



Inaugural Meeting of the United Nations Global Compact Advisory Group on Supply Chain Sustainability

26-27 January 2010

**Telenor Group Headquarters
Oslo, Norway**

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Summary

On 26/27 January 2010, the UN Global Compact Office, with the support of BSR (Business for Social Responsibility), convened the inaugural meeting of the UN Global Compact Advisory Group on Supply Chain Sustainability. The meeting was chaired by Mr. Mads Ovlisen, Member of the UN Global Compact Board and Chair of the Advisory Group.

The meeting gathered 18 representatives of business and civil society for a one and a half-day discussion on the issue of supply chain sustainability and how Global Compact signatories can become more proactive in their efforts to incorporate the Ten Principles into their existing sourcing practices. The main objective of the meeting was to seek the advice of the advisory group members regarding the overall strategy and approach of the Global Compact Office and BSR on the issue of supply chain sustainability.

At the meeting, the members of the advisory group discussed basic as well as advanced approaches to sustainable supply chain management from a global perspective. The advisory group also reviewed and commented on outlines of the three proposed project deliverables for the Leaders Summit; an implementation guide, an online assessment and learning tool and a supply chain website. Several advisory group members also presented their company's supply chain practices.



It was concluded that the proposed project outputs will deliver value for Global Compact signatories – both for new adopters of supply chain sustainability management programs as well as for more advanced companies.

The Global Compact Office would like to thank the Telenor Group for generously hosting the inaugural meeting.

Key action points

- Advisory group members will help identify best practice examples for inclusion in the guidance material, as well as contribute with CEO quotes on the business case.
- The Global Compact Office and BSR will produce new versions of the guidance material, based on the recommendations of the advisory group, and share with the group for consultation in late February/March 2010.



DAY 1: GOOD PRACTICES

Opening remarks and welcome

The Chair of the Advisory Group, Mr. Mads Ovlisen, officially opened the meeting and, on behalf of the Global Compact Office and the Global Compact Board, thanked the advisory group members for their willingness to work with the Global Compact and Business for Social Responsibility on this issue. Ovlisen outlined why the Global Compact Office has started working on this issue, emphasizing the challenge that many Global Compact signatories face developing sustainable supply chain strategies and programs. He also said companies are increasingly held accountable for the environmental, social and governance (ESG) performance of their suppliers. He said the Global Compact Office views supply chain sustainability as a priority issue.

Ovlisen stressed the important role of the advisory group in ensuring that the strategy and approach of the Global Compact address the needs of its business participants. He also stressed the importance of the three project outputs as key deliverables for the advisory group to complete prior to the Leaders Summit in June 2010.

The Role of the Advisory Group

The UN Global Compact Advisory Group on Supply Chain Sustainability is convened to ensure that the guidance material developed by the Global Compact, in collaboration with its partners, is robust and addresses the needs of Global Compact signatories.

The advisory group members will:

- Advise on the overall strategy and approach of the Global Compact Office on the issue of supply chain sustainability
- Advise the Global Compact Office and partners on the selection and overall focus of project outputs, including the identification of good corporate practices
- Participate in meetings of the advisory group to discuss the overall strategy and provide input and advice regarding the development of the project outputs
- Comment on issue-specific guidance produced by the Global Compact Office
- Review and comments on both draft and final versions of the guidance material to be launched at the UN Global Compact Leaders Summit on 24-25 June in New York



Welcome and presentation of Telenor's experiences and sustainable supply chain program

Mr. Stein Hansen, Senior Vice President of Telenor's Business Assurance and Industry Relations, said Telenor created permanent "business assurance" units in all operations during 2009 after the revelation of unacceptable working conditions in some suppliers in early 2008. The units are responsible for monitoring and improving sustainability in the supply chain. Among Telenor's achievements in this process, Mr. Hansen highlighted the establishment of Supplier Conduct Principles, a revised Group Policy and Procedure framework and the establishment of systematic monitoring activities in every operation. The company currently performs supplier risk mapping, supplier self-assessments as well as inspections, and focuses on continuous improvement together with its suppliers. Within less than a year, Telenor reduced its supply chain risk indicator significantly from 59 to 8. Mr. Hansen said that the activities have taken a lot of efforts and that top management commitment has been crucial. Internal awareness activities have been required. Coaching, training and awareness-raising of suppliers have been needed in some markets.

Update on the UN Global Compact

Ms. Cecilie Hultmann of the Global Compact Office updated the advisory group on recent facts and figures from the Global Compact, as well as on the upcoming 2010 UN Global Compact Leaders Summit where the project outputs will be launched.

"Getting Started" on supply chain sustainability

The "Getting started" session was aimed at identifying the basic or minimum activities that a Global Compact signatory can undertake when first developing and implementing a sustainable supply chain program. The discussion focused on the importance of executive support and clarifying the business case, procedures for adopting and embedding standards and policies as well as the rolling out of communication, monitoring and improvement programs.

Ms. Eileen Kaufman, the Executive Director of Social Accountability International (SAI) moderated the session. To kick-start the discussion, three examples of company practices were presented: by Mr. Juan Antonio Espinosa, Procurement Director, Planning and Control at Cemex, Dr. Gerhard Prätorius, Head of Coordination CSR and Sustainability at Volkswagen, and Ms. Hilary Parsons, Supply Chain Senior Manager at Nestlé.



Key outcomes of the discussion:

Executive support and the business case:

1. Executive support is crucial for the development and implementation of sustainable supply chain programs. The CEO and top management need to act as champions to ensure success.
2. Clarify the strategic (not only reputational) importance of sustainable supply chain management and internally communicate this message to ensure understanding and ownership at all personnel levels.

Adopting and embedding standards and policies:

1. Map existing policies and processes – check what you are already doing.
2. Learn from what others are doing. Don't reinvent the wheel.
3. Corporate value statements should include or clearly link to elements of sustainability.
4. Sustainable supply chain policies and programs should be developed incrementally. Supply chain sustainability should be regarded as a long-term goal and not as a quick fix.
5. Involve both internal and external stakeholders when developing policies.
 - a. Internally, the company should involve all relevant departments such as sustainability, procurement and more operational business units. This creates understanding and ownership over new policies.
 - b. Externally, suppliers, investors, worker organizations, government agencies and non-governmental organizations can provide critical guidance and assistance.
6. Focus on improving internal business operations before requiring changes from suppliers.
7. Internal integration and cooperation between departments is critical. Business must adopt sustainability policies both horizontally and vertically, and embedded such policies in management structures (not treated as voluntary or optional).

Rolling out communications, monitoring and improvement programs:

1. Identify and map the company's suppliers.
2. Conduct risk assessments to determine the most risky links in the supply chain (accounting for both existing risks and possible future risks). Validate findings through site visits.
3. Prioritize suppliers based on cruciality (co-dependency / strategic importance) and risk. Develop different strategies for different sets of suppliers, accounting for and adapting to, if necessary, local settings. Start with pilot projects to gain and enable the communication of small successes.



4. Set realistic (measurable, and by implication trackable and reportable) goals and objectives.
5. Inform relevant suppliers about the company's program and ask for commitment.
6. Operationalize: policies and standards need to result in activities (walk the talk).
7. Focus on continuous improvement of performance. Critical for success is awareness-raising, training and educating of:
 - a. Key internal departments, such as sourcing departments.
 - b. Suppliers. Address the correct level at the supplier: the CEO and top management must be included in engagement and training efforts.
8. Develop internal incentives for sustainability performance (recognition, remuneration).
9. Determine what kind of inspection/monitoring/verification will be used.
10. Evaluate performance, measure programs and interventions so that improvements can be made.
11. Be transparent and open about the company's challenges and activities. Manage expectations.
12. Map and engage with the company's stakeholders. Seek synergies with other initiatives and establish partnerships and collaboration with industry peers. This is particularly important on challenging issues.

“Best Practice”: what is best practice and how do we define it

The objective of the “Best Practice” session was to discuss and identify what constitutes best practice in sustainable supply chain management. The session focused mainly on the issues of risk management, sustainable products and creating economic efficiency through sustainable supply chain initiatives. The session aimed at defining the leading practices when developing and implementing sustainable supply chain programs, as well as identifying good practice examples.

The session, moderated by Cody Sisco from BSR, included company presentations by Mr. Aleix Gonzalez Busquets, CSR Global Director at Inditex, Mr. Mika Kiiskinen, Social manager of Social and Ethical Issues at Nokia and Mr. Thomas Bergmark, Sustainability Manager at IKEA Group.

Key outcomes of the discussion:

Risk management

1. Rate suppliers based on the scope or hazard of activities. Address the low-raters and introduce requirements. Differentiate between different clusters of suppliers (develop



and implement different models / programs for different categories and types of suppliers).

2. Identify risk models that work for the company. Develop metrics for managing risks and measuring performance. Measure impacts of programs.
3. Monitor and perform internal and external audits of suppliers' ESG performance.
4. Focus on training of suppliers and building their capabilities for sustainability management.
5. Identify potential future issues and topics. Be proactive.
6. Move beyond focusing only on the most challenging issues and develop a holistic approach to sustainable supply chain management– one that encompasses all issues and principles of the Global Compact.
7. Broaden the focus of the company to not only look at the factory level, but also at the surrounding community.
8. Encourage suppliers to join the Global Compact. Introduce a policy to source from suppliers that participate in the Global Compact.
9. Extend programs to lower-tier suppliers. Transfer ownership down the supply chain. Deepen the commitment of first-tier suppliers and train direct suppliers to monitor the performance of their suppliers (sub-suppliers).
10. Clarify consequences of non-compliance.

Sustainable products

1. Focus on developing new and innovative sustainable products.
2. Communicate value of sustainable products to customers and consumers.

Efficiency

1. Clarify the return on investment (ROI) – for the company, for the supplier and for society. What is the value of the program for the company and its suppliers? What is the impact on society? Develop indicators and track impact and ROI over time.
2. Invest in productivity enhancing measures for key suppliers.
3. Work with partners. Engage in collective action and collaboration with industry peers. Develop and support industry-wide initiatives and approaches. Support local collective action initiatives and networks, such as Global Compact Local Networks.
4. Engage in public-private partnerships to improve legislation and governmental processes.
5. Focus on continuously improving internal processes – harmonize internal efforts, don't create parallel processes. Communicate a common message from the company.
6. Focus on the continuous improvement of supplier performances. Training and education is critical. Support local training institutes and business networks.



7. Work with suppliers, unions, workers, labour organizations and other important stakeholders when developing codes, standards, policies etc.
8. Recognize and reward good performing suppliers.



DAY 2: DELIVERABLES

The objective of Day 2 was to seek the input and advice of the advisory group on the three proposed project outputs to be developed prior to the 2010 UN Global Compact Leaders Summit.

Output 1: The Implementation Guide - Presentation of Draft Version for Discussion

During this session, the draft outline of the first proposed project output – the “Supply Chain Sustainability: Implementation Guidance, Inspiration and Examples” was presented for discussion by Cody Sisco of BSR. The purpose of the guide is to clarify for Global Compact signatories how they can implement the Ten Principles in supply chain management and sourcing practices. The guide will focus on essential value drivers and will highlight the major stages of the implementation process, such as supplier segmentation, risk assessment, performance evaluation and further engagement. It will differentiate between basic and advanced approaches to sustainable supply chain management, and present a collection of examples of good and emerging corporate practices. Although primarily targeting new adopters of sustainable supply chain policies, the guide is also intended to be useful for companies with greater experience in supply chain sustainability. BSR and the Global Compact Office also called for advisory group members to help identify good practices to include in the guide, and to provide statements from their CEOs on the business case for sustainable supply chain management.

Outcome:

The advisory group supported the development of the guide. They stressed the importance of keeping the guide concise and practical and that it communicate in simple, pragmatic language. The guide should enable buyers to train suppliers on how they can engage with sub-suppliers on these issues. The members of the group emphasized the importance of clarifying the business case for both buyers and suppliers, in addition to outlining the ethical case for why supply chain sustainability is important. The guide should present the “ten most important steps” to developing and implementing a sustainable supply chain program in the introduction or executive summary. The group recommended that the guide be shared with a group of smaller suppliers for their comments prior to the launch. The advisory group also recommended that the guide be translated into the six official UN languages¹ to facilitate its use by small and

¹ Arabic, Chinese, English, French, Russian and Spanish



medium-sized enterprises (SMEs) around the world. Detailed comments regarding the structure and content of the guide were also made. BSR and the Global Compact said that they will incorporate the comments into the next version of the guide, to be shared with the advisory group members in February / March 2010.

Output 2: The Online Assessment and Learning Tool – Presentation of Outline for Discussion

Cody Sisco of BSR presented the project description and outline of the second proposed deliverable for the Leaders Summit: the Sustainable Supply Chain Online Assessment and Learning Tool. This interactive tool will serve as a supplementary instrument to the implementation guide. The objective of the tool is to enable companies to assess their supply chain activities and to help identify areas and avenues for improvement. The target audience for the tool includes both companies that are new to sustainable supply chain as well as more experienced companies seeking to improve their efforts.

Outcome:

The advisory group supported the development of the tool. The group stressed the need for the tool to be connected and aligned with the implementation guide and that it should operationalize the implementation guide. The members also stressed the need to make it clear for what the tool can and cannot be used. Participants also emphasized the importance of keeping the tool simple for navigation. BSR and the Global Compact said that they would incorporate the recommendations of the advisory group into the next version of the tool, to be shared with the advisory group members in February/March 2010.

Output 3: The Supply Chain Website - presentation of the project for comments & discussion

In this session, the third proposed deliverable for the Leaders Summit, the Supply Chain Website, was presented by Ms. Cecilie Hultmann of the Global Compact Office. The aim is to produce a simple online resource to present current initiatives, resources, tools, guidelines and practices related to supply chain responsibility. The Website will make it easier for business to locate information and resources that can assist them in developing and further improving their supply chain practices. It will be global in scope and will approach the issue of responsible supply chain management from a holistic perspective (based on the Global Compact framework). The target audience includes all Global Compact signatories (including both beginner and advanced participants), and beyond.



Outcome:

The advisory group supported the development of the website. There was a consensus among the members that the website should also present corporate practices and resources. The advisory group stressed the importance of ensuring that the website is regularly updated and maintained as well as collecting a critical mass of resources in order for it to be useful. They also supported the idea of filtering according to industry sectors. Several members stressed the need to explore cooperation with existing initiatives. Specific suggestions including the using of an RSS feed and an online sign-up system were also acknowledged.

Looking forward

Ms. Cecilie Hultmann of the Global Compact Office presented the next steps for the advisory group leading up to the Leaders Summit. She also briefed the group about other related supply chain projects of the Global Compact Office and partners, such as the new guide on combating corruption in the supply chain, an environmental stewardship guide which will include a section on value-chain, the Global Compact's Human Rights Working Group good practice note on supply chain partnerships. Ms. Hultmann also briefed the advisory group about the new GRI project to improve supply chain reporting guidance.

Outcome:

- The Global Compact Office and BSR will convene a conference call for the advisory group members in March 2010, to discuss the status of the project deliverables.
- The Global Compact Office will share issue-specific guidance related to supply chain with the advisory group members for their comments.
- GRI reporting guidance: companies are invited to share examples of how they report on supply chain activities. Contact Bastian Buck at GRI (Buck@globalreporting.org) for more information.
- The date for the next meeting of the advisory group was tentatively set for 23 June 2010 in New York.
- The discussion about the strategy of the Global Compact on the issue of supply chain sustainability beyond the Summit was postponed until the next meeting of the advisory group.



- PARTICIPANT LIST -

UN Global Compact Board	Mr. Mads Ovlisen	Chair - UN Global Compact Advisory Group on Supply Chain Sustainability
ArcelorMittal	Mr. Michael Wilhelmer	Manager - Global Procurement Services
Business for Social Responsibility	Mr. Cody Sisco	Manager – Advisory Services
Business for Social Responsibility	Ms. Blythe Chorn	Associate – Advisory Services
Cafeterias Toks S.A. de C.V	Mr. Gustavo Pérez Berlanga	Senior Vice President - CSR and Toks University
Cemex	Mr. Juan Antonio Espinosa	Procurement Director, Planning & Control
Det Norske Veritas	Dr. Bente Pretlove	Corporate Advisor - CSR & Sustainable Development
DiGi Telecommunications Sdn Bhd	Ms. Sumitra Nair (replacement for Ms. Vimal Kumar)	Manager - Corporate Responsibility
Global Social Compliance Program (GSCP)	Ms. Claudine Musitelli	Director
Hewlett-Packard	Mr. Karl Daumueller	Program Manager & SC SER Lead Auditor
IKEA Group	Mr. Thomas Bergmark	Sustainability Manager
Inditex, Industrias de Diseño Textil, S.A.	Mr. Aleix Gonzalez Busquets (replacement for Mr. Blazquez)	CSR manager
Innovation Norway	Ms. Trude Andersen	Head - Corporate Responsibility
Nestle S.A.	Ms. Hilary Parsons	Public Affairs Manager, Supply Chain
Nokia Corporation	Mr. Mika Kiiskinen	Senior Manager, Social & Ethical Issues Management
Reed Elsevier Group plc	Dr. Márcia Balisciano	Director, Corporate Responsibility
Social Accountability International (SAI)	Ms. Eileen Kaufman	Executive Director
Telenor Group	Mr. Stein Hansen	Senior Vice President
UN Global Compact Office	Ms. Cecilie Hultmann	Issue manager - supply chain sustainability
Volkswagen AG	Dr. Gerhard Prätorius	Head of CSR and Sustainability



- UN GLOBAL COMPACT

ADVISORY GROUP ON SUPPLY CHAIN SUSTAINABILITY -

Organization	Country	Sector	Name	Title
UN Global Compact Board	Global		Mr. Mads Ovlisen	Chair - UN Global Compact Advisory Group on Supply Chain Sustainability
ArcelorMittal	Luxembourg	Industrial Metals & Mining	Mr. Michael Wilhelmer	Manager - Global Procurement Services
Business for Social Responsibility	Global	Non-business stakeholder	Mr. Cody Sisco	Manager - Advisory Services
Cafeterias Toks S.A. de C.V	Mexico	Beverages	Mr. Gustavo Pérez Berlanga	Senior Vice President - CSR and Toks University
Cemex	Mexico	Construction & Materials	Mr. Juan Antonio Espinosa	Procurement Director, Planning & Control
Cisco Systems	USA	Software & Computer Services	Mr. Brian Glazebrook	Senior Manager - Value Chain Social Responsibility
Det Norske Veritas	Norway	Professional services	Dr. Bente Pretlove	Corporate Advisor - CSR & Sustainable Development
DiGi Telecommunications Sdn Bhd	Malaysia	Telecommunications	Ms. Vimal L Kumar	Head - Corporate Responsibility
Esquel Group of Companies	China	Personal goods	Ms. Tammy Rodriguez	Director of Corporate Responsibility
Global Social Compliance Program (GSCP)	Global	Non-business stakeholder	Ms. Claudine Musitelli	Director
Grupo Pão de Açúcar - Companhia Brasileira de Distribuição	Brazil	General retailers	Ms. Paolo Pompilio	Diretor de Relações Corporativas e RSA
Hewlett-Packard	USA	Technology hardware & equipment	Ms. Zoe McMahon	Supply Chain Social and Environmental Responsibility Manager
Hitachi, Ltd.	Japan	Technology hardware & equipment	Mr. Brian Larnerd	Senior Manager Corporate Social Responsibility & Chief Executive for the Americas Office
Huyndai Motor Company	Republic of Korea	Automobiles&parts	Dr. In-mo Cheong	General Manager Environment Strategy Planning



IKEA Group	Sweden	General retailers	Mr. Thomas Bergmark	Sustainability Manager
Inditex, Industrias de Diseño Textil, S.A.	Spain	Personal goods	Mr. Javier Chercoles Blazquez	CSR Global Director
Infosys Technologies Ltd	India	Software & Computer Services	Mr. Sandeep Dadlani	Vice President - Retail, CPG & Logistics
Innovation Norway	Norway	Non-business stakeholder	Ms. Trude Andersen	Head of CSR
Integrated Contract and Supply Solutions - ISCS	United Arab Emirates	General Retailers	Mr. Robert Jenkins	CEO
Koninklijke Philips Electronics N.V.	Netherlands	Technology hardware & equipment	Mr. Jan-Willem Scheijgrond	Senior Director - Health, Safety and Environment
Mahindra & Mahindra Limited	India	General industries	Mr. Beroz Gazdar	Vice President - Infrastructure Development Sector
Nestle S.A.	Switzerland	Beverages	Ms. Hilary Parsons	Public Affairs Manager, Supply Chain
Nokia Corporation	Finland	Telecommunications	Mr. Mika Kiiskinen	Senior Manager, Social & Ethical Issues Management
Reed Elsevier Group plc	UK	Media	Dr. Márcia Balisciano	Director, Corporate Responsibility
Social Accountability International (SAI)	Global	Non-business stakeholder	Ms. Eileen Kaufman	Executive Director
STR Responsible Sourcing	USA	Professional services	Ms. Rachelle Jackson	Director, Research & Development
Takeda Pharmaceutical Company Limited	Japan	Pharmaceuticals and Biotechnology	Mr. Koichi Kaneda	Senior Manager, CSR and Corporate Branding
Tata Council for Community Initiatives (TCCI)	India	General industries	Mr. Anant Nadkarni	Vice President - Group Corporate Sustainability
Telenor Group	Norway	Telecommunications	Mr. Stein Hansen	Senior Vice President



UBS AG	Switzerland	Financial sector	Mr. Alexander Seidler	Director
Unilever	UK	Beverages	Mr. Willem-Jan Laan	Director Global External Affairs
Volkswagen AG	Germany	Automobiles&parts	Dr. Gerhard Prätorius	Head of Coordination CSR and Sustainability