

UN GLOBAL COMPACT MANAGEMENT MODEL

**Framework for
Implementation**

HUMAN RIGHTS

LABOUR

ENVIRONMENT

ANTI-CORRUPTION



Deloitte.



About the United Nations Global Compact

Launched in 2000, the United Nations Global Compact is a call to companies around the world to align their strategies and operations with ten universal principles in the areas of human rights, labour, environment, and anti-corruption, and to take action in support of broader UN goals. With more than 8,000 signatories and stakeholders in more than 135 countries, it is the world's largest voluntary corporate responsibility initiative.

www.unglobalcompact.org

Acknowledgements

The UN Global Compact Office would like to especially acknowledge the following people for their role in the development of the Model and publication: Gavin Power, Ursula Wynhoven, and Ole Lund Hansen from the UN Global Compact Office; Julie Engerran and Nick Main from Deloitte Touche Tohmatsu; Eric Hespeneide from Deloitte & Touche LLP; and Christopher Park, David Linich, Karin Kin, and Eric Lowitt from Deloitte Consulting LLP. Design by Cathlyn Robinson from Deloitte Services LP. The UN Global Compact Office also wishes to thank Global Compact participants and UN agencies for their valuable input.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms. Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 140 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's approximately 169,000 professionals are committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as the sole basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

www.deloitte.com

Copyright

This document is copyright-protected by the United Nations. The reproduction and distribution of this document for information purposes and/or use in participating in the UN Global Compact is permitted without prior permission from the Global Compact Office. However, neither this document nor any extract from it may be reproduced, stored, translated, or transferred in any form or by any means (electronic, mechanical, photocopied, recorded, or otherwise) for any other purpose without prior written permission from the Global Compact Office.

Contents



Welcome Message from Georg Kell	2
Foreword from John Connolly	3
Introduction and Overview	5
UN Global Compact Management Model	8
Step 1: Commit	10
Step 2: Assess	12
Step 3: Define	14
Step 4: Implement	16
Step 5: Measure	18
Step 6: Communicate	20
Conclusion	23
Appendix: UN Global Compact Issue Area Support Tools	24
Appendix: Other Important Guidance Materials	26

Welcome Message from Georg Kell

While the UN Global Compact has evolved in countless ways over the past decade, there has been one unshakable and non-negotiable constant – the central aim of translating the core ten principles into value-enhancing management practices.

Of course, we have always recognized that the ten principles and the four issue areas they represent – human rights, labour, the environment, and anti-corruption – will find expression in different ways, as companies and industries can vary significantly. In this sense, there really is no “one-size-fits-all” approach. This is also important inasmuch as the principles allow for a good deal of innovation and unique application that reflect the realities of a given company’s journey towards corporate sustainability.

At the same time, the ten universal principles represent the bedrock of “performance aspiration” for participating companies. And, to be sure, the business case for mainstreaming the principles into strategy, culture, and operations has never been stronger.

Experience shows that companies begin engagement in the UN Global Compact at very different stages in terms of the arc of sustainability evolution. For “learners,” the journey ahead can appear arduous and uncertain. Add to this the fact that corporate sustainability is fundamentally about continuous improvement, and even the most sophisticated companies will convey their need for ongoing implementation guidance.

Therefore, it is with great excitement that we officially launch this UN Global Compact Management Model, developed in partnership with Deloitte.

This Model represents, in our view, the very best management thinking with respect to translating the UN Global Compact’s principles into practice. Importantly, it draws on widely accepted and understood management practices, but is organized and orientated around maximizing corporate sustainability performance.

The UN Global Compact Management Model was developed over the course of many months, in consultation with a range of corporate sustainability and management experts, and leading thinkers from civil society and academia.

The Model presents a dynamic management framework, which while perhaps holding special significance for “learners,” also offers guidance for leadership practices. In this way, the Model is intended for all participants of the UN Global Compact – and, in fact, offers value to any company committed to corporate sustainability. In this sense, we humbly offer it also as a public good.

It is our sincere hope that through the application of the UN Global Compact Management Model, companies will attain ever-higher levels of performance and, in the process, generate real and lasting value for their business, stakeholders, and society at large.

Sincerely,

Georg Kell
Executive Director
UN Global Compact

Foreword from John Connolly

Deloitte member firms have the privilege of delivering professional services to many of the world's largest and most successful companies, through relationships that have often spanned decades. The partners and professionals of the Deloitte member firms work closely with executives, managers, and boards in their efforts to create and protect value for shareholders and other stakeholders.

We have seen time and again that strong values and principled leadership are crucial to generating long-term rewards for companies. We have also observed a dramatic shift in society's expectations of business: a shift away from the idea that business is only about profit-making ahead of all other motives, and towards the notion that companies must actively foster the social and environmental conditions that make profitability possible.

In 2000, Deloitte Touche Tohmatsu (DTT) became a founding signatory to the UN Global Compact because we recognized that its principles would help orient companies toward a sustainable future. Over the last ten years, Deloitte member firms have integrated the Global Compact's ten principles into the way they do business and promoted the Global Compact as an instrument for making corporate sustainability a strategic consideration.

In preparation for the 2010 Leaders Summit, and in recognition of DTT's tenth anniversary as a founding signatory, we were pleased to collaborate with the Global Compact to develop the UN Global Compact Management Model. Our contribution to the development of the guide draws both from the experiences of Deloitte member firms helping their clients institute change and ongoing dialogue with many of the world's market leading organisations.

This guide supports companies' efforts to include the ten principles into their mainstream corporate strategies, operations, and everyday approaches to management. To achieve this goal, the Model was designed to be practical, scalable, and straightforward. It is comprised of six management steps, which many companies employ daily as part of good management practice. The six steps promote the development of a circular process by which companies can continuously monitor and improve their alignment with the ten principles, and local and international regulations.

Companies have long sought the common ground where principled leadership leads to value creation — and it is our fervent hope that the UN Global Compact Management Model serves as the bridge that links these two drivers of corporate behavior. Corporate sustainability is not a temporary phenomenon but a permanent change. Companies that adopt the Global Compact's ten principles understand that those principles and value creation are inextricably, powerfully, and forever linked.

Regards,

John Connolly
Chairman of the Board
Deloitte Touche Tohmatsu



Introduction and Overview

Call to Action

Over the past decade, more than 5000 companies have committed to integrating the ten United Nations Global Compact principles into their strategies and operations. Participants in the Global Compact—both large multinationals and small enterprises—are providing leadership through commitments to respect and promote universal human rights, implement decent work practices, reduce environmental impact, and ensure zero incidents of corruption within their own operations and spheres of influence.

More and more business leaders wish to contribute to corporate sustainability, including through mainstreaming the ten principles of the UN Global Compact into their corporate strategies and operations. One reason is that increasingly, research confirms that companies who explicitly consider sustainability topics widen their company's view on risks and opportunities and therefore increase long-term value creation.

Companies are looking for reliable, objective guidance to begin their efforts to embrace corporate sustainability. As the Global Compact begins its second decade, the Global Compact Office, in collaboration with Deloitte, has designed the UN Global Compact Management Model to support companies' efforts to embrace corporate sustainability through integrating

the Global Compact commitment into their mainstream business practices. Doing so is a key component of corporate sustainability.

Beyond Commitment: An Introduction to the UN Global Compact Management Model

For those who are deciding whether to participate in the Global Compact, the Global Compact Office provides resources to clarify what is involved and what the benefits and business case might be from committing. For more information, see the Global Compact's *Corporate Citizenship in the World Economy*.¹

Once a company decides to commit to the Global Compact, the UN Global Compact Management Model helps companies ensure that their corporate sustainability strategy is aligned with both the letter and the spirit of the Global Compact. This document provides a simple, yet broad and flexible, model to guide companies of all sizes through the process of organizational change to embrace corporate sustainability by implementing the ten principles into day-to-day operations and organizational culture.

Providing actionable guidance that is applicable to a wide variety of companies is a difficult task. This task is not only challenging because companies operate in vastly different contexts, but also because companies need to ensure their behaviors, investments, and planned activities are designed to address a variety of global issues—human rights, labour, environment, and anti-corruption.² Complicating matters further is the fact that the issues continue to evolve, requiring all facets of a company's value chain to change over time.

Quick Start

The UN Global Compact Management Model is comprised of six steps. Each step has one or more suggested activities and areas of focus. Beginning on page 10, recommendations for each step are defined and described in detail. In addition, ideas both for how to get started and examples of what leadership practices look like are provided for each step.

1 See http://www.unglobalcompact.org/docs/news_events/8.1/GC_brochure_FINAL.pdf

2 In the human rights area, the United Nations Human Rights Council has endorsed the "Protect, Respect, Remedy" framework on business and human rights, which requires all companies to conduct human rights due diligence to ensure that they respect human rights and ensure early and effective remediation of any negative human rights impacts. The steps of the UN Global Compact Management Model are largely aligned with the human rights due diligence steps.

Iterative, Flexible Process for Continuous Improvement

Recognizing that a company’s ability to integrate the ten principles evolves over time and that there is no one-size-fits-all approach, the Model has adopted the shape of a circle to suggest that progress requires an iterative and ongoing process (See Figures 1 & 2). After all, there is neither a right entry point nor end point to a company’s sustainability journey, nor an approach that ensures the company will get every part of its strategy right during an initial pass.

The Model is flexible and should be used to guide annual strategy planning and execution efforts in relation to integrating the Global Compact principles, forming a response to ad hoc issues, or a combination of these elements. In other words, this Model is equally effective when used on an annual basis, a semiannual basis, or even on an ad hoc basis.

While each of the Model’s steps provides an essential piece to support a company’s corporate sustainability efforts, companies might benefit from customizing the order of steps to meet their specific needs. For example, a company might communicate the findings of its assessment to stakeholders, prior to defining its initial sustainability strategy. In addition, companies can also work through two or more of the Model’s steps at the same time.

Intended Audience

The Model is designed for all Global Compact signatories. For organizations that are just embarking on the journey, the “Getting Started” callout boxes provide a good starting point. For companies more experienced with the Global

Compact, we have provided example “Leadership Practices” to serve as both inspiration for continuous improvement and aspiration as these companies set and work towards long-term goals. Some companies might be tempted to adopt solely the leadership practices as a means to becoming a corporate sustainability leader. We urge companies to avoid this ineffective shortcut. Instead, companies might be better off viewing the leadership practices not as finite and prescribed behaviors to be adopted blindly, but as goalposts to guide the maturation of their corporate sustainability approaches.

Past, Present, and Future

The UN Global Compact Management Model provides companies with guidance about assessing the impacts of their most recent actions on the issues related to their commitment, as well as suggestions about how to identify risks and opportunities.

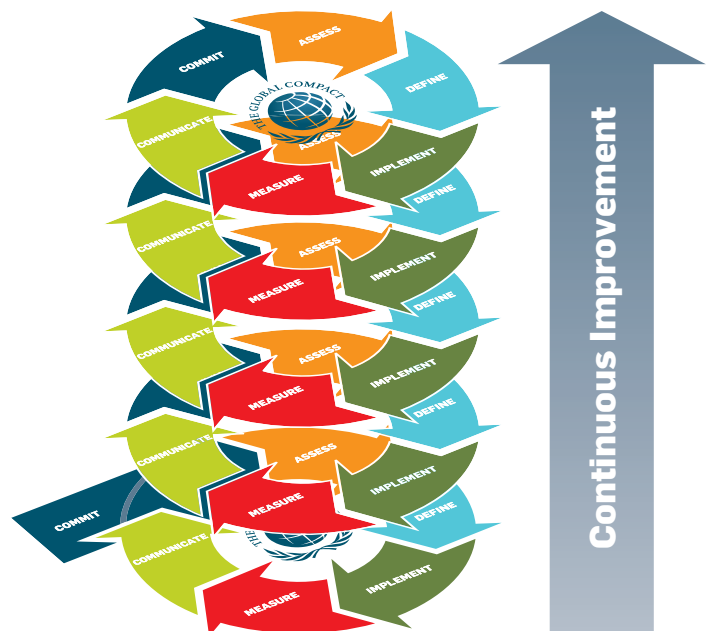
It is critical for companies to realize that reliance on the Model can also spark innovative ideas aimed at creating value for shareholders and stakeholders over the long term. In particular, we urge companies to challenge themselves proactively to project where their current strategies will position them in three, five, and seven years, and then, using this vision as a starting point, work through the Model to forecast their impact levels and identify new risks and new opportunities.

Companies likely will first need to develop a view on emerging sustainability scenarios and trends to conduct this exercise. Some companies might work through this exercise alone; others may choose to collaborate with one or more stakeholder groups. More important than *how* a

Figure 1: UN Global Compact Management Model



Figure 2: Continuous improvement



company conducts this exercise is that it *attempts* this exercise, recognizing that, like the Model itself, the real value will be unlocked through lessons learned over numerous iterations.

Crosscutting Efforts

Several elements serve to underpin a company's ability to manage with success its efforts to align policies and operations with the Global Compact. These crosscutting efforts include **governance**, **transparency**, and **engagement**, and are essential to every step of the Model.

Appropriate governance is foundational to aligning with the ten principles. Governance refers to a continuous effort to ensure the company behaves in shareholders' and increasingly stakeholders' best interests. Depending on the size and scale of the organization, the critical task of providing governance is carried out by an operating context-appropriate combination of the company's Board (or similar body), C-suite officers, cross-company corporate sustainability steering committee, and/or an external stakeholder committee. As governments enact sustainability-oriented regulations, the company's governance structure is responsible for ensuring the company adheres to these new compliance requirements. The governance structure also provides guidance and support to the rest of the organization throughout its corporate sustainability journey.

Transparency is a continuous effort to operate as openly as possible in the eyes of shareholders and other stakeholders alike. Specific considerations include documenting and communicating key economic, human rights, labour, environmental, and/or anti-corruption risks, opportunities, impacts, progress, and forward-looking plans. Such communications on progress enable shareholders and other stakeholders to make well-informed decisions about investments in or relationships with the company.

Engagement with stakeholders, both internally such as through ongoing relations with employees, and externally such as through dialogue with governments, local communities, trade unions, and nongovernmental organizations (NGOs), serves as another crosscutting effort to embrace corporate sustainability. Many companies find that frequent contact with stakeholders, such as governments, NGOs, and local community groups, yields timely advice and relevant feedback.

Leadership

Implementing the Global Compact can be a difficult and complex effort that requires strong leadership. As a company starts its journey to integrate the Global Compact principles, company leadership may find it helpful to assign responsibility for developing and driving the efforts throughout the company to one or more people. Depending on the size of the company and scale of operations, company leadership may put a support team in place to take the company through iterations of the management process. This person or team needs to have leadership support, in the form of mandate and resource availability, to drive change throughout the organization.

As a company becomes more advanced in its integration of the strategies into day-to-day policies and operations, and embedding a culture of corporate sustainability throughout its organization, everyone in the company eventually becomes involved in driving the principles throughout daily activities. Over time, the breadth of corporate sustainability tasks may require a cross-functional steering committee that comprises representatives from various business units to refine the strategy, review potential investments, and remove obstacles.



UN Global Compact Management Model

The UN Global Compact Management Model guides companies through the process of formally committing to, assessing, defining, implementing, measuring, and communicating a corporate sustainability strategy based on the Global Compact and its principles.

Note the scope of the UN Global Compact Management Model focuses on the steps companies take once having made the commitment to the UN Global Compact. In addition, please note that this is a dynamic and continuous process designed to assist companies in achieving higher levels of performance over time.



Each step is described in greater detail below:

COMMIT	Leadership commitment to mainstream the Global Compact principles into strategies and operations and to take action in support of broader UN goals, in a transparent way	During this step, company leadership publicly signals its commitment to stakeholders. Specifically, leadership commits to supporting the Global Compact and making the ten principles part of the strategy, culture, and day-to-day operations of the company, with oversight provided by transparent governance structures.
ASSESS	Assess risks, opportunities, and impacts across Global Compact issue areas	Equipped with a commitment to the Global Compact and in support of UN goals, the company assesses its risks and opportunities—in financial and extra-financial terms—as well as the impact of its operations and activities on the issue areas, on an ongoing basis in order to develop and refine its goals, strategies, and policies.
DEFINE	Define goals, strategies, and policies	Based on its assessment of risks, opportunities, and impacts, the company develops and refines goals and metrics specific to its operating context, and creates a roadmap to carry out its program.
IMPLEMENT	Implement strategies and policies through the company and across the company's value chain	The company establishes and ensures ongoing adjustments to core processes, engages and educates employees, builds capacity and resources, and works with supply chain partners to address and implement its strategy.
MEASURE	Measure and monitor impacts and progress toward goals	The organization adjusts its performance management systems to capture, analyze, and monitor the performance metrics established in the Assess and Define steps. Progress is monitored against goals and adjustments are made to improve performance.
COMMUNICATE	Communicate progress and strategies and engage with stakeholders for continuous improvement	During this step, the company communicates its progress and forward-looking strategies for implementing its commitment by developing a Communication on Progress, and engages with stakeholders to identify ways to improve performance continuously.

Step 1: Commit



Leadership commitment to mainstream the Global Compact principles into strategies and operations and to take action in support of broader UN goals, in a transparent way:

During this step, company leadership publicly signals its commitment to stakeholders. Specifically, leadership commits to supporting the Global Compact and making the ten principles part of the strategy, culture, and day-to-day operations of the company, with oversight provided by transparent governance structures.

Leadership and Commitment

A combination of a company's chief executive officer (CEO), or equivalent, and its highest-level governance body (e.g., the Board or similar entity) commits the company and its resources to adhering to the ten principles and related UN goals as a core component of its strategy. Many companies find it useful to conduct an assessment as part of their decision to become a signatory.

To complete the process of becoming a signatory, leadership:

- Commits to the Global Compact and its ten principles;
- Commits to engaging in partnerships to advance broad UN goals; and
- Commits to annual submission of the Communication on Progress (COP).³

How to Take Action

Companies that are considering whether to commit to being signatories to the Global Compact will likely first assess the benefits and requirements of being a signatory. Guidance on becoming a signatory is described in the Global Compact's *Corporate Citizenship in the World Economy*.⁴

³ A Communication on Progress is a disclosure to stakeholders (e.g., investors, consumers, civil society, governments, etc.) on progress made in implementing the ten principles of the UN Global Compact, and in supporting broad UN development goals (as expressed in the second objective of the UN Global Compact).

When the company decides to commit to the Global Compact for the first time, company leadership, led by the CEO (or equivalent) and with approval from the Board (or highest equivalent level of governance), signs the Global Compact Letter of Commitment, completes the online application form, submits its signed letter to the Global Compact and publicly discloses its commitment.

Six actions are required for the company to complete and submit its Letter of Commitment:

1. The letter contains an official company letterhead;
2. The letter is addressed to the UN Secretary-General;
- 3-4. The statement includes the organization's commitment to the ten principles, engaging in partnerships that advance broad UN goals, and the annual submission of the Communication on Progress;
5. The Letter of Commitment is signed by company's chief executive or equivalent (name and title must be legibly printed underneath the signature); and
6. The Letter of Commitment (one-page statement) is scanned and available for upload before completing the online application form.

⁴ See http://www.unglobalcompact.org/docs/news_events/8.1/GC_brochure_FINAL.pdf

As part of its effort to disclose its commitment publicly, the company is required to reference its commitment in its COP. In addition, the organization might find it helpful to mention its commitment on its Web site and/or upload its signed Letter of Commitment to its Web site.

Commitment to the Global Compact extends far beyond registration. Companies put their commitment in motion by allocating employees, financial capital, and other resources.

In an effort to further ingrain its commitment throughout the organization, over time, the company might also engage more and more of its leadership team in recommitting to adhering to the ten principles and related UN goals as a core component of its strategy. For most companies, this could include engaging other C-suite officers, as well as business unit and function leaders.

Each year, company leadership is asked to recommit to the Global Compact. If the company decides to renew its commitment, the company communicates its renewed commitment in its COP.

Getting Started

The company's CEO and Board, or similar governing body, signs the UN Global Compact Letter of Commitment, completes the online application form, and submits both to the UN Secretary-General.

Leadership commits to adhering to the UN Global Compact's ten principles, to submitting the COP on an annual basis, and to taking action in broader UN goals.

Companies that become Global Compact signatories realize that their commitment is not on paper alone. They plan to put resources aside to carry out that commitment over time.

Leadership Practices

The company's leadership team, including the CEO, C-suite officers, the Board, and the heads of the business units and corporate functions, as well as leadership of each of the company's subsidiaries, as relevant, commits to adopting and promoting sustainability within its industry and communities. The company promotes its commitment by communicating it to shareholders and stakeholders.

Leadership commits to adhering to the UN Global Compact's ten principles, to submitting the COP on an annual basis, and to taking action in broader UN, sustainability and company relevant goals, including issue platforms such as Caring for Climate, CEO Water Mandate, Business and Peace, and Women's Empowerment Principles.

Step 2: Assess



Assess risks, opportunities, and impacts across Global Compact issue areas:

Equipped with a commitment to the Global Compact and in support of UN goals, the company assesses its risks and opportunities—in financial and extra-financial terms—as well as the impact of its operations and activities on the issue areas, on an ongoing basis in order to develop and refine its goals, strategies, and policies.

Risks

The company identifies risks that can affect its performance and reputation from nonalignment with the Global Compact and its ten principles, in order to inform development of goals, strategies, and policies.

How to Take Action

Organizations beginning to carry out their commitment should start by making sure they understand what the ten principles mean to them and their operating context, including through their value chain. Note that detailed reference tools by issue area listed in the Appendix provide helpful guidance.

Some companies might be equipped to conduct a thorough risk assessment across the ten principles as a next step. Other companies, constrained by either resources or limited Global Compact expertise, might start by hypothesizing what their areas of highest risk may be based on their knowledge of their business and the ten principles, to prioritize fixing the behaviors that present the highest risk. Over time, the assessments can become more comprehensive, rigorous, and regular.

As the organization builds its capabilities to assess its risks and alignment with the ten principles, it should pay particular attention to the specifics of its unique operating context. For example, how it can seek to respect the spirit of international standards where national laws in the regions in which it operates prescribe lower standards. Additional areas to assess include areas of misalignment that might lead to erosion of brand, partnerships, stakeholder relationships, and financial value.

Recognizing that pursuit of corporate sustainability requires companies to create value for shareholders and stakeholders alike, companies are developing both financial and extra-financial assessments related to their Global Compact performance. Companies with operations and activities in multiple countries conduct this assessment at both the local and global levels.

Assessments can be complex given the range of components involved in the analysis. Some companies may find it useful to consult with NGOs, academics, and even other companies to receive these entities' opinions as to what risks the company currently faces.

Fully understanding the organization's risks will enable the organization to prioritize its goals, strategies, and action plan, as well as define the policies it needs to ensure risks are addressed and mitigated, in Step 3, Define.

Opportunities

The company identifies opportunities to enhance its performance and reputation through fortified and continued alignment to the Global Compact and its ten principles, in order to inform development of goals, strategies, and policies.

How to Take Action

There are many types of "opportunities" an organization might pursue. As the company assesses its operations to identify risks, it might also discover areas in its operations that, if improved, could create more value for its shareholders and stakeholders alike. Opportunities can represent areas of operations that can be better aligned with the ten principles. Opportunities can also be actions that can result in reduction of costs and/or growth of revenue.

One set of opportunities may come in the form of risks that can be mitigated with straightforward, low-cost adjustments to current operations. Another set of opportunities might be discovered by an effort to spot actions that are better aligned with the ten principles than what peers are doing. Such analysis might uncover other opportunities for the company, such as helping other organizations adopt or even employ the company's best practices.

As an organization becomes more proactive in identifying opportunities to drive additional value for its stakeholders, it may set goals for where it aspires to be in five years, then work through and innovate in this step with that vision in mind.

Impacts

The company calculates the results of its operations through the lens of the ten principles to inform development of goals, strategies, and policies.

How to Take Action

The same process of gathering data to assess risks and identify opportunities can also be helpful to calculate the human rights, labour, environmental, and anti-corruption impacts of a company's activities.

Many companies just getting started will ask themselves what metrics to calculate. Recognizing that no two companies start in the same place, some companies will find it useful to determine answers to questions their stakeholders frequently ask or to calculate impacts of areas of highest risk. Other companies might look to competitors' corporate sustainability reports as a way to both determine which metrics to calculate and benchmark their own impacts. In either case, companies should look at the performance indicators developed by the Global Reporting Initiative (GRI). Companies may also benefit from a review of standards such as the Carbon Disclosure Project, Dow Jones Sustainability Index, and the FTSE4GOOD Index.

Getting Started

First, the company makes sure it understands the ten UN Global Compact principles and reviews appropriate issue area information and tools. Then it thinks about its owned operations, across all regions, to see if it is in alignment with each of the ten principles. The company then prioritizes risks and opportunities to address.

Figuring out how to calculate a company's impacts can be challenging, as there are few widely accepted metrics and even fewer broadly applicable methods to collect the necessary data. The tools listed in the Appendix may be a helpful starting point.

Over time, the company develops an ability to think both more broadly and more deeply about its actions' impacts. On the broader side, companies may be able to see and assess the impacts of its actions as it relates across multiple issue areas, underscoring the importance of issue integration. For example, an action to provide stable employment in the form of a new manufacturing facility, in a rural, but financially attractive, market may have an adverse impact on that market's water supply.

On the deeper side, it may be able to calculate its impacts not just at the company level but also at the product or service level. These product or service level impact assessments, called life cycle assessments, track the impact of a company's product or service throughout its life, starting from earliest stages of design or manufacture to its final use or disposal.

Leadership Practices

The company prioritizes risks, proactively identifies opportunities, and calculates impacts at both the enterprise and product level on a regular basis across issue areas. These findings directly inform the development of the company's sustainability goals, strategies, and policies.

The company forecasts future operating context scenarios, based on a review of sound data and a deep understanding of emerging trends, so that it can identify and proactively address potential risks and prepare to capture emerging opportunities.

These assessments are reviewed by senior levels of management and the Board. Not only does the company engage stakeholders in these assessments, but it also shares its best practices with its peers, suppliers, and other business partners.

Step 3: Define



Define goals, strategies, and policies:

Based on its assessment of risks, opportunities, and impacts, the company develops and refines goals and metrics specific to its operating context, and creates a roadmap to carry out its program.

Goals

The company sets goals to adhere to the ten principles, address risks, and pursue opportunities. It also identifies key indicators to help it measure progress against its goals.

How to Take Action

The company sets goals and priorities to address its risks, pursue opportunities, reduce and mitigate negative impacts, and enhance positive impacts. The company might appoint the same person or team responsible for assessing the company's risks and opportunities to develop the company's goals and strategies.

The goals may include high-level qualitative and quantitative targets to reach, along with an expected time frame by which to achieve the goal. The company may identify key indicators to help it measure progress against its goals. For example, a quantitative goal might be to reduce absolute energy use from nonrenewable sources by 30 percent by 2025. As an indication of its progress toward this goal, the company might find it useful to track and compare its absolute energy use annually.

Many companies may choose to set both short and long-term goals, priorities, and milestones to drive long-term corporate sustainability integration efforts in the organization. The adoption of such a long-term view (e.g., 2020 or beyond) may provide additional insights that help companies define their sustainability goals and strategy. Companies that choose to fully embrace corporate sustainability may even integrate corporate sustainability into their overall mission statement.

Strategy

The company develops a strategy and plan of actions to guide its efforts to achieve its goals.

How to Take Action

Once the organization has defined the goals it wants to achieve, it needs to develop the strategies to achieve these goals. The organization might benefit from holding one or more strategy planning sessions to construct appropriate and high-impact strategies. Based on the data and analysis performed during the Assess step, the company might brainstorm and refine a set of potential actions that address each goal. It next prioritizes these actions based on expected level of impact, level of effort required to conduct, and available investment funds, among other criteria. The organization then puts together a roadmap to carry out the strategy, identifying owners, milestones, investments required, and key actions to achieve. It also defines the process to regularly measure progress.

As the organization becomes more adept at constructing effective strategies, it will likely find benefit in two new actions. First, the organization may learn that its specific actions to align with one of the issue areas (human rights, labour, environment, or anti-corruption) also help its behaviors more closely align with other issue area interests.

For example, in many parts of Africa, women and girls are responsible for gathering water for the family. Doing so may require a walk of two or more miles to the nearest source of water, then an equal walk home. This responsibility often results in the girls missing an opportunity to gain an education. A company's action to improve clean drinking water access may also help improve gender equality by eliminating these walks.

Second, the organization may mainstream its corporate sustainability strategy planning process into its overall corporate strategy planning

process. This effort will serve to integrate the corporate sustainability strategy with its overall strategy to ultimately develop a sustainable business strategy.

Policies

The company refines its policies to support goals and strategies and to ensure it is compliant with local and international norms and regulations.

How to Take Action

As a starting point, the organization develops policies designed to mitigate its risks, carry out its goals and strategies, and ensure it continues to operate legally across its owned operations. Policies might be set at the enterprise level to provide direction for all employees (e.g., ethics policy to ensure all employees adhere to the anti-corruption principle) and at the function level (e.g., procurement policy to make certain the company buys goods from suppliers with stringent human rights policies in place and that the company is not doing anything to undermine such policies).

Based on an assessment of current and forthcoming laws, regulations, and local customs, the company tests and refines these policies to ensure compliance both globally and locally in the regions in which it operates. As good operating procedure, the company further refines its policies to reference international standards when these standards are more exacting than national laws.

As the company becomes more adept in corporate sustainability, it may move beyond compliance within its owned operations to adopting policies to further improve its performance and the performance of companies in its value chain. This may include encouraging or requiring suppliers and business partners to operate in ways that are consistent with the ten principles. Eventually, the company may even engage in public policy

Getting Started

The company may start by prioritizing high-level and achievable goals to address the top risks, impacts, and opportunities it identified in the Assess step. It then sets a high-level strategy and action plan to achieve those goals.

advocacy or other activities to promote sustainable business practices and encourage broader implementation of UN goals.

Leadership Practices

Sustainability is an essential component of the company's mission statement and business strategy. In particular, the organization has integrated its sustainability strategy planning process into its overall corporate strategy planning process.

Fueled by this integration, the company sets out to develop a sustainable business strategy. Specifically, the company shifts its strategic planning focus from answering the question "where do we want to be in five years," to "how can we sustain our business into perpetuity." To bring this new mindset to life, the company challenges itself by setting proactive stretch goals, like "eliminate carbon emissions from owned operations, without the use of voluntary carbon credits, by 2020."

The company develops its strategy in consultation with a range of internal and external stakeholders, with special attention paid to set both short and long-term goals. Its strategy integrates the issue areas of the UN Global Compact into goals, initiatives, and policies. In addition, the strategy carefully considers the positive benefits and potential impacts that an action might have on other issues.

The company develops a roadmap of actions and investments to improve sustainability performance with clear ownership and accountability.

The company also encourages or requires suppliers and business partners to operate in ways that are consistent with UN Global Compact principles.

Step 4: Implement



Implement strategies and policies through the company and across the company's value chain:

The company establishes and ensures ongoing adjustments to core processes, engages and educates employees, builds capacity and resources, and works with supply chain partners to address and implement its sustainability strategy.

Processes

The company adjusts existing processes and develops new processes to execute its strategy throughout the organization.

How to Take Action

In this step, the company seeks to better align its day-to-day operations with its goals and strategies. To do this, the company may start by evaluating the ability of each core process to carry out the company's strategy.

For some companies, "processes" refer to departmental processes (e.g., finance, marketing). For other companies, "processes" refer to value creation processes (e.g., innovation). In either case, the company might find it useful to insert one or more checkpoints within each process to ensure the results are consistent with the company's strategy and goals. For example, a company might insert a checkpoint to confirm each of the ten principles has been considered (and the innovation idea adjusted, if necessary) before a potential innovation leaves the innovation process. Processes that might require adjustment include product management, product development, finance, marketing, supply chain management, sales, and logistics. Some companies might need to invest in ways to provide security for workers who are working in high-risk areas. Others may need to adopt new sales force policies that explicitly spell out their expectation that bribery of any kind is not permitted as a means to complete a sale or other type of transaction. Or they may want to enact supplier codes of conduct, possibly supported by a supplier audit program where appropriate, to ensure that suppliers only employ workers who are of a legal age to work. Finally,

some companies may find it useful to look for ways to integrate technology into their products that helps manage their products' environmental footprint.

People

The company engages, learns with, and empowers leaders, employees, and business partners to execute the company's strategy. Along the way, it ensures that it has the right set of skills and number of people in place for successful strategy execution.

How to Take Action

Once the company has defined its goals, strategies, and policies, it needs to make sure its organization is set up to successfully achieve these goals. As a first step, the company may set up a communication plan to fully communicate its goals, strategies, and policies throughout the organization.

The company might find it beneficial to assess whether it can carry out its strategy and roadmap of actions. It might determine the type of employee skills and level of employee engagement it will need, then map people's skills to its strategy and long-term objectives to determine education and recruiting needs to carry out its strategy. The company then may consider providing broad training to all employees on specific corporate sustainability topics (such as awareness of ethical conduct), and/or targeted training to specific employees (such as the importance of purchasing supplies from small and medium suppliers owned by minorities).

During subsequent iterations, the company, in an effort to continuously improve, looks to its employees to gain a steady stream of feedback

and ideas and empowers employees to take action in support of the strategy. It also puts in place company-level grievance mechanisms for workers to raise reasonable workplace concerns.

As the company progresses on its journey, it seeks to adopt corporate sustainability as a core value, thus embedding a corporate sustainability mindset into the core culture of its organization. To support this effort, the company might adjust its human resources policies to effectively compensate and motivate employees to achieve goals. For example, a company that enacts a goal to reduce absolute carbon emission levels might decide to have a portion of an executive's bonus be closely linked with that executive's ability to manage initiatives that result in progress toward that carbon emissions reduction goal.

Information Technology

The company seeks ways to adjust and use its information technology (IT) to accelerate execution of its strategy.

How to Take Action

In this area, companies seek to carry out and support their strategy by adjusting and leveraging their IT capabilities to reduce financial costs, to track incidents of human rights, labour, and corruption violations, to lower their environmental impact, and to manage their corporate sustainability footprint. Examples of efforts to adjust IT might include consolidating data warehouses to reduce energy consumption or focusing on integrating systems across the value chain to collect and analyze performance data.

Getting Started

To carry out its action plan, the company adjusts relevant processes and educates employees on the actions and behaviors that will help the company achieve its goals.

Suppliers and Business Partners

The company works with its suppliers to ensure its suppliers support its efforts to achieve objectives.

How to Take Action

As a first step, a company may find it useful to create a supplier code of conduct, which spells out the actions to which the company expects suppliers' adherence. Companies can then assess suppliers' compliance with the code, either through issuing a self-assessment to the supplier or through an on-site audit of the supplier's activities. Audits can identify gaps in a supplier's alignment with the code of conduct; the company might then choose to provide the supplier with training and guidance to improve performance. As an even more advanced step, the company can ask suppliers to provide actionable feedback and ideas to further promote the company's own strategy and performance.

Leadership Practices

The company has put in place a robust sustainability management system, has adjusted core processes to align with the UN Global Compact principles and drive value for shareholders, stakeholders, and society, and has equipped and empowered subsidiaries, business units, employees, business partners, and suppliers to carry out its sustainability strategies on a daily basis.

The common theme supporting all of these initiatives is a "sustainability mindset," a set of cultural beliefs about the importance of sustainability to the company's long-term success that is adopted throughout the organization.

Step 5: Measure



Measure and monitor impacts and progress toward goals:
The organization adjusts its performance management systems to capture, analyze, and monitor the performance metrics established in the Assess and Define steps. Progress is monitored against goals and adjustments are made to improve performance.

Measure and Monitor

In this activity, the company develops an ability to measure, monitor, and interpret its impacts and progress toward goals.

How to Take Action

Organizations beginning to track the progress of their journey might start by using a tool (such as a spreadsheet) to capture and consolidate the metrics and impact measurements they identified in the Assess and Define steps. They may rely on high-level estimates to start, and then work towards refining their data gathering process to capture more accurate and detailed data over time. In addition to performance metrics, the company also measures and collects data about its progress toward aligning its actions with the ten principles.

To gather necessary data, the company might benefit from employing a “bottom-up” approach. For example, each of the company’s locations, or at the very least, each region in which it has significant operations, calculates its performance. When companies have operations in different locations, data should be consolidated centrally to enable the company to measure and analyze progress and identify additional opportunities for performance improvement.

Over time, the company might break these metrics down into even more granular data points as a way to improve its ability to capture data and gain more visibility into its impacts and progress toward goals. For example, a company might set out to calculate carbon emissions; to do so, it would seek to understand emissions from each step in its value chain.

As it becomes more sophisticated, the company may employ a more advanced tool or database to capture the data, for instance by enlisting support from IT to develop processes or systems that automate the gathering, organization, and reporting of data. The ideal corporate sustainability performance data management capability would be able to provide management with regularly recurring data updates.

Being able to source data on a regular basis is a great (and challenging) start, but what will set one company’s measuring and monitoring capability apart is its ability to deliver insightful data to management on a regular basis. Most companies will find it helpful to work closely with its employees, key departments, NGOs, and other stakeholders to extract insights from the data reported by their metrics.

Getting Started

The company starts to measure and monitor the corporate sustainability metrics it set up in the Assess and Define steps and refined in the Measure step. The company collects all available data, noting the source of the data as well as the data it does not yet have.

This set of data will be refined and expanded over time to help extract insights that will enable the company to continuously improve.

Leadership Practices

The company implements a system to measure and report performance towards achieving its corporate sustainability goals.

It makes performance broadly visible, regularly uses performance data to guide decisions and investments, and seeks to translate corporate sustainability impact to financial impact.

In addition, the company works within industry and government to develop industry standards for impact metrics.



Step 6: Communicate



Communicate progress and strategies and engage with stakeholders for continuous improvement:

During this step, the company communicates its progress and forward-looking strategies for implementing its commitment by developing a Communication on Progress, and engages with stakeholders to identify ways to improve performance continuously.

Communication on Progress

In this activity, the company documents for shareholders and other stakeholders its impacts and progress toward integrating the Global Compact principles into its management practices through its COP.

How to Take Action

For the company developing its first COP, it may start with a focus on documenting its current corporate sustainability performance and key activities. Over time, the company bolsters its approach by including information on progress toward implementing its strategy. In addition, the company may include forward-looking statements about its goals and strategies and consider third party verification, which is seen as key in providing shareholders and stakeholders with assurance that its performance data and statements are accurate. At a more advanced level, the company might integrate its performance data and forward-looking strategies into its annual financial reports.

For companies seeking guidance in their efforts to create their first COP, or to take their COP to another level of refinement, the Global Reporting Initiative provides an internationally recognized reporting framework with widely accepted reporting principles and best practice performance

indicators. The GRI guidelines can help Global Compact participants of varying degrees of sophistication communicate progress on implementation of the principles and on key corporate sustainability actions advocated by the Global Compact.

Stakeholder Dialogue

In conjunction with external communication of progress, the company engages in ongoing dialogue with stakeholders to solicit feedback on performance and get input on future directions and priorities.

How to Take Action

Perhaps most important is a sincere desire to receive input and constructive criticism from both internal stakeholders (e.g., employees, trade unions) and external stakeholders (e.g., local community activists, governments). If the company is skeptical about or resistant to the feedback offered by stakeholders, it risks limiting its ability to improve performance and enhance reputation with stakeholders.

Proactive steps in this area include distributing its COP to all relevant stakeholders, seeking their feedback on company performance, and continuing a dialogue that will ultimately feed into future performance improvement.

Getting Started

The company documents its progress toward completing its action plan by describing activities undertaken to align with the UN Global Compact principles in its COP. It also reconfirms its commitment to the UN Global Compact. If the company has created a longer-term strategy, it includes a description of this strategy in its COP as well.

Leadership Practices

The company documents its sustainability goals, strategies, and performance in a credible manner, highlighting successes and shortcomings, and integrates relevant information into its annual financial report and supporting documentation.

The company receives Board approval and third party verification of its COP.

The company also engages stakeholders to capture feedback to improve its sustainability performance and promote alignment with current and emerging regulations and trends.





An aerial photograph of a beach with waves crashing onto the shore. The water is a mix of deep blue and white foam, creating a dynamic, textured pattern. The sand is a light brown color, visible in the lower right corner. The overall scene is bright and natural.



Conclusion



The corporate sustainability management process starts anew when the company translates feedback from stakeholders into actionable ideas. Leadership should consider these ideas as it repeats the cycle of recommitting. It can rely on these ideas to inform its efforts to reassess risks and opportunities and set the strategy planning and execution process in motion once more, as it seeks to continuously improve its performance over time.

The road to achieve alignment with the ten Global Compact principles is both arduous and rewarding. As emerging issues take shape, companies will be challenged to adapt to new constraints and comply with new regulations and expectations. Business customers are showing a preference to purchase from companies that are actively pursuing corporate sustainability initiatives. Employees are becoming ever more interested in working with companies that provide healthy and sustainable work environments. The companies that have embraced corporate sustainability will be able to shape, not just adjust to, new regulations and capture new growth opportunities.



Appendix: UN Global Compact Issue Area Support Tools

For more information, the below table lists a set of Global Compact issue area tools that provide more details behind issue area implementation. For a link to the Global Compact's general tools and guidance across all issue areas, see: http://www.unglobalcompact.org/AboutTheGC/tools_resources/index.html.

Issue Area	Document/Tool	Description
<p style="text-align: center;">Human Rights</p>	 <p style="text-align: center;">Guide for Integrating Human Rights into Business Practices</p>	<p>An online tool that offers practical guidance, in the form of a step-by-step analysis of A Human Rights Management Framework, to companies wanting to take a proactive approach to human rights within their business operations.</p> <p><i>(UNGC/BLIHR/OHCHR, 2009)</i> http://www.integrating-humanrights.org</p>
<p style="text-align: center;">Labour</p>	 <p style="text-align: center;">Labour Principles A Guide for Business</p>	<p>Explains the four labour principles of the UN Global Compact and provides an inventory of key resources to help integrate these principles into business operations.</p> <p><i>(ILO/UNGC, 2008)</i></p>

Issue Area	Document/Tool	Description
<p>Environment</p>	 <p>Environmental Stewardship Strategy – Overview and Resource for Corporate Leaders</p>	<p>Presents integrative approach to managing a variety of key environmental issues, designed to help companies develop a comprehensive environmental strategy.</p> <p><i>(UNGC/Duke University, 2010)</i></p>
<p>Anti-Corruption</p>	 <p>Business Against Corruption – A Framework for Action</p>	<p>Resources and tools to assist companies in implementing the tenth principle against corruption.</p> <p><i>(UNGC/IBLF/Transparency International, 2005)</i></p>

Appendix: Other Important Guidance Materials

Issue/Category	Document/Tool	Description
<p>Business and Peace</p>	 <p>Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors</p>	<p>Provides general principles to assist companies and investors in their efforts to make a positive contribution to sustainable peace and development in conflict-affected countries.</p> <p><i>(UNGC/PRI, 2010)</i></p>
<p>Board Engagement</p>	 <p>Moving Upwards: The Involvement of Boards of Directors in the Global Compact</p>	<p>Provides preliminary arguments regarding how, and in what specific areas, Boards of Directors may act in reinforcing of the leadership role of CEOs in advancing corporate citizenship in general, and implementing the Global Compact.</p> <p><i>(UNGC/BCCCC/Ivey, 2010)</i></p>

Issue / Category	Document/Tool	Description
<p>Supply Chain</p>	<p>Supply Chain Sustainability: A Practical Guide for Continuous Improvement</p>	<p>Guidance on how to implement the ten principles throughout supply chains, including how to measure progress, implement a holistic sustainable supply chain approach, assess gaps, and share common challenges and successes.</p> <p><i>(UNGC/Business for Social Responsibility, 2010)</i></p>
<p>Measure and Communicate Progress</p>	 <p>Practical Guide to Communication on Progress</p>	<p>The first version of the <i>Practical Guide to Communication on Progress</i> was launched in 2005. This current revised edition of the guide contains updated information about creating, sharing, and posting of a COP as well as practical examples of how companies are communicating progress. Also included are helpful definitions, tips on where to begin, examples of usage, and relevant GRI indicators.</p> <p><i>(UNGC, 2008)</i></p>



**Global Compact Office**

Postal address:
UN Global Compact Office
United Nations
New York, NY 10017
USA

The Global Compact Office is located at UN Headquarters in New York.

For staff contact information, please visit the Global Compact Web site:
http://www.unglobalcompact.org/AboutTheGC/contact_us.html

Deloitte Touche Tohmatsu

1633 Broadway
New York, NY 10019-6754
United States
www.deloitte.com

Key Contacts

Gavin Power
Deputy Director
UN Global Compact Office
powerg@un.org

Julie Engerran
Global Director, Corporate Responsibility
Deloitte Touche Tohmatsu
jengerran@deloitte.com

Christopher Park
U.S. Practice Leader, Sustainability
Deloitte Consulting LLP
chrpark@deloitte.com

PHOTO CREDITS:

main cover © Deloitte Brand Space
inside front cover © istockphoto
Page 4 © istockphoto
Page 7 © istockphoto
Page 19 © istockphoto
Page 21 © Deloitte Brand Space
Page 22-23 © Deloitte Brand Space
Page 28-29 © istockphoto

The Ten Principles of the United Nations Global Compact

HUMAN RIGHTS

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

LABOUR

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

ENVIRONMENT

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

ANTI-CORRUPTION

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

