Excerpt

IMPACT

TRANSFORMING BUSINESS, CHANGING THE WORLD

The United Nations Global Compact
“Change does not happen by itself. It must be pursued with vigour, and by all of society. The sustainable journey that we need to take is in everybody’s best interest. Nobody benefits from catastrophic climate change or rampant unemployment and the social unrest that comes with it. Prosperous, stable societies and a healthy planet are the bedrock of political stability, economic growth and flourishing new markets. Everyone has a role to play.

The UN Global Compact has brought business to the table as a key partner. We have seen that responsible business practices combined with innovation and collaboration can bring about powerful change. Now, we need more companies around the world to commit to sustainability, and take shared responsibility for achieving a better world.”

H.E. Ban Ki-moon
Secretary-General
United Nations
This report marks the 15th anniversary of the launch of the United Nations Global Compact. 15 years ago, a small group of leaders from the UN and business came up with a visionary proposal: to align corporate practices with ten universal principles; to mobilise the global business community to advance UN goals; and to build a sustainable, inclusive global economy in which both business and society can thrive, within the environmental limits of the planet.

This change was never going to be easy. Entrenched business mindsets were not going to shift overnight. Now, 15 years on, it is time to take stock of how far we have come, what we have achieved, and the critical challenges we still face. It is time to build on the change we have seen over the past 15 years, and accelerate the scale of progress.

Our analysis begins by explaining how the UN Global Compact calls on businesses to take action, and its place in the history of the modern corporate sustainability movement. We then explore the role of the Global Compact in driving change by setting out 16 findings across three areas:

1. Corporate practices;
2. The corporate operating environment; and
3. Dominant worldviews.

To examine how the Global Compact is working to advance business leadership on some of the world’s most pressing challenges, we present ‘Spotlights’ on key action platforms including Caring for Climate, Business for Peace, the CEO Water Mandate and the Women’s Empowerment Principles. We also explore the effect of the Global Compact Local Networks, 88 country networks which work to anchor the Global Compact at the local level. Finally, we take a step back and reflect upon the impact we believe that the Global Compact has had over the years.

We conclude by setting out three pathways for the future – our recommendations for how we can work together to achieve the vision of a sustainable and inclusive global economy, and what the Global Compact can do to scale its impact.

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**OUR SOURCES**

To conduct the assessment, we have interviewed 214 representatives from business, academia, civil society, labour unions, government and the United Nations. Of these, 56 were top executives. In addition, we have surveyed over 1,500 Global Compact participants, UN agencies and Global Compact Local Networks.
PART I
THE HISTORY OF THE MODERN CORPORATE SUSTAINABILITY MOVEMENT
The expectations and attitudes that prevailed in the business world 15 years ago were vastly different than those of today. The implications of an increasingly globalised world were yet to be fully understood, and business was seen to be profiting at the expense of communities and the environment. High-profile clashes between companies and civil society erupted around the world.

It was becoming increasingly clear that the single-minded goal of profit at any cost was fracturing societies and destroying the environment. Essentially, business was threatening the very elements that underpinned its own existence.

PART II
LEVEL 1: CHANGE IN CORPORATE PRACTICES – HAS BUSINESS BECOME MORE SUSTAINABLE?
CORPORATE PRACTICES: WHAT HAVE WE FOUND?
1. Taking root: The global spread of sustainability
2. Into the fold: Expanding the scope of corporate sustainability
3. Moving up: Sustainability gaining strategic ground
4. Mind the gap: Actions and intentions are still not aligned
5. Chain reaction: Sustainability cascading through the value chain
6. Nowhere to hide: Transparency is becoming the new norm
7. Smarter together: New forms of collaboration between business and society

Over the past 15 years, business has significantly increased its focus on sustainability issues. The number of Global Compact signatories is growing with both large influential world and smaller companies coming on board. Corporate sustainability has become a broad global movement. A success story, in slow motion.

Today, the umbrella of ‘corporate sustainability’ covers a much broader range of social, environmental and governance issues than before. However, companies have become increasingly sophisticated in their approach, and are focusing on issues that matter the most – targeting responses to achieve greater impact.

Responsibility is also moving upwards in corporate hierarchies. Top executives are gradually taking ownership of developing sustainability strategies, and building them into core business functions.

However, there is still a very long way to go before sustainability is fully embedded into the DNA of business globally, but there are clear signs of progress. A much larger proportion of leading companies today show real commitment to embedding their sustainability efforts into the core business strategies and practices, and are doing so in a systematic way. Sustainability is gaining strategic weight and is increasingly understood as a driver of innovation, technology development and new business models.

Over the past 15 years, the Global Compact has made important strides to encourage companies to improve practices and advance reporting on performance. As the only global voluntary framework with a mandatory reporting requirement, the Global Compact has played an important role in challenging companies to become more open and transparent. And business is gradually responding by developing more strategic, systematic, integrated, transparent and collaborative approaches to sustainability.

As our understanding of the complex and systemic challenges humanity currently is facing deepens, and that stable and prosperous societies and business go hand in hand, the need for collaboration is increasingly clear. Cross-sector collaboration continues to evolve as the realisation of the need for this symbiosis grows.

Throughout this section, we demonstrate how corporate practices have changed by outing a spotlight on some of the Global Compact initiatives. These include Caring for Climate, the CEO Water Mandate and LEAD.

LEVEL 2: CHANGE IN THE CORPORATE OPERATING ENVIRONMENT – IS THE PRESSURE ON?
THE CORPORATE OPERATING ENVIRONMENT: WHAT HAVE WE FOUND?
1. Playing catch-up: Bringing regulation up to speed
2. Voluntary is booming: Business is taking the lead
3. Adding value to society: Investors’ sights set on sustainability
4. From confrontation to collaboration: A new relationship with NGOs
5. Open for business: The UN embraces corporate partnerships

Business is not operating in isolation from a rapidly changing world. More informed stakeholders exert pressures from both markets and broader society. In this new paradigm, a corporate licence to operate is increasingly granted by society, not by governments or regulatory bodies.

Regulation is the most powerful driver of sustainability, but in some important areas governments lag behind. Conversely, leading companies have begun to push for smarter regulation. Even where regulation is lacking, there has been a significant increase in the number of businesses signing up to voluntary corporate sustainability initiatives. In fact, most multinational companies today are involved in some kind of voluntary scheme.

Investors are requesting a higher degree of disclosure and risk management from the companies they engage with. Instead of simply divesting, investors today are more likely to work with their investees to achieve better performance. More and more, environmental, social and governance (ESG) disclosures are being included in financial evaluations and forecasts.

In recent years, civil society tactics have evolved from ‘naming and shaming’ to seeking positive dialogues and partnerships. In this context, the Global Compact has facilitated the merger of interests that have long been at odds, leading to new and valuable understanding.

For the United Nations itself, relations with business in the early 2000s were limited and marked by a high degree of distrust. The private sector was largely excluded from international deliberations. Now, the UN is open for business, and partnerships are booming across the system.

Throughout this section, we highlight how changes in the corporate operating environment have been influenced by Global Compact activities, in particular the Principles for Responsible Investment, the Principles for Responsible Management Education and Business for Peace.

LEVEL 3: CHANGE IN DOMINANT WORLDVIEWS – WHO’S GETTING IT?
DOMINANT WORLDVIEW: WHAT HAVE WE FOUND?
1. Wrong direction: A deep sense of urgency is emerging
2. More than just buzz: Mainstreaming sustainability in the business sphere
3. A balancing act: Redefining the fundamental purpose of business
4. Key to the future: Sustainability is critical to business success
For real transformation to a sustainable and inclusive economy to happen, it is not just corporate practices and operating environments that need to change. A change in the worldviews which ultimately guide behaviour is essential. As the social and economic cost of environmental degradation becomes clearer, a deep sense of urgency is emerging around the need to change that path that we are currently on.

Today, it would be implausible for any global company to exclude sustainability from its agenda. This has been a major shift over the last 15 years. Mainstream business media have clearly responded, raising aspirations and encouraging a more sophisticated discussion around the responsibility of business. New and different expectations on the role of business in society are emerging, focusing more on the opportunities associated with sustainability. When the Global Compact was launched, business was largely focusing on generating value for shareholders. Corporate sustainability and stakeholder matters drew marginal attention.

The idea that business can, and should, balance profit with purpose has started to challenge the long-held view of short-term profit-maximisation. The Global Compact has contributed to a cognitive overhaul around the purpose of business and its obligations to society, and importantly challenged the view that sustainability is only about risk.

In this section, we give concrete examples of how the dominant worldview has changed by turning the spotlight on the Women’s Empowerment Principles.
EXECUTIVE SUMMARY

The Global Compact has played an increasingly important role in shaping the drivers of business conduct, and its efforts have a flow-on effect to the wider business community beyond its immediate participant base. Finally, the Global Compact has had a significant impact on shifting the dominant worldview by driving a change in our perception of the purpose and responsibility of business, and by inspiring a new narrative around business as a force for good. The outcome: It is almost impossible for a global company today to avoid having sustainability on the agenda. But there is still a long way to go to achieve the scale of mindset change the world needs.

PART III

PATHWAYS TO A SUSTAINABLE AND INCLUSIVE GLOBAL ECONOMY

Tremendous progress has been made over the last 15 years. But the world needs to move much further, much faster to have any hope of achieving the Global Compact’s vision. Sustainable business practices must evolve rapidly. Continuing the change that has been started is not enough. It is time to accelerate and scale up.

In the final Part of the report, we explore 15 of the trends that will shape the global business landscape over the next 15 years. Subsequently, we outline three pathways of transformation:

LOCAL NETWORKS – A SUSTAINABLE GLOBAL ECONOMY FROM THE GROUND AND UP

The Local Networks take the Global Compact beyond boardrooms. Every nation faces a unique set of challenges and opportunities, and different political, economic, social and environmental conditions shape the business environment. Local Networks help companies identify the most pressing issues in a specific country and seek to offer support particularly to smaller and mid-sized enterprises and to unite local stakeholders to mobilise change. In doing so, they anchor the Global Compact within individual national, cultural and linguistic contexts. To realise the full potential of the Networks, a significant effort must be made to strengthen capacity, stable funding and ensure better governance.

THE IMPACT OF THE GLOBAL COMPACT

There are a multitude of events, trends and organisations that together are contributing to shape and mainstream sustainable business globally. The Global Compact has been one of these driving forces, and perhaps one of the most important ones. Through encouraging all companies – no matter the size, nationality or starting point - to take the first steps towards sustainability, it has made real headway in spreading the idea of principled, sustainable business based on a set of universal values across the globe.

The Global Compact has impacted corporate practices by drawing more companies into the network and pushing into markets where corporate sustainability was not yet on the agenda. However, much more remains to be done to drive active engagement, and to bridge the gap between commitment and action.
To ensure that positive change in a complex environment can be duly encouraged, Global Compact participants will need to work wisely. They should prioritise efforts on critical sustainability issues and identify where the biggest regulatory gaps lie. The Global Compact Local Networks will be critical in driving this action on the ground, provided more effective and harmonised structures are built.

The ultimate goal is to inspire new ways of thinking and generate transformative action by incentivising and scaling the new business models, technologies and innovations that hold the potential to solve the challenges we face today, and radically transform society for the better. There must be a fundamental shift in the way we think about growth and prosperity. We expect to see more focus on sustainability as the next generation of business leaders comes to the fore. The new vanguard is not just concerned with profitable business: they want to leave a profitable and sustainable legacy.

The Global Compact must inspire the next generation of leaders to step up, just as the first signatories did 15 years ago. It is critical to bring on board those who have the power and influence to set the agenda, but this should be done together with the future leaders - giving them a seat at the table where important decisions are made. The only way to get transformative change is if enough people have the courage to step up, take a risk, show leadership and make a difference.

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**OUR PATHWAYS TO TRANSFORMATION**

1. Sustainability is the ‘business of business’
2. Break down barriers, energise positive drivers
3. New thinking for a new reality

More companies across the world need to engage with the Global Compact, rethink their corporate purpose, and recalibrate their goals. For the Global Compact, a smart, targeted strategy to recruit high-impact companies in high risk regions should be a priority.

Public policy needs to gear up to enable more consistent sustainable practices and to deliver sustainability outcomes. And business must voice their readiness for better regulation. Too often contradictions exist where companies have progressive corporate sustainability programs, but lobby for outcomes which conflict with their own sustainability commitments.

Collaboration between business, regulators, investors, academia and civil society organisations will be essential as work towards a common vision. Now, with the UN expected to launch a ground-breaking set of global Sustainable Development Goals in 2015, business will have a newly relevant framework to guide their efforts towards society, and is expected to play an important role, working together with other stakeholders, in achieving these goals for our world.
BREAKING IT DOWN:
GROWTH AND INFLUENCE

GETTING BIGGER
THE GROWTH OF THE UN GLOBAL COMPACT

GROWTH IN NUMBERS OF PARTICIPANTS 2000 – 2015

01

Business participants

2000

44

2015

8041

4449

Non business participants

WHICH REGIONS HAVE THE MOST GLOBAL COMPACT BUSINESS SIGNATORIES?

<table>
<thead>
<tr>
<th>Region</th>
<th>2000</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>1</td>
<td>658</td>
</tr>
<tr>
<td>Asia</td>
<td>5</td>
<td>1904</td>
</tr>
<tr>
<td>Europe</td>
<td>32</td>
<td>5947</td>
</tr>
<tr>
<td>Latin America &amp; the Caribbean</td>
<td>4</td>
<td>2772</td>
</tr>
<tr>
<td>MENA</td>
<td>0</td>
<td>487</td>
</tr>
<tr>
<td>North America</td>
<td>2</td>
<td>617</td>
</tr>
<tr>
<td>Oceania</td>
<td>0</td>
<td>115</td>
</tr>
</tbody>
</table>

Source: UN Global Compact Participant Database
GETTING BOLDER

HAS THE GLOBAL COMPACT MADE AN IMPACT?

03

HOW SIGNIFICANT HAS THE GLOBAL COMPACT BEEN IN SPREADING WORLDWIDE CORPORATE SUSTAINABILITY PRACTICES (BY YEAR OF JOINING THE GLOBAL COMPACT)?

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>No impact</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Minimal</td>
<td>4%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Moderate</td>
<td>31%</td>
<td>37%</td>
<td>36%</td>
</tr>
<tr>
<td>Significant</td>
<td>49%</td>
<td>45%</td>
<td>40%</td>
</tr>
<tr>
<td>Essential</td>
<td>15%</td>
<td>10%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: 2015 Global Compact Implementation survey

04

WHAT KIND OF INFLUENCE HAS THE GLOBAL COMPACT HAD ON YOUR WORK WITHIN THE FOUR PRINCIPLE AREAS? (BY YEAR OF JOINING THE GLOBAL COMPACT)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>No impact</td>
<td>3%</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Minimal</td>
<td>16%</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Moderate</td>
<td>40%</td>
<td>42%</td>
<td>37%</td>
</tr>
<tr>
<td>Significant</td>
<td>31%</td>
<td>24%</td>
<td>26%</td>
</tr>
<tr>
<td>Essential</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: 2015 Global Compact Implementation survey

05

TO WHAT EXTENT DO YOU AGREE WITH THE FOLLOWING STATEMENTS: THE GLOBAL COMPACT HAS PLAYED AN IMPORTANT ROLE IN...

- 'Agree' to 'Strongly agree'
- Neutral
- 'Strongly disagree' to 'disagree'

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Motivating our company to advance broader UN goals and issues (e.g., poverty, health, education)</td>
<td>9%</td>
<td>31%</td>
<td>60%</td>
</tr>
<tr>
<td>Guiding our corporate sustainability reporting</td>
<td>8%</td>
<td>26%</td>
<td>65%</td>
</tr>
<tr>
<td>Driving our implementation of sustainability policies and practices</td>
<td>8%</td>
<td>26%</td>
<td>66%</td>
</tr>
<tr>
<td>Shaping our company’s vision</td>
<td>16%</td>
<td>36%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Source: 2015 Global Compact Implementation survey
THE VISION OF THE GLOBAL COMPACT

Since its launch, the Global Compact has worked towards the vision of a sustainable and inclusive global economy that delivers lasting benefits to people, communities and markets. To realise this vision, the Global Compact supports companies to:

1. Do business responsibly by aligning their strategies and operations with Ten Principles on human rights, labour, environment and anti-corruption; and

2. Take strategic actions to advance broader societal priorities, with an emphasis on collaboration and innovation.
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30 leaders share their insights on the future of sustainable business.
Both publications and more information available at globalcompact15.org