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THE GLOBAL
COMPACT

THE UN GLOBAL COMPACT OPERATIONAL GUIDE FOR MEDIUM-SCALE ENTERPRISES

(50 TO 200 EMPLOYEES)

JULY 2007

THE UN GLOBAL COMPACT OPERATIONAL GUIDE FOR MEDIUM-SCALE ENTERPRISES

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Global Compact

Launched in 2000, the UN Global Compact is the largest corporate citizenship initiative in the world. As of May 2007 more than 3,000 companies from 100 countries, as well as over 700 hundred civil society, international labor organizations and academic institutions are engaged in the initiative. All are working to promote responsible corporate citizenship, ensuring that business is part of the solution to the challenges of globalization. In this way, the private sector – in partnership with other social actors – can help realize a more sustainable and inclusive global economy.

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INTRODUCTION

The concept of corporate social responsibility (CSR) is strongly affecting small and medium enterprises (SMEs). The debate on CSR in recent years has focused mainly on large companies and multinationals. But supply chain relationships, implementation problems, the development of legislation and international standardization and certification, and notably, the extension of the United Nations Global Compact initiative, has brought the debate to the local level.

In the developed world, SMEs tend to be specialized and knowledge-intensive companies that can influence the course of business behavior and become effective partners in the transfer of technology, the improvement of business practices and the opening of market opportunities for developing country partners.

In developing countries, SMEs are the engine for the spread of market relations, for economic growth and for the filtering-down of income to the larger segments of society. Also they act as a powerful factor in the integration of modernizing economies into the global markets through their increased links with international supply and production chains – provided that they progress in the path of responsible behavior standards.

However, SMEs often need to overcome major obstacles, such as a lack of human and financial resources, conflicting time and other resource pressures, in order to successfully implement social and environmental standards. Given that SMEs worldwide constitute approximately 90 per cent of businesses and generate some 50 to 60 per cent of employment, there is a clear need for raising awareness and providing training and coaching for SMEs in corporate social responsibility.

In 2006, the Global Compact Office appointed an international expert group under the coordination of UNIDO to develop an all-encompassing *Operational Guide for Small and Medium Enterprises*. With the clear objective of increasing the number of active SMEs in the Global Compact and providing assistance in implementing the Ten Principles, the group prepared four publications:

1. This current publication, a *Guide for Medium-Scale Enterprises*, which offers a step-by-step implementation model for implementing the Ten Principles.
2. A forthcoming *Guide for Managers of Small-Scale Businesses*, which primarily functions as an awareness-raising instrument and briefly elucidates the Compact's benefits for SMEs.
3. A forthcoming *Report and Recommendations* on SMEs, which should be considered as a reference book for all working with SMEs within the Global Compact wide “network of networks”.
4. A forthcoming *Resources and Tools Guide*, where an updated “state-of-the-art” annotated review of the existing literature can be found along with links and access to a comprehensive list of resources.

This publication for medium-sized companies (50 to 200 employees) is an easy-to-follow guide based on the journey that a company of this size needs to follow to become a good performer in the United Nations Global Compact.

The sequence is:



This report is but a first step towards the creation within the Global Compact of a space where SMEs can exchange best practices and help in the advancement of the Global Compact's initiative. From that point of view, it is meant as a living document, to be updated in the future on the basis of new insights and experiences.

I. PARTICIPATING IN THE UNITED NATIONS GLOBAL COMPACT

How can we transform our bottom line by implementing responsible business principles?

Implementing responsible business principles will always benefit your company. It will earn your company money and recognition, both in the short as well as in the long term. Running your business in a socially responsible manner will eventually **increase your competitiveness** by:

- reducing your use of materials, energy, and water,
- motivating and empowering your employees,
- improving operational efficiencies,
- improving relationships with people who are important to your business,
- improving your company's reputation with customers.

The United Nations Global Compact with its Ten Principles in the areas of human rights, labour standards, the environment and anti-corruption offers your company a unique platform to engage in responsible business behavior. When your company joins the Global Compact, it accesses the United Nation's broad knowledge base in development issues as well as convening power with regards to governments, business, civil society, and other stakeholders.

This Guide will not just help you to understand the Global Compact and its philosophy. It will also lead you through the process of implementing the Ten Principles. Yet, please be aware that implementation is more than a one-time exercise. It should be rather understood as an ongoing **cycle of Planning, Doing, Checking, and Acting**. The eight consecutive steps that this Guide describes are designed to be continuously repeated.

What is the Global Compact?

The Global Compact is a voluntary, international initiative that encourages companies of every size to implement environmentally friendly and socially responsible policies and to report on them. At the core of the Compact are Ten Principles that cover four areas:

- **Human Rights**
- **Labour Standards**
- **Environment**
- **Anti-Corruption**

The goal of the Global Compact is to promote responsible corporate management so that business can be part of the solution to the challenges of globalization.

The Global Compact is not a regulatory instrument – it does not “police”, enforce or measure the behavior or actions of companies. Rather, the Global Compact relies on public accountability, transparency and the enlightened self-interest of companies, labour and civil society to initiate and share substantive action in pursuing the principles upon which the Global Compact is based.

The Global Compact is organized as a network. As of 2007, it includes approximately 3,000 companies from all regions of the world, as well as some 1000 international labour and civil society organizations. A

variety of universities and cities support the initiative as well. At its core are the **Global Compact Office** and six UN agencies:

- Office of the High Commissioner for Human Rights
- United Nations Environment Program
- International Labour Organization
- United Nations Development Program
- United Nations Industrial Development Organization
- United Nations Office on Drugs and Crime

Moreover, the Compact has created more than 80 Local or Country Networks that function as voluntary local associations of participants that engage in collective activities.

What do the Compact's Ten Principles ask for?

The Global Compact asks companies to integrate Ten Principles into their core business operations and to pursue projects and corporate activities that advance the principles and broad goals of the United Nations. One of the overriding objectives is to embed the principles – and, hence, good corporate citizenship – into corporate management strategy, decision making and the value chain of a company. The Ten Principles are:

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 Standards

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 all forms of corruption, including extortion and bribery.

II. PREPARING

What is our understanding of the UN Global Compact? (Self-diagnosis)

Here is a self-assessment questionnaire that allows you to check on your understanding of corporate social responsibility (CSR).¹ Simply check for yourself the alternative that best fits your company's reality:

<p>1. About the UN Global Compact</p> <ul style="list-style-type: none"> a) It is my first contact with the theme. b) I have little knowledge about it. c) I am seeking to enhance my knowledge on the theme. 	<p>2. Regarding legal obligations, my company:</p> <ul style="list-style-type: none"> a) Finds it hard to comply with legal rules and obligations. b) Complies with most of the legal rules and obligations. c) Regards legal rules and obligations as priority.
<p>3. For me, ethics is:</p> <ul style="list-style-type: none"> a) An abstract concept. b) Easy to understand, hard to apply. c) The foundations on which human relations should be built. 	<p>4. In respect to dealing with people in my company:</p> <ul style="list-style-type: none"> a) I treat each person as he/she deserves. b) I seek to treat everyone the same way to avoid conflicts. c) I seek to identify individual needs and the best way to meet them.
<p>5. About the environment:</p> <ul style="list-style-type: none"> a) I hardly ever think about it. b) I worry about it, but I have not done anything about it. c) I seek to respect the environment and find practical solutions to problems, and I encourage others to do the same. 	<p>6. When I relate to my suppliers:</p> <ul style="list-style-type: none"> a) I frequently have conflicts and I always feel jeopardized. b) I have a friendly relationship. c) I look for suppliers with similar principles who can be my partners and who can contribute to my business.
<p>7. Regarding my customers or consumers:</p> <ul style="list-style-type: none"> a) Customers are important but it is impossible to please them. b) I try to take my customers into account. c) I treat my customers as I would like to be treated by my suppliers. 	<p>8. If I overheard what the people from the community say about my company, I would certainly hear one of these sentences:</p> <ul style="list-style-type: none"> a) "I do hope they get ahead and move somewhere else!" b) "Hey Joe, if there are any openings in the company you work for, don't forget to tell me, ok?" c) "Things have picked up a lot since these people from [...] got here."
<p>9. In times of political elections, my company:</p> <ul style="list-style-type: none"> a) Forbids employees to discuss politics... fighting about soccer is enough. b) Allows employees to hand out election campaign pamphlets as they please. c) Seeks to raise the employees' and the community's awareness of the importance of voting, and encourages open discussion. 	

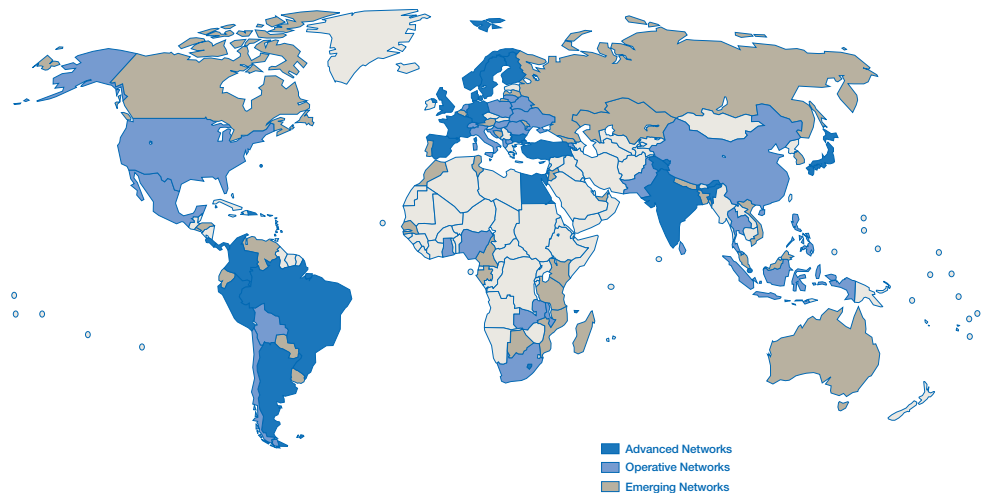
¹ Originally developed by Instituto Ethos, Brazil.

This exercise might have already given you a quick impression of corporate citizenship principles that are already a reality in your company. If you checked “c” in all or most of the questions, you and your company have already a quite good understanding of Global Compact Principles, even if you are unaware of the Global Compact. If you checked “a” and “b”, but would like to check “c”, you are already thinking as a good corporate citizen. However, if you always select “a” as the right answer, you might be doing well by thoroughly studying this Guide.

Where can we find guidance?

Your number one address for receiving help or guidance will be your Global Compact Local Network. A Local Network consists of participating companies and academic or civil society institutions, usually along with a Focal Point that coordinates the activities of the network. The participants are familiar with the specific implications of the Ten Principles in the context of your country and culture. They will provide you with the Global Compact’s philosophy and mission, help you select the principles that are relevant to your company, connect you with facilitators to help you implement the principles, provide you with background information, resources and tools for this implementation invite you to learning activities, peer review exercises, dialogues with other stakeholders concerning the principles and inform you of social projects that may be of interest.

Global Compact Local Networks have been established in more than 80 countries:



Contact details of your Local Network can be easily found at:
<http://unglobalcompact.org/NetworksAroundTheWorld/index.html>

Are there any allies who can help us?

Although you might feel alone and somewhat overwhelmed when facing the challenge of implementing Global Compact principles in your company, you might have a variety of allies out there you are just not aware of. Business associations, community groups, academics, student interns, government officials, and others could become valuable supporters of your endeavor. Again, your Local Network will get you in touch with these helpful hands.

III. YOUR ROADMAP IN THE GLOBAL COMPACT: NEW VISION AND PRIORITIES

What actually is a good practice?

Global Compact reporting (the Communication on Progress) requires a description of good practices that participants have taken to implement the Global Compact principles. What actually can be considered as good practices?

You will be surprised how easily you can implement responsible business principles: Switching off lights when no one is using them is a good practice that can easily be implemented. Saving or reducing your use of water and raw materials might be your next step. This Guide briefly tells you what can be done in all four Global Compact areas (human rights, labour, environment, anti-corruption).

What do we do well?

Many of your company's business practices might already fall under the heading of Global Compact good performance, such as recycling waste or community work.

Remember that employees are your "front line" in any business activity, especially in efforts related to the Compact. Ask them to help detect good practice by creating a list of all current activities related to any of the principles of the Compact, as well as the initiatives that the company might soon put in place. Then, check off what the company is already doing, noting any gaps.

Here are some practices to consider:

- Recycling waste
- Using energy-efficient appliances or vehicles
- Using local suppliers
- Supporting local community projects
- Providing a safe working environment and educational assistance to employees
- Enhancing gender equality in the workplace

The vision and mission: What is important to us, as a business and as a citizen?

Does your company aim at the benefit of people and environment as well as at profit? Do your corporate clients, international buyers, customers and investors value doing business with or investing in your company? How about your employees and the community? Do employees consider your business as a great place to work? Is your company valued as a good neighbour?

Assess what is important to your company – as a business AND as a good citizen and **try to incorporate it into the mission and vision of the company.**

The priorities: Does any area need urgent attention? Are there possibilities for innovation?

Implementing the Global Compact's Ten Principles does not have to happen all at the same time. Given your company's specific situation, after having checked what you are doing well and having thought about your company's vision and mission, you can **start by making priorities** so that the process can be accomplished one step at a time.

If your company is doing business, let's say in the mining industry, environmental aspects might matter to you most. On the other hand, companies in the service sector might be more affected by incidents regarding corruption.

Keeping in mind the principles of the Global Compact, try to detect high-risk areas or behaviors within your business that might put your good reputation at risk. Think also about opportunities where implementing the Ten Principles might trigger innovations, greater efficiency, higher productivity or better access to financial markets. You could think about these risks and opportunities in terms of a road map, with both short-term **priorities** and long-term goals to accomplish.

IV. GETTING STARTED

Who will be involved? (Stakeholder mapping)?

Think about all groups and individuals who are affected by your business – all of them are covered under the umbrella term **stakeholders**. There are four major stakeholder groups:

- your employees,
- the community,
- your clients and customers,
- your suppliers.

You might start by drawing a map that illustrates your company's relationship to each of its stakeholders. Listening and talking to your stakeholders on a regular basis can really improve your business' reputation – at a very low cost.

Does everyone understand how we can work to advance the principles?

It is essential that the commitment to implement responsible business practices come from your company's CEO or General Director. At the end of the day, he or she is responsible for the success or failure of the whole endeavor.

However, as your employees are in the “front line” in terms of putting the principles into practice, make sure to inform everyone about your plans – by an informal get-together, an official seminar, or a notice to all staff. At a later stage, inform your employees about the actual policy steps you plan to undertake.

Are company rules, policies and habits aiding or impeding our progress?

There might be rules and policies, or sometimes simply habitual practices, within your company, that prevent you from successfully implementing the Global Compact's Ten Principles. They might even prevent you from establishing your priorities or taking the first step towards implementation. Consider whether your company has official or unofficial company attitudes and practices that permit or encourage paying off officials to obtain sign contracts, joking about race or religion, not providing equal opportunities for women, and neglecting safety regulations.

It is important to detect such obstacles in order to successfully implement responsible business practices. As mentioned earlier, a good way of doing so is listening to your stakeholders and taking their concerns very seriously.

V. BUILDING TEAMS

Who will do all this?

In reality, the implementation process requires 100 per cent employee involvement. However, it is often easier to start the process with a pilot team in an area designated as priority. The first mission of the **pilot team** is to formulate new policies and operational procedures and then to put them into practice in the designated area.

This team could consist of a range of staff from operators to the supervisory level, including personnel with an overall strategic view of the company. The presence of the latter is important because they can lead other implementation teams at a later date. In general, it is a good idea to have a multifunctional team including individuals with expertise in the areas of engineering (or R&D), manufacturing (operations) and procurement.

Team members should depend on other employees, associates and management, initially for data and later for the implementation of improvement actions. They should also be encouraged to participate at appropriate stages during implementation of new practices. Their involvement in the process may also serve to motivate them and to ensure their commitment to making improvements in the company.

Whenever a project is completed, the team can share its experience by presenting the case study to all staff.

Be aware that at least two types of resources are required for an implementation team:

- a. Engineering and procurement help
- b. Financial resources

VI. IMPLEMENTING

Human rights issues

The core value of international human rights law is the notion that all human beings are born free and equal in dignity and rights. It is up to you to make sure that people are treated respectfully in your company.

Although unlike governments, companies strictly speaking have only *negative* duties – that is, to refrain from violating the rights of others – you should voluntarily promote human rights. Some first steps could be:

- With the support of your Global Compact Local Network, organize training for your staff to make everyone understand what Human Rights (HR) principles are and that they are indeed universal.
- Strictly reject jokes or behavior that target employees because of their color, gender, religion, disability, sexual orientation, or political or other viewpoint.
- Make sure there is a secure mechanism for employees reporting instances of harassment and abuse.
- When possible, hire people who are disabled or excluded for any other reason.
- Pay comparable salaries for comparable work.
- Be aware of how your business activities may affect human rights in neighboring communities.
- Choose suppliers and buyers that adhere to human rights standards.

However, these are simply some basic suggestions to improve your HR performance. You might want to become further acquainted with HR policies. Please do so by contacting your Global Compact Local Network or visiting the Global Compact Human Rights issue page: http://unglobalcompact.org/Issues/human_rights/index.html

Labour issues

Respect of labour rights and maintenance of proper working conditions are, of course, legal obligations within any company. These obligations do not constitute a Global Compact activity. However, Global Compact initiatives that enhance conditions at all levels in a company, especially when management and employees and perhaps even members of the surrounding community are involved in the process, may bring not only the expected benefits but may also awaken untapped potential of productivity and growth. Fundamental steps towards this new state are:

- Provide all staff with employment contracts stating the terms and conditions of service, the voluntary nature of employment, the freedom to leave (including the appropriate procedures) and any penalties that may be associated with a departure or cessation of work.
- Establish policies to ensure the health and safety of all employees and make the policies known to employees.
- Officially inform your staff that all workers are able to associate at the work place and to initiate collective bargaining without fear of intimidation or reprisal.
- Be open to job splitting, flextime and other work-life balance policies.
- Consider supporting daycare for children or elderly dependants.
- Encourage a healthy workplace (e.g. implement a smoking ban or a drug and alcohol abuse support program).
- Establish policies against gender discrimination at all levels of the company.
- Ensure equal opportunities to employees from minority groups.
- Think of the possibility of projects that increase the living standards of the community where your company operates, including volunteering schemes undertaken by the company's staff and employees.
- Raise the awareness of your suppliers concerning all these issues.

Again, these are simply some basic suggestions to improve your company performance on labour issues. Contact your Global Compact Local Network office or visit the Global Compact Labour issues page to find more information and tools on labour standards: <http://unglobalcompact.org/Issues/Labour/index.html>

Environmental issues

SMEs are no different from large companies in exerting considerable pressures on the environment, not necessarily individually but through their combined total impact across sectors.

In some parts of the world, legislation has forced SMEs to address their environmental impact and waste management. However, contributing voluntarily can establish a culture that achieves more than the legislation demands. Consider the following initial steps:

- Save energy, emissions, and water by regularly reviewing your production process for potential savings.
- Save raw materials by using or producing recycled and recyclable materials.
- If possible, choose local suppliers or goods produced locally in order to keep transport use to a minimum.
- Considering hazards and risks in your operations. Especially if you are in heavy industry sectors and using chemicals, make sure you have efficient safer production and emergency preparedness measures in place.
- Regularly train staff in order to raise environmental awareness.
- Raise awareness among your suppliers by asking them for environmental data on their products.

- Offset carbon emissions with equivalent carbon-fixing initiatives, such as tree planting.
- Give preference to video-conferencing with (potential) suppliers or customers rather than physical traveling
- Establish an environmental management system with objectives and procedures for evaluating progress, minimizing negative impacts and transferring good practices.²

For information and tools on how to improve your environmental performance that go beyond these basic suggestions contact your Global Compact Local Network office or visit the Global Compact Environment issue page: <http://unglobalcompact.org/Issues/Environment/index.html>

Anti-corruption measures

Corruption is perceived as the major business obstacle that SMEs face in their commercial activities, particularly in the developing world and in countries in transition. Pursuing a zero-tolerance policy with regard to corrupt practices is often difficult for SMEs because they lack the bargaining power and resources to balance off resulting disadvantages.

There is, however, a variety of primary actions you can undertake in order to implement anti-corruption policies:

- Introduce an internal code of conduct, prohibiting all forms of corruption. This is your first signal to all your stakeholders that you understand the problem and are willing to face it.
- If you do not feel comfortable introducing a code of conduct within your own company or if you fear such a code will result in competitive disadvantages, start pushing for a code of conduct within your business association or your industry sector.
- Approach your key allies (UN Global Compact Local Networks, business associations, chambers of commerce, NGOs) in order to arrange anti-corruption training for your employees.
- Set up an independent reporting mechanism to detect and to deter corrupt conduct. Such a facility, e.g. a telephone hotline, may be internally staffed or, in order to allow for anonymity, may be outsourced to a service provider.

These are only some basic suggestions to improve your company performance on anti-corruption. Contact your Global Compact Local Network office or visit the Global Compact Transparency and Anti-corruption issue page to find more information and tools: http://unglobalcompact.org/Issues/transparency_anticorruption/index.html

² Two important tools for this are UNEP's Efficient Entrepreneur online support (<http://www.efficient-entrepreneur.net/>) that guides the SME in introducing environmental management and the UNIDO SMEs Cleaner Production Reporting Tool (<http://www.unido.org/doc/42159>).

VII. ASSESSING

Why and how should we measure improvements?

One of the key requirements for companies participating in the Global Compact is to annually report on their actions taken to implement the Ten Principles in their business activities. Such a report is called a *Communication on Progress* (COP). The purpose of the COP requirement is to ensure and to deepen the commitment of Global Compact participants and to safeguard the integrity of the initiative. It creates a rich repository of corporate practices that serves as a basis for ongoing performance improvement. For companies, the COP is a tool to exercise leadership, facilitate learning, stimulate dialogue and promote action.

There is a growing number of tools particularly developed for SMEs to assess Global Compact performance and resulting improvements. Regular – ideally annual – assessments will help you better understand causal relationships between implemented Global Compact policies and actual results.

Improvements of quantitative units, such as reduction of emissions, resources and waste are easy to assess. However, assessment of qualitative values such as staff satisfaction requires additional efforts.

Your Local Network will connect you with appropriate tools to easily assess what you have accomplished.

VIII. COMMUNICATION ON PROGRESS

Why and to whom should we communicate on progress?

The way your business is run regarding human rights, labour standards, anti-corruption regulations and environmental standards is important information. Indeed, it makes very good news. Communicate to your stakeholders (employees, community, customers, suppliers) that you have your house in order, that you are a social and environmental leader in the supply chain, and that you take your liabilities seriously.

Continuous and professional communication can unveil enormous long-term benefits for your company. It will increase your company's reputation, improve your stakeholder relations, motivate your employees, and might also improve your market access.

Communications on Progress create value for those preparing them and those reading them. The information included in these reports is essential when making decisions, whether they relate to improving company programs or investing capital or choosing a career direction. COPs should not be filled with flowery words but empty of substance. In order to drive value, COPs must be based on a genuine commitment to implement the Ten Principles, to share what has been accomplished and to inspire ongoing improvement.

Some leading companies use the reporting process as an internally focused management tool to drive continual improvement. Other companies use the reporting process as a means of driving externally focused benefits, such as better stakeholder relations and reputation. Importantly, internal and external benefits are normally not the ultimate benefits that most companies seek. These intermediate benefits are but steps towards increased sales, lower costs, more investors, or faster approvals.

The following table presents some of the main benefits of Communications on Progress.

Internally Focused	Externally Focused
Identifies where employees can share best practices with other operating or corporate units	Enables stakeholders to make better decisions (e.g. on employment, purchases, investment)
Identifies areas of poor performance, prompting program changes, target setting, or modified staff responsibilities	Leads to inclusion in socially responsible investment funds or indexes
Identifies required management system improvements, such as data tracking or safety inspections	Influences the behaviour of suppliers and customers in the direction of greater sustainability
Identifies short- and long-term business risks and opportunities	Responds directly to pressures from advocacy groups
	Shapes the debate and influences opinions and directions on key issues

Not all companies will reap all the benefits listed on the preceding table. Each company will have to assess how to best derive value. However, all companies that fully commit themselves to making and communicating progress will discover a long-term value-creating process.

One of the most important rewards of COPs is the deeper understanding of concrete ways in which an organization can effectively contribute to a sustainable future not only for its business, but also for the society and environment it depends on and operates in.

How can we create a Communication on Progress?

There are three basic steps to communicating progress: Creating, sharing and posting a COP.

Step 1: Creating a COP

The creation of a COP is a process unique to each company. However, a COP must include the following three key elements:

Element 1:

A statement of continued support for the Global Compact in an opening message from the Chief Executive Officer, Chairman or other senior executive.

Since the Global Compact is a leadership initiative – requiring the signature of the CEO and/or board of directors – this statement of continued support is a required element of each annual COP. This element reflects the importance of top management engagement for the successful implementation of corporate citizenship issues on a long-term basis. If top management does not campaign relentlessly for the vision, set clear signals and priorities and behave as a role model, change will slow down and the organization will return to business as usual.

The statement should express explicit support for the Global Compact, not just say that the report shows performance in line with the Global Compact Ten Principles. Further, the statement should refer to emerging good practices that demonstrate the benefits of engagement and reinforce the business case for implementing the Principles.

If the COP is woven throughout a sustainability or annual report, a statement of continued support for the Global Compact should be included in the opening letter from a senior executive. If the COP is prepared as a separate, self-contained document, the statement of continued Global Compact support from the senior executive can be made as an introductory message.

Element 2:

A description of practical actions (commitments, policies, systems, activities, and, if appropriate, partnerships created) taken during the previous year to implement the Global Compact Ten Principles.

The second COP element is a description of practical actions taken and the process of implementation used to integrate the Global Compact principles into company's operations. These actions might be commitments made, systems policies and programs created and activities undertaken, related to the Ten Principles.

Element 3:

A measurement of outcomes or expected outcomes using, as much as possible, indicators or metrics such as those developed by the Global Reporting Initiative.

The third COP element – measurement of actual outcomes and expected outcomes – refers to one of the core strengths of the Global Compact: its recognition of continuous incremental improvement.

Continual improvement demands assessment of progress in meeting company targets. The systematic application of performance indicators is therefore crucial. The most well-developed globally applicable sustainability reporting framework is found in the *GRI G3 Guidelines*. While the Guidelines do not represent the only way of preparing a COP, they do offer a globally recognized and Global Compact recommended reporting directive that can help produce a strong COP.

Step 2: Sharing the COP with the company's stakeholders

A COP derives value only if it is actively shared and used as a tool for dialogue and action in support of continual improvement. Towards this end, it is important to note that the COP is **not** a communication with the United Nations Global Compact Office. Rather, it is intended to provide a means for participants to communicate their progress on implementing the Global Compact Ten Principles directly with their stakeholders. Companies should use the established methods where stakeholders would expect to find sustainability information (e.g. websites, direct mailings, employee alerts, open houses) to disseminate their COP.

Step Three: Posting the COP to the Global Compact website

Companies are also expected to post an electronic version (and web link if available) of their COP on the Global Compact website and describe how the COP is being made available to stakeholders.

Instructions for posting your COP are available on the Global Compact website at http://www.unglobalcompact.com/docs/communication_on_progress/4.3/COP_posting_doc_eng.pdf

Who can help us?

The Global Compact and the Local Networks offer a variety of publications with templates and tools that will help you to successfully communicate your progress.³ Ask your local network advisor which template might suit your company best. Check them on the Global Compact website (<http://www.unglobalcompact.com/COP/Resources.html>) or contact the Communication on Progress team at the Global Compact Office at senne@un.org

IX. MONITORING / AWARDING

How can we follow up on improvements?

You managed to successfully implement some of the Global Compact's principles? Congratulations! But don't forget to keep the ball in the game! Running a social and environmental friendly business is an **ongoing process**.

Continue to repeat the above-mentioned steps, detecting areas that need improvement and implementing action. Don't forget to annually communicate your progress to your stakeholders.

How can we make employees feel good about contributing towards implementation of the Ten Principles?

Implementing policies that positively affect your employees and community will automatically help you get your employees on board. But you can do even more to motivate your employees to join your efforts with the right enthusiasm:

Annually celebrate your successes and implement lessons learned from your failures within the company, in order to motivate your employees and inspire yourself. Look for award programs at local, regional, and national levels. In addition, create in-house awards and ceremonies for outstanding performance of individuals, teams, and departments.

³ The most recent guide is "Making the Connection" a joint publication by the Global Compact and the Global Reporting Initiative (http://www.unglobalcompact.com/docs/communication_on_progress/4.3/Making_the_connection.pdf)

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GLOBAL COMPACT PRINCIPLES

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

