



Global Compact International Yearbook

macondo

2015



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H.E. Ban Ki-moon, UN Secretary-General

“ What began as a simple call to action has become a global force for good.

Many reasonable observers worried that the United Nations had bitten off more than it could chew in seeking to mobilize the international business community to embrace universal principles.

Yet here we are:

The Global Compact has more than 8,000 business participants committed to doing business responsibly in line with universal principles encompassing human rights, labour rights, environmental protection and anti-corruption efforts.

We have thousands of dynamic partners from beyond the business community – from government, civil society and labour.

The Global Compact reaches both the developed and developing worlds, with signatories in 170 countries and nearly 100 country networks.

Investors and educators are also actively involved.

Most importantly, the initiative is having a positive impact on key issues of concern to all humankind, from climate change to women’s empowerment, and from water to good governance.

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EVERYONE BENEFITS FROM A BETTER WORLD: THE ROLE OF BUSINESS IN SOCIETY



By Georg Kell, Executive Director, UN Global Compact

Fifteen years ago, it was the fragile nature of the relationship between business and society that led the UN Secretary-General to propose that business and the United Nations jointly initiate a “global compact of shared values and principles, to give a human face to the global market.” Today, I believe that we are at a crossroads.

On the one hand, we have 15 years of progress showing us that business and investors around the world increasingly see the connection between the bottom line and the health of societies. Corporate sustainability initiatives, standards, and activities are booming at the national and global levels. What began as a peripheral, ethical movement has evolved into a mainstream, strategic corporate practice.

On the other hand, new examples of human rights violations, worker exploitation, environmental destruction, and corruption by business are constantly being revealed. The fact is that until sustainable business practices are rewarded by markets and supported by governments, companies devoid

of responsibility will keep winning contracts, cutting corners, and seeking profits at any cost.

I can say with confidence that a global movement is underway, changing markets from within. In an interdependent and transparent world, it is increasingly true that long-term financial success goes hand-in-hand with social and environmental responsibility and sound ethics.

There are six key developments that make me confident in the transformative potential of this movement:

■ 1) Corporate sustainability has shifted from a moral imperative to a material one. Environmental, social, and economic challenges affect the bottom line. Modern communications and technologies make it harder for companies to hide in the shadows, defy laws, and ignore public opinion. Today, business is called on to be transparent. As a result, sustainability is moving up the agenda — away from the public relations realm to a strategic one handled at the highest levels of the company.

■ 2) Business is moving from resource-taker to market-builder. Understanding that business can no longer simply outsource responsibility and in-source economic benefits, corporate foreign direct investment has undergone a transformation. Not long ago, companies invested to source cheap inputs from the developing world. As economic growth has migrated, companies are increasingly investing to build markets and see themselves as stakeholders in these societies for the long run.

■ 3) A truly global movement is underway. In 2000, roughly 40 companies came together with a dozen labor and civil society leaders to commit to the Global Compact. Today, we stand at 8,000 companies and 4,000 non-business signatories from more than 160 countries. Our participants represent nearly every industry sector and size, and come equally from developed and developing countries. We have more than 85 country networks, which are convening companies and acting on key issues at the ground level.

■ 4) Guidance for business action is widely available. We have gone from raising awareness, building consensus, and developing first-time guidance to creating a robust knowledge and resource base for action. More than 200 resources have been developed by the Global Compact and partners alone.

■ 5) Companies are collaborating to tackle major societal issues. Issue platforms and initiatives — for example, on gender, peace, climate, water, food, and children’s rights — are the key to breaking through complex issues. Companies are coming together to collaborate and co-invest in solutions to shared, systemic challenges.

■ 6) Investors and educators are becoming key leverage points. Mainstream investors are getting on board and driving companies to act, thanks to the work of groups such as the Principles for Responsible Investment — with 1,200 investors managing assets of roughly \$34 trillion — and the Sustainable Stock Exchanges initiative. The Principles for Responsible Management Education initiative is helping to shape future business leaders and has more than 500 academic institutions in 80 countries committed to embedding sustainability into curricula and research.

There is no doubt that the pieces are in place. The opportunity to orient business toward sustainability has never been greater. But the truth is that, relative to the challenges at hand, the corporate sustainability movement has resulted only in incremental changes. With an estimated 80,000 multinationals and millions of smaller enterprises, much remains to be done to reach critical mass.

I believe a better future is within grasp. History shows the power of individual actions to bring about changes that were

once thought to be insurmountable. One person stands up against what is wrong, then others join. Eventually, enough voices force walls to fall, doors to open, and lights to shine. The good news is that enlightened companies have shown that they are willing to be part of the solution. But they will only get so far unless all stakeholders work together. Actions by key players can result in unprecedented changes:

- Beyond governments’ fundamental duties and responsibilities to citizens, they must take measures to accelerate business solutions on sustainability. This means creating enabling environments, incentivizing the right kinds of behavior, and encouraging companies to enhance accountability through disclosing their practices.
- Companies everywhere are called on to do more of what is sustainable and put an end to what is not. We need corporate sustainability to be in the DNA of business culture and operations. The priority is to reach those who have yet to act, and especially those actively opposing change.
- Financial markets must move beyond the short-term and long-term returns must become the overarching criteria for investment decisions. What we need is comprehensive risk management, sustainable value creation, and stronger ethical orientation.
- As individuals we all have a responsibility. As citizens and consumers, we need to take a hard look at how we live and how our choices will impact the world today and tomorrow.

With the United Nations expected to launch a ground-breaking set of global Sustainable Development Goals (SDGs) in 2015, business will have a newly relevant framework to guide their strategic priorities and efforts toward society — representing a huge opportunity to drive sustainable business. Businesses, investors, and civil society are increasingly considered to be a positive force for sustainable development and are expected to play an important role in implementing the future SDGs.

In closing, I am confident that the private sector is prepared to deliver on the compact between business and society. We can move from incremental to transformative impact. It will take our collective determination to bring this movement to scale and requires collaboration on a level never before seen. As a growing number of companies are embracing sustainability, we need governments, investors, and educators to do their part.

As my time as Executive Director of the UN Global Compact draws to a close, I am proud of the global movement we have created. But there is still more work to be done. Together, let us charge ahead on our journey toward a sustainable and inclusive global economy. ■

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CORPORATE SUSTAINABILITY IN 2015

When the UN Global Compact was founded 15 years ago, globalization was just starting and so was the concept of corporate social responsibility. In fact, many early approaches were about fair global trade. Kofi Annan then came to the point, saying if we fail to make globalization work for all, then it will ultimately not work for anyone.

Fifteen years later, this belief of Annan's is still urgent. But the framework of the UN Global Compact and CSR comprises much more than globalization. It is about complex — sometimes too complicated — issues such as the depletion of planetary resources, global warming, and the understanding that we will have to change our lifestyles to make this one Earth habitable for all.

That is why the Global Compact called its anniversary conference “Business as a force for good.” Business primarily is good when we talk about speed of change, efficiency, and costs. At the same time, when CSR proves to be not only a moral compass but also an economic compass, it becomes a true game changer.

Dr. Elmer Lenzen



THE STATE OF CSR IN 2015 AND BEYOND

Corporate social responsibility (CSR), in its modern formulation, has been most active since the 1960s — for more than half a century now. CSR has been defined in many ways. In my own framework, CSR embraces the economic, legal, ethical, and philanthropic expectations and responsibilities placed on businesses by society. Though CSR's growth in the 2000s may appear to be moderate in light of pressing financial exigencies, it also is vying with competing and complementary frameworks and socially conscious semantics. Corporate citizenship, business ethics, stakeholder management, and sustainability are the primary variants of CSR contending for worldwide attention and acceptance. The concept of “creating shared value” has also entered the discussion. All these frameworks are interrelated and overlapping and are integral to CSR.

By Dr. Archie B. Carroll

Beginning in the 1990s and carrying forward, four strong trends in CSR have solidified its primacy in the debates and discussions on social issues. These four trends are with us today and provide impetus for CSR's stable position as the centerpiece for these contending and complementary concepts. The four trends include globalization, institutionalization, strategic reconciliation with financial profitability, and academic proliferation.

Globalization

Globally, countries have been climbing the learning curve quickly, and we now find CSR to be a central idea in both developed and developing countries. Stakeholders around the world have been connected and united via communication and travel technologies, and thus the future is bright

for international acceptance and growth. With rising global competitiveness, reputational risk for corporations has increased dramatically, as global visibility and vulnerability have become central strategic issues. Today, the challenge of global businesses is one of balancing and reconciling conflicting stakeholders' expectations, demands, and pressures between and among home and host countries.

Institutionalization

The increasing focus on the global dimension of CSR has not supplanted domestic business concerns. Thus, the institutionalization of CSR has been a significant trend as practices and policies have become more commonplace, more formalized, more varied, and more deeply assimilated into corporate structures, policies, and practices.

QUOTES



Kofi Annan

Seventh Secretary-General of the United Nations; Nobel Peace Laureate

We had gone through a period when people were very suspicious of business people, particularly in the Third World. Many were suspicious, and they felt that globalization and the fruits of globalization were not being shared equally or fairly. They tended to blame the multinational corporations. Getting them to deal with each other — and getting people to understand how these corporations can work together with governments and civil society to change economic conditions — was important. I think there is a better atmosphere today than 15 years ago. There is better understanding, and governments and private sectors are working better with each other.



Prof. John Ruggie

Berthold Beitz Professor in Human Rights and International Affairs, Harvard Kennedy School; former UN Secretary-General's Special Representative for Business and Human Rights

The whole discourse has changed. You don't have to defend the corporate sustainability position anymore. You don't have to persuade people that this is something to be taken seriously. That job is done. Even *The Economist* writes, “The question is not whether, but how we go forward on corporate responsibility.” That, I think, is a big development.

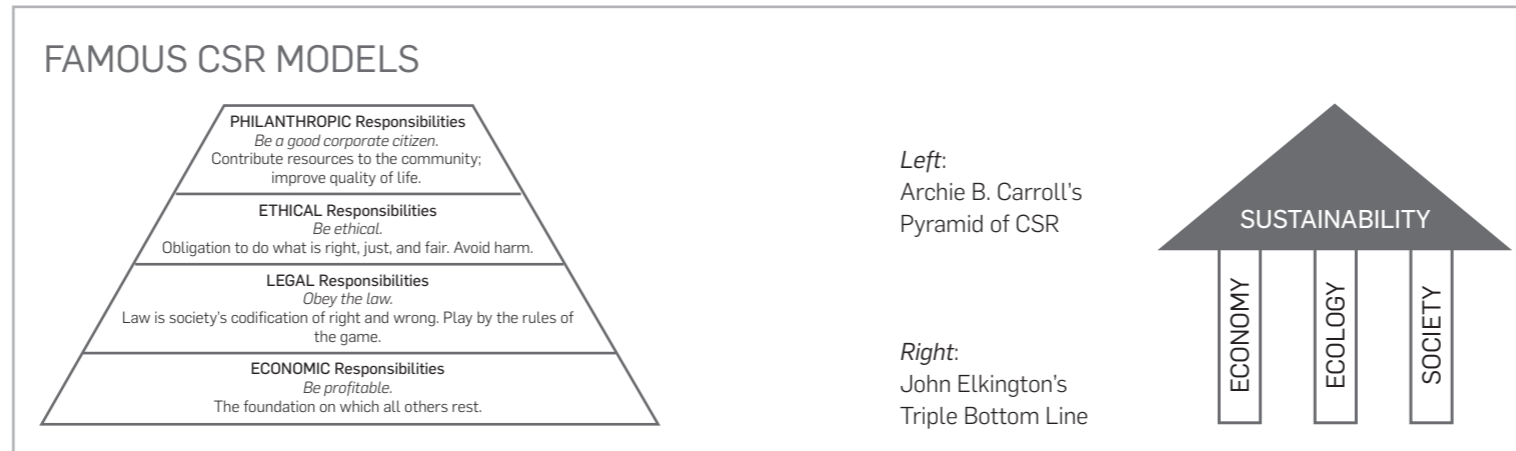
If we stand back and look at where the biggest movement is in terms of human rights, it is in two areas. It's in the area of due diligence in conducting human rights impact assessments and acting on them. Secondly, in the area of companies establishing grievance mechanisms to which people can bring complaints before they escalate into a major crisis.

Strategic reconciliation with financial profitability.

A third trend that has occupied attention during the past two decades has been the strategic reconciliation of CSR with financial profitability. The aspiration of the “business case” for CSR began in the 1990s and has continued steadily ever since. The business case for CSR has sought rational justification for corporate responsibility and sustainability from a financial perspective. Within this context, social entrepreneurship has grown and flourished as companies have sought to operate according to the twin mandates of social consciousness and financial success. Businesspeople have concluded they need to balance their economic responsibilities (concern for self) with their legal, ethical, and philanthropic responsibilities (concern for others).

Academic proliferation

The fourth trend supporting CSR’s growth trajectory is academic proliferation. In addition to business acceptance, the academic approval and proliferation of research on the subject has been remarkable over the past several decades. Scholars worldwide have accepted CSR and its variants and have begun developing theory and research to characterize and guide theory and practice.



The near-term future of CSR will be one in which competing and complementary frameworks such as corporate citizenship, business ethics, stakeholder management, and sustainability will have their strong advocates and voices supporting their particular emphasis and linguistics. In the final analysis, however, one cannot help but conclude that these alternate, slightly nuanced concepts have much in common and are being used interchangeably today by many, and that this will continue.

As for the issues that each of these frameworks is most centered on, one cannot help but notice that the UN Global Compact addresses them through its Ten Principles.

Though it is popular to focus on environmental sustainability today, I think the anti-corruption category is most urgent. To be a principled business, corporations must operate with integrity, and this is the heart and soul of the CSR movement.

Global businesses’ sustainability in all categories will hinge on whether companies are able to operate honestly while respecting basic human and labor rights, and while protecting the natural environment, which we all share.

I strongly support companies adhering to the Principles of the Global Compact as a primary way of keeping CSR at the centerpiece of their sustainability-thinking and decision-making. ■



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Dr. Archie B. Carroll is Scherer Professor Emeritus at the Terry College of Business, University of Georgia. He is co-author of “Business and Society: Ethics, Sustainability and Stakeholder Management”, 9th Edition (2015) and “Corporate Responsibility: The American Experience” (2012), which won the 2014 Academy of Management, Social Issues in Management, Book Award. He may be contacted at acarroll@uga.edu.

QUOTES



Chad Holliday

Chairman, Royal Dutch Shell; former Chairman, Bank of America; former Chairman and CEO, DuPont

Fifteen years ago, most people backed the view that “the vast majority of companies won’t do the right thing by themselves, so laws must be enforced anyway. So why then should a few companies bother with CSR?” Today, people are far more divided. [The change] is driven perhaps most of all by the realization that corporate responsibility is not just the right thing to do, it is also a business opportunity. Even investors are getting the message. Probably half of them see the need to act responsibly from a risk management perspective. They want to make certain there are no liabilities. The other half is thinking about opportunities, such as new products.



Dr. Huguette Labelle

Former Chair, Transparency International; former Chair, Canadian International Development Agency

Annual reports now are much more complete, they cover more than financials and who’s on the Board. For an increasing number of companies, their reports also include environmental impacts and their mitigation, anti-corruption programs, long-term value creation and who their beneficial owners are. This is the type of approach that is more likely to attract long-term investors. Some of the large companies are also realizing that if something goes wrong with a supply chain company, they can be dragged into a major reputational and potentially legal issue. This is why these companies see that it is to their advantage to be much clearer about their expectations to their supply chain and include them in their training programs.

Source: Quotes on 15 Years of Corporate Sustainability. GC+15 Media Team

LEONARDO DiCAPRIO:

“WE NEED TO CHANGE OUR THINKING AND OUR SENSE OF URGENCY.”

Leonardo DiCaprio may be one of the world’s top movie stars, but he would rather be defined and respected more for his work as a committed environmentalist. Over the years, he has personally funded as well as helped to raise tens of millions of dollars for a variety of green-related causes. He believes that his greatest legacy will be the progress he has helped make toward safeguarding the planet against the ravages of global warming, pollution, and species protection. Declares DiCaprio: “I’m equally as passionate about the environment as I am as an artist. As a teenager, I was interested in becoming a biologist or working in the environmental sciences.”

DiCaprio is the founder and director of the Leonardo DiCaprio Foundation, which is dedicated to supporting ecological and conservation-related projects. In April 2013, he hosted and organized an auction at Christie’s in New York, where he was able to raised nearly \$40 million in donations from a variety of celebrities that included Bradley Cooper, Mark Ruffalo, Tobey Maguire, and Salma Hayek.

Says DiCaprio: “Despite the significant efforts of organizations and individuals all over the world, our modern way of life has caused unprecedented devastation to our oceans, our forests, and our wildlife. Each of these natural systems is critical to our way of life: They provide us with the food that we eat, the air that we breathe, and the natural resources we need to survive. The time to protect them is long overdue.”

His massive fame as an actor has allowed him to become arguably the world’s leading celebrity spokesperson on environmental issues. In addition to the important work done by Angelina Jolie, Natalie Portman, and others, DiCaprio has spearheaded celebrity eco-activism with mounting intensity.

Recently, DiCaprio closed a deal with Netflix — the global internet streaming platform — to produce and distribute a series of environmental movies. The deal comes as an important follow-up to his Oscar-nominated wildlife documentary, *Virunga*, which deals with the impending extinction of mountain gorillas in Africa, and his previous cautionary eco-documentary, *The 11th Hour*.

“Working on *Virunga* has sparked a shared vision about projects that we want to develop and bring to viewers,” DiCaprio says. “There’s never been a more critical time for our planet or more of a need for gifted storytellers to help us all make sense of the issues we face. I hope to give documentary filmmakers doing urgent and important work the chance to have their films seen immediately by audiences all around the world.”

DiCaprio will seek out leading experts in the fields of environmental research as well as leading filmmakers to develop cutting-edge documentaries that will have a major impact on audiences around the world. With the increasing global availability and popularity of Netflix, the production deal also



offers an opportunity for DiCaprio to combine his work as a major Hollywood artist with his longtime role as an environmental philanthropist and activist. The 39-year-old actor credits former US vice president-turned-environmentalist Al Gore for sparking his interest in green issues. After meeting Gore at the White House, DiCaprio was stunned to learn how serious the mounting environmental threats to the Earth actually were.

“I’ve been blessed with a lot of fortune and ... it was really Al Gore who really got me interested in climate change. He talked to me for a long time about the subject and I was blown away. I’d never even heard anything about this. ... But from that moment on, I decide to commit myself to environmental work and make it a major part of who I am and what my life is all about.”

In 2014, DiCaprio and Gore both attended the United Nations summit on climate change held in New York City. It was an unprecedented gathering of 120 world leaders and came amid urgent calls for action to put the planet on course toward reversing global warming. Hosted by UN Secretary-General Ban Ki-moon, the summit was the first high-level gathering since the 2009 Copenhagen conference on climate change, which ended in disarray. Both also participated in the UN Private Sector Forum, which was organized by the Global Compact together with UN partners.

Ban named DiCaprio as “Messenger of Peace” with a special focus on climate change, and the bearded movie star was deeply appreciative. More importantly, the 39-year-old actor

gave a powerfully moving speech to the United Nations assembly. One of the key passages of his address was the following:

“Every week, we’re seeing new and undeniable climate events, evidence that accelerated climate change is here now. We know that droughts are intensifying, our oceans are warming and acidifying, with methane plumes rising up from beneath the ocean floor. We are seeing extreme weather events, increased temperatures, and the West Antarctic and Greenland ice sheets melting at unprecedented rates, decades ahead of scientific projections. None of this is rhetoric, and none of it is hysteria. It is fact. The scientific community knows it, industry and governments know it, even the United States military knows it. The chief of the US Navy’s Pacific command, Admiral Samuel Locklear, recently said that climate change is our single greatest security threat. The time to answer the greatest challenge of our existence on this planet is now. You can make history or be vilified by it.”

These stirring words are testimony to DiCaprio’s belief in the validity and importance of his environmental work. Here he explains how he became involved in environmental activism, what it means to him, and what it should mean to us. As yet one more sign of his eco-minded thinking, DiCaprio contributed \$50,000 toward the making of the documentary film *52: The Search for the Loneliest Whale*, produced by fellow Hollywood star Adrian Grenier (*Entourage*) and Joshua Zeman. That sum helped complete the Kickstarter fundraising goal, which will allow the documentary to be made and involves an oceanic expedition set to begin this fall. ■

INTERVIEW WITH LEONARDO DiCAPRIO

Leo, what can you say to people about how we should look at the issue of the environment and similar green causes?

DiCaprio: It’s staggering for me to see how we are wasting time when it comes to dealing with critical issues that are threatening our planet. People think that because we don’t have to face up to catastrophic threats today, that somehow the future will be OK. That’s a terrible and cynical kind of attitude, and we have to work together and take steps to protect our environment now, and not when it will be impossible to make a difference.

Aside from your work as an actor, you have become seriously involved in making and producing films on your own about environmental issues. How did that come about?

DiCaprio: It really started when I saw [the Al Gore documentary] *An Inconvenient Truth*. It was the first time I really saw in my lifetime a documentary or a film affecting our culture and affecting a global conversation like never before.

Film is a very powerful medium. Al Gore explained the science for the first time, not necessarily in layman’s terms, but in a way that people really understood. ... From that moment on I decided to get involved in a serious way because there was no way I could just do this part-time. It had to become a major part of who I am and how I saw my role in life.

That’s how I became heavily involved in being outspoken about it. You know, a lot of times the environment was way in the back of the newspaper in a small, little item. And then, that movie came out ... and suddenly it was a major issue that people were starting to debate and discuss, and I wanted to be part of the process and move the dialogue forward.

You also hosted and organized a record-breaking charity auction at Christie’s in April 2013, where you raised nearly \$40 million. Do you count on your celebrity friends to take up the challenge?

DiCaprio: It’s amazing to see how many people are willing to get involved if you give them a little encouragement and

LEONARDO DiCAPRIO FOUNDATION

In 1998, Leonardo DiCaprio established his foundation with the mission of protecting the world’s last wild places. Since that time the Leonardo DiCaprio Foundation (LDF) has worked on some of the most pressing environmental issues of our day. LDF implements solutions that help restore balance to threatened ecosystems, ensuring the long-term health and well-being of all Earth’s inhabitants.

Through grantmaking, public campaigns, and media initiatives, LDF brings attention and needed funding to four focus areas – protecting biodiversity, oceans conservation, wild-lands conservation, and climate change. Several successful fundraising events have enabled LDF to scale-up our grant-making strategy, successfully driving support for innovative and impactful conservation projects around the globe.

Leonardo’s website and social media platforms are also dedicated to inspiring the public to take action on key environmental issues. Growing in reach from just 500,000

followers in 2007 to more than 25 million in 2015, Leonardo’s fans have engaged on an array of issues protecting key species – sharks in California, tigers in Asia, elephants in Africa – and calling on world leaders to address climate change.

In acknowledgement of LDF’s impactful work over the last 15 years, Leonardo recently was designated as the United Nations Messenger of Peace for Climate Change and received the 2014 Clinton Global Citizen Award. In addition to founding LDF, Leonardo also serves on the board of several environmental organizations, including: World Wildlife Fund, Natural Resources Defense Council, National Geographic’s Pristine Seas, the funders’ collaborative Oceans 5, and the International Fund for Animal Welfare.

Source and more information: leonardodicaprio.org

“Without my ecological activities, I wouldn’t be a fulfilled person. Only two percent of philanthropy goes toward protecting our environment and that’s pretty outrageous, considering it is our life support system.”

twist a few arms! We’re all in this together. Actors and other artists have a unique way of not only helping sponsor environmental programs but also getting the public involved so they can put pressure on politicians and government leaders to address the issue in an urgent way and not put it off to the future.

This planet’s situation is very dire for future generations because there is a danger that we will bypass the point where the damage can be reversed. That should frighten the hell out of people. It’s not being alarmist — it’s listening to scientists, understanding the data, and starting to move in major ways toward reducing emissions, greenhouse gases, and halting the kind of destruction we’re doing to the planet. It’s not something we can ignore.

Is it worrisome to you that there are still many politicians, particularly in the United States, who are denying the science that offers — what would seem to most intelligent observers — to be proof that global warming is taking place?

DiCaprio: It’s hard to understand. There is incontrovertible scientific evidence that our planet is warming and that it is the result of man-made activity and not some natural cycle. The trouble is that the media tends to give disproportionate weight to those who would like us to believe that climate change isn’t taking place and that digging up an area the size of Florida in the Canadian Tar Sands isn’t something that’s going to make the situation worse.

How can we ignore things like the fact that the warming of the planet is now causing methane gas to bubble up in the Antarctic and in Siberia? How is it that governments are allow-

ing more coal-burning plants to be built and operated when they are so incredibly harmful to the atmosphere?

Ultimately, ignorance is my greatest fear. I think ignorance is the greatest danger faced by the public. We should all learn more about what is going on in the world and how our governments deal with the problems we face — especially environmental issues.

Should we all be very angry that many of the world’s largest countries and contributors to greenhouse gas emissions aren’t taking enough action?

DiCaprio: We should be angry and motivated to push our governments to do a lot more. That’s why I’m inspired by people like Al Gore to try to get the message out to the public so we can start taking more and more steps and do the right thing. We can’t continue to pretend that since we’ve managed to survive until now and until the seas have risen to the point where massive stretches of coastline shores are under water that we begin to take action. We can’t wait until the last moment — we’re basically at that critical stage now. We need to change our thinking and our sense of urgency in terms of taking major steps to cut emissions and start rethinking the way we live and how we treat our planet.

In what ways do you try to be environmentally responsible in your own daily life?

DiCaprio: I drive a hybrid car, which consumes very little gas. My car is basically electric. A normal person does not drive more than 50 kilometers (31 miles) a day. That can be done with a plug. My roof is covered with solar panels. I separate

my garbage, I don’t run the water unnecessarily, I shut off the lights when I leave a room. All those little things that, if we all did them, can have a huge impact. I think the younger generation is much more sensitized to environmental issues than I was when I was growing up.

You’ve also encouraged people to help save the Amazon rainforest?

DiCaprio: I’ve invested a lot of money buying parcels of land in the Amazon rainforest. And I encourage everyone to do the same. Every day the rainforest is being destroyed, and that’s another pending ecological disaster for the planet. The more land we can buy and save is one step toward preventing that disaster.

You also donated \$1 million to the World Wildlife Fund to help save tigers from extinction. What can you tell us about that cause?

DiCaprio: The illegal poaching of tigers for their parts and massive habitat loss due to palm oil, timber, and paper pro-

duction are driving this species to extinction. If we don’t take action now, one of the most iconic animals on our planet could be gone in just a few decades. By saving tigers, we can also protect some of our last remaining ancient forests and improve the lives of indigenous communities. ... That’s one lasting message from all these issues that we need to talk about — it’s all interconnected. The more we can do to save one lake from becoming toxic, the more we can prevent one more river from being contaminated with chemical runoff, the better we are all going to be.

Are you in this fight for the long haul?

DiCaprio: Yes. I have no problems admitting that I have a good life and I like to have fun. But I can also say that I’m going to be taking more time off from making movies to try to do my part to help the world and do some good for the environment.

Thank you very much for the interview. ■

QUOTE



Arnold Schwarzenegger

*Founding Chairman, R20 Regions of Climate Action;
38th Governor of California*

The biggest challenges we face today — especially climate change, air pollution, and habitat destruction — threaten not just our health and environment, but also our economic well-being. The latest United Nations reports predict that further warming will slow down economic growth, increase poverty, and further erode food security around the world. Trends such as these make one thing very clear — time is running out and we can’t wait for anyone else to fix things. Corporate sustainability initiatives are especially powerful because they harness innovation to make products and services that help everyone to live more sustainably. That’s why I started the R20, our global environmental group for subnational governments and forward-thinking companies to work together to solve these challenges and build strong economies at the same time. And that’s why I applaud the people, companies, and governments that think differently, refuse to wait, and embrace their amazing power to effect change.

Source: Quotes on 15 Years of Corporate Sustainability. GC+15 Media Team



UNITED NATIONS GLOBAL COMPACT 15TH ANNIVERSARY CELEBRATION



CLEAR MESSAGE FROM THE UN GENERAL ASSEMBLY: MORE SUPPORT FROM BUSINESSES IS NEEDED TO ACHIEVE A BETTER WORLD

During the United Nations Global Compact's 15th anniversary event, global business leaders met with governments in the historic UN General Assembly Hall to demonstrate the growing, strategic role that the private sector plays in solving our world's greatest challenges.

UN General Assembly President Sam Kutesa and UN Secretary-General Ban Ki-moon welcomed more than 1,000 people, including the world's top CEOs and high-level government representatives to the UN. Their aim was to review progress made through the global corporate sustainability movement and show the potential for responsible business to help advance sustainable development moving forward.

With the United Nations launching global Sustainable Development Goals (SDGs) in September, corporate leaders shared how businesses are operating and innovating in ways that support societal priorities. They also emphasized the need for governments to enable and incentivize corporate sustainability, including through putting a price on carbon and calling for all public procurement to be transparent.

Addressing participants, UN Secretary-General Ban Ki-moon noted the growing role of business in advancing United Nations' objectives, stating that "by respecting and supporting universal principles in operations, and by pioneering new business models and forming innovative partnerships, enlightened business leaders are poised to make long-lasting contributions to the cause of global sustainability." While marking the important progress that has been made, the Secretary-General underscored that serious challenges remain for billions of people and our planet. He urged more companies to pick up the pace and deepen their commitment to sustainability.

Summing up the UN General Assembly session and the week's events, Georg Kell, Executive Director of the UN Global Compact, stated, "Businesses around the world are awakening to their role in society and have started making important strides to operate more responsibly and innovate for a greener and more sustainable future. But there is still a long way to go. We need companies everywhere to step up to the realities of

our time, understanding that healthy societies and healthy markets go hand-in-hand."

Following is an overview of notable outcomes:

The Caring for Climate initiative highlighted the business case and strategies for implementing the Business Leadership Criteria on Carbon Pricing. The Criteria set a high bar for companies to commit to three dimensions:

- 1) integrate carbon pricing into corporate long-term strategies and investment decisions;
- 2) publicly advocate the importance of carbon pricing; and
- 3) communicate their progress over time on the criteria in public corporate reports.

Since the UN Climate Summit in September 2014, more than 40 companies have committed to align with the criteria, including major oil and gas, utility, consumer goods, chemical, and energy companies from all over the world.

The 2nd Annual Business for Peace Event announced collaboration with the Special Envoy for the Great Lakes region to host a conference on responsible investment next February in the Democratic Republic of Congo. Greater collaboration was explored on education in high-risk areas, as well as opportunities to engage business in humanitarian response, particularly in the lead-up to the World Humanitarian Summit next year. A session was also held on how to measure the private sector contribution to SDG 16 on peace, inclusion, and access to justice for all.

Two new governance programs were launched at the Global Compact's headquarters in July 2015 pushing corporate responsibility further into the purview of the legal profession, and highlighting the role of in-house lawyers in driving their companies' sustainability agendas. Closely related to the proposed SDG 16, the Business for the Rule of Law Framework and Guide for General Counsel on Corporate Sustainability were introduced to an audience comprised of legal experts and compliance officers. ■



LISE KINGO APPOINTED AS NEW EXECUTIVE DIRECTOR

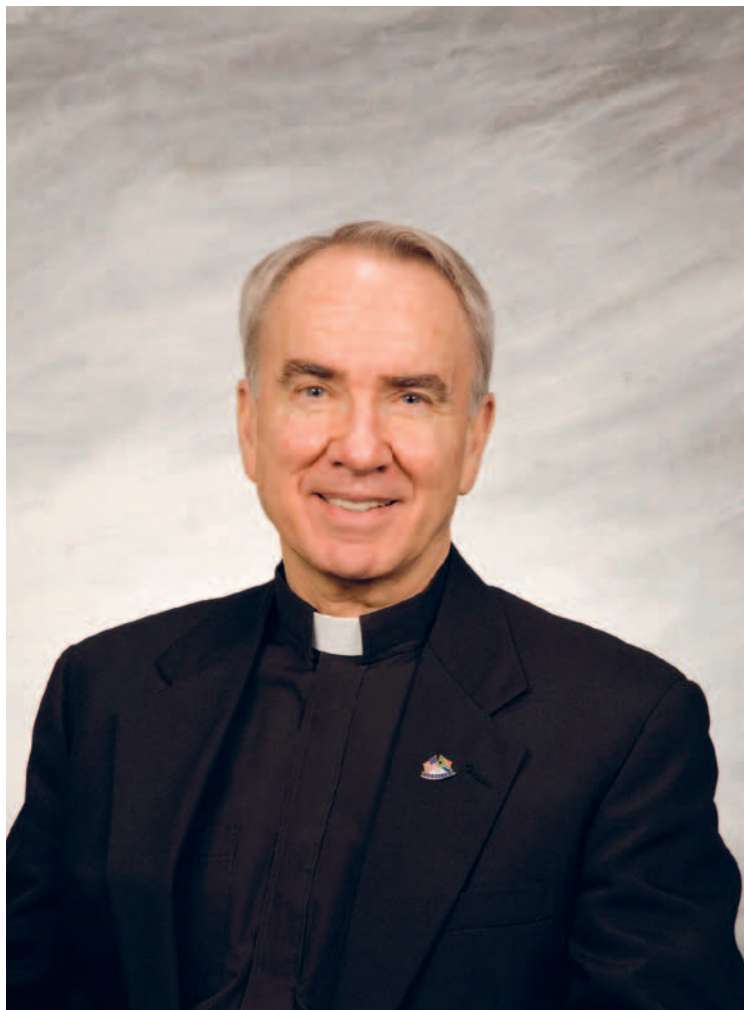
On the cusp of the anniversary summit "Global Compact+15," United Nations Secretary-General Ban Ki-moon announced the appointment of Lise Kingo as the new Executive Director of the initiative. She will succeed Georg Kell, who retires later this year after more than 25 years of service to the United Nations.

The Secretary-General expresses his gratitude for the outgoing Executive Director's services to the organization and his commitment to fostering cooperation between the private sector and the United Nations. He is particularly appreciative of Mr. Kell's exemplary leadership in the creation and management of the United Nations Global Compact since its launch in 2000.

Ms. Kingo, who assumes the role on September 1, will bring a wealth of experience and passion to the Global Compact, coupled with extensive knowledge and understanding of strategic leadership and implementation of corporate sustainability through building partnerships with key stakeholders. She was most recently the Chief of Staff, Executive Vice-President, and member of the Executive Management at Novo Nordisk A/S

from 2002 to 2014. She also served as Senior Vice-President of Stakeholder Relations from 1999 to 2002 and as Director of Environmental Affairs from 1988 to 1999. She is currently serving as the Deputy Chair of the Danish Nature Foundation, as a member of the boards of Grieg Star Group A/S and C3 Collaborating for Health, and as chairperson of the Danish Council for Corporate Social Responsibility.

Ms. Kingo holds a Bachelor of Arts degree in Religions and Ancient Greek Culture from the University of Aarhus, Denmark; a Bachelor of Commerce degree in Marketing Economics from the Copenhagen Business School; and a Master of Science degree in Responsibility and Business Practice from the University of Bath, United Kingdom. ■



To mark the UN Global Compact's 15th anniversary, we talked with Rev. Oliver Williams, Board member of the Foundation of the initiative, about achievements and criticism of the UNGC, the state of CSR and business ethics, and how some key arguments have evolved over the past.

SUSTAINABLE VALUE FOR STAKEHOLDERS

When Kofi Annan founded the UN Global Compact (UNGC), his intention was to build a more robust global community for a just approach to globalization. Did the UN keep this promise?

Rev. Oliver Williams: Yes. But Annan was a bit more specific about what his intention was. In 2000 there were numerous problems with globalization and multinational companies, and he certainly was aware of those, more than most. But he said the particular niche for the UN Global Compact was to achieve a consensus on the global values and moral norms that would guide the global economy. Of course, he had in mind more popular violators, for example the famous Nike case: Nike was accused back in the late 1970s and 1980s of

using sweatshops to manufacture their sports apparel. The Nike response was: "Do you think we have a responsibility for subcontractors that we don't own?" Nike did not believe that there was a moral norm which required them to take some responsibility for the actions of their subcontractors. Business Ethics scholars thought that Nike did have such a responsibility. And for every Nike that you and I know about, there are thousands under the radar that we never hear of. That was the heart of the conflict.

Therefore, Kofi Annan said that what we need to do is to establish a set of moral norms that are widely accepted. Now, as you probably know, Nike has come to accept the moral norm

that they do have a moral responsibility for the behavior of their subcontractors. In fact, they have become one of the best employers in the world in developing countries, because they monitor their subcontractors. If they don't measure up and treat the workers well, they don't get a new contract from Nike. So, that was the niche that Kofi Annan suggested we needed to work on: developing a consensus on moral norms for the global economy.

To be sure, the problem is not only present in developing countries. For example, until recently in Germany there was not a moral norm on bribery. In Germany and some other developed countries, it was legitimate to consider bribery a business expense. Now that moral norm has been established.

Germany is one of the better countries in enforcing that moral norm, as we know from the Siemens case. There is also a large deficit of moral norms on environmental issues — the physical environment, as well as corporate governance and a whole host of social/ethical issues. That is the niche that Kofi Annan wanted to work in.

Globalization was still a new concept back then, shortly after the Cold War had ended. It was an era of hope, and perhaps even utopia. Today we are reentering a kind of cold war, and far too many people feel that globalization is a race to the bottom. In light of these new conditions, is Kofi Annan's original idea of the UNGC still up to date?

Williams: We have come a long way in meeting the challenge of forming a global consensus on the moral norms required to guide the global economy. One example that I think illustrates how much headway has been made occurred in 2012, when Apple's subcontractor in China — a company called Foxconn — was accused of treating its workers brutally. In that particular case, the workers were demoralized and there was a growing problem with suicides. Foxconn put up a series of nets around the building so that there wouldn't be body parts around the residences when people committed suicide. That was a major story in the *New York Times* in 2012. Of course, people were outraged. And what did Apple say? Apple didn't say: We have no responsibility for our subcontractors. In fact, Tim Cook, the CEO of Apple, flew over to China, met with the executives of Foxconn, and said: If you don't straighten this out and treat your workers better, we are pulling all of our subcontractors out of China. So Foxconn has changed its behavior. I think that is an example, one of many, where you can say, the establishing of a moral norm has taken hold. At least in regard to sweatshops.

Moral norm is a very good issue to focus on. UN Secretary-General Ban Ki-moon says the UNGC is a kind of moral compass for the economy. So far so good. But when we look at the media, it seems that way too many companies around the world are ignoring this compass. What must happen?

Williams: As you probably know, we have got 8,000 signatory companies as of 2015 — many of them very influential, large companies. But half of them are small, medium-sized companies. Our own discussions at the board of the Global Compact would be that we really need a critical mass of about 20,000 companies to reach a tipping point in the world whereby we reach an established understanding that business has more responsibilities in a global economy. So we are trying to get more and more companies involved. Our goal is to have 20,000 companies by 2020. That would be a way to establish firmer moral norms in society.

The measuring unit in business schools or in business is money. In a certain way that would put a price on everything: climate, biodiversity, labor, community engagement, etc. Is it appropriate — or is it even possible — to put a price on every ethical behavior? How can we measure what you said was sustainable societal value?

Williams: This is one of the current issues we discuss often. I think the Global Reporting Initiative (GRI) has come up with a series of questions, generally covering what they call the ESG (environmental, social, and governance) issues. The point, of course, is that you cannot put a monetary figure on some of these issues. We can compare and contrast by having a series of standard questions that companies address. While we don't require that companies use the Global Reporting Initiative standard to create their annual report, the Communication on Progress (COP), we do strongly encourage it. Perhaps some time in the future we will require it, once it becomes more accepted. While the common metric is certainly money for financial reporting, what we are trying to do — when we talk about the "triple bottom line" and integrative reporting — is to say that there are other non-monetary metrics that measure environmental, social, and ethical issues. They are just as important.

Adam Smith, one of the founding fathers of the modern economy, said that business is about more than just making money. It has to do with responsibility as well. If so, what can the CSR movement contribute toward changing an outdated management culture?

Williams: CSR was largely philanthropy 25 years ago. Companies were giving to primary and secondary schools, they were giving to the opera, they were giving to universities. That was considered the CSR activity — and we certainly don't want to discourage companies from doing those things! But as we evolve in our understanding of the purpose of business — to create sustainable value for stakeholders — we see that CSR is, in fact, creating that sustainable value for all stakeholders. So the very purpose of business is corporate social responsibility. Part of that social responsibility is to have earnings for investors. Part of it is to have sustainable value for employees and suppliers as well as the physical environment and communities where the appliance and equipment are for the business.

What we have seen is that the notion of CSR under the Global Compact leadership has evolved to include the whole notion of what business is all about. This movement, in my view, is a retrieval of the work of Adam Smith, the moral philosopher, who published his ideas in the 18th century.

When the Global Compact started in 2000, the concept of CSR was avant garde. Today, it is mainstream. Did it lose some of its bite and innovative power?

Williams: I think it still has bite for those companies that have not adopted it yet — the new notion of CSR. Bill Gates gave a very important talk several years back at the World Economic Forum in which he talked about his understanding of the purpose of business, which is largely to create sustainable value for stakeholders. He said that what we need to talk about today is creative capitalism. And that means we not only rely on the profit motive for the motivation of business, but we also get back to Adam Smith and rely on the simple notion that we are all basically compassionate human beings and we want to reach out and help the less fortunate. Companies ought to take on that dual set of motivations and take on projects that demonstrate that they are motivated by profit as well as by enhancing the life of the least advantaged. That talk, called “Creative capitalism,” has been widely discussed by business, and Bill Gates has been a leader in the UN Global Compact. I think one of the reasons he is a leader is not only because he made a lot of money, but also that he has the ability to conceptualize — sometimes better than academics — about what is going on in business and how to really get returns on investment: not only in monetary terms but environmental and human terms.

When founding the Global Compact, the United Nations put its own reputation on the line. At the beginning, many — even within the UN system — were deeply worried. After 15 years, do you think the business participants have given back enough to the UN?

Williams: Certainly some of them have. We have a leadership group called the LEAD Group. They are the companies that are

role models for the notion of creating sustainable value for stakeholders and they have taken on major projects to solve some of the problems in the wider society. It is inspiring to see companies solving problems in developing countries, where governments are unable or unwilling to do it, but mostly unable, because they do not have the management skills. There are several thousand projects currently in progress, and often the businesses are working in partnerships with governments, UN groups, and sometimes NGOs. So my answer is: yes and no. There are companies that are doing wonderful things, and there are some that are just doing the minimum.

If you follow the Ten Principles of the UN Global Compact, you are, in ethical terms, basically doing no harm. That is what the Ten Principles are designed to do. But the UNGC goes on to say that you are invited to do much more than avoiding harming stakeholders. You are invited to take on some of the projects in broader society, particularly in developing countries, to help the least advantaged, and again, there are thousands of companies that have responded to that invitation.

Sethi and Schepers, two authors from Barush College, recently wrote that the UNGC depends too much on the corporate sector for its own survival, and that that would raise serious questions as to the usefulness and continued existence of the UNGC. You are a member of the Global Compact Foundation Board, therefore we assume that you are an insider. Is it true? How strong is the influence of companies?

Williams: Indeed, I am on the board of what is called the Foundation for the UN Global Compact. It is chaired by Sir Mark Moody-Stuart, who is a former CEO of Shell, and the chairman of the board of directors of Anglo-American. The second member is Jim Kearney, who is a lawyer in a New York City firm. The third one is I. We do take care and oversee the finances and broader policy framework. But there is also the Advisory Board of the Global Compact, which consists primarily of CEOs from around the world, as well as some representatives from labor and NGOs. As far as the day-to-day policy of the UN Global Compact, some of the very active members are NGOs and some of them are not entirely supportive of the Global Compact, they are critics. I find that very helpful. We need good critics who will look at the companies knowing that the COPs are public. The companies know that they will be scolded and publicly embarrassed should the reports be deceptive. It will cost them their reputation and capital.

The Global Compact is first and foremost an ethical framework. Multilateralism is its principle instrument. But this instrument today seems to be less assertive. At best, we see some coalitions of the willing, but no global consensus. That was the case in the Copenhagen Climate Summit 2010, at the Rio+20 conference in 2012, as well as for all climate conferences in preparation of the Paris Climate Summit this December. What does the crisis concerning the weakening of the multilateralism process mean for the future governance of the UNGC?

“ The purpose of the UN Global Compact (UNGC) is to retrieve the original purpose of business: to create sustainable value for stakeholders. ”

Williams: It is an interesting and very difficult question. I find that there is much more consensus on dealing with climate change among business leaders than among political leaders. Of all the things I was impressed by in my year in Asia as an International Scholar in 2012-2013, the most memorable was a meeting of business leaders from Japan, Korea, and China. There are many ongoing arguments among those three countries’ political leaders about land claims and other matters, and they were fairly passionate. I said to the business leaders, after one of our sessions: “I’m surprised how well you guys work together, because your countries’ political leaders are fighting amongst each other.” And they laughed and said: “Well, that’s the future of the world.” Business has to take charge and move ahead, to make it a better world, because political leaders are failing us when it comes to trying to get a consensus on core issues. Now that may be an overstatement. But there is surely some truth there.

So your hope is that business will be the driver for sustainable changes?

Williams: I still remember when Kofi Annan went before the General Assembly to get initial approval for the Global Compact. He said something that I have never forgotten. As I recall, he said basically, look, if the United Nations is to remain a viable institution in the 21st century, we must get business — particularly big business — involved. Because that is where the real power is today. There was a hushed, disturbed response from the General Assembly and many political leaders, because they do not like to acknowledge that.

And today? Let’s face it. The best students that I have don’t go into government. They go into business. The best management skills are not, unfortunately, in government, they are in business. If we want to try to solve some of the really difficult problems of society, we have to get business involved as a partner and the UNGC is perhaps the most effective vehicle.

In the last 15 years, the UNGC has become a recognized institution within and outside of the UN system. This is beyond doubt to the credit of the former UNGC director, Georg Kell. Now a new director will navigate the initiative. Which course do you recommend? Which goals should be in the foreground?

Williams: The course that Georg Kell has put us on is outstanding and should be the same for our new director. I think the direction has to be accelerated: focusing on the purpose of business, creating sustainable value for stakeholders, focusing on trying to bring the Ten Principles into the strategic plan of our companies, and trying to enhance the Local Networks. The real progress on delivering on the promise of the UNGC will come from the coalition of UNGC businesses in each country, the Local Networks. It will be these 100 Local Networks that we have around the globe that will make it a better world.

Thank you very much for this interview. ■

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Rev. Oliver Williams, C.S.C., is the Director of the Center for Ethics and Religious Values in Business in Notre Dame’s Mendoza College of Business. A former Naval Officer, Father Williams is a Catholic priest in the Congregation of Holy Cross. He served as associate provost of Notre Dame from 1987 to 1994 and is a past chair of the Social Issues Division of the Academy of Management. In 2006, he was appointed a member of the three-person Board of Directors at the United Nations Global Compact Foundation. He spends a month each year as a Professor Extraordinary at Stellenbosch University in South Africa and a month each year as an International Scholar at Kyung Hee University in South Korea.



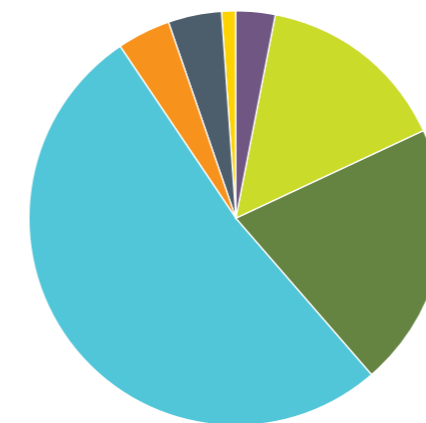


THE DELISTING DILEMMA

By Mathias Lund Larsen

The UN Global Compact is the world's largest CSR initiative. Although the number of signatories increases year by year, a substantial number of signatories are delisted on a regular basis, as they fail to adhere to the Global Compact's reporting policy. Over the total lifespan the initiative has acquired over 13,000 private-sector participants of which only 8,300 are still active. This is reason for concern. Although many solutions have been proposed for dealing with the issue, they have not been based on the facts and figures of the delisted companies. This article presents an analysis of the full sample of signatory companies since the initiative's inception in 2000 up to the end of 2014, as provided by the Global Compact Office.

UN GLOBAL COMPACT PARTICIPANTS BY REGION IN 2015



Africa	262
Asia	1191
Latin America & Caribbean	1658
Europe	4186
MENA	327
North America	346
Oceania	71

Overall delistings

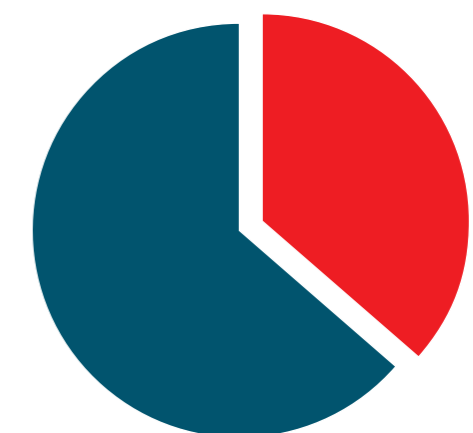
The only requirement for a participant's continued participation in the Global Compact is the submission of a report of the company's CSR performance. This is called a Communication on Progress (COP) and is the Global Compact's reporting mechanism. The COP is not a standard, but rather a process requirement. The format of the COP is flexible — the Global Compact accepts CSR reporting standards such as the Global Reporting Initiative and ISO 26000, for example. In accordance with the Global Compact's reporting policy, it is a requirement for companies to submit COPs once a year. However, new signatories can file an adjustment request in order to postpone the submission deadline by 11 months. If a company does not submit a COP for a year, it may request an additional 90-day "grace period," after which continued failure to submit a COP changes the labeling of a company to "non-communicating." After another year with this label, the company is eventually officially "delisted." As a result of these provisions, the maximum possible time from registration until delisting is three years and 60 days. In practice, however, companies are not delisted on a day-to-day basis but at regular intervals, usually

every six months. This means that some companies registering as far back as 2011 have not been delisted, despite the failure to submit a COP, and therefore interpretation of the statistics for the following years and the total average should take account of this. Lastly, it is important to note that companies can actively delist themselves if they no longer wish to participate in the Global Compact.

Over the total lifespan of the Global Compact, the initiative has acquired 13,105 private-sector participants. Of these, 37 percent have been delisted. It is particularly interesting that when the last three years are excluded, the delisting rate reaches 51 percent, due to the three-year leeway of the COP policy. Despite the delisting rate, the Global Compact has received about 1,000 new members each year for the last nine years. This means that the initiative continues to grow at a pace of about 500 companies a year. Notwithstanding the steady overall increase, the delisting rate could still be a concern. Although current literature is more focused on a tipping point for an even faster annual signatory increase, it is certainly imaginable that the Global Compact could also reach a saturation point with slower growth, after which the total number could decline.

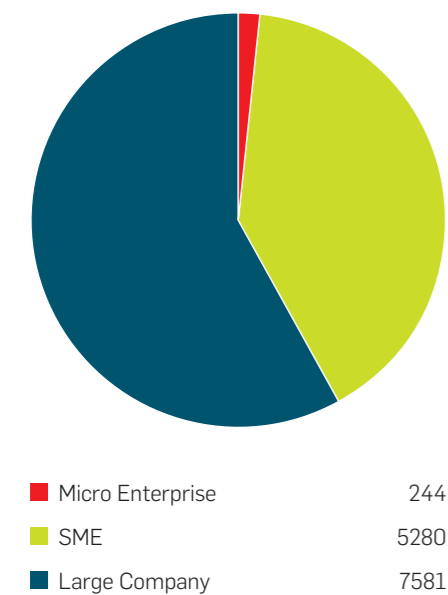
Although this total percentage of delistings is an important number in itself, it is possible to analyze these cases more closely. This can be carried out based on details given to the Global Compact by all signatories. It allows for an understanding of how specific types of companies are more or less likely to be delisted than the average.

DELISTED PARTICIPANTS



Active in 2015	8303
Delisted through the last 15 years	4802

GC PARTICIPANTS BY SIZE (CURRENT AND DELISTED)



Organization size

To look at the influence of company size on the probability of becoming delisted, the participants are categorized according to total number of employees. Large Companies have more than 250 employees, SMEs between 250 and 10 employees, and Micro Enterprises have fewer than 10. Fundamentally, the statistics show a slightly higher nominal number of SME signatories compared to large companies, with Micro Enterprises constituting only a fraction. Furthermore, it is relevant to note that the total number of employees across all 13,105 companies in the dataset reaches 64,361,893. Considering the delisting rate, it is clear that large companies are delisted at a rate substantially lower than the 37 percent average, with SMEs being about average, and Micro Enterprise being delisted at the astonishingly high rate of 84 percent.

In addition to organization size by workforce, the dataset shows whether a company is listed on the Financial Times Global 500 list (ranking the world’s largest 500 companies by market capitalization). The findings in this regard confirm the above-identified trend by company size, as only 4 out of 206 FT500 companies in the sample, or 1.9 percent, have been delisted. Furthermore, with 206 out of the world’s largest 500 companies, this show a disproportionally large commitment to the Global Compact within this group, compared to the entire global business community.

Annual signatories and delistings

The graphic shows three fundamental groups by year. As a first group, the very first year and the final three years all have low delisting rates (about 10 percent and below). Secondly, the years 2008 – 2011 all have delisting rates slightly above the mean (40 – 45 percent). Thirdly, the years 2001 – 2007 all have delisting rates well above the mean (55 – 67 percent). We can see from the higher frequencies toward the end of the period that this weighs down the overall mean to 37 percent, even though most years have a higher delisting rate than this. In other words, it needs to be noted that it has not yet been possible for many companies that have joined within the last three years to be delisted. Consequentially, the statistics show that all years where delisting has been practically possible, due to the COP policy, have delisting rates higher than 40 percent, except the very first year, with an overall average of 51 percent.

Sector

When companies sign up to the Global Compact, they are asked to categorize themselves by choosing one out of 43 sectoral categorizations given by the Global Compact. This allows for the testing of correlations between sectors and delisting rates. However, when dividing these 43 sectors into smaller groups, the statistics fail to show any correlations, except by individual sector. Groupings have allowed for a consideration of companies operating mostly business-to-business or business-to-consumer, or by groups of companies in the primary, secondary, or tertiary sectors. Throughout these groupings, no trends have been identified. It is a noteworthy conclusion that no correlations were found by such sector groups, as it goes against many earlier predictions.

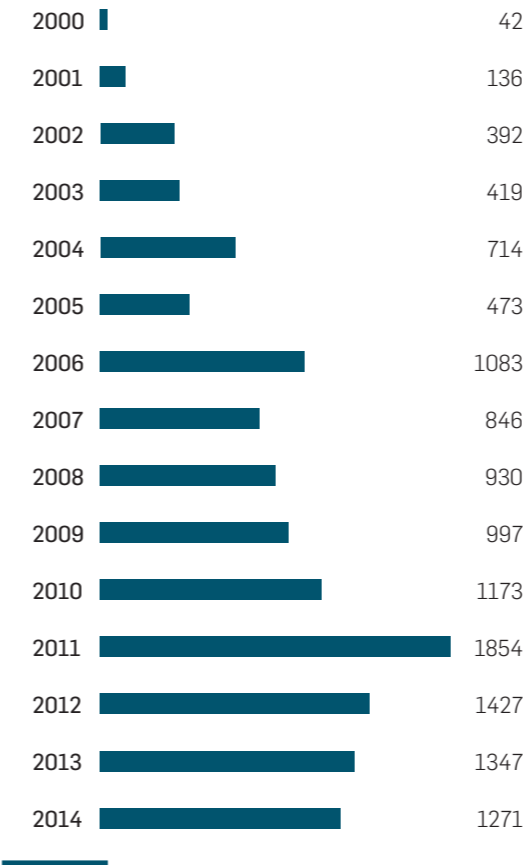
Ownership structure

As shown in the graphic, private companies constitute the vast majority of Global Compact signatories, with no other category reaching more than 10 percent. As can be derived from that, the delisting rate of private companies is very close to the mean. More interestingly, subsidiaries are slightly above the average, whereas publicly traded companies and state-owned enterprises are significantly below the average.

OECD

It might be expected that the developmental state of a company’s home country could influence its performance on CSR, generally as well as in maintaining signatory status more specifically. When we compare the behavior of companies from OECD and non-OECD countries, a clear distinction emerges. Companies from OECD countries have a delisting rate of 32 percent, compared with 41 percent for non-OECD countries.

ANNUAL SIGNATORIES



Potential explanations for the delisting rate

Having presented the overall delisting rates and variations according to broad company characteristics, the question arises as to why companies are delisted. Explanations can be broadly categorized into firm-level motivations and external influences, with some degree of overlap. Explanations can be found both within the conventional CSR literature as well as from numerous other sources. While most remain to be applied directly to delistings due to the shortage statistics, they all provide different relevant approaches to explaining the phenomenon. The sheer variety of these approaches highlight the complexity of the issue, and makes for an interesting field of research for the near future.

Companies can have various internal reasons for delisting, for example financial incentives for signing up to the Global Compact, as share prices increase upon gaining membership. However, it could be argued that this is a short-term benefit,

diminishing the financial incentive for submitting COPs. The degree to which people inside an organization feel moral obligations could additionally be a source of better or worse COP performance. The institutionalized organizational practice can also be an obstacle, as adjusting to CSR performance and submission of COPs requires organizational changes.

The strength of the “CSR business case” for an individual company could also influence its likelihood of being delisted, as some companies have a very strong case, whereas others might have signed up with a case that only provides motivation that is borderline sufficient. The comparative scarcity of total resources of smaller companies could explain why SMEs and Micro Enterprises have higher delisting rates.

Alternatively, there may be factors in the delisted firms’ environment that explain their behavior. Network theory is one such approaches, suggesting that a lack of system trust in the Global Compact can result in a higher delisting rate. Another is the “broken window theory,” which suggests that once a sufficiently large number of companies have been delisted, the threat to an additional company being delisted decreases rapidly. Furthermore, “resource dependence theory” would suggest that companies depending on resources from other companies with high CSR standards would have incentive to improve their own CSR performance by becoming — and remaining — a Global Compact member.

The strength of national institutions could also have an effect on delisting rates. And as the statistics suggest, the more developed a country is, the less likely its companies are to be delisted. The level of international embeddedness of a country could also incentivize companies to sign up to a global initiative such as the Global Compact, rather than merely a national initiative.

Although there may be many ideas as to why some types of companies are delisted more often than others, it has not been possible to base the discussion on actual statistics, until now. Hopefully, these statistics can help enlighten the discussion. ■



Mathias Lund Larsen has worked for UN-Habitat in Kenya and the UN Global Compact in New York. He holds a double master’s in International Business and Politics from Copenhagen Business School, and is currently pursuing a double master’s in Sustainable Development at Sciences Po Paris and Peking University.

PRIVATE INVESTMENT AND SUSTAINABLE DEVELOPMENT

Private-sector actors have an inherent interest in seeing sustainable development succeed. As companies, markets, and economies become more global and inter-dependent, businesses and investors are becoming increasingly aware of the overlap between public and private interests. They realize that their ability to prosper and grow depends on the existence of a prosperous and sustainable society. Conversely, they see that social and income inequality, as well as environmental damage, are already having negative material impacts on supply chains, capital flows, and employee productivity. In this chapter, we highlight the role of private capital in financing the post-2015 sustainability agenda.



GIVING STRONG SIGNALS OF TRANSFORMATION

By Achim Steiner

This year provides an historic opportunity to recognize the benefits that a well-functioning environment brings to humanity in economic, societal, and cultural terms. World leaders will meet in September for the post-2015 development agenda and its Sustainable Development Goals, followed by the United Nations Climate Change Conference in December. In addition, in July, they will meet in Addis Ababa for the 3rd International Conference on Financing for Development. Discussions during the negotiations of these intergovernmental agreements point to the urgency of identifying scientifically sound and

innovative solutions that build on the collaborative efforts of all stakeholders — governments, the business and finance community, and civil society at large.

Many corporations are looking at resource efficiency and climate change as issues that are increasingly affecting their business. By 2009, we were extracting 68 billion metric tons of resources, compared to around 7 billion tons in 1900. Under current trends of population growth and expanding middle classes, global extraction of resources is set to reach 140 billion

“ In fact, we estimate that up to \$6 trillion a year will be needed until 2030 for countries to improve and build up their energy, transport, water, and urban infrastructure. ”

tons by 2050. This will probably exceed the availability and accessibility of resources, as well as the carrying capacity of the planet to absorb the impacts of their extraction and use. From 2000 to 2012, the price of metals rose by 176 percent, signaling a potential trend of increasing costs.

Similarly, adaptation to climate change will place a growing burden on the world economy. Even though governments have pledged more than \$100 billion of finance to help developing countries cope with climate change, more than 10 times this amount will be required in the next five years to address these challenges. In fact, we estimate that up to \$6 trillion a year will be needed until 2030 for countries to improve and build up their energy, transport, water, and urban infrastructure.

Although the global economy still remains vulnerable and unpredictable, a number of governments and the financial community are giving strong signals of a transformation under way. We are seeing the concept of an inclusive green economy maturing in both industrialized and emerging economies. South Africa, which adopted a green energy policy three years ago, has raised \$14 billion for investments in wind and solar energy. Kenya is also channeling 90 percent of its investment in upgrading its electricity infrastructure into renewable-energy generation facilities. And China is driving the market by having invested nearly \$90 billion in clean technology in 2014.

The financial sector is also beginning to recognize the importance of sustainable development, as evidenced by the increase in green bonds. The value of bonds issued in the period from January to October 2014 rose to \$32 billion, compared to \$11 billion for the whole of 2013. UNEP supported the initiative of a group of investors to form the Portfolio Decarbonization Coalition, which aims to decarbonize \$100 billion of investment by December 2015. To encourage a stronger engagement by the finance sector in achieving sustainable development, UNEP has launched an initiative called the Inquiry into the Design of a Sustainable Financial System. We will work with policymakers and businesses to advance a green financial system in the coming years.

Pledges by large corporations across different sectors on sustainability issues such as deforestation, waste management, and energy use are increasing. By engaging entire supply chains, these pledges have important implications for small and medium enterprises. Ultimately, they will need to evolve toward more efficient production techniques and embrace innovation for sustainability.

These commitments and the call for a stronger engagement by the business community to achieve the development goals set in 2015 are reflected in the increased levels of attention being given to sustainability disclosure and reporting. If corporate sustainability reporting is to meet raised expectations, it will have to consider a stronger government role in promoting and enabling the acceleration of uptake in sustainability reporting and improvement in the quality of disclosed information. It also needs to ensure that disclosed information becomes more accessible and comparable for key stakeholders. And it must enable the “users” of sustainability reports to find the information they need for decisions that will ultimately help steer investments toward a green economy.

In a few months, the international community will create the foundations for the post-2015 development agenda and the Sustainable Development Goals, which aim to build a brighter future for humanity. UNEP, the UN Global Compact, and many other committed organizations, governments, and individuals have a golden opportunity to elevate efforts to the next level. Together, we can accelerate our progress toward this ambitious agenda. ■

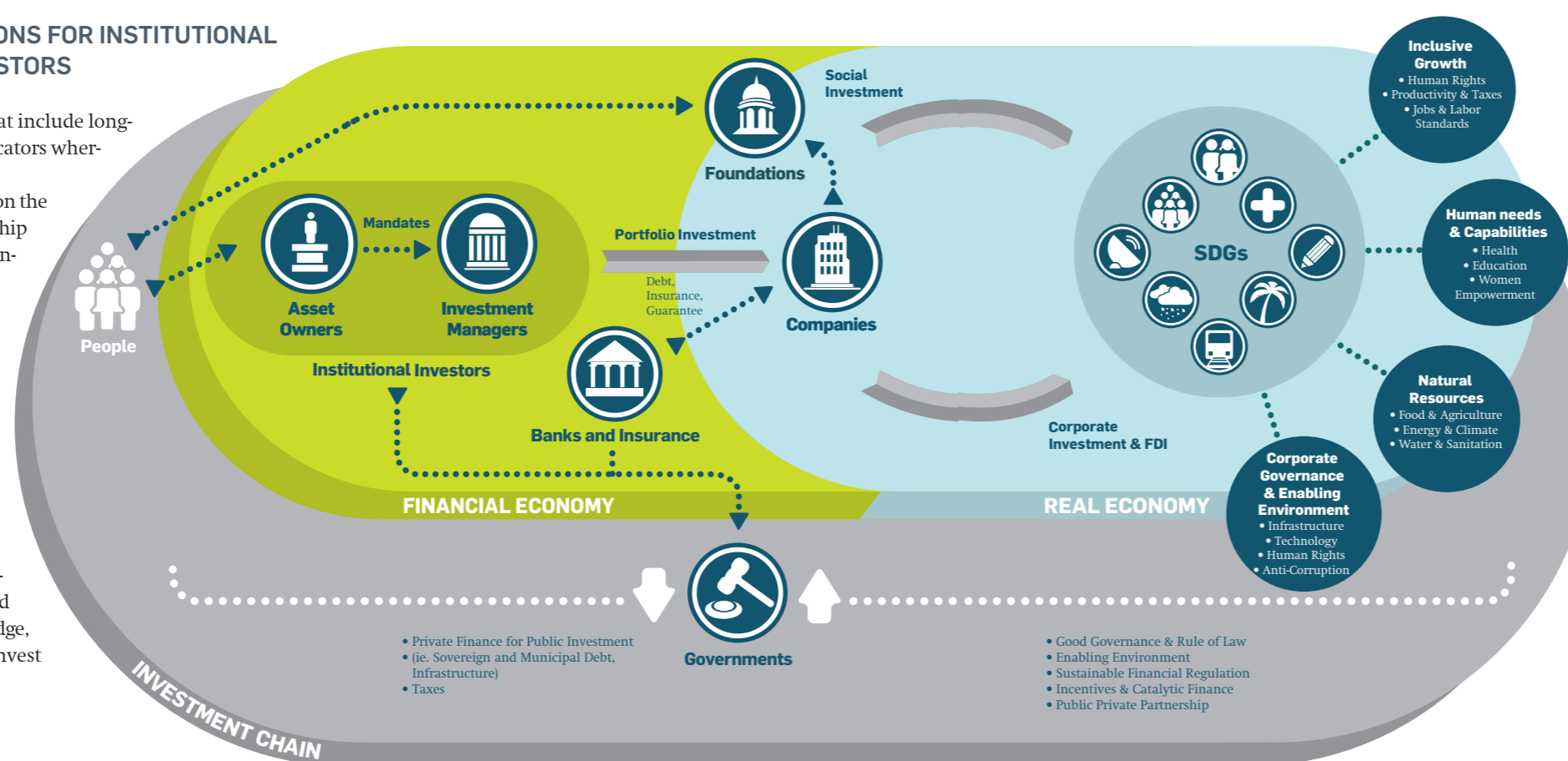
Achim Steiner is UNEP Executive Director and Under-Secretary-General of the United Nations. Mr. Steiner, a German and Brazilian national, was born in Brazil in 1961. His educational background includes a BA from the University of Oxford as well as an MA from the University of London.

ACTIONS FOR PRIVATE ACTORS TO SCALE-UP PRIVATE-SECTOR INVOLVEMENT IN SUSTAINABLE DEVELOPMENT



ACTIONS FOR INSTITUTIONAL INVESTORS

- Use long-term mandates that include long-term key performance indicators wherever possible
- Encourage company action on the SDGs through active ownership and driving corporate sustainability reporting
- Support the Sustainable Stock Exchanges initiative to encourage stock exchanges and regulators to promote the mainstreaming of corporate sustainability reporting through listing rules
- Engage in discussions about sustainable development with other private-sector actors, policymakers, and civil society to share knowledge, to create scale, and to co-invest in projects



ACTIONS FOR COMPANIES

- Publish high-quality standardized sustainability reports including time-bound sustainability targets that are consistent with the SDGs
- Reform incentives in pay, performance, and reporting structures to favor long-term investment conducive to SDG achievement
- Align corporate philanthropy efforts and social investment with the local SDG investment needs and corporate sustainability agendas
- Engage in discussions about financing sustainable development with policymakers, civil society, investors, other companies, and foundations



ACTIONS FOR FOUNDATIONS

- Incorporate the SDGs into criteria for grantmaking
- Measure and report on the impact of grants and portfolio investments toward the achievement of the SDGs; use established aid taxonomies in public reporting to help develop comparable data
- Apply a long-term, responsible investment approach to portfolio investment, similar to that of institutional investors (in the case of foundations that finance their activities from the return of a trust or endowment)
- Help to coordinate investments and interventions surrounding issue areas and geographies; take the role of convener and matchmaker to establish collaborative funding efforts with other stakeholders through issue-based platforms and local networks



ACTIONS FOR GOVERNMENTS

The following actions are based on UNCTAD's Action Plan for Private Investment in the SDGs.

Leadership: Setting guiding principles, galvanizing action, ensuring policy coherence.

- Agree a set of guiding principles for SDG investment policy-making
- Set SDG investment targets
- Ensure policy coherence and synergies
- Multistakeholder platform and multi-agency technical assistance facility

Mobilization: Raising finance and re-orienting financial markets toward investment in the SDGs.

- Build an investment policy climate conducive to investing in SDGs, while safeguarding public interests
- Expand use of risk-sharing mechanisms for SDG investments
- Establish new incentive schemes and a new generation of investment-promotion institutions
- Build SDG investment partnerships

Channeling: Promoting and facilitating investment into SDG sector.

- Build productive capacity, entrepreneurship, technology, skills, linkages

- Establish effective regulatory frameworks and standards
- Good governance, capable institutions, stakeholder engagements
- Implement a common set of SDG investment impact indicators and push Integrated Corporate Reporting

Impact: Maximizing sustainable development benefits, minimizing risks.

- Create fertile soil for innovative SDG-financing approaches and corporate initiatives
- Build or improve pricing mechanisms for externalities
- Promote Sustainable Stock Exchanges
- Introduce financial market reforms

Source:

Private Sector Investment and Sustainable Development, 2015

PROTAGONISTS

COMPANIES

Private-sector contributions to sustainable development primarily take two forms: financial contributions through new investment or redirection of existing investments, and behavioral contributions through more responsible and sustainable conduct.

Good private-sector governance in relation to sustainable development is key. This includes the responsibility to avoid harm and to respect human rights; the commitment of the business sector to sustainable development, specifically to the Sustainable Development Goals (SDGs); transparency and accountability; and partnership with government to maximize the co-benefits of investment.

Beyond good governance, private-sector investment can play a significant role in facilitating a shift in the global economy toward a more sustainable trajectory of long-term growth and development, as envisaged by the SDGs.

Foreign direct investment (FDI) deserves particular attention, as it represents the largest net flow of capital to developing countries, reaching a new high of \$778 billion in 2013. It is an important source of relatively stable development capital, partly because investors typically seek a long-term interest in a project, thus making their participation less volatile than that of other sources. In addition, FDI has the advantage of bringing with it a package of technology plus managerial and technical know-how that may be required for the successful setup and running of SDG investment projects. FDI can therefore provide a unique opportunity to drive inclusive growth in economies where the need is greatest. Nonetheless, FDI to least-developed countries currently stands at a meager 2 percent of global flows.



Tax revenue generated by transnational corporations (TNCs) and other companies contributes to domestic resource mobilization, which is critical for financing SDG implementation. In many developing countries, TNCs are often the biggest contributors to government revenues through various forms of taxation. Responsible tax-paying practices on the part of firms and increased collection capabilities on the part of tax authorities in low-income countries are a crucial part of SDG financing.

Emerging trends in corporate investment

Leading companies — through their investments — are increasingly concerned with delivering tangible value for society, but a majority of companies in the world are not meeting current best practices. Trends reflecting a shift toward more responsible and impactful investment among companies include developing products and services that address sustainability needs; investing in local capacity-building; improving productivity and sustainability practices in the value chain; communicating the value of environmental, social, and corporate governance (ESG) and sustainable business practices; adopting sustainability considerations into FDI; and targeting, measuring, and reporting on contributions. However, the current level of investment in SDG sectors remains insufficient, and sustainable business practices are inconsistent across industries and within industries. Although some TNCs demonstrate best practices in the area of sustainable business, many challenges remain for the vast majority of the approximately 80,000 TNCs in the world. What is considered a pioneering sustainable business practice today will need to become mainstream tomorrow. Policy developments in the area of international investment agreements are encouraging this trend.

Areas of actions

- Developing products and services that address sustainability needs.
- Investing in local capacity-building.
- Improving productivity and sustainability practices in the value chain.
- Communicating the value of ESG to investors and other stakeholders.
- Being aware of the importance of adopting sustainability considerations in FDI.
- Targeting, measuring and reporting the contribution of FDI.

INSTITUTIONAL INVESTORS

Institutional investors include asset owners and investment managers. Asset owners include pension funds, insurance companies, foundations and endowments, development finance institutions, and sovereign wealth funds. Asset owners may manage their funds internally, or may hire external investment managers.

Institutional investment funds are growing. For example, in OECD countries, pension funds, insurance companies, and mutual funds held more than \$70 trillion in assets as of December 2011. The majority of institutional investors are based in high-income countries and have a bias toward investing domestically, typically in listed equity and fixed income.

Institutional investors, together with banks, constitute the financial system upon which consumers, savers as well as pension and insurance holders depend upon for financial services and products. Institutional investors drive growth in the private sector by investing the assets that they manage on behalf of their beneficiaries. Institutional investors own and finance companies, infrastructure, and property, which in turn generate economic growth and development, jobs, products, and services. Institutional investors also provide financing for governments, for example through investing in sovereign bonds. Investors are increasingly incorporating ESG issues into their investment decision-making processes as a way of identifying risks and opportunities.

As an indication of this trend, more than 1,330 investors, representing approximately \$45 trillion in assets under management, have signed the six United Nations-supported Principles for Responsible Investment. These principles cover different approaches for incorporating ESG issues and stewardship practices and are consistent with the SDGs. The Principles are accompanied by a reporting framework, through which each signatory reports annually on its progress in implementing the Principles.

Pension funds, insurance companies, and similar institutional investors are driving this trend because they often have a long-term perspective. They are more inclined than other categories of investors to think about the long-term sustainability of financial markets and the economy, as they are contracted to deliver long-term returns for their beneficiaries. Therefore, it is in their interest to consider global social and environmental

factors, such as climate change, income disparity, unemployment, water crises, energy risks, and natural catastrophes in the investment decision-making process. Investors also have an interest in driving governance best practice as an enabler for sustainable development.



Many institutional investors are bound by fiduciary obligations. Institutional investors are typically more cautious than other groups of investors, while they also have a duty to maximize risk-adjusted returns, which can restrict their investment decisions. These risk/return requirements are related to institutional investors' fiduciary obligations, which are in place to ensure that they act responsibly in the interests of beneficiaries, rather than serving their own interests. Lack of definitive legal guidance on fiduciary duty can deter investors from integrating ESG into investment decisions.

Areas of actions

- Contribution: Investors have a role to play in ensuring markets adequately reward the sustainable conduct of companies.
- Engagement: As owners of equity in listed companies, they have the power to exercise shareholder rights to influence companies' business, management, and strategy.
- Allocating capital to environmentally and socially themed investments.

PROTAGONISTS



BANKS AND INSURANCES

A well-regulated and transparent banking system can provide the debt finance that is a critical element to implementing the SDGs. Banks can provide “green” or “sustainable” lending — not just in the context of large infrastructure projects, but across the spectrum of economic activity, which is instrumental in the pursuit of energy-efficiency goals, for instance. An increasing number of banks are seeking to get a better understanding of how to increase their net positive impact on society and the environment, precisely by providing financing solutions for “greening” activities and processes across all sectors of the economy. More work needs to be done to mainstream best practices in this sector.

Areas of actions

- The adoption of sector-specific sustainability standards (e.g., the Equator Principles) can help banks to better assess and manage the environmental and social risks of projects they finance, and encourage banks to avoid financing projects that have significant detrimental social and environmental impacts.
- Banks and similar financial institutions can also play an important role in promoting access to finance by providing financial services to micro entrepreneurs and small enterprises.
- Insurance companies can provide risk-transfer services and insurance solutions at the macro-, meso-, and micro level, protecting governments, companies, and individuals from unforeseen, adverse events.
- The UNEP FI Principles for Sustainable Insurance serve as a global framework for the insurance industry to address ESG risks and opportunities.



BOND MARKETS

Global debt capital markets are estimated to be worth \$100 trillion and cover sovereign, corporate, and project bonds. Bond markets have a dual significance for sustainable development: first, as the primary arena for valuing the impact of sustainability risks on creditworthiness of projects, companies, and governments; and second, as a direct source of capital for sustainable infrastructure through “green bonds.”



Bonds are central to the financing strategies of many public and private institutions. Embedding climate risk into sovereign credit ratings, for example, could impact the cost of the \$70 trillion in government debt, with implications not just within the financial system but for fiscal policy as well. Ratings also play an important systemic role through the way they are used in risk management by banks and other financial institutions. In addition, investors sometimes prefer to invest in only certain grades of bonds.

The green bond market is developing rapidly. An estimated \$500 billion+ of bonds are already linked to green economy and climate investment themes, with issuance of new “green bonds” of \$36 billion in 2014, more than three times the size in 2013. A set of Green Bond Principles has been launched by leading banks and investors, and the type of issuers is growing from the initial leadership group of development banks to corporations, municipalities, and projects, including from developing countries.



STOCK EXCHANGES

Stock exchanges provide transparent and regulated securities markets and are important institutions for promoting economic stability and channeling domestic and foreign capital toward productive enterprises. Through listing rules, indices, and a range of voluntary and mandatory mechanisms, stock exchanges can play an important role in promoting improved sustainability reporting and performance among listed companies.

In addition to promoting sustainability reporting, stock exchanges can help to mobilize private sustainability finance by supporting the development of indices based on the sustainability performance of companies, as well as other financial products that direct investment to companies that are contributing to sustainable development.

The United Nations Sustainable Stock Exchanges (SSE) initiative is a peer-to-peer learning platform for exploring how exchanges can work together with investors, regulators, and companies to enhance corporate transparency and, ultimately, performance in terms of ESG issues, and to encourage responsible, long-term approaches to investment. An increasing number of stock exchanges and regulators are introducing initiatives to help companies meet the evolving information needs of investors, to navigate the increasingly complex disclosure requirements and expectations, to manage sustainability performance, and to understand and address social and environmental risks and opportunities.

Partner Exchanges of the SSE initiative in April 2015 have begun publishing a Communication to Stakeholders to engage capital market participants in a dialogue on responsible investment and sustainable business practices. The Communication explains each exchange’s approach to promoting sustainability among investors and companies. These are the first such disclosures done by exchanges through the SSE.

“In addition to promoting transparency with external stakeholders, the Communication to Stakeholders document is a very effective tool for engaging internal stakeholders, including the board of directors, senior leaders, and employees,” says Gavin Power, Deputy Director, UN Global Compact. “Our

Partner Exchanges are already using it to start an internal conversation about their role in sustainable development and sustainable capital markets.”



Acknowledgement

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PROTAGONISTS



CENTRAL BANKS



The global financial crisis has driven a profound shift in the ways that key central banks operate to manage the price and quantity of money, through ultra-low (sometimes negative) interest rates and the expansion of their balance sheets. Identifying how central banks' monetary instruments could be further aligned with sustainability is just beginning and is emerging from a bottom-up process of debate and experimentation based on the diverse mandates of central banks, which range from simply achieving price stability through to contributing to wider economic and social objectives. At the domestic level, the toolkit of measures that could be prudently deployed includes:

- **Refinancing:** Linking the quantity and prices of central bank refinancing operations to long-term sustainability factors (e.g., dedicated credit lines for low-carbon, green investments at discounted interest rates).
- **Liquidity operations:** Updating the definitions of what can be considered as collateral in repurchase agreements to specifically include green assets.
- **Interest rates:** Specifically considering the capital-intensive nature of the green economy when setting interest rate policies.
- **Balance sheet management:** Mainstreaming environmental and social factors in the routine management of assets on central bank balance sheets from a risk- and asset-allocation perspective

(including in pooled asset management services offered by the Bank for International Settlements and the World Bank).

- **Quantitative easing:** Integrating environmental and social factors into special asset purchase programs, including the purchase of “green bonds.” In the euro zone, proposals have been made for the European Central Bank to purchase €1 trillion in new bonds from the European Investment Bank to fund infrastructure projects as a way of escaping deflation.
- **Transparency:** Extending central bank reporting on monetary policy to reflect social and environmental impacts and dimensions.

Internationally, proposals continue to be made for the deployment of Special Drawing Rights — the international reserve asset created by the International Monetary Fund — to finance climate action and sustainable development more broadly, flowing from the Fund's Article XVIII, which authorizes a new special drawing right allocation to meet “the long-term global need.”

Many policymakers are rightly cautious about the abuse of monetary policy and the negative consequences of unconventional policies (such as quantitative easing). In this still controversial area, the focus for the Inquiry is on how the core pursuit of price stability and socio-environmental sustainability could best be aligned.



FOUNDATIONS AND PHILANTHROPY

There are many types of philanthropic institutions and foundations, depending on specific countries' regulations. The three main categories are independent foundations, corporate philanthropy, and community foundations. Independent foundations are entities that typically make grants based on an endowment, and which have an independent governance based on a mandate associated with the endowment. Corporate philanthropy entails direct giving on the part of companies, as well as giving through dedicated corporate foundations that finance their activities with financial contributions from a company. Community foundations are institutions established by specific communities, and are aimed at addressing issues relevant to those communities through making grants. The funding to support the activity of community foundations comes from multiple sources, from individual to corporate donors, as opposed to corporate and independent foundations, which tend to have one or only a few major donors. Private philanthropic giving represents an important amount of overall development finance. According to the Center for Global Prosperity, charitable giving to developing countries reached almost \$60 billion in 2011, versus almost \$140 billion in official development assistance.

Internal philanthropy in developing countries is also reaching significant volumes, with charitable giving in Brazil at more than \$1.2 billion and more than \$13 billion in China, according to the Foundation Center. Foundations in developed countries are also giving significant resources domestically toward global issues, such as climate change mitigation and adaptation. According to the Foundation Center, the United States was home to 86,192 foundations with \$715 billion in assets and \$52 billion in giving, 63 percent of which was in support of domestic activities.

The contribution of foundations to sustainable development takes several forms, such as development partners, as providers of sustainable development finance, and as institutional investors. Foundations bring a unique set of competitive advantages that can complement the role of governments, companies, and institutional investors, and which provide a valuable contribution to sustainable development.

Foundations combine dynamism and flexibility with a long-term commitment. Foundations are created for a purpose. Their choice of areas of intervention and modes of operation are guided by how they contribute to the institutional purpose over the long term. This often results in foundations becoming involved in the early stages in emerging issues related to the institutional purpose. Given the sheer number of foundations working to promote sustainable development, this combination of long-term commitment with early-stage involvement allows philanthropy to play a variety of roles and to fill essential gaps in ways that are not viable for the public or private sectors, nor for multilateral organizations.

Foundations have a natural inclination to convene and engage in partnerships. The mission-driven approach of foundations often gives them the legitimacy to act as trusted conveners and connectors of different stakeholders with complementary roles to develop collaborative solutions. In addition, in environments where institutions are weak, foundations may generate greater trust than public institutions, and thus have greater access to communities.

This proximity to the ground also gives foundations a greater sensitivity toward bottom-up local approaches, rooted in local needs, and developed via dialogue with the communities. Dialogue and partnerships are at the heart of foundations' work. Foundations partner first and foremost with their grantees, building capacity and helping them to achieve their objectives. Foundations also seek to partner with a broad range of public, private, and civil society actors in order to provide solutions to complex, large-scale problems.

Areas of actions

- Addressing market failures and creating new markets.
- Foundations should combine dynamism and flexibility with a long-term commitment.
- Foundations have a natural inclination to convene and engage in partnerships.
- Foundations should rely on regional and national networks.
- Corporate foundations deserve particular attention. ■

GOOD PRACTICES AROUND THE WORLD

1 Ethiopia: Investing in local capacity.

Following the establishment of an assembly plant in Addis Ababa, LG decided to open a technical college focused on information technology, electronics, and television and cell phone maintenance. The technical college will provide local talent for LG's assembly plant, essential job-skills for local youth, and a mechanism to facilitate the transfer of technology. As a complement to its capacity-building efforts linked to its new assembly plant, and as part of its strategy to invest in Ethiopia, LG partnered with the World Food Program to support community development in rural areas outside Addis Ababa through its Hope Village initiative. LG is helping to build stronger and more resilient communities, and is developing self-supporting farming centers that will serve as technology-transfer hubs for rural farmers in the nearby villages.

2 Brazil: Measuring and reporting the contribution of foreign direct investment to sustainable development.

Maersk has invested in the construction of a series of container vessels, new container terminals, hinterland logistics, and training and education in Brazil. In 2012, Maersk used the opportunity to deepen their understanding of their impact on trade, infrastructure, and energy by establishing and monitoring a series of sustainability indicators associated with their investments. As an example, Maersk was able to establish that a \$1 billion investment in a new container terminal generated \$100 million in annual tax income, 3,000 jobs during the construction phase, 1,500 jobs during the operational phase, and 9,000 indirect jobs when the terminal was fully up and running, in addition to unlocking new trade opportunities for the local community and the business environment. The use of sustainability indicators helped Maersk to maximize and communicate the value generated through its investments.

3 Australia: Local Government Superannuation Fund.

As a universal owner with a long-term investment horizon and investments spread across many asset classes and regions, the Local Government Superannuation Fund (LGS) recognizes that it is exposed to many “macro” or systemic ESG risks, such as climate change and resource scarcity. The fund believes that measuring, managing, and hedging these risks is a fundamental aspect of its fiduciary duty. LGS has done so by investing in environmentally themed funds across different asset classes.

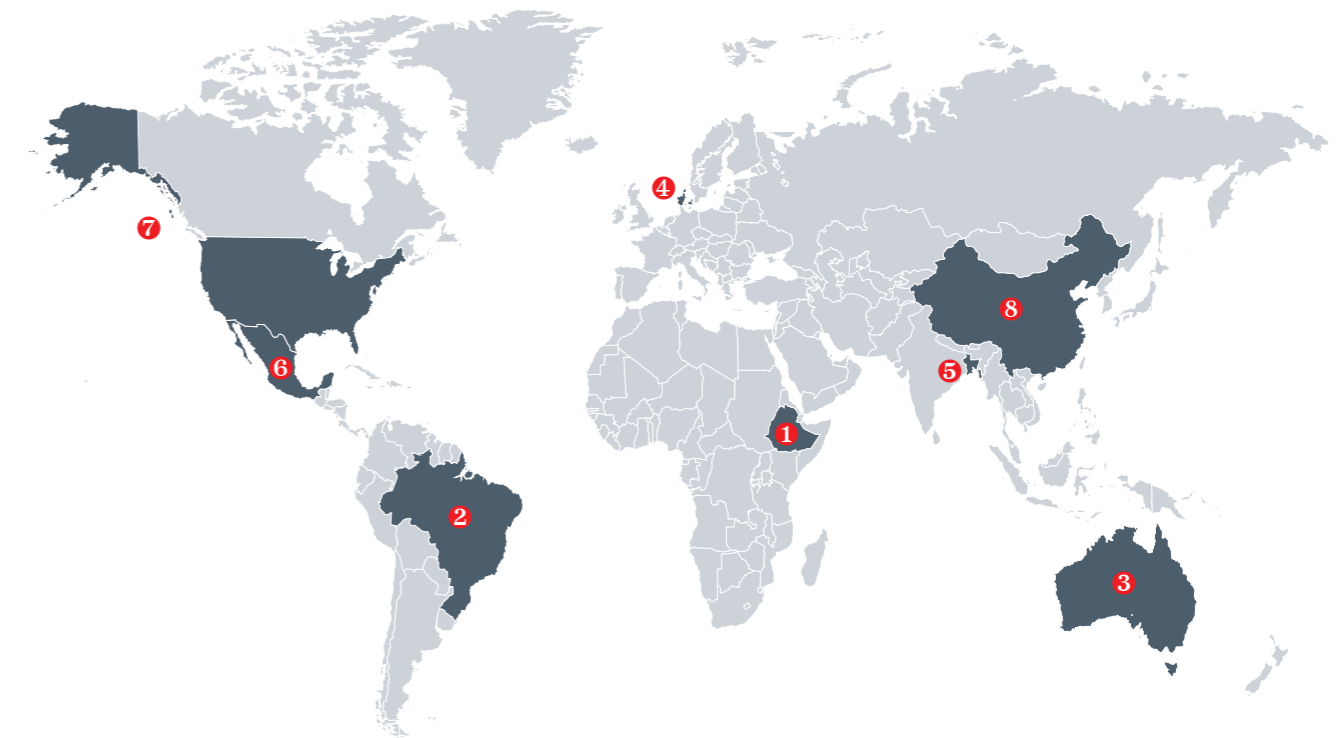
Up to 15 percent of its \$1.7 billion fixed income and cash portfolio is invested in green bonds. Of its \$1.4 billion listed equity portfolio, 5 percent is invested in companies in environmental sectors, such as renewable energy. Around 10 percent of its \$245 million in private equity investments is invested in the clean tech sector. These investments must meet all standard return and diligence thresholds — there is no question of trading off environmental or social returns against financial returns. Overall, LGS's environmentally themed investments are fulfilling their investment objectives and have performed satisfactorily but, as with all active strategies, some have performed better than others.

4 Denmark: A business partnership driving sustainability: to save energy and increase profit while investing in renewable energy.

In 2007, a climate partnership was signed between Danish healthcare company Novo Nordisk and energy provider DONG Energy to combine energy savings and the promotion of renewable energy. DONG Energy provides Novo Nordisk with energy-consulting services and energy-efficiency improvements. In exchange, Novo Nordisk's resulting financial savings are earmarked for the purchase of renewable energy certificates from DONG Energy's wind farm in the North Sea. The model enabled both companies to achieve their long-term goals, and has generated results that exceed the initial expectations. By 2010, all electricity supplied to Novo Nordisk's Danish production sites was covered by certificates from DONG Energy. For Novo Nordisk, this meant annual energy savings of \$7.8 million, corresponding to a 20 percent reduction of its energy consumption in Denmark, and a reduction of approximately 24,000 tons of CO₂ emissions annually. This enabled the company to live up to its commitment to cut CO₂ emissions from global production sites by an absolute 10 percent from 2004 to 2014.

5 Bangladesh: Recognizing the particular financial needs of women, Green Delta Insurance Company in Bangladesh launched a comprehensive insurance policy specifically for women.

The policy, the first of its kind in Bangladesh, has separate clauses to cover critical life events or tragedies that specifically impact women (i.e., childbirth, rape, violence against women, divorce, etc.). The policy is offered at a lower cost, making it affordable for women of all income levels.



6 Mexico: The Guidelines for Effective Philanthropic Engagement (GEPEs), developed by the OECD Global Network of Foundations Working for Development (netFWD) with philanthropic actors, are an emerging initiative that addresses the potential for better collaboration between the philanthropic sector, governments, and other stakeholders.

This non-binding tool aims to enhance collaboration on the ground by encouraging dialogue between the philanthropic sector and governments regarding specific themes (e.g., youth empowerment and education) on the basis of their comparative advantages, as well as by encouraging data-sharing, accountability, and by identifying the contours of how best to work together at the country level. The GEPEs rest on the premise that more systematic collaboration and partnering between the philanthropic sector and governments are crucial to facilitate the scaling-up of promising or innovative initiatives, as well as to foster ownership by local governments to ensure their sustainability. The Guidelines will be piloted on the ground in 2014 and 2015 across the globe, starting with Mexico, Colombia, and Haiti, in order to test their applicability and to measure their potential contribution to a more effective philanthropic collaboration.

7 United States: The Catalytic Philanthropy approach at the Ford Foundation.

Based on initial evidence that extra contact hours lead to better student outcomes, the Ford Foundation embarked on a transformative movement, experimenting with the concept in a number of public schools in order to evaluate its impact on a larger scale. The Ford Foundation financed expanded learning hours in approximately 1,000 schools encompassing around 460,000 students, and supplemented its financial contribution with an alliance of over 100 of the

country's leading experts and stakeholders in the education sector, called the “Time to Succeed Coalition.” On the basis of the positive results achieved, the Ford Foundation launched a massive communication campaign targeted at the public and particularly at politicians to inform them of the benefits of expanded learning hours. The project has attracted a great deal of attention among national authorities, and the concept has been incorporated into local budgets, with \$4.5 billion earmarked for a broader implementation of the “Expanded Learning Time” model.

8 China: China advances green finance.

National experimentation can trigger similar actions elsewhere. China's Green Credit Guidelines, for example, led to the creation of the Sustainable Banking Network, an informal learning network of central banks supported by the International Finance Corporation focused on green finance innovations. Another wave of green financial innovation is underway in China, with a number of initiatives including:

- The People's Bank of China has joined with the UNEP Inquiry in convening a high-level Green Finance Task Force mandated to develop and encourage the implementation of wide-ranging measures in the financial markets to advance green finance.
- The Development Research Centre of the State Council has partnered with the International Institute of Sustainable Development to explore the potential for financial policies, regulations, and standards for green finance.
- The China Council for International Co-operation on Environment and Development, under the leadership of the Ministry of Environmental Protection and co-Chaired by UNEP's Executive Director, has established a year-long investigation of green finance needs and opportunities. ■

QUOTES

“Private investment and the business sector have important financing roles. But many private international capital flows are volatile and insufficient to fund sustainable development, particularly in countries most in need. The Third International Conference on Financing for Development provides a unique chance to help formulate a new international financial framework that is predictable and effective in meeting these challenges and achieving sustainable and inclusive development. We invite the private sector to be our partners in supporting and financing this agenda, including through partnerships and collaboration. I am very encouraged that our UN Global Compact has rallied business behind these important issues.”

*H.E. Ban Ki-moon, United Nations Secretary-General
Remarks at Business Sector Steering Committee,
Addis Ababa, 2015*

“Individual and voluntary action alone cannot deliver a financial system appropriately focused on long-term objectives. Public policy is also needed.”

*Adair Turner,
Institute for New Economic Thinking (INET)*

“Investing for the long-term requires strategies that create sustainable value, mitigate multi-faceted risks, and strengthen both local and global economies. The common denominator in being able to do all of that effectively is having a stable and forward-thinking policy foundation.”

*Anne Stausboll,
CEO, CalPERS*

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

*Martin Skancke
Chair, Principles for Responsible Investment*



Following the financial crisis in 2009 and the subsequent national debt crises, many countries around the world have had trouble using sustainability measures to stimulate capital markets. The time has come for private investors and private equity firms to show their responsibility to society. We discussed what we can expect from them with Prof. Dr. Oliver Gottschalg, a recognized expert in private equity.

THE ODD COURTSHIP BETWEEN PRIVATE EQUITY AND PUBLIC CAUSES

Pecunia non olet (“Money does not smell”). This saying derives from Roman emperor Vespasian, and it means that money does not know any morality. What kind of social responsibility can we expect from private equity?

Prof. Dr. Oliver Gottschalg: Let’s take a step back first: Private equity does have many purely investment-oriented activities. Traditionally, firms have had a mandate from their investors and a very clear incentive structure. This structure is slowly evolving, but most investors in private equity are institutional

investors who are acting indirectly on behalf of the individual private investors, who in turn expect to be rewarded with some nice returns on the capital they have put in. The standard private equity contract has a very clear, unidimensional incentive scheme, according to which fund managers received a given percentage (typically 20%) of all the additional shareholder value created through their investment. That’s what we’re starting from. So it’s not that surprising, in my view, that if you look at the last 30 or 40 years in the history of private equity, firms have very much responded to the incentives that investors set for them.

Private equity has often been criticized for a variety of reasons, both good and bad. There has been valid criticism of cases where a quick exit generated better returns, or where issues of sustainability were ignored. Private equity firms have taken advantage of these opportunities, but I would say in their defense that this is exactly what they have been asked to do and incentivized to do. This industry is indeed moving away from this unilateral, unidimensional incentive scheme that basically has an exclusive focus on returns for its investors, and private equity firms are starting to consider additional factors involving CSR and sustainability, but the changes are happening very slowly. There’s a hybrid process going on, where the core objective is still to maximize returns on equity, as written in the contract — this is where the monetary rewards are, after all — but we’re seeing an express desire to bring more sustainability considerations into limited partnership agreements, in which the institutional investors get together and agree with the fund managers on the broad elements of which investments are going to be made.

This is happening in baby steps: Recall the famous cases after several tragic high school shootings occurred in the United States, when certain public pension schemes tried to pull out of the funds they owned because they realized that the controlling stakes these funds held in major gun manufacturers were clearly not in line with their own ethical investment objectives. Whereas these schemes would pull out of such assets after the fact, now they would put clauses into their limited partnership agreements with those funds to this effect, stating that certain investment types are to be considered unethical, irresponsible, and not in line with their investment criteria as institutional investors.

But such progress is only incremental, in the sense that these limited partners are merely attempting to identify some areas that should be off-limits and then restricting the investment activities of these funds in those areas. I have not seen any wildly successful efforts to put anything close to a triple bottom line or a balanced scorecard or what have you that would add hard measures of sustainability to these agreements. At the end of the day, this is a financial industry: People react to the incentives they set. We should not be surprised that their behavior is first and foremost in line with what these incentives prescribe.

Nevertheless, the private equity industry has recognized that while sustainability issues are not necessarily an end in themselves, they do play an important role in mitigating investment risk and creating more sustainable and better businesses in the long run. Several private equity firms have gone out of their way to integrate objective CSR criteria and CSR reporting into their investment considerations. KKR, one of the leading global firms, is at the forefront of this, as is Doughty Hanson in Europe. Doughty Hanson actually piloted

some initiatives in this area in collaboration with the WWF, issuing regular reports on the sustainability and CSR-related impact of various investments. But these efforts at CSR in private equity are sporadic; the companies undertaking them are isolated players who are aware of their reputational benefits, but they also know that this is the right thing to do and that it’s in everyone’s best interest to mitigate investment risk of any kind. But the industry has not yet arrived at a consistent standard for reporting that is incentivized or that explicitly integrates CSR considerations into the partnership contracts that influence private equity’s investment behavior.

Isn’t this a structural problem? The financial markets reward returns on investment, not returns on integrity. Is the whole system — with all its incentive schemes — capable of achieving aspects of sustainability?

Gottschalg: I have no doubt that things will move in the direction of responsible investment and sustainability eventually, but the fundamental challenge goes back to the old saying, “Whatever gets measured gets managed.” A few of the larger investment managers have signed the UN’s Principles for Responsible Investment, which is a great sign. But the middle managers at such firms still represent a big question mark: If I’m in their position, and not running a private equity fund, then my incentive scheme is basically getting some revenue from the management fee. There’s no tangible benefit to me from considering sustainability. I get one-fifth of all the value created in my investment — that is the measurable element, the hard number. If I make a billion in surplus, I get 200 million to distribute to my partners. That constitutes a very high-powered incentive scheme.

Once we try to alter this and create incentives for other concepts, like CSR, it adds enormous complexity. Say you’re having this discussion as an activist shareholder with Nestlé, or Nike, or Apple — these are all complex organizations, but they have a somewhat homogeneous business model: You can identify the key sources of their carbon footprint, social footprint, environmental footprint. You can work with them to identify where their footprint is the most harmful and where the most effective sustainability measures should happen, and come up with an incentive scheme that would reward progress on such measures.

Now imagine a private equity fund. A large private equity fund may simultaneously hold a whole portfolio of companies with a huge carbon footprint, including coal-fired power plants or businesses active in areas where fracking is happening. Add to this renewable energy wind parks, a computer manufacturer, some service businesses, and a retailer. Remember, this is a portfolio at just one fund, so they own these businesses indirectly: Most of them are controlling stakes, but some of them are minority stakes. These are discrete investments, the fund has the choice to own them or not to own them.

But if I am the person in charge of sustainability for a large public pension scheme, I have relationships with a 150 different private equity funds. I can't just sit down with a 150 different fund managers and ask each of them individually what's in their portfolio or what their carbon footprint is. Pension schemes are strapped for personnel already; they don't have the time or the people to meet with these funds and agree on tangible criteria to measure their progress on something resembling a triple bottom line. Of course, there are smaller-scale possibilities: negotiating the pension schemes, negotiating through collective bargaining, agreeing on standards among larger groups of stakeholders. But to the best of my knowledge, the idea of actually benchmarking CSR across different industry sectors is so complex that the fundamental obstacle to real progress in this area comes down to the difficulty of measuring things and managing them in a specific way going forward.

Many think that short-termism is an obstacle to integrating CSR aspects, because the risks of not doing so, like climate change, usually only show up in the long term. What do you think – is short-termism really to blame?

Gottschalg: I believe it is certainly part of the problem. But here we need to clarify one widespread misconception about private equity: These private equity folks are often perceived as having a very narrow, short-term investment focus because of the comparatively short life of their funds. The average investment duration in a 10-year fund may be “only” three or four years, but that's actually a relatively long period of time when you consider how financial markets work. The average holding period in private equity is much longer than the average length of a strategic investment in the stock market. I'm not talking about hedge funds and arbitrage kinds of activities, but about strategic investors buying a blockholder stake, that is, more than 5 percent of a given corporation. Other kinds of investors are usually gone after a year or two, whereas private equity stays much longer. Private equity firms are usually trading discrete controlling stakes of the companies they own, such that they need to sit down with a specific buyer face-to-face at the exit and present the company to them. That buyer's going to want to know the medium- to long-term considerations.

We often hear that there is an incentive in private equity to suck the lifeblood out of businesses and leave behind these anorexic companies that are doomed to fail. I am not saying this doesn't happen in extreme cases, but those are the exceptions: Most private equity firms have to work with the businesses they own to create a viable plan for the future that's going to be attractive in an acquisition situation. But nowadays, the next acquirer is going to evaluate CSR considerations and sustainability considerations alongside the competitiveness of these businesses. If the past success of the business owned by a private equity firm is based on a unsustainable approach,



the next buyer is going to wonder whether that business is sustainable, and the answer to this question may influence their willingness to buy.

So yes, short-termism is important. But you are actually much more under short-term influence if you're only looking at the next quarterly earnings report, or if you have activist shareholders who want to influence your share price in the next couple of weeks or months. Private equity is going to go in there with a five-year perspective; they know that after the five years, they will need to find a buyer who will buy in for the next five years, or more.

In 2005, when Franz Müntefering was the leader of the German Social Democratic Party, he compared hedge funds and private equity funds to locusts in their devastation of companies and countries. Do you agree with him?

Gottschalg: The fact that people throw private equity and hedge funds into the same basket is extraordinarily unfortunate. The two could not be more different. Private equity buys controlling stakes that are exclusively long-term. The emphasis is on ownership: on holding businesses, turning them around, transforming them, and then selling them in one block. Hedge funds do all kinds of things. My research is on private equity – I have deliberately avoided learning about hedge funds.

The little I know, however, tells me that they are extremely different. They can go long, they can go short; they usually go in with a very short-term focus, and they do a completely different thing with the target companies. The unfortunate aspect is that hedge funds and private equity themselves are both set apart from other asset classes, so they somehow get put in this “Alternative Asset” or “Other Asset” category and people end up conflating them. They couldn't be more wrong.

I don't know whether hedge funds are locusts. Hedge funds do a lot of different things, I would assume, both good and bad. But what I can say is that applying this criticism to private equity is entirely wrong. Around the time of this event, I was doing an expert assessment for the European Union Parliament on private equity, and someone else was talking about hedge funds. We both often faced the same ideological criticism because of the lack of information out there. Since private equity is confidential and is not disclosed (it's called “private” for a reason), what people see are the extreme cases: in some cases, investors getting extremely rich, in others, acquired companies going under. The discussant of my expert assessment in Brussels invoked a couple of dozen horror stories about private equity that some workers' council representatives had told him about. I have no reason to disagree with this testimony: I study private equity on a large scale, and by now I have accumulated about 20,000 transactions on my

database. I do not deny that there are a couple of dozen or even more cases where the private equity formula has been poorly applied and companies have been left looking as if the locusts have been through.

But this is the exception, not the rule. If you look at the thousands of transactions that you can study empirically, the average impact on the companies is very likely to be positive, by all the evidence we see – and I am choosing my words carefully here, because absent general disclosure requirements for private equity, we just do not get a full picture of everything that is going on. So from a scientific standpoint, I can't say we have the answer, and that private equity is all good or all bad. But the evidence we do have points in a positive direction and certainly does not confirm any of these locust metaphors. A study done by a colleague of mine at Harvard a couple of years ago looked at the long-term performance of companies that were owned by private equity for a couple of years and then sold on the stock market. These companies outperformed the rest of the stock market over a three- or five-year window after they had been sold in an IPO. Even after the departure of the private equity firm, then, there seems to be some positive impact, where the company that the private equity firm used to own then outperforms its peers on the stock market more generally. If this were only about locusts sucking the lifeblood out of companies, I would have no way to explain my colleague's finding.

Thank you very much for the interview! ■

Dr. Oliver Gottschalg is Associate Professor in the Strategy Department at HEC Paris and the HEC Academic Dean of the TRIUM Global Executive MBA. He directs the HEC Private Equity Observatory and teaches courses on PE strategies and management buyouts.

Gottschalg is Head of Research at Peracs Ltd., a specialized advisory firm providing advanced private equity fund due diligence and benchmarking services. He has frequently served as an advisor to policymakers at the national and European levels in the context of the ongoing debate about the possible need for regulation of the private equity industry.

He graduated from the University of Karlsruhe and holds a Wirtschaftsingenieur Diploma, an MBA from Georgia State University, and an MSc and PhD degree from INSEAD.

The interview was conducted by Dr. Elmer Lenzen.

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Solely responsible for the editorial contributions under the heading "Good Practice" are the companies and their authors themselves.

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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.



CENTRAL ROMANA AND CORPORATE SOCIAL RESPONSIBILITY



The Central Romana Corporation Ltd., founded in 1912 in the eastern province of La Romana in the Dominican Republic, is an agro-industrial and tourism company whose main focus is sugar production. Having been in operation for more than 100 years, it has diversified its investments through a wide range of businesses that reach approximately 25,000 workers, and it regards itself as being the country's largest private-sector employer.

By Public Relations, Central Romana

Since its foundation, the company has emphasized its efforts in the development of an important corporate social responsibility program with the community. This program involves the most

essential aspects of its employees' welfare in important areas such as healthcare, education, living facilities, and nutrition.

Central Romana has been offering health services to its employees since its establishment in 1912. Today, the company owns the most modern medical center in

La Romana and all of the eastern region in the Dominican Republic — a hospital built to the highest standards with state-of-the-art medical equipment. Within its three levels, the Central Romana Medical Center has comfortable private and semi-private rooms as well as four operating rooms, one of which is equipped with

the Olympus Endo Alpha system for laparoscopic surgeries and capable of video telemetry with any part of the world.

The hospital also boasts a burn victims unit, with special bedding and submersion tub, as well as two intensive care areas, one of which is for coronary patients. It also has an obstetrics and gynecology area that includes a post-natal intensive care unit with a special delivery room. Other facilities include a complete clinical laboratory, an emergency room and 24/7 pharmacy, and a cafeteria.

The hospital is supported with three ambulances that are fully equipped with paramedics, automated external defibrillators (AEDs), and radio communication



systems that connect to the hospital staff in the emergency room. In collaboration with recognized international physicians and institutions, the Central Romana Medical Center organizes various surgical operations every year that benefit hundreds of children and adults who otherwise would not have access to these types of complex procedures.

Central Romana is also expanding its healthcare program to its agricultural communities in the sugarcane fields. This is being done through two medical sub-centers, which offer patients preventive care medical checkups at no cost — including the medicine. In addition, throughout the agricultural communities — known locally as *bateys* — the healthcare program includes four

mobile units offering primary medical assistance, as well as medication, to all workers and their families free of charge. To guarantee the prevention of diseases such as cholera and other similar illnesses, the company has established a Water Chlorination program in all *batey* communities, thus creating a healthy and proper living environment.

Education is another fundamental pillar in the social responsibility program that the company proudly implements. A total of 59 schools have been built over the decades and are maintained by Central Romana, with support from the Ministry of Education of the Dominican Republic for the academic curriculum. Approximately 8,000 children attend



the schools at no cost to parents who are employed by the corporation. Those boys and girls whose academic levels are not available in the schools nearest to their agricultural community receive free transportation to and from their *batey*. This service has been run by Central Romana every day for more than 50 years.

Regarding housing facilities and accommodations, Central Romana not only provides housing to a large number of its workers within properties owned by the company, but it also has an empowerment program for housing development, which allows employees to build or acquire a home of their own at considerably low cost. In its corporate lifetime, Central Romana has

been a pioneer of land and real estate development in the city of La Romana.

Among other actions involving its corporate social responsibility, Central Romana encourages sports and recreation for its employees and their families as an important feature of daily life. The department of sporting activities organizes and schedules different tournaments year round for events such as baseball, basketball, soccer, softball, and volleyball. Hundreds of players participate actively in each competition, making it a very successful program within the company. It is oriented to children and adults alike, with most of the sporting equipment being donated by Central Romana, including the uniforms.



As part of the Dominican baseball tradition, which is well-known worldwide, the company is also the proprietor of a professional baseball stadium that seats more than 8,000 people, and it is also owner of its home team — Toros del Este of La Romana — which participates in the official Winter League Baseball season.

Central Romana also subsidizes 80 percent of the price of meat for its workers, especially considering that the company is regarded as one of the country's largest cattle breeders. Prices for meat are much lower than those charged in markets. Other products such as vegetables, cheeses, and processed meats are available at a subsidized cost for all workers and employees. ■

GREEN DELTA'S STRATEGIC CSR INITIATIVE FOR HUMAN RIGHTS AND ROAD SAFETY



By Syed Najmus Saquib, Green Delta Insurance

Green Delta Insurance Company Limited has been practicing CSR effectively since the inception of the company. Over the years the organization has put more focus on strategic CSR and has been strictly and consistently following the Ten Principles established by the United Nations Global Compact. This year Green Delta launched a few innovative CSR projects aligning with human rights principles as well as some philanthropic issues.

Dhaka is the capital of Bangladesh and has an estimated population of 15.5 million. One of the major issues the city dwellers face almost every day are the streets filled with traffic. Often this is due to the unplanned roads and population density, but most of the time it is due to the uneducated drivers and the lack of awareness of the masses. The rickshaw is the most popular vehicle of the city, but it is also one of the major reasons for clogged streets. The rickshaw pullers are rarely educated and often do not care about following the traffic rules, so they create unnecessary nuisances on the streets. Their passengers often do not complain when the rickshaw pullers break the rules and take the wrong route to reach a destination quickly, as they are also in a hurry. But just to save 5-10 minutes, people encourage the rickshaw pullers to break the rules, leading to a rise in road accidents.

We came up with an idea to address this issue through a strategic CSR campaign.



The name of the CSR project was “Ekbar Bhabun” (Think Once). We designed and manufactured 2,500 green T-shirts for 2,500 rickshaw pullers from major areas of Dhaka. All the T-shirts had Bangla messages written on the back to help build awareness regarding traffic jams and offered instructions to people on how to follow the rules.

The T-shirts also had messages regarding a scheme of Green Delta Insurance: People’s Personal Accident Policy.

Translating the messages into English, some of them were as follows:

- Sir, please warn me if I pick the wrong lane.
- Not more than two passengers please.
- Considering the risks you take every day while commuting, do you have accident insurance?
- Please don’t tell me to hurry — life is more precious than time.
- I’m not superman, so don’t expect me to pull more than two passengers in one trip.

Before launching the campaign, we made sure the rickshaw pullers were covered by our accident insurance. With the help of our activation partner, we arranged short sessions with the rickshaw pullers and briefed them regarding the importance of following traffic rules and regulations. In those sessions, we handed them the T-shirts and informed them about our campaign.

On the day of the launch, we went to different areas of Dhaka in groups to watch public reactions and rickshaw pullers’ activities. Most people were surprised to see so many rickshaw pullers in the same green T-shirts. When they read the messages on the back, it seemed as if they appreciated the idea. The traffic officers seemed to be more active that day than usual, as we had arranged for print and electronic media professionals to be in those areas to record public reactions and conduct interviews with people. When we pointed out someone who was trying to pick the shortcut, our team would go to them and request that they follow the

road rules. After a few hours, the road became visibly less crowded. The vehicles were not stuck for a long time, as they were constantly moving. The major impact of the campaign was experienced on social media. People were taking pictures of the messages and uploading them to Facebook, Twitter, and other social media platforms. Most of them appreciated the idea. Some promised to follow the road rules regularly. The number of followers for Green Delta Insurance started to increase rapidly. We also prepared a post-campaign video and released it on YouTube and Facebook, where it went viral on social media. The number of views is still climbing fast and the youth of Dhaka are sharing it on a regular basis.

Our objective of this CSR project was to address the issues related to traffic jams and road accidents and also to promote human rights through the T-shirt messages, namely that human life is more valuable than time. At the same time, we encouraged people to safeguard their future with accident insurance. ■

MAN AND SOS CHILDREN'S VILLAGES: A GLOBAL SUCCESS STORY

By Yvonne Benkert, MAN



Whether donating funds and supplies to disaster relief efforts, transferring knowledge, or volunteering in a variety of facilities — for years, MAN has been a partner that SOS Children's Villages can count on. Through this partnership, MAN has made a valuable contribution to educational programs aimed at children and young people around the globe.

The massive earthquake that struck Haiti in 2010 had disastrous consequences. Many people lost everything; even providing them with the bare necessities proved extremely difficult. As one of Europe's leading commercial vehicle and mechanical engineering companies, MAN decided to send two used heavy trucks valued at €10,000 to assist in the rebuilding efforts. What started as a spontaneous offer of emergency assistance sowed the seeds for a long-term partnership with SOS Children's Villages in Haiti, which has benefited numerous local children and young people.

Rebuilding in Haiti

Thanks to MAN's help, at the beginning of 2015 a new SOS Children's Village was

In the immediate aftermath of the Haiti earthquake, top priority was given to emergency relief measures such as those shown here. Today, MAN continues to assist in rebuilding efforts and support SOS Children's Village facilities in the island nation.

opened in Les Cayes in southern Haiti. It comprises 14 family houses and currently provides some 60 children with a place to live and recover. In the SOS Children's Village in Croix-des-Bouquets, which is located to the east of Port-au-Prince, MAN has been contributing €40,000 each year since 2013 to pay the living and care expenses of seven children.

In addition, the company covers the costs for five teachers at the SOS Herman Gmeiner School in Santo on the outskirts of the capital city. More than 700 children receive their primary and secondary education at the facility.

The disaster relief activities in Haiti and the resulting partnership are a clear il-



lustration of MAN's social responsibility approach. "It's our aim to make a lasting difference in the lives of children and young people and help them achieve a brighter future through education," says Jochen Schumm, Chief Human Resources Officer of MAN SE and MAN Truck & Bus AG, who heads up Corporate Responsibility in the MAN Group. And as he explains, emergency aid projects that provide basic supplies following a natural disaster often mark the beginning of a partnership.

Disaster relief around the globe

MAN has repeatedly partnered with SOS Children's Villages to help people around the world in times of acute crisis. Most recently, the company donated €75,000 to SOS Children's Villages to help cope with the 2014 Ebola epidemic in West Africa. SOS Children's Villages offer targeted assistance in a total of 10 locations in Guinea, Sierra Leone, and Liberia — including the provision of emergency aid, preventive measures, and long-term assistance such as caring for orphaned children.

MAN made €50,000 available following the 2013 typhoon in the Philippines. In this country, SOS Children's Villages provided assistance by means of several programs, including aid packages, rebuilding, daycare facilities, school materials, and income-generating activities.

In 2011 the company provided €125,000 in funding to the long-term disaster relief program in Kenya, established in response to the East Africa drought crisis. Here the activities focused on water supplies, school meal programs, basic food aid to affected villages, and medical assistance.

Another project in 2011 was the expansion of SOS activities in Japan following the disastrous earthquake in that country. A donation of €125,000 provided initial funding for an SOS Children's Village in Fukuoka, which offered a home to orphaned children.



A jump start for mechanics in Ethiopia

The partnership between MAN and SOS Children's Villages has its roots in Ethiopia. In 2008 MAN began providing funding to the SOS Vocational Training College (VTC) in Kality. This assistance allowed for the financing of two vocational programs — engine service and maintenance, and drive-system and automotive mechanics — as well as the construction

Some 60 graduates have completed the vocational program at the SOS Vocational Training College in Kality, Ethiopia. MAN supports the vocational school on a number of levels.

of an additional college building. Not only has MAN contributed financial aid totaling €600,000 for investments and

ABOUT SOS CHILDREN'S VILLAGES

In 1949 Hermann Gmeiner founded the first SOS Children's Village in Imst, Austria, to provide a home to children orphaned by the war. The first German facility of this kind was the SOS Children's Village in Ammersee, founded in 1956. Today, SOS Children's Villages has more than 2,400 facilities in 134 nations and territories around the globe. In Germany some 3,400 employees working in 43 facilities provide assistance to more than 95,000 people.

The SOS Children's Villages are at the heart of the work done by the nonprofit association. In the villages, children whose biological parents cannot care for them for various reasons can grow up in a family-like environment. They receive the protection and affection they need to go on to lead successful adult lives.

maintenance, but professional support and knowledge transfer as well. This means that the accredited vocational college has access to a MAN expert as a teacher for special training courses, not to mention MAN equipment — such as a truck, an axle drive, or truck instruments — to practice with in classes.

This wide-ranging assistance allows the young adults attending the VTC to receive a top-notch vocational-technical education, paving the way for a better future. Almost 60 graduates have now started promising careers as automobile mechanics, for example.

Vocational training sponsorship in Nuremberg

Providing vocational training opportunities for young people is also one of MAN's priorities in Germany. Since 2011, MAN has been sponsoring up to five vocational trainees at a time at the SOS Vocational Training Center in Nuremberg. At this facility, young people can earn qualifications as carpenters, construction mechanics, and administrative assistants. The program targets socially disadvantaged teenagers who, in many cases, are struggling with the consequences of personal crises or addiction. Due to their



educational histories, they are usually no longer eligible for a place in the state system. So a sponsored vocational training program is often their last chance to gain a foothold in the labor market.

Giving back to the community in Germany

In addition to sponsoring vocational training in Nuremberg, MAN and its employees are working together to help children and young people throughout Germany. Volunteering and financial assistance to SOS Children's Villages extend from school mentoring and educational programs to activities to promote integration.

For example, since 2013 MAN employees have been volunteering as SOS school mentors at the SOS Family Assistance and Support Center in the Riem district of Munich. Once a week they help children, especially from immigrant backgrounds, to study and do their homework.

At the Family and Daycare Center in the Neuaußing neighborhood of Munich, MAN provides funding for a qualified employee to work 12 hours per week, offering educational programs that are open to the community.

By organizing excursions to places such as museums, for example, the company provides the participating children with important opportunities for early learning. In addition, MAN employees also lend a hand at a lot of different events — organizing summer festivals, baking with the children, or doing yard work.

For the SOS Mothers' Center in Salzgitter, in 2014 MAN covered the costs — totaling €21,000 — for a “green classroom,” a green space where the children can study in peace and quiet. MAN employees donated a further €6,000, the proceeds from a raffle at the MAN Family Day. And each year, all vocational trainees from the MAN plant help set up the local SOS Christmas village.

Left: The SOS Vocational Training Center in Nuremberg opens up new job opportunities for socially disadvantaged young people — thanks to MAN's vocational training sponsorship.

MAN funds the SOS Hochfeld Family Center in Augsburg to the tune of €10,000. At this facility, children from immigrant families get help developing their language skills. Once a week, an educator leads a group consisting half of German-speaking and half of Russian-speaking children between one and three years old.

New projects mark anniversary year

SOS Children's Villages in Germany is proud to celebrate 60 years of providing assistance to children and young people in this country. Since it was founded, more than ten thousand children have grown up in SOS Children's Village families, and hundreds of thousands more around the world have been helped by the non-profit association.

MAN has partnered with SOS Children's Villages on many of these projects and intends to continue its support in the future. To mark the anniversary year, a visit to the VTC in Ethiopia is planned. Employee volunteering will also be stepped up in Germany, with MAN expanding its activities to work with the SOS Children's Village in Augsburg, which is also home to a MAN Diesel & Turbo site. At the kickoff event in March 2015, the head of the MAN cafeteria in Augsburg showed single mothers how to cook healthy meals on a low budget. MAN vocational trainees installed a weatherproof donation basket, which is traditionally located at the entrance of each SOS Children's Village — marking the first step in a long-term partnership to assist the children and young people in Augsburg. ■



MAN: A COMMITTED PARTNER TO SOS CHILDREN'S VILLAGES

Since 2008, MAN has been a partner that SOS Children's Villages can count on. Through its work with the nonprofit association, MAN — the manufacturer of commercial vehicles, engines, and machinery — has opened new doors for children and young people. With the aim of having a lasting, positive impact on the community, MAN makes a point of selecting activities that develop into long-term projects. In 2013 MAN extended its national and international commitment to SOS Children's Villages by another three years. The partnership applies a three-tiered approach:

Personal dedication: MAN employee volunteering

An employee volunteering program is in place at several MAN sites in Germany. People can get involved in community service projects at SOS Children's Village facilities, using a half day of their working hours once a year. In 2014 more than 100 MAN employees volunteered a total of almost 670 hours.

Financial aid: Donations from MAN and its employees

It is not just the company that provides financial assistance to a variety of SOS Children's Village facilities. In addition to MAN's annual corporate giving, totaling €150,000, MAN employees regularly donate money to various SOS Children's Village projects. At different events in 2014, they raised more than €9,000 for SOS Children's Villages.

Transfer of knowledge: Fostering education and employment

The VTC in Ethiopia and the SOS Vocational Training Center in Nuremberg focus on fostering employment opportunities. In Spain, MAN is connecting the dots between theory and practice: Nine automotive vocational trainees from SOS Children's Villages had an opportunity to spend an entire day at the MAN production facilities in Coslada.

Employees at the MAN site in Salzgitter donated the proceeds of a raffle held at the 2014 Family Day, totaling more than €6,000, to the SOS Mothers' Center in Salzgitter.

A STUDENT'S DREAM COME TRUE

By Zay Yar Tun, Max Energy



The ambition of a young girl named Ms. Thaw Thaw* was to attend a university in the city after finishing high school. As she had studied hard for the matriculation exam, she was accepted by Dagon University in Yangon, a commercial city and the former capital of Myanmar. Her dream came true but the only difficulty was that her parents could not fully support her financially for her university education or afford the cost for her to live in the city. Thaw Thaw was from a middle-income family from a village called Phaung Gyee, which is situated far from the city.



It is not easy for a student like Thaw Thaw to live in a city such as Yangon by only depending on limited support from parents. She desperately needed extra income. Then one day, while she was browsing through social media, she fortunately found — and applied for — an advertisement for a part-time-job opportunity for students. While she was nervously waiting to be interviewed, she noticed about a hundred young people like her who were energetic, enthusiastic, and from various universities throughout the country.

After a few days, all of her worries were relieved by the news that she was hired as a part-time employee at Max Energy. She could now study with fewer burdens and share the news and the happiness with her family back home.

(*Her real name was omitted for the sake of confidentiality. She provided her story for this article and for reference purposes.)

Creating part-time-job opportunities for students in Myanmar

In developed countries, it is a common practice that students take responsibility for their university educations after high school. Various part-time-job opportunities are available, especially as the governments also encourage the employers. In Myanmar, the culture of part-time-job opportunities for university students is not well-developed, and mostly only full-time-job opportunities are available to youths.

INTERVIEWS WITH STUDENT PART-TIME EMPLOYEES

Student interview: 1

I am very delighted that I'm now officially working as a part-time employee in one of the big companies in Myanmar. I feel more confident in myself that I'm studying at university and, at the same time, I can support my family by working part-time. Now my weekends become more meaningful and I'm very proud to go home wearing my Max Energy uniform.

Su Lei Yee, Third Year (IT),
Hmawbi Technology University

Student interview: 2

All of us are university students and we have no work experience at all. We all worried that we would disturb the regular workflow of the company and would cause inconvenience to the current full-time employees. However, our first job worries went away, not only due to proper training but also due to the warm welcome from the full-time employees at the Max Energy petrol stations.

Wah Wah May Khaing, Final Year, Business Administration,
University of Economics

Student interview: 3

We, as student part-time employees, didn't expect that we would be provided proper training just to be a filling attendant, which is the basic-level employee in the organization. We all had to attend six full days of in-class courses on: OHS, customer service, company policies, profiles, and departmental workflow. After the courses, we were trained in the field at respective Max Energy petrol stations. Finally, I already determined that I will try my best not only to work as a part-time employee but also to become a full-time employee of Max Energy after my graduation from university.

Su Lei Yee Tun, Final Year (Biochemistry), Dagon University



Max Energy would like to support youths so that they do not have to struggle to afford their university educations by only depending on their parents or families for support. Therefore, Max Energy introduced a part-time-job program for students as part of its CSR program in 2014. Whoever attends a university and is 18 years of age is eligible to apply for this program, regardless of religion, race, and origins.

The program was publicly announced through various communication channels, such as the official website of Max Energy, social media, journals, newsletters, etc. This drew the attention of university students and news spread rapidly through word-of-mouth. After processing many interested enquiries, more than 100 university students were selected for personal interviews. Once considered as potential candidates, they had to attend in-class training sessions for six days as a mandatory initial step.

During training on day one, an OHS (occupational health and safety) course that includes training on fire safety/fire fighting and first aid is conducted by a professional third-party expert appointed by

Max Energy. The remaining training days are filled with topics such as customer service, the company's policies and profile, departmental operation procedures and workflow, employees' rights and respon-

sibilities, etc. Once in-class training is completed, candidates are assigned to respective petrol stations for practical on-the-job training with uniforms and personal protective equipment, the same

ABOUT MAX ENERGY

Max Energy is a private-owned petrol station business operating in Myanmar with more than 750 employees. As the slogan states, "Max Energy for Your Satisfaction," we are fully committed to achieving high levels of customer satisfaction while maintaining our position as one of the market leaders in Myanmar as a petrol station business.

In Myanmar, before 2010, all petrol stations were nationally owned and the economy was not free-market. Consumers were given quotas for the amount of petrol they could buy at designated petrol station, making it extremely inconvenient for the consumers.

In 2010, as Myanmar's political reform process was initiated, the government introduced national privatization programs to fuel the country's booming economy. Since then, Max Energy has expanded the petrol station business throughout the country with the aim of achieving high levels of customer satisfaction by providing high-quality products with accurate quantities at reasonable prices.



as with full-time employees. After several days of on-the-job training at assigned petrol stations, candidates become official part-time employees of Max Energy, and their weekends become more meaningful.

Max Energy and CSR

As one of Max Energy's missions is to be a responsible organization for the future growth and development of the community as well as its organization, we have been committed to CSR since the establishment of Max Energy. We actively support the Ayeyarwady Foundation, a nonprofit organization founded in 2010, with whom we have been contributing to the country's education sector, health sector as well as sports and religious affairs. However, our CSR activities are not just limited to contributions to the Ayeyarwady Foundation. We always try our best to make contributions for the benefit of all our stakeholders.

In December 2012, we happened to learn about the United Nations Global Compact, the corporate responsibility initiative – the world's largest, with more than 8,000 business and non-business participants in 135 countries. Soon after, Max Energy

became a proud registered participant in the Global Compact in January 2013.

This was a corporate milestone for Max Energy, which is the first company within the Myanmar petrol station industry to participate in the Global Compact. We are confident of becoming a responsible organization through our CSR implementation by incorporating the Ten Principles of the Global Compact into our business practices. Max Energy has been adapting the Ten Principles as part of its culture and day-to-day operations.

Max Energy seriously believes in responsible business and sustainable business growth and has initiated and implemented many CSR programs: taking care of employees' welfare, providing career development, contributing to environmental programs such as tree planting, creating job opportunities for the communities where businesses operate, supporting young generations by creating part-time-job opportunities, etc.

One of Max Energy's missions is to support the younger generation: Our part-time-job program for students is to be expanded all over the county. As of now, almost 10 percent of our full-time

employees have been appointed through our program and we plan to hire more in the future. In this program, we provide proper training, which supports the safety and security of the students. Max Energy also fully supports their career development by giving them priority to become full-time employees if they wish.

Moreover, Max Energy supports educational stipends for the children of our employees. Our educational stipend program supports employees at all student levels: kindergarten, primary school, middle school, high school, university, and even master's degree students. We also provide healthcare programs for our employees and annual medical checkups.

Last but not least, since Max Energy is strongly committed to sustainable growth of the organization by supporting and contributing to the communities and the environment, various CSR programs will be carried out as our business grows. By doing so, we sincerely hope to support sustainable development, not only for our organization but also for the young generation, the communities, and the country. ■

CHANGE AGENTS BRING HOPE AND HEALTH TO RURAL INDIA

Rural India faces an acute shortage of healthcare professionals. In an innovative initiative called “Addressing the Base of the Pyramid” (BoP), Novo Nordisk A/S teamed up with community partners to bring diabetes services closer to people in remote areas while supporting health activists’ microbusiness. This initiative is now integrated with the Changing Diabetes Barometer® program in Bihar, India, to increase the level of outreach.



By Camilla Crone Jensen and Scott Dille, Novo Nordisk

Sangeeta Devi sits on the dusty ground outside a small, rural home. In front of her sits a middle-aged woman, to whom Sangeeta asks a series of questions. The woman complains of feeling tired. Sangeeta takes out a glucometer and tests the woman’s blood sugar.

Sangeeta is an Accredited Social Health Activist (ASHA) in Sampatchak, a town of 112,000 people in the east Indian state of Bihar. In a country with a severe shortage of healthcare professionals, ASHA is a pillar of the National Rural Health Mission’s strategy for improving the proximity and affordability of basic healthcare services in rural India. Armed with knowledge and a supply kit, people like Sangeeta bring hope and healing to millions of Indians who still struggle with fundamental public health issues and infectious diseases that have been nearly forgotten about in the West.

Those problems command the focus of India’s health system. As such, few ASHAs have the skills to address non-communicable diseases. To improve ASHAs’ capabilities and the health of the communities they work in, Novo Nordisk A/S piloted a Base of the Pyramid initiative



Sangeeta Devi testing a woman's blood sugar outside a small rural home in Bihar.

in Sampatchak and trained 32 ASHAs in basic diabetes knowledge and counseling. The initiative proved so successful that it has been integrated with the Changing Diabetes Barometer® program of the Novo Nordisk Education Foundation (NNEF). NNEF last year signed a memorandum of understanding with the Bihar state health society to train 300 more ASHAs in the basics of diabetes care who will be deployed to 10 primary care diabetes centers in the state.

“This will help diabetes patients from my village get good care closer to their homes,” says Deepa Sinha, another ASHA worker in Bihar. “They can get easy access to diabetes care, for which currently they have to travel far.”

Scarce resources

In India, there is not even 1 doctor for every 1,000 people, which is less than half the global average. In some primary care clinics, a doctor might see between 20 and 100 patients a day, depending on the season. Overwhelmed by such conditions as malaria, leprosy, tuberculosis, and HIV, “manpower is low for handling diabetes,” says Dr. Rebha Krishori, medical officer at a primary care center in Dahod, Gujarat.

Not only are there too few doctors, many remote primary care centers struggle with too few drugs. Some do not have insulin, forcing them to refer people with uncontrolled diabetes to a hospital that is often far away. That compounds the problem — patients who cannot afford to travel or take time off of work either settle for suboptimal care locally or take a risk of buying counterfeit drugs on the open market.

And then there is the lack of awareness. “We run a diabetes outpatient department every Saturday. The challenge is that patients with diabetes are not coming for treatment,” says Rebha. “If a dedicated person could follow up with these patients, we would be able to provide them with quality care — just like with



ASHAs getting trained on diabetes care, Bihar.

tuberculosis and malaria. The ASHA workers can play a big role in increasing awareness of diabetes.”

Meet the ASHA

Appropriately, asha means “hope” in Sanskrit. The ASHA is a link between the public health system and the community, and often is the first point of contact in underserved populations. Selected from their own villages, ASHAs are women between the ages of 25 and 45, literate, and with some formal education. They promote and deliver immunizations, make referrals for maternal health, and teach patients about nutrition, sanitation, and self-care techniques. They bring basic medications to people’s doorsteps to help them stay healthy.

Each ASHA has responsibility for 1,000 people. “She knows every household in the village and can be an effective aid for creating awareness about diabetes,” says Dr. Bharathi Bhatt, Senior Medical Advisor of Novo Nordisk’s India affiliate.

But ASHAs themselves face several barriers to promoting better awareness about diabetes, treatment, and complications, says Bharathi. They are often inadequately compensated, reducing their incentives to mobilize the patients as best as possible. They are perceived as maternal health and vaccine providers. Their lack of training in non-communicable diseases perpetuates misconceptions about their competence.

“But with the right training and empowerment, ASHA workers can be agents for change,” says Bharathi.

Base of the Pyramid pilot

In March 2013, Novo Nordisk A/S operationalized the BoP pilot based on the concept of social entrepreneurship. As part of this initiative, training was provided for 32 ASHAs to improve their diabetes care skills, and economic support was provided in the form of starter kits.

Novo Nordisk India affiliate’s medical advisor taught ASHAs about types of diabetes, complications, how to recognize signs and symptoms, and monitoring of blood glucose levels. ASHAs were trained to handle glucometers, counsel patients on diet and exercise, and on insulin storage and injection techniques. Classroom sessions concluded with a written test. To combat questions about ASHAs’ competence and to provide them with future employment opportunities, ASHAs who passed the test successfully received certificates as “lay diabetes facilitators.”

An ASHA carries her new skills into the village. There, she promotes healthy lifestyles, refers people at risk of diabetes to a primary care diabetes center for screening, and motivates patients to stay adherent to treatment and to visit clinics regularly — not just when they experience symptoms. ■

A COMPLEX APPROACH TO HUMAN RIGHTS



Sakhalin Energy, the operator of the largest oil and gas project ever implemented in Russia, is committed to compliance with the highest international standards for respecting, supporting, and promoting human rights at all stages of its business activities.



By Valentin Zhovtun, Sakhalin Energy

Sakhalin Island has been called a pearl of the Far East. Stunning wild nature, rivers rich in fish, cultural diversity, and many other treasures have made this place a source of pride for its residents.

Ten years ago, Sakhalin suddenly became the site of an oil and gas boom. Thousands of workers from all over the world started flowing to the island. A new historical era began. It was natural for the local communities to have concerns, since changes always bring uncertainty: Would those changes undermine the island's lifestyle? Would they benefit Sakhalin? Hundreds of questions demanded answers.

Human rights risk assessment

To provide a path for a comprehensive human rights risk assessment, the company had to take into consideration the key specifics of the project: construction to be carried out in proximity to more than 60 settlements, including fishing and gathering areas and lands traditionally used by indigenous peoples; about 20,000 workers coming to the island; multinational staff from various cultural backgrounds; and other factors were considered as carrying human rights risks. Special attention was paid to vulnerable groups identified according to international standards, including children, non-registered land

users, indigenous peoples, low-income families, among others.

This due diligence approach has allowed the company to develop appropriate mitigation measures, such as constructing bypass roads, selecting suitable locations for construction camps, minimizing the physical relocation of land users, etc. In addition, the impact assessment assisted greatly in identifying areas for partnership programs later launched by the company in host communities. Clearly, the human rights risk assessments would have no practical value in the absence of a business model in which human rights standards are embedded into all business processes.

Three inseparably connected elements allowed Sakhalin Energy to build such a model: incorporating human rights standards into key policies and procedures, effective stakeholders' engagement, and a human rights training program.

Putting standards into practice

To give due weight to human rights commitments and make them applicable company-wide, Sakhalin Energy has incorporated them into the key policies endorsed by senior management: a Statement of General Business Principles, a Code of Conduct, and a Human Rights Policy. Let us consider just a few examples of the procedures that the company applies to support human rights: the Public Consultation and Disclosure Plan (describing the process of regular and transparent stakeholder engagement); the Community Grievance Procedure (covering all aspects of addressing local communities' grievances); the Resettlement Action Plan (ensuring that resettlement of land users complies with international standards); the Construction Camps Management Procedure (regulating accommodation

standards for construction camps, compliance with the Code of Conduct, and workers' attitudes toward the natural environment and local communities).

Stakeholder engagement

The company fully realizes that merely broadcasting the company's plans via established media is not an appropriate style of engagement for today's world. The host communities are looking for a dialogue that enables residents to freely communicate their views and concerns about the company's activities, and to discuss opportunities for community development. From the very beginning of the project, the company established an extensive network of community liaison officers in nine districts of Sakhalin. Because of its extremely important role in community engagement, this group has been called company's "eyes and ears" in the host communities.

In 2009 the project moved into its operations phase, during which Sakhalin Energy faced a challenging task: to create an engagement mechanism that addressed new realities while ensuring engagement efficiency. A solution was found: the company established "Sakhalin Energy Information Centers" in 23 communities. The centers — located in local libraries — now play a significant two-way communication role: first, by providing local people with up-to-date information on the project's development and social investment projects; and second, by communicating to the company any inquiries and concerns associated with the Sakhalin-2 project.

Grievance mechanism

Since 2011, when the UN Guiding Principles on Business and Human Rights were established, it has become generally accepted that efficient, non-judicial grievance mechanisms play a major role in promoting human rights. However, back in 2002, when Sakhalin Energy first began implementing its community grievance procedure, such mechanisms were

not widely used around the world. The company became a pioneer in this field.

During the project, Sakhalin Energy has addressed some 500 grievances, held more than a thousand meetings with their initiators, and made hundreds of visits to Sakhalin communities to monitor the grievance-resolution process.

From 2009 to 2011 Sakhalin Energy participated in testing the so-called Ruggie Principles related to corporate grievance mechanisms. The company was one of five worldwide selected for implementation of this project, and the mechanism implemented by the company has been acknowledged by international experts as one of the most comprehensive in the industry.

Human rights training

The company's compliance with human rights commitments depends on the decisions and actions of its personnel. It is therefore clear that an appropriate awareness of human rights is required. To address this task, the company has arranged regular training sessions for its staff, contractors, and other stakeholders. A range of general and specific courses that cover human rights standards are mandatory for all employees of the company and its contractors. They include such topics as the grievance process, anti-corruption measures, security and human rights, and the company's code of conduct.

In conclusion, let us refer to the UN International Forum on Business and Human Rights, held in Geneva. The key idea of the Forum discussions in 2014 was that businesses today have been provided with comprehensive guidance on how to respect, support, and promote human rights. The time has come to demonstrate them in action. This article provides a very basic outline of our company's experience with how the ideas included in the UN Guiding Principles, and other documents published under the Guiding Principles umbrella, can be transformed into daily business practices. ■



PARADIGM SHIFT IN VACCINES: OUR DENGUE VACCINE CANDIDATE

By Laurent Lhopitallier, Sanofi



Sanofi Pasteur, the vaccines division of Sanofi, has taken an innovative approach to addressing a disease that affects tropical and subtropical countries, without anticipating a return on investment from high-income countries. For the first time, a new vaccine will have its initial introduction in several middle- and low-income countries — where the need is the greatest.

Nearly half of the world's population is at risk of dengue, a mosquito-borne viral infection for which there is no specific treatment. Dengue primarily affects people in Asian and Latin American countries, where it has become a leading cause of serious illness, hospitalization, and death as a consequence of the severe form of the disease: dengue hemorrhagic fever. Given the global burden of dengue disease and the efficacy results from two large-scale Phase III studies of the candidate vaccine, analysts see tremendous value in the impending launch of the world's first dengue vaccine candidate. The global healthcare costs associated with dengue disease is estimated to be more than €6 billion today, and its prevalence and indirect impact on tourism and other economic indicators in endemic countries remain underestimated.

The dengue burden underscores the challenge of addressing unmet medical needs in the developing world: resources are mobilized too late to significantly impact neglected diseases and other infectious diseases that are not a top public health priority for the developed world.

As a result, the pharmaceutical industry generally resorts to reactive approaches to these global public health issues.

The long-term commitment of Sanofi Pasteur, our vaccines division, to develop an effective dengue vaccine could constitute a milestone for long-term investment in these neglected diseases, which will inspire our industry to take a fresh look at this issue.

A private commitment of \$1.5 billion toward improving public health in endemic countries

We have spent the last 20 years researching, developing, and now seeking regulatory approval for the world's most advanced dengue vaccine candidate. Our engagement represents a \$1.5 billion commitment — with no guarantee of a return.



We invested in breakthrough science, a chimeric technology platform, which had never been tried before with vaccines. We began research and development work on the disease in 1994 and faced many hurdles: For instance, the development of a live attenuated vaccine was stopped in 2004 due to the under-attenuation of one of the four serotypes. However, we did not give up and were able to identify a promising recombinant technology that, by 2007, had achieved proof of concept for a new live-attenuated vaccine. In 2010, our candidate received “fast track” status from the US Food and Drug Administration and became the world's first dengue vaccine to start Phase III trials.

The successful development of the vaccine follows 50 years of research worldwide due to the four-strain complexity of the virus. This development has involved more than a hundred collaborations and is proof of Sanofi Pasteur's experience, expertise, and extensive public health

network around the world. Top talent in science, public health, health economics, and the vaccine business are attracted to the company's approach and long-term commitment.

An industrial and human bet on the future

Our upfront, at-risk investment included the complete transformation of an existing production site to ensure supply of the vaccine upon approval. This investment epitomizes the public health focus of our approach. Indeed, vaccines are often developed and launched first in developed countries, targeting a limited population such as travelers, thereby allowing for a gradual production and build-up of supplies. However, our dengue vaccine will first be launched in dengue-endemic countries and adequate supplies will be needed upon launch.

This industrial bet has also provided new and unique opportunities for our

industrial employees in the Neuville-sur-Saône industrial facility in France. Formerly, the facility produced chemical components for our pharmaceutical business and was due for closure. Today, more than two-thirds of the employees of our new dengue vaccine plant are former employees of the original chemical plant. They have undergone a voluntary training course at our existing vaccine facility in Marcy L'Etoile in order to acquire the necessary skills for vaccines production. At full capacity, the plant is set to produce around 100 million doses per year as early as 2016.

Above: Child vaccination, the Philippines.

Left: The *Aedes aegypti* mosquito, the dengue vector.



A commitment beyond the vaccine

Currently, the only way to limit the risk of dengue is by avoiding a mosquito bite. Our commitment to dengue is long-standing, and we have been involved in numerous initiatives to increase community engagement by raising awareness and educating local healthcare professionals on dengue prevention. In Malaysia, Sanofi Pasteur launched the Dengue Patrol program with the Ministry of Health and the Ministry of Education in 2011. This is part of Sanofi Pasteur's commitment to take proactive measures to intensify awareness about dengue and involve public participation, especially from the younger generation. Indeed, the program seeks to recruit students nationwide to form Dengue Patrols in their respective schools, with the aim of organizing activities that encourage dengue prevention and protection against Aedes mosquitoes. Launched as a pilot program, it went nationwide in 2014.

Left: Residents look on as a Public Health ministry dengue prevention worker sprays mosquito repellent in a street outside Bangkok.
Right: Vaccination center, the Philippines.

Sanofi Pasteur also supports the Break Dengue campaign, whose mission is to build international community engagement around the public health burden of dengue. It also provides a forum for exchanging information, best practices, and news on potential treatments and prevention strategies.

Clinical trials as a vector for capacity-building in local healthcare systems

Our unprecedented clinical study program involved more than 40,000 participants across 15 dengue-endemic countries in Asia, Latin America, and the Caribbean. Sanofi Pasteur's candidate vaccine was assessed in two major Phase III clinical trials — first, in a cohort of more than 10,000 children, aged 2 to 14, in five Asian countries; followed by a cohort of more than 20,000 children, aged 9 to 16, in five Latin American and Caribbean countries.

These Phase III trials included a number of challenges. The first challenge was recruitment of and follow-up on trial subjects. Vaccines are given to healthy subjects — this is the most fundamental challenge inherent to developing any vaccine. With the awareness that dengue hemorrhagic fever can be fatal, parents were eager for their children to take part in the studies. Nevertheless, children and adolescents are an especially vulnerable

population, particularly in developing countries, where healthcare infrastructure is lacking or inadequate. Families had to commit to monitoring their children for acute fevers and report weekly to the trial organizers. Some centers also offered family counseling and organized soccer tournaments with the aim of keeping young people from becoming involved in gangs and drug-related violence. The second challenge was to locate communities where the population would remain stable for at least the two years of the trial: one year during which participants received three doses of vaccine at six-month intervals, followed by 13 months of active surveillance and a further 48 months of passive surveillance. This steered us away from major urban centers, where populations are less stable, even though this is where healthcare expertise and hospitals are concentrated. The third challenge, related to the previous one, was to identify and empower local investigators. It was essential to provide training on regulatory issues and good clinical practices, which, due to the sheer size of our study, represented a daunting task. We needed to locate potential study centers near a hospital, where we could invest in capacity-building and attract qualified investigators and teams.

To prepare for the Phase III efficacy studies and ensure the readiness of investigator sites, we ran practice trials and conducted preparatory studies in some

locations, which required a substantial investment of resources and time (€ 1 million for one year). Furthermore, our trials also required the local authorities to set up independent ethics committees to validate the study protocol, which was a new undertaking for some authorities and investigators. For Sanofi, the success of the clinical trial program may be measured by the extremely low dropout rate: 1.5 percent in Asia and 5 percent in Latin America, meaning that nearly all the participants stayed in the trial from start to finish. One of the key benefits for children and teenagers enrolled in the study, as well as their families, was access to state-of-the-art medical facilities and holistic healthcare. Local investigators benefitted from a legacy of expertise, including learning about good clinical practices and logistics (cold chain, proper disposal of unused products, etc.),

and gaining long-term health capabilities. This extensive clinical development program led to local capacity-building, skills-transfer, increased standards of care, as well as raised awareness about dengue in the general population and among the healthcare community.

The first findings of the Phase III trial in five Asian countries, published in the Lancet journal in July 2014, showed overall efficacy against symptomatic dengue of 56.5 percent in children aged 2 to 14 years old after a three-dose vaccination schedule. In addition, analyses show an 88.5 percent reduction in dengue hemorrhagic fevers. The study also revealed a clinically important reduction in the risk of hospitalization due to dengue by 67.2 percent during the study period. In November 2014, the New England Journal of Medicine published the results of Sanofi

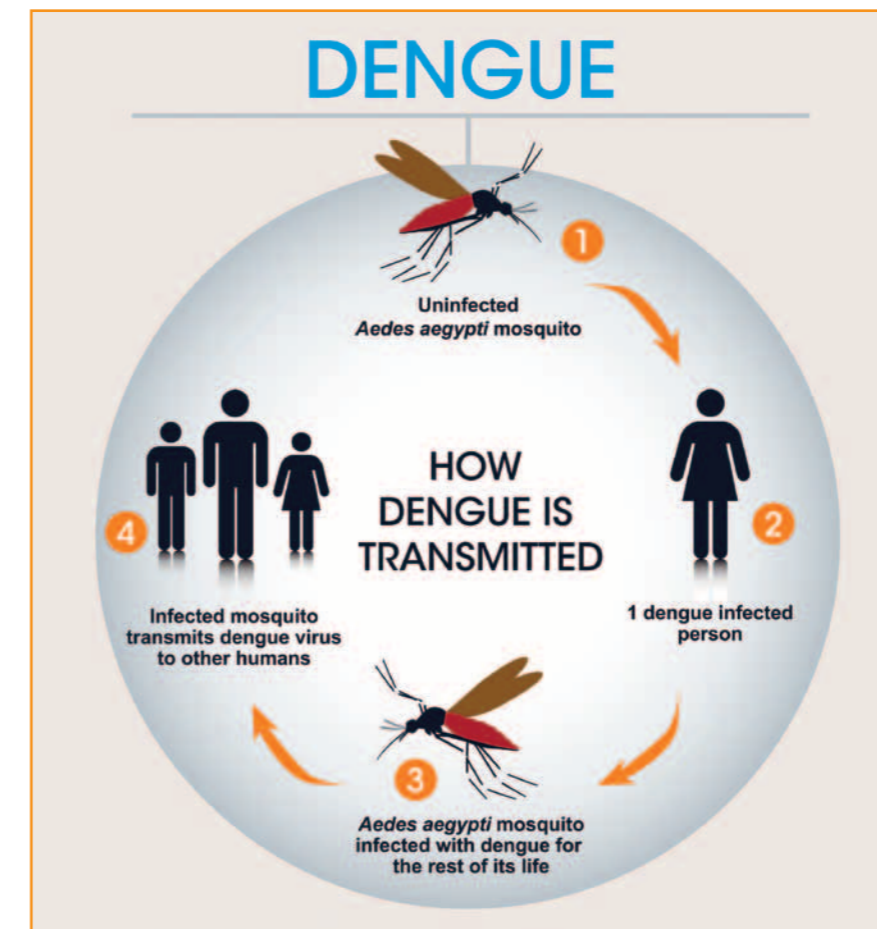
Pasteur's final landmark Phase III clinical-efficacy study in Latin America and the Caribbean region. Overall efficacy against any symptomatic dengue disease was 60.8 percent in 9- to 16-year-old children and adolescents who received three doses of the vaccine. Analyses show a 95.5 percent protection rate against severe dengue and an 80.3 percent reduction in the risk of hospitalization during the study.

These trials provided pivotal efficacy, safety, and immunogenicity data as well as local insights into the dengue disease. Broad vaccination, including routine and catch-up cohorts, is expected to provide rapid and maximal impact in reducing the incidence of dengue.

The story continues...

The vaccine is currently being registered and set for initial launch in several endemic countries where dengue is a public health priority. These countries have the capacity to initiate wide-scale dengue immunization programs with the appropriate surveillance in order to have the maximum impact on the in-country disease burden from a human and economic standpoint. But the story will not end there. Sanofi Pasteur is committed to being a public health partner in dengue-endemic countries. It wants to guarantee that the vaccine is used optimally in comprehensive vaccination programs to ensure its impact on public health and to help these countries attain the WHO objective of reducing mortality from dengue by 50 percent and morbidity by 25 percent by 2020.

Shared value-creation is what drove the dengue story. Both the governments of endemic countries and the communities at risk must take ownership of the dengue vaccine and be able to acknowledge as well as realize the benefits of the vaccine. The dengue vaccine has the potential to galvanize political commitments, healthcare support, and additional private investment in the fight against dengue and to make dengue the next vaccine-prevented disease. ■



LET US GO HOME SAFELY

In 2014 Tristar partnered with the Roads and Transport Authority (RTA) of Dubai and the Royal Society for the Prevention of Accidents (RoSPA) of the United Kingdom to implement a road safety project called “Let us go home safely” in the United Arab Emirates (UAE).

By Muhammad Akber and Arthur Los Banos, Tristar



The World Health Organization (WHO) reports that approximately 1.24 million deaths occur annually on the world's roads. It also said that road traffic injuries are among the top 10 leading causes of death and are now a global public health problem. Road accidents are also the number one cause of death among those aged 15 – 29 years. As a consequence, the United Nations General Assembly unanimously adopted a resolution in 2010 calling for a Decade of Action for Road Safety 2011 – 2020.

According to a WHO report, the eastern Mediterranean region has the second highest number of road traffic deaths in the world after the African region. In the region comprising the Gulf Cooperation Council (GCC), the situation of road safety is also not good. The GCC region has a very high road fatality ratio as compared to many parts of the world. The region spends billions of dollars annually to treat injured drivers and handle loss of assets and losses to the environment. In the UAE, road accidents are believed to be the number two killer after cardiovascular diseases. The Dubai Police Chief noted that “an average of one person is killed every 48 hours in traffic accidents, and one person is injured every four hours in Dubai.”

Project outcomes

We conducted a survey among commercial heavy-duty drivers to know more

about the underlying reasons that lead to road accidents. We covered Pakistanis, who comprised 57.4 percent of heavy-duty drivers, followed by Indians with 29.4 percent, Jordanians with 7.4 percent, Egyptians with 2.9 percent, and Yeminis and Bangladeshis, both with 1.5 percent.

Only 34 percent of the drivers believe that accidents happen due to human error, whereas road statistics show that, in fact, the majority of accidents occur due to human error. Moreover, it was discovered that 24 percent of the drivers surveyed believe that accidents are an act of God, thus non-preventable.

Alarming, 35 percent of the drivers surveyed had had an accident. They had been driving for an average of 10.5 years, with the longest duration being 35 years and the shortest less than a year. The average driver is 35.4 years old, with the oldest being 53 and the youngest 24.

A very small number of drivers were driving up to 18 hours a day, and about 23 percent do not get at least eight hours of daily sleep. This suggests that they should be educated on fatigue management, as road statistics also show that fatigue is a major cause of accidents for heavy-duty truck drivers.

When asked what things are bothering them while driving, 31.3 percent and

30.8 percent answered financial problems and family problems, respectively.

The feedback was an eye-opener and helped in developing a customized training program. Tristar also took input from its own staff and drivers on how to sustain this project and make it more effective.

Private and public workshops

On June 8 and 9, Alan Timms of RoSPA facilitated a “Train the Trainer” course for a group of Tristar managers and operations staff. The public launch of the road-safety awareness campaign workshop was held on June 10 at the RTA Bus Depot in Al Aweer, where three groups of heavy-duty drivers and transport supervisors were given training on accident-free driving.

The campaign was extended to outside companies, and more than 500 heavy-vehicle drivers were able to be trained free of cost. Also, on September 11, the General Manager for HSEQ and Sustainability, Muhammad Akber, and the Group HSE Manager, Faisal Bhatti, spoke at the Best Practice Seminar on Road Safety, organized by the Centre for Responsible Business of the Dubai Chamber.

Engineer Hussain Al Banna, Director of the Traffic Department at the Traffic and Roads Agency, says: “We in the RTA believe in the importance of stra-



Above: Eugene Mayne of Tristar being interviewed by a TV crew.

Right: Alan Timms of RoSPA presenting the causes of road accidents.

tegic partnerships with the private and other government sectors in Dubai, and in particular to share the importance of awareness targeting sections of the community to raise their level of understanding regarding traffic in the Emirate of Dubai. During the past years we did not stop supporting outreach efforts undertaken by private companies in Dubai, including the latest by Tristar, which deserve our thank you in disseminating the safety culture to the public, especially drivers of heavy trucks. We believe that the existing partnership projects with large transport companies should continue, and we will support all campaigns aimed at raising traffic awareness for drivers.”

Global concern

For his part, the Tristar Group CEO, Eugene Mayne, explains: “As a major player in oil and gas logistics, we are conscious



of the potential consequences of an incident involving road tankers transporting flammable products, and we remain committed to sharing our experiences and international best practices to make the roads safer for all users in the UAE and across the GCC.”

Tristar's road safety project complements the UN Global Compact Principles 1, 7, and 8. The project is also in line with the UN Decade of Action for Road Safety 2011-2020, which is a landmark resolution by the UN General Assembly and has been co-sponsored by 100 countries. The Decade of Action has the official goal of “stabilizing and then reducing” global road traffic fatalities by 2020. Lastly, the project is also aligned with the vision of the Dubai Police to reduce road deaths to zero by 2020.

Behavioral change

We are very confident that our campaign has changed the behaviors of many drivers. RoSPA developed an evaluation form that is randomly circulated to different companies whose drivers attended safe driver training courses by Tristar.

“Almost all of the feedbacks commented that refresher training would be very welcome, with annual training mentioned more than once. The training seems to have reduced accidents and fuel use, where this has been measured by the companies, which would suggest that the course achieved its stated aims,” concludes RoSPA.

This project has won two awards related to corporate social responsibility and road safety. On October 28, 2014, the Arabia CSR Network presented Tristar with an award for its initiative under the Partnership Project category in the 7th Arabia CSR Awards 2014. The network said that Tristar was “among a handful of shortlisted ones out of a total of 155 applications that span 25 industries and 12 countries in the MENA region.”

On December 9, 2014, Mr. Mayne received the prestigious Prince Michael International Road Safety Award in London from His Royal Highness Prince Michael of Kent, who is the Patron of the Commission for Global Road Safety. Tristar was recognized for its extensive internal and external road safety programs. ■

SAYING 'YES' TOGETHER TO FIGHT UNEMPLOYMENT

In 2012, the French economy had been stagnant for close to five years. The country's economic and social position was severe, from the decline of industry and the state of public finances to the number one concern of the French people: unemployment, which was at a 15-year high. Adecco, the leading provider of HR solutions globally and in France, was determined to tackle the problem head on, by launching a three-year job-creation initiative: 'La Chaîne du OUI'. The aim? To create 270,000 sustainable new jobs, motivating clients, our employees, and other organizations across France to step up to the challenge.

By Lilian Furrer, Adecco Group



By 2013, France was still in the midst of an economic crisis. The growth forecast was 0.3 percent for the year, considerably less than the 1 percent to 1.5 percent minimum needed to create jobs. Unemployment had risen to 10.2 percent at the end of 2012, crossing the 10 percent threshold for the first time since mid-1999. The picture for young people was particularly bleak. Youth unemployment (ages 15-24) had reached a record 25.7 percent, resulting in 730,000 youngsters without jobs.

It seemed an unlikely time for Groupe Adecco France to launch 'La Chaîne du OUI', a national initiative to create 270,000 long-term jobs in just 36 months. As Alain Dehaze, Regional Head of France, explained: "Adecco's priority is to contribute to job creation, the reduction of unemployment and the further integration of people into jobs."

It may seem paradoxical that Adecco, which makes most of its revenues from temporary work, launched a program for long-term employment. Yet for many people, temporary work provides a stepping-stone toward gaining work experi-

ence and a permanent position. That is why Groupe Adecco France took up the challenge to bring employers together to address and combat unemployment — by collaborating through skills training, employment advice, mentoring and, of course, concrete job placements.

Uniting people and organizations

'La Chaîne du OUI' was launched on January 17, 2013, with a call to action to employers across France to say "yes" to creating jobs. The overall target of 270,000 jobs was broken down into three priorities: to create 40,000 positions for vulnerable people at the edge of exclusion, to find permanent employment for 130,000 temporary workers, and to provide a job for 100,000 youngsters. These three priorities all contribute to UN Global Compact Principle 6: "The elimination of discrimination in respect of employment and occupation."

By the end of 2013, 110 employers had already signed up to 'La Chaîne du OUI', from small local businesses to large multinationals. Most importantly, more than 71,700 jobs had been created, equating

to 26.5 percent of the target. "The fantastic progress we have made so far is tangible proof that, with the support and engagement of our partners in 'La Chaîne du OUI', we can work together to reduce unemployment significantly and promote the integration of people into employment," says Alain Dehaze.

Fast forward another 12 months to December 2014 and the number of employers had rocketed to 1,300, and more than 150,000 people had been helped into sustainable employment.

Power of partnership

One of the big names to join the movement was L'Oréal, the world's largest cosmetics company. It partnered with Adecco and IGS University to create a 'retail academy' for its sales force. Adecco helped to source and recruit 30 candidates from sensitive urban zones for the roles, while IGS University put together a specific training program that covered both the sales skills L'Oréal was looking for, and an in-depth understanding of the company's values and approach to doing business.



Marianne Paux, Human Resources Director France for L'Oréal, states: "As the leader in our industry, we have a responsibility and want to play an active role in the vocational training of young people by mobilizing and tapping into the know-how of our own employees."

Other signatories include consulting group Business & Decision, which launched a seven-month scheme to train 10 new Customer Relationship Management specialists. "Our operations are in full expansion. In order to successfully continue our growth and development, we are always looking for new talent," says Patrick Bensabat, President and General Director of Business & Decision.

Helping to change lives

Perhaps the biggest difference, however, is for those who have been helped into work by 'La Chaîne du OUI'. People such as 43-year-old Francis Jahan, who, in April 2014, became the first person with a disability to be employed through one of the new 'interim CDI' contracts by Adecco. An 'interim CDI' is a new permanent contract in France, which gives the employee a monthly salary from the employment agency, even if they are not actually placed into an assignment. With his new contract, Francis secured a role in the quality-control department at Sateba, a company specializing in the production of concrete sleepers for railway tracks. "The contract has given me a guarantee of work and real security, since I'm now

an employee of Adecco. It has really boosted my confidence and I appreciate the skills and knowledge transferred to me by the Adecco team," says Francis.

Michel Diaby, one of the youngsters at L'Oréal's retail academy, says that the opportunity had inspired his career ambitions: "I am very grateful for this opportunity, which came at a critical stage of my life. I gained valuable know-how and experience with regards to sales and negotiation techniques, and developed my interpersonal skills. I now have a clear ambition: to become a sales development representative!"

Harnessing the insights of partners

As well as collaborating with 'La Chaîne du OUI' signatories to implement concrete actions and create employment and training opportunities, Adecco saw the potential to harness the collective insights of the group to combat France's employment challenges.

It launched 'Oui! Le Cercle pour l'Emploi,' an employment think-tank, in December 2013. Over 100 business leaders and Government representatives, including the president of MEDEF (Mouvement des entreprises de France, the largest employer federation in France), came together during 'Le Cercle pour l'Emploi' on 19 December 2013, to share their experiences and observations of the employment situation, and brainstorm new approaches and initiatives. Since its launch, 'Le Cercle'

The 100 business leaders and government representatives committed to jointly improve the French economy and labor market. (MEDEF)

has met on a regular basis to discuss and propose measures to improve the current labor market situation.

Adecco's own staff, too, has been invigorated by the challenge of 'La Chaîne du OUI'. Rather than passively accepting the tricky economic situation that was troubling the whole of France, the initiative galvanized their energy and their determination to take action and to make a difference in their communities.

New ways of recruitment

"Rather than living through an unemployment crisis, we are undergoing a revolution of work," explains Denis Pennel, General Director of Ciett, the International Confederation of Private Employment Services. "A new reality of work is developing. These changes require individuals and companies to look at education and recruitment in new ways."

After two years of hard work, energy, and above all, collaboration, the achievements of 'La Chaîne du OUI' are indisputable. By the end of December 2014, Adecco and its 1,300 partners had managed to place 155,898 people in employment, 57.6 percent of the total target.

The date set for achieving the ultimate objective of 270,000 sustainable employment opportunities is still some months away. And there is much work to be done. But regardless of the total figure, perhaps the lasting legacy of 'La Chaîne du OUI' is the power of partnership between employees, companies, organizations and government. It is about the differences people can make when they say "yes" to working together for a common cause. ■

www.lachaineduoui.fr

TRENDSETTER FOR ERGONOMIC WORKPLACES IN INDUSTRY



By Prof. Dr.-Ing. Peter F. Tropschuh and Birgit Horn, AUDI AG

German society is in the throes of rapid demographic change, with the share of older workers rising steadily. At present, 40- to 49-year-olds account for approximately 32 percent of the workforce at AUDI AG, making them the largest group of employees. In just a few years, however, 50- to 59-year-olds will account for more employees than any other age group, and the share of employees over 60 will rise to approximately 13 percent.



At an ergonomics exhibition, employees of Audi Hungaria in Győr demonstrate a roller conveyor developed in-house. It can be used to easily position and rotate heavy workpieces such as an engine block (approx. 30 kg) without having to lift them.

Audi has set itself the goal of becoming the company with the most attractive and most productive workplaces by the year 2020. In light of the demographic shift and the far-reaching changes taking place in the working world, this goal can only be reached when employees maintain their ability to perform and stay competitive throughout their careers. Audi has therefore developed the ergonomics strategy "We for us. Active into the Future" with five areas for action: holistic ergonomic methods, intelligent work organization, ergonomics in the product process, internationalization, and accompanying communication.

Holistic ergonomic methods

From a holistic standpoint, preserving employees' physical health and emotional well-being are equally important goals. In order to reach these goals, many environmental work factors must be taken into consideration. As the significance of mental illness is steadily increasing in society, companies must find a way to combat this trend while also focusing on employees' well-being at work. After all, employees who perform their tasks with a sense of joy and enthusiasm and feel comfortable at work seldom become mentally ill.

A holistic standpoint takes into account not only more abstract-sounding factors such as work complexity and commu-

nications behavior, but also aspects of great practical relevance, such as how lighting conditions influence employees' sense of well-being.

To ensure optimum lighting conditions, for example, the majority of the north wall of the new body shop for the Audi A3 at the Ingolstadt site has been made of glass. In addition, 3,000 daylight-controlled lights in the hall bathe this working space for some 800 employees in pleasant light. A small rooftop garden provides employees with the perfect spot to relax during daytime breaks. The exhaust and ventilation system is setting standards as well. All work steps that generate gases are performed by robots in closed cells. The ventilation system exchanges 1.6 million cubic meters of air each hour.

Intelligent work organization

The concept of group work was implemented in Audi manufacturing activities more than 20 years ago. One key component of group work is the rotation principle, meaning that employees switch activities every two hours. Audi is currently pursuing several approaches for placing even greater emphasis on ergonomics in group work in the future. One goal is the implementation of a stress-optimized rotation schedule based on occupational health criteria. After all, rotation only makes good ergonomic sense when strain is placed on alternating areas of the body. The concept will take into consideration qualification-related and socio-demographic factors, such as activities for employees with impaired abilities.

Ergonomics in the product process

Audi takes ergonomics into account early on in the product process during concept and parts development. As soon as the first parts have been designed, engineers frequently use high-tech tools such as the Cave, a virtual reality system, to simulate installation and assembly processes in three-dimensional space. However, the ever-growing complexity of the models means that there are always new chal-

lenges to overcome, such as the question of the maximum force employees can apply when installing the clip for the visor on the A3 assembly line without risking damage to their health. In order to make this process more sustainable, Audi is instituting ergonomic criteria that can be assessed as early on as during the component design process. A key indicator system is currently being developed for this purpose and will contribute to continuous improvement of the Audi standard.

Internationalization

In order to ensure high quality in production around the globe, it is also necessary to apply the same ergonomics standards worldwide. A global ergonomics network must be established for this purpose. Specifically, experts at sites in other countries must be selected and trained to bring the topic of ergonomics to the employees' attention and make it an integral part of day-to-day work. The tasks are numerous and diverse. For example, people in Mexico, where Audi is currently building a new production site, have a different average body size than people in Central Europe. This means it is necessary to adapt the standards that apply in Europe, such as for the height of shelves.

Excellent working conditions are the only way to ensure premium Audi quality worldwide. Low wage levels and the availability of young workers does not mean that human resources should be treated with any less care. No matter if in Ingolstadt and Neckarsulm in Germany, San José Chiapa in Mexico, or Győr in Hungary, the focus is on people. The different legal systems in the various countries must also be taken into account during the establishment of the worldwide ergonomics network. For instance, a workplace structural analysis tool (APSA), which is already well established in Germany and has proven successful there, will soon be installed in Győr as well. It is used to analyze and evaluate physical strain in production workplaces, which includes aspects of load handling, physi-



An Audi Employee demonstrates the "chairless chair." This high-tech carbon-fiber construction eases many assembly activities and allows Audi employees to sit without a chair. At the same time, it improves their posture and reduces the strain on their legs.

cal strength, and constrained postures. In order to prepare a complete and detailed requirements profile for a workplace, the analysis also takes into account general criteria such as fixed cycle times and whether a workplace is a standing or a sitting one. These criteria are coordinated in such a way that Audi's company physicians can compare them with their occupational health assessment criteria and immediately determine which workplaces are suitable or unsuitable for an employee with a certain diagnosis. The healthcare department at Audi's Hungarian site in Győr and the colleagues from Ingolstadt are currently working on aligning the typical categorization used for occupational health examinations in Hungary based on statutory regulations there with the workplace evaluation criteria in the APSA.

As soon as all of the criteria have been aligned, colleagues in Hungary will also be able to instantly determine which workplaces are suitable or unsuitable, according to Hungarian standards for an employee with a certain diagnosis. ■

SECURE JOBS IN INSECURE TIMES

By Dr. Salma Shawa, Consolidated Contractors Company



Transforming despair into hope — that is one task that Consolidated Contractors Company (CCC) is carrying out with regards to the employment of youth in the Arab world and developing countries.

Benefiting from the potential of youths in building a sustainable organization has been one of CCC's goals since the beginning. CCC was essentially created by new graduates whose motivation was to build upon and improve their surroundings. Later called the Graduate Under Development (GUD) program, the program was devised to provide a structured, dynamic, rotational orientation to new graduates in order to pave the way for challenging, stimulating, and long-term careers in the engineering and construction industries. The program generally runs for two to three years upon recruitment, depending on the

progression of the individual graduate. It is operated within a framework of work plans aimed at developmental learning and experience, regular assessment and feedback sessions with supervisors, and a systematic record of work areas covered.

The program also ensures that new graduates are given access to seniors within the firm for accelerated learning and mentoring opportunities, and also spread across different countries to cultivate a genuine international experience. The program is recurring in order to ensure the demands of CCC's business as well as the aspirations of graduates in terms of

their training, development, and career progression. It offers continuous development of qualified, capable, and loyal staff as well as faster development and progress for supervisory, specialist, and managerial jobs.

The GUD program stages comprise the following:

- Induction program
- Rotational Familiarization programs
- Professional Development program
- Expert Development program

Within the general CCC GUD program, there is the Health, Safety & Environ-



ment (HSE) GUD program, which is a pioneer program that offers a clear career path for new university graduates who wish to build their HSE careers in the construction industry.

Each year, CCC participates in job and career fairs to secure the placement of these young graduates on the job market. The Training & Development Department monitors their progress throughout the stages mentioned above.

CCC is determined to invest and to retain GUDs who demonstrate abilities, personal qualities, and attributes worth

developing. Thus, CCC's policy is to detect as early as possible GUDs who do not respond to expectations put on them during recruitment and to minimize the attrition rate of worthy GUDs who have been trained.

Above: Onsite training

Left to right: Career Fair, Building Information Modeling (BIM) training, Onsite training, Vocational Training Centre

CCC benefits from these new graduates' perspectives, their comfort in using innovative technology, and their eagerness to learn in and adapt to different work environments. Their flexibility also facilitates their development and provides CCC with the necessary staff to fill different types of projects.

Through this program, CCC aims to provide youth in the Arab world and developing countries with secure jobs and to give them hope for a brighter future at a time in which unemployment is high among their peers and professional opportunities are lacking. ■



JOINT RESPONSIBILITY FOR MORE SAFETY

By Dirk Grosche, HOCHTIEF



It is among the most important tasks of a company to create a work environment in which the employees are – and remain – healthy, and in which workplace-related illnesses and accidents are prevented to the extent possible. For the international construction group HOCHTIEF, the issue has top priority and is consistently pursued and managed under the joint responsibility of all parties concerned.

Various directives and guidelines form the basis for an efficient occupational health and safety organization within the Group and ensure practice-oriented implementation. The requirement to offer maximum occupational health and safety is among our guiding principles and is held as an obligation for all employees in the HOCHTIEF Code of Conduct. Further-

HOCHTIEF employees attend height and rappelling training sessions as well as training sessions in firefighting and first aid.

more, defined minimum standards are described in a Group Directive. Employees are also encouraged to observe all statutory and official guidelines as well as to comply with the measures for risk-minimization identified by risk assessments.

Occupational health and safety organization at HOCHTIEF

Occupational health and safety are issues for which everyone bears equal responsibility. Individuals receive support from the occupational health and safety and environmental protection (OSHEP) organization in the HOCHTIEF Group. The OSHEP Center is the central competence center, the head of which reports directly to the Executive Board. It develops central occupational safety requirements, supports the managerial staff in its implementation in practice, and monitors compliance. Employees of this unit are involved in all phases of national and international projects.

The HOCHTIEF divisions, in which the operative business is organized, have drafted the standards for relevant structures and processes in terms of a structural and process organization. Manage-

ment officers and technical experts in the divisions advise and support the Management Board as well as the project leaders. The OSHEP Center maintains contact with them as a primary link and ensures that reports are maintained. In order to integrate occupational health and safety into the entire project process, management systems were established in the divisions, which are oriented toward international standards such as BS OHSAS 18001. In fiscal year 2014, 89.5 percent of HOCHTIEF employees worldwide worked in appropriately certified units.

Identifying risks early as a basic requirement

It is a basic requirement for an effective safety management system to identify and assess risks early. Therefore, our safety experts already contribute their know-how in the bidding phase of projects. Subsequently, safety concepts are developed and continuously updated and adjusted during the course of the project.

It is important that all contractual partners also share our understanding of occupational health and safety. They must therefore accept the HOCHTIEF Code of

Conduct. During the selection of partners and subcontractors, we also take into account their performance in occupational safety. If a company fails to meet the high requirements, HOCHTIEF reserves the right to exclude it from future contracts.

In the past, despite having an above-average prevention organization, accidents – some also with severe and fatal consequences – unfortunately could not be completely excluded. In 2014, the accident frequency in the Group as a whole was 1.42 accidents per one million hours worked. At HOCHTIEF, accidents are recorded and analyzed by means of a graduated reporting system in order to understand the causes, develop new preventive measures, as well as optimize the processes.

Promoting an occupational safety culture through further education

In HOCHTIEF companies, the occupational safety culture varies significantly due to the different social systems in the respective countries. In order to develop a uniform culture in which everyone feels responsible, we attach great importance to continuous training. Employees are regularly trained internally as well as externally: Occupational health and safety are an integral component of the learning opportunities of the internal continuing educational institutions. They are regularly reported on in the corporate media, and employees are sensitized to this issue at numerous action days and during initiatives.

Managers play an important role: They must be aware of their responsibilities and promote an occupational health and safety culture in their areas of responsibility. They are prepared for this task with special programs. We also attach great importance to the training and continuing education of safety experts so that they can competently advise and support the project leaders in their occupational health and safety activities. The experts exchange information about their experiences via internal and external working groups. ■

Occupational health and safety at HOCHTIEF: Examples from practice

At our U.S. subsidiary Turner, the name of the occupational safety concept program is "Building L.I.F.E." (Living Injury Free Everyday). This includes the annual "Safety Stand-Down," in which all employees stop working for a short time at facilities and building sites in order to jointly focus on the issue of safety.

Our Group company Thiess, in Australia, proved that successful occupational safety measures need not be expensive: They provided the trainees of their mine projects with blue helmets. Thus, the young professionals are rapidly distinguishable from experienced colleagues, who usually wear white helmets, and can be made directly aware of dangerous misconduct.

At the European company HOCHTIEF Solutions, the employees are also well-prepared from a safety standpoint for their specific work situations. Examples are training sessions in firefighting and first aid as well as height and rappelling training sessions.

FOCUS ON QUALIFICATION



By Klaus Hübscher, Weidmüller

Weidmüller 

Life is becoming ever more complex: Technology and society are developing at breakneck speed, globalization is continuing to grow, and competitive pressure on companies is increasing. For each and every individual, these challenges give rise to very special tasks – tasks that are also constantly changing. It is the responsibility of each individual to commit to continuous training and lifelong learning so as to keep pace with the daily requirement of ever shorter technology cycles and permanently accelerating innovation cycles. “Only in this way will we be able to survive in a world of globalized competition and, at the same time, be able to take an entirely sustainable approach and thereby successfully hand over both the company and the environment to

the next generation in a healthy condition,” explains Dr. Eberhard Niggemann, Director of the Weidmüller Academy.

Institutionalized qualification

“Employees are what make the difference between a good company and a very good company,” affirms Dr. Niggemann. It was against precisely this backdrop that the Weidmüller Group founded the Weidmüller Academy back in 2003. It is in this institution that the electrical engineering specialist bundles all of its corporate qualification activities. “We never lose sight of the challenges of the future and the changes taking place in the global markets when working in the Academy,” continues Dr. Niggemann. “Our main areas of concern are lifelong

training and continuous knowledge development.”

At the same time, the Academy’s activities also serve to ensure that the next generation of talented young people is qualified. Indeed, interesting projects for school pupils, attractive technical and commercial training opportunities, and close collaboration with education establishments guarantee the company’s development. In this regard, a current example that illustrates the need to adapt learning content is the on-trend topic of Industry 4.0. Automation technology, software, and IT communication form the basis of Industry 4.0. Following on from steam engines, assembly line production, and the launch of PLC controls to automate production, Industry 4.0 describes

the next stage in industrial production, in which intelligent systems network with one another over the internet. At the end is the vision of the Smart Factory, which largely controls itself and thus allows for highly flexible and efficient production. “Against this backdrop, training and further training must be system-specific and focused on practical applications,” states Eberhard Niggemann.

During this process, the key focus is this interdisciplinary as well as system- and practice-oriented approach, which gives employees the necessary social and personal skills to meet the new specialist and work-related organizational requirements. Whereas previously the simple “terminal plus screwdriver equals connection” sequence was sufficient for the applications undertaken by Weidmüller customers, today the solution-finding approach is far more complex: “Hardware comprising several subsystems not only has to be combined with software, but it is also necessary to have a basic understanding as to how these two systems can solve problems when combined,” explains Dr. Niggemann. “Against this backdrop, we are currently turning product training sessions into system training sessions, for example.” But there is one topic that is not just applicable to advanced and further training or customer-training sessions. Even at the training stage, a great deal of importance is attached to closer cooperation between the trainees

of various professions: “Even during the first year of learning, we bring mechatronics engineers and electronics engineers together with tool mechanics, surface coating technicians, and technical draughtspersons,” explains Dr. Niggemann. “By doing this, we are creating networks at an early stage, and every single person can contribute their own specialist expertise to problem-solving situations.”

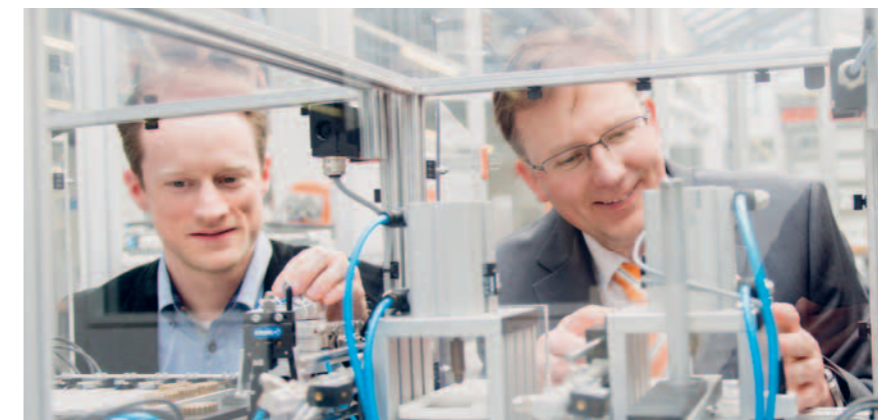
Internationalized transfer of knowledge

Developing the company also involves treating customers and partners fairly. Another major sphere of activity for the Weidmüller Academy is holding sequential, specially developed training sessions on the latest technologies, our products, and their applications, as well as creating solutions and offering training in special applications for external partners. Institutionalized in the International Training Center (ITC), materials are purposefully prepared and taught on a global scale by Weidmüller employees from all over the world. In addition to fixed training events in Detmold or on-site sessions at partners’ and customers’ premises, content can also be conveyed in the ITC through webinars or web-based training sessions. Another Weidmüller Academy goal is knowledge transfer. “The Academy is a place of intelligent networking between companies, customers, partners, schools, further education

establishments, research facilities, the region, and society,” clarifies the Director of the Academy, who therefore also sees the term “connection” beyond the horizon of Weidmüller’s product world. To maintain and build the company’s innovative capacity, an extensive network has been set up specifically for this purpose. “In addition to conveying knowledge and promoting young talent, having the company innovate and, not least, answering the pressing questions of our time, it is also about communicating social values.”

The Asian economic area is particularly significant for the sector in general and Weidmüller especially. This is why the Weidmüller Academy Asia was founded in 2011 – to build on the described expertise in China and the Asia-Pacific region, too. Both the concept and implementation process of the Weidmüller Academy Asia are closely based on the “parent facility” in Detmold: “In Shanghai, too, we are concentrating on internal and external knowledge transfer, networking with customers and partners, as well as providing training in social skills for younger colleagues in particular,” adds Dr. Niggemann.

Independent bodies have also confirmed that Weidmüller has successfully professionalized the topic of general, further, and advanced training by implementing the Academy concept. Indeed, over the last few years, Weidmüller has won several renowned prizes and awards, even being crowned an “Ort des Fortschritts” [Place of Progress] by the regional government in Germany. “But for us, there is something even more important than external recognition. We want to be recognized within the company and in our network,” Dr. Niggemann points out. “How do we know that we are being recognized? Well, due to the fact that our products and services are in even greater demand and also that 11 years have passed since the launch of the original Academy project; what we have now is an institution that enjoys an excellent reputation in the international arena.” ■



GOOD PRACTICE



ENVIRONMENT

90	Air France - KLM
92	EDF Group
94	PostNL
96	PTT Global Chemical
98	REN
100	Volkswagen Group

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.

STIMULATING SUSTAINABLE BIOFUELS

By Nathalie Simmenauer, Air France, and Inka Pieter, KLM



As an airline group with an extensive network, Air France-KLM connects people, economies, and cultures. It has the ambition to reduce its CO₂ emissions by 20 percent through 2020 in comparison to 2011 (tons/km). To find alternatives to fossil oil, the group believes innovation and partnerships within its value chain will trigger new solutions. Using this approach, Air France and KLM are committed to developing a market for sustainable biofuels.

Although the aviation industry currently generates approximately 2 to 3 percent of man-made greenhouse gas emissions, this figure is expected to rise over the coming decades due to the increasing number of people traveling by plane.

Air France-KLM takes measures to improve its fuel efficiency, and thus reduce its carbon footprint. Since the beginning of its Climate Action plan in 2007, its fuel consumption has dropped to 3.45 liters per passenger per 100 km. To complete its efforts and better understand the impact of its business, Air France-KLM supports research and innovation, and focuses particularly on biofuels.

Sustainable biofuels constitute the most effective measure to reduce air transport's carbon footprint. Air France-KLM provides support for research and contributes to the emergence of an international market for sustainable aviation biofuels that are environmentally friendly and which positively impact economic and social development.

Air France-KLM development

Air France and KLM support regulatory incentives stimulating the biofuel market. Both airlines have been participating in



ICAO's Committee on Aviation Environmental Protection (CAEP) and European Commission Biofuel FlightPath 2020 internationally. The FlightPath aims to reach an annual production of 2 million tons of sustainably produced biofuel for aviation by 2020. In France, the Ini-FCA (Future Alternative Fuels Initiative), led by the French Civil Aviation Authority, is working toward the production of 200,000 tons of biofuel by 2020.

The Dutch Government and KLM have signed a Green Deal for the 2011-2015 period to increase the demand for sustainable biofuels and shift from single

projects to continuous supply of sustainable biofuels for The Netherlands and Europe. To achieve this ambition, KLM was one of the initiators of BioPort Holland and collaborates with the Dutch government, Neste Oil, the Port of Rotterdam, SkyNRG, and Schiphol Airport to scale-up production of sustainable jet fuels in The Netherlands. This seven-year initiative won the Sustainable Bio Award for best collaboration of the year in 2014.

Since June 2012, KLM has been the first airline in the world to enable corporate customers to become partners in the KLM Corporate BioFuel Program, and to meet



part of their travel needs with biofuel-powered flights. The 15 partners confirm their leadership and actively contribute to the development of a market for sustainable aviation biofuels. In 2014, new partners joined the program, including the City of Amsterdam, Friesland Campina, Perfetti van Melle, and Ricoh. The Dutch government announced it would join the KLM Corporate BioFuel Program to incentivize the biofuel market.

Lab'line for the future

Beginning in September 2014 and continuing for one year, Air France launched its Lab'line for the future project, and operates a weekly flight between Toulouse and Paris-Orly using biofuel. These flights are operated by an Airbus A321 powered with a sustainable biofuel, whose processing has been certified by the Roundtable on Sustainable Biomaterial (RSB), the most demanding organization in this sector. Also the potential risks in the supply chain of the sourced sugarcane are checked by an independent risk assessment, based on the relevant criteria from RSB. Therefore, Air France can ensure that the production of its biofuel does not compete with the food production industry, or adversely affect biodiversity, water, or earth — and also that it respects human rights and labor rights.

Biofuels reduce greenhouse gas emissions by up to 80 percent in comparison to

fossil fuels. As commercial aviation has no alternative to liquid fuels for the next 40 years, biofuels are the most effective solution for the transition to renewable energies. With this commitment, Air France also demonstrates the national interest of France in creating an aviation biofuel sector.

Raising awareness about responsible air travel

Innovation and partnerships are keys for ensuring a more responsible future. As a leader in sustainable development, Air France associated 14 of its partners with the Lab'line project. It gives them the opportunity to showcase their innovations for more responsible travel during the flight. In addition to the use of biofuels, Lab'line for the future is an informative project. Passengers have the chance to meet with engineers and experts during special events and ask them any question they might have on sustainable topics. Moreover, specific themes are developed every two months.

For example, the company's efforts in waste reduction and valorization have been presented to passengers. Beyond recycling, Air France favors eco-design approaches, which take the entire lifecycle into account when introducing new products. It is also working with various partners to promote circular-economy initiatives in the area surrounding Paris-Charles

De Gaulle Airport. CO₂ emissions due to travel are not only linked to flights, but also to passengers' and employees' journeys to the airport. Air France's actions to enhance eco-mobility solutions, such as public transportation or car-sharing, will be also presented to foster their utilization. To broaden its audience, Lab'line is supported by an awareness-building campaign, including a web series.

By developing this project, Air France demonstrates its commitment to increasing knowledge about the environmental effects of air transport.

Continuing biofuel flights: Starting European ITAKA program

As part of the European ITAKA project, and supported by Climate KIC, KLM launched new series of biofuel flights on May 2014. Over the course of six months, weekly flights between Amsterdam, Aruba, and Bonaire were operated with an Airbus A330-200 powered by sustainable biofuel. KLM and the independent Sustainability Board from SkyNRG checked the potential risks in the supply chain of the feedstock, based on RSB criteria.

The series were kick-started with a visit by a delegation to Aruba and Bonaire. These destinations were a logical fit because both islands have sustainability high on their political agendas. With KLM's help, Aruba has set the Green Aruba Challenge to find promising solutions that can help to improve the island's sustainability. The challenge was won by The Land Life Box, which enables plants to grow on degraded soils and in hot and arid climates.

Air France and KLM will continue to stimulate the market of sustainable biofuels in order to create a continuous supply and lower the cost. Together with their partners in Lab'line and in the Corporate BioFuel Program, they support new supply chain routes and the European ITAKA program. Jointly with the industry and stakeholders, Air France-KLM will make next steps in developing a more sustainable airline industry. ■

THE KEY ROLE OF ELECTRICITY IN COMBATING CLIMATE CHANGE

By EDF Group

Electricity generation produces almost 38 percent of global CO₂ emissions linked to energy. That places a responsibility on the shoulders of electricity companies — one that the EDF Group has taken fully on board in all countries where it operates.

In France, EDF now supplies electricity with carbon content of 17 grams per kWh generated, which is 15 times less than the European average and 30 times less than the global average. This is a result of its generation mix of 98 percent

nuclear and hydropower (2014 data) and the deployment of a highly committed industrial strategy:

- integration of the carbon criterion in its short-, medium-, and long-term investment decisions;
- priority on using means that produce the least CO₂ (nuclear and hydro) for daily generation (low-carbon merit order);
- continuation of a high level of investments to maintain the performance of its nuclear fleet (10-year program totaling €55 billion for the 58 French reactors);

The world is faced with the challenge of climate change and the very real impacts on the planet, which are already being felt. Mitigation actions to limit the effects are a subject that involves electricity generation — and EDF is in the vanguard.



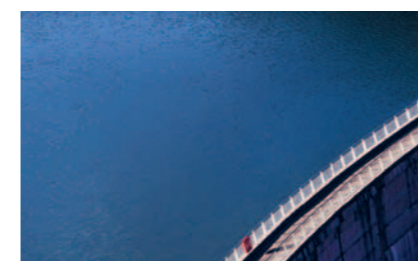
- optimization of its hydropower fleet, with its generation capability kept up by a sustained maintenance program (2,000 operations a year, €360 million in 2014);
- upgrades to the thermal fleet for the past 25 years: 2,850 MW of low-efficiency coal-fired generation replaced by combined cycle gas turbine plants (3,000 MW) with greatly superior efficiency levels and environmental performance;
- development of renewables.

As a result of this industrial policy, EDF's CO₂ emissions in mainland France are one-third of what they were in the past — from more than 23 million metric tons in 1990 to 8 million tons in 2014.

Act on several fronts

At a time when the world is looking for new energy models that combine environmental goals with growth in developing countries, EDF is convinced that it is possible to reconcile the two by acting on four fronts:

- develop energy mixes that favor low-carbon electrical power generation;
- improve energy efficiency and help consumers manage their use better;
- develop the use of low-carbon electricity to replace fossil-fired energy, especially in the transport and building sectors;



By 2020, the EDF Group is aiming at 75 percent carbon-free power generation (for total gross installed capacity of around 160 GW), of which 25 percent is renewables, including hydro. In 2014, the share of renewables in the Group's installed capacity was 21 percent (of which 16 percent is hydro).

In mainland France, EDF's goal for 2016 is to halve its CO₂ emissions from electricity and heat generation, compared with 1990 levels, for a total reduction of 12 million metric tons.

- invest in innovation in renewables, electricity storage, smart distribution grids, and systems that couple centralized and distributed generation more efficiently.

All these actions require an appropriate set of policies: introduction of a carbon price

that will be high enough to channel investments and innovations into low-carbon technologies, and transfers of technology and skills to developing countries.

Renewables, innovation, skills transfer...

The EDF Group is making efforts in all these areas at its own level and with all means available. It is investing massively in renewables, with the priority being on wind and solar power, which accounted for 37 percent of its gross operating investments for development in 2014 (39 percent in 2013, 41 percent in 2012). In 2013, it also issued the first green bond in euros to be made by a major corporation, raising €1.4 billion to be used exclusively to finance the wind and solar projects of its subsidiary EDF Énergies Nouvelles. The funds raised are now financing 13 renewable energy projects in France and North America.

EDF is also developing low-carbon technologies with partners. With General Electric in France, it is building a new-generation combined cycle gas turbine plant, the main strengths of which are 61 percent efficiency (3-4 percent better than a conventional CCGT plant) and lower CO₂ emissions (down 10 percent).

The Group is working on adapting its low-carbon generating facilities to meet environmental challenges and extend their lives. The alterations to the Poutès dam in France are an excellent example. While maintaining 85 percent of the dam's power-generating capacity, its impact on water and biodiversity is being reduced and a system of central valves will allow the flow of sediment. The innovation is the first of its kind in the world. EDF makes its technical expertise and experience available to developing countries. In Laos, for instance, it worked on the creation of a dam that incorporates the best CSR practices. In South Africa and western Africa, it has set up skills-transfers through training programs for people working in the electricity sector.

... at the service of the energy transition of cities and regions

Cities and regions are of a size to offer an effective network for putting in place low-carbon energy solutions. In Europe, EDF Group companies are making use of this scale to develop innovative uses: district heating systems increasingly fed by renewables; rapid charging stations for electric transport; experiments in car-sharing services using ultra-compact, all-electric vehicles; urban lighting systems that use less energy; seawater heat pumps and air conditioning systems for buildings; and energy performance contracts with guaranteed results on reducing consumption and CO₂ emissions. The Group is coordinating major smart-grid experiments, in which it tests electricity storage batteries for an entire neighborhood (NiceGrid4EU). It is also coordinating broad ranges of solutions based on information and communication technologies in order to manage electricity consumption, curb consumption peaks, and improve the energy performance of companies and local government authorities (Smart Electric Lyon, the biggest European experiment in demand-side management). The Group has also been a partner of the R20-Regions of Climate Action since its creation. As part of this program it is working on projects in Morocco that bring together local partners on the subjects of energy-efficiency development, urban lighting, and use of renewables on a local scale.

In addition, the EDF Group is banking on urban planning to help cities make the best decisions on how to combat climate change. For the Singapore Housing and Development Board, EDF has set up an urban modeling platform that takes into account and combines different issues: carbon emissions (the solution can halve the emissions of a Chinese city); integration of renewables in buildings; energy network management; water management; and soft transport. To speed up the development of such solutions, the Group has opened a center of excellence in Singapore for sustainable Asian cities. ■

POSTNL MAKES SUSTAINABILITY GAINS BY INNOVATING ALONG THE LOGISTICS CHAIN



By Lars Pruijn, PostNL

PostNL is the national postal company of the Netherlands and the leading mail and parcels deliverer in the Benelux region. In recent years, the growth of e-commerce has resulted in a sharp increase in the number of parcels being sent domestically and internationally. As volume growth approached levels where the company's logistical infrastructure would have been unable to cope, the company launched a program to renew the entire logistics chain of its parcel operations. Called the New Logistics Infrastructure (NLI) program, PostNL opened the first of 18 new distribution depots in 2011. With all depots due to be operational by the end of 2015, the program has introduced cutting-edge innovations along the company's parcel infrastructure, leading to major efficiency and sustainability improvements.



In recent years we have redesigned and upgraded our operational infrastructure through the NLI program. By combining sorting and distribution activities in 18 hybrid depots throughout the Netherlands, we have expanded our capacity and introduced efficiency and sustainability benefits, enabling us to lower our energy requirements and CO₂ output, provide better service to customers, and offer our employees a more attractive working environment.

Cutting energy use

One of the main innovations within our new distribution depots was the introduction of state-of-the-art sorting machines, which use electromagnetic and induction technologies to reduce friction during operation. This results in huge efficiency benefits, with the machines using 75 percent less energy than those they replaced, cutting our electricity needs, CO₂ output, and costs.

At the same time, we put a great deal of effort into creating sorting depots that had more daylight than the old depots. By making one wall of each depot trans-

parent, and adding windows in the ceilings, we created environments that are bathed in natural light during the day. The depots' lighting is connected to automatic sensors, which dim or brighten the lights based on the intensity of light from outside. Combined, these changes reduce our electricity needs and create a healthier, more attractive working environment.

Improving loading efficiency

Each morning, a well-choreographed routine takes place at our NLI facilities. Around 150 distribution vans wait outside each depot, preparing to park against one of the 50 distribution docks built into the side of the building. Once parked against the loading dock, a parcel sorter extends from within the depot into the distribution van. This means that the delivery driver is able to load the parcels directly onto the van's shelves, resulting in improved ergonomics and a better working environment. This also saves time and makes the process more efficient.

One challenge we faced was how to prevent the 50 large distribution docks,

which are open during the loading process, from losing warm air from within the depot. To overcome this, we designed a seal that fits between the van and the sorter, minimizing the loss of heat from within the building, saving heat and energy.

Efficiency improvements to the loading system have resulted in time savings of around 30 minutes per delivery route per day. With around 2,600 distribution routes in the Netherlands, we save around 1,300 worker-hours per day. In the evenings and overnight, meanwhile, we are now transporting parcels between the NLI depots via three central hubs. This enables us to optimize the transport process. Combined, these improvements have reduced our CO₂ emissions drastically as well as cut costs.

One of our goals is to develop sustainable solutions whenever possible, including for our vehicles, buildings, and processes. The NLI program brought together developments in all these areas, contributing to our sustainability agenda while improving customer service and reducing costs. ■



THE HUAY MA HAAD PROJECT



By CSR Strategy Management, PTTGC

Huay Ma Haad Mountain in Rayong province has lavish natural resources, a wide variety of plants and animals, and it is also the location of main water sources. These resources are important to the surrounding communities, especially the Chak Luk Yha community. For decades, Huay Ma Haad Mountain was on the verge of being completely deforested, which led to water scarcity and greatly affected both the agricultural and industrial sectors in the area and created conflicts between them. As one of Thailand's leading corporations and a major employer in the Rayong province, PTT Global Chemical (PTTGC) has taken the lead in a regional sustainability initiative, the "Reforestation and Water Conservation at Huay Ma Haad Mountain" project, to strengthen community-led forest conservation, biodiversity restoration, as well as community development.



Together with local communities and environmental experts, PTTGC conducted a study on local species and available natural resources in the area in order to establish proper restoration and development plans. Aiming to sustain this conservation effort, we also established a database to record knowledge and best practices for the benefit of future

generations and society at large. The Chak Luk Yha community in particular has been very grateful that the public sector has stepped up to establish this sustainable initiative. Moreover, the will and devotion of the community and employees have been crucial factors in driving the Huay Ma Haad project toward completion.

The project is divided into three phases, with three- to five-year intervals between each phase. The first phase was begun in 2010 and will be finished by 2023. The first things taken into account during project development between the community, the government, Kasetsart University, and PTTGC are the community's requirements, the geographical site

Left: The project will bring positive impacts to our employees and local communities, for example by planting trees or building a dam.

and its condition, resource availability, as well as opportunities and business objectives. PTTGC believes that greater engagement with government, communities, and other stakeholders is the key. This way, PTTGC can be certain that the project is suitable for all stakeholders and everybody is engaged in every stage.

Moreover, to expand the abundance of biodiversity on the mountain, several activities are planned each year, for instance planting trees, building dams, and construction to control fires. At the completion of the first phase, we are expecting to observe an increase in plant and animal biodiversity. The project will also bring positive impacts to our employees and local communities, such as unity, friendship, environmental appreciation, and knowledge. Aside from outdoor activities, PTTGC is launching the Phytochemistry Learning Center in the Chak Luk Yha community as a subproject of the Huay Ma Haad project. This will be the first Phytochemistry Learning Center in Thailand. Strategy objectives of the Center are to conserve Huay Ma Haad's resources and community habitation based on native phytochemistry characteristics; manage the delicate ecosystem; and to maximize resource-knowledge enhancement, for instance regarding herbal remedies, beauty products, foodstuffs, and carved goods.

PTTGC is focusing on the quantitative impacts of its actions by putting measurement systems in place to ensure that the Huay Ma Haad project truly brings positive impacts to the region. With traceable quantitative and qualitative measurement systems in place, the project can demonstrate that it has led to the expansion of reforested areas and the improvement of water conservation



Mr. Supattanapong Punmeechaow, President & CEO of PTTGC, says: "PTTGC is honored to have and receive excellent collaborations from both public and private sectors. Thus, I would like to take this opportunity to show my supreme appreciation and looking forward to constantly see the harmonized collaboration."

through the construction of dams. This indirectly leads to the prevention of wild-fires and an increase in plant and animal life. The project will assist in generating the guidelines for sustainable resources and animal biodiversity development in cooperation with local communities. Finally, the project will help in developing natural products and strengthening the community in term of conservation resources and high value-added products from local resources.

PTTGC's CSR Strategy

For PTTGC, the project has been an opportunity to demonstrate its commitments to its stakeholders and society at large. It has also contributed to better relations and trust between the company and local communities. The company also aims to improve the efficiency of the project by building the capacities of the people involved and seeking collaborations with more partners. ■

PORTUGUESE BIODIVERSITY: CHALLENGES FOR REN

Transporting energy is a complex but essential process for our daily lives. However, there are always matters that influence the way in which companies and individuals look at the issue. One of the goals set out by REN (Redes Energéticas Nacionais) is to develop a more efficient, secure, and competitive energy system that provides everyone with energy at the lowest possible cost. However, the environment poses some of the greatest challenges.



By João Gaspar, REN

In 2009, REN introduced a new strategy for managing transmission line service corridors — namely, converting buffer corridors by planting native species of trees that are compatible with the continued operation of the lines. This strategy has been well received by landowners, who will receive income for their properties. REN, the Portuguese consumers, and society in general also benefit, through the reduced risk of fire and the number of service calls to these corridors.

Within the national electricity transmission grid, REN manages 7,146 km of electricity transmission service corridors covering an area of 32,221 ha. There are also 1,377 km of gas pipelines in the national natural gas transport network with 2,740 ha of service corridors in total.

In all, REN operates 310 installations throughout the country and deals with more than 60,000 property-owner records.

To ensure the safety of the transmission lines under the terms of current legislation, the company has established a 45-mile-wide protection zone — the buffer corridor — which extends for 22.5 miles on either side of the lines. Within this area, REN must either prune or remove trees to maintain minimum safety distances, while the landowners must not allow the planting or preservation of trees that could jeopardize the safety of the lines.



The National Defense System against Forest Fires has outlined a series of measures and institutional coordination actions for planning and intervention to protect forests from fires. If the municipal forestry protection commissions believe the electricity transmission line buffer corridors are required for their forest fire prevention strategies, they could become a secondary network for fire prevention.

It is also necessary to manage fires by extending the security clearance to the height of the external transmission cables to no fewer than 10 meters on either side of the cable for the entire length of the corridors.

This is where the concept of converting the buffer corridor comes in. It consists of a change in land use — for agriculture (vines, pasture, orchard), for example — or replacing existing trees with others that are capable of remaining within the minimum safety distances between them and the power lines.

These goals are to ensure: the compatibility of vegetation with the corridors; the reduction of fire risk; the enhancement of the landscape and promotion of native species (such as oak, strawberry tree, holly, cork oak, holm oak, and others); an end to the existence of areas of land

with the same species of vegetation; an increase in intervention cycles; a guarantee of shared responsibility with landowners; and a reduction in maintenance costs.

In addition to working closely with the fire service, the civil protection services, and the National Republican Guard, REN has also been working with ECO Movement, a civic project that brings a number of companies together for a single purpose: to prevent forest fires and raise public awareness of hazardous behaviors leading to fires.

What are the best tree species to plant?

The species of trees suggested to landowners depends on a number of factors, including soil conditions, climate, fire hazards, and compatibility with the buffer corridor (small height and slow growth). The frontrunners are carob, holly, holm oak, oak, chestnut, strawberry, walnut, olive, stone pine, willow, and cork oak.

The conversion program began in 2010 with the planting of 58.89 ha. In the following year, 155.37 ha were planted, then 202.63 ha in 2012, 199.31 ha in 2013, and 229.09 ha in 2014, totaling an area of 645.98 ha. It is estimated that 1,900 ha will have been converted by 2017.

In 2010, there were 49,076 trees planted, which increased to 71,321 the following year. In 2012, a total of 119,402 were planted, rising to 154,665 in 2013. In 2014, there were 63,637 trees planted. It is estimated that 940,000 trees will have been planted by 2017.

In promoting the conversion of the buffer corridor into forested spaces, REN has joined forces with the nongovernmental environmental organization QUERCUS (National Association for Nature Conservation) as it establishes a program for developing and encouraging native forests with high levels of biodiversity. The Institute for Nature Conservation and Forestry and the Portuguese government are also partners in this protocol.

Most native forest is compatible with the safe operation of REN's infrastructure, both technically and in terms of its legal responsibilities.

With this project, everybody wins: the landowners who receive an income from previously unused land; QUERCUS and REN by encouraging practices that enhance biodiversity; and consumers and society through service to the ecosystem, the protection of forests from fires, and, of course, the comfort of having energy brought directly to their homes. ■



VOLKSWAGEN'S ROLE IN GERMANY'S ENERGIEWENDE

The Volkswagen Group has set the goal of becoming the most sustainable car manufacturer in the world by 2018. Germany's *Energiewende* (energy transition or revolution) sets a framework for this.

VOLKSWAGEN GROUP

By Daniela Blaschke and Frank Hasenfuss, Volkswagen Group

Today, the automotive industry in Germany and Europe is already a powerful engine for ecological innovation. No other company in the automotive industry invests more in the development of new, efficient technologies than Volkswagen. Once having been “just” a carmaker, the 12-brand group now delivers diverse solutions for a future integrated energy and mobility architecture. From increasing energy efficiency to developing decentralized supply structures such as combined heat and power plants, as well as expanding renewable energy of its own accord, Volkswagen is involved in all of these fields in addition to developing and marketing innovative hybrid and electric vehicles.

In 2018, the Volkswagen Group intends to be the world's leading car manufacturer, both financially and ecologically. This will be not just in terms of vehicles and business figures, but also in terms of commitments regarding climate protection, saving resources, and energy efficiency. To achieve this target, ambitious aims were set: 25 percent less energy and water consumption; 25 percent fewer CO₂ emissions, solvent emissions, and production waste per vehicle compared with 2010. In addition, the CO₂ emissions in the energy supply to the production sites in Germany should be cut by 40 percent by 2020. Cars themselves will become more efficient and environ-

mentally friendly, too: The Volkswagen Group is the first car manufacturer to set the goal of cutting CO₂ emissions of the European new car fleet to 95 grams per kilometer by 2020.

Increasing energy efficiency

We can save energy by avoiding its usage or by developing methods and technologies that help us use energy more effectively. Energy-saving measures will not just lower costs in many areas but will also

protect resources and contribute toward reducing CO₂ emissions. Unless energy efficiency is noticeably increased, global climate protection aims will be virtually impossible to reach. For Volkswagen, measures to use energy more effectively are an important factor in reaching our own product and production goals.

In its environmental strategy, the Volkswagen Group has committed itself to making each new Volkswagen Group vehicle model better in terms of envi-



Plug-in hybrids combine pure electric driving with long-distance suitability by using an electric motor and a combustion engine.



ronmental characteristics and, above all, more efficient than the previous model. Efficiency, weight reduction, and lowering of air resistance are key elements. The fact that energy efficiency is the central theme of the product policy is also reflected in the development and marketing of alternative drive technologies such as compressed natural gas and electric mobility.

In production, the Volkswagen brand has directly linked these goals with its “Think Blue. Factory.” initiative for greater ecological sustainability. The cross-segment and cross-brand introduction of the modular transverse toolkit has brought about optimized production, and thus more energy-efficient procedures. Moreover, Volkswagen is counteracting high-energy consumption in factory halls and office buildings by implementing efficiency measures in building construction and management. Also, staff awareness about the careful usage of energy and the motivation to participate is being raised through a supply of information as well as campaigns.

Decentralized supply structures

The decentralized generation, storage, and distribution of energy is a key component of future energy systems — not just since the *Energiewende* and not just in Germany. According to the International Energy Agency, the worldwide demand for electrical energy will rise well over 60 percent by 2035, compared with 2011. About half of this will be electricity from renewable energy sources — and a large part will be generated through decentralized means.



Left: The Anhanguera hydroelectric power station covers 18 percent of the energy requirement of Volkswagen do Brasil.

Right: Dual-fuel engines from MAN Diesel & Turbo reduce nitrogen oxide and CO₂ emissions at sea.

The Volkswagen Group is already setting up decentralized structures for its own energy supply. Furthermore, Volkswagen is developing solutions for industry and consumers. It is also researching flexible storage concepts to compensate for fluctuations in electricity networks.

The Power Engineering solutions from MAN are one example of this. They are in demand both nationally and internationally. In addition to industrial sites, MAN Diesel & Turbo also supplies remote regions far from any grid infrastructure with the necessary power station technology for the decentralized generation of energy. In Turkey, for example, the company has provided floating power stations that supply whole towns near the coast with power in a collaboration with partners. The setup of decentralized supply structures also involves the development of storage concepts that compensate for the fluctuating availability of regenerative energy. To this aim, Volkswagen is researching ways to convert electricity from regenerative primary energy into synthetic methane that is stored in the gas network and can be converted back into electricity when required. It is also looking at using electric vehicles as intermediate storage for surplus electricity in the network. Being much more concrete than a pure vision of environmentally-friendly niche technologies, these solutions represent an important element in the setup of a functioning, decentralized energy system. In addition to the supplies' reliability, these solutions could also represent a financial incentive for vehicle owners as electric vehicles are incorporated into the electricity market.

Regenerative energy sources

The expansion of regenerative energy sources — the basic idea behind Germany's energy transition — affects the Volkswagen Group in two ways: as a power supplier and consumer, and as a researcher and developer of alternative drives, alternative fuels, and innovative storage concepts.

The Group is developing the sources itself — whether water or wind power, biomass or photovoltaic. To mention three examples: At the Emden site (Germany), Volkswagen opened up the world's largest near-surface geothermal field in 2013; in Chattanooga (USA), it has commissioned the world's largest solar power station belonging to a car manufacturer; and in Martorell (near Barcelona, Spain), it built the largest rooftop solar park in the automotive industry in November 2013. Furthermore, production sites all over the world also cover their energy requirements specifically with green electricity. In 2015, one-third of the electricity consumed by Volkswagen across the world already originates from regenerative sources.

All the above examples clearly show that the Volkswagen Group and its 12 brands are pursuing concrete and ambitious aims. Defining the objective is only half of the job, however. Successful implementation is what counts in the end. The Volkswagen Group is working at full steam on its very own efficiency revolution — and is thus also contributing to the success of the project of the century: Germany's *Energiewende*. ■

GOOD PRACTICE



OVERALL, THE GLOBAL COMPACT PURSUES TWO COMPLEMENTARY OBJECTIVES:

- 1| Mainstream the Ten Principles in business activities around the world
- 2| Catalyze actions in support of broader UN goals, including the Sustainable Development Goals (SDGs)

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STEERING BASF'S PORTFOLIO TOWARD SUSTAINABILITY

By Dr. Dirk Voeste, Dr. Andreas Kicherer, and Annette Höllebrand, BASF

For 150 years, BASF has been creating chemistry to find new and better solutions for its customers. Following its company purpose — “We create chemistry for a sustainable future” — BASF is focusing on chemical innovations that help customers contribute to sustainability. To meet customer needs even better in the future and to secure long-term business success, BASF has set itself the target to further increase this share of sustainable solutions. BASF has analyzed and evaluated the sustainability aspects of its entire product portfolio and established a new process for steering its portfolio based on sustainability criteria. Already in 2014, 23 percent of global sales were generated by innovative products and solutions with a significant contribution toward sustainability in its application.

Ambition to create sustainable products

What do BASF customers need now and what will they demand in the future? Those are the questions we continually strive to answer to ensure a successful and sustainable business now and over the long term. With our broad portfolio of innovative products, we are in a position to address global megatrends. Our products and solutions contribute to conserving resources, ensuring nutrition standards, and improving quality of life. Our portfolio has always included solutions and technologies that contribute toward sustainability, such as insulation materials for buildings, lightweight plastics for fuel-saving cars, and many others. By systematically identifying key drivers for sustainability in our own industry as well as in our customer product sectors, we will further enhance this contribution. Looking for more sustainable solutions means exploring new market opportunities while minimizing risks.

Through the “We create chemistry” strategy, BASF is placing an even stronger emphasis on the contribution of its solutions to current and future sustainability

demands. Chemistry is an enabler, offering business opportunities that significantly contribute to our long-term business success.



BASF combines economic success, environmental protection, and social responsibility.

How BASF implements sustainability

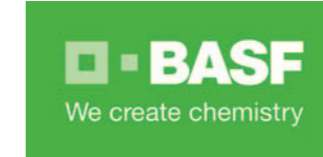
Sustainability for us is a significant driver of growth. By integrating sustainability even deeper into our decision-making processes, we optimize our business and contribute to long-term business success. We accomplish this by, for example, embedding sustainability broadly into our organization through clearly defined responsibilities and well-established communities for an exchange of best practices.

Our sustainability management has three targets: We want to identify significant topics early on, take advantage of business opportunities, and minimize risks. We are assisted in this endeavor through constant, trust-based exchanges with our stakeholders as well as through our systematic materiality analysis.

We take advantage of business opportunities by offering our customers innovative products and solutions that support their sustainability requirements. We ensure that sustainability is included in the development and implementation of our business units' strategies and research projects. Our “opportunity finding” method was developed for this purpose: It allows us to identify main sustainability drivers in relevant value chains and for our customers. This is how we aim to identify — and make targeted use of — the potential business opportunities created by sustainability.

We minimize risks by setting ourselves globally uniform standards for safety and security, environmental and health protection, product stewardship, and compliance, as well as for labor and social standards — many of which go beyond legal requirements.

In addition, we have integrated various dimensions of sustainability into our standard processes for evaluating investment decisions in property, plant, and equipment, as well as in financial assets. We prepare expert assessments of sustainability issues to support our decision-making.



For example, we use our established Eco-Efficiency Analysis tool to identify critical parameters for improving the ecological and economic balance of our products and processes along the value chain. To even better support our divisions in implementing sustainability strategies and goals, we also offer other sustainability evaluation instruments alongside the Eco-Efficiency Analysis. These include the methods often used for impact assessment as a part of lifecycle analyses.

With our AgBalance™ method, we can address specific questions to improve sustainability in agricultural production and products in the food sector. We use the information from these comprehensive evaluations to work on products and solutions together with our customers to make a contribution toward sustainable development.

Our “mass balance method” allows us to replace fossil resources in the current Production Verbund with renewable resources for nearly any product.

We have created structures to promote sustainable, entrepreneurial actions — from strategy to implementation. The Corporate Sustainability Board is BASF's central steering committee for sustainable development. It is comprised of the heads of our business, corporate, and functional units as well as of the regional units. A member of the Board of Executive Directors serves as chair. We have also established an external, independent Stakeholder Advisory Council. Its members bring an important perspective to the table in discussions with BASF's Board of Executive Directors, thereby helping us expand our strengths and identify our potential for improvement.

How we evaluate sustainability

The demand for solutions with pronounced contributions toward sustainability is increasing. Therefore, we are continuously analyzing our complete portfolio from the viewpoint of our customers and their sustainability needs, incorporating the results into the strategies of our operating divisions, and integrating sustainability criteria into our research and development processes. We assess the sustainability contribution at an early stage of a project and adapt it if newly identified sustainability needs arise. In doing so, we contribute toward developing innovations that address sustainability megatrends, for example:

- develop smart construction solutions to help meet the housing needs of a rapidly urbanizing world;
- provide water solutions to help solve emerging water-stress issues;
- promote sustainable agriculture solutions to help feed a global population that will reach more than nine billion by 2050;
- develop battery solutions to help us achieve cleaner mobility.

To implement our sustainability strategy and manage the evaluation processes effectively, we have developed Sustainable Solution Steering, an externally validated method to gain enhanced internal transparency and consistency on the sustainability performance of more than 60,000 relevant solutions in all areas of BASF's business globally. With our approach, we evaluate value chains from cradle to grave and consider industry- as well as region-specific views in our markets. We can identify solutions that make a significant contribution within their industry sector in terms of sustainability, as well as those solutions that, at present, do not fully meet basic sustainability standards.

The key element in finding the best available solution is the balancing of economic, environmental, and social needs. As a single product in its application does not equally contribute in all three dimensions,

We have developed a third-party certified method, called Sustainable Solution Steering, to enable a comprehensive screening of all our products and to steer the portfolio accordingly. Our assessment consists of a three-stage process.



Stage One

Analysis of sustainability needs and trends in the value chains



Stage Two

Evaluation and categorization of product sustainability performance in the market application



Stage Three

Development of action plans for strategies, R&D, and market approach

it is essential to weigh the options and pursue the best solutions available.

In addition, we gain a more comprehensive and transparent understanding of our entire portfolio of solutions. Sustainable Solution Steering provides our business units with the information they need to communicate and promote the sustainability value of their products and services. This insight helps us to differentiate markets, to enter into dialogue with our customers about their sustainability needs, and hence to generate new business opportunities based on market demands.

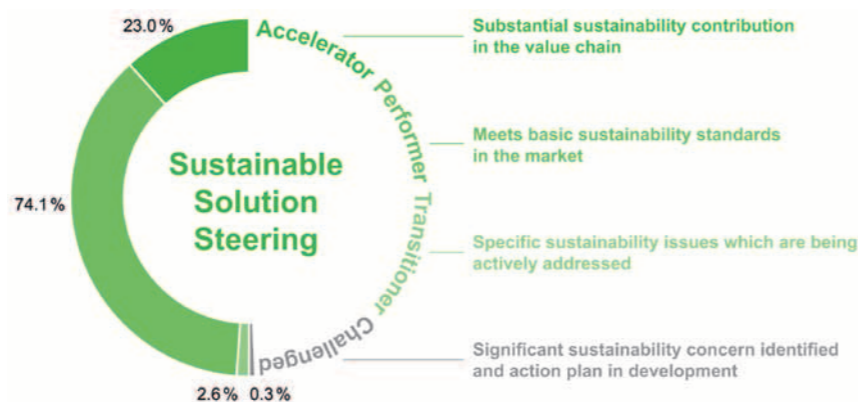
Based on the comprehensive assessment, all product applications are ranked into four categories.

- *Accelerators* make a substantial contribution in the value chain toward sustainability. Already in 2014, 23 percent of our global sales were generated from so-

lutions that were rated as “Accelerator,” demonstrating the significant contribution of innovative solutions to address customers’ sustainability needs.

- *Performers* are solutions that meet the standard market requirements for sustainability. Around 74.1 percent fall under this category.

Four categories to describe the degree of sustainability contribution



- For the *Transitioners*, specific sustainability issues have been identified and concrete action plans defined. These recommendations are in the process of being implemented. Around 2.6 percent of the analyzed products are currently in this category.
- Applications with a significant sustainability concern are labeled *Challenged*. BASF is developing plans of action for these products in order to find better solutions, which can include research projects, reformulations, or even replacing one product with an alternative product. This currently applies to 0.3 percent of applications.

tions help to minimize food losses and lengthen the shelf life of food products. We are working constantly to improve the capacity of our solutions to protect goods and to enhance the environmental footprint of packaging, for example:

- polyamide films for flexible packaging allow for less material use compared to rigid packaging;
- water-based resins for flexible printing reduce air emissions compared to solvent-based technologies; and
- bio-based or compostable materials allow for improved environmental performance in paper and plastic packaging.

our global Know-How Verbund as well as through collaboration with partners and customers. Furthermore, in a program and project management process, we continuously review the chances of success and the underlying assumptions of research projects. This review includes all phases — from idea generation to product launch — as well as the thorough analysis we conducted of our products in more than 60,000 applications. The findings help us steer our portfolio and to find better solutions today and over the long term.

We can specifically develop even more sustainable products together with our customers, or find alternatives for products that no longer fulfill our standards. The trust of customers and consumers is essential for the successful introduction of new technologies. That is why we enter into dialog with stakeholders at an early stage of development.

We are committed to integrating environmental protection and socially responsible conduct into our business activities. Infringements of our voluntary commitments and legal violations also represent a reputational risk and could lead to operational or strategic risks. Before acquiring a company, we take into account its focus on sustainability, and we consider this in the acquisition process. Based on our materiality analysis, we initiate change processes in the company in order to be prepared for any potential risks and to exploit opportunities. We have established global monitoring systems, which also include our supply chain. These enable us to ensure adherence to laws and our voluntary commitments in the areas of environment, safety, security, and health, as well as to labor and social standards. In order to ensure society’s acceptance of our business activities, we engage in an ongoing dialog with relevant stakeholders.

We will continue to concentrate on researching, developing, and offering our customers attractive solutions. This is something we have been doing successfully for 150 years. ■

To qualify as an Accelerator, a solution must make a substantial contribution to at least one designated and relevant criteria of sustainable development while not having significant negative impacts on another relevant area of sustainable development.

- Cost savings downstream
- Climate change
- Energy
- Resource efficiency
- Health and safety
- Biodiversity
- Renewables
- Emission reduction
- Water
- UN Millennium Development Goals

For example, Accelerator solutions for the automotive industry include:

- plastic materials replacing metals in cars, and thus minimizing their weight and making them more fuel-efficient;
- catalysts decreasing harmful exhaust emissions, thereby improving air quality;
- integrated coating processes that reduce the number of necessary steps in the coating of cars, thus reducing energy consumption as well as greenhouse gas and VOC emissions; and
- innovative fuel additives that keep engine valves clean, thus reducing fuel consumption and exhaust emissions.

Other innovative solutions are offered to the packaging industry. Our solu-

Path forward

Moving forward, innovation is — and remains — the driving force for chemistry. We are observing a trend toward more sustainability in our customer industries. Therefore, we want to take advantage of the resulting opportunities with innovations — particularly in the growth fields we have identified. These include batteries for mobility, functional crop care to improve agricultural efficiency, solutions for water treatment, and technologies for the use of renewable energy sources, such as wind, solar thermal, and photovoltaic power.

We optimize the effectiveness and efficiency of our research activities through

REQUIREMENTS ALONG THE SUPPLY CHAIN



By Bernhard Schwager and Axel Zerinius, Bosch

To strike a balance between economic, social, and ecological interests, Bosch must take its entire value-added chain into account. This is why the global provider of technology and services actively involves its suppliers in its sustainability activities, both in regulatory and operational terms. Together with its suppliers, the company aims for continuous improvement.

The Bosch Group is a global provider of technology and services. Its operations are divided into four business sectors: Mobility Solutions, Industrial Technology, Consumer Goods, and Energy and Building Technology. With some 360,000 associates, Robert Bosch GmbH and its 440 subsidiaries and regional companies has locations in around 60 countries. If its sales and service partners are included, then Bosch is represented in roughly 150 countries. This worldwide development, manufacturing, and sales network is the foundation for further growth. In 2014, Bosch applied for some 4,600 patents worldwide.

Bosch sees sustainable business practice as an established part of its corporate strategy. The company's values are

deeply rooted: Over the course of its development, Bosch has stayed true to the ethical principles of its founder, Robert Bosch. Today, the company's sustainability activities are focused in four main areas: environment, products, associates, and society. These activities include the value-added chain, which is why Bosch actively involves its customers and suppliers.

The importance of the supply chain

The Bosch Group's strategic aim is to develop solutions for a connected life. With innovations as well as products and services that spark customer enthusiasm, Bosch helps improve quality of life around the world. These technically sophisticated products not only call for

high-quality materials and components, they must also meet sustainability criteria. This is why the company makes such criteria mandatory for its suppliers. With a sales volume of almost €25 billion in 2014, some 300 million parts were delivered to 267 manufacturing and development locations around the world each day. To make sure that suppliers meet sustainability requirements, they are laid out in contracts and monitored through audits.

Contracts

The sustainability standards that Bosch expects its suppliers to meet are a firmly established part of the company's purchasing conditions. They include respect for human rights, the right to wage negotiations, support for the abolition of forced or child labor, the avoidance of discrimination in hiring practices and the workplace, environmental responsibility, and the prevention of corruption. Compliance means, for instance, that "suppliers commit to meeting legal standards that apply to the treatment of employees, environmental protection, and occupational safety. They must also work on reducing the human and environmental impact of their activities."

The Ten Principles of the UN Global Compact, which include International Labour Organization conventions and the corresponding quality assurance agreements, shape the foundation of the requirements that suppliers are expected to meet. Although Bosch contracts mean that the company has legal relationships only with Tier 1 suppliers, these companies are also encouraged to require that their own suppliers meet sustainability criteria.

Strategy and further development

At the operational level, the further development of Bosch's strategy and the company's cooperation with suppliers are strongly influenced by the sustain-

of sustainability-related topics. These activities are beneficial for all of the parties involved: Bosch can contribute its specialist knowledge, while at the same time gaining valuable insights from its partners for the company's own development. Ultimately, this is also an asset in Bosch's cooperation with its suppliers.

Cooperation and motivation

Bosch places a great deal of importance on management systems: All of the Bosch Group's manufacturing and development locations have implemented OSHAS 18001 occupational safety management systems and ISO 14001 environmental management systems. In addition to this, the

Supplier assessments and audits

Audits are an integral part of supplier assessments. Bosch systematically conducts these audits using a prioritization system. The system is based on an approach that aims to take a comprehensive view of sustainability. Qualified experts can thus gain a big picture view of a supplier's sustainability record. Bosch has set itself the target of conducting 1,000 supplier audits between 2011 and 2020. A good third have already been completed. Over the course of the audits, Bosch offers its suppliers support with implementing improvements.

Promoting resource efficiency

The ResQ project in China is a shining example of Bosch's cooperation with its suppliers. Together with four other companies and the support of the German Federal Ministry for Education and Research, Bosch China launched the ResQ pilot project in April 2012. The initiative aims to improve suppliers' use of resources. On the basis of detailed analyses, Chinese suppliers cooperate with Bosch specialists to develop measures to improve the efficiency of resource use. At the same time, the executives and employees of Chinese suppliers receive training on resource efficiency and occupational safety. Experiences to date have shown that the project is very promising.

Conclusion

Importantly, the audits have found a correlation between high product quality and supplier commitment to the topics discussed herein. This is one reason why sustainability topics are an integral part of Bosch procurement processes. To ensure a reliable supplier base, Bosch strives for relationships based on mutual trust and long-term cooperation. The company considers healthy supplier relationships to be a competitive advantage. Moreover, by demanding compliance with sustainability standards, Bosch contributes to the sustainable development of the countries in which its suppliers are located. ■



ability topics that Bosch has defined and prioritized. Within and beyond the walls of the company, Bosch uses reporting and dialog platforms to ensure the constant flow of information on topics related to sustainability. In addition, Bosch associates are sensitized to sustainability with special training programs, which also aim to motivate.

Bosch works on the further development of its strategy and approaches in close cooperation with the relevant associations and academia. The company is actively involved in working groups and takes part in events on a broad range

company requires its 500 preferred suppliers to receive ISO 14001 certification as proof that they have introduced environmental management systems. To receive "preferred supplier" status, suppliers must meet a number of criteria, for instance in the areas of technical expertise, product and logistics competence, and value for money. Preferred suppliers are involved in strategy and development projects at an early stage. This gives them the opportunity to better prepare for the future. In turn, this is one of the reasons why Bosch strives to establish and maintain lasting partnerships, which also enable suppliers to enhance their competitiveness.

SUSTAINABILITY IN THE SUPPLY CHAIN

Regulatory aspects	Operational aspects		
Contracts	Strategy and further development	Cooperation and motivation	Supplier assessments and audits

SOCIAL COMPLIANCE AS AN ESSENTIAL COMPONENT OF INTEGRATED REPORTING

Corporate reporting is going through a fundamental change. It has been a common practice for responsible market participants to publish a sustainability report or corporate responsibility report in addition to the annual report in order to provide stakeholders with potentially relevant information. But trends from politics, economics, and society are currently leading to a changing in the reporting landscape.

By Kenan Tur, Business Keeper

BUSINESS KEEPER 



The European Union passed a directive binding all capital market participants within the EU with more than 500 employees and total assets of more than €20 million or a net turnover of more than €40 million — which equals approximately 6,000 companies — to report their non-financial issues, targets, and performance indicators in addition to their annual reports. Starting in 2017,

these companies are committed to report details about their strategies, risks, and results regarding environmental issues and social aspects. The revision aims to strengthen the competitiveness of European companies and the entire economic area in Europe by furnishing effective, credible, and comparable reports. This endeavor represents a great challenge to all companies without sustainability

reporting, especially the requirement to establish a reporting system regarding social compliance issues. They will have to develop several processes to collect these indicators immediately.

Regardless of the European decision, there are a number of globally acting companies that are pioneers when it comes to integrated reporting which have been promoting the issue for several years. Integrated reporting combines aspects of financial and sustainability reporting. It emphasizes transparent reporting that complies with comprehensive legal requirements in order to provide an overview of a company's performance. The reports should illustrate the developments at the company in a clear and comprehensible manner and focus on the most important internal and external stakeholder issues. In connection with integrated thinking, this kind of corporate reporting is the main concern of the International Integrated Reporting Council (IIRC), founded with the support of HRH Prince Charles in August 2010. Three years later, the IIRC framework was

released following extensive consultation and testing by businesses and investors from all over the world, including the 140 businesses and investors from 26 countries that participated in the IIRC Pilot Programme. The purpose of the framework is to establish guiding principles as well as generate content for an integrated report in order to explain the fundamental concepts that underpin these principles. The framework is available in nine languages and seems to be anchored within discussions about a new kind of corporate reporting.

GRI leading reporting standard

As a societal actor, the Global Reporting Initiative (GRI) is a nonprofit organization based on a global multi-stakeholder network that promotes economic sustainability. Since 2006, GRI has produced a comprehensive sustainability reporting framework that is widely used to enable greater organizational transparency. Today, more than 4,000 organizations from 60 countries use the guidelines to generate their sustainability reports. It can be said that GRI provides the de facto standard for reporting. In May 2013, GRI launched the fourth generation of its sustainability reporting guidelines — G4 with significant changes in materiality assessment. Due to the extended boundaries of the report, it is a greater challenge for companies with complex supply chains to remain compliant with G4.

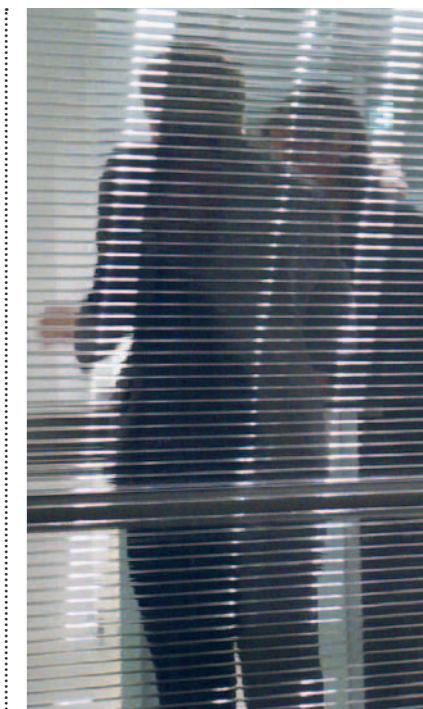
The landscape of corporate reporting is changing. Global companies in particular need to enhance their reporting systems with regard to reporting on non-financial issues and satisfy stakeholders such as investors, rating agencies, customers, and business partners who also expect transparent and clear reporting. The report should include the implementation of sustainable procurement methods or a working supply chain management approach and be compliant with the law and relevant guidelines such as the code of conduct. A major challenge is not only to be legally compliant across the globe but also to be socially compliant

and to consider cultural characteristics (“zero tolerance”). It is equally necessary to collect and prepare the relevant (key performance) indicators with regard to social compliance issues and to embed them in the corresponding reporting framework.

Today's whistleblowing systems

There have been many cases of human rights abuses in the past, but companies are trying to address these issues actively by implementing processes and tools like whistleblowing systems in order to create awareness of such violations. Today's whistleblowing systems often take into account that whistleblowers are able to report more than legal compliance topics, such as corruption and money laundering, and offer categories like criminal offenses in the areas of occupational safety, protection of health, corporate security, and environmental protection.

Collecting such information worldwide and transforming it into an adequate report is difficult. In 2012, Transparency International Germany evaluated the corporate reporting of German companies regarding the GRI G3.1 indicators SO2-SO6 within a study to check whether the status “entirely fulfilled” could be applied. In the estimation of TI Germany, only half of the audited reports complied with the status “entirely fulfilled.” This clarifies the difficulties in reporting these topics, for example, “actions taken in response to incidents of corruption” or “monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.” Reasons for this are the absence of a reporting system, the wrong reporting approach, and the lack of clear procedures to gather the required information and indicators worldwide. The refresher study in 2014 shows much better results, but globally acting companies need support and adequate tools for measuring, collecting, and transforming this information into credible reporting. ■



BUSINESS KEEPER AG

Business Keeper AG is located in Berlin, Germany, and provides the BKMS® System as a unique solution to establish a 24/7 whistleblowing system in order to discover violations and misconduct at an early stage.

Today, the BKMS® System is used in 197 countries and regions worldwide and is available in more than 50 languages.

Customers of Business Keeper AG appreciate the certified security of the application as well as the fact that only authorized examiners have access to the data. The postbox functionality, which the whistleblower can use while remaining anonymous, bridges the gap between anonymity and the dialogue between the examiner and the whistleblower.

SHAPING A SUSTAINABLE GLOBAL CITY



CITY DEVELOPMENTS LIMITED

Singapore's property pioneer, City Developments Limited (CDL) has pushed boundaries with its visionary approach to "Conserve as we Construct" 20 years ago. It has quickly raised the bar for sustainable spaces with its many innovative eco-developments while simultaneously integrating CSR into its business strategy and operations. One of the first signatories of the UNGC in Singapore, CDL has stood alongside international best practices in sustainable development. Today, CDL is the only Singapore corporation to be listed on the Global Compact 100 index based on the implementation of UNGC's principles, evident of executive leadership commitment and consistent base-line profitability. As Asia's leading eco-developer, CDL also has the distinction of being the first Singapore corporation listed on three leading global sustainability benchmarks — FTSE4Good Index Series (since 2002), Global 100 Most Sustainable Corporations in the World (since 2010), and Dow Jones Sustainability Indices (since 2011).

CDL's Tree House condominium – Guinness World Record for largest vertical garden



By Esther An, CDL

Exemplary cityscapes of today are often lauded for livable and environmentally-friendly building designs that facilitate sustainable lifestyles. However, two decades ago in Singapore, CDL was already ahead of the pack by constantly looking beyond the bricks and mortar to innovate, invest in, and improve on the ways in which buildings sustain life.

Strong track record in green building innovations

For more than a decade now, CDL has committed to investing between 2 and 5 percent of a new development's construction cost on eco-friendly features and innovations.

CDL's Tree House condominium, for instance, set a Guinness World Record in 2014 for having the largest vertical garden. Tree House's striking 24-story, 2,289 sq meter vertical garden is more

than an architectural icon. It is a natural form of insulation that filters pollutants and CO₂ out of the air, reduces heat absorption, and lowers the energy required to cool indoor spaces. This is expected to achieve air-conditioning energy savings of 98,000 kWh/year, or \$S23,000 annually based on prevailing tariff rates, for the 48 west-facing master bedrooms insulated by the vertical garden.

Other green features of Tree House include tinted green laminated heat-reducing windows and lifts with Variable Voltage and Variable Frequency motor drives. In total, these features are expected to achieve approximate energy and water savings of more than \$S500,000 annually.

Creating sustainable community spaces

To commemorate its 50th anniversary in 2013, CDL leveraged its green building expertise to create sustainable community spaces for the nation: My Tree



House — World's 1st Green Library for Kids at Singapore's Central Public Library; and Singapore's first zero-energy green gallery, the CDL Green Gallery @ Singapore Botanic Gardens (SBG) Heritage Museum.

Conceptualized as a special library for children with eco-friendly features and internal fittings, My Tree House has a vast collection of eco-themed reading materials and programs. The library encourages children to explore and discover more about the environment, nurturing them to become future green champions. The centerpiece of the library — a tree house structure — was built using recycled plywood, fiberglass, mild steel, and aluminum for the trunk, whereas the "canopy lighting feature" was made from more than 3,000 recycled plastic bottles. Existing metal bookshelves were recycled and refurbished using sustainable materials, and new bookshelves were made from sustainable materials such as plywood and fiberboard.

Similarly, the CDL Green Gallery is a sustainable development with many eco-friendly features. It was built using a biomaterial known as Hempcrete (largely made from the hemp plant) and a prefabricated modular system, which were both introduced in Singapore for the first time.

Besides being durable and hardy, Hempcrete has excellent thermal and acoustic properties and is mold-, fire-, and pest-resistant. Using a prefabricated modular system, steel components were made

and assembled offsite, then hoisted and pieced together onsite to form the entire structure. The six modules of the Gallery were installed in less than 24 hours with minimal environmental impact on the site. In addition, the solar photovoltaic roof panels of the CDL Green Gallery harvest an annual energy yield of more than 31,000 kWh.

Both My Tree House and the CDL Green Gallery were awarded the highest tier of green buildings — Green Mark Platinum status — by the Building and Construction Authority, which oversees Singapore's built environment.

Looking ahead

Moving forward, CDL will up the ante further by being the first developer in Asia to adopt the game-changing advanced construction technology — Prefabricated Prefinished Volumetric Construction (PPVC) for a large-scale residential project. Utilizing some 5,000 building modules, this is likely the largest application of PPVC of its kind in the world. Compared to conventional methods, PPVC is expected to improve quality while increasing productivity by more than 40 percent with some 55,000 work days saved.

Building on two decades of relentless dedication to green building solutions and sustainable development, the next phase of CDL's sustainability journey will be to "Create Future Value" for generations to come. CDL will continue to build and conserve for the future while shaping the present. ■

KEY MILESTONES

1998 – First developer in Singapore to install energy-saving lifts in a residential project: The Florida Executive Condominium

2002 – Launched the first Eco-Condominium in Singapore – Savannah CondoPark – which uses solar energy to power its clubhouse lighting and water heaters

2005 – Became a signatory to the UNGC and founding member of the Singapore Compact for CSR

2009 – Launched the first Carbon-Neutral® development in Singapore and Asia Pacific (11 Tampines Concourse) as well as Singapore's First Eco-mall (City Square Mall)

2012 – Introduced the first landed housing development in Singapore with a solar energy system: HAUS@SERANGOON GARDEN

2013 – Built My Tree House – World's 1st Green Library for Kids and the CDL Green Gallery @ SBG Heritage Museum – Singapore's first zero-energy green gallery

2014 – CDL's Tree House condominium achieved a Guinness World Record for the largest vertical garden

2015 – First developer in Asia to adopt PPVC for a large-scale residential development, likely also the largest application of its kind in the world

CREATING SUSTAINABLE VALUE THROUGH STAKEHOLDER ENGAGEMENT

We are living in an era that has seen the key factors for corporate success change markedly in the span of just a few years. The boundary between business and society is fading, and the consequences are penetrating into the very core of corporate decision-making. A shift in attitude can already be observed in the higher echelons of many companies. Instead of placing their primary focus on shareholders, companies increasingly understand the importance of addressing the needs and expectations of a broader stakeholder base. The shift away from the classic shareholder value paradigm has made way for a new and more sustainable approach: stakeholder value.

Deutsche Post DHL Group

By Prof. Dr. Christof E. Ehrhart, Deutsche Post DHL Group

For most companies today, proactive communication with their customers, employees, suppliers, social partners, and NGOs is a matter of course. Stakeholder engagement is also increasingly being recognized as a way not only to preserve a company's reputation and license to operate, but even to enhance its competitiveness over the long term. Frequently, however, companies still do not have a formal, structured system in place for engaging with their stakeholders. Rather, the approach is often left to the intuition of the person in charge of spearheading the dialogue.

What is more, the integration of stakeholder interests into a company's business and sustainability activities also tends to be piecemeal and ad hoc. The systematic, planned, and holistic man-

agement of stakeholder relationships is still virgin territory for many companies, including large international corporations.

The importance of dialogue

To gain a deeper, more scientific understanding of the importance of stakeholder engagement, Deutsche Post DHL Group initiated a comprehensive study as part of its Delivering Tomorrow series on economic and social trends. Titled *Exchange, Engage, Excel: Creating Value Through Stakeholder Engagement*, and published in September 2014, the study sheds light on the importance of closer stakeholder relationships and how a more profound dialogue can benefit everyone involved over the long term. Contributing authors include, among others,

Professor R. Edward Freeman (University of Virginia), considered one of the founders of the stakeholder approach; Professor Peter Ulrich, founder and long-time head of the Institute for Business Ethics of the University of St. Gallen – the first of its kind in the German-speaking realm; and Mark Kramer, who, together with the economist Michael Porter, developed the much-discussed “shared value” approach.

An international survey of opinion leaders in six countries was also conducted as part of the study. In addition, the study features examples of stakeholder activities carried out by Deutsche Post DHL Group, which, being one of the largest logistics companies in the world, engages with a wide and diverse stakeholder base.

Informed opinion

The survey of international opinion leaders supports the finding that success in business hinges on strategies that are in sync with the interests and expectations of a company's stakeholder groups. At 87 percent, an overwhelming majority of those surveyed believe that, rather than focusing solely on shareholder interests alone, companies should widen their perspective and take the varying interests of all of their stakeholders into consideration.

Companies that engage in dialogue with their stakeholder groups are clearly favored by 71 percent of those surveyed. Also, three out of four respondents said they would prefer to work for companies that are open with their interest groups and face up to criticism. Yet, in their view, reality falls short of the ideal: Only 44 percent of those surveyed see companies looking beyond capital interests and sufficiently considering the concerns of customers, employees, and other stakeholders as well.

Despite this, nearly 80 percent say they have observed positive changes in recent years. The majority of responses also confirmed a mounting optimism about the actual benefits of stakeholder management. Survey respondents singled out increasing pressure from external stakeholder groups and a growing recognition within companies as the reasons for the change in corporate behavior toward interest groups.

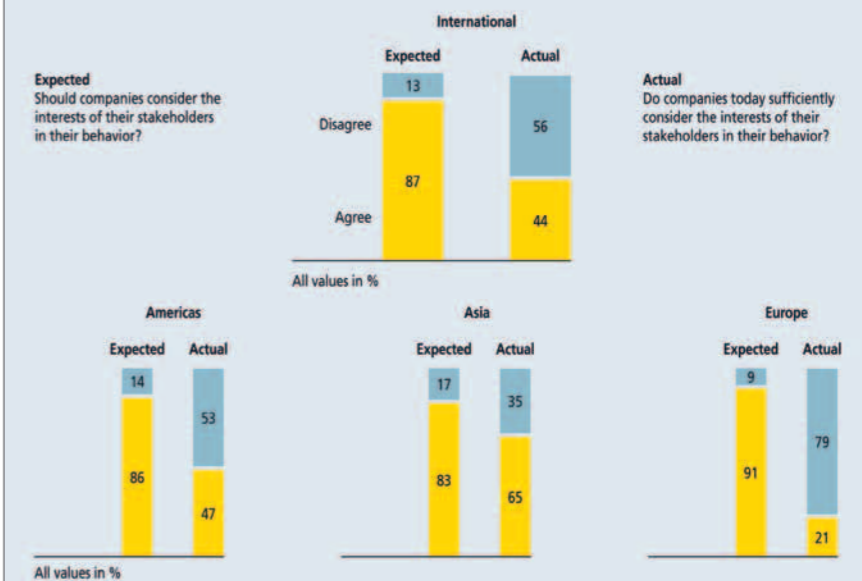
As for the benefits of stakeholder management, the majority of survey respondents think that companies focused on many different interest groups gain a competitive edge. Two-thirds are sure that stakeholder-centric companies have higher customer satisfaction rates. Likewise, a stakeholder-oriented management approach has a positive effect on employee motivation. And at least 51 percent of respondents are of the opinion that such companies are more innovative than those committed only to the interests of their shareholders.



DELIVERING TOMORROW

Exchange, Engage, Excel:
Creating Value Through Stakeholder Engagement

ARE STAKEHOLDER INTERESTS TAKEN INTO CONSIDERATION?



Inclusive approach

The Deutsche Post DHL Group study not only addresses key issues surrounding stakeholder management, but also maps out the current and future challenges associated with stakeholder engagement. In addition, it documents the importance of taking a new, all-inclusive, three-dimensional approach to corporate responsibility, one that is:



1. participatory, because it relies on continuous dialogue with stakeholders, absorbs a high number of influences, and measures its own impact based on the pulse of society. By being open to external points of view, this approach triggers innovation, heightens self-awareness, and increases flexibility;



2. integrative, because it avoids the trap of developing in a bubble. Instead, it looks at the company's activities at all points in the value chain and paves the way for a more sustainable business in every respect;



3. inspirational, because it helps companies recognize how to use their own skills to not only meet customer needs, but at the same time contribute to social and environmental progress.

These three dimensions have been integrated into the Deutsche Post DHL Group sustainability strategy — and even shape our Group's business philosophy. With a multi-step management process, we ensure that stakeholder input is systematically captured and accounted for in our actions.

Our sustainability strategy helps us to solidly anchor the principles of sustainable business within our entire organization and maximize the impact of our activities in the areas of "corporate citizenship" and shared value.

Integrated engagement

One of the ways in which our stakeholders shape our actions is through our network for Responsible Business Practice (RBP). This internal, cross-divisional network gathers insights gained from our dialogue with stakeholders, various studies, and customer surveys; collects the results of our materiality analysis; identifies what actions are needed; and ensures that we maintain ethical standards and meet the demands of society. The network thereby helps Deutsche Post DHL Group better identify business opportunities and risks and respond more quickly with appropriate measures.

We have also established a committee of international advisors in order to maintain an ongoing external review of our entire sustainability agenda. The Sustainability Advisory Council (SAC) is made up of independent experts and opinion leaders from a number of disciplines (science, business, environment, logistics, politics, media, and ethics). The SAC is intended to help us ensure that our sustainability activities are always in line with social requirements and developments.

These activities are aimed at improving our performance with respect to society, the environment, and the economy. We also organize two fields of activity pertaining to shared value and corporate citizenship that have a stronger external focus. As corporate citizens, we apply our strengths and core competencies to address social needs. Shared value means we want to create value for the company and its customers that benefits society and the environment as well.

Corporate citizenship

At the heart of our corporate citizenship activities are our Group programs, GoHelp and GoTeach, which we run together with experienced partners. GoHelp involves supporting disaster management at airports in cooperation with the United Nations. This in-

cludes our Get Airports Ready for Disaster (GARD) program, which we use to help prepare airports in areas at risk of natural catastrophes. In addition, our Disaster Response Teams provide onsite support at affected airports in the wake of a natural disaster.

GoTeach is a program we employ to improve the educational and career opportunities of young people. After all, the ability to remain innovative and fit for the future in our society depends on a good education and specific vocational preparation. Here, too, we are engaged around the world with experienced partners — for example, the Teach for All initiative and SOS Children's Villages — in order to support and foster children, especially those from disadvantaged socio-economic backgrounds.

Beyond our GoHelp and GoTeach programs, we encourage volunteerism among our staff. Furthermore, we launched the Living Responsibility Fund to support local environmental protection and aid projects in which our employees are involved. And, our internal "We Help Each Other" financial assistance fund leverages donations from employees to provide emergency financial assistance to colleagues affected by disasters.

Shared value

Our environmental protection activities are based on the shared value approach, the heart of which is creating a reasonable and credible link between our sustainability efforts and our business. This means that we also want to increase our business success through the contribution we make to society and the environment.

Our GoGreen program is the primary platform we use to pursue this aim. As part of this program, we have committed to improving our carbon efficiency (including transportation subcontractors) by 30 percent by the year 2020 compared to the base year of 2007. This includes

not only reducing the impact that our business activities have on the environment, but also lowering our dependence on fossil fuels and reducing costs. We have made good progress toward this target as a result of much action taken over the past few years. In 2014, we had already improved our carbon efficiency by 23 percent — meaning we are more than halfway to our goal.

As part of our GoGreen program, we are also developing new environmentally-friendly products and services that benefit our customers. These include carbon-neutral shipping solutions, which are so popular that we ship more than 2 billion items carbon-neutrally for our customers every year.

We are continuing to develop our portfolio of sustainable services and are offering our customers more and more customized green solutions, leveraging our experience to help them achieve their own carbon and efficiency targets. With our expertise, we optimize their supply chains, minimize emissions, and help make sure climate goals are reached.

Dialogue is key

We are convinced that the only path to responsible corporate leadership is through dialogue. The more open a company is to its stakeholders and their diverse points of view, the more heightened its awareness of its surroundings and the more insight it will gain about how its positions, services, and values are perceived. Those who choose dialogue increase their credibility as good corporate citizens in the public eye and build trust. At the same time, companies with a lot of experience in this regard develop a good sense for how to shape their own added value so that economic success and social responsibility go hand in hand.

Our goal is to continuously expand our knowledge and experience by systematically maintaining a comprehensive dialogue with our stakeholders. While we

may not be able to resolve all differences or address all interests at once, dialogue goes a long way toward helping build mutual trust and understanding. We are extremely pleased with the results of our stakeholder engagement so far. Our success is based on a true willingness to listen to our stakeholders, even if it means tackling thorny issues, and the ability to draw the right conclusions for the way forward.

With this as our basis, I am confident that Deutsche Post DHL Group will be in a much better position in the future to further strengthen the economic and social capabilities of the company and create sustainable, shared value through engagement with our stakeholders. ■

The study and accompanying materials can be found here:
www.delivering-tomorrow.com/de

Prof. Dr. Christof E. Ehrhart is Executive Vice President of Corporate Communications and Responsibility at Deutsche Post DHL Group.



IMPROVING PROFESSIONALISM IN HUMAN RESOURCES MANAGEMENT AND UNDERSTANDING CSR



By Keziah and Witt Hmone, Device Services

Corporate social responsibility is now finding its way into the Myanmar business community, government sector, and the media. Three years ago, CSR was a little-known term, but it has become popular not only among government officials and businesspersons but also among the media. Many organizations are investing in CSR programs to gain the trust of their stakeholders, employees, and customers and to improve their corporate images and contributions to social welfare.

Human resources plays a vital role in CSR and needs to take a leading role in deciding the direction of organizations' CSR strategies. Established in 2005, our Device Services Co., Ltd., became a participant of the UN Global Compact in 2012 and is supportive of CSR programs through professional human resources management (HRM).

Developing human capital

HRM is the part of the process that helps the organization achieve its objectives. Once the general direction and strategy have been established, the next stage is to formulate firm objectives and develop these into action plans. The objectives cannot be attained without the required

resources, which include people. It should be fully integrated with all the other management processes so that the company also becomes a learning organization.

Device Services focuses on how to staff organizations and evaluates this process using performance measurements and feedback instruments. It makes the



1st Myanmar Job Fair 2012 at Tatmadaw Hall



Donation at Ma Yan Chaung Leprosy Shelter



Responsible business practice in Myanmar

necessary adjustments to ensure the organization hires the right people at the right place and at the right time.

We support creativity and maintain a positive work environment in which the similarities and differences of individuals are valued so that all can reach their potentials and maximize their contributions to an organization's strategic goals and objectives. A high-performance organization relies on a dynamic workforce with the requisite talents, multi-disciplinary knowledge, and up-to-date skills to ensure that it is equipped to accomplish its mission and achieve its goals, providing both accountability for and fairness to all employees.

In the labor market, education plays a crucial role in developing human capital. New graduates join the labor market every year, leading to a larger workforce. Unless sufficient job opportunities are created, unemployment rate will be higher and brain drain will occur. Realizing this, Device Services aims to create awareness among new graduates by organizing various forums that focus on job creation and entrepreneurship.

Career fairs are an excellent way to build recruiting efforts on campus. To encourage this, Device Services was involved as a Premium Sponsor at the Career Fair at Yangon University of Foreign Languages on April 8, 2014. Device Services counsels people to help them better understand the work that is needed and the courses

that need to be taken in order for them to be prepared for their chosen careers. At this career fair, students were able to explore career developments based on their personal qualifications, aptitudes, and interests. Device Services is trying to encourage university students to be proactive and understand career planning.

Job fairs are a way for prospective hires to discover the qualifications, skills, and talents that employers are seeking. Device Services believes job fairs are also a great way to discover new companies, ask questions, obtain career advice, and meet other candidates who are also job hunting. That is why Device Services has participated in job fairs for years. As a result of participating in job fairs, more than 800 jobs were created between 2012 to 2014.

Strategic human development and learning organization

Training and development is a major function of HRM, which is concerned with organizational activity aimed at bettering the performance of individuals and groups in organizational development. The Device Business Management Academy is a management training and career development organization for sharing and upgrading business knowledge for everyone in the organization according to the learner's level. We develop and offer a flexible range of learning solutions to meet the specific needs of individuals and organizations.

We classify the training titles for all levels of participants according to the job level and course title. We also help our clients to develop and sustain different levels of competence and proficiency in leadership and management in their related industries, such as Corporate Training Programs.

In 2011, we designed and organized free literature talks, named "Heartfelt Sympathy," with famous authors to offer general knowledge to young leaders. Furthermore, we held business seminars with honorable speakers and key business players, who shared their experiences and knowledge in order to give hands-on knowledge to all listeners. On September 18, 2013, we participated as a sponsor in the seminar "Responsible Business Practice in Myanmar," which is organized by the Myanmar Business Coalition on Aid, Yoma Bank, and YSH, and facilitated by Prof. Dr. Aung Tun Thet, the president's economic advisor.

We promote CSR activities every year in coordination with our clients. To encouraging HRM, on March 8, 2014, we supported the Myanmar Marketing Forum 2014, which is the very first international marketing forum in Myanmar to be organized by Hub Myanmar Co., Ltd. As a participant of the UN Global Compact, we are moving forward to achieve and fulfill the Ten Principles of UN Global Compact to develop our environment through human resources management. ■

FEDA'S STRATEGY THROUGH STAKEHOLDER PARTICIPATION

There is a “crystal ceiling” for yearly energy consumption of 2,400 GWh, double the current consumption. In order to reach this quantity, new hydroelectric, solar, Aeolic, and gas generation projects will have to be put into practice.



By Jennifer Dobarro Boyer, FEDA

Energy is an indispensable element for the development of a society. On a global level, two basic challenges are laid out when it comes to defining energy policy: the fight against climate change generated by global warming gas emissions; anticipation about uncertainties and tensions that will arise as petrol and gas production no longer are able to satisfy market demand.

In Andorra's case, the current energy model means that we are greatly affected by this situation and must consider cost rises in energy and the risk of difficulties in order to satisfy demand.

FEDA, Forces Elèctriques d'Andorra, imports and produces electrical energy for Andorra and distributes it to a large portion of the country's provinces. In the near future, it will carry out activities related to electricity and heating cogeneration as well as the tri-generation and commercialization of the resulting heat and cooling. It will also purchase electricity produced from renewable energies.

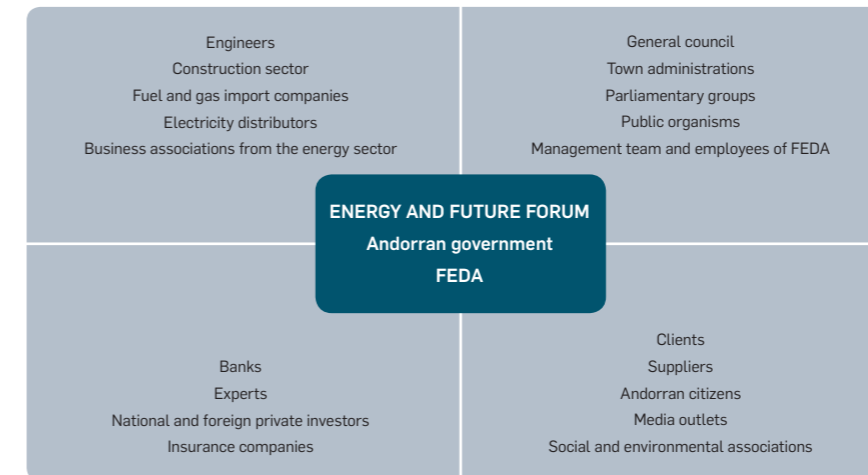
White Paper on energy in Andorra

As a main actor in Andorra's energy sector, FEDA, in conjunction with the Andorran government, led the development of the White Paper on energy

in Andorra. The object was to collect thoughts and proposals for creating a new energy model that would guarantee the country's energy supply in a sustainable manner without ignoring the need to achieve stable energy costs that are compatible with the country's development level. This task has to be completed at a moment when the country is working toward diversifying its economy, negotiating non-double-taxation agreements with other nations, creating a new relationship with Europe, and adapting the services vision and utility management of FEDA to the needs of our customers and country.

Therefore, for the creation of this White Paper, we took into account the contributions made by the country's different socioeconomic agents by setting up the Energy and Future Forum, a space for dialogue that is open to all the country's economic sectors.

Throughout 2012 and 2013, various work meetings took place, at the group and individual levels, with companies from the construction sector; the colleges of professional engineers and architects; fuel and gas import companies; electricity distribution companies; business associations; and local and general administrations.



For FEDA, involving the country's different socioeconomic agents was absolutely necessary, as this allowed us to consider the different economic sectors' worries, to share problems, to obtain other points of view on the energy sector, and to collect ideas and proposed actions. It was an excellent medium to get to know the needs, preoccupations, and proposals of different actors within Andorran society.

During these work sessions, a distant horizon was established — in this case the year 2050 — in order to have a global view of the limitations of the predictable energy resources ceiling and to be able

to direct the planned actions in the short and long term. In addition, this gave us the opportunity to consider the development of a legal approach to permit carrying out new activities in a regulated manner. Eventually, a new energy model was established that permits an increase in internal electrical production while diversifying primary sources and bringing new business to the country.

Integrating the White Paper's objectives into a strategy for FEDA

Intending to turn this new proposed energy model into reality, FEDA has translated the White Paper's objectives into three strategic axes for the company:

- Obtain the best possible energy cost so as to boost the country's competitiveness.
- Produce more energy inside Andorra.
- Provide the citizens of Andorra with more services.

These strategic axes have developed into concrete projects at FEDA that are currently being carried out:

- Work in order to increase the high-voltage transport network capacity.
- Create energy-efficiency projects in buildings in order to reduce emissions and energy demand.
- Create electrical mobility projects.
- Set up and operate cogeneration plants for hot water supply to the town of Soldeu.

- Set up the cogeneration project that supplies hot water to la Comella, recovering wasted heat from the waste-treatment plant.
- Promote the use of the country's natural renewable resources.

These last three points are linked to the current problem in terms of internal production sources. At present, the only internal sources of electrical production are the recovery of solid urban residues and the hydroelectric plant in Engolasters. Put together, this production represents 20 percent of the current total energy demand, with the other 80 percent being imported from neighboring countries France and Spain. A large share of energy imports can break our competitive cost. We need to diversify and balance our “energy combination” by adding new sources.

From the 100 GWh that are currently produced, projected production in the year 2050 would be 500 GWh, covering approximately 27 percent of that year's electricity demand. The new model will therefore enable electricity production from five different energy sources, in contrast to the existing two sources.

In order to make this diversification a reality, in addition to the projects directly carried out by FEDA, the private sector will also be relied upon, as the investment required is around €1.125 billion, which cannot be covered by FEDA. The electricity production sector is therefore being opened to private capital investors to carry out projects such as Aeolic farms, cogeneration plants, joint forest management, the use of biomass in hot water supply projects, etc.

Thanks to the direct participation of stakeholders, we were able to detect possible synergies and collaborations with the private sector to carry out sustainable development projects — not only from an energy perspective, but also from economic and social ones by identifying new activities such as heat networks, energy-efficiency services, and electrical mobility. ■

RELEVANT DATA 2014

Population of Andorra:
70,570 inhabitants

Electrical energy demand:
566 GWh

Electrical energy production:
127 GWh (22% of the demand)

Electrical network of
681 km (80% underground)

32,334 FEDA clients

SAIDI: 7.2 minutes

SOCIAL IMPACT MANAGEMENT AT ACCIONA

The Social Impact Management methodology aims to integrate Social Impact Management into all levels of the process of identifying opportunities as well as bidding on and executing projects at ACCIONA, with a proactive focus on a commitment to the communities in which it operates.



By Juan Ramón Silva Ferrada, ACCIONA

The company continued to strengthen its methodology for Social Impact Management in 2014, focusing especially on implementation throughout a project's lifecycle, including social risk analysis in the earliest phases of identifying business opportunities.

Social risks that the company aims to detect include:

- impact on communities' basic services: electricity, water, education, healthcare, communications, and housing
- changes to the continuity of local communities' economic activities
- impact on the rights of vulnerable groups, such as the indigenous and low-income populations, children, and the elderly
- impact on the rights of direct and indirect employees

Moreover, the number of projects in which social impact is managed has increased. In 2014, more than 20 projects in 12 countries (Brazil, Cape Verde, Chile, Colombia, Costa Rica, Ecuador, Egypt, Gabon, Mexico, Panama, Peru, and Trinidad and Tobago) were at various stages of implementing the methodology.

These are very different projects, ranging from the construction of metro lines and sewage systems, the construction and operation of wastewater treatment plants and wind farms, and road construction to hospital reconstruction and park maintenance.

In terms of frequency, the main negative and positive social impacts caused by projects are listed below.

Negative impacts

- Impact on access to services (healthcare, education, shops)
- Noise, dust, and vibrations
- Water and electricity outages; interruptions to communications and waste collection
- Roadblocks and deterioration of roads
- Negative impacts of expropriation
- Social impacts from changes in the natural environment

Positive impacts

- Creation of local employment
- Skills training for employees and communities
- Generation of local wealth through the purchase of products and services

The main measures implemented to mitigate negative impacts and to strengthen positive ones are:

- information campaigns about the project
- improvements in infrastructure
- improvements in the social welfare of vulnerable groups
- educational campaigns for the community
- health campaigns for the community
- protection/refurbishment of places of cultural/religious interest
- protection/refurbishment of places of natural interest for the community
- compensation and restoration of living conditions affected by expropriation
- buying local goods and services; promoting local entrepreneurship
- hiring local personnel
- improving employee well-being

Tools to raise awareness have also been developed, addressing two main areas:

- internal, to strengthen the business culture of Social Impact Management; and
- external, to communicate this methodology to partners, clients, and public administrations. ■



CHIRIPA WIND FARM – SOCIAL IMPACT MANAGEMENT

The construction of ACCIONA's first wind farm in Costa Rica, Chiripa, was accompanied by an ambitious plan to manage the project's social impact. Through plans like this, the company materializes its commitment to the development and welfare of the communities in which it operates by enhancing the positive effects of its projects and mitigating negative effects they may have.

While the wind farm permits were being obtained, the project was presented to local stakeholders (authorities, agencies, residents associations, etc.) and opinion surveys were conducted, both qualitative (interviews with local opinion leaders) and quantitative.

There were two main conclusions: more than 90 percent of respondents expected the wind farm to have a positive impact on their communities; unemployment and a lack of

basic infrastructure were identified as the main problems affecting the area.

These conclusions shaped subsequent actions. Of the 370 people employed during the construction and assembly of the wind farm, approximately 210 (more than 50 percent) were local laborers.

Additionally, the impact of the work was minimized by means of a package of measures ranging from scheduling truck transits to restoring roads and gates, replanting terrain, and reforestation with autochthonous species.

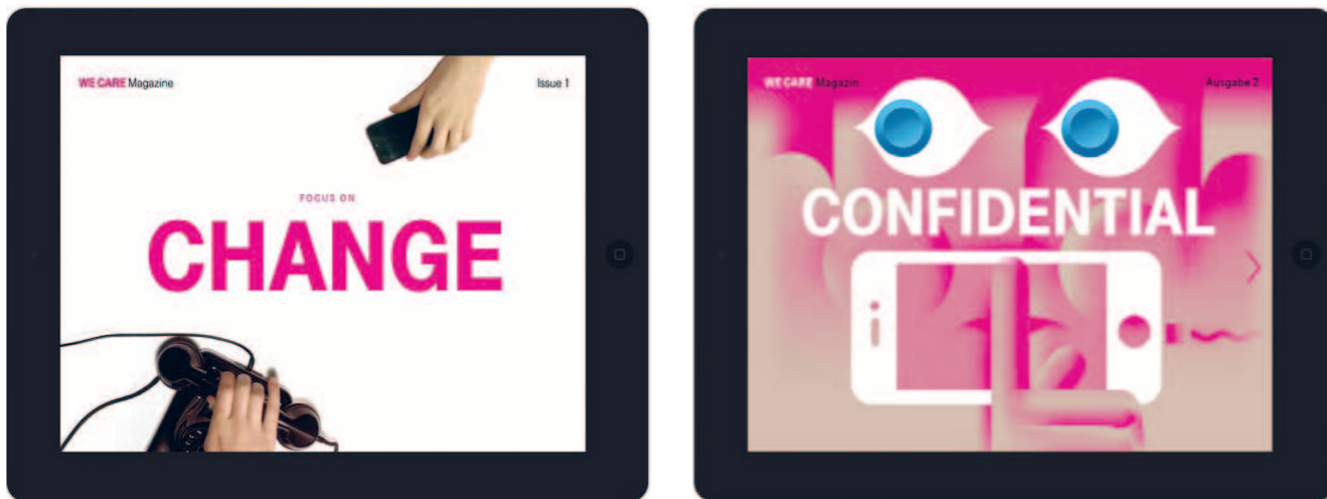
The company also outfitted sports fields, installed sewers, and repaired country roads, among other actions, which will be continued through a number of community outreach projects to be conducted each year while the wind farm is operational.

WE CARE – AN INTERACTIVE APP MAGAZINE



By Inaluk Schaefer, Deutsche Telekom

How can new technologies support us in reducing CO₂ emissions? How can we protect our personal and business data? And why do we need more cyber security professionals? Deutsche Telekom answers these important societal questions with an application for tablets and smartphones. The “We Care” app offers an educating and entertaining insight into the corporate responsibility activities at Deutsche Telekom. Throughout 2015, several magazine-style issues are being published, each focusing on a different topic.



“We Care” leads the way to a new form of CSR communication by combining information, animated stories, and elements of gamification. With the app, Deutsche Telekom aims at different stakeholders and professional audiences — such as CSR experts, journalists, and investors — but it mainly addresses a broad general public. It is also a suitable tool for reaching employees and raising awareness and knowledge about Deutsche Telekom’s corporate responsibility engagement.

The app focuses on the activities of the company in Germany, but an English version is also available.

Mobile storytelling

The editorial staff at the Corporate Responsibility department and the app developer Yoocon — an interactive design and digital branding agency — utilize a broad spectrum of formats to generate intense stories about the CSR activities. “Informa-

tion is better received when it is linked to an emotional experience. Therefore, we give weight to developing storylines for our content. A multifaceted application for tablets and smartphones is the perfect media for an ICT company,” states Gabriele Kotulla, Vice President of Corporate Responsibility at Deutsche Telekom.

“We Care” has recurrent columns, such as “Preface without words” or the interactive quiz “How smart are you?”, that reflects

the magazine-style features of the app. The focal topic is addressed in a multitude of formats. The informative, yet entertaining reading allows for a hands-on approach in communicating corporate responsibility issues at Deutsche Telekom. “‘We Care’ enables users to experience our efforts in a transparent, informative, and entertaining new way,” notes Kotulla.

Spotlight on cyber security

A good example is the recent app magazine titled “Confidential,” which is about data privacy and security. Since every second internet user in Germany is a victim of a cyber assault, Deutsche Telekom, as an ICT company, is strongly engaged in securing its systems. The number of hacker attacks is growing fast. Deutsche Telekom registers more than one million attacks a day on its network infrastructure and web portals. Therefore, security is paramount for Deutsche Telekom, 99 percent of these attacks can be averted through properly maintained IT systems. The Cyber Emergency Response Team (CERT) at the company uses digital decoys called “honeypots,” to deliberately lure viruses and worms into a fake system. After being caught, the cyber security professionals at Deutsche Telekom then analyze the viruses to develop a cure.

On “We Care,” the issue is highlighted through different formats: An animated story illustrates some of the more common online traps faced by consumers. Logging into a WiFi network at a café? It is a common local used by hackers to launch cyber attacks using fake networks. Are you using a portable USB stick? This might be a bad idea, as USBs can be used as channels for malware transfers. The story also highlights the importance of frequently updating computers and mobile devices.

In another story a trainee for the Cyber Security Professional program undergoing training for two and a half years is interviewed and offers personal views on work perspectives at the company. A

strong visualization for the online threat is a war room-like map: While reading the article about honeypots, illustrations on the origins of cyber attacks on Deutsche Telekom’s network infrastructure give the reader an idea of the scale of the attacks that the company faces.

Media education

The corporate responsibility activities and products of Deutsche Telekom comprise a broad range of solutions within the field of telecommunications. There are many aspects of Deutsche Telekom’s engagement on which the “We Care” application sheds light: from data security to media awareness campaigns for different stakeholder groups — such as students and private customers — to solutions for smart homes and the training of cyber security professionals. From November 2014 to May 2015, there have been more than 40,000 total downloads on Android and Apple devices.

“We Care” is the result of a workshop at Deutsche Telekom held in 2014 in which



the needs and expectations of target groups concerning the user experience were put center stage. About 30 participants gathered ideas on how to communicate Deutsche Telekom’s commitment to society. The age of the participants varied significantly. “Our youngest participant was a working student of 19. We also had a participant 80 years of age who was not accustomed to mobile apps. In the end, the different points of view helped create an intuitive user experience,” explains Gabriele Kotulla. ■

TRAINING PROGRAM FOR CYBER SECURITY PROFESSIONALS

Deutsche Telekom is closing a gap on the German vocational training and job market with our training program for cyber security professionals, which was launched in 2014 within the scope of a pilot project. According to a study by the BITKOM industry association, IT data privacy experts are extremely hard to find on today’s market. The study found that there were no vocational training programs and very few degree programs that people could attend to learn the necessary skills needed. That is why Deutsche Telekom decided to launch the first round of this development program with 10 participants in September 2014.

The cyber security professional program runs for two-and-a-half years and was created for apprentices and students in cooperative degree programs at Deutsche Telekom who can apply after completing their current training. The program combines classic further training with study modules and learning phases at the company. Those who complete the course receive a certificate for IT security professionals from the German Chamber of Industry and Commerce. We put out a call for applications for another ten positions in our cyber security professional program in 2015.

BREAKING BARRIERS IN GENDER, HEALTH, AND THE ENVIRONMENT THROUGH SYNERGY



By Corporate Social Responsibility Office, Manila Doctors Hospital

Manila Doctors Hospital (MDH) is the first and only private hospital in the Philippines to ever commit to and publicly declare a “social vision.” Since then, corporate social responsibility (CSR) has become deeply embedded in the corporate culture of MDH. It is a conscious effort that we align our CSR programs with both the international and national commitments for human development. In combining applicability, sustainability, and replicability in CSR program implementation, MDH is now creating a path toward program sustainability, which thrives on synergy.

World-class care for social service patients

As a private hospital, MDH must face the challenge of making the business financially viable while also making every effort to pursue expansion. This challenge does not deter us from recognizing that access to health is a basic human right. In a country where, because of poverty, 30 percent die without seeing a doctor and only two out of ten living in poverty have access to free healthcare, it is considered an audacious move for a private hospital that caters to upper-income groups to accept patients with unreliable resources.

MDH social service patients are given access to holistic medical intervention, consultation, laboratory discounts, basic family planning counseling, as well as additional financial support for those who need confinement or are suffering from complicated medical conditions. To



further secure the quality of care, a social worker of the hospital conducts an after-care home visit. These home visits give us an opportunity to convince patients who fail to come for follow-up consultations to cooperate with the treatment/recovery plan. In 2014 alone, MDH provided vari-

ous healthcare interventions to a total of 25,477 social service patients.

In response to the country cooperation strategy with the World Health Organization, MDH engages in capacitating individuals, families, and communities

to better manage their health and its determinants. This is done by deploying both the Department of Family and Community Medicine and the Department of Pediatrics in our adopted public schools and communities. Both medical departments work toward improving health-seeking behaviors as a preventive approach in managing communicable and non-communicable diseases and their risk factors. By engaging the local stakeholders to invest in preventive actions, including early detection, families and children as young as six years old gain the capacity to manage both their social and environmental determinants of health.

Men taking on gender issues

Manila Doctors Hospital proudly includes in its list of organizational achievements the fact that 70 percent of its leadership and key positions are held by women. The level of comfort, acceptance, and gains made due to strict adherence to non-discriminatory policies toward women

MDH is offering its own experiences to the business sector by showing how an engendered business practice can positively affect the bottom line and be recognized by peers as a model of good governance.

Cervical cancer is the second most common cancer among Filipino women, but due to poor access to screening and treatment services, 90 percent of those who contract the disease in poor communities often die without proper intervention. The effect on families when a mother or a daughter in her prime dies of the disease is both psychologically traumatic and economically distressing. Although a vaccine is available, the costs are difficult to overcome.

A study shows that one in five Filipino women aged 15 to 49 have experienced physical violence, while one in ten women have experienced sexual violence. In 2012 the Department of Social Welfare and Development reported a total of 5,554 child abuse cases and 1,376 human trafficking cases. The Philippines remains on the Tier 2 Category Watch list of the US State Department because of its dismal record in prosecuting cases. Since 2005 the total number of convictions has been 180.

The men leading the MCW campaign are currently engaged in awareness-building activities and fundraising through various forms of media. Funds are being utilized to: (1) make screenings and vaccines accessible to economically challenged young women in identified communities, reshaping the perception that cervical cancer is a health issue just for women; (2) train volunteer lawyers and prosecutors on the proper handling of violence against women and human trafficking cases. Forums in major cities are also being organized and the Community Council on the Protection of Children is being strengthened. Information materials are being made available that emphasize basic human rights, the importance of vigilance in the community, and the crucial role of men in ending violence against women and preventing human trafficking in communities.

Green rebellion

Contributing to the sustainable green economy requires adopting green governance supported by policies and strict guidelines. That has been the norm with MDH since it decided to tenaciously work toward reducing its carbon footprint. The result is millions of pesos in savings that are now being used to help fund various CSR programs. The discipline of segregating and earning from recyclables is now being integrated in our school and community health programs through the Ecosavers project. The GREEN Rebellion (Generating Resources & Engagement for Environment & Nature), aimed at creating and preserving clean and green spaces, was launched in 2014. Volunteers are now meticulously reviving and preserving the last forest park in Manila and engaging the MDH-adopted community to create its own urban garden areas.

Circle of partners

The importance of collaborative action — from legal services, post-op medicines, halfway homes, shelters, sponsorship for education support, counseling, and disaster response — is emphasized through the diverse partners that we have welcomed into our MDH — Corporate Social Responsibility Office Circle of Partners. Our partners make it possible for us to offer holistic services to our social service patients, proving that synergy of resources is an effective tool in breaking down barriers to development.

Moving forward

After 58 years of promoting a culture of excellence, the Manila Doctors Hospital is now in the midst of its biggest business expansion. This will be another challenge, given the public declaration of the MDH President, Mr. Aniceto M. Sobrepeña: “With this new investment, the hospital will be more proactive in pursuing our various corporate social responsibility programs.” ■



emboldened the male leaders of the hospital to launch the Men Caring for Women (MCW) advocacy campaign. The aim is to increase the involvement of men in calling attention to the dangers of cervical cancer, violence against women and children, and human trafficking.

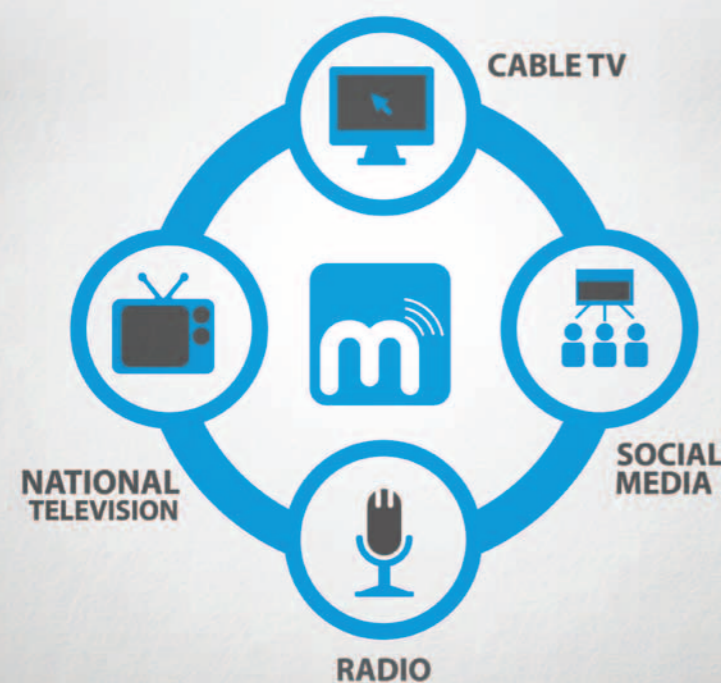
SOCIAL MEDIA FOR SOCIAL CHANGE

By Lilinés Urriola Herrera, Medcom

medcom.

Sumándonos is a social platform initiated by Medcom, Panamá's largest media conglomerate. It was created to benefit all NGOs in the country. Now it is celebrating its 10th anniversary.

sumándonos



Since 2002, Medcom, Panamá's largest media conglomerate, has been a participant in the United Nations Global Compact. Since then, Medcom has engaged all of its corporate social responsibility efforts to be aligned with the initiative's Ten Principles. Before that, Medcom's networks — Telemetro, RPC TV, and RPC Radio — created the Office of Corporate Affairs to handle all CSR operations, training personnel, assigning resources, and making diagnostics and plans with international consultants. The structure was created by reengineering processes and creating new policies, which allowed for a more efficient and better use of airtime, resulting in a more standardized and personalized service of higher quality for the company's yearly sustainability report. The services offered work throughout the entire year and are part of the external work handled by the Office of Corporate Affairs at Medcom. In 2015 the initiative will have been operating uninterrupted for more than 10 years, which is a great accomplishment due to the uniqueness of its structure and processes, standing alone in the Panamanian Media Industry.

Sumándonos, which translates to "adding us up," is the multimedia platform for free social exposure created by the company to benefit all NGOs in Panamá. It was created as part of the CSR initiative



to benefit causes, campaigns, events, and activities promoted by these organizations. Following the company's CSR strategy, Sumándonos primarily identifies with organizations and causes directly involved with children and youth. It is not only limited to working with national NGOs, but also allows the participation of international NGOs with a presence in Panamá.

Medcom identifies with its community's needs, focusing primarily on contributing to the growth and well-being of children and youth by encouraging, promoting, and guaranteeing that their rights are protected. At the same time, that compromise aligns with the company's vision, which is "to satisfy the entertainment and information needs of their consumers with quality products and services generating profit to stakeholders, benefits to employees, and well-being to the community."

The resources used for this are diverse, starting with the human resources that process all the requests through the Office of Corporate Affairs and handle the relationships with the more than 200 NGOs that use the service yearly. The company offers radio and television airtime — its primary form of income — in order to broadcast 30-second commercials, as long as there is available airtime.

The platform also offers its users the opportunity to request radio and television interviews at no cost from different available spaces within the channels three main programming slots. Additionally, the platform offers the publication of messages through social media accounts giving the opportunity to expand users' messages to large audiences through mentions, photos and campaigns amongst other formats. To give an idea of how much their messages can be amplified it is important to mention the amount of followers for the main accounts. Facebook: Telemetro 184K. Twitter: @Telemetro 390K Verified accounts, @RPCTVPanama: 242K Verified accounts, @TRReporta 240K verified accounts.

Medcom's CSR projects are the link between the community and the company. Therefore, as their main network's slogan "Part of your life" states, they are changing lives for the better through programs such as The Children First (national food drive) and Mundial del Barrio (largest national soccer league for kids, which is free of charge). The programs are part of a structured agenda specifically driven to promote the strengthening of multi-sectoral strategic alliances — one of the strengths of the CSR strategy.

The strategic alliances include many NGOs that benefit through the wide

broadcasting of their messages at no cost — around 100 campaigns for NGOs each year. These organizations are also a fundamental part of the company's projects, not only as beneficiaries, but also as allies, creating an entirely different work perspective. The company also has an agenda of strategic alliances with government entities, through which experiences and social goals are shared and achieved.

Medcom's CSR is also complemented by its corporate volunteer program: a human workforce continuously growing that plays a role in the annual planning of creating and executing actions toward the company's social contributions as well as empowering that outstanding group of employees. Additionally, besides the projects that are developed externally, there is an important administration that relates with the employees. Regarding its more than 900 employees, Medcom permanently maintains high standardized human resource measurements, which rise above the average levels in Central America regarding rights and employee benefit packages.

The impact Sumándonos has had from 2007 until 2014 for national audiences, includes over eight hundred campaigns, totaling 59,820 minutes of free airtime. ■

SUSTAINABLY ADDRESSING THE GLOBAL WATER CHALLENGE

By Christian Frutiger, Nestlé



The growing world population is leading us into a global water crisis that will only be exacerbated by climate change. This is putting at risk everything we rely on, from electronic devices to the food we eat, because it all requires water.

However, we do not believe that the global water challenge can be addressed by just one water user or actor. So while we are implementing our detailed Commitment on Water Stewardship by improving water efficiency across our own operations, educating our suppliers, and engaging in awareness campaigns, we are also working with a range of stakeholders. These include governments, UN bodies, international organizations, and nongovernmental organizations.

Advocating for effective water policies and stewardship

Beyond our own operations and factory gates, our aim is to promote awareness of the water challenges facing us, stimulate dialogue, and push for collaborative action to achieve sustainable water stewardship globally.

In July 2012, UN Secretary-General Ban Ki-moon announced that 27 members of a high-level panel would advise on a global development framework beyond 2015, leading industrialists to reach out to business. Nestlé's Chairman, Peter Brabeck-Letmathe, acted as a water ambassador and helped assemble a broader submission, gathering opinion on whether new post-2015 UN Sustainable

Development Goals were needed for water security and to address overuse. The feedback clearly supported the introduction of a new individual goal to reflect the importance of water in society and embrace water security in broad terms.

Improving water management in our own operations ...

If we are to engage credibly in the public debate on water, we must first walk the talk within our own business. That is why we have committed to "Work to achieve water efficiency across our operations." Concentrating on installations in particularly water-stressed regions, we have accelerated water-use-reduction projects and initiatives at our Lagos de Moreno factory in Mexico, our Mossel Bay factory in South Africa, and our Moga factory in India. In Mexico, when the project is completed, it will allow the factory to become self-sufficient in water consumption — that means zero consumption of fresh water (deep well) during normal production.

... and in our agricultural supply chain

In 2011, Nestlé and the Swiss Agency for Development and Cooperation (SDC)

engaged in a public-private partnership, financing a study to evaluate water sustainability in the coffee sector of Vietnam. The results showed that smallholder coffee farmers tend to irrigate up to two times more than necessary. It was estimated that 60 percent of the water used for irrigation could be saved and costs avoided (i.e., labor and energy) of CHF 49.5 per ton of green coffee beans.

In Colombia, since 2010, we have been part of a public-private partnership with SDC to apply the "water footprint" concept and methodology on dairy farms and at Nestlé production plants. The initiative was designed to improve water-use awareness, efficiency, and water pollution control. It features four Swiss and seven national companies that are active in Colombia, along with research institutions. The project goal has been to identify water-use hotspots in the lifecycles of dairy products, and implement the necessary measures to reduce the water footprint.

Collaborative action

We are a founding signatory of the UNGC CEO Water Mandate — a unique public-private initiative designed to assist companies in the development, implementation, and disclosure of water sustainability



policies and practices. We actively participate in the Mandate's working streams on Policy Engagement, Water Disclosure, and the Human Rights to Water, and publish a Communication on Progress every year. In 2014 the CEO Water Mandate published its Corporate Water Disclosure Guidelines, and in early 2015 the Mandate published a new Guidance for Companies on Respecting the Human Rights to Water and Sanitation: Bringing a Human Rights Lens to Corporate Water Stewardship. This guidance was produced together with Shift and cofunded by Nestlé. It is designed to help companies translate their responsibilities to respect the human rights to water and sanitation into existing water management policies, practices, and company culture. We will be piloting the guidance as part of our human rights and water due diligence.

In 2013, we were one of the first signatories to make a pledge on Water, Sanitation, and Hygiene Implementation at the Workplace (WASH), drawn up by the World Business Council for Sustainable Development (WBCSD), which commits businesses to upholding the human rights to water and sanitation within their operations. The WBCSD helps drive debate and policy change in favor of good practice and sustainable development solutions. We currently support the activities of its Water Leadership Group and are represented in many of its work streams, which include: WASH, the value of water, water stewardship, and the water-energy-food-fiber nexus.

Furthermore, Nestlé is a founding partner of the Alliance for Water Stewardship (AWS). As a member of the AWS Interna-

tional Standard Development Committee, we have supported the production of their new voluntary international water stewardship standard.

Since 2008, Nestlé has been an active participant in the 2030 Water Resources Group, an independent public-private organization that unlocks the potential of water groups through collaboration. Many of our most senior people, including our Chairman, play a leading role in the group, which is currently chaired by Nestlé. The group is invited into a country by its national government, and then works alongside existing national water programs or experts to put in place sustainable water resource management.

An ongoing commitment

Nestlé recognizes that the long-term success of our company is built upon effective water stewardship in the watersheds where our raw materials are sourced from, where our factories are located, and where our suppliers and consumers live.

Our five Water Commitments reflect our Creating Shared Value approach to business, which is helping us to build a company capable of delivering superior long-term shareholder value and helping people improve their nutrition, health, and wellness. We intend to report on the details of our progress against our commitments year on year through our Nestlé in Society report. You can also read our full water position and strategy in the Nestlé Commitment on Water Stewardship. Both documents can be found on our website.

We have clear and challenging goals as well as strategies aimed at making a difference in the communities that we depend upon and the surrounding nature. But there is still a lot to do, and we know we will need the help of others along the way. We have learned that by working together, we can make a positive difference. ■

BRINGING ACCESS TO DEVELOPMENT THROUGH CLEAN ENERGY

By Laura Pargade, Sunna Design



Since its creation, Sunna Design has been committed to bringing sustainable energy to emerging countries. Solar streetlights are a wonderful tool to provide people with access to energy, anywhere, while also respecting the environment. Thanks to breakthrough innovation and a frugal approach, the French company has managed to keep costs down while bringing high-quality lighting to the most remote areas, without putting great social and economic burdens on the communities. Although public lighting was Sunna's first step, with more than 5,000 products installed around the world, the company is aiming at empowering people with domestic access to energy through innovative partnerships between the public and private sectors.

Access to energy has been stated as a priority of the United Nations and presents a great social and environmental challenge involving more than one billion people. But delivering in areas with poor or no access to the grid is often complicated and costly, especially in emerging countries. Solar energy offers considerable hope in overcoming technical barriers, but many companies have hastily crafted products such as solar streetlights with the cheapest technology. These products have a very short lifespan, poor resistance to extreme climates, and require costly maintenance by a trained workforce that is seldom available in the off-grid areas. What is at stake in the challenge

of access to energy is making a true social and economic impact on territories without burdening the finances of communities and threatening the local and global environment.

Sunna Design is a young French company that designs and manufactures stand-alone solar solutions. With a strong R&D program in collaboration with the CEA — the French public research lab in the field of energy — Sunna has decided to tackle the issue of raising the quality standard of solar streetlights. Within a system-based approach, each unit has been optimized to reach high levels of performance at an affordable

cost, sized precisely to answer the need. Seven patents protect the breakthrough innovations of the products. The nickel-based battery and the smart electronic management system ensure that no maintenance is required for at least 10 years, regardless of the extreme climate conditions. Dynamically managing the stored energy prevents blackouts.

Witnessing the impact of a sole streetlight on the population of an off-grid village is an experience. "Providing access to energy has helped unleash the entrepreneurial potential of many small businesses, including those led by women," says Carolyn Turk, World Bank Country Manager for Rwanda.

According to a recent World Bank report, providing access to electricity is a way to empower women and promote entrepreneurship. Small businesses can be created or remain open longer. Greater security allows for more social gatherings, and lighting also has an impact on education as it allows for studying longer. Sunna Design is currently involved in a large scientific study on the social impact of public lighting in rural developing areas.

In Keur Mbaye Gueye, the installation of a streetlight changed the life of those in the village. In Senegal, 56.5 percent of the population has access to electricity but the figure drops down to 25 percent

in rural areas. Most villages have never had public lighting, such as in the rural community of Cherif Lo. In order to fight rural exodus and bring development and security to the dwellers, the government has set up an emergency electrification program with the ambition of reaching 60 percent of the population with access to lighting by 2017. Along with 10 other villages, they have benefited from a rural electrification program that finances the installation of streetlights. The rare communities that have access to electricity struggle to pay their bills; Senelec, the national electricity company, has initiated a recovery program for the pending amounts. Access to energy in the off-grid villages must therefore be accomplished without financial burdens. Only three months after installation, the population had already changed its way of life: Hot beverage and candy displays were being set up underneath the streetlight; women and children come out at sunset; and the area was being used for celebrations. The security brigade has set up its base camp at the foot of the streetlight, and thefts have declined in the village. No maintenance is required for the product, and there is no extra charge for the community in the long run.

Empowering people with domestic access to energy is the next issue Sunna is tackling. With the environmental risks of the use of kerosene lamps, it is a major concern to broaden the use of clean energy also inside the homes. Sunna's clean, long-lasting technology for solar engines can be used to bring more than just public lighting. A first level of access to energy can be triggered through the architecture of the streetlights, allowing affordable technical upgrades to reach progressively ambitious levels of access to energy. Through streetlights and home access, Sunna aims to impact 100 million people by 2020.

Brightening life is a full-time commitment for green tech companies, and Sunna is proud to contribute toward this global goal. ■



EMERGENCY LIGHTING

Sunna Design also contributes to emergency lighting programs in refugee camps along with the United Nations High Commissioner for Refugees. The Zaatari camp hosts Syrians fleeing the civil war. The camp is located close to the northern border of Jordan and is growing exponentially with a daily flow of up to 1,000 migrants, including women and children. The camp at the time of the project consisted of large tents and built toilet facilities. The area chosen by the UN refugee agency to set up the camp is connected to the grid but experiences regular blackouts due to the weakness of the Jordanian network, making it impossible for the camp managers to provide reliable public lighting. In particular, there was an urgent issue about the security and comfort of women and children in their use of the toilet facilities at night. "Darkness used to terrify me. With the streetlights, I go out again at night." (*Hariri Intissam, 46-year-old Syrian woman.*)

ESF (Electriciens Sans Frontières) is a nonprofit organization that solves electrification issues in emergency situations. More than 100 Sunna ISSL+ streetlights have been installed throughout the Zaatari camp, more specifically around the built toilet facilities. It has the following impacts on the daily life of the camp:

- reduction of the risk of sexual and gender-based violence
- reduction of the incidence of crime and vandalism
- break the cycle of lethargy from living for years in a refugee camp
- improvement in the lives of refugees, enabling more community gatherings and social activities

ZINC FOR HEALTH

By Alannah Cervenko, Teck

Zinc & Health | Teck

Teck launched its Zinc & Health program after learning about the critical link between zinc, human health, and crop nutrition. Today, an innovative partnership is helping to reduce zinc deficiency in both humans and agriculture in China.

Zhang Hai Hong walks along the rows of rice fields at his 5-hectare Xin Hua Farm in Jiamusi, located in China's northeastern Heilongjiang province. Set along the lower reaches of the Songhua River, Heilongjiang province is one of China's most important regions for rice production.

Stable rice production in this area is imperative for satisfying global demand for rice. Yet rising inflation and production costs, such as labor, fertilizer, and agri-chemicals, paired with frequent droughts has led to increasing challenges for farmers in the province.

Another challenge facing the country is zinc deficiency, the most widespread micronutrient deficiency in China. Zinc is essential for health in humans, animals, and crops. It is crucial for growth and brain development and helps fight dangerous infections, especially in children.

Today, nearly 50 percent of arable soils in China are low in plant-available zinc, resulting in stunted crop growth, lower yields and nutrition value, and inefficient uses of scarce water and fertilizer resources. Sadly, 45 percent of children in China do not get enough zinc in their diet, which can have lifelong health implications due to developmental and cognitive delays.

Research has shown that areas with zinc-deficient soils are often regions with widespread zinc deficiency in humans, leading to significant health issues. The yields and nutritional quality of crops, along with farmers' incomes and public health, can all be improved by ensuring that crops have an adequate supply of zinc.

Partnership making a difference

Teck launched its Zinc & Health program in 2011 after learning about the critical link between zinc, human health, and crop nutrition. Today, Teck's Zinc & Health program partners with international organizations such as UNICEF to scale-up solutions for zinc deficiency, including therapeutic zinc, zinc supplementation, and food fortification.

In March 2012, Teck also entered into a partnership with the National Agricultural Technology Extension Service Center of the Ministry of Agriculture of China (NATESC) and the International Zinc Association (IZA) to promote the production and use of zinc fertilizer in China.

The project has been implemented by NATESC, an integrated agricultural technology extension organization in China. NATESC commands the resources of more than 400,000 agricultural extension

workers from the national to the village level. IZA, a nonprofit organization active in zinc and nutrition efforts, supports scientific research, publishes informative materials, and holds regional, national, and international conferences.

Zinc fertilizer increasing crop yields and nutritional quality

For the past three years, the Teck-NATESC-IZA project has been carrying out extensive trial and demo work across China to demonstrate the benefits of zinc fertilizer to China's agriculture industry.

Mr. Zhang is one of the farmers who has adopted the use of zinc fertilizer after visiting one of the project demonstration plots. He saw first-hand the impact that zinc fertilizer had on crops, especially those affected by droughts and disease.

"After using the zinc fertilizer, I have been having stronger seedlings, especially during the bud bursting period," says Mr. Zhang. "They grow faster and look healthier. What's more, they show no sign of stresses like usual in a drought or very cold weather. This means I do not have to worry so much about their getting diseases. Not only has the amount of rice increased, but the quality has too."

Mr. Zhang's account is consistent with the project's crop trial research. It has found that zinc fertilizer increased crop yields by 8 percent to 20 percent and increased the nutritional content of zinc in grains by 20 percent to 40 percent. The research also found that zinc fertilizer improved nitrogen fertilizer uptake and increased financial returns for farmers.



"Buyers seeing the good quality of my rice now call me to make advance orders before I sow the seeds," continues Mr. Zhang. "And they are willing to pay 0.10 Yuan more per kilo than before. Nowadays, people are paying more attention to health and food safety, and I think rice that is rich in zinc could be welcomed by customers. That is the best thing I can expect."

Selling rice at 0.10 Yuan (US\$0.02) more per kilo is a 10,000 Yuan (US\$1,595) increase in income per year for Mr. Zhang.

The Teck-NATESC-IZA project has generated substantial policy support since 2012 with the inclusion of zinc fertilizer in China's National Fertilizers Recommendation Guidelines for Major Crops Production. The guidelines are provided to thousands of agricultural extension workers and distributed to millions of farmers nationwide.

Challenges in scaling-up zinc fertilizer

The key challenge in scaling up the use of zinc fertilizer is education along the entire supply chain, up to and including rural farmers. It has been especially challenging

where it is needed most — among low-income, small-scale farmers on small plots of land. Teck and its partners have found that the most important activity has been creating demonstration plots. This allows farmers to see the benefits that zinc fertilizer has on soils similar to their own, therefore reducing the risk of purchasing new fertilizer.

Looking forward

In the long-term, Teck, NATESC, and IZA would like to see this small project in China grow to reach farmers in countries where there is widespread zinc deficiency in both agricultural soils and humans. Increasing the income of rural farmers could have significant implications in reducing the cycle of poverty that affects millions of low-income farmers around the world.

Teck's President and CEO, Don Lindsay, is focused on promoting the benefits of zinc fertilizer to farmers and fertilizer producers in China and beyond. "Our goal is to take meaningful steps to reduce zinc deficiency in soils, improve crop yields and quality and ultimately improve human health," says Mr. Lindsay.

Back in Jiamusi, Mr. Zhang and his wife are happy with the impact that zinc fertilizer has had on his rice fields. With the additional income, Mr. Zhang will now be able to purchase new and much-needed machinery for the Xin Hua Farm and "perhaps a car," he adds with a smile. ■

To learn more about Teck's Zinc & Health program, please visit www.zincsavestheplanet.com.

ABOUT TECK

Teck is a diversified resource company committed to responsible mining and mineral development with major business units focused on zinc, copper, steelmaking coal, and energy. The pursuit of sustainability guides Teck's approach to business. Based in Vancouver, Canada, the company is building partnerships and capacity to address sustainability challenges within the regions in which it operates and at the global level.

MOSTADAM: MORE THAN JUST FINANCE

By Perihan Abdel Ghaly and Maha Hasebou



The banking sector in Egypt represents 57 percent of the private sector's overall capacity. The sector's capacity and capital enable a drive for change and make an industry movement possible. Only four banks in Egypt are state-owned, whereas others are joint ventures. Since 2004, privatization and economic reforms, especially in the banking sector, have spurred active engagement and responsibility toward communities and in the country at large. The banking sector's current capacity and capital remain significant when comparing its role in social and environment development. The Arab African International Bank (AAIB)'s experience offers a successful trendsetting model concerning the role of banks in affecting the growth of new industries and the economy at large.

Pioneering a decade plus of sustainability

In 2003, AAIB adopted and pioneered the first strategic corporate social responsibility (CSR) strategy within the banking sector in Egypt and has maintained it ever since. The bank's drive to empower Egyptian youth has been reflected in the launch of various community initiatives focused on health and education.

At the same time, AAIB has been keen on developing its internal systems and operating processes by embedding social and environmental indicators into the bank's business operations, risk assessments, and lending practices.

By 2013, AAIB completed a decade plus of sustainability measures that illustrate many distinguished accomplishments and innovative practices in Egypt and the MENA region, paving the way for "sustainable finance" among banking industry professionals.

Cooperation by governments, businesses, and civil society

Collective action and partnerships can bring about comprehensive change. In 2012, AAIB realized the significance of discussing its experiences and practices concerning sustainable finance with banking sector professionals to promote the concept.

The banking system is very rigid, which affects the economic growth and potential development of a nation. Banking has been focused on economic growth, with new economic, social, and environmental challenges appearing, but a new business approach is required to adapt to these changes.

AAIB made a breakthrough while collaborating with the United Nations Development Programme and the Egyptian Corporate Responsibility Centre to create an industry movement calling for change in the financial system: MOSTADAM. It

is the first platform of its kind in Egypt that will establish Egypt as the ground-breaker in sustainable finance.

Mobilizing capital toward a green and inclusive economy

Through sustainable finance, MOSTADAM plans to establish the connection between finance and the three extra-financial pillars of sustainability: the environmental, social, and governance (ESG) aspects within the bank's core business operations of lending, products, and services.

The focus of MOSTADAM is three-pronged

FIRST: Capacity-building — Training banking experts and professionals is the primary step in effecting a shift in mindset.

SECOND: A research and innovation hub is needed to promote the development of new banking products and services

within the banking sector that serve current and future economic challenges such as microfinance, banking for small and medium-sized enterprises, and clean energy finance.



THIRD: Regulatory engagement — In order to empower the banking sector to create this change, systems and processes need to be developed that create a platform of incentives and a framework operation. Hence, MOSTADAM aims at establishing the first blueprint for sustainable finance, which will serve as a guide to the banking sectors in Egypt and the Middle East for embracing the concept within their operational systems.



Eleven certified banks in Egypt

Preparing potential leaders to change an influential industry is a challenge. Creating an industry movement requires believers, potential leaders, and ambassadors of change. Engaging banks to incorporate ESG issues into their management decision-making as well as daily business operations ensures that new opportunities and growth will be available.

MOSTADAM's first focus — capacity-building through training — was enacted with the launch of the first certified training program on sustainable finance on November 16, 2014, in Cairo. The program started with the first round of training that introduced the concept to the banking sector in Egypt.

AAIB invited 30 participants representing 11 banks from countries such as Lebanon (Blom Bank and Audi Bank), Greece (BNP), the United Arab Emirates (Abu Dhabi Islamic Bank and Emirates NBD), Kuwait (National Bank of Kuwait), Libya (Arab International Bank), Qatar (Qatar National Bank), Egypt-Kuwait (AAIB), Egypt (Suez Canal, Alex Bank), and more than one Arab country (SAIB).

The event aimed at introducing the attendees to sustainability ideas and related concepts. The sessions covered CSR and sustainability-relevant topics such as: introduction to sustainable finance; Fair

MOSTADAM Vision and Mission

Vision: Empower the banking sector in Egypt to become fore-runners in sustainable finance on a global level.

Mission: Develop a national model for sustainable finance in Egypt.

Platform, the Sustainability Unit at AAIB conducted a survey to discover the feasibility and expediency of the program for the banking sector in Egypt. The majority agreed on the practicality of acting on the information. The feedback represents AAIB's attempt to ensure that banks are inclusive, develop the necessary policies and procedures, and adopt sustainable finance.

Why sustainable finance?

Sustainable finance is finance that considers more than just immediate financial performance or the "bottom line." Whereas previously financial institutions had a narrow focus on operations and results (profitability), sustainable financial institutions recognize that extra-financial ESG issues have multiple impacts on operations and financial results, the societies in which the organization operates, and its stakeholders.

Sustainable finance recognizes the complex structure of the internalities and externalities of financial institutions. Ignoring these factors results in an inefficient, outdated, and simplistic business model. Conversely, the careful analysis and effective management of these internalities and externalities bring both internal and external benefits to the financial institution. ■

To learn more about MOSTADAM, please send all inquiries to: mostadam@aaib.com

WORLD SAVINGS DAY

Banca Popolare di Sondrio celebrates each year the concept of saving and the importance of good management of money — not only for individuals, but for the whole community.

By Mara Simonini, Banca Popolare di Sondrio



World Savings Day is linked to an important Italian economist and political analyst, Mr. Maffeo Pantaleoni, who died in 1924 and inspired the day during a speech he gave in Milan in 1924 at the first International Savings Congress.

Savings were said to be not only the foundation of society's economic education but also a fundamental discipline for all communities for the better use of wealth. Since then, every October 31 — the day the first Congress ended — has been declared "Savings Day." The day offers a moment of reflection for all public institutions, banks, and citizens to celebrate the concept of thrift as the economic engine of growth for local communities.

Faithful to its "people's bank" mission by remaining close to the territory in which it operates, Banca Popolare di Sondrio, which is active all year in organizing social and cultural initiatives open to the public, does all in its power to make sure October 31 is properly celebrated. For World Savings Day, the bank organizes initiatives to bring people's attention to savings, without which banks could not operate, as their activities are based on collection and loans.

More specifically, the last three editions have concentrated on three sectors fundamental to the country's economy: agriculture, crafts, and commerce. Before a large audience and sector experts,



conference participants reflected on the importance of economic activities linked to those sectors and to their founding values.

To commemorate World Savings Day in 2012, Banca Popolare di Sondrio prepared a book, "Andrea Credaro — I taccuini di un frutticoltore di fine Ottocento" (translated title "Andrea Credaro — The Notebooks of a Fruit Grower at the End of the 19th Century"), which was written by Vera Nella Credaro and Augusto Pirola. The work focuses on the Sondrio farmer Andrea Credaro, who lived in the 19th century and was the father of the famous Minister of Public Education, Luigi Credaro. This book was intended to be a celebration of the Valtellina farmer, for whom work was a daily commitment, made more difficult by the harsh conditions of terraced vineyards — a unique characteristic of the land in the Province of Sondrio. The book was presented to the public on World Savings Day on October 31, 2012, during a roundtable discussion entitled "Working under the sky bent over the ground." In attendance were young farmers, students from the

agrarian institutes — even from outside the province — teachers, experts, and fans of the farming sector, all of whom received a copy of the book as a gift.

"Craftsmanship, protagonist of the economic system, between history, tradition and future" was the subject of World Savings Day in 2013, which was dedicated to crafts companies operating in the area. The events helped to establish contact with people and families and paid respect to local uses and customs, with special attention given to recent changes under globalization. The public conference, held by the architect Giorgio Merletti, President of Confartigianato Imprese, highlighted the fundamental values of craftsmanship: good will, industriousness, commitment, self-denial, sacrifice, and creativity. During that public event, an exhibition of the art crafts of Sondrio was set up in the bank and remained open to the public for several days.

For the 90th World Savings Day, celebrated in 2014, Banca Popolare di Sondrio promoted a conference held by Carlo Sangalli, President of Confcommercio — Imprese per l'Italia, on the

subject "Companies that do not save themselves: How commerce and services contribute to the country's future." The services sector of the country includes commerce, tourism, transport, and services, which together form more than 40 percent of the country's GDP. Thus, it is an important sector comprised of diverse companies creating visibility for the region and contributing toward the country's attractiveness. The intention was to highlight the tangible difficulties met by businesses during the ongoing economic crisis. But it was also intended to show the will of entrepreneurs to maintain ideas and relations with people and property, to exchange goods and opinions, and to create links. The event's slogan was "You switch off signs but not what lit them up."

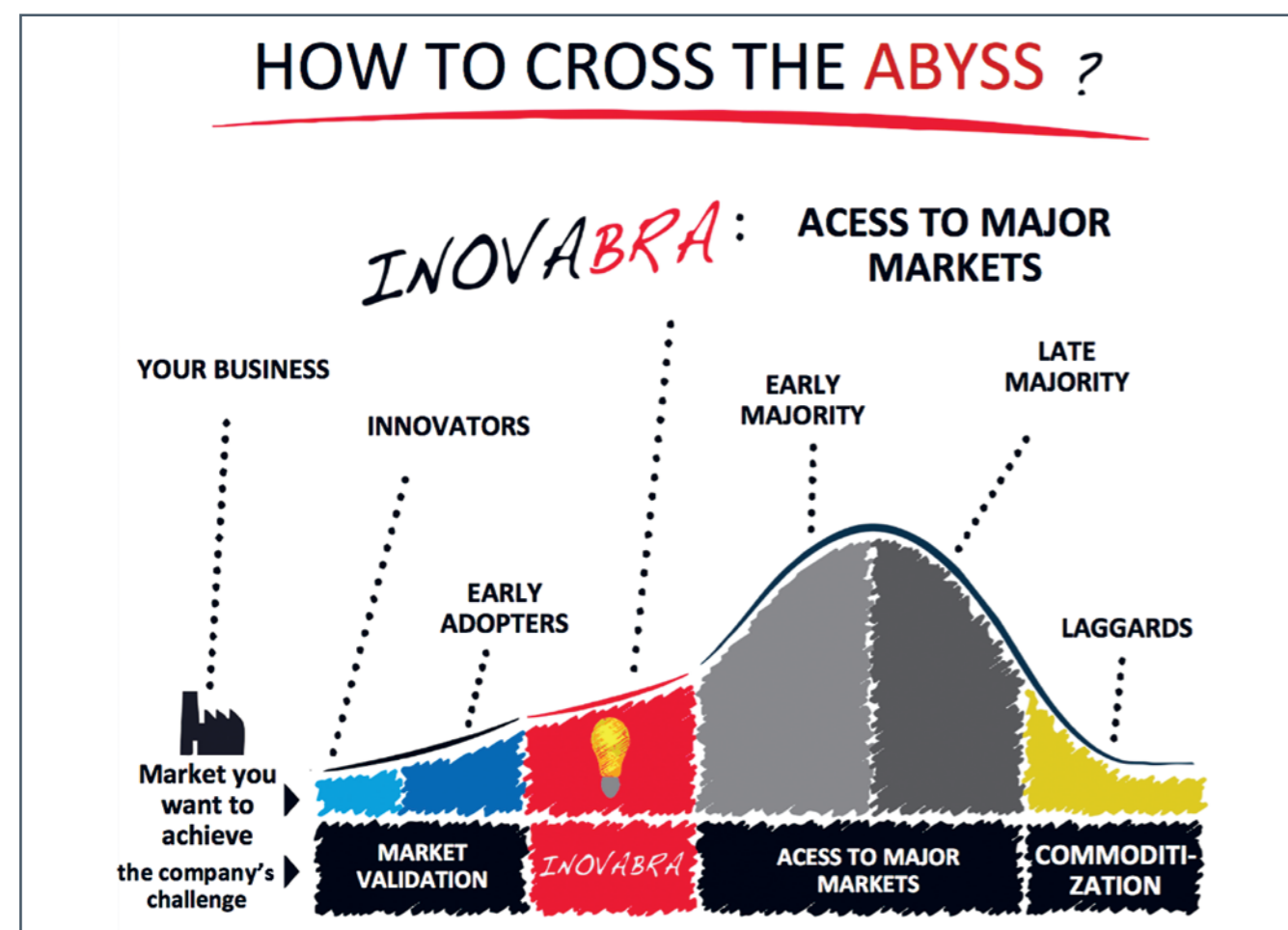
These bank initiatives for the public help to spread the savings concept, which is vital for banks, the economy, and work — something that entrepreneurs know only too well. Banca Popolare di Sondrio has always sustained economic and social value and supported the areas, companies, and families with its original vision of a people's cooperative bank. ■

BRADESCO LAUNCHES PROGRAM WITH STARTUP COMPANIES

By Innovation and Research Department, Bradesco



Bradesco is traditionally aligned with innovations in the Brazilian banking sector. With the new platform “InovaBra,” Bradesco is helping to foster startups and has promised to implement eight ideas into its own product and service portfolio.



Bradesco launched the InovaBra program to discover innovative startup projects that have applied solutions or have the possibility to adapt financial products and services that will help the bank to create new solutions for its customers. Young companies that intend to participate can present their innovations in the following areas: improvements in services, methods of payment, digital channels, new security technologies, new solutions for smartphones, and future banking. The invention has to be developed enough so that it can be adopted in the coming years within any area of the bank.

Bradesco has been involved with tech-based innovation for a long time. The Brazilian bank was the first to use ATM machines in the country. When the internet began developing in the late 1990s, Bradesco was the first bank in Latin America to introduce internet banking, and the fourth bank globally.

Startups offer fresh ideas

“We are already thinking about what to offer in the next-generation bank,” says Mauricio Minas, Bradesco’s Executive Vice-President. “This is a project in which everyone wins: the customer of Bradesco, who has access to innovative products and services; the bank, which maintains its tradition and pioneering role, creating a new channel to generate innovation; and the startups, which have the opportunity to leverage business in partnership with a major supporter,” adds Minas.

This is the first time Bradesco is engaging in an open innovation process, even before any kind of technological research and development, innovation management had been conducted internally. Bradesco decided to leave this track for two reasons: First, isolated research generates higher costs and allocates more staff for these projects; second and most important, using external sources helps in diversifying solutions, making it a major factor for creating new business models.

Overcome barriers and timidity

In this context, startups are increasingly drawing the attention of large companies. This trend can be observed globally, but again it is Bradesco that is bringing this innovation to Brazil. It is helping small and young startups approach complex markets such as the financial sector and breaking up barriers. Mauricio Minas, said in an interview with Bloomberg: “A lot of startups are afraid to look for a company the size of Bradesco, because our first questions will be who are they and do they have the execution capacity we need. We created the program for these small businesses to come here and make their products with us, instead of creating a PowerPoint presentation.”

According to the executives, the initiative is a great opportunity for startups to gain visibility in the market and start a job based on actual demands. The great advantage of our program is the innovation of the business model, as companies will work based on real needs identified by the business units of the bank, diluting the risk of innovation. Also, it will feature advice and guidance from top executives of the institution, access to key employees of the business units — in order to shape the solutions for a large financial institution — and assistance in managing and mentoring. Finally, it will test the solution presented in one of the largest banks in the country.

The startups are companies in the early and intermediate stages of activity that have promising projects based on innovative ideas. “Currently, access to technologies to generate innovation is within reach of everyone,” says Minas. “So we decided to bet on merging our innovation process to allow us to pursue, support, and invest in good ideas. Our goal is to create an interaction channel with companies that are on the border of creation, have agility to adapt to the proposed new challenges, but need support for proper management of the business.”

How does inovaBRA work?

The program cycle takes 10 months: four for the selection process and six months for the process of interaction with the bank, including improvements in management; the search for strategic synergy; and operational and marketing elements. The first stage comprises three steps. In the first step, during a period of three months, any startup can present its new innovations when entering the pre-selection process. At that stage, the startups have to give information about their idea that is as precise as possible and information about the stages of technological development. Then Bradesco internally analyzes which of these business models fits with the bank’s own products and services strategy.

After overcoming this first barrier, an average of 40 startups is invited for an extensive assessment. This includes the evaluation questionnaire filled out by the companies during registration. These companies go through an immersion process to meet the bank management and are evaluated on the following criteria: qualification of staff, value-generation potential, delivery capacity, potential for innovation, and risk measurement. Third, 20 startups are selected to undergo evaluation by a group of bank executives.

About 10 companies continue to the project design phase, in which they receive guidance with respect to a demand associated with a real need for the bank, including mentoring, monitoring, and management of the development process. Currently, Bradesco is internalizing their solutions. The companies have already built minimum viable products, which have been experimented. Through this process Bradesco will support the development of the products or services and adaptation of the solutions to its environment. At the end of the program cycle, companies that have successfully completed the presentation of their solutions will be able to market their products to Bradesco. The bank may also be a strategic investor. ■

GREEN BONDS – DEUTSCHE BANK SUPPORTS INNOVATIVE FINANCING SOLUTIONS



Deutsche Bank

By Stephan Möller, Deutsche Bank

Green bonds offer new ways of raising capital for companies that want to finance projects or activities that promote environmental sustainability. Deutsche Bank has been a key player in this market from the start by supporting companies interested in issuing green bonds and working with other leading financial institutions to create the Green Bond Principles, which aim to make the market more consistent and transparent.

Green bonds were first issued exclusively by supranational institutions such as the European Investment Bank and members of the World Bank's International Finance Corporation. In 2013, companies joined this market for the first time, enabling a wide variety of projects to be financed through green bonds, such as wind farms, the development of hybrid and electric cars, and energy optimization of buildings.

Unilever was the first company ever to issue a green bond with the exclusive purpose of financing internal energy-efficiency investments. These investments will help the consumer goods company to achieve its goal of halving its CO₂ emissions, water consumption, and waste production by 2020, benefitting the environment and increasing profitability.

The Dutch-British group rapidly raised the £250 million funding required by issuing a green bond on the capital market in early 2014. Within three hours of its issue, the bond was more than three times oversubscribed. More than 100 investors purchased it, including several first-time buyers of Unilever bonds.

Deutsche Bank was Joint Lead Manager on the deal and the bank's Global Transaction Banking division provides Principal Paying Agent services.

Green bonds – Where the economy meets the environment

The first-ever green bond was the Climate Awareness Bond, issued by the European Investment Bank in 2007. This gave issuers the opportunity to generate capital

on fixed-income markets, specifically for environmentally or socially sustainable projects.

With the growing importance being put on sustainability issues and the very limited potential returns of lower-risk investments in the current market environment, green bonds are becoming increasingly sought after, especially by pension funds and other institutional investors. This demand is driving market growth.

In 2014, the number of issued green bonds tripled to almost \$40 billion. The non-profit organization Climate Bonds Initiative (www.climatebonds.net) expects the overall market – including green bonds issued by governments, financial institutions, and companies – to be at the size of \$100 billion in 2015.

The Climate Bonds Initiative estimates that green bonds still only comprise around 0.05 percent of the total bond market. But in a survey, more than half of the asset managers questioned said that they take climate-related data into account when making investment decisions. And 83 percent of the 500 largest companies in the world see climate change as a business risk. This represents enormous potential for the growth of green bonds and shows their transformation from a niche

March 2015. Around 100 institutions have now signed up. Commitment is voluntary to make sure that all financing raised through green bonds is used exclusively for investments in recognized projects with environmental benefits – ensuring the continued integrity of the market. All parties benefit from the guidelines: Issuers receive guidance on how green bonds should be designed, and investors can be sure that they are participating in projects and activities that are consistent with their (sustainable) investment criteria.

They provide guidance on:

- investments or projects that can be financed
- selection of green projects
- management of proceeds from green bonds
- reporting on how they are used.

To ensure the information provided by the issuer can be trusted, the principles recommend the integration of verification by independent, external third parties.

Green bonds – Investing in and for the future

Green bonds are expected to become increasingly important. The International Energy Agency predicts that an annual global investment of \$500 billion in climate-friendly technologies will be required by 2020 to support efforts to tackle successfully climate change. If this is extended to include the investment needed for the entire infrastructure of a “green economy,” Deutsche Bank estimates the total will be closer to \$1 trillion a year. These investments will be hard to manage without the use of external capital, so green bonds will be a crucial financial instrument.

Deutsche Bank has been active in the area of sustainability for many years and brings considerable expertise to the topic of green bonds. The bank has led the way on green bond issues for international institutions and global companies.

In February 2015 Deutsche Bank announced that it will invest €1 billion in a new, high-quality green bond liquid asset portfolio. Deutsche Bank is committed to the growth of this developing market. The bank's portfolio will be used to further highlight and promote investment opportunities in the sector. ■

More information on sustainability and green bonds can be found on the Deutsche Bank website at www.db.com/cr.



product to a widespread and well-accepted financial instrument.

Reliable guidelines – Guidance for issuers, transparency for investors

To ensure a reliable foundation for the development of the corporate green bond market, Deutsche Bank collaborated with 12 other leading financial institutions to create the Green Bond Principles, first time published in early 2014, updated in

“As a carbon-neutral bank, Deutsche Bank believes that the principles will play an important role in unlocking the green market capital necessary to finance the transformation to a cleaner and more sustainable future,” says Stefan Reiner, Head of Sustainable Capital Markets at Deutsche Bank.

The Green Bond Principles describe the basic procedures for transparent communication between issuers and investors.



VOLUNTARY SUSTAINABILITY STANDARDS

In today's globalized world, national standards quickly reach their limits. Therefore, sustainable development needs the support of further partners. One concept is voluntary sustainability standards (VSS), which have progressed rapidly over the last decades. Some are governmental initiatives but most are set up by partners from civil society and responsible business. The standards are voluntary by definition, but once such a standard is adopted, compliance becomes compulsory, turning the standard into a kind of "soft law." Considering the present global situation, VSS are among the best options we have to foster sustainable development. The following chapter offers profound insights into the evolution and different types of VSS. Implementation by businesses and implications for governance issues are also discussed.



AN INTRODUCTION TO VOLUNTARY SUSTAINABILITY STANDARDS

Private, voluntary sustainability standards are an innovative, market-based approach to promoting sustainable production and business practices. Adoption of these sustainability standards is intended to be voluntary: The standards are not created, run, or required by governments or government regulation. Instead, the system for voluntary sustainability standards are nongovernment initiatives that seek to drive sustainable production and consumption by creating a market demand for sustainable products, and a supply to meet that demand. They help buyers (both consumers and businesses) identify sustainably-produced products, and they guide producers, forest managers, mine and tourism operators, and factory owners and others in their choice of sustainable practices.

By Kristin Komives and Amy Jackson

Voluntary sustainability standards have become important tools for moving production in some sectors toward sustainability. Some of the best known sustainability standards — for example Fairtrade International, the Forest Stewardship Council (FSC), and the Marine Stewardship Council — are now well-known brands in many countries, and consumers rely on associated “eco-labels” to inform their buying decisions.

Attention by businesses to sustainable procurement has grown, increasing both the supply and demand for products produced in accordance with sustainability standards. A 2010 study of the market presence of voluntary sustainability standards found that, as of 2009, 18 percent of globally managed forests were certified to the FSC or PEFC (Programme for the Endorsement of Forest Certification Schemes) standards, 17 percent of the



global coffee supply was produced in compliance with a sustainability standard, and sustainable bananas made up about 20 percent of global banana exports. Parallel to the growth in these sectors with long experience with certification, new systems for voluntary sustainability standard are emerging in sectors such as biotrade, mining, energy, water, and sports (e.g., Union for Ethical Biotrade, Responsible Jewellery Council, Initiative for Responsible Mining Assurance, Alliance for Responsible Mining, Roundtable for Sustainable Biomaterials, Golf Environment Organisation, Alliance for Water Stewardship, and more). New uses for voluntary sustainability standards are also emerging. Actors such as governments and financial

institutions are now employing standards to help implement policy objectives and assess portfolio risk.

Voluntary sustainability standards are an increasingly important market mechanism for driving sustainability, and the world of standards is rapidly innovating and evolving. We explain what private voluntary sustainability standards are and how they are structured. We briefly review the history of these standards and examine recent trends in the evolution of these systems. Then we examine concerns expressed about the credibility and effectiveness of sustainability standards and how the voluntary standards movement is addressing these concerns.



fee or the Rainforest Alliance green frog label on certified products). Others permit only business-to-business claims. Labels and claims are appealing to buyers and consumers, and thus help increase demand for products produced in accordance with the standard.

- Traceability systems trace the “chain of custody” of products — from where they were produced, to the full supply chain, and through to the final product — to provide proof of the origins of products carrying a label or a claim.
- Some standard-setting organizations provide capacity-building services to help producers, operators, or enterprises come into compliance with their standard. Others work with partner organizations that provide this training service. By combining these five elements (the standard, assurance, labels and claims, traceability, and capacity-building), systems for voluntary sustainability standards provide incentives for many different actors to support and implement more sustainable practices. Consumers rely on standards to identify products that were produced using practices they value and want to support. For businesses seeking to source sustainably, the standards provide assurance that they are in fact buying products produced using responsible practices. Together, consumers and purchasing businesses build a demand for sustainable production. For suppliers of this product, systems for standards offer guidance on how to improve production and meet sustainability goals and connect them to a market for sustainable products (which often provides higher prices than conventional markets).

Addressing concerns, defining credibility, and demonstrating effectiveness

At the heart of any system for a sustainability standard is a standard that defines good social and environmental practices or performance in an industry or product. But a standard alone would not be sufficient to create a market for sustainable products. The market mechanism behind standards relies on four other important components of a system for standards: assurance, labels and claims, traceability, and capacity-building.

- Producers and other businesses seeking to meet a standard (e.g., farms, fisheries, forests, factories, or operations) are assessed to determine whether they meet the standard. This is done through the assurance system set up by the standard-setting organization. Assurance of compliance has traditionally been based on an independent, third-party audit leading to certification, though new approaches are emerging. The assurance system gives buyers confidence that they are buying sustainably produced products.
- Many standard-setting organizations offer corporate buyers of certified products the right to use a consumer-facing label or claim on product packaging (e.g., Fairtrade-certified cof-

Growth in the supply and demand for certified products, increasing diversity in standards and systems for sustainability standards, and the emergence of new actors and uses for standards are all signs that the world of voluntary sustainability standards is maturing. With this maturity comes also more attention and scrutiny of systems for standards in general and of individual systems. Both proponents and skeptics of standards have raised important concerns that the systems are working to address.

What are the major concerns that proponents and critics have raised about voluntary sustainable standards? And how are systems for standards seeking to address those concerns? Three broad areas of concern discussed are growth and markets, accessibility and exclusion, and impact and claims.

The first set of concerns relates to the market for sustainable products created by systems for voluntary sustainability standards. There is concern that these systems will not grow quickly enough — that they will not develop enough supply

“ Voluntary standards systems are a promising and rapidly evolving concept with considerable potential to promote a ‘green economy.’ They encompass the three pillars of sustainability — social, environmental, and economic aspects — and consequently they can be considered as a tool that makes sustainable development visible. Currently, VSS are becoming a significant element in international trade and in the promotion of sustainable development strategies, especially in the context of globalized markets and supply chains. ”

Carsten Schmitz-Hoffmann, co-editor of the book Voluntary Standard Systems

for the market, or conversely, not generate a rapid uptake in the market when certified supplies are available. Finding a balance between demand and supply is tricky. The oversupply of certified products that do not end up being sold with the relevant claim is referred to as leakage. Leakage reduces any margins or benefits from securing customers as a result of certification and can reduce the incentive of producers, factories, or other operations to seek to demonstrate compliance with a standard. Where there is not a sufficient supply of a certified product available, it can prevent larger customers from making commitments to sourcing from a particular standard because they might not think these commitments can be met. This, in turn, reduces the market demand for the products produced according to sustainability standards.

For this reason, anticipating market demands, developing a market, providing connections between buyers and suppliers, and ensuring that capacity-building and assurance services are available to help boost supply are important functions of those who own the standard. Some standard-setting organizations take on this challenge themselves with strong market-development departments and capacity-development areas, whereas others seek partnerships to address the issue. Regular discussions with potential buyers about their sourcing needs help systems for standards and their partners determine where to invest in building new supply. Partnerships with capacity-building organizations and donor institutions provide support

to farmers, factories, and enterprises in target commodities and markets with helping to prepare for certification.

A related concern is that systems for voluntary standards are not well-suited to mainstream production; that they are appropriate only for select producers, operators, factories, and fisheries; and that they cannot reach the vast majority of entities with unsustainable practices. Not only does this threaten to limit the growth of sustainability standards, it also raises concerns about equal access to standards and the markets they create.

The accessibility of standards is of particular concern regarding smallholder farmers and fishers, manufacturers, and other operators in the developing world. The concerns about accessibility stem from both the costs of achieving compliance (needed investment) and demonstrating compliance (auditing processes). Improving practices in order to meet the sustainability standard can be seen as an investment in the future of the business. However, there are concerns that those who cannot afford to make the initial investment in improvement, or lack the know-how to do so, will be excluded. The cost of audits or verification to demonstrate compliance also creates a possible source of exclusion. When the assurance process includes a site visit, this is typically done at the cost of the entity being certified.

Although participation is voluntary, compliance with standards is a condition for some buyers. This means that an inability



to make investments to come into compliance with voluntary sustainability standards or to cover the costs of compliance checks could exclude producers from certain markets. On the other hand, voluntary sustainability standards are actually, at their core, a mechanism to connect producers with new markets that might not have been accessible to them without the standards mechanism. Moreover, systems for voluntary standards and buyers of certified products can provide or facilitate the provision of capacity-building activities and credit to producers that do not otherwise have access to this assistance.

Systems for sustainability standards are addressing concerns about exclusion and accessibility in many different ways. Expanding capacity-building and facilitating finance for improvements is one approach. Another area of intervention is in the standard-setting process itself: including stakeholder groups in different countries and from different production models in the development of standards and revision processes, and seeking strategies to make global standards nationally relevant and applicable. The ongoing revision of the Sustainable Agriculture Network, for example, will include stakeholder workshops in 20 countries in Europe, the Americas, Africa, and Asia. New models of standards are also emerging to offer

a less-demanding entry into a system for standards, and new models of assurance seek to reduce costs of the compliance-check process. At the same time, systems for standards are investing in building monitoring-and-evaluation systems, which will give them better information about the entities they are reaching with their standards, those who might be left out, and why. This type of business intelligence will help owners of standards improve the reach and inclusiveness of their systems.

The third set of concerns about voluntary sustainability standards relates to what they deliver and which claims are based on the use of standards. With more and more actors relying on standards to meet their own sustainability objectives, stakeholders and users of standards increasingly want to know whether standards really result in sustainability improvements and/or stop harmful practices. Expectations that standards should be able to reliably demonstrate that they are making a difference are growing. This demand to prove results is not unique to the standards world: Demands for data and evidence are growing in public policy and development work in general. It takes on a special importance for voluntary sustainability standards, however, because these systems are meant not only to deliver sustainability results but also as-

“ ‘Private’ highlights the nongovernmental nature of these systems. It does not mean that they are business-driven initiatives; often private voluntary standards are developed and managed by multistakeholder groups or even groups dominated by nongovernmental organizations.”

Kristin Komives and Amy Jackson, ISEAL Initiative

sure buyers that their purchases are supporting sustainable production. In response to this concern, many systems have ramped-up efforts to evaluate their systems and collaborate with independent researchers to conduct independent research about their systems’ effectiveness and impacts. As described earlier, they are also building monitoring systems to track key performance indicators over time. Public access to studies and monitoring results is improving, as systems for standards are increasingly make findings available on their websites.

A related concern is “greenwashing.” Some critics worry that voluntary sustainability standards and/or their users are making false or exaggerated claims. These false claims could simply not be true (e.g., a claim that a process meets a standard when it does not), or claims could be vague or difficult to verify (e.g., a claim that the product is “natural”). False or exaggerated claims are seen with regard to all environmental and social issues and are not isolated to voluntary sustainability standards. In fact, the benefit of products, processes, or services making a claim about performance against a standard is that the claim can be independently verified, and the owner of the standard can take steps to prevent false claims about use of its system. Sustainability standard systems seek to address the greenwashing concern with balanced multistakeholder

standard-setting and governance. The FSC, for example, is governed by its members, who represent environmental NGOs, the timber trade, community forest groups, and forest certification organizations. Members are organized into three chambers — social, environmental, and economic — and each chamber is divided into North and South sub-chambers. Voting rules ensure balanced input from respective North and South chambers. Similarly, Fairtrade International has a board with representatives of producer networks, labeling initiatives, and certified traders.

Given these general concerns about sustainability standards and the large number of new systems coming onto the market, several actors in the standards landscape are developing tools to help users identify the individual systems that best meet their needs and address their primary sustainability and credibility concerns. The International Trade Centre has created a database (www.standardsmap.org) with detailed information about many systems for sustainability standards, and this database feeds tools for public procurement officers and for producers looking for standards that meet their needs. Ecolabelindex.com covers more ecolabels, but with fewer data fields. GoodGuide is a product-specific database, and Ekobai provides a central database of companies certified to one of the more than 400 different sustainability standards. Industry initiatives such as the Global Sustainable Compliance Program and organizations interested in using standards to achieve sustainability objectives are developing benchmarking tools to enable users to compare the content and processes of different standards against each other and/or against a benchmark. ■

ISEAL

ISEAL is a nongovernmental organization whose mission is to strengthen voluntary sustainability standards for the benefit of people and the environment. Its membership is open to all multistakeholder sustainability standards and accreditation bodies that demonstrate their ability to meet the ISEAL Codes of Good Practice and accompanying requirements, and commit to learning and improving. Through membership in ISEAL, systems for standards show a commitment to supporting a unified movement of sustainability standards. ISEAL also has a non-member subscriber category to engage with governments, researchers, consultants, private-sector organizations, nonprofit organizations, and other stakeholders with a demonstrable commitment to the ISEAL objectives. Read more about the ISEAL Alliance and its codes of good practice at www.isealliance.org.



EVOLUTION OF THE VOLUNTARY SUSTAINABILITY STANDARDS

1970s – Emerging of the sustainability movement

The first voluntary standards go back to the first half of the 20th century. They were mainly private organic standards, such as the Soil Association, founded in 1946 in the United Kingdom. With the emerging of the sustainability movement in the 1970s, the concept of voluntary sustainability standards (VSS) assumed shape: The International Federation of Organic Agriculture Movements (IFOAM) was established in 1972; the “Blauer Engel” was the first consumer label introduced in 1978 in Germany; and in 1988 in the Netherlands, Max Havelaar was responsible for making Fair Trade an accepted certificate on the consumer market.

1990s – Environmental and social standards

The 1992 Earth Summit pioneered the creation of important initiatives that have improved our understanding of environmental and social standards. These new standards have aimed to develop a global consensus on sustainable practices for particular industries and sectors. Well-known examples are, among others, the Forest Stewardship Council (FSC), the Rainforest Alliance’s Sustainable Agriculture Network (RA-SAN), and Social Accountability International (SAI).

On a more technical level in 1996, the ISO 14000 norm emerged introducing Eco-Management and Audit Schemes (EMAS) among others into corporate work.

2000s – The multistakeholder approach

A third generation of voluntary sustainability standards emerged after the turn of the millennium: The multistakeholder approach became a central instrument for exchanges between business, civil society, and legislative powers. The Global Compact of the United Nations is one of the best-known multistakeholder-driven initiatives. Another example are the “roundtables” created by WWF to bring together stakeholders from industry, NGOs, and government to develop standards for commodities with known negative impacts on the environment. Best known is the Roundtable for Sustainable Palm Oil (RSPO).

2010 and beyond – Consolidation and cooperation

Over the years, the landscape of VSS has become confusing. The market for eco-labels alone consists of more than 430 labels in 195 countries. In the future, coordination, consolidation, and governance aspects will be the focus of discussions on this topic. The newly formed ISEAL Alliance is such an example. It was founded to enable collaboration between its members. The idea behind the Alliance is the recognition that the various VSS do not operate in isolation. A practical example is the 4C Association, which collaborates with the Rainforest Alliance, Fairtrade International, and UTZ Certified to develop “stepping up” programs. Thus, these cooperations allow particular standards to specialize and provide their users with a broader sustainability model.



DIFFERENT KINDS OF VOLUNTARY SUSTAINABILITY STANDARDS

National vs. international standards

National standards are developed and published by national standardizing bodies, generally for implementation within a national territory. National standardizing bodies may be those that are recognized as such by governments, but they may also be nongovernmental. A “national” standardizing body is not necessarily a government entity. International standards are developed by international standardizing bodies and intended for international use. The legal definition of an international standard is complex and requires consideration of what constitutes a recognized international standardizing body and what are the appropriate processes for standards development. The definition of an international standard is particularly significant because recognized international standards are accorded a special role and status in international trade. National and international standards may be identical in terms of their content. Standards that were developed at the national level may subsequently be adopted as international standards and, conversely, countries may adopt international standards as their own national standards.

Public vs. private standards

The term “private standard” is sometimes used to describe standards that are developed, published, or owned by nongovernmental organizations, whether those organizations are businesses, nonprofit organizations, or multistakeholder associations. By implication, the term is used in contrast to government-developed — or “public” — standards. However, the distinction between private and governmental standards is often very unclear. National and international standardizing bodies may be governmental or nongovernmental. The international standardizing body ISO is sometimes thought of as a governmental body, but it is technically a nongovernmental organization whose members include both governmental and nongovernmental entities. Governmental standardizing bodies may also develop, publish, and own standards on behalf of for-profit businesses, nonprofit organizations, or associations.

LCA standards vs. sector-specific standards

Whereas many sustainability standards focus on specific issues or sectors, lifecycle analysis (or lifecycle assessment, LCA) standards aim to assess the full range of environmental impacts across a product’s lifecycle — from production of its raw materials to its end-of-life disposal. LCA standards focus on assessing environmental impacts of production, not on prescribing actions designed to manage or mitigate such impacts. Generic LCA standards are applicable across all sectors and product types. Key advantages of this approach are that businesses can identify the aspects of production where there is most potential for environmental improvement, and that product claims based on the LCA need to consider impacts associated with all the phases of a product’s production and use. This addresses a concern associated with issue- or production-phase-specific schemes — that they could be used to promote products that perform well on one issue, or in relation to one phase of production, but could have negative impacts in relation to other aspects. In contrast, advocates of sector- and

issue-specific standards (and related claims) argue that these standards respond to — and are designed to — address specific issues of concern to the public (e.g., unsustainable forest management or unsustainable fishing), rather than to make general claims about product sustainability. Full lifecycle assessments are technically challenging, often costly, and do not generally cover the social aspects of sustainability such as land-use rights, indigenous peoples’ rights, or workers’ rights. Although there are clear differences of philosophy and approach between LCA-based and sector- and issue-focused sustainability standards, there are some signs of convergence. Issue-specific standards based on a lifecycle approach are being developed (e.g., focusing on water use or greenhouse gas emissions), whereas issue- and sector-specific standards are exploring ways to ensure that they are not used to generate misleading claims.

Sustainability standards may be grouped according to the sector or issue that they aim to address. The United Nations Forum on Sustainability Standards (UNFSS) is expected to focus initially on sustainability standards that apply to producers and businesses in the food and agriculture sectors. Other examples of sector-focused sustainability standards are those covering aquaculture, fisheries, forest management, and mining. Standards may be more or less narrowly focused within a sector: agricultural standards may cover the full range of agricultural production systems, or may be limited to certain crops, to horticulture, or to animal husbandry. Standards may focus on a limited range of aspects of sustainability, for example on social issues or on environmental issues. Within such broad categories, they may also be more narrowly focused: Environmental standards may focus on particular issues such as greenhouse gas emissions, water use, or biodiversity; social standards may focus on labor rights, on support for small-scale farmers, or on trade conditions for producers in developing countries. Standards may focus on a particular phase of a product’s lifecycle (e.g., its energy or water consumption in use, or whether it can be recycled) or may cover the full lifecycle impacts of a product from production through to disposal (considered in more detail below).

Management system vs. performance standards

Management system standards specify procedures for organizations to follow to meet their objectives. Management system standards are typically based on the concept of continual improvement. Environmental management system standards, such as the widely used ISO14001 standard, apply the general concepts of management systems to the management of an organization’s environmental impacts. A key characteristic of management system standards is that they do not define threshold performance requirements. It is up to each user to determine the level of performance that it considers appropriate for its circumstances. In contrast, performance standards



specify a level of performance that a product or organization has to achieve in order to claim conformity. System-focused and performance-focused philosophies are quite different in principle. In practice, however, many sustainability standards incorporate both system- and performance-focused elements.

Processes and production method (PPM) standards are standards that specify the methods by which a product is produced, rather than the characteristics of the product itself. A distinction needs to be made between PPM standards that result in physically different products, which can be referred to as product-related (pr) PPM standards, and PPM standards that do not result in physically different products, which can be referred to as non-product-related (npr) PPM standards. Sustainability standards that relate specifically to the conditions in which a product was made, the impact of that process on the environment, or the conditions of workers involved in producing the product are typically considered to be npr-PPM standards. The significance of the distinction between pr-PPM standards and npr-PPM standards is contested, but some trade experts believe that regulations based on pr-PPM and npr-PPM standards would be treated differently in international trade law. ■

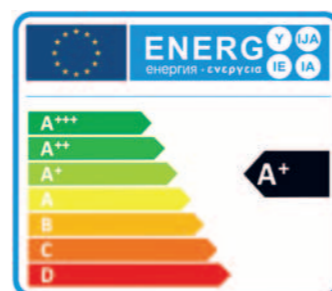
Source: UNFSS, Voluntary Sustainability Standards, Part 1, pages 43 ff.



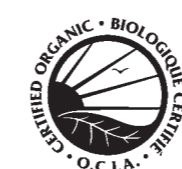


SELECTED **VOLUNTARY STANDARD SYSTEMS** AT A GLANCE

GOVERNMENTAL AND INTERGOVERNMENTAL INITIATIVES



NON-GOVERNMENTAL INITIATIVES AND PARTNERSHIPS





THE OBJECTIVES OF STANDARDS AND HOW FIRMS USE THEM

Although often lumped together, the many voluntary sustainability standards (VSS) used today are not at all alike. As a whole they do tend to deal with the areas not functionally addressed by most firms and global trading structures. Some of the fastest-growing and more prevalent sustainability standards are Fairtrade International and Fair Trade USA, Forest Stewardship Council, Rainforest Alliance, and UTZ Certified.

By Daniele Giovannucci, Oliver von Hagen, and Joseph Wozniak

Mayer and Gereffi and Jaffee are among the many scholars recently reporting on the proliferation of businesses adopting standards and codes of conduct and the array of relationships that they have with standards. It is likely that many firms just have a transactional relationship with VSS, in which they purchase products that are certified to a particular standard in order to fulfill a procurement necessity. These are often followers in the CSR arena. They can nevertheless serve to influence standards, especially if they are large. The choice made by Wal-Mart to sell organic versions of their most popular products resulted in the considerably greater availability of organic cereals from major mainstream suppliers that had not invested in such VSS prior to the 2006 Wal-Mart announcement.

There is often a dynamic tension between firms and VSS. Some standards require changes in the firm's practices or costs and may not meet all of a firm's needs. Firms, large ones in particular, can try to influence VSS, and some go so far as to create their own standards. Yet some firms engage VSS as functional tools of change and integrate them to become a de facto part of the firm's CSR "strategy." In recent years, a number of successful companies have engaged in a range of interesting relationships with VSS. Most VSS were not designed

as corporate tools, and their integration into procurement and corporate supply chains can be challenging. The VSS organizations and many of the businesses they work with have fundamentally different origins, different values or intentions, and different operating models. They also may have varying types and levels of experience in particular areas as well as very different levels of resources to pursue their objectives and collaborate. Fortunately, many VSS are built on working partnership models that can create space for cooperation. Some even learn from the firms they partner with.

In some cases, efforts to integrate VSS into business have led to unexpected outcomes. When Starbucks declared its position as the leading buyer of Fairtrade coffee in the early 2000s, it was attacked by consumer and student activists, who accused it of exploiting the Fairtrade name, as only a very small percentage of its total coffee purchases were Fairtrade certified. Senior executives were surprised by the outcome, and a likely result could be the firm's subsequent reticence about making claims for its own private standard: Coffee and Farmer Equity (C.A.F.E.) practices. Nestlé, the world's largest food company, faced its own challenges when it launched a small test of a Fairtrade-certified product in England that garnered a mix of negative

and positive reviews. The firm was praised for its efforts and for venturing to support a voluntary sustainability standard, but it was accused of creating only window dressing and pandering to the public with a gesture that actually represented only a tiny fraction of its business. Clearly, there are lessons to be learned about the relationship between CSR and VSS.

Mayer and Gereffi note that the push to engage with VSS is a response to increasing and more globalized social and environmental pressures as well as the inadequacy of governmental institutions in addressing these pressures. However, there are clear limits to what VSS can be expected to accomplish. The authors hypothesize that the effectiveness of such forms of private governance depends on four factors:

1. the structure of the value chain in which production takes place;
2. the extent to which demand for a firm's products relies on its brand identity;
3. the possibilities for collective action by consumers, workers, or other activists;
4. the extent to which commercial interests of lead firms align with social and environmental concerns.

Mayer and Gereffi's hypotheses suggest that VSS as a form of private governance will only flourish in certain circumstances and need to reflect the interests of multiple stakeholders to succeed.

Firms that are practice leaders in CSR tend to take an active stance in regards to their supply chains and often elect to partner with standards to ensure their procurement and even leverage standards to enhance their corporate persona. The world's largest banana brand turned around a dismal public reputation and low profitability partly as a result of its close partnership with Rainforest Alliance and the adoption of its sustainability standards.

Other firms have moved in the same direction. A number of large brands such as Sara Lee, Mars, and Tchibo, and global retailers such as Ahold, IKEA, and Rewe work closely with UTZ Certified and have all significantly grown their business with the UTZ Certified label from year to year, especially in coffee, cocoa, and tea. Access to higher-value markets is one reason for producers to participate, but the requirements can be daunting and even constitute barriers to entry for smaller and poor producers. Yet, rates of expansion among farmers





continue to be remarkable. The Dutch Sustainable Trade Initiative expects that 22 percent of exported tea worldwide will be certified by 2015. Considering that in 2007 about 1 percent was certified, the growth is impressive.

The approaches adopted by firms tend to depend on whether they are brand owners, consumer-facing, or in the business-to-business markets. Some take bold initiatives. One leading US brand, Ben and Jerry’s Ice Cream, has recently overhauled its procurement to align the global sourcing of more than 3,000 ingredients with the company’s mission and core values. The firm’s Values-Led Sourcing initiative included a commitment to source Fairtrade-certified ingredients for its entire

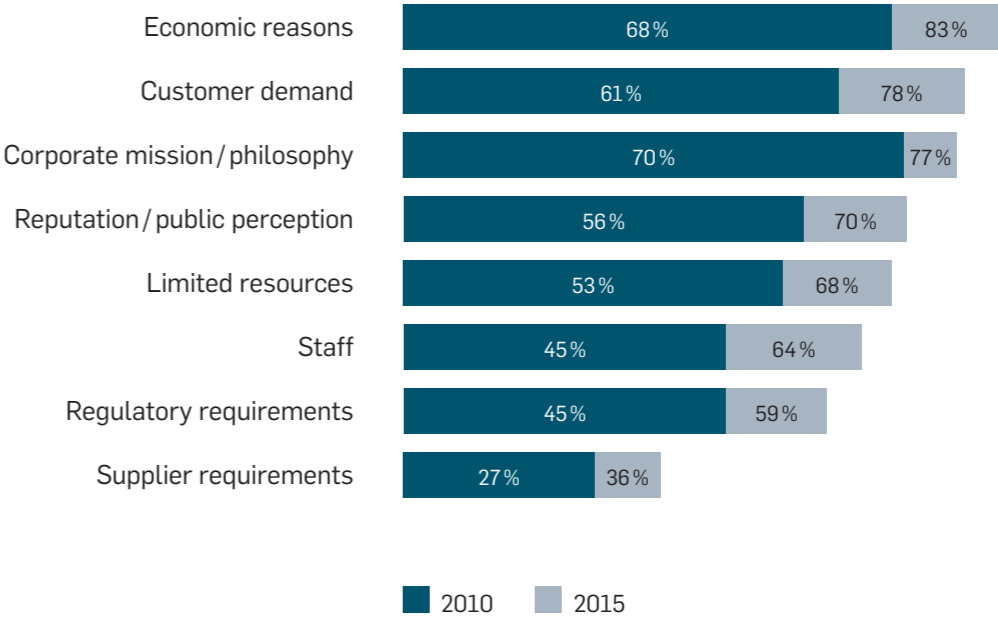
global flavor portfolio by the end of 2013. Consumer products giant Unilever’s collaboration with Rainforest Alliance was the result of its decision to invest in its current suppliers’ capacities rather than seeking new sources. As a major buyer of tea, it actively engaged local NGO partners to train small- and large-scale tea farmers and supported them to become Rainforest Alliance certified; Unilever thus established a measure of supply security and likely a first-mover advantage in tea. Competitors such as Tata, Tetley, and Twinning’s followed, and soon after they also started purchasing and selling certified tea.

Two of the world’s leading chocolate brands have made commitments to fully source from suppliers meeting the VSS of global NGOs (Cadbury with Fairtrade, and Mars with several VSS). Similar examples of large-scale corporate commitments include: Mondelez’s claim to sustainably source all its European coffee by 2015; Nestlé’s commitment to only source sustainable palm oil; and Unilever’s promise to source 100 percent of agricultural raw materials sustainably by 2020. Some initiatives go beyond the firm level. Efforts such as the Keystone Field to Market, SAI Platform, and Sustainable Food Lab are platforms generated primarily by private-sector businesses. They are taking a strategic opportunity approach to VSS and the challenges of sustainability as a pre-competitive issue as well as working to advance industry-wide behavior in a collaborative way. A survey of 254 senior leaders in procurement and supply chain management indicates the current and emerging rationales for their adoption of sustainability criteria or VSS in their procurement (*see figure on the next page*). What the VSS bring to companies and brands is not only assurance of functional benefits, such as traceability and better practices, but also the goodwill of a public that is increasingly aware of such standards and generally trusts the NGOs that manage them.

The distinction between public and private or corporate standards

Some corporations have elected to create their own standards, either independently or as part of associations. A number of labels are propagated by individual firms. It is not clear whether they have an impact in terms of global trade, since they are often internal standards, or sometimes they can be primarily marketing-oriented efforts. Supermarkets often create their own labels as a distinctive form of communication with their consumers. Association or industry-wide standards have broader effects. Most are business-to-business standards, such as Global G.A.P., the Round Table for Sustainable Palm Oil, and the Ethical Tea Partnership, which raise awareness and establish minimum guidelines. Global G.A.P. has become so widely used that it is now routinely incorporated into other standards. In some sectors and markets, for example fruit and vegetables to the EU, it is becoming a de facto business requirement for some segments of trade.

Reasons for incorporating sustainability criteria in procurement:



Source: Roland Berger Strategy Consultants

There are distinctions between consumer-facing VSS and B2B standards or codes of conduct. The latter are typically more concerned with quality, food safety, and traceability than with more comprehensive aspects of sustainability, and they have not needed to prioritize transparency and independent audits. Although they provide a useful base, most B2B standards are modest on social and environmental requirements — when compared to the consumer-oriented standards — and set the bar for compliance fairly low.

Most, but certainly not all, standards and verification programs that are established exclusively within the corporate arena are often excluded from discussions of VSS because they tend to differ from the salient values of VSS in several ways.

1. They are often imposed on producers and supply chains and rarely include the serious input of producers in their design.
2. The lack of independent oversight or third-party certification suggests that the private firms that control them can alter, dilute, or simply not fully apply the standard at their prerogative.
3. When lacking adequate support or remuneration for sustainable production practices, they can serve as significant barriers to entry for producers.

4. They are rarely transparent, and if they lack accountability that engages consumers, they are limited as a market mechanism that drives sustainability.
- Some firms do not avoid the temptation to launch their own standard, but it often proves to be a cost with little measurable benefit. Even giants such as Wal-Mart, Nestlé, Unilever, Kraft Foods, and Mars have elected to not do so. Their research suggests — and some have stated — that consumers do not want them to compete in this space and prefer that they align with a voluntary sustainability standard, as these are a more accepted arbiter of sustainability. ■

Daniele Giovannucci is co-founder of the Committee on Sustainability Assessment (COSA); Oliver von Hagen and Joseph Wozniak work as consultants for the International Trade Centre (ITC).



THE META-GOVERNANCE OF VOLUNTARY SUSTAINABILITY STANDARDS

By Boudewijn Derkx and Prof. Dr. Pieter Glasbergen

There has been a surge in the popularity of the private standards-setting approach to social and environmental governance in recent decades. A single economic sector may now literally feature dozens of competing voluntary sustainability standards. Emerging gradually as a result of the uncoordinated efforts of various independently operating (coalitions of) actors, the rise of voluntary standards-setting has been largely spontaneous and unplanned. The resulting system of governance is generally characterized by the absence of strategic linkages between the various standards initiatives. Although this multiplicity does have its advantages, the relatively uncoordinated coexistence of multiple competing schemes also results in an unnecessary duplication of efforts and may undermine the stringency of standards programs, lead to consumer (and producer) confusion and skepticism, and exacerbate third-party concerns regarding the credibility and legitimacy of (private) voluntary sustainability standards and certification schemes.

Overall, although degrees of multiplicity and fragmentation differ considerably across the sectors and issue areas that have been subject to voluntary standards-setting, the negative consequences of fragmentation have considerably hampered the effectiveness of the voluntary standards-setting approach to sustainability governance. One way to analytically approach the search for solutions to this fragmentation is grasped with the relatively new concept of “meta-governance.” Loosely defined as “the organization of self-organization” or “regulation of self-regulation,” the meta-governance concept refers to an indirect form of governing that is exercised by influencing various processes of self-governance and is aimed at enhancing coordinated governance in a fragmented regulatory system.

In political science, meta-governance has mainly been attributed to governmental authorities. However, since the start of the millennium, a number of voluntary standards setters



have — with or without the support of UN agencies — started to address the need for meta-governance as well. Their efforts generally entail the coming together of a number of frontrunner schemes and the organizations backing them to jointly address the challenges that their self-created regulatory systems face and produce greater coherence among their efforts.

The reality of private meta-governance

Although the private meta-governance concept can also be used in other contexts, we use it here to draw attention to a fairly narrowly defined set of goal-directed and collaborative efforts aimed at enhancing coherence in the voluntary standards landscape. Specifically, we look at the coalitions of private standards initiatives and the organizations backing them that have come together in a number of different fields to explore opportunities for mutual learning and closer cooperation, agree on benchmarks for convergence, and develop mechanisms for furthering such convergence.

Arguably the most ambitious and high-profile instances to date of such meta-governance have been orchestrated in the realms of sustainable tourism, organic agriculture, fair labor, and voluntary standards scheme credibility, more generally.

Global Sustainable Tourism Council

The tourism industry harbors more than 100 (mostly small) sustainability certification programs, most of which work with their own standards and sets of certification procedures. In 2007 the United Nations Foundation, in collaboration with a number of large private-sector partners, convened the Partnership for Global Sustainable Tourism Criteria to develop a set of baseline criteria to come to a common understanding of how sustainable tourism can be defined and operationalized. Concluding an extensive consultation process, the Global Sustainable Tourism Criteria were officially launched in October 2008, after which the Partnership turned to develop educational materials and technical tools to promote awareness and guide implementation of the criteria.

In 2010 the Partnership merged with another meta-governance effort — a coalition working to establish a global accreditation system for sustainable tourism standards initiatives — to form the Global Sustainable Tourism Council (GSTC). Combining the efforts of its predecessors, its key tasks are to manage and periodically revise the Criteria and to launch and operate an accreditation system. The Council also engages in a number of other work streams aimed at championing the business case

for sustainable tourism (certification), creating a realizable market incentive, and developing a variety of education and training materials to facilitate the transition to sustainable tourism practices.

International Task Force on Harmonization and Equivalence in Organic Agriculture

In addition to more than 100 different private standards and conformity assessment bodies (which actually have been fairly well-coordinated due to the influence of the International Federation of Organic Agriculture Movements (IFOAM) umbrella organization), the organic agriculture sector also counts a gradually increasing set of (mandatory) government regulations and accreditation systems. In 2003, IFOAM, the UN Food and Agriculture Organization, and the UN Conference on Trade and Development jointly convened the International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF) to develop efficient mechanisms to overcome the trade barriers arising from the many different standards, technical regulations, and certification requirements that function in the sector. Bringing together a large group of stakeholders in the field — including governmental, intergovernmental, civil society, and private sector experts — the ITF developed minimum baseline requirements for organic certification bodies and a tool for regulators and private standards setters to use when establishing and recognizing the equivalence of other standards with their own.

The ITF's successor, the Global Organic Market Access project (GOMA, 2009–2012), has taken up the stewardship, promotion, and implementation of these outputs, as well as facilitating concrete regional initiatives for cooperation on harmonized standards development and equivalence determination.

Joint Initiative on Corporate Accountability and Workers' Rights

In addition to numerous company-specific codes of conduct and industry initiatives, there are six key civil society and multistakeholder organizations regulating labor practices in the apparel industry. In 2003, these six organizations established the Joint Initiative on Corporate Accountability and Workers' Rights (JO-IN) to reduce duplication of efforts and jointly identify best practices. Following extensive negotiations, they developed a consensus reference code of labor practices combining the provisions of their six standards. In an attempt to come to a joint understanding as to the optimal design of a code implementation system, they also conducted a trial project — in cooperation with multinational buyers, factories supplying these brands, trade unions, NGOs, and industry and employers' associations — exploring the effectiveness of different approaches to the implementation and enforcement of this code “on the factory floor.”

International Social and Environmental Accreditation and Labelling Alliance

As a membership-based association uniting leading private standards organizations from across different sectors, the International Social and Environmental Accreditation and Labelling Alliance (ISEAL) is the first major meta-governance initiative operating at the level of the private standards-setting system as a whole, rather than working with standards initiatives targeting one particular sector or sustainability issue. Aiming to promote private standards as effective governance mechanisms and credibly establish its members as frontrunners in their respective fields, the majority of ISEAL's work programs revolve around the development, implementation, and stewardship of internationally applicable good practice guidance on the implementation of credible standards systems. The most high-profile examples of this have been the Codes of Good Practice it developed for standards setting, impact assessment, and compliance assurance (certification and accreditation). As well as serving as benchmarks that standards organizations can refer to when developing or improving their systems, these codes also provide third parties with a means to differentiate credible standards initiatives from their less credible counterparts. ISEAL has also developed and shared good practice guidance in a number of other areas of relevance to its members, including accreditation, auditor competence, the accessibility of certification for developing-country producers, and the governmental use of voluntary standards. Furthermore, ISEAL engages with members to develop common policy positions and serves as an advocate for the voluntary standards movement in the wider policy environment.

These four cases illustrate some of the characteristics that instances of this particular brand of private meta-governance have in common.

- Rather than ad hoc processes of cooperation, all four cases show examples of institutionalized and formalized collaboration — if not as autonomous arrangements, then at the least as sustained platforms for collaboration with their own formalized structures.
- Instead of relying on top-down hierarchical controls, these are all bottom-up processes of voluntary collaboration. In the absence of private actors with sufficient authority over the other standards initiatives in their fields to effectively orchestrate meta-governance unilaterally, these private meta-governance efforts all feature genuine cooperation between multiple standards initiatives.
- As the decision to jointly pursue convergence invariably precedes a consensus on the benchmarks around which to converge, these private meta-governance attempts are all deliberative, sense-making enterprises. Private meta-gov-

ernance efforts unfold as processes of intensive interaction and communication, in which the involved actors first aim to create a common view in their issue area around which to then pursue convergence.

- These meta-governance attempts are intentional and goal-directed processes of convergence. Although the gathering together of these coalitions of actors pursuing greater coherence may be a gradual process — and the specific convergence goals may not be known from the outset of this process — these initiatives are conscious and deliberate attempts by the actors involved to tackle fragmentation-induced challenges and increase regulatory coherence.
- These meta-governance attempts are transformative; their objective is not only individual change but also, and more specifically, systemic change. The result of the meta-governance should be a new governance model for the issue area as a whole.

Reflections

Meta-governance in the realm of voluntary sustainability standards can have many different faces, depending on the regulatory context within which it is being pursued and the specific weaknesses in the governance system it aims to address. It can take the form of an internally oriented collaboration between a limited number of like-minded peers (JO-IN), a very inclusive process aiming to bring together and influence a subset of standards initiatives and other stakeholders in a particular industry (ITF, GSTC), or a collaboration between frontrunners from a variety of different fields (ISEAL). Nevertheless, more in-depth study of the four meta-governance ventures briefly outlined above has revealed some general lessons and insights about the politics and practice of meta-governance. We outline six of these below.

1. On the whole, meta-governance initiatives can be seen to concentrate their efforts on two distinct objectives. Firstly, they aim to impose some common goals and priorities on (a subset of the) standards initiatives. These efforts generally involve the negotiation of a common “consensus standard,” which may then be integrally adopted by standards organizations or used as a reference point in standards revisions and the development of new standards. Secondly, meta-governance aims to enhance the capacity of individual standards initiatives to bring about, verify, and reward compliance with these standards. This will often entail the identification and dissemination of best practices with regard to the “technical” dimensions of standards programs, and a more or less deliberately orchestrated convergence around these benchmarks. Such technical aspects may include the legitimacy of the standards-setting process, the design of audit procedures, and mechanisms for tracking certified products along sup-



ply chains, capacity-building programs, and many more. In the final analysis, whether implementing content-based or more procedural harmonization, meta-governance efforts are ultimately hoped to enhance the effectiveness with which standards initiatives can improve the sustainability performance of the targeted economic sector(s), either by boosting the gains in sustainability per certified operator or by increasing the number of certified operators.

2. Although one might have feared that when a number of private regulators come together to agree on some kind of common baseline standard or set of procedural guidelines that the outcome of such “negotiations” would merely reflect a lowest common denominator, the meta-governance initiatives studied have (where they managed to come to a consensus) actually developed very strict reference standards. In fact, the meta-governance attempts had to be careful not to be overly ambitious when developing their benchmarks and had to be aware that reference standards that are too stringent may result in a limited response in the issue area.

3. Given their voluntary nature and the lack of capacity for coercive enforcement, meta-governance efforts focus very much on further improving already credible standards initia-

tives rather than on addressing instances of greenwashing, malpractices, and anti-competitive practices, which also characterize the realm of voluntary sustainability standards. All the case study initiatives attempt to increase the market share of credible initiatives with stringent programs at the expense of their less credible counterparts. By manipulating market dynamics in favor of the “best” schemes, they thus attempt to enhance the overall public interest, legitimacy, and/or goal attainment capacity of the standards fields they meta-govern without having to engage directly with the “weakest links.” In the long term, however, it is hoped that raising the bar for the frontrunners in the field — while simultaneously increasing their efficacy vis-à-vis their less credible counterparts — will inspire a certain “pull” on laggards and the mainstream to also implement (more incremental) improvements.

4. Great importance should be attached to the meta-governance initiatives’ relationship and trust-building dimension and its effects on the potential for future collaboration among those involved. Apparently, given current levels of fragmentation in the voluntary standards field, the need for enhanced relationships, trust, and understanding among the various regulatory actors involved is so big that these secondary effects of meta-governance initiatives are often considered just as important — if not more important — than the actual official outputs these processes generate. Moreover, as well as being an important outcome of the process in and of itself, they are also a prerequisite for meta-governance processes to move forward successfully. Because meta-governance initiatives really do require a certain level of trust, mutual understanding, and a willingness to make concessions, tangible progress is generally slow until a sufficient level of mutual trust and understanding is present. Accordingly, the first meta-governance efforts in a sector are often — to a large extent — about laying the groundwork for future cooperation, and the speed with which meta-governance initiatives progress toward their substantive goals usually increases once this foundation has been established.

5. The regulatory system’s pre-existing level of institutionalization has considerable influence on a meta-governance initiative’s ambitions and effectiveness. It is often easier for a meta-governance initiative to fill a regulatory gap than it is to introduce regulatory innovations that serve to replace or otherwise undermine existing mechanisms or institutions. High levels of institutionalization causes inertia among standards initiatives and tends to do so the most with regard to those aspects of their systems that they consider to be most “defining” of their programs. Still, at the same time, some degree of maturation is necessary, as there is also the risk of launching a full-blown meta-governance effort too early on in the development of the practice of standards setting and certification in a sector. Attempting to orchestrate

convergence before a certain foundation of operational standards initiatives and market interest in certification is established will probably result in slow progress and limited initial impacts, and may even undermine the momentum on which the gradual mainstreaming of voluntary standards ultimately depends.

6. Voluntary sustainability standards fields virtually always have strong linkages with (the regulatory efforts of) governments and intergovernmental agencies. Accordingly, the public sector generally has considerable influence over the effectiveness of (even the private) voluntary standards-setting and certification efforts. Although often in the background, in all our cases government or UN funding played a role in stimulating the attempts of meta-governance in the private sphere. Moreover, the involvement of public-sector actors can often play an important role in ensuring that meta-governance indeed enhances legitimacy and public interest. Ultimately, how exactly to balance the public and private sector contributions to meta-governance in a particular realm is in large part dependent on the nature and extent of the linkages between private standards-setting efforts and public-policy mechanisms, the actor constellations in that particular regulatory field, and the relevance of the sector in question to public-policy objectives. ■



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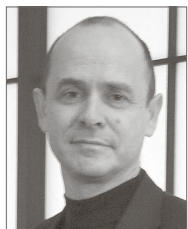
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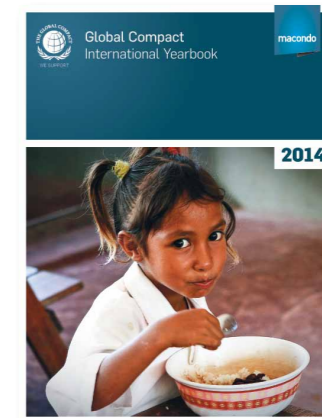
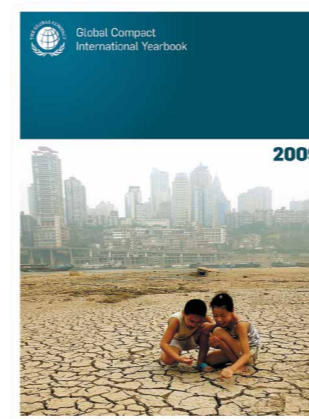
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Ban Ki-moon, UN Secretary-General

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