

UN Global Compact Communication on Engagement

January 2016



Statement of Support by the Managing Board of the World Economic Forum

“The World Economic Forum reiterates its continued support for the mission and principles of the UN Global Compact. We remain honoured and humbled that these principles were announced by the UN Secretary-General Kofi Annan at the Forum’s Annual Meeting 1999 in Davos.

Wherever appropriate and feasible in the future, we look forward to fostering the UN Global Compact Principles through various initiatives of the Forum and engaging with our fellow signatories.”

World Economic Forum’s Support of UN Global Compact Principles

The World Economic Forum, committed to improving the state of the world, is the international organization for public-private cooperation. The Forum engages the foremost political, business and other leaders of society to shape global, regional and industry agendas.

To further the UN Global Compact Principles, the World Economic Forum has not only put in place a number of related internal guidelines applicable to its day-to-day operations, but has also provided its members and constituents with a neutral, multistakeholder platform to advance initiatives to improve the current state of global affairs in areas such as environmental protection or socio-economic inclusion.

Internal Institutional Governance

Respect for human rights, protection of the environment and internationally recognized labour standards as well as zero tolerance for corruption are reflected in the **Forum’s internal guidelines and policies** (including our Sustainability Policy complemented by the Sustainable Sourcing Requirements, Code of Conduct and associated Human Resources Policies).

More concretely, the Forum does not tolerate any abuse of human rights within its business or supply chain, and takes seriously any allegations that human rights are not respected. Consequently, the Forum requires all its suppliers to take appropriate steps to ensure that in all locations where products and services are produced or supplied, the provisions of internationally

recognized human rights standards are met. Suppliers are expected to be proactive in managing these issues, maintain evidence to demonstrate their compliance and provide it on request.

The Forum supports diversity and does not tolerate any form of discrimination or harassment. It also encourages its suppliers to take appropriate steps to create an inclusive environment and protect their employees against discrimination by others. What is more, the Forum has received the Equal Salary Certification three times in a row since its first audit in 2009, reflecting the organization’s commitment to remuneration equality between men and women. Over the years, the Forum has also grown to be one of the most multicultural organizations, representing 98 nationalities.

Fully recognizing the importance of environmental responsibility and sustainability in developing and strengthening our institutional mission, the World Economic Forum aspires to obtain the ISO 20121 Sustainable Events certification by 2020 (on the occasion of our 50th Annual Meeting in Davos-Klosters, Switzerland). As part of the Forum’s overall Sustainability Policy, we have committed to not only limiting impact on the environment but also to promoting sustainable business models and practices. More concretely, the organization aspires to ensure:

- embedding sustainability principles and practices into the day-to-day management of the Forum, including Forum meetings and events; offices and travel – managed through the implementation of a sustainability management system;
- setting objectives and targets relevant to the organization and our sustainability priorities that will drive innovation, best practice and knowledge sharing;
- that the Forum’s staff members understand this policy and its objectives and are encouraged to be champions of sustainability throughout the organization;
- developing active multistakeholder engagement to help leverage the opportunities provided by the Forum’s leadership role in sustainability;
- procuring goods and services sustainably with an emphasis on fair employment and environmental attributes, as well as other social and ethical criteria as appropriate and applied to Forum’s value chain.

Furthermore, the Forum does not tolerate any form of bribery or corruption and actively supports international efforts to stop these practices. In addition to furthering the Partnering Against Corruption Initiative (see p.7 of this Communication on Engagement), the Forum requires its suppliers to act professionally, fairly and with integrity in all their business dealings and relationships where they operate, and to assess risks, implement and enforce effective systems to counter fraud, bribery and corrupt business practices. Suppliers are also expected to uphold fair business standards in advertising, sales and competition.

Multistakeholder Partnerships and Initiatives

The World Economic Forum serves as a neutral multistakeholder platform enabling its members and constituents to catalyse initiatives and dialogues, many of which foster the vision and principles of the UN Global Compact. Examples of such initiatives include:

Global Agenda Council on Human Rights 2014-2016

The World Economic Forum believes that businesses stand to play a critical role in strengthening human rights worldwide. Raising greater awareness of the concrete opportunities and risks to businesses in the field of human rights is essential to bringing more actors to the table to collaborate. Business leaders in different industries are now starting to work together, along with other stakeholders, to develop standards, benchmarks and implementation plans to make these broad principles operative, and to provide effective remedies when these standards are not met.

The World Economic Forum's **Global Agenda Council on Human Rights** would like to contribute to these efforts by focusing its work in several sectors to encourage industry-wide approaches to human rights challenges. The main focus of the Council is to engage the supply chain sector to take responsibility for respecting human rights in their operations and to build a business case in collaboration with supply chain leaders to highlight the values and importance of including human rights as core to their sustainable practices. To this end, the Council recently published a report on *Shared Responsibility: A New Paradigm for Supply Chains*, aspiring to stimulate consideration of a new approach to addressing human rights issues across global supply chains, more fully expanding the benefits of globalization to workers and communities in producing countries, and the advantages and feasibility of the shared responsibility model. This report offers a fresh way of looking at serious, entrenched human rights challenges by outlining the appropriate scope of supply chain responsibilities in different industries, and how companies should assess and report on the real risks associated with their business operations. It also offers a series of recommendations based on the principle of "shared responsibility", proposing a fair allocation of the preventive and remedial costs and commitments for addressing these problems among global companies, their local business partners, local and foreign governments, unions, international financial institutions and private philanthropies.

Strategic Dialogue on Inclusive Growth and Development Framework

The World Economic Forum recognizes that labour rights and decent work play an important role in the delivery of inclusive economic growth and greater

income/wealth equality. Indeed, there is no bigger policy challenge preoccupying leaders around the world than expanding social participation in the process and benefits of economic growth and integration. A geographically and ideologically diverse consensus has emerged that a new, or at least significantly improved, model of economic growth and development is required.

But despite accumulating evidence that reducing inequality can actually strengthen economic growth, the political consensus about inclusive growth is still essentially an aspiration rather than a prescription. No internationally-recognized policy framework and corresponding set of indicators or measurable milestones have emerged to guide countries targeting broad-based progress in living standards, rather than economic growth per se, as the bottom-line measure of national economic performance.

To fill this gap and stimulate an informed, evidence-based policy dialogue among key global decision-makers, the World Economic Forum has developed the Inclusive Growth and Development Framework. The Framework – and corresponding set of country-level indicators of performance and enabling environment conditions – elaborate on the areas of policy and institutional strength that have a particularly significant bearing on social participation in the process (productive employment) and outcomes (median household income) of economic growth. Societies that have had particular success in building a robust middle class and reducing poverty and social marginalization have tended to create effective economic institutions and incentives in many of these areas, while supporting growth through sound macroeconomic policies and efficiency-enhancing reforms.

The Inclusive Growth and Development Framework highlights a wide array of labour-related issues through qualitative and quantitative indicators, including, but not limited to:

1. Trade union density
2. Occupational injury rate
3. Vulnerable employment
4. Unemployment
5. Cooperation in labour-employer relations
6. Gender pay gap
7. Collective bargaining coverage rate
8. Youth unemployment
9. Labour force participation rate, including gender gap
10. Relationship between wage and productivity growth

These indicators are analysed and monitored at country level for 112 countries around the world, allowing for cross-country comparison (particularly among the relevant peer groups of countries at a similar level of development and income). Importantly, the Framework places labour issues at the heart of the contemporary global policy debate about the need for an improved model of economic growth. By providing

analytical benchmarking tools and a platform for strategic discussions among government ministers and CEOs, the Inclusive Growth and Development initiative at the Forum attempts to help advance this aspect of the Global Compact principles.

Global Challenge Initiative on Gender Parity

The World Economic Forum recognizes that gender equality is fundamental to whether and how societies thrive and that all businesses stand to benefit from greater equality for women, as reinforced by the Global Compact's Women Empowerment Principles. Empowering women in the workplace and eliminating gender discrimination in employment and occupation are at the heart of the gender initiatives at the Forum. The Global Challenge Initiative on Gender Parity aspires to help decision-makers better understand and proactively address the lack of gender parity and its implications.

Despite the pressing case for change, in the decade since the Forum has been measuring it, the gap between men and women in health, education, economic opportunity and political representation has closed by only 4% overall, as detailed in the Forum's Global Gender Gap Report 2015. Regarding economic opportunity specifically, the gap has closed by only 3%, with progress towards wage equality and labour force parity stalling markedly since 2009/2010. This slow pace of progress means that, even though an additional quarter of a billion women have entered the workforce, women are now earning only the amount men earned in 2006, the year that the Global Gender Gap was first produced. Extrapolating this trajectory suggests that it will take the world another 118 years – or until 2133 – to close the economic gender gap entirely.

Acknowledging the changing global context on gender, the Forum has sought to bring insights and analysis to the debate. Our work is helping to ensure that the welcome public and private attention being paid to gender issues is grounded in a deeper understanding of the factors contributing to gender inequality and the actions that can lead to lasting change. Through the Forum's capacity to generate productive public-private collaboration, we have also chosen to apply our data and insights to new initiatives focused on generating an impact in different geographical regions and industries, helping to meet demand for insights that lead to action. This twin-track approach of ongoing analysis and monitoring, which in turn informs the design of public-private partnerships 'on-the-ground', is providing a fruitful and recognized contribution to efforts to advance gender parity globally.

Our analysis and insights work includes the following key products:

- The annual *Global Gender Gap Report* monitors the progress of countries through benchmarking tools that measure global, regional and country-specific

gender gaps. It provides a framework for capturing the magnitude of gender disparities around the world and aims to help governments, business and other stakeholders understand to what extent a country is engaging its female talent.

- The *Industry Gender Gap* analysis, published in January 2016, benchmarks gender gaps in industry and assesses the talent outlook of various sectors, using quantitative analysis and qualitative assessment. Technological, demographic and economic trends are leading to profound changes in the nature of work, displacing existing roles and creating a need for new jobs. These changes will affect men and women differently. This workstream examines the likely effects of key trends and disruptions on gender gaps, including in recruitment and wages, over the next five years. It provides forward-looking insights to complement the Global Gender Gap Report and discuss how the Fourth Industrial Revolution is likely to impact women.
- The *Repository of Best Practices* pools solutions in terms of successful practices from over 100 companies, including tested practical information from across various industries and geographies on how to close the gender gap. The Repository aims to accelerate progress, foster collaboration among its contributors and users, and promote the knowledge exchange needed to address the systemic factors that reproduce gender gaps. In addition, the Initiative has gathered information on policy interventions that have proven to be successful from over 80 countries.

Our work in support of collaborations includes the following workstreams:

- *National Gender Parity Taskforces* are addressing the need for cooperation and action at the country-level, between government and business, and within industries. Taskforces were launched in Japan, Mexico and Turkey in 2012 and in the Republic of Korea in 2014. These pilot projects are co-chaired by representatives of government and industry, have engaged with a vast range of companies domestically and have been working towards a shared ambition to close the economic gender gap by up to 10% in three years. To work towards this goal, the taskforces have focused on taking action against the economic gender gap indicators used in the World Economic Forum's annual Global Gender Gap Index: improving female representation in the labour force; increasing female representation at the professional and senior management levels; and the closing the gender wage gap. This model has been targeted differently in each country in accordance with the local context. For example Turkey, which in 2015 exceeded the goal of narrowing the gap by 10%, chose to build a working group of over 80 companies to deliver specific outputs, such as the integration of mentorship programmes for women in technology (affecting over 250 suppliers) and the introduction of new flexible working hours. In Mexico, although a positive shift of only 1.3%

indicates there is some way to go, there have been many advances. Since 2014, over 80% of companies have implemented programmes to foster work-life balance and more than 60% are introducing flexible working hours. Positive signs also include the sharp rise in women in senior management roles and the improvement in estimated earned income. Japan has made solid progress and is over half way (6.2%) towards meeting the goal of a 10% shift. Here, the challenge of better integrating women in the workforce persists but there is an increasing momentum for change. In the Republic of Korea, which has already narrowed the gap by 8.9%, initiatives such as increasing support for employees seeking childcare and preferential treatment for “family-friendly” companies seeking government contracts are bearing fruit. The strong progress made after only one year of the Korea Taskforce bodes well for the final two years of this collaboration with the Forum.

- *Industry Deep Dives on Gender Parity.* The first project in this future workstream is Gender Parity in the Oil and Gas Industry, based on the Forum’s analysis of the persistent gender gap in workforce participation in Oil and Gas. Major players from the industry are coming together to collectively address contextual and industry-specific factors contributing to these gaps in the industry. A declaration of intent has been signed by major companies in the industry, which provides a ‘call to action’ for the industry and demonstrates the commitment of each signatory to create positive change. The declaration features seven principles for improving gender parity including STEM education, recruitment practices and issue leadership.

Global Challenge Initiative on Environment and Natural Resource Security

The global environment and economic security are indelibly intertwined. Increasing levels of greenhouse gases, environmental degradation and natural resource depletion are some of the most significant risks to achieving sustainable growth. Responding to this challenge requires breaking down traditional silos and developing new forms of cooperation and innovation in the public and private sectors to quickly effect change at scale.

The Global Challenge Initiative on Environment and Natural Resource Security brings together leading experts and practitioners. They share the latest information and work on taking action together through selected large-scale public-private initiatives which help achieve economic growth and combat climate change and other natural resource challenges.

Going forward, the Global Challenge will focus on:

- i. Identifying the key systemic environmental issues to advance by 2020 (e.g. scaling clean energy,

sustainable land use, water use and access, ocean management and keeping climate warming within or under 2°C)

- ii. Discussing realignment of the global architecture that may be necessary to drive practical improvements (e.g. coalescing of the UN climate change and SDG agendas)
- iii. Identifying four to five major implementation vehicles to mobilize the public-private action we will need at scale to deliver measurable progress by 2020

The core community of the Global Challenge Initiative, which draws from over 200 company executives, public-sector specialists, environmental experts, civil society leaders and five Forum Global Agenda Councils (on climate, water security, circular economy, forests and oceans) will deepen and advance these discussions.

The content foundation of the Initiative is driven by five global projects:

- *Climate Change Solutions* – mobilized 79 global CEOs into a leadership group for practical climate action; this group facilitates sector and value-chain innovations such as projects to help advance the climate agenda within the Automotive, Aviation, Oil and Gas, Insurance and other industry sectors
- *Tropical Forest Alliance 2020* – this global partnership brings together governments, the private sector and civil society to remove deforestation from key agriculture commodities – its Secretariat is hosted by the Forum
- *Clean Energy Alliance* – an emerging-economy alliance for public-private action to scale renewable energy and accelerate progress towards INDC targets; led by the Government of India and supported by the Forum platform
- *Global Water Initiative* - a global effort led by heads of government to promote policies and practical actions for water-resilient economic growth in a warmer world; stimulating a new set of global partnerships for water security at the city, national/river basin and trans-boundary level and a new project preparation facility to fund scaled new projects that these alliances will catalyse
- *Circular Economy* – a cross-industry, business-led initiative leveraging the latest developments in digital transformation to promote efficient use of materials and cleaner value chains; also has a strong focus on deployment of “leapfrog” innovation into developing and emerging markets

This portfolio has created a platform for the multiple agencies, governments, organizations, alliances and initiatives active in these issues to scale up their impacts. In doing so, it encompasses leadership networks such as the CEO Climate Leaders Initiative, hosts large-scale alliances for action (in forest/land use, clean energy and water) and promotes business-

driven innovation. As a demonstration of the strength of this platform, assisted by significant contributions from the World Economic Forum, important progress towards mobilizing business cooperation for the delivery of climate change solutions has been achieved – important both in the run-up to the 2015 Paris Climate Conference (COP21) and beyond.

- With combined revenue greater than India's GDP, CEO Climate Leaders advocated for an ambitious global climate deal, committed their companies to climate action and pledged to work with the international community, governments and other actors to deliver concrete solutions. These are intended to accelerate the transformation to low-carbon, climate-resilient economies and societies.
- The Tropical Forest Alliance 2020 has helped catalyse the significant momentum in corporate commitments for sustainable commodity sourcing, with over 90% of global palm oil now subject to sustainable commodity sourcing commitments (compared to less than 10% in 2013). In 2016, it will launch a new two-year strategy focussing on supporting the emergence of public-private partnerships for the implementation of those commitments. .
- Moving forward, the Clean Energy Alliance aspires to mobilize an unprecedented effort under the auspices of an emerging-economy champion group to stimulate investment into the clean energy targets of INDCS. The aim is to deliver commitments quicker and of larger scale than those already made in Paris in 2015.
- Additionally, the effort on water will complement the successful multi-million dollar 2030 Water Resources Group partnership that the Forum helped to establish, now housed in the World Bank Group and operating in 12 countries, by stimulating more multi-country public-private alliances at city and trans-boundary level. They all will have the common goal of enhancing smarter, more equitable and environmentally sustainable water allocation strategies for food, energy and city sectors in a warmer, more water-stressed world, together with new project preparation facilities for turning ideas into investment-grade propositions.
- Finally, the Circular Economy work will continue to drive a digital, smarter resource and materials use agenda through the above-listed projects, ensuring innovation in all areas of work on Environment and Natural Resource Security.

Partnering Against Corruption Initiative

Over the past 11 years, the Partnering Against Corruption Initiative (PACI), a flagship initiative of the World Economic Forum, has become the leading CEO-led global business voice on anti-corruption and transparency. The initiative creates a more visible, dynamic and agenda-setting platform, working

with committed business leaders, international organizations and governments to address corruption, transparency issues and emerging-market risks. CEO signatories help set the global agenda to design corruption out of the system, bring about fair market conditions and create economic value. PACI also provides a unique space for practitioners – chief compliance officers and equivalent – to improve their compliance efforts and share best practices at the organizational level.

Core Principles

The PACI Principles serve as the core code of conduct for its members and are often referenced as an industry benchmark. With more than 100 active companies subscribing to the PACI Principles for Countering Corruption, not only is PACI supporting companies to advance the industry agenda on anti-corruption but it is also one of the strongest cross-industry collaborative efforts at the Forum.

Through the PACI Principles, PACI is positioned to create a more visible, dynamic and global agenda-setting anti-corruption platform, working in collaboration with the Forum's most committed business leaders, international organizations (World Bank, OECD, UN and others) and governments to address corruption, transparency and related emerging market risks.

To join PACI, chief executives from Forum member companies sign the PACI signatory application and PACI Principles, thereby committing to a zero-tolerance policy with regard to bribery and corruption. Today, PACI signatories come from multiple industry sectors and global locations.

PACI Vanguard

Chief executives who want to demonstrate a higher level of commitment to anti-corruption and transparency are invited to join the PACI Vanguard. The purpose of the PACI Vanguard is to set the global, regional and industry agendas on new models for transparency and anti-corruption, working together with leaders from civil society and government.

The Vanguard helps direct the PACI strategy to achieve more meaningful dialogue and impact. A critical component of this is sustained and high-level business-government engagement and a focus on collective action that will design corruption out of the system. The Vanguard is working closely with the B20 Task Force on Anti-Corruption to promote the implementation of the B20 recommendations.

B20 Task Force on Anti-Corruption

In 2015, the B20 Turkey continued to focus on priority areas pursued under the Australian presidency of 2014 to reflect the Turkish G20 presidency's focus on boosting economic growth and job creation. Anti-corruption is one of those priority areas and the Turkish B20 presidency decided to dedicate a separate task force to anti-corruption issues. The Anti-Corruption Task Force (ACTF) has more than 70 members who are mostly senior executives from business, business

associations and professional services firms. The ACTF is also assisted by EY as Knowledge Partner, and the World Economic Forum and International Chamber of Commerce (ICC) as Network Partners. The membership is broadly representative of the G20 countries.

PACI curates the body of knowledge generated from the B20 either through industry-specific projects or through the Global Agenda Council on Transparency & Anti-Corruption and incubates some of the most forward-looking projects that the community could implement while strengthening relationships with other, highly reputable organizations through public-private cooperation.

PACI Projects and Initiatives

Driven by identified needs and interests of PACI Signatories, PACI undertakes initiatives to address industry, regional, country or global issues in anti-corruption and compliance. Examples include:

PACI-IU Industry project: Building Foundations for Transparency

Building Foundations for Transparency is a multi-year collaborative project between PACI and the IU industries with the goal of reducing corruption in the infrastructure, engineering, construction and real estate industries. In the first phase of the project in 2014-2015, key global corruption risk areas were identified. The task force points out that collective action on permits and licences is needed and there should be increased interaction between the industry and government. In response to these findings, the second phase of the project has launched a country-level pilot in India to establish a dialogue between business and local public officials on potential transparency-enhancing process changes in permits and licences, land acquisition and procurement. In parallel, the project is focusing on the development of a diagnostic toolkit on a structured framework for solution development. The learnings from this phase will help to replicate the pilot and further develop the project in another country in the third phase of the project in 2016.

Further details related to the activities and initiatives of the World Economic Forum can be found on our official website at www.weforum.org and in our Annual Report 2014-2015, available at http://www3.weforum.org/docs/WEF_Annual_Report_2014_15.pdf



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