important during the "operative stage", however participating companies are engaging in a more systematic and active manner. Activities include the provision and distribution of practical guidelines and tools to assist companies in implementing the principles, and supporting companies with the development of COPs. Additionally, during this phase, many Networks explore the appropriate mechanisms and relevant issuefocus best suited to ensure the initiative is carried forward.

Advanced A mature or advanced Network in most cases has a secretariat, a governing model and a sustainable financial structure established to support Network activities. Furthermore, in some cases, formal/ legal entities at the national level have been established. Activities often follow a specific agenda which has been developed and/or endorsed by the Network participants. While continuing to support the internalization of the principles, activities may also extend into other areas such as COP training and mentoring, national campaigns and the promotion of partnership project in support of broader UN goals.

UNITED KINGDOM launches new website: A new website for the Global Compact Network in the UK was officially launched in December 2006. Developed with the International Business Leaders Forum, the website is designed to improve communication among the Global Compact participating companies and will serve to promote the Global Compact in the UK.

Diversity in **FRANCE:** The French network hosted a lunch for 70 entrepreneurs from both large companies and SMEs on the issue of diversity in the workplace in April 2006, featuring a conversation between the French Minister on Diversity and Integration and the CEO of Schneider Electric.

UNITED STATES convenes first meeting in May 2006: Focusing on the theme of "Financial Markets and Corporate Responsibility", the first US network meeting featured presentations by a range of financial-sector experts on the integration of environmental, social and governance issues into investment processes and decision-making.

SME training in **MEXICO**: An eight-hour training course presents in a simple manner how to implement the ten principles into the daily operations of small- and medium-sized companies. Developed by UNDP, the SME course has been presented to over 100 companies across the country.

ARGENTINA hosts "GC Business Forum for Latin America and the Caribbean": This four-day meeting held in Buenos Aires in May 2007 was attended by 300 participants and provided a variety of workshops and forums. A key outcome was the establishment of recommendations on the local engagement of subsidiaries of multinational companies participating in the Global Compact.

NIGERIA hosts "Corporate Social Responsibility in the 21st Century": This international conference took place in Abuja, Nigeria in March 2007. Organized by the Global Compact network, the meeting was attended by nearly 200 participants from all stakeholder groups, including a presidential representative, business executives and civil society.

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SOUTH AFRICA seminar on responsible investment: In August 2006, UNISA's Centre for Corporate Citizenship (CCC) began its campaign to raise awareness of responsible investment by hosting seminars related to environmental, social and corporate governance in cooperation with the GC network.

Global Compact HIV Counselling Course in **ZAMBIA**: In April 2006, the Global Compact, together with Zambia National Aids Network (ZNAN), organized an HIV/AIDS counselling course for the private sector aimed at promoting HIV/AIDS sensitization in the workplace.

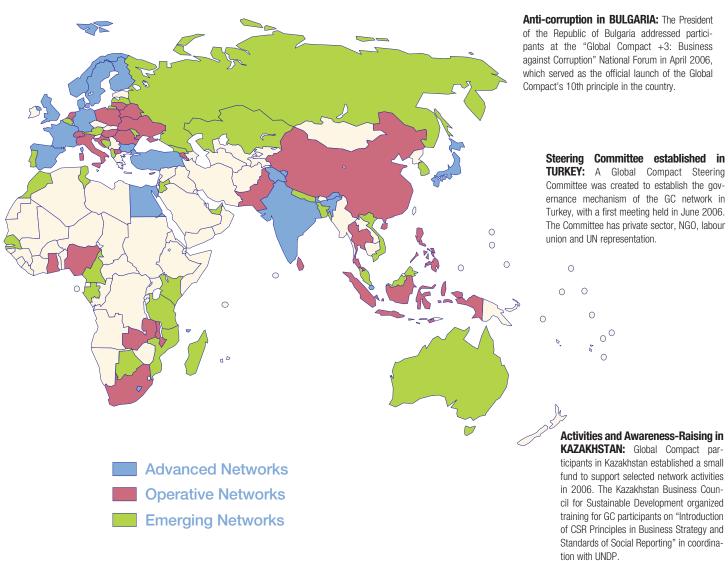
EXAMPLES OF NETWORK ACTIVITIES January 2006 - May 2007

NORDIC Conference on "United Nations and Business Partnerships: New Opportunities in Partnering for Development": This event, hosted in April 2006 by the GC Nordic Network. the Global Public Policy Institute and UNDP, explored the increasing number of multi-stakeholder partnerships to address development challenges such as poverty, corruption and HIV/AIDS.

LITHUANIA contributes to the Millennium Development Goals:

GC business leaders in Lithuania representing many industries (telecommunications, oil, production, pharmaceutical and information technologies) entered into a partnership with UNDP to promote the Millennium Development Goals through a public-awareness campaign entitled "Time to Help Others".

Employment partnership project in FORMER YUGOSLAV REPUBLIC OF MACEDONIA: In 2006, a Global Compact participant agreed to partner with UNDP FYR Macedonia on a project entitled "Employment Mediation" to target young people with secondary school and university education. The aim was to provide work experience to 600 young, unemployed people - helping them to gain skills and raise their marketability in the labour market.

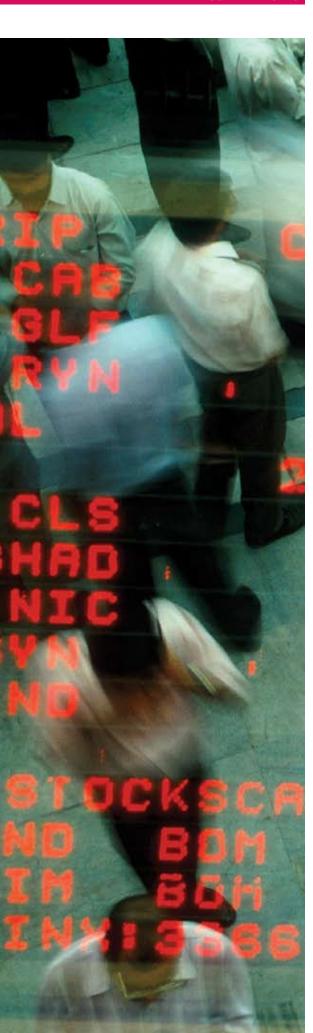


KENYA network platform for Public-Private **Dialogue:** In February 2007, a UN Global Compact Network was launched in Kenya as part of a larger Public-Private effort titled "A Compact for Nation-Building and Competitiveness". The network is being implemented by UNDP in partnership with the Federation of Kenya Employers, Kenya Association of Manufacturers and the Kenya Private Sector Alliance.

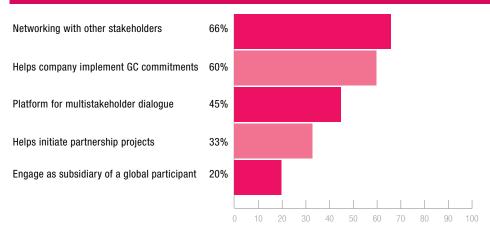
SRI LANKA meeting on strategic CSR: Together with the Chartered Institute of Management Accountants, a GC network workshop was held in June 2006 on strategic corporate responsibility. The workshop focused on building a new business model for sustainable development of Sri Lankan organizations.

Activities and Awareness-Raising in KAZAKHSTAN: Global Compact participants in Kazakhstan established a small fund to support selected network activities in 2006. The Kazakhstan Business Council for Sustainable Development organized training for GC participants on "Introduction of CSR Principles in Business Strategy and Standards of Social Reporting" in coordina-

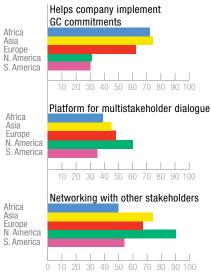
PHILIPPINES hosts forum on Corporate Social Responsibility: The September 2006 Asian Forum on Corporate Social Responsibility was an important CSR event in Asia with the theme: "Harnessing CSR for Development and Democracy" and supporting the Global Compact and the Millennium Development Goals.



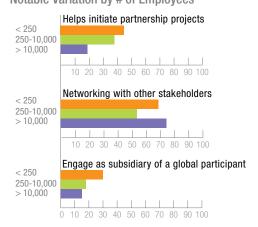
Why is your company engaged in a Global Compact Local Network?



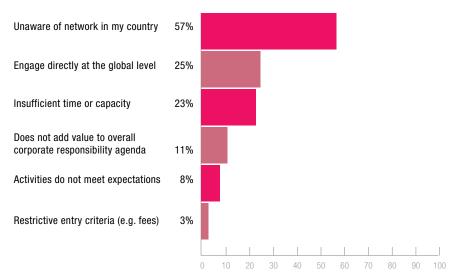
Notable Variation by Region



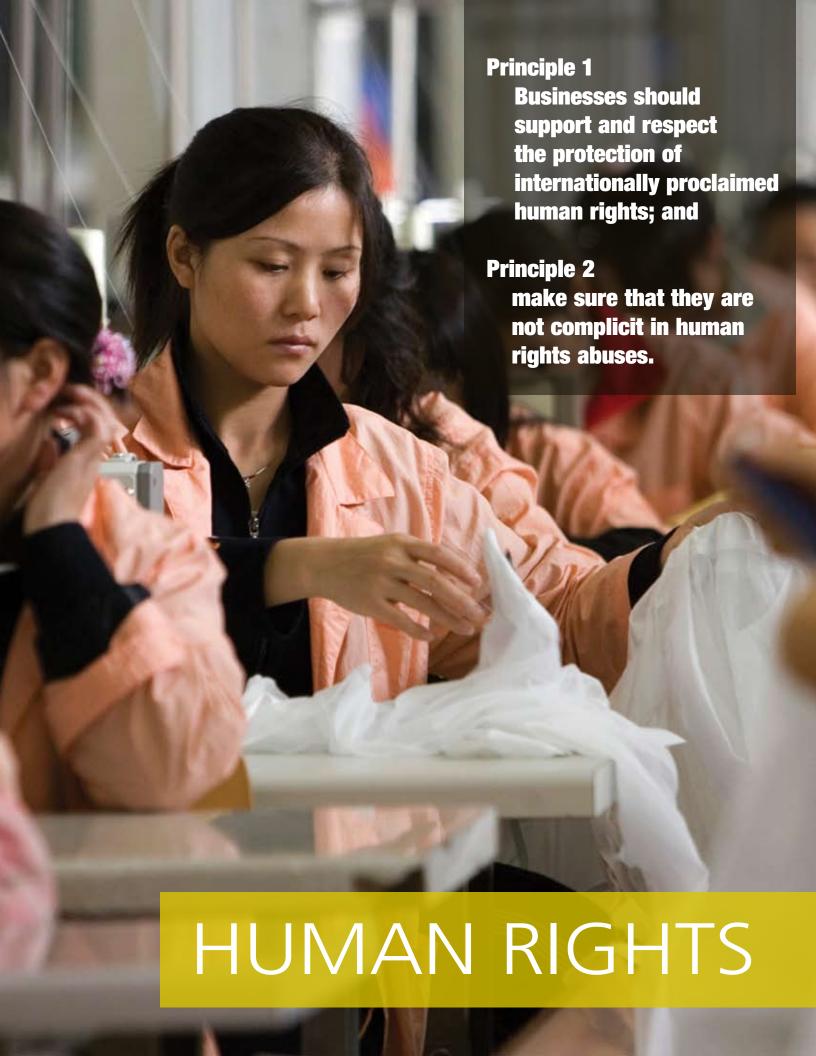
Notable Variation by # of Employees



Why is your company NOT engaged in a Global Compact Local Network?







HUMAN RIGHTS 25

The upcoming 60th anniversary of the Universal Declaration of Human Rights will likely place increased attention on human rights, a topic which remains contentious particularly among those who favor binding international legal obligations for business, versus those who dispute the need for more regulation. The Global Compact steers a middle course, seeking to move the agenda forward by emphasizing the business case and the practical actions that companies can take within their own operations and spheres of influence

For many businesses around the world, human rights remains an ambiguous or altogether unfamiliar area. Uncertainty exists in many aspects, including the specific relevance of human rights to business, determining which human rights to give priority, and expectations for how business should respect and promote these rights. A report released in March 2007 by the Special Representative of the Secretary-General on Business and Human Rights under-

scores this knowledge gap. Among other findings, Special Representative John Ruggie concluded that "leading business players recognize human rights and adopt means to ensure basic accountability" but that "no single silver bullet can resolve the business and human rights challenge. A broad array of measures is required, by all relevant actors".

The Global Compact's survey of participants on human rights policy implementation reflects this. There is a fairly high level of general awareness of human rights, with less widespread occurrences of specific practices, for example risk and impact assessments, or policies that extend beyond direct employees to include supply chain and other business partners.

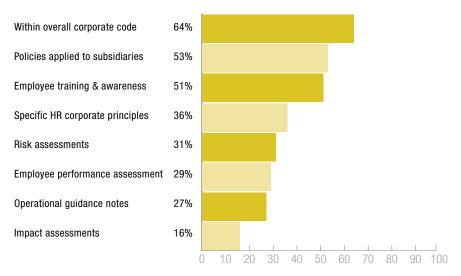
Part of the challenge has been a lack of suitable tools and practical information. To this end, the Global Compact has emphasized learning and dialogue as ways to build capacity. Over the past two years, the Global Compact has worked with partners to generate information about good practices and to produce relat-

ed guidance materials, including: "Embedding Human Rights into Business Practices: Volumes I & II", "Guide to Integrating Human Rights into Business Management", "Human Rights and Business Learning Tool", and "Human Rights Impact Assessment Guide".

The Global Compact's human rights program will now focus on tool dissemination and enhancing the accessibility of resources for non-English speakers. Additionally, the Global Compact will increase emphasis on sourcing good practices from Southern companies, thereby highlighting the universality and global relevance of human rights.

Another area of focus at the Global Compact is enhancing coherence with other entities that share a similar interest in business and human rights by working more closely on practical ways to advance the agenda. To this end, a Human Rights Working Group was launched in January 2007 to offer high level guidance on the strategic direction of the Global Compact's human rights work.

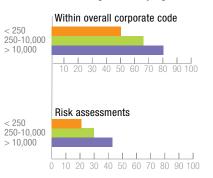
How does your company take human rights into account in its policies or practices?



Notable Variation by Region



Notable Variation by # of Employees





OIL & GAS SECTOR MEETS ON HUMAN RIGHTS

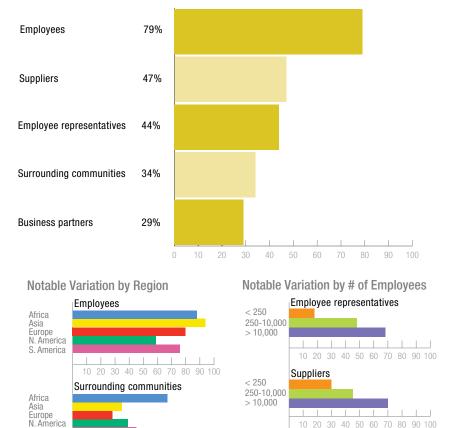
A series of peer-to-peer industry forums for the oil and gas sector have been held for companies to share practical experiences and exchange the challenges and opportunities they face in implementing the ten principles. In July 2006, the Global Compact and the Association of Oil and Natural Gas Producers in Latin America and the Caribbean (ARPEL) hosted a meeting in Mexico for oil and gas companies from across Latin America which focused exclusively on human rights practices. In March 2007, the Global Compact — with the World Petroleum Council — convened a second workshop for the Asian region.



HUMAN RIGHTS WORKING GROUP

Chaired by Mary Robinson, President of Realizing Rights: The Ethical Globalization Initiative, the Human Rights Working Group has approximately 30 members from the UN, business and civil society. As well as helping advance the goal of coherence among interested parties, it is expected that the Human Rights Working Group will further define areas of work where the Global Compact has a comparative advantage. Additionally, it will contribute to the development of new forms of learning and dialogues, with a possible focus on the sectoral dimension of human rights. Identifying new and effective ways for involving the Global Compact's extensive local network infrastructure in this human rights work is also a priority of the working group.

Which stakeholders do your company's human rights policies or practices encompass?



Human Rights in Practice

Cemex One of the world's leading building-solutions companies, the Mexico-based company's "Patrimonio Hoy" initiative provides low-income families with access to low-cost materials to build or upgrade a home. The program addresses the limited financing options that prevent families from residing in or improving a dwelling. The company has established centers throughout Mexico which have so far aided over 120,000 families. Through the "Piso Firme" program, the company has helped over 200,000 families replace dirt floors with concrete. CEMEX is leveraging its core strengths as a building-solutions company to help reduce slum housing and the related unsanitary, unstable conditions. In the process, the company is gaining thousands of loyal customers from a previously untapped sector of the population.

Eskom South Africa's electricity utility has incorporated issues of human rights - especially those relating to employment equity and the local social needs of the country - into its decision-making processes. In South Africa, Eskom developed employment equity policies,

performance indicators and reward systems to ensure that the organization is representative of the country in which it operates. Affirmative action, gender equity and the rights of people with disabilities are key elements. Similarly, targets and performance indicators are set for procurement practices that proactively support and develop Black Economic Empowerment (BEE) and, in particular, black woman-owned business and small- and medium-sized enterprises.

10 20 30 40 50 60 70 80 90 100

S. America

Novartis The Swiss-based pharmaceutical company has moved to global implementation of a "Living Wage" throughout the company. The policy calls for payment of a fair wage that meets or exceeds the amount needed to cover basic living needs. Workshops have been organized to discuss the living wage methodology and implementation. Future plans include research on necessary conditions and feasibility of expanding the policy to third parties. Novartis is one of the first major international industrial companies to implement such a commitment.

Starbucks With operations in approximately 40 countries, the Starbucks Coffee Company has developed a

wide range of corporate social responsibility practices at various levels of its supply chain. One initiative designed for the farm level is Starbucks' responsible sourcing program: Coffee and Farmer Equity (C.A.F.E.) Practices. In combination with financial incentives and long-term supplier-buyer relationships, the C.A.F.E. Practices program is a set of environmental and social guidelines against which suppliers are scored. If suppliers achieve good standing, they receive premium prices for their coffee and are given first consideration when Starbucks is making purchasing decisions.

10 20 30 40 50 60 70 80 90 100

Business partners

< 250

250-10,000 > 10,000

Titan India's leading manufacturer of watches and jewellery employs a community development policy specifically to provide opportunities to disabled people in a variety of functions including packing, polishing, assembling and sorting. Titan subcontractors also hire large numbers of disabled workers. From the recruitment process and training on technical and computer competence to adapting safety standards and upholding discrimination policies, the company has made efforts to employ those with special needs and create a conducive work environment.

Resources & Tools



A Guide for Integrating Human Rights into Business Management This Guide offers practical guidance for business on how to internalize human rights principles in company operations and activities. It demonstrates that advancing human rights is as much about realizing new opportunities as it is about

managing risks and meeting standards and expectations.



Human Rights Impact Assessment Guide This guide to Human Rights Impact Assessment and Management gives an overall view to the process of implementing a human rights assessment program into a corporation. It identifies eight crucial steps as the major milestones, beginning with contextualizing the process and setting

baselines, moving on to managing implementation and then ending with monitoring and evaluation.

Human Rights and Business Learning Tool This is an Internet-based learning tool developed by OCHCR and the UN Staff College in consultation with the Global Compact. It is intended to assist managers and corporate responsibility professionals in companies participating in the UN Global Compact.

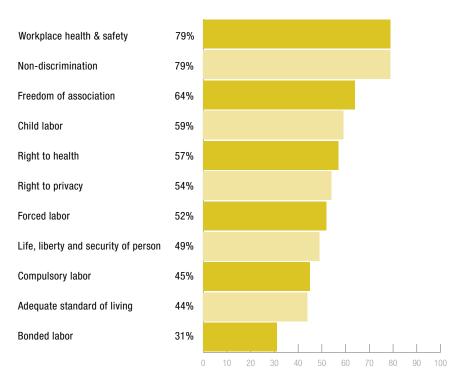
Human Rights Framework

This poster offers a brief framework for companies to use in implementing a human rights policy and is designed to give a publicly displayed, easily referenced overview of such policies to a wide audience. It will be translated into each of the six official UN languages.

CONVENTION ON THE RIGHTS OF THE DISABLED

The Convention on the Rights of Persons with Disabilities was adopted on 13 December 2006 and opened for signature on 30 March 2007. As of 1 May 2007, it had 89 signatory states and one ratification. The Convention seeks to shift attitudes and approaches to persons with disabilities away from a charity approach to one where persons with disabilities are empowered and active in claiming their rights. The private sector has a significant role to play in promoting the rights of persons with disabilities and this Convention addresses the state's duty to protect human rights in the business context directly, rather than as part of generalized obligations as many previous human rights conventions have done. The Global Compact Office has participated in consultations on the practical implementation of the Convention with other UN bodies, businesses and civil society organizations.

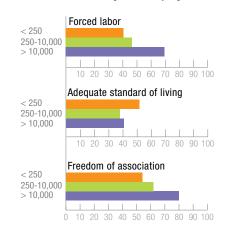
What areas of human rights are included in your company's policies or practices?



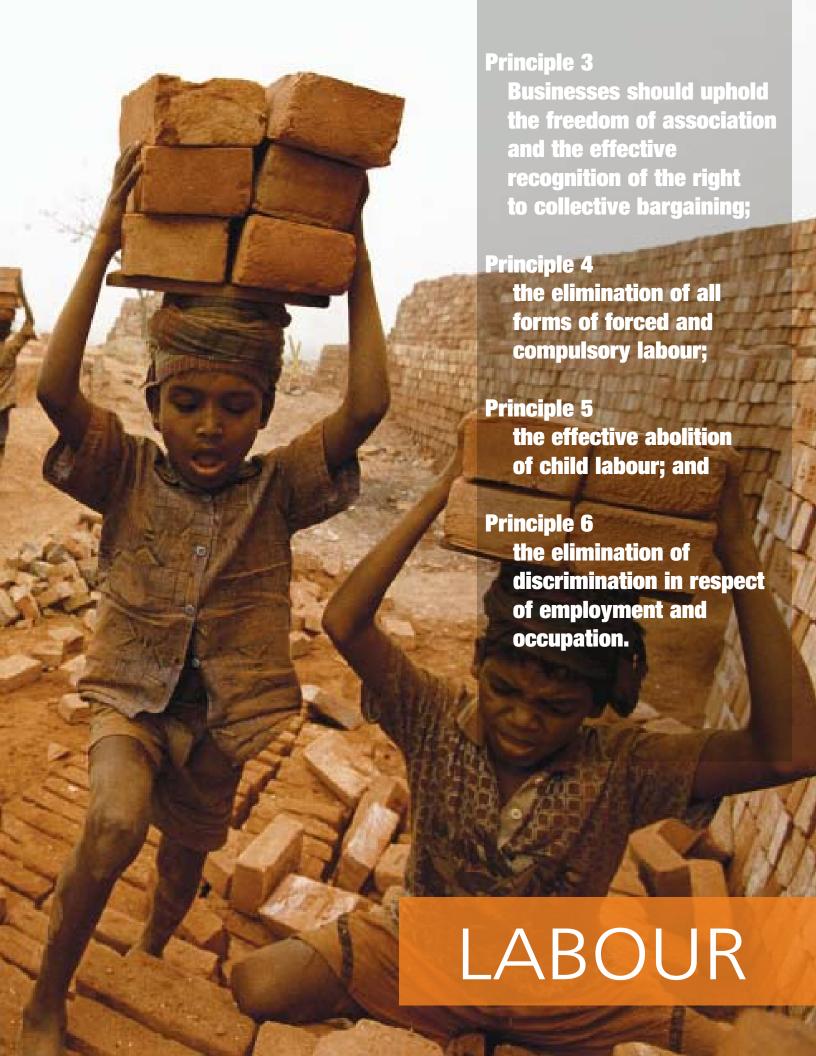
Notable Variation by Region

Africa Asia Europe N. America S. America Africa Asia Europe N. America Asia Europe N. America S. America S. America Africa Asia Europe N. America S. America S. America Africa Asia Europe N. America S. America

Notable Variation by # of Employees







LABOUR 29

The Global Compact's labour principles address the four topics of the ILO Declaration on Fundamental **Principles and Rights at Work:** freedom of association and collective bargaining. forced labour, child labour, and non-discrimination. Much of the Global Compact's work on the labour principles in the past year has focused on Principle 6: "the elimination of discrimination in respect of employment and occupation". Interestingly, the "Global Compact Implementation Survey" shows that equal opportunity policies were the most common responsible labour practice implemented by respondents, followed by employee training and awareness programs, use of good industry practices, and policies against forced and child labour.

In the area of non-discrimination, a recent highlight was the international "Global Compact Dialogue: Combating Discrimination and Promoting Equality for Decent Work" which took place in London in October 2006. A useful outcome of the event was the exchange of good practices from around the world and the bringing together of research and guidance materials on all aspects of non-discrimina-

tion and diversity that have been produced by the ILO for business. Meeting workshops covered topics such as equal opportunities for men and women, ethnic discrimination, age discrimination, discrimination on the basis of HIV/AIDS status, and disability.

The Global Compact also co-hosted a symposium at United Nations Headquarters in New York in June 2007 entitled "Globalization and Diversity: Unleashing the Power of Diverse Workers, Suppliers and Customers".

Important initiatives have also been taken in the area of forced labour. The ILO has called for a Global Alliance against Forced Labour, which envisages a Business Alliance on the subject, to help companies take safeguards against the risk of forced labour in their supply chains. The ILO's Special Action Programme to Combat Forced Labour is currently consulting with a range of employers' organizations and other stakeholders to discuss approaches for intensifying involvement of the business community in action against forced labour. Initial proposals, involving ten principles for business leaders on action against forced labour, were presented at a meeting in Hong Kong in April 2007. These

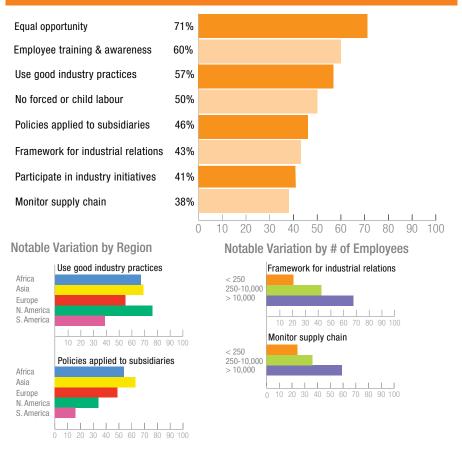
are intended as basic guidelines for companies that wish to form part of a Business Alliance.

Progress has also been made in advancing the principle on child labour with the release of "Guidelines for Developing Child Labour Monitoring Process" by the ILO and the International Programme on the Elimination of Child Labour (IPEC) in 2006. The child labour tool provides useful information on how to design, develop and operate child labour monitoring, along with practical examples that will help to adapt the model to specific situations.

Working with the respective units of the ILO and Global Compact stakeholders, the Global Compact hopes to do more to advance the child labour and forced labour principles over the next twelve months.

A final development relevant to all of the Global Compact's labour principles was the achievement of consensus by international organizations of employers and workers on materials to explain the labour principles. This material can be found on the Global Compact CD Rom entitled "Your Guide to the Global Compact - A Resource Package" which is available from the Global Compact Office.

How does your company take into account the labour principles of the Global Compact in its policies or practices?





30 LABOUR

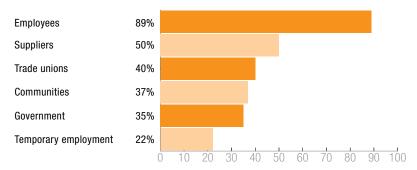
ROUGH GUIDE TO THE 2006 GLOBAL COMPACT POLICY DIALOGUE: COMBATING DISCRIMINATION AND PROMOTING EQUALITY



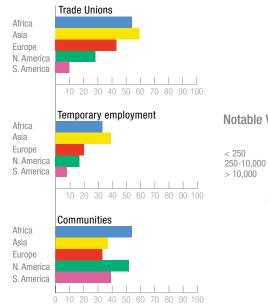
A comprehensive background document was prepared in connection with the Global Compact Dialogue: Combating Discrimination and Promoting Equality for Decent Work. It contains facts sheets on a number of aspects of non-discrimination in the workplace, which draw on the latest ILO research.



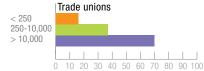
Which stakeholders are given consideration in your company's policies and practices concerning labour standards?



Notable Variation by Region



Notable Variation by # of Employees



Workplace Standards in Practice

CISCO In 2001, Cisco partnered with the United Nations Development Fund for Women (UNIFEM) to create the "Achieving E-Quality in the IT Sector" program in North Africa and the Middle East. This program provides scholarships and training to women in underserved communities. The goal of these projects is to increase the number of women contributing to a country's economic development. Since the project's inception, 1,620 students have participated in the program, with 44% female enrollment. In Jordan, for example, the project was initiated to increase the participation of women in higher-level IT positions by providing technical and soft-skills training, and lobbying to establish a gender-sensitive policy environment within the Government. Similar projects with UNIFEM are underway in Morocco and Lebanon.

MAS One of Sri Lanka's largest apparel manufacturers, MAS Holdings employs more than 40,000 people in 28 factories in 8 countries; nearly 90% of the workforce is female. In November 2003, the company launched "MAS Women Go Beyond", a program championing the cause of women's empowerment. The program focuses on ensuring employees' career advancement, strengthening their work-life balance and rewarding excellence. Under the program,

all 18 apparel manufacturing business units are required to develop the Go Beyond program into an actionable framework. In 2006, MAS partnered with GAP Inc to launch the GAP Go Beyond program which focuses on providing sustainable development education to students and women in the local community. MAS has also formed an alliance with the Women's Edge Coalition — a US-based advocacy group engaged in advocating for international economic policies and human rights that support women worldwide — in order to strengthen its ethical manufacturing practices and increase consumer awareness.

Tata Steel Tata Steel, a leading global steel producer based in India, took early and decisive steps to adopt many personnel and operational management practices long before they became law. Examples include the 8-hour working day (1912), workers' compensation (1920) and maternity leave (1928). The company is now working both up and down the supply chain to implement a "Total Quality Management" approach to ensure the quality of the workplace. In collaboration with Social Accountability International (SAI), the guardian of the SA8000 standard that manages ethical workplace conditions, Tata Steel is adopting data-driven, fact-based analytical processes for

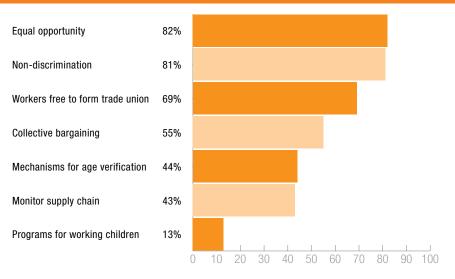
measuring workplace performance. With a well-structured human rights system already in place, Tata Steel attained SA8000 certification in 2005, and the company's Sukinda unit was the first mine in the world to be SA8000 certified.

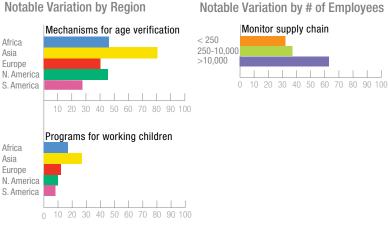
Volkswagen In an effort to strengthen worker health and safety measures of its suppliers, Volkswagen joined together with the International Labour Organization (ILO) and the German Corporation for Technical Cooperation (GTZ) in a public-private partnership on safe-work programs. Started in 2004, the project was tailored to meet the needs of small- and medium-sized businesses in Volkswagen's supply chain, and has involved staff within Volkswagen and its suppliers in Mexico, South Africa and Brazil. Under the program, each supplier is given a profile of its strengths and weaknesses by a team of consultants from public authorities, factory inspectors and planners, as well as Volkswagen. Suppliers have implemented all of the recommendations provided by the team, improving conditions for workers throughout Volkswagen's supply chain. Additionally, through their efforts, Volkswagen, the ILO and GTZ have produced a replicable model that will hopefully positively impact the supply chains of other large companies.

BUSINESS PRINCIPLES TO COMBAT FORCED LABOUR AND HUMAN TRAFFICKING

- Have a clear and transparent company policy, setting out the measures taken to prevent forced labour and trafficking. Clarify that the policy applies to all enterprises involved in a company's product and supply chains;
- Train auditors, human resource and compliance officers in means to identify forced labour in practice, and seek appropriate remedies:
- Provide regular information to shareholders and potential investors, attracting them to products and services where there is a clear and sustainable commitment to ethical business practice including prevention of forced labour;
- Promote agreements and codes of conduct by industrial sector (as in agriculture, construction and textiles), identifying the areas where there is risk of forced labour, and take appropriate remedial measures;
- Treat migrant workers fairly. Monitor carefully the agencies that provide contract labour, especially across borders, blacklisting those known to have used abusive practices and forced labour;
- Ensure that all workers have written contracts, in language that they can easily understand, specifying their rights with regard to payment of wages, overtime, retention of identity documents, and other issues related to preventing forced labour;
- Encourage national and international events among business actors, identifying potential problem areas and sharing good practice;
- Contribute to programmes and projects to assist, through vocational training and other appropriate measures, the victims of forced labour and trafficking;
- Build bridges between governments, workers, law enforcement agencies and labour inspectorates, promoting cooperation in action against forced labour and trafficking;
- Find innovative means to reward good practice, in conjunction with the media.

Which of the following aspects are included in your company's policies and practices?





Links to Resources

Global Compact Policy Dialogue: Combating Discrimination and Promoting Equality for Decent Work www.policydialogue2006.org/ilo-resources/index.php

Rough Guide to the 2006 Global Compact Policy Dialogue: Combating Discrimination and Promoting Equality http://www.unglobalcompact.org/docs/issues_doc/labour/2006_Global_Compact_PolicyDialogue.pdf

ILO-IPEC Guidelines for Developing Child Labour Monitoring Processes:

http://www.ilo.org/iloroot/docstore/ipec/prod/eng/2005_clm_guidelines_en.pdf





ENVIRONMENT 33

The Global Compact's commitment to environmental protection is firmly embedded in its foundational spirit and three environmental principles. The 1992 Rio Declaration lays out the responsibility to ensure that our activities do not cause harm to the environment of our neighbors. More recently, the rise of climate change as a fundamental issue for society has emphasized the need for leadership and voluntary action on the environment, including in the areas of biodiversity and responsible management of chemicals, wastes and water. The importance of early action is increasingly recognized.

The Global Compact — through our close partnership with the UN Environment Programme (UNEP) — has involved companies from all regions and a range of industry sectors in learning activities to build support in the advancement of cleaner and safer technologies. These include: assessment or audit tools, management tools, information tools and stakeholder engagement related to environmental performance. The aim is to promote capacity-building across a broader spectrum

of companies, helping to not just steer clear of basic risks, but also to help innovative leaders turn new opportunities into a broader reality.

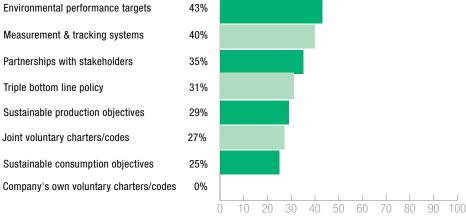
The "Global Compact Implementation Survey" reveals the current level of implementation on a variety of environmental policies and practices across regions and company sizes. A key observation is that less than half of companies report implementation of basic measures, such as environmental performance targets and systems to track performance. None indicate having their own voluntary charter codes in place, perhaps signaling the more common use of publicly available systems such as ISO 14001.

The survey shows that most respondents with policies and instruments in place apply them to employees at headquarters. A sizeable number of participants also indicate application of policies at sites owned by the firm or where it has significant influence. UNEP, the Global Compact and Sustainability are now undertaking work to examine the promotion of environmental standards through global supply chains. The "Unchaining Value" initiative will be released at the Global Compact Leaders Summit in July 2007.

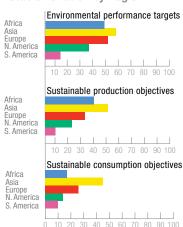
The survey also shows that the range of tools used by companies correlates with size. While companies of all sizes appear to appreciate the importance of training, much more progress needs to be made in the application of life-cycle analysis and eco-design, for instance. In addition, systematic monitoring and reporting of progress on environmental performance still requires further mainstreaming.

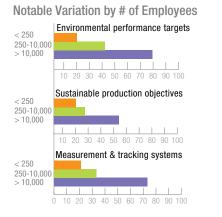
Given the growing consensus that the climate change agenda will affect business and society in fundamental and transformative ways, it would not be surprising to see implementation statistics on the Global Compact's environmental principles increase in coming years. There are several emerging initiatives linked to the Global Compact that seek to help companies address climate change and other environmental challenges. These include "Caring for Climate: The Business Leadership Platform" - a joint project of UNEP, WBCSD and the Global Compact - and the Principles on Climate Leadership launched jointly with the City of San Francisco and the Bay Area Business Council.

Which of the following environmental policies or practices does your company have in place?











THE GLOBAL COMPACT ENVIRONMENTAL PRINCIPLES TRAINING PACKAGE

The Global Compact Environmental Principles Training Package provides a practical kit for trainers, managers and employees to improve their understanding of how to implement the three environmental principles. It provides an up-to-date introduction to corporate environmental responsibility and makes the link with quality management. The package contains a set of training modules (both a Trainer's Manual and a Delegates' Manual for trainees), case studies, sources for further information and PowerPoint slides related to each of the module sessions. Trainers are encouraged to adapt the training and slides for their use. The package is available online in English and Mandarin at: www.unep.fr/outreach/compact/trainpack.htm

CARING FOR CLIMATE: THE BUSINESS LEADERSHIP PLATFORM

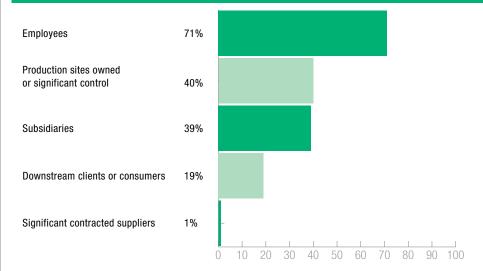
In advance of the 2007 Global Compact Leaders Summit, the Global Compact launched a Global Business Leadership Platform on Climate Change. All business participants were invited to join by becoming signatories of a statement, "Caring for Climate: The Business Leadership Platform".

Through the Statement, business leaders can express the urgent need for all businesses, governments and citizens to take steps to address climate change. The Statement was prepared by a consultation group comprised of business and civil society representatives convened by the Global Compact, UNEP and the WBCSD, and has received broad support among the Global Compact's multi-stakeholder Board. As of June 2007, it has been signed by over 90 companies from a variety of industries and regions.

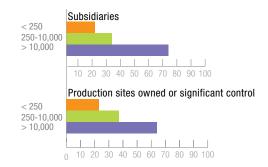
The Statement is not a new requirement for Global Compact participation, rather it is an optional platform for participants who wish to advance climate change solutions. Other measures taken by companies to preserve the environment and to address their carbon footprint will continue to be equally appreciated under the UN Global Compact.



To which entities do your environmental policies and related instruments apply?



Notable Variation by # of Employees



Environmental Protection In Practice

BHP-Billiton BHP-Billiton is the world's largest diversified resources company. In response to the risk of climate change associated with increasing emissions of greenhouse gases (GHG), the company has committed to improving the management of energy and GHG emissions from its operations. A significant step has been the development of technology that captures methane from coal mine ventilation and converts it to electricity at the West Cliff Colliery in Australia. Successfully started-up in early 2007, the company's West Cliff project, in partnership with MEGTEC Systems AB and the Australian Government, is the world's first commercial ventilation air methane oxidation project. At current operating rates, the total methane captured and destroyed by the process is expected to be 260,000 tonnes of carbon dioxide equivalents per year.

Johnson Controls A leader in automotive systems and facility management, this US-based company provides sustainable solutions for reducing energy consumption and GHGs globally. Its energy efficiency projects expected to be implemented between 1990 and 2020 will provide \$95 billion in energy savings and

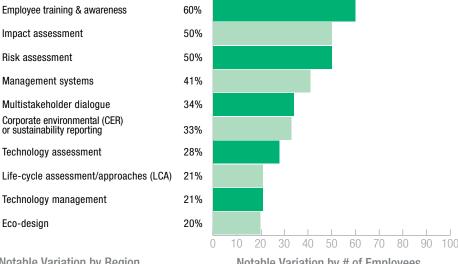
1.3 billion tons of carbon dioxide emission reductions. Two areas of focus are greener buildings (providing the tools to enhance heating, ventilating and air-conditioning systems, lighting and electrical systems, control systems, motors and pumps, and eliminating leaks and waste) and battery technology (developing high voltage nickel metal hydride and Lithium-ion batteries to advance the technology in terms of performance, weight, size and cost). Johnson Controls also shares best practices through a number of environmental groups, associations and government-sponsored programs to help others with their environmental efforts including GHG reductions.

SEKEM This Egyptian group of companies established the non-governmental, non-profit organization Egyptian Biodynamic Association (EBDA). Through its research, EBDA was the first in the world to cultivate and harvest biodynamic cotton in 1991. One direct result of this achievement was a landmark reduction in the use of synthetic pesticides in Egypt by over 90 percent, from over 35,000 tons per year to about 3,000 tons. At the same time, the average yield of raw cotton was increased by almost 30 percent. The EBDA also provides training and

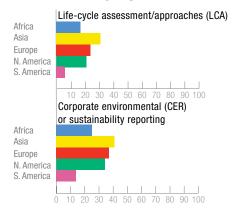
expertise needed to enable the farmers to have their land inspected and certified as organic according to European Union standards. The EBDA has been instrumental in the successful conversion of more than 800 farms with over 8,000 acres to biodynamic agricultural farming. Simultaneously, it embraces the biodynamic agriculture techniques which maintain the vitality of the earth and the environment.

Veolia Veolia Environment has ongoing campaigns aimed at educating consumers and children on saving water and energy. In many cases the campaigns have also been initiated by subsidiaries, particularly useful for helping with demand-side management. The company has given life to this awareness raising campaign through the creation of a mascot, Victor, an associated newsletter, awards for externally developed initiatives, school books and an educational kit for schools which has been translated by several local subsidiaries, all focused on water savings and protection. In 2007, Veolia Environnement announced its "Tales around the world - life stories of people with nature", its fourth environmental awareness campaign aimed at students between 8 and 11 years of age.

Which tools does your company employ to help implement environmental policies and practices?







Notable Variation by # of Employees

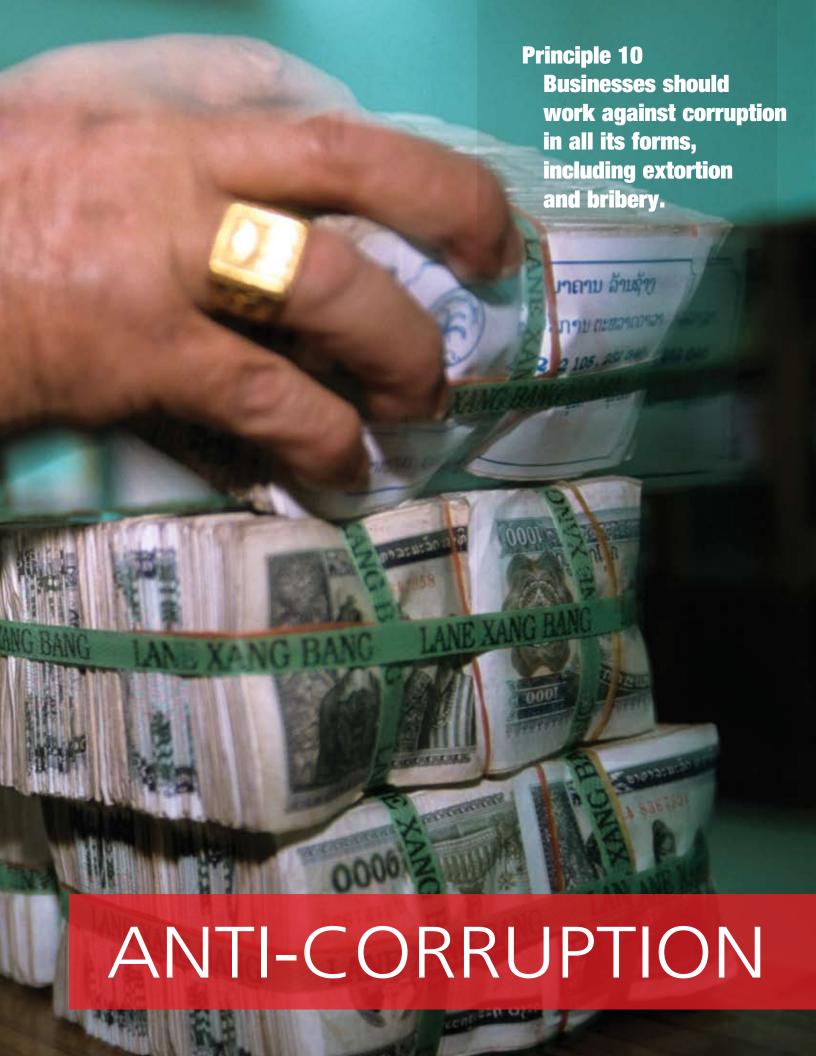




LAUNCH OF PRINCIPLES ON **CLIMATE LEADERSHIP IN SAN FRANCISCO**

The Global Compact, the City of San Francisco, the Bay Area Council and a wide array of San Francisco Bay Area businesses launched a unique partnership in March 2007 to foster efforts to reduce greenhouse gas emissions in the Bay Area's commercial sector. The initiative - the Principles on Climate Leadership - will give Bay Area businesses a strategic framework to address climate change, as well as a forum to share best practices to reduce greenhouse gasses in both large and small companies. In addition, the initiative will create a model for climate action in the commercial and public sectors that the Global Compact will seek to place in companies and cities around the world. More the 20 companies from a variety of sectors, including Gap Inc., Gensler, Google, PG&E and Shaklee, officially endorsed the five Principles on Climate Leadership: Internal Implementation, Community Leadership, Advocacy and Dialogue, Collective Action, Transparency and Disclosure.





The Global Compact's 10th principle against corruption was introduced in June 2004 after extensive consultation with the initiative's participants and stakeholders. To help companies in their implementation of the principle, the Global Compact's efforts have focused on the recommendation of tools, the collection of practical examples, and the creation of partnerships with leading organizations such as Transparency International, the International Chamber of Commerce, the World Economic Forum Partnering Against Corruption Initiative (PACI), the World Bank Institute, and many more.

Implementation of the Global Compact's 10th principle has greatly underscored the importance of collective action. It encourages cooperation between corporate participants and other stakeholders and policy makers. A number of Global Compact networks around the world have already undertaken collective action inspired by the 10th principle. Dialogues and joint actions have

begun to take place on quite a large scale in places such as Malawi, Egypt, Norway, Germany, Bulgaria, Denmark, Brazil and Argentina. Some of the most encouraging examples include business voices speaking jointly to public institutions, making the case that business will become more competitive only if public institutions are more effective.

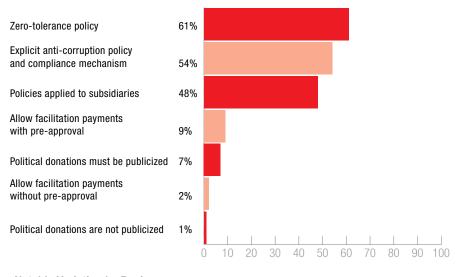
Finding the right balance between regulatory and voluntary approaches is essential; business-led approaches must be an integral part of any comprehensive anti-corruption strategy. They cannot substitute effective regulation, but they certainly can complement such efforts. This is where voluntary business-led initiatives, such as the Global Compact, can play an important role — helping to make the case for good corporate performance and giving impetus to broad-based change.

Regarding implementation of the 10th principle, the "Global Compact Implementation Survey" shows that over half of respondents do have explicit anti-corruption policies for employees addressing bribery and anti-cor-

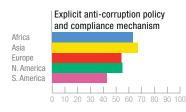
ruption, as well as a zero-tolerance policy towards corruption. There is a strong correlation between company size and the likelihood that an explicit anti-corruption policy with procedures and compliance mechanism has been implemented — with larger companies showing higher implementation rates. When it comes to specific actions to implement corruption policies, the survey shows a lower level of action in key areas — with less than 30% of companies having anonymous hotlines for reporting of corruption instances or sanction systems dealing with anti-corruption policy breaches, and less than 5% recording instances of corruption, facilitation payments and gifts.

The integration of anti-corruption into the corporate citizenship agenda is an important development. We are still determining what practices work best and how to internalize them, but we do know that there are at least two viable pathways ahead: advancing a principle-based organizational change process across all organizations and fostering collaborative efforts that involve all actors in society.

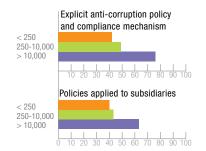
Which of the following describes your company's policies and management systems related to anti-corruption?



Notable Variation by Region



Notable Variation by # of Employees





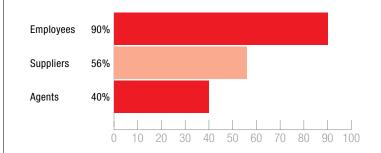
WORKING GROUP ON THE 10TH PRINCIPLE

A global multi-stakeholder working group was launched directly after the introduction of the 10th principle to provide strategic input to the Global Compact's work on anti-corruption. The working group consists of 17 members from the corporate sector, six representatives from civil society and CSR organizations, one labour representative, one academic and two international institutions. In 2006, working group members participated in the creation of various tools and in the collective action expert group meeting, as well as the Forum on Civil Society and Private Sector during the Conference of State Parties of the UN Convention against Corruption. Furthermore, the Working Group works closely with Local Networks, which are in the best position to report on local conditions and tools being developed on the ground.

UN CONVENTION AGAINST CORRUPTION

During the Conference of States Parties to the UN Convention Against Corruption (UNCAC) held in Jordan on 10-14 December 2006, the Global Compact jointly with Transparency International, the International Chamber of Commerce, the World Economic Forum Partnering Against Corruption Initiative was invited to organize a Forum on Civil Society and Private Sector. From a business perspective, UNCAC holds the potential to become the global framework for combating corruption which will pave the way for the establishment of a level playing field for all market participants. A key objective of UNCAC is to bring a higher degree of uniformity in the formulation and application of anti-corruption rules across the world. At the Forum, civil society and private sector voluntary initiatives on anti-corruption were presented and a joint declaration on the UN Convention against Corruption was drafted and presented to government delegates.

To which entities do your anti-corruption policies and related instruments apply?



Resources & Tools

Business against Corruption: A Framework for Action To help com-



panies deal with corruption in every aspect of their operations, the Global Compact, the Prince of Wales International Business Leaders Forum, and Transparency International jointly released this publication in December 2005. It is a first guide for companies preparing to implement the 10th principle and to deal with corruption in every aspect of their operations. It provides a road map

to sources and tools which will assist in the practical application of policies designed to eliminate corruption.

Business against Corruption: Case Stories and Examples This publication was



released in February 2006 by the Global Compact in partnership with the UN Office on Drugs and Crime. It brings together more than 25 civil society and company experts to give guidance and share their experiences on difficult dilemma situations around corruption. The compendium addresses areas such as the implications of the UN Convention against Corruption, implementing anti-bribery programs, selecting agents and consultants, handling of facilitation payments and gifts, corruption in partnership

projects, whistle-blowing and external reporting on corruption, and engaging in national and regional initiatives against corruption.



Anti-Corruption Web Portal for SMEs This web portal was launched in 2006 by the Danish Ministry of Foreign Affairs in partnership with the Danish Development Cooperation Agency (DANIDA) and Global Advice Network. Developed with input from the Global Compact and Transparency International, the Business Anti-Corruption Portal offers practical tools and advice in a "one-stop-shop" on anti-corruption, including due diligence tools, tools to formulate a Code of Conduct and links to local and international organizations. To access the portal: www.business-anti-corruption.com

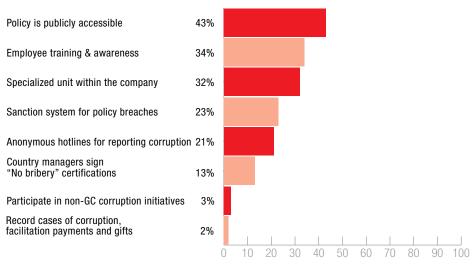
Anti-corruption in Practice

Nedbank Group Limited By the turn of the millennium, this leading South African banking establishment had become tarnished by corporate governance scandals and falling revenue. In 2004, Nedbank undertook a process to improve financial performance with increased accountability to stakeholders. It sought to re-establish trust in the business, taking a proactive drive to detect and root out unethical activities like fraud, not just through forensics, but also through good governance. As a result, Nedbank established an Enterprise Governance and Compliance division which broke from more traditional governance models equating performance solely with financial value-add and conformance with accountability, mostly of a legal nature. In order to build the trust required for the recovery of the Group, it embarked on a process of creating and strengthening a culture intolerant of fraud and corruption. While ethical culture change is a long-term process, Nedbank has taken comprehensive efforts to advance in this area.

Novozymes In 2004, Novozymes initiated the process of devising business integrity measures for reasons of competitive advantage and effective risk management. A global leader in bio-tech, the Danish company's business integrity measures take the form of a management standard that has been integrated into the company's corporate quality management system. The management standard, which all employees — even in subsidiaries — must comply with outlines six business integrity principles in the areas of: bribery, facilitation payments, money laundering, protection money, gifts, and political and charitable contributions. Surrounding the launch of Novozymes' business integrity measures, the company undertook a comprehensive awareness-raising campaign for all employees and business partners. One of the first groups trained on the integrity measures were the purchasing and sales and marketing personnel located in countries classified as the most corrupt. These personnel were pre-selected because they are responsible for most of the value transfer between Novozymes and external counterparts.

ANTI-CORRUPTION 39

What actions does your company take to implement anticorruption policies and practices within operations and culture?



Notable Variation by Region



Notable Variation by # of Employees





COLLECTIVE ACTION AGAINST CORRUPTION

Brazilian Programme for Promoting Integrity and the Fight against Corruption In December 2005, Brazilian businessmen presented the Private Sector Pact for Promoting Integrity and Fighting Corruption at the Stock Exchange in Sao Paolo. The Pact was initiated to address the serious need to reduce corruption in Brazil by increasing transparency in relations between the public and private sectors. Developed by Ethos Institute of Business and Social Responsibility with multiple partners, the Pact consists of nine recommendations for businesses that will bring transparency to their transactions, particularly regarding contributions to electoral campaigns. Those who sign the document commit to making contributions within the strict limits of the law, to verify the accurate registration of contributions and to declare any irregularity.

GC Bulgaria Network Proposal for Legislative Limitations on Cash Payments In February 2007, members of the Bulgarian Network of the Global Compact and representatives of national business organizations presented to the Parliamentary Anticorruption Commission a proposal for legislative changes to limit the amount of cash payments in the country. Because there are no special EU regulations concerning limitation of cash payments, the coalition of the Global Compact Network and business organizations considered it crucial to introduce amendments and supplements to one of the country's exiting laws (on money transfers, electronic tenders and the payment systems). The proposed legislation would require that payments above a certain limit be made only with bank remittance. Based on a thorough analysis of current Bulgarian legislation and comparative research of European practices, the proposal has received initial support from the Parliamentary Anticorruption Commission, which is expected to make a final decision by July 2007.

Expert Meeting & Toolkit The Global Compact, the International Business Leaders Forum, Transparency International and the World Bank Institute, with the support of the Barcelona Center for the Global Compact, hosted a global expert workshop in July 2006 to discuss collective business action and national initiatives fighting corruption. Based on the outcome of this meeting, the Global Compact has engaged in a partnership with the World Bank Institute to create an online training tool for business associations, Global Compact networks and interested companies to develop and implement collective action initiatives in fighting corruption. The tool will be released in mid-2007.



Because business interests increasingly overlap with development objectives in today's global society, there is a growing need for partnerships with government, civil society, local communities and other societal **actors.** Therefore, in addition to internalizing the ten principles into business operations, Global Compact participants are asked to engage in partnerships that advance the broader development goals of the United Nations. Undertaking such projects is a practical manifestation of good corporate citizenship and underscores a company's commitment to positive change.

Business plays an essential role in sustainable development, Simply put, without sufficient private investment, broad-based growth cannot occur. The private sector can intrinsically help to overcome a number of basic development issues through its activities, particularly when it acts in a responsible manner. Business creates employment and income, provides technical skills, and can bring market-based solutions to pressing social and environmental problems. Through its operations and cross-sector partnerships, business can help the public sector to advance the Millennium Development Goals.

The Global Compact has inspired a bounty of development-related projects and partnerships at the local level which have focused on issues including HIV/AIDS, access to water and affordable housing. The

"Global Compact Implementation Survey" shows that the vast majority of respondents engage in a variety of partnerships.

Another example is the Growing Sustainable Business (GSB) initiative which is implemented by UNDP. GSB facilitates business-led enterprise solutions to poverty in advancement of the MDGs and is operating in several African countries, such as Ethiopia, Kenya and Malawi, as well as others countries including El Salvador and Serbia & Montenegro.

There are many reasons why it is crucial to scale-up collective solutions for sustained development and poverty reduction. Namely, disparities in development, particularly poverty and its resulting discontents (violence, disease, environmental damage), pose a serious threat to world peace and global markets. Development efforts can have strategic significance for companies. In many countries, a company's deep commitment in areas such as education, health, job creation, disaster relief, arts, culture, and sports can serve as far more than philanthropy. These efforts can address aspects of the societal context which are lacking or insufficient - voids which can greatly impact a company's ability to operate, compete and thrive.

But the private sector does not engage in partnerships only to manage risks associated with negative externalities, increasingly it is also seeing opportunities. Through engaging local and global actors in partnerships, companies can acquire a better under-

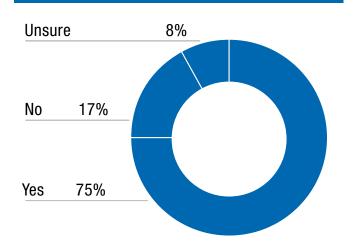
standing of the nature of their operations, such as expanding the license to operate, improving access to resources and markets, and increasing operational efficiencies.

The Global Compact is working on a number of levels to facilitate partnerships between stakeholder groups. One area of focus is improving the effectiveness and impact of cross-sectoral partnerships through sharing experiences at meetings and through practical resources, for example "Enhancing the Value of UN-Business Partnerships" and "A Business Guide to Partnering with NGOs and the United Nations".

Additionally, since its inception, the Global Compact has supported a variety of UN entities in their efforts to engage business. We facilitate information-sharing and capacity-building across the UN System in order to support UN staff to more effectively engage in partnerships with the private sector. New forms of engagement with businesses also advance UN reform by providing the Organization with exposure to improved management practices - thus becoming a powerful catalyst for continued institutional innovation across the System.

We must continue to advance our understanding of how to design good partnerships. which implies not only improving our knowledge or managing partnerships relations in ways that best combine each partner's core competency, but also on building projects with models that are scalable, replicable and sustainable.

Has your organization engaged in cross-sector partnerships?



A BUSINESS GUIDE TO PARTNERING WITH NGOS AND THE UNITED NATIONS

In response to requests by participants, the Global Compact worked with Dalberg Global Development Advisors to create a new tool that facilitates corporate partnerships with non-governmental organizations (NGOs) and the United Nations. The "Business Guide to Partnering with NGOs and the UN" will provide information to assist in the partner selection process and aims to systematically identify 100 leading non-profit social actors from around the world that have demonstrated skill and excellence in partnering with companies. In essence, the Guide will provide a market-based assessment of the competencies of partners from the NGO and UN communities. As a result, corporations will be better equipped to survey the NGO and UN landscape at both the global and national levels and match their needs and competencies with those of potential partners.

Advocacy and awareness-raising

Private sector together with other stakeholders take a leadership role in championing, advocating for and contributing to resolving different issues, for example related to health, education or poverty.

Strategic philanthropy and social investment

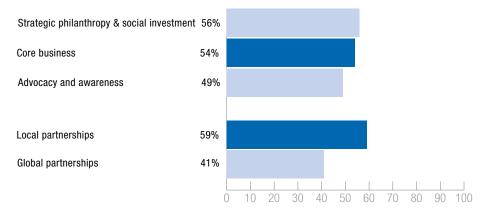
Private sector provides financial support, contributes with volunteers or expertise, or makes in-kind contributions, including product donations.

Core business

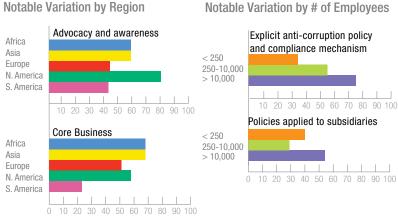
Private sector collaborates with partners to create employment, foster entrepreneurship, contribute to economic growth, generate tax revenues, implement social, environmental or ethical standards or provide appropriate and affordable goods and services.



What types of cross-sector partnership projects has your organization engaged in and at what level?



Notable Variation by Region





Partnerships in Practice

Danisco Danisco, a Danish food ingredient company, is partnering with the Danish Ministry of Foreign Affairs and local NGOs in Uganda to provide training to local farmers to raise the quality of the vanilla beans to international standards after processing at the local curing station (training in sustainable vanilla production). The project secures a steady supply of high quality raw material for Danisco, whilst at the same time improving the livelihood of those involved in vanilla growing and processing in Uganda.

Nokia & Pearson Bridgeit is a multi-stakeholder partnership between the Finnish telecommunications company Nokia, the international media company Pearson, UNDP Philippines, the International Youth Foundation and local partners. Bridgeit ensures disadvantaged schools will have access to cutting-edge learning materials through mobile technology. Initiated the Philippines, the project allows teachers in participating schools to down-

load teaching material to a television set by using a mobile phone. Each of the main partners contributes to the initiative by building on its core strength: Nokia provides the technology; Pearson develops the content together with local educators; International Youth Foundation trains the teachers; and UNDP ensures that the learning can be replicated elsewhere. More than 700,000 Filipino students in over 200 schools have benefited from the program, and over 900 teachers have been trained.

Rahimafrooz Batteries Limited To promote responsible use of its product, Rahimafrooz Batteries Limited carries out the "Used Battery Recycle" program. Together with the Government of Bangladesh and the Bangladesh Accumulator & Battery Manufacturers Association, the company raises awareness of the health hazards of battery waste and offers a collection program that ensures the safe disposal of batteries.

Unilever In Tanzania, a project is underway to help establish a locally owned supply chain for Allanblackia (AB) oil, an oil that can be used in consumer products such as margarines and soaps. Developing such a supply chain would provide local farmers who currently earn less than \$1 a day with a promising new source of income, and provide Unilever with an alternative raw material for products. The project includes several partners. Unilever provides funding, as well as managerial, technical, logistical and financial expertise and market access. Local crushers process AB seeds into crude oil, and the partnership helps farmers in each region to manage tree nurseries. Likewise, local farmers have been trained to grow AB trees, and they invest land as well as other resources to plant these trees. The United Nations Development Programme's Growing Sustainable Business (UNDP-GSB) initiative provides social and economic impact assessments, environmental baseline work and contacts to governmental institutions.

What types of organizations have you partnered with?

Non-governmental organizations

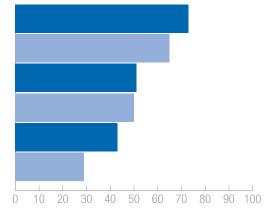
Business

Academia

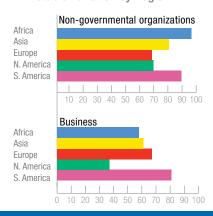
United Nations

Government

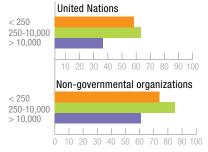
Other Multi-lateral organizations



Notable Variation by Region



Notable Variation by # of Employees

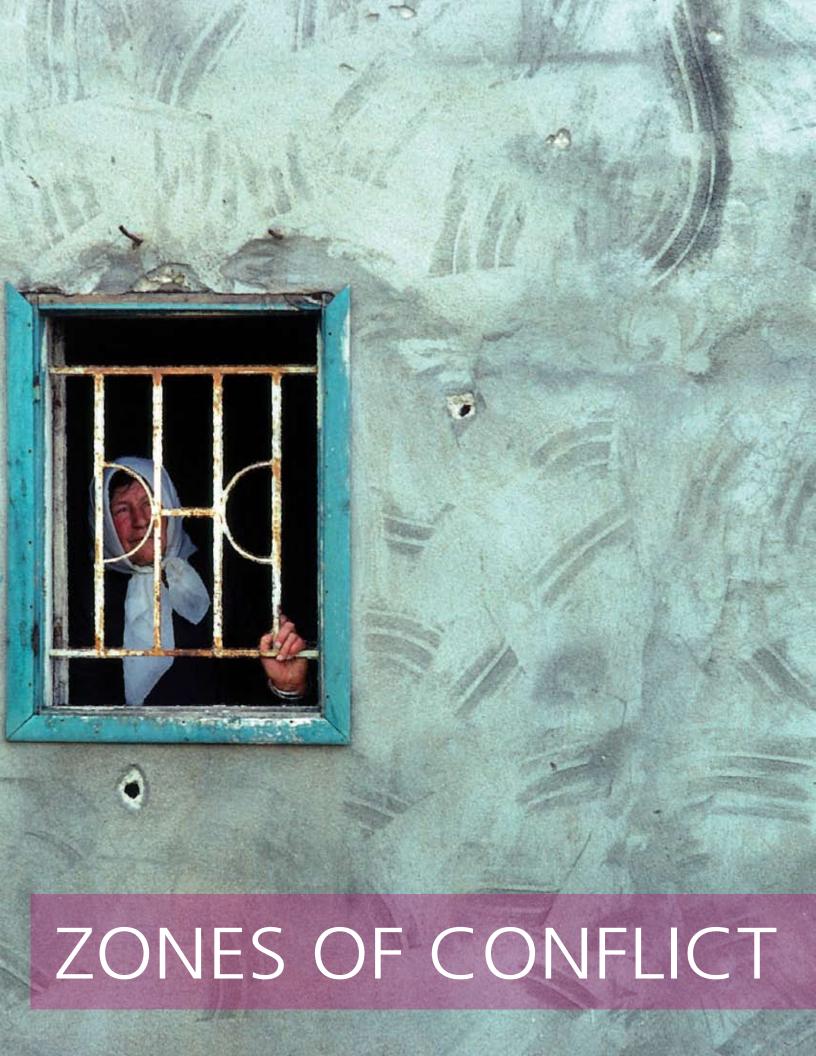




ENHANCING THE VALUE OF UN-BUSINESS PARTNERSHIPS: A TOOL TO ASSESS SUSTAINABILITY AND IMPACT

In recent years, public-private partnerships for development have gained significant ground. While considerable attention has been given to accumulating and showcasing good practice examples, less has been focused on outcomes and results. This project, jointly coordinated by four UN agencies in collaboration with the Boston Consulting Group, has developed a simple tool to measure the developmental value of partnerships for development. The tool is accompanied by a publication presenting the projects, as well as with test results from a number of actual partnerships, to be launched at the Global Compact Leaders Summit in July 2007. The objective is to enhance the quality, value and sustainability of partnerships between the UN system and the private sector so that they continue to deliver benefits to society over the long-term.





For companies of all sizes, being operational in conflict-prone or post-conflict countries around the world poses a number of dilemmas for which there are no easy answers.

A company's decisions — for example, on investment and employment, on relations with local communities, on protection for local environments, and on security arrangements — can help a country overcome conflict, or exacerbate the tensions that fuelled conflict in the first place.

Although the responsibility for peace lies primarily with governments, companies have an important role to play in contributing to security and development. Increasingly, companies are recognizing the importance of engaging on these issues, not only because of a moral imperative, but also because they require a stable operating environment, need to minimize their risks and build market opportunities.

The work of the Global Compact on "The Role of the Private Sector in Zones of Conflict" began in the form of a policy dialogue launched in 2001. It provides a unique platform where all stakeholders in society collaborate to identify concrete actions that help to mitigate the negative impact of business investments and enhance the capacity of companies to contribute to conflict prevention. Building upon the international and countrylevel workshops which have resulted in a

series of policy papers, tools and guidance, the Global Compact has helped to influence companies operating in unstable environments to become more conflict-sensitive in their approach.

In an effort to disseminate practical ways that companies are contributing to conflict-prevention and peacebuilding, the Global Compact convened a conference in November 2006 with the Joan B. Kroc Institute for International Peace Studies and the Center for Ethics and Religious Values in Business at the University of Notre Dame. The meeting brought together academics, corporations, NGOs and government leaders to explore the characteristics of successful partnerships within the framework of peace through commerce. A publication containing case studies of good practice will be published in late 2007

Recognizing that there can be important links between the longer-term fiduciary duty of investors, the protection of human rights, and the social and environmental sustainability of communities in weak or conflict-prone states, the Global Compact held a meeting in January 2007 on "Responsible Investment in Weak or Conflict-Prone States". Hosted in partnership with the Office of the Comptroller of the City of New York and the Principles for Responsible Investment (PRI), the meeting brought together institutional investors, business and civil society to discuss the value and scope of addressing these issues

through positive engagement. Businesses and Investors provided concrete examples of their learning and experience of dealing with investments in weak or conflict-prone states, particularly the tools used and engagement undertaken. The views of civil society and academics were also sought, especially in the context of ongoing divestment campaigns. The meeting concluded that there are many key issues to be further addressed, including: how to extend conflict-sensitive practices throughout supply chains and beyond multinational extractives; how to expand partnerships in post-conflict reconstruction programs; how to provide greater assistance to weakly-governed states for the management of their natural resources; and how to implement programs to fight corruption. The Global Compact will continue this important work in 2007.

The Global Compact has also embarked upon influencing the way the United Nations and governments view the role of non-state actors, particularly the private sector, as potential contributors to conflict prevention and peace-building. A network of like-minded business and civil society leaders has emerged and the Global Compact will continue to support the development and dissemination of practical ways by which business can collaborate with other societal actors to generate wealth and socio-economic development, protect human rights, and contribute to peace and stability.



COUNTRY-LEVEL INITIATIVES

Sudan In May 2006, a broad range of stakeholders participated in a one-day forum on public-private partnerships in post-conflict societies in Khartoum, Sudan. Among the participants were representatives of the Sudanese government, leading businessmen from local and international companies, United Nations officials and civil society organizations. Discussions focused on how partnerships between public and private actors can support Sudan and its people. Among the outcomes of the meeting was the decision to work toward establishing a Global Compact Local Network in Sudan.

Colombia During 2006, the Global Compact, together with the International Business Leaders Forum and Fundación Ideas para la Paz, brought together over 200 senior leaders from international and Colombian business, government and civil society in a series of cross sector dialogues. Held in Bogotá, London and Washington the meetings focused on the role that business can play in addressing the causes and consequences of armed conflict in Colombia and encouraging conditions for lasting peace. Based on the Global Compact's principles on human rights, a commitment was made by a number of companies to explore the feasibility of a code of conduct that would help companies maintain the safety of their operations while ensuring that human rights are respected.

SECTORAL WORK WITH OIL & GAS COMPANIES

Given the numerous potential negative impacts of business on conflict, companies in the extractive sector have a unique role to play in contributing to more stable, peaceful communities. In countries with a high dependence on natural resource extraction and primary commodity exports, there is a higher risk of conflict and sudden, large inflows of revenues can lead to corruption and conflict. For these reasons, the Global Compact has been working extensively with companies from the extractive industries and in particular, the oil and gas sector. This work has included a series of peer-to-peer industry forums for national and international oil and gas companies designed to facilitate the sharing of practical experiences, challenges and opportunities. The first workshop took place in Mexico in July 2006, for companies across Latin America and focused exclusively on human rights practices. In March 2007, the UN Global Compact and the World Petroleum Council convened a second workshop for the Asian region and included sessions on all areas of the ten Global Compact principles. A third meeting will be held in Delhi in December 2007.



Conflict-sensitive Practices

AngloGold Ashanti in the Democratic Republic of Congo AngloGold Ashanti (AGA), a global gold producer, has a license to explore a gold deposit in Ituri District, northeastern Democratic Republic of Congo. In January 2005, in an act of extortion, staff of the AGA exploration team in Ituri District made an \$8,000 payment to the Front des Nationalistes Integrationnistes, a militia group which was controlling parts of the Ituri District during the civil war. Concerns that AGA made payments to a militia group involved in human rights abuses received significant publicity during 2005. AGA initiated significant efforts to engage with its critics and to learn from this experience, and demonstrated the ability to listen to the criticism of others and reacted in a manner that promoted trust. AGA has since focused even more attention on their approaches to local stakeholder engagement.

Global Alumina in the Republic of Guinea The New York-headquartered company, Global Alumina, is currently constructing a US\$3 billion alumina refinery in Guinea, representing the largest foreign investment in the country. Among the poorest countries in the world, the investment has a tremendous impact on the country's economy. From the outset, Global

Alumina has adopted proactive measures to mitigate socio-political risks associated with the project, in particular conflict-related risks. These risks relate on the one hand to the latent conflict potential in the country, especially considering the conflicts in neighbouring countries, but on the other hand also to conflicts that may arise in connection with the project itself. For instance, the resettlement activities associated with the project have been implemented in a rigorous and consultative manner, so as to prevent grievances from arising.

Nestlé in Colombia One of the great challenges in Colombia is the "Demobilization, Disarm and Reintegration" process which seeks to reintegrate thousands of former combatants and provide a sustainable source of employment. Since many ex-combatants have farming skills, Nestlé decided to help farmers transfer their skills to dairy farming and have been pursuing a programme in Caquetá, Colombia to improve the quantity and quality of their milk. Nestlé provides farmers with technical advice on animal nutrition, farm development and road construction. As result, 2,500 farmers now account for one of the more promising milk districts in the south of Colombia - an important source of income in the

region. Ex-combatants have a sustainable livelihood and Nestlé is able to create local, high-quality reliable sources of milk for its many dairy products.

Shell Petroleum Development Corporation Nigeria The Shell Petroleum Development Company of Nigeria operates in a very challenging environment in the oil rich Niger Delta Region of Nigeria. Key issues include poverty, social and political tensions in the communities that are impacted by the company's operations and between minority ethnic groups and the rest of the country, and poor governance. Shell's philosophy is to build good relations with local communities by recognizing the correlation between a conducive operating environment and sustainable development. This philosophy has led the company to shift its focus away from community assistance/philanthropy to sustainable community development. Shell works in partnership with civil society organizations and local governments to strengthen the capacities of grassroots community institutions so that they can drive sustainable development using seed funding from the company. The company makes social investments that not only seek to enable production today, but also tomorrow.



As rising numbers of companies from around the world are embracing corporate citizenship as a management imperative, the mainstream capital markets – including major institutional investors – have begun ground-breaking efforts to recalibrate their investment strategies and models to adjust to new realities.

Indeed, a new term has entered the lexicon of finance: "ESG", for environmental, social and governance issues. This term and the underlying concept were first proposed by the Global Compact's "Who Cares Wins" initiative in June 2004 as a way of focusing mainstream investors and analysts on the materiality of and the interplay between these issues — be they related to climate change, human rights or anti-corruption, to name just a few.

Until the time of "Who Cares Wins", most of the activity in the investment community related to the corporate citizenship movement had focused on *socially responsible (or ethical) investing* in which investors and fund managers employed a negative-screen methodology — removing from investment consideration companies and even industries deemed objectionable for ethical or moral reasons.

However, as a result of efforts such as "Who Cares Wins" and the United Nations Environment Programme's (UNEP) Finance Initiative, a new paradigm has emerged — investors and analysts evaluating companies and other assets on their ESG performance as a qualitative and quantitative piece of fundamental analysis. The underlying premise is this: companies that proactively manage ESG issues are better placed vis-à-vis their competitors to generate long-term tangible and intangible results — and therefore are better investment bets. And increasingly, research bares this out.

Through "Who Cares Wins", the Global Compact – in partnership with the International Finance Corporation (IFC) and the Government of Switzerland – has been working with a range of large asset-management companies to improve analysis and investment models on these issues. In September 2006, a major meeting was convened in Zurich, Switzerland, focusing on ways to improve communication between companies and investors on these issues. The central insight from the conference is that a new phase is beginning with respect to companies including ESG information – through vehicles such as the Global

Reporting Initiative and the Global Compact's Communication on Progress – in their disclosures to analysts and investors.

The past year also saw the historic launch of the Principles for Responsible Investment, an initiative led by the Global Compact and the UNEP Finance Initiative. Launched in April 2006 at the New York Stock Exchange, the PRI invites large institutional investors — both asset owners (e.g. pension funds, foundations, endowments) and asset managers to commit to a set of six principles designed to put ESG issues into the core of investment decision-making. The initiative has surpassed all expectations — at the one-year anniversary more than 170 institutions representing approximately \$8 trillion in assets had committed to the PRI.

Taken together, these efforts — in combination with other important global projects such as the IFC's Equator Principles, the Carbon Disclosure Project, and the Enhanced Analytics Initiative — are helping to sensitize capital markets to the importance of ESG issues, and should be a major force in driving the corporate citizenship movement to higher levels by rewarding leadership companies through enhanced asset valuations.



WHO CARES WINS: THE PROOF IS IN THE PUDDING

Because serious efforts by companies to embed the tenets and principles of corporate citizenship into strategic operations are relatively new, there is a relative shortage of comprehensive data and research demonstrating that a commitment to ESG issues delivers measurable valuable. However, scores of companies are reporting material benefits both in terms of tangibles (e.g. cost efficiencies, new products and markets) and intangibles (e.g. enhanced corporate/brand reputations, employee morale).

Moreover, specialty investment indexes – including the Dow Jones Sustainability Index and the FTSE4Good Series – show highly positive track records vis-à-vis general market indices – demonstrating, if not a causal link, then a correlation. Goldman Sachs is pioneering new approaches and fresh research. A founding signatory of "Who Cares Wins", Goldman Sachs has developed a global ESG Framework for analysis and investing, which in their words: "...works to integrate ESG issues with industrial analysis and valuation on a sector-by-sector basis, and to identify investment opportunities related to alternative energy, water, and other emerging ESG issues".

As part of this project, Goldman released in early 2007 specialty research titled "It Can Pay to Lead on ESG". Covering four sectors – steel, media, energy and mining – the report showed that identified "ESG Leaders" outperformed their peers in the period covered by wide margins.

Clearly, it is difficult to establish a causal link between a given company's commitment to ESG principles and its market performance. However, an increasing body of research is indicating that a relationship does exist – reinforcing the mantra, "Who Cares Wins".





As a voluntary initiative, the Global Compact is only as strong as the commitments and actions of our participating companies. When participants publicly disclose relevant information to their shareholders and stakeholders on environmental, social and governance efforts, it not only protects the integrity of the initiative, but also builds the Global Compact brand and the broader business case for corporate citizenship. Therefore, the Global Compact took the bold step in 2005 of fully instituting a Communication on Progress (COP) policy requiring participants to communicate annually on their actions to implement the ten principles in order to maintain an "active" status in the initiative.

Over time, the COP process has proven to serve an even greater role as a valid indicator of engagement, generating vital information about innovative activities of Global Compact champions while at the same time giving inspiration and momentum to organizational change on a larger scale.

Contrary to concerns that strict enforcement of the Global Compact's COP policy could lead to the deactivation of a majority of the initiative's business participants, our experience has proven otherwise. With concerted support efforts and the development of training resources around the world, increasingly in active coordination with Local Networks, the Global Compact has seen a burst in communications.

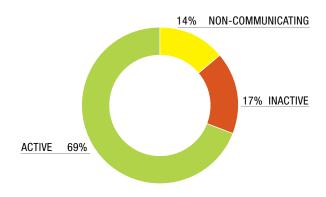
The number of COPs produced in the first two quarters of 2007 is more than double the number for the same period in 2006. This increase follows a record number of COP submissions – nearly 900 – in 2006, an increase of more than 20 percent from 2005.

Since instituting the COP policy, over 600 companies have been made "inactive" for repeated failure to communicate on progress. The deactivation of companies has been

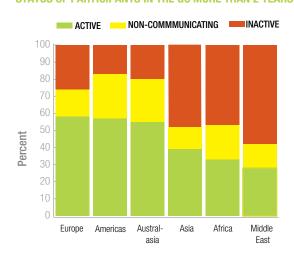
applauded by civil society, media and business as a strong sign of the initiative's commitment to transparency and accountability.

Given the quality improvements in the leadership engagement process, as well as improved communications and practical guidance around the COP process, we are seeing that newer participants are proving to be more active communicators. In the earliest days of the Global Compact, there were less clear expectations for engagement and the need for robust leadership support within companies seeking to join the initiative. Today, most organizations that sign on to the initiative - particularly the largest transnationals - ensure that Board members and senior management across diverse corporate functions are ready to act on the commitment to the Global Compact and the expectation to communicate on progress.

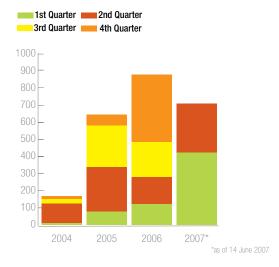
STATUS OF GC PARTICIPANTS BASED ON COP POLICY



STATUS OF PARTICIPANTS IN THE GC MORE THAN 2 YEARS



NUMBER OF COPS PRODUCED BY PARTICIPANTS



COMMUNICATING PROGRESS: STATUS

Active

A company that has produced a COP within 2 years of joining the Global Compact or within 1 year of its previous COP.

Non-communicating

A company that has failed to produce a COP either within 2 years of joining the Global Compact or within 1 year of its previous COP.

Inactive A company that has failed to produce a COP either within 3 years of joining the Global Compact or within 2 years of its previous COP

All that is required to return to "active" status is a new COP.

MAKING THE GLOBAL COMPACT - GRI CONNECTION

As both the Global Compact and the Global Reporting Initiative (GRI) are based on the concept of encouraging continuous improvement, there is significant alignment in approaches to quality and scope of reporting. Use of the GRI G3 Guidelines can enhance Global Compact participants' communication with their stakeholders in a number of key ways:

- The GRI G3 Guidelines address the status of implementation and performance for each Global Compact principle.
- GRI's indicators and disclosures ensure presentation of a company's performance and achievements in an appropriate and relevant context (strategy and vision, management systems and other context-setting information).
- Aside from content coverage, the GRI G3 Guidelines provide guidance on many relevant decisions related to reporting that enhance the quality of the COP.
- The GRI G3 Guidelines offer an incremental approach that allows companies to increase reporting at their own pace. This is consistent with the concept of continuous improvement on which the COP is based.
- Knowledge accumulated in the GRI Guidelines over the last ten years provides a global, multi-stakeholder view on how to assess performance around many of the same issues covered by the GC principles.

In our work to understand why some companies do not produce COPs, the Global Compact has found – through survey and other evidence – that there are five primary reasons why companies do not communicate:

- Free-riders: It is believed that, especially during the early phase of the initiative, many companies joined the Global Compact without sincere intention to engage actively. This is compounded by the fact that a majority of the recently deactivated companies joined between 2000 and 2003.
- 2. Lack of understanding: Companies have indicated that they do not sufficiently understand the benefits of engagement and implementation of the Global Compact.
- 3. Change in leadership: For a number of companies, new management often introduces different priorities and visions that do not include engagement with the Global Compact.
- 4. Lack of resources: Companies have indicated that they lack the financial resources and organizational capacities to produce COPs.
- 5. Company liquidation/bankruptcy: A number of companies on the "non-communicating" and "inactive" lists are simply no longer in business.

Recognizing that lack of communication does not necessarily mean that participants are not actively implementing the ten principles, the Global Compact Office has made significant investments in improving our technical infrastructure to facilitate the production of COPs. Additionally, through a series of workshops and trainings both at the global and local level, the office has significantly increased participants' understanding of the purpose and relevance of COPs.

Looking Ahead

Further developing the COP process in terms of quantity and quality will critically impact the Global Compact's future progress and direction. However, given the initiative's dynamic composition and geographic expanse, the Global Compact faces the fundamental challenge of providing sufficient incentives and recognition to frontrunners while remaining flexible and open for others to engage at their own pace.

Any effort to improve quality of COPs must be carefully balanced with the need to reduce entry and engagement barriers, particularly with regard to SMEs and companies from developing economies. To this end, creating suitable incentives for deeper engagement is a priority.



For many companies the social vetting aspect of the Global Compact has proven to be a powerful motivator, notably when the non-communicating or inactive status of participants has been publicized by media and civil society organizations and led to a broader public debate. This, in turn, has led to increased efforts by companies to deliver high-quality COPs on time. In this context, the Global Compact will continue to explore closer relationships with organizations and initiatives that are using the COP as a tool to evaluate and assess company performance on environmental and social issues, such as FTSE4Good and others.

Similarly, the Global Compact's strong organizational linkages to the Principles for Responsible Investment (PRI), its involvement in the ongoing ISO 26000 process, and our strategic alliance with the Global Reporting Initiative will be crucial to drive the substantive value of the COP process on a larger scale.

Based on the experiences to date, the Global Compact plans to maximize the value of the COP and further safeguard the integrity of the initiative by:

- Removing participants entirely from the Global Compact website after more than one year of "inactive" status;
- Intensifying efforts to equip Local Networks with adequate tools and resources to support participants in the development of meaningful COPs;
- Developing a COP model that differentiates leaders from beginners and thus distinguishes between different expectation levels with regard to COPs;
- Promoting the use of COPs by different societal actors to advance the social vetting concept and lay the foundation for the future acceptance of COPs as a tool to analyze and evaluate company performance on environmental and social issues; and
- Positioning the Global Compact as a frame of reference for other initiatives and explore stronger linkages with implementation, accountability and certification schemes.

COMMUNICATING PROGRESS: WHAT IS REQUIRED?

A company's first COP is due within two years of joining the Global Compact, and every year thereafter. A COP should include the following three elements:

- Statement of continued support for the Global Compact in the opening letter, statement or message from the Chief Executive Officer, Chairman or other senior executive.
- Description of practical actions that participants have taken since joining the initiative or since the company's most recent COP to: (1) implement the Global Compact principles and (2) undertake partnership projects in support of broad UN goals.
- Measurement of outcomes or expected outcomes using, as much as possible, indicators or metrics, such as the Global Reporting Initiative guidelines.

The Global Compact encourages companies to use their annual reports to shareholders or publications on environmental and social performance to communicate specific actions undertaken in support of the Global Compact's principles. In the event that a participant does not publish such reports, a COP can be issued through other channels – for example, a company's website or newsletter – where employees, shareholders, customers and other stakeholders expect to read about the company's economic, social and environmental engagements.

IMPROVING THE QUANTITY AND QUALITY OF COPS

In order to improve both quantity and quality of COPs submitted, the Global Compact has taken the following actions:

Workshops and Training Sessions: Training workshops have been offered by the Global Compact Office around the world for Local Network focal points, participants and CSR organizations with the aim to train multipliers in the COP process, provide incentives for change agents and share best practices. In addition, an annual COP policy workshop was held in Geneva in April 2007. The Global Compact Office is also collaborating with the Inter-Agency team to offer a week-long COP training session to be held in September 2007 at the UN Staff College.

Information Systems: The Global Compact has made significant investments to improve the technical communications infrastructure around the COP process. To ensure that companies at risk of becoming "non-communicating" or "inactive" are given sufficient notice of their status prior to any action being taken, the Global Compact has put in place an automated email information system that informs participants as follows:

- Reminder: 90 days before becoming "non-communicating" or "inactive".
- Warning: 30 days before becoming "non-communicating or "inactive".
- Advisory: One day before becoming "non-communicating or "inactive".

Publications: The Global Compact Office has produced a number of publications and tools to assist companies in the development of substantive COPs, including:

- Making the Connection (for companies seeking to use the Global Reporting Initiative's guidelines in developing a COP)
- Practical Guide to Communicating Progress
- Driving Value through Communicating Progress

Notables Program: The Global Compact Office has created the Notable COP program to highlight and recognize outstanding Communication on Progress, with respect to the quality and comprehensiveness of the information they provide. At the same time the Notable COP program seeks to provide further guidance to participants in meeting the requirements of the COP policy and to improve the overall quality of reports. COPs featured in the Notable program have been chosen because they represent illustrative and inspirational good examples in communicating progress.

Annex A: Global Compact Resources and Tools

GENERAL

After the Signature - A Guide to Engagement in the Global Compact

A basic introduction to the Global Compact outlining the commitment companies make when signing on to the initiative, including implementing the ten principles and producing an annual Communication on Progress. (UNGCO, 2007)

Inspirational Guide to Implementing the Global Compact

A publication presenting 21 practical examples of how corporate signatories of the Global Compact have approached implementation of the ten principles, emphasizing the solutions developed to related challenges and dilemmas. (UNGCO, 2007)

Measuring Business Success from Sustainability Certification

A project developing indicators that enable companies to assess the financial value of sustainability certification schemes in their strategy development and planning process. (UNGCO/Rainforest Alliance, 2007)

Your Guide to the Global Compact – A Resource Package

An extensive resource package providing information on the Global Compact and practical guidance for companies seeking to implement the ten principles into business operations. (UNGCO, 2006)

Implementing the Global Compact – A Booklet for Inspiration

An inspirational publication showcasing specific examples of how Danish companies are operationalizing social responsibility in the field. (UNDP/Danish Ministry of Foreign Affairs, 2005)

Raising the Bar - Creating Value with the United Nations Global Compact

This comprehensive guide outlines how the Global Compact can stimulate organizational change while creating business value, assisting managers of large and small companies in translating the principles into business practices. (UNGCO/Greenleaf, 2004)

SMALL- AND MEDIUM-SIZE ENTERPRISES

UN Global Compact Operational Guide for Medium-Scale Enterprises

An easy-to-follow guide for medium-scale enterprises to implement the ten principles and become good performers in the Global Compact. (UNGCO/UNIDO, 2007)

REAP - Responsible Entrepreneurs Achievement Programme

An internet-based tool designed to support small- and medium-size enterprises in assessing their CSR-related performance, based on the ten principles of the Global Compact and the UNIDO triple-bottom-line approach. (UNIDO, 2006)

HUMAN RIGHTS AND LABOUR

Human Rights and Business Learning Tool

An internet-based learning tool developed to assist managers and corporate responsibility professionals in companies participating in the UN Global Compact. (UNGCO/OCHCR/UNSC, 2007)

Human Rights Framework

A poster designed and translated into six languages to give a publicly displayed, easily referenced overview for companies to use in implementing a human rights policy. (UNGCO/IBLF/ BLIHR, 2007)

Human Rights Impact Assessment Guide

A guide to Human Rights Impact Assessment and Management giving an overall view of the process of implementing a human rights assessment program into a corporation. (UNGCO/IFC/IBLF, 2007)

A Guide for Implementing Human Rights into Business Management

A report showcasing the experience of ten companies in implementing human rights within their companies. (UNGCO/OHCHR/BLIHR, 2006)

ILO-IPEC Guidelines for Developing Child Labour Monitoring Processes

Guidelines providing information on how to design, develop and operate child labour monitoring along with practical examples that will help to adapt the model to specific child labour situations. (ILO, 2006)

Embedding Human Rights in Business Practice

A publication exploring the practical meaning of human rights for companies, presenting four case studies and a policy report on different business practices. (UNGCO/OHCHR, 2004)

The Global Compact and Human Rights: Understanding Sphere of Influence and Complicity

A briefing paper providing an overview of the current understanding of "sphere of influence" and "complicity" in the context of the Global Compact's human rights principles. (OHCHR, 2004)

ENVIRONMENT

Caring for Climate: Tomorrow's Leadership Today -

Climate Change, Environmental Responsibility and Examples of Corporate Leadership

A collection of case studies demonstrating innovative examples of Global Compact participants taking action to address climate change. (UNGCO/UNEP/WBCSD, 2007)

The Global Compact Environmental Principles Training Package

Training manual on the Global Compact's environment principles, primarily for new companies – from medium-sized businesses in developing countries to large multinationals. (UNGCO/UNEP, 2005)

Talk the Walk – Advancing Sustainable Lifestyles through Marketing and Communications

Provides an overview of how marketing can foster sustainable consumptions and a toolbox for practitioners on how to run sustainable lifestyles marketing campaigns. (UNGCO/UNEP/Utopies, 2005)

ANTI-CORRUPTION

Business Against Corruption – Case Stories and Examples

A publication showcasing examples of how to deal with challenges when implementing the Global Compact's anti-corruption principle. (UNGCO, 2006)

Business Against Corruption - A Framework for Action

Resources and tools to assist companies in implementing the 10th principle on corruption. (UNGCO/IBLF/TI, 2005)

PARTNERSHIPS

Business Guide to Partnering with NGOs and the UN

A tool providing information assist in the partner selection process and by systematically identifying leading non-profit social actors from around the world that have demonstrated skill and excellence in partnering with companies. (UNGCO/Dalberg, 2007)

Enhancing the Value of UN-Business Partnerships: A Tool to Assess Sustainability and Impact

A tool to improve the developmental value of partnerships between the UN system and the private sector. (UNGCO/UNDP/UNOP/UNITAR, 2007)

Joining Forces for Change: Demonstrating Innovation and Impact through UN-Business Partnerships

A publication that showcases a broad spectrum of cutting edge initiatives seeking to unleash the potential of UN-business partnerships. (UNGCO, 2007)

Business UNusual – Facilitating United Nations Reform Through Partnerships

As this publication shows, partnerships between UN and business have acted as a catalyst for reform and institutional innovation throughout the UN system by infusing private sector management practices and performance based thinking. (UNGCO/GPPI, 2005)

COMMUNICATION ON PROGRESS

Making the Connection:

The GRI Guidelines and the Global Compact Communication on Progress

A publication that introduces ways of addressing GRI and Global Compact requirements simultaneously. A draft guide was produced in 2006. (UNGCO/GRI, 2007)

Leading the Way in Communication on Progress

Inspiration and ideas on how to communicate progress in implementing the ten principles. (UNGCO, 2006)

OneReport COP Publisher

A web-based tool to assist companies producing a COP report. (UNGCO/SRI, 2006)

A Practical Guide to Communication on Progress

Advice and practical examples for large and small companies in the preparation of their Communication on Progress. (UNGCO, 2005)

FINANCIAL MARKETS

Communicating ESG Value Drivers at the Company-Investor Interface

Conference report from the 2006 "Who Cares Wins" meeting. (UNGCO/FDFC/IFC, 2006)

Principles for Responsible Investment

Voluntary principles providing guidelines on how to incorporate environmental, social and governance issues into mainstream investment decision-making and ownership practices. (UNGCO/UNEPFI, 2006)

Investing for Long-Term Value: Integrating environmental, social and governance value drivers in asset management and financial research

Conference report from the 2005 "Who Cares Wins" meeting. (UNGCO/FDFC/IFC, 2005)

Who Cares Wins: One Year On

A review of the integration of environmental, social and governance value drivers in asset management, financial research and investment processes. (UNGCO/IFC, 2005)

Who Cares Wins - Connecting Financial Markets to a Changing World

This report addresses how the financial industry should integrate environmental, social and governance issues in their financial analysis, research and investment recommendations. (UNGCO, 2004)

BUSINESS IN ZONES OF CONFLICT

Enabling Economies of Peace: Public Policy for Conflict-Sensitive Business

The report identifies a range of concrete actions that Governments and international organizations can undertake to better assist private-sector efforts to promote effective conflict-sensitive business practices. (UNGCO, 2005)

EDUCATION

Principles for Responsible Management Education

Principles to encourage academic institutions of business education around the world to play a strong role as change agents by educating and training future socially responsible business leaders. (UNGCO, 2007)

LOCAL NETWORKS

Facilitating High-impact Global Compact Networks - A Practical Guide

Step-by-step guidance and practical advice on launching the GC and establishing GC networks at the country or regional level. (UNDP, September 2005)

Annex B: Global Compact Events* January 2006 – June 2007

2006

27 February

Global Compact Workshop

Hosted by Emirates Environmental Group Dubai

3 March

Global Compact Launch in Silicon Valley

Organized by the Global Compact Office and Symantec Corp Mountain View, California

6-7 March

Expert Workshop on Small- and Medium-Sized Enterprises and Corruption

Organized by UNIDO and UNODC Vienna

9-10 March

2nd Communication on Progress Expert Meeting

Organized by the Global Compact Office Geneva

27 April

Launch of "Principles for Responsible Investment"

Organized by the Global Compact Office and UNEP Finance Initiative New York

2006 continued

24-25 May

Regional Meeting of Global Compact Network Focal Points: Latin America

Organized by the Global Compact Office Panama City

1-2 June

United Nations System Private Sector Focal Points Meeting

Convened by the Global Compact Office, UNESCO, UN System Staff College and UNFIP Paris

7-8 June

Regional Meeting of Global Compact Network Focal Points: Asia

Organized by the Global Compact Office Bangkok

19-20 June

Responsible Investing: Business and Corporate Social Responsibility Conference in Eastern Europe and CIS

Organized by UNDP CIS, UNIDO and the Government of Austria Vienna

21-22 June

Regional Meeting of Global Compact Network Focal Points: Europe

Organized by the Global Compact Office Vienna

22-23 June

Global Compact Midwest Conference on Corporate Responsibility

Organized by the Global Compact Office Chicago

21 July

Forum on Responsible Business Practices in the Oil and Gas Sector: Meeting 1

Organized by BP, the Global Compact Office, IPIECA and Statoil Cancun

4-8 September

How to address child labour in the supply chain in a responsible way: Experiences and practices of child labour monitoring

Organized by International Programme on the Elimination of Child Labour (IPEC) and ILO International Training Centre Turin, Italy

26-27 September

IV Global Compact Annual Local Networks Forum

Organized by the Global Compact Office and the Barcelona Center for the Support of the Global Compact Barcelona

28 September

"Who Cares Wins" Annual Meeting

Organized by the Global Compact Office, the Government of Switzerland and the IFC Zurich

2006 continued

6 - 7 October

Combating Discrimination and Promoting Equality

Organized by the International Labour Office and the Global Compact Office, with support from the City of London

23-25 October

Business as an Agent of World Benefit: Management Knowledge Leading Positive Change

Organized by the Academy of Management, Case Western Reserve University and the Global Compact Office Cleveland

12-14 November

Peace through Commerce

Organized by the Association to Advance Collegiate Schools of Business, the Global Compact Office and the University of Notre Dame South Bend, Indiana

21-22 November

Is Corporate Citizenship Making a Difference?

Organized by the Global Compact, the UNISA Centre for Corporate Citizenship and the Lindenberg Center for Global Citizenship
Accra, Ghana

22-24 November

4th International Learning Forum Meeting

Organized by the UNISA Centre for Corporate Citizenship and UNDP Ghana, with input from the OASIS School of Human Relations

Accra, Ghana

2007

17 January

Responsible Investment in Weak or Conflict Prone States

Organized by the Global Compact Office, the New York City Comptroller's Office and the Principles for Responsible Investment

UN Headquarters, New York

22 - 23 February

Progress and Value Workshop

Organized by the Barcelona Center for the Support of the Global Compact Barcelona

28 - 29 March

Responsible Business Practices in the Oil & Gas Sector: Implementing the Global Compact Principles

Convened by the Global Compact Office and the World Petroleum Council Kuala Lumpur

2007 continued

28-30 March

Partnerships for Sustainable Development -

The Oslo Conference on Good Governance and Social and Environmental Responsibility

Hosted by the Norwegian Ministry of Foreign Affairs, in cooperation with WBCSD, UNEP, the Global Compact, GRI, the Norwegian Ministry of the Environment and the City of Oslo Oslo

2-3 April

3rd Communication on Progress Expert Meeting

Organized by the Global Compact Office Geneva

2-4 April

Regional Meeting of Global Compact Network Focal Points: Asia

Organized by the Global Compact Office Bangkok

23-25 April

Regional Meeting of Global Compact Network Focal Points: Eastern Europe

Organized by the Global Compact Office London

8 - 11 May

Regional Meeting of Global Compact Network Focal Points: Latin America & Caribbean

Organized by the Global Compact Office Buenos Aries

31 May

The UN Global Compact: Taking UN-Business Partnerships to a New Level

Organized by the Global Compact Office and the Business Council for the United Nations UN Headquarters, New York

4-6 June

World Diversity Leadership Forum

Organized by the Global Compact and Virtcom UN Headquarters, New York

11 June

Economic Summit 2007: Entrepreneurship and Sustainability

Presented by the Cal State East Bay Small Business Development Center (SBDC) in partnership with IDEO, the Global Compact and Fast Company
San Francisco

5-6 July

2007 Global Compact Leaders Summit

Organized by the Global Compact Office Geneva

* This list includes events either organized by the Global Compact Office or associated with the Global Compact initiative on a global level. It does not include the numerous events that have been held by Local Networks around the world.

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THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

The United Nations Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core principles in the areas of human rights, labour standards, the environment and anti-corruption. The principles are as follows:

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 are asked to 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 Global Compact's ten principles are derived from:

The Universal Declaration of Human Rights;

The International Labour Organization's Declaration on Fundamental Principles and Rights at Work;

The Rio Declaration on Environment and Development; and

The United Nations Convention Against Corruption



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