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GREETING

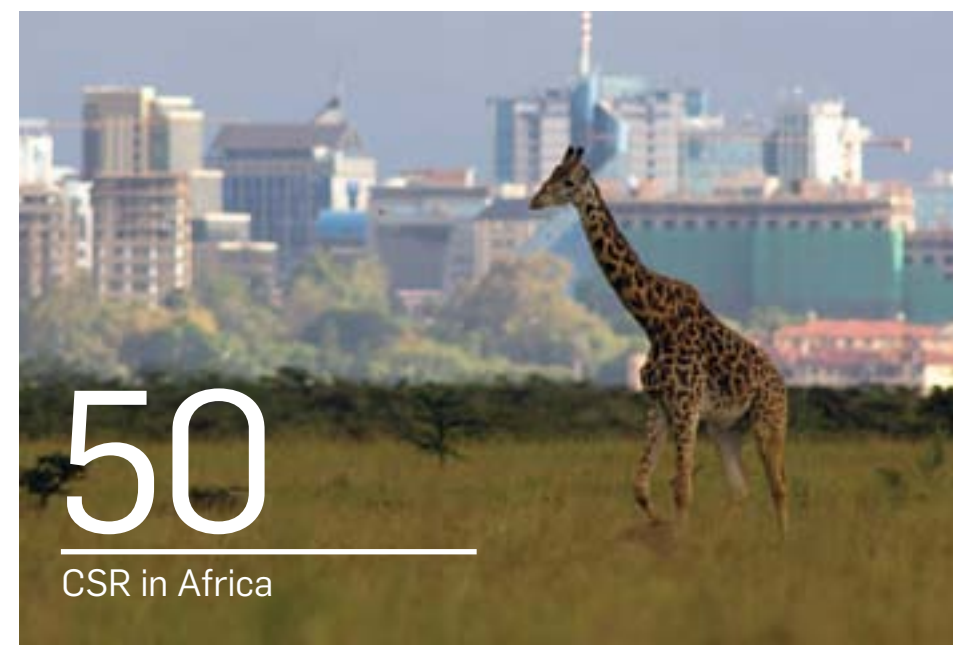
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STAKEHOLDER MANAGEMENT

Experience shows that long-term success can be achieved when joint efforts are undertaken to get solutions underway. That is why stakeholder dialogues are increasingly proposed as an approach to problem-solving. This chapter gives a comprehensive insight to various aspects of stakeholder management.

STAKEHOLDER MANAGEMENT – AN INTRODUCTION



By Klaus Lintemeier, Prof. Dr. Lars Rademacher, and Dr. Ansgar Thiessen

The landscape of business and enterprise policy is subject to almost unparalleled change. An ever-increasing majority of corporate and institutional management boards find themselves operating in a networked world of interests and opportunities for influence. In addition to primary stakeholders such as shareholders, customers, suppliers, and employees, secondary and tertiary stakeholder groups are increasingly making regulatory, social, political, and ethical demands on businesses.

Public and social stakeholder groups are increasingly seeking to bring their influence to bear on corporate decision making and investment. Politicians have discovered social

risk-management and are increasing their regulatory requirements on businesses and commercial sectors through their legislative powers; NGOs draw attention to abuses and irregularities by means of effective and high-quality media campaigns. At the same time, the market place of public opinion is going through fundamental and rapid changes: The established media are beginning to lose their capacity to lead; opinions are formed in ways that are more direct, digital, and decentralized; and transparency and dialogue are the order of the day for almost all businesses. Communications with external as well as internal stakeholders rely increasingly on substantive content, and close and resilient relationships with stakeholders are an important factor for success in business.

In the future, the currently still dominant focus on shareholders and target groups will no longer be able to cope with the rapid pace of change in the business environment. Shareholders are an important stakeholder group for sustainable business success, but not the only such group. Nowadays, the task of a future-proof and sustainable strategy is rather that of weighing up the requirements of politics, society, business, and science and aligning them with corporate goals. The so-called license to trade depends not only on dialogue with all relevant interest groups and opinion leaders: Stakeholders and target groups do not simply expect information about activities and decisions from businesses, they want instead to be actively involved and integrated in discussions and decision-making processes.

Businesses and institutions are therefore confronted with a dual task: (1) What are the (new) procedures that we need to establish for the involvement and participation of external and internal stakeholders? (2) What kinds of interactive and communicative innovations might take us beyond information exchange and simple dialogue with stakeholders and create added value?

It is these challenges that are investigated in a new report, for which we interviewed around 100 stakeholder managers from Germany, Austria, and Switzerland. The study is titled "Stakeholder Integration: the contribution made by corporate communications and sustainability management to value creation." It is a project being carried out through a cooperation between Lintemeier Stakeholder Relations, Knobel Corporate Communications, and the MHMK (Macromedia University for Media and Communication) and serves as a descriptive analysis of the current situation. It provides unique insights into the structure of stakeholder management; identifies its substantive and methodological foci; describes its fields of activity and how its operative managers understand their roles; and identifies different models of integration of internal as well as external stakeholders. The companies surveyed were divided into four roughly equal groups according to sales volume: up to € 100 million, up to € 500 million, up to € 5 billion, and over € 5 billion. Here we describe the most important findings from the results of the study.

Paradigm shift: From shareholder value to stakeholder value?

The philosophy of corporate leadership is undergoing a paradigm shift. In the future, a strong orientation toward shareholders among managers will be complemented by a greater emphasis on a stakeholder approach, one which recognizes that the providers of capital represent a group with legitimate, but not exclusive, claims on companies. The rapid pace of change in the business environment and the need for speed and flexibility in strategic decision making mean that early involvement in the strategic process of groups with legitimate

interests – recognizing those interests, dealing with them, and managing them – is essential. The interests of (often critical) social groups, in particular, are frequently articulated to businesses and pursued in public – sometimes with great professionalism. This calls for corporate management that works through – and not against – such interests in order to enable sustainably effective corporate decision making.

Over the long term, actions that conflict with perceived social values will jeopardize an organization. Conversely, potential gains can only be realized if stakeholders' interests are consistently integrated into corporate strategy. As R. Edward Freeman argues, stakeholders' interests increasingly converge over time. This suggests a developmental process: If stakeholders' interests align ever more closely with each other, then the stakeholders in question will gradually – and naturally – come together, forming alliances in the worst-case scenario. If the social momentum achieved by these cooperating actors grows proportionately, these actors may then be able to assert their interests successfully, for example through legislation. In most cases, this is the least desirable outcome, because it restricts the company's room for maneuver. It follows that companies need to address stakeholders' interests and integrate them into their business processes. If companies are not proactive in this way, they may find themselves compelled to act due to new state regulations. Over the medium term, management of stakeholders becomes management for stakeholders. This would probably represent the most radical shift imaginable for today's managers.

Stakeholder management in companies has been implemented mainly in a descriptive manner until now; interest groups are, at best, informed about corporate plans. However, the potential to involve them in strategic discussion and decision-making processes goes much further. In the future, a more normative perspective and the associated concept of shareholder value will gravitate to the center of corporate activity – with the recognition that stakeholders are a constitutive element of business success. Their strategic and systematic integration will become one of the decisive factors in any such success.

The digitalization of communications is strengthening networks among stakeholders

The reasons for this lie in a coming of age and an increase in autonomy in those stakeholder groups that, until now, had been unable to properly articulate or assert their interests vis à vis companies and institutions.

New channels of communication have given rise to greater powers of interest assertion, which can hamper – or even prevent – the implementation of strategic decisions such as investments in infrastructural measures or bringing new

products onto the market. Legitimate interests are no longer being articulated solely by opinion-leading stakeholders such as “the politicians,” “the media,” “the banks,” or “the NGOs,” but by local communities, parents, civic leaders, investors, associations, teachers, doctors, and ratings agencies. Alongside the so-called primary stakeholders, there are an increasing numbers of secondary and tertiary stakeholders who are putting forward clear positions and convincing cases.

Moreover, responsible, sustainable, and ethical corporate leadership is no longer generally regarded just as a social ideal but as a commercial necessity. Sustainability and improved efficiency, previously believed to be in conflict, are now recognized as joint prerequisites for competitive advantage.

Future importance of stakeholder management

The reason for the high importance attached to stakeholder management by small and medium-sized enterprises lies in the increasing pressure that stakeholder groups are now exerting on such firms. Whereas it was mostly big players who

were under attack around the time of the millennium, today it is increasingly the so-called hidden champions – classic business-to-business companies – that are being closely monitored by critical stakeholder groups. The objects of this media attention are no longer only companies from the food production, financial, energy, and automobile sectors, but also include components suppliers, food retailers and delivery companies, raw materials suppliers, and mechanical engineering companies.

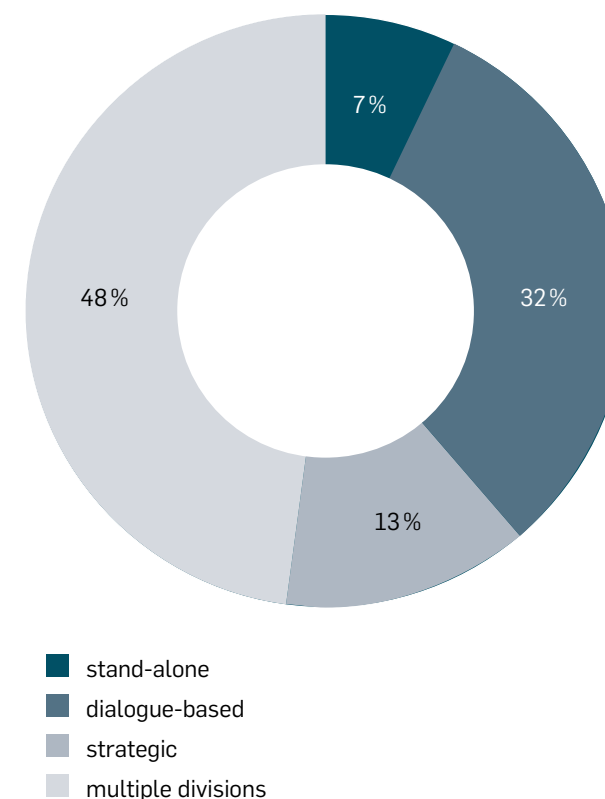
This trend is going to continue. Critical stakeholder groups are expanding their horizons beyond consumer and environmental concerns to take in the entire business supply chain. Whereas in the past, questionable product or contractual issues dominated the debate, today all the links in the corporate value-creation chain are scrutinized under ecological, ethical, and sustainability criteria with the aim of comprehensive risk- and sustainability management. It is in this spirit, too, that NGOs now publicly proclaim that they will no longer restrict their attacks to major companies but will deliberately include small companies and suppliers.



Stakeholder management within companies is organized according to three different categories: “stand alone,” “dialogue-based,” and “strategic”

In the coming years, therefore, companies will have to work out for themselves the answer to the question of whether the organization of stakeholder management should be central or decentralized and how it should therefore relate to already established corporate divisions. The results enable a fundamental division into three possible categories.

ORGANIZATIONAL FORMS OF STAKEHOLDER MANAGEMENT



Group One : Stakeholder management organized as autonomous division

This group is relatively small, comprising only 7 percent. The companies surveyed enable no conclusions to be drawn on whether the establishment of an autonomous division is dependent on the number of employees (e.g., predominantly in large companies), on the sector (e.g., predominantly in pharmaceutical companies), on turnover (e.g., predominantly in companies with a large turnover), or on the organizational location of stakeholder management (e.g., predominantly as a C-level function).

The reason for this lies in the fact that the professionalization of stakeholder management is only now slowly beginning. American companies with European headquarters in Germany, Austria, or Switzerland, for example, demonstrate a more frequent propensity to locate stakeholder management in an autonomous division. In international comparison, the management of stakeholder interests in the companies surveyed here is predominantly the responsibility of the communications division. American experience demonstrates that a targeted integration of process controls within a dedicated corporate division is crucial to the success of stakeholder management.

Group Two: Stakeholder management located in dialogue-based corporate functions.

In approximately one-third of companies, stakeholder management is organized in dialogue-based corporate functions such as corporate communications or public affairs/corporate affairs. The reasons for this are mainly “historical.” Both corporate communications and public affairs/corporate affairs are responsible for communications tasks conducted by way of dialogue. However, the stakeholder approach is interpreted in the first instance only as an extension of acknowledged legitimate interest groups beyond the media, customers, employees, and capital markets. We demonstrate below that dialogue is understood as a channel for information and not as a form of consultation.

Group Three: Stakeholder management located in more strategic organizational units.

In this group, stakeholder management is accorded a greater priority within corporate leadership and thus acquires the status of a management function. It is explicitly not detached from other corporate divisions (“stand alone”), nor is it restricted to its purely communications elements (“dialogue-based”). Firms that organize their stakeholder management in this way incorporate a stakeholder perspective in their discussions and decision-making processes. Here, stakeholder management is integrated on the management level, and it is precisely there that its contribution is made.

10 THESES ON THE STAKEHOLDER MANAGEMENT OF THE FUTURE

In conclusion, we would like to put forward – as the quintessence of the findings of our study – the following 10 theses on the future development of stakeholder management.

1. The stakeholder approach goes well-beyond simple reputation management.
2. The early integration of stakeholders optimizes corporate processes.
3. Stakeholder management will become more closely aligned with the supply chain.
4. The organization of stakeholder management will be professionalized, and interface problems will become more complex.
5. Firms will provide more explanations and justifications for their decisions and plans.
6. Firms will adapt the content of their mission statements to the stakeholder approach.
7. Stakeholder management will move away from its focus on critical interest groups.
8. Corporate communications will free itself from its obsession with the media.
9. Internal stakeholder communications will step out of the shadow of external communications.
10. There will be a convergence between normative and strategic issues in corporate governance.

Stakeholder management has a resource problem

One indicator of the significance of a corporate function is its financing, or the number of full-time staff posts assigned to it. Roughly 40 percent of the firms surveyed have created a full-time post for stakeholder management. A further 40 percent allocate between two and five posts to stakeholder management.

Firms with higher annual turnover tend to allocate greater resources to stakeholder management. The highest staffing numbers are to be found in affiliate companies (33%), strategic management holding companies (29%), and in autonomous corporate divisions (14%). The number of full-time posts allocated to stakeholder management in financial and intermediate holding companies is just as small as that in sales and distribution companies. The latter figure is particularly striking for Switzerland, where multinational companies with local sales and distribution subsidiaries are particularly well represented. Systematic stakeholder management is not carried out in the subsidiaries. The responsibility for this function usually remains with the group holding company located abroad.

Around 10 percent of those firms with only one full-time post have a turnover in excess of €5 billion (4.16 million Swiss Francs) and employ more than 10,000 workers. In these firms, stakeholder management is either part of a broader corporate function or is conceived as a temporary project.

All together, the number of full-time posts allocated to stakeholder management, at between one and five, is small in comparison with the number allocated to communications and public affairs divisions. The increasing importance of stakeholder management has not yet had a substantial impact on staffing structures.

The management of stakeholder interests has only limited positive impact on the implementation of corporate plans

In 67 percent of the firms surveyed, stakeholder management is understood as relationship management, as a strategic tool providing a safeguard against corporate risks. In 64 percent of the firms surveyed, it is employed in the building and development of corporate reputations.

Stakeholder management therefore has its greatest significance as an essentially defensive risk-management measure (67%). Its claims of being a tool for corporate reputation-building are based, above all, on the understanding of stakeholder relations primarily operating through the media: Media and communications divisions often explain their roles in the firm with reference to their contributions to reputation management.

However, stakeholder management has its greatest impact as a strategic instrument for defending a corporation's ability to maneuver freely. This is especially the case when all of the relevant stakeholders and opinion leaders are brought into a process at an early stage. Among those charged with this responsibility in companies, 36 percent see stakeholder management as playing a role in conflict management in cases where there is resistance from critical stakeholder groups. A failure to involve critics would lead to ignorance of relevant viewpoints and a misperception of influencing and campaigning capacities. This effectively also means that stakeholder management must, in the future, become an obligatory element of decision-making and planning processes (currently 37%).

Significant variations in views of the role between sectors

The perceived role of stakeholder management varies, sometimes greatly, between sectors. In the retail (92%), life science (71%), banking and insurance (72%), and energy (68%) sectors,

it is above all relationship management which plays the biggest role. In life science (57%) and in the technology sector (56%) by contrast, stakeholder management is principally an obligatory element in the decision-making and planning process. This shows that there are indeed differences between sectors in terms of the significance and application of stakeholder management.

The reason for these differences in (the case of) pharmaceutical companies is that they are dependent on systematic stakeholder management in the licensing process for drugs. And the retail sector too has great experience, going back over a long period, in the management of complex stakeholder relations, on account of its business model. This relies heavily on stable relationships and efficient processes between producers, suppliers and consumers.

In contrast, the energy policy debate in all three countries surveyed reflects the role of stakeholder management in conflict management and lobbying. In the energy sector (59%), stakeholder management means principally dealing with critics and involving critical interest groups. This also applies to the technology sector (50%). Here, stakeholder management is known almost only in the context of project management. So when large investments need to be made in IT infrastructure, internal stakeholders often have to be integrated throughout, and from an early stage, in conception and implementation by means of an appropriate project structure. ■



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MANAGING CORPORATE LEGITIMACY AND THE UN GLOBAL COMPACT

In this article, we explain why managing legitimacy is vital for corporations and how business firms can employ strategies to maintain their legitimacy. We then discuss the organizational capacities that each legitimacy strategy implies and point out their inherent tensions. Based on the results of an empirical study, we show how two large corporations have handled these tensions and successfully introduced organizational prerequisites for managing legitimacy. In the final part of this article we elaborate on how participants of the UN Global Compact can use the initiative to strengthen their legitimacy.

By Dr. Dorothee Baumann-Pauly and Prof. Dr. Andreas Georg Scherer

Corporations can no longer easily control their public image by means of public relations and marketing. Clearly defined corporate reporting requirements, rigorous third-party monitoring processes, and multiple media resources of watchdog organizations help to shed light on actual business practices. The increased transparency with regard to corporate conduct has also enabled a larger and more diverse group of corporate stakeholders to voice opinions and formulate demands. In particular, large brand name companies in sensitive consumer goods industries (like food or textiles) are now constantly under public scrutiny. For corporations, this situation creates new management challenges. To ensure the social acceptance of their business (corporate legitimacy), heterogeneous and often contradictory stakeholder demands need to be managed.

Corporate legitimacy as a vital resource for corporations

Discussing “legitimacy” with corporate practitioners is tricky because the term itself is not widely used by business people and typically provokes a spontaneous defensive reaction. However, in the business context, legitimacy refers to the corporate “license to operate” – this license is potentially

threatened by many critical topics (i.e., corruption, social issues, environmental depredation) to which practitioners have to respond.

The management literature uses the legitimacy terminology to describe the social acceptance of an organization. Legitimacy is considered an essential resource for the survival of the organization. Thus, the legitimacy of a corporation is challenged when their operations are perceived as inappropriate and undesirable within their respective social context. Our interviews with corporate practitioners showed that today the majority of legitimacy challenges have their roots in the sustainability context. So, while some corporations refer to their “corporate responsibility / sustainability program,” and their “reputation management,” they are in fact more broadly managing corporate legitimacy.

According to Mark Suchman, corporations can respond to legitimacy challenges in three ways: They can (1) provide benefits to their constituencies, or at least give the impression of being beneficial by way of manipulating the perceptions of the audiences with impression management and PR (pragmatic



legitimacy); they can (2) adapt to the social context, that is, meet the expectations of their most important stakeholders (cognitive legitimacy); and (3) they can engage in dialogue with the corporate critics and search for a consensus-based solution to the issues that cause the legitimacy challenges (moral legitimacy). All three strategies are employed to maintain corporate legitimacy or to restore it after a crisis. Research suggests that to manage legitimacy successfully, corporations must be able to activate multiple legitimacy strategies simultaneously. Greater flexibility in the application of different legitimacy strategies allows the corporation to develop better responses to the constantly changing, multi-layered, socially complex corporate environments of large multinational corporations that operate in various jurisdictions and cultural settings, as well as helping them to face the demands of a multitude of different stakeholders.

However, each legitimacy strategy is associated with a specific set of organizational capacities (e.g., organizational structures, procedures, and competences), and combining different strategies may require seemingly incompatible organizational capacities. For example, a manipulative PR strategy requires

concerted efforts of all corporate functions. Particularly the corporate communications function must be closely aligned with all other activities in order to effectively shape public perceptions. To simultaneously engage in a dialogue with critics (moral legitimacy) or to silently adapt to social demands (cognitive legitimacy) might undermine the effectiveness of manipulation because these activities dilute the strategy's uncompromising focus. By contrast, companies that highlight their stakeholder dialogue-orientation risk undermining the dialogue's credibility should their manipulation strategies become public. Media reports have recently exposed the extensive lobbying activities of companies that have built their public image around a dialogue-oriented corporate CSR program. The contradicting objectives of the lobbying strategy called the sincerity of their corporate promises in the context of CSR into question and resulted in a severe (legitimacy) crisis.

Given the obvious difficulties of creating organizational capacities for different legitimacy strategies simultaneously, we asked how organizations that are highly exposed to public scrutiny design organizational structures and procedures to manage these tensions. We therefore selected two large brands



that produce consumer goods in sensitive industries and analyzed how they manage heterogeneous stakeholder demands. Company A (a German sportswear company) and Company B (a Swiss coffee company) operate in highly competitive business environments and they are both in the spotlight of critical watchdog organizations. Interviews were conducted with the department heads of both companies to learn how their functional subunits respond to the specific stakeholder expectations of their department, and how they coordinate their responses with other departments. Furthermore, we were interested to learn how corporate representatives assess the adequacy of their responses (e.g., What kind of organizational platforms exist to monitor and discuss changing social expectations?) and how the assessment results are taken into consideration in internal decision-making (e.g., What kind of inter-departmental platforms exist to coordinate response strategies?).

Organizational capacities for managing legitimacy

At both companies under review, we observed a high level of activities that organizational literature has termed “boundary spanning.” Boundary spanning means expanding the corporate perspective by reaching out to organizations or individuals outside of the corporation (“external boundary-spanning”) in order to absorb and process new challenges, solutions, views, or ideas. Boundary spanning can also take place inside the organization by increasing inter-departmental coordination (“internal boundary-spanning”). Both dimensions of boundary spanning (internal and external) are critical for managing legitimacy. External boundary-spanning enables the corporation to monitor shifting societal trends in various regions and audiences. Internal boundary-spanning ensures that societal expectations are discussed with members from other departments, the adequacy of various response options are assessed jointly, and actions are coordinated.

Boundary spanning is a concept that was developed in the context of innovation management and the diffusion of knowledge. This theory suggests that organizations vary in their intensity and direction of boundary-spanning activities. We apply the theory to the study of the influence of boundary-spanning activities on legitimacy strategies and their organizational design requirements. We suggest that the supportive organizational capacities for boundary spanning also help corporations to flexibly respond and adjust to legitimacy challenges in the most appropriate way and to cope with heterogeneous environmental demands.

The literature differentiates between two types of boundary spanning. Some boundary spanning activities serve to “buffer” from the external environment; other activities serve to “bridge.” This means that some corporations monitor societal expectations to better shield the organization from societal expectations

(buffering), whereas others do so to truly engage with these stakeholders (bridge). In the context of managing legitimacy, we expect that with respect to both internal and external boundary spanning, bridging is preferred to buffering because it enables the organization to switch legitimacy strategies seamlessly when appropriate, without appearing inconsistent.

The analysis of both empirical cases shows increased boundary-spanning activities, yet major differences exist with regard to the type of boundary spanning on the internal and external dimension. Company A uses boundary spanning to bridge between external organizations and to buffer from internal critique; Company B focuses on external buffering, that is, the company tends to avoid interactions with external stakeholders, while emphasizing internal bridging. We explain these differences with the different leadership styles and different corporate histories. Company A’s leadership continuously pushes the company to adopt a collaborative approach in order to advance the company’s sustainability strategy. This includes regular exchanges with critical external stakeholders. The CEO of Company A argued: “Well, first of all, I think that you need to have dialogue in order to understand what the critical issues are. If you don’t engage with your critics, you will never find out what their point of view is.”

The CEO’s vision also drives the sustainability agenda. Internally, organizational structures and procedures were set up to ensure the proper implementation of the leader’s vision. These implementation structures, however, are centralized and designed to support the top-down strategy. They leave little room for critical reflection or decision making by subordinate organizational members. The leadership’s vision is fully supported, however, because past experiences with legitimacy crises have proven that the engagement with external stakeholders is most effective for repairing and maintaining legitimacy.

Company B, in contrast, only reluctantly opens up their decision-making processes to critical external stakeholders. Their sustainability strategy was defined internally by key managers and presented to a friendly audience of consultants and experts for feedback. The CEO endorses the process but does not publicly appear as a leader on sustainability topics.

When asked why their sustainability strategy does not feature more prominently in corporate communications, corporate representatives refer to their “humble Swiss business culture.” They also point to corporate scandals from the past that still haunt the organization. Internally, however, multiple platforms provide forums for interdepartmental exchange on how best to respond to heterogeneous stakeholder requests.

In our academic work, we further discuss the theoretical and practical implications of these research findings.

Managing corporate legitimacy with the Global Compact

Companies that are exposed to public scrutiny are typically aware of the risks associated with losing their corporate legitimacy. They develop antennas sensitive to societal expectations and engage in boundary-spanning activities to better assess the adequateness of their actions.

Participating in the Global Compact provides ample opportunities for boundary spanning. However, to avoid a backlash for corporate legitimacy, corporations need to respond to the Global Compact’s critics who argue that the initiative allows for “blue/green washing.” To benefit from participation in the Global Compact, corporations must show full engagement with the initiative’s learning platform, contribute to its further development, and engage with its stakeholders (bridging).

Public trust in business is at a low point, and engaging in isolated CSR projects or polished PR campaigns as a quick fix to appease stakeholders will not suffice to restore it. Establishing the organizational prerequisites for managing corporate legitimacy, however, provides a basis for juggling conflicting stakeholder demands in highly complex business environments. ■



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THE STRENGTH OF LOOSE COUPLINGS – THE GLOBAL COMPACT AS A MULTI-STAKEHOLDER INITIATIVE

By Prof. Dr. Andreas Rasche

Multistakeholder initiatives such as the UN Global Compact organize their participants in specific ways. Most importantly, they have to bridge global (universal) principles and local (contextualized) implementation practices. Some initiatives have responded to this need by creating a nested network structure – that is, local networks that are embedded into a wider global “network of networks.” The UN Global Compact, for instance, has more than 100 local networks, which are connected through regional hubs, the Annual Local Network Forum, and interactions with the Global Compact Office. Stakeholder dialogue and collective action are emerging both within and among such networks.

Addressing complex global development problems (e.g., access to water) requires systemic change. Such change can only occur if initiatives like the UN Global Compact organize their participants in ways that sufficient scale can be achieved. Scale depends not only on the willingness of individual participants to implement sustainable business practices, but also on a sound organizational framework enabling collective action and connecting participants within and among local networks. Such a framework needs to reconcile two competing demands: (1) the ability to locally adapt universal principles within local networks (i.e., flexibility) and (2) the ability to constantly coordinate activities across local networks (i.e., stability).

Tight and loose couplings in multistakeholder initiatives

To analyze how multistakeholder initiatives reconcile flexibility and stability, we have to look at the strength of couplings

between participating organizations. In principle, participants can be coupled tightly or loosely. Research shows that four factors influence whether couplings between participants are tight or loose.

- Loose couplings exist if there is a low frequency of interaction between participants. If participants interact on an irregular basis, and hence affect each other occasionally rather than constantly, a loose coupling is likely to be found.
- Loose couplings can also be caused by indirect relationships between participants. For instance, if two organizations do not communicate directly, but only via a third party, their relationship becomes loosely, rather than tightly, coupled.
- Loose couplings occur when a high degree of causal indeterminacy exists. High causal indeterminacy means that participants disagree about how their environment functions or should function. As a consequence, the coordination of activities becomes difficult, which, in turn, causes looser couplings.
- Loose couplings are also caused by the existence of non-immediate effects. Non-immediate effects create a lag between a stimulus by one participant (e.g., an attempt to communicate) and the response by another participant.

Many would see the existence of loose couplings as a problem, mostly because it makes multistakeholder initiatives harder to govern (at least when viewed from a distance). Research, however, has shown that looser couplings strengthen the ability of initiatives such as the UN Global Compact to create systemic change. In fact, it is the coexistence of loose and



tight couplings between participants that balances the need to adapt universal principles to local contexts and the need to coordinate activities across local contexts.

This raises a critical question: How can tight and loose couplings coexist within multistakeholder initiatives? While it is plausible that either tight or loose couplings exist in a given system, their coexistence requires further explanation. The nested network structure of multistakeholder initiatives (see above) plays an important role in this context. This nested network structure allows for the interplay of tight and loose couplings. While tighter couplings prevail between participants within local networks, looser couplings exist among participants from different local networks.

We can illustrate this by discussing how the four factors that influence the strength of couplings impact the organization of participants in multistakeholder initiatives. As local networks engage participants in collective action and partnerships, the frequency of interaction among participants is relatively high (causing tighter couplings). Local networks also allow different stakeholder groups to interact directly (causing tighter couplings), while interactions among different local networks usually depend on advocates (causing looser couplings). Participants from a single local network are also more likely to agree

on how their environment functions (e.g., because they share a common set of values). This enables a better coordination of actions and, hence, tighter couplings. Finally, interactions within local networks often produce more immediate results (causing tighter couplings) because participating organizations work on both design and implementation of the underlying activities.

Reconciling flexibility and stability

The coexistence of tight couplings (within local networks) and loose couplings (among local networks) creates three important effects for initiatives like the UN Global Compact. First, since local networks are only loosely coupled to other networks, it is possible to seal off problems in single networks without creating negative spillover effects to other parts of the overall initiative. In other words, the coexistence of tight and loose couplings safeguards the stability of multistakeholder initiatives. The resulting stability is a precondition for balancing the quantity of participants and the quality of their engagement – a key priority of the UN Global Compact. Participant growth requires an organizational environment that allows for local participant clusters to expand and connect their activities while, at the same time, retaining a high degree of autonomy.

Second, the interplay of tight and loose couplings allows for a more effective management of the link between global principles and local practices. Looser couplings among networks provide participants on the ground with implementation authority and enable them to adapt universal principles to local needs. Such localized adaptations help to stimulate systemic change, as global problems are translated into local solutions, and solutions themselves can be connected across countries and regions. This creates participant ownership and allows for managing a global portfolio of issues in a localized way.

Finally, the coexistence of loose and tight couplings also impacts the way multistakeholder initiatives legitimize themselves in local environments. Legitimacy is achieved when such initiatives are framed as appropriate and desirable within a given system of norms and values. Loose couplings provide local networks with the necessary autonomy to have decentralized stakeholder dialogues that help to explore what norms and values are relevant in “their” local context. Once local networks have understood what counts as appropriate behavior in their respective environment, they can develop activities that are perceived as necessary and legitimate by relevant stakeholders (e.g., producing guidance on water sustainability in regions where this is a particular concern).

The coexistence of looser and tighter couplings in initiatives like the UN Global Compact is important for initiating collective action in times of rising environmental complexity. On the one hand, loose couplings preserve diversity in responding to environmental stimuli (as more options can be potentially activated). On the other hand, tight couplings ensure that this diversity results in impactful collective action on the ground. Despite conventional wisdom that tighter couplings create better and more durable governance arrangements (because outcomes are supposedly easier to control), the arguments presented here show that it is necessary to appreciate “the strength of loose couplings.” ■



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The ideas expressed in this text are adopted from: A. Rasche, (2012): *Global Policies and Local Practice: Loose and Tight Couplings in Multi-Stakeholder Initiatives*. - *Business Ethics Quarterly* 22(4): 679-708.



RESPONSIBLE LOBBYING

Lobbyists paying elected representatives to place questions in the UK parliament. Arms manufacturers giving South African officials BMWs in exchange for armaments contracts. Smoke-filled back rooms featuring stuffed brown envelopes. No wonder lobbying has a bad name. But these are not images of lobbying: They depict corruption, albeit in a policymaking setting. These actions are morally suspect and usually illegal. They also contravene the UN Global Compact: Principle 10 requires the combating of corruption. In fact, lobbying is far more often about committee meetings, reports, and other unspectacular activities. Lobbying can be understood as the focused provision of relevant information, with the intention of influencing public policy or process. Corporate lobbying is not just important for companies; it helps create better public policies, and can therefore have real societal value, despite its bad press.

By Dr. Stephanos Anastasiadis and Dr. Sigrun M. Wagner

Even so, there is much scope for criticizing corporate lobbying. In our research, we have found that the lobbied (usually civil servants and elected representatives) often perceive companies to exaggerate, bully, and even lie outright. In their 2005 report, *Towards Responsible Lobbying*, the UNGC and AccountAbility argue that lobbying needs to be reformed, and set out proposals for responsible lobbying practices. Simon Zadek, then AccountAbility CEO, rightly said: “Lobbying [was] one of the few business practices to have escaped close scrutiny in recent years.” David Vogel later wrote about responsible lobbying (in the HBR List 2008), arguing that companies should lobby for more sustainable policies. The 2005 report acknowledged that demands for complete transparency are both unrealistic and may in fact be counterproductive. It acknowledged that more rules – such as compulsory registration – do not prevent unethical lobbying. And it also called for UNGC participants – more than 2,200 companies and NGOs at the time – to bring lobbying practices in line with the Ten Principles of the UNGC.

Nearly a decade later, not much has changed. The world has moved on in other ways, though. Recent scandals and crises have shone a light on corporate actions. At the time of writing, the horsemeat scandal in Europe and a factory collapse in Bangladesh were leading to a greater focus on supply chains. Corporate tax has become a hot topic. We have heard repeated calls for government intervention. Before the crisis, governments had been in retreat. As Colin Crouch argued in 2011, this is a long-term trend. In the short-term, though, the significance of governmental policies and regulations has become clearer. This has thrown lobbying into sharper relief: Societal skepticism of lobbying has become more pronounced, as “dodgy” lobbying practices are seldom out of the news. At least one socially responsible investment label has recently started taking lobbying into account in their company ratings.

Interestingly, the UNGC implicitly promotes responsible lobbying. Principle 6, for example, is about promoting elimination of workplace discrimination. A company that takes its



UNGC commitment seriously arguably has an obligation to promote public policies to this effect, particularly where it is present in or entering a country with weak institutions and rule of law. It is also in companies' interests to do so. Consider the following caricature, based on Principle 4 (eliminating all forms of forced and compulsory labor): If you are going beyond local regulations and paying your own staff decently, but your competitor is using slave labor, then you are at a disadvantage, *mutatis mutandis*. If you accept the "fallacy of restricted alternatives" and race for the well-publicized bottom by employing your own slave labor, then your company will suffer reputational damage when (not if) your behavior is reported in your home market. Instead, you can promote stricter standards and monitoring — policies that create a level playing field at an acceptable level. If raising your rivals' costs gives you a competitive advantage in the process, then so much the better.

If it is this simple, then why does it not happen all the time? Indeed, why does lobbying have such a bad reputation at all? And why are we not seeing improvements over time, in line with CSR developments in other areas?

There is emerging evidence that the problem is at least partly one of perception. In her recent study of corporate environmental lobbying in Europe, Sigrun Wagner found that while

companies see environmental protection as important, specific regulations present costs and/or opportunities: The emphasis has been on regulations' cost-effectiveness. Where companies see environmental regulations only in terms of costs (which is often), they tend to lobby defensively, that is, to block policy proposals. In a similar study, Stephanos Anastasiadis found that the way companies understand the nature of the political process — and their role within it — is critical for the nature of their engagement. Most companies took an instrumental approach to lobbying — analogous to seeing policies only in cost terms. A minority took a cooperative approach. These are very different perspectives. For example, companies taking an instrumental approach tend to understand their own engagement in terms of acting to prevent government interference, which they see as unnecessary and intrusive. The more cooperative companies, by contrast, tend to value the legislative process as generating freedom to innovate within limits that apply to all. Both studies point to a sense that the "simple facts" are less important for responsible lobbying than the manner in which companies make sense of what is going on. This suggests that problems in lobbying will continue until companies address the underlying phenomenon. This really matters, because in a world of social media, ubiquitous internet access, and whistle-blowers, companies have more to lose than ever. In 2005, the UNGC noted a significant gap between "everyday CSR" policies and activities on the one hand,

“Lobbying needs to become a critical component of a CSR strategy.”

and lobbying practices on the other. The only thing that seems to have changed in this respect is that the lobbying of individual companies is now more visible. The flow of media reports on lobbying suggests that many companies have not internalized the danger.

In a seminal paper, Mark Suchman wrote about gaining, maintaining, and repairing legitimacy. There are three kinds, he argued. Pragmatic legitimacy is based on the audience's (stakeholder's) self-interest. Cognitive legitimacy rests on comprehensibility and taken-for-grantedness. Finally, moral legitimacy is based on normative approval. All legitimacy management depends heavily on communication between the organization and its stakeholders. In essence, then, if a business wants to be sustainable, in the narrow sense of continuing to survive, then it needs to remain legitimate, thus maintaining its social license to operate. This is at the heart of stakeholder management. More recently, Guido Palazzo and Andreas Scherer have argued that moral legitimacy is increasingly important as other bases for legitimacy decline. Their argument explains the ever-greater societal and media pressure on companies to act responsibly. Indeed, the success of the Global Compact itself is hard to explain without a rise in the significance of moral legitimacy. It is therefore remarkable that corporate lobbying seldom appears to enjoy normative approval.

David Vogel wrote: "Lobbying needs to become a critical component of a CSR strategy. It is not enough for companies to engage in sophisticated private initiatives, however strategic. They must also be willing to support public policies that make it easier for them and other firms to do the right thing." John Elkington has recently made a very similar argument. We agree that this is needed. But it will not be enough for companies to simply decide to change. Mistrust of politics and politicians is deeply rooted in the culture of many companies. The practices resulting from that mistrust mean that policy-makers have come to expect companies to lobby unethically, adjusting their expectations accordingly. So in addition to changing themselves, firms will need to work to change the expectations of their policymaking partners. If the root of the problem is cultural, then the treatment must also be cultural.

This is not an engineering problem, and it cannot be solved simply by introducing codes of conduct or implementing greater transparency. The stories we tell ourselves to make sense of our environment have real-world consequences: They directly affect not only what we see and feel, but also how we act. In short, if we want to have responsible lobbying, then we need to change the story. Engaging with stakeholders and sharing good-practice examples is a positive way to start, as is ensuring that company lobbyists are fully integrated into the rest of the company. Real change will take time and require intensive engagement. This is hard, but the rewards for both business and society could be substantial. ■



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WHICH FORM OF DIALOGUE IS SUITABLE FOR WHICH PURPOSE?

A broad distinction can be made between stakeholder dialogues that are geared toward consultation and those that focus more strongly on cooperation during implementation. In consultative stakeholder dialogues, actors contribute their expertise, viewpoints, and experience. Initiators of the stakeholder dialogue are usually responsible for the further use of recommendations and lessons learned. Consultative and cooperative forms of stakeholder dialogues subsume the following variants:

STAKEHOLDER DIALOGUES AS CONSULTATIONS

ONE-OFF STAKEHOLDER CONSULTATION FOR THE PURPOSE OF EXCHANGE

<p>Substantive function:</p> <ul style="list-style-type: none"> • Political input • To obtain feedback • Research / planning input • Exchange of experiences 	<p>holder groups to plan a project, perform research for a study, etc.;</p> <ul style="list-style-type: none"> • the interests and awareness of different actors are to be raised for a specific theme;
<p>Recommended when:</p> <ul style="list-style-type: none"> • Input or feedback is to be obtained just once from a specific stakeholder group or various stake- 	<ul style="list-style-type: none"> • no further, in-depth cooperation is envisaged at present beyond this consultation.

SYSTEMATIC, REPEATED STAKEHOLDER CONSULTATION TO INTEGRATE RECOMMENDATIONS

<p>Substantive function:</p> <ul style="list-style-type: none"> • Strategy development / assessment • Assessment of planning • Obtaining regular feedback 	<p>various stakeholder groups within an established period with regard to the planning of a project or research;</p> <ul style="list-style-type: none"> • stakeholder input is to be integrated into planning, etc.;
<p>Recommended when:</p> <ul style="list-style-type: none"> • contributions or feedback are to be repeatedly obtained from a specific stakeholder group or 	<ul style="list-style-type: none"> • stakeholders are to be given an opportunity through repeated consultation to assess planning progress and give new feedback.

INSTITUTIONALIZED STAKEHOLDER CONSULTATION

<p>Substantive function:</p> <ul style="list-style-type: none"> • Institutionalized strategy / planning assessment • Involvement of people concerned to judge consequences, for instance • Representation of stakeholders according to established regulations 	<p>Recommended when:</p> <ul style="list-style-type: none"> • political projects, etc., are to be (further) developed and the inputs of various stakeholders are to be regularly obtained for this purpose within a firmly organized framework; • the implementation of plans for public-sector projects (possibly also for private projects) has consequences for public goods.
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MULTISTAKEHOLDER PLATFORM (EXCHANGE)	
<p>Substantive function:</p> <ul style="list-style-type: none"> • Visibility of platform to outside world • Stakeholders represent larger organizations • Frequently driven by political or economic developments 	<p>Recommended when:</p> <ul style="list-style-type: none"> • the possibility of permanent exchange with other stakeholders is sought on a specific theme; • in this context, recommendations and comments on current developments are to be made; • joint implementation of projects is not aimed at for the time being.

STAKEHOLDER DIALOGUES AS COOPERATION ARRANGEMENTS

MULTISTAKEHOLDER INITIATIVE	
<p>Substantive function:</p> <ul style="list-style-type: none"> • Joint responsibility for: <ul style="list-style-type: none"> - implementation steering - change - monitoring and evaluation - results - decision making • Usually has an agreed steering structure (steering committee, executive committee) 	<p>Recommended when:</p> <ul style="list-style-type: none"> • a new approach, standard, or policy is to be jointly developed and implemented; • for this purpose, action is to be taken for a temporary period by a specially established stakeholder group; • the required personnel and organizational structures can and should be established; • responsibility for implementation is to be shared.

MULTISTAKEHOLDER PLATFORM (IMPLEMENTATION MANAGEMENT)	
<p>Substantive function:</p> <ul style="list-style-type: none"> • Coordination and joint implementation of tasks in the public interest 	<p>Recommended when:</p> <ul style="list-style-type: none"> • specific tasks related to improved service delivery, for instance, are to be tackled together in the long term, beyond the joint making of recommendations; • cooperation is to be established in the long term between different stakeholders.

STAKEHOLDER PARTNERSHIP	
<p>Substantive function:</p> <ul style="list-style-type: none"> • Joint <ul style="list-style-type: none"> - implementation planning - performance of activities - monitoring of results - responsibility for success - decision making • management structures are grouped in one location 	<p>Recommended when:</p> <ul style="list-style-type: none"> • jointly determined project-related goals are to be achieved with shared responsibility; • a temporary cooperation arrangement between the stakeholders involved in conducting a project with established responsibilities is to be formalized; • the personnel and organizational structures required to achieve this purpose are to be set up; • joint monitoring and evaluation of results is envisaged.

Source: Stakeholder Dialogues Manual, published by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) 2012

CLIMATE CHANGE

Climate change is the biggest threat mankind has ever faced. It is caused by the build-up of greenhouse gases from burning fossil fuels and the destruction of carbon storage areas such as the rainforests, which in turn leads to global warming. Limiting global warming to 2 degrees Celsius, as called for by the UN Framework Convention on Climate Change, is crucial. A low-carbon economy is the key to significantly reduce the output of greenhouse gases. This chapter explains the steps necessary to move toward a decarbonized economy.

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Dr. Frank Appel, CEO,
Deutsche Post DHL

INNOVATING FOR A BETTER FUTURE

➤ Our globalized world and its interconnected challenges require businesses to think and act in new dimensions. We must ask ourselves: Is our economic success enabling social progress? Are we considering the environmental impact of our operations? Are we making decisions in the long-term interests of our stakeholders?

At Deutsche Post DHL, these considerations have shaped *Strategy 2015* – our corporate roadmap to becoming an employer, provider, and investment of choice. We recognize that we will only reach these aims by embracing the multifaceted role we play in society as one of the world's largest employers and the global leader in postal and logistics services.

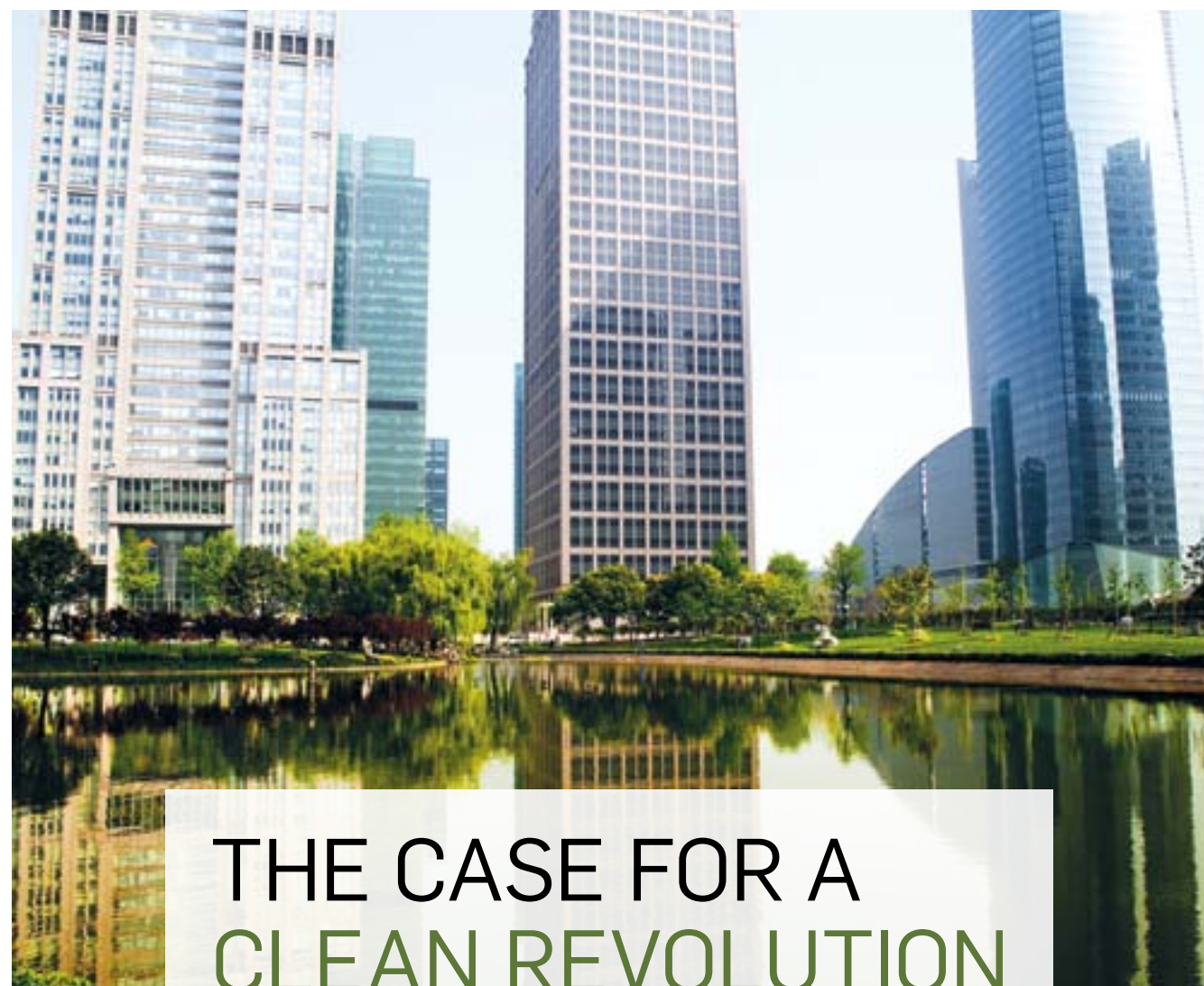
Connecting people and markets across the globe is a business that, in its current form, has an environmental impact. This is primarily

due to the logistics sector's dependency on fossil fuels, which generate CO₂ emissions when combusted. In 2012, Deutsche Post DHL's operations were responsible for 28 million tons of CO₂, of which 80 percent were so-called Scope 3 emissions from subcontracted transportation. Working closely with our subcontractors to tackle global warming and climate change is therefore at the forefront of our efforts to bring about an environmentally responsible future.

Our industry-leading GoGreen environmental protection program focuses on innovative responses to minimizing CO₂ emissions from the hundreds of transportation subcontractors around the world that we work with, as well as improving the carbon efficiency of our own operations. Five years ago, we became the first logistics company in the world to set a measurable climate protection target. By 2020, the Group aims to improve the CO₂ efficiency of its own operations, together with those of its transportation subcontractors, by 30 percent compared with the 2007 baseline. We are already halfway to meeting this target.

Tackling the causes of global warming requires a global, multistakeholder effort if we are to achieve lasting positive change. Individual companies can – and do – make a big contribution. But when business, governments, NGOs, and academia work together, we can find innovative solutions much more quickly. This is how Bonn, for example, became the first city in Germany with a carbon-free vehicle concept for mail and parcel delivery.

Deutsche Post DHL, with its customers, suppliers, and employees, is committed to forging new pathways to a carbon-efficient economy. As we innovate for a better future, both our business and society benefit. ➤



THE CASE FOR A CLEAN REVOLUTION

By Mark Kenber

By 2050, our planet will be home to 9 billion people. The world's middle class will reach 4 billion; by 2020, 50 percent of China's population will be middle class. The world has also become increasingly urban: In 1800, only 2 percent of the world's population was urban. Today, half of the world's people are living in towns and cities, with 180,000 people added to the urban population each day.

Pressure on infrastructure and natural resources is already immense, and growing: Demand for water will increase by 40 percent from 2010 to 2030. Demand for energy will increase by 22.5 percent from 2010 to 2025. Demand for food will increase by 50 percent between 2010 and 2030. At the same time, if we are to preserve our natural resources and standards of living, greenhouse gas emissions must be reduced by 80 percent by mid-century. This presents a challenge for our government and business leaders; they must meet these social and environmental challenges while ensuring economic stability as well as expanding prosperity.

The Clean Revolution is not just a vision of an ideal future. It is happening now, in cities, regions, states, and countries around the world as well in companies of all sizes. The Clean Revolution is already creating millions of new jobs: In the United States, a report by the Bureau of Labor Statistics found that there were about 3.4 million green energy jobs in 2011: an increase of 4.9 percent from the previous year. When compared with the data for alternative areas of the economy, this figure is impressive; all other jobs increased by only 1.2 percent. This is supported by 2012 data from The Solar Foundation, which reported that California has more solar workers than actors;



Cities are key contributors to climate change, as activities there are the main source of greenhouse gas emissions. If efforts to address climate change are to be successful, they must integrate urban requirements and environmental management capacities.

This is not an insurmountable task but it will take a new, bold, daring vision for how we do business, heat our homes, build infrastructure, and structure our economies. This is the vision of a low-carbon, high-opportunity Clean Revolution: a swift, massive scale-up of clean energy and infrastructure, and of smart technologies and design. This will improve the efficiency and use of our natural resources while creating jobs and boosting economic growth.

more Texans work in solar than ranching; and the US solar industry has more workers than the coal mining industry.

The outlook for the renewable energy sector looks bright — investment in clean-energy capacity is expected to triple between now and 2030, according to analysts from Bloomberg New Energy Finance. Research by Google in 2011 found that breakthroughs in clean-tech innovation could generate an extra \$155-244 billion in GDP per year in the United States from 2030 if the right investments are made now.

It is not only the United States that is reaping the benefits of the Clean Revolution — the Indian Prime Minister, Manmohan Singh, has announced plans to double India's renewable-energy capacity by 2017 and introduce clean-energy subsidies. South Korea's business community invested \$12.7 billion between 2008 and 2010 as part of the nation's green-growth program,

establishing Korean companies as major exporters of clean technology. Meanwhile, Scotland is building its economy on the back of its extraordinary renewable-energy resources base, producing 35 percent of its electricity from wind and water resources already, and planning for 100 percent of its electricity generation to come from renewable sources by 2020. In the United Kingdom, the Office for Budget Responsibility has predicted that the overall economy will grow by just 0.6 percent in 2013, whereas the green economy is growing at a much higher rate of 5 percent a year.

It is not just policymakers and businessmen and women who have noticed the potential of the low-carbon economy. The demand for skilled clean-energy workers is increasing, and as a result, these specialized workers are being rewarded with higher-than-average salaries. In its 2011 US survey, The Brookings Institute found the median wage in the clean economy to be 13 percent higher than in the national economy as a whole. As a result, the younger generation is realizing the employment potential that the Clean Revolution offers them. In the United Kingdom, a recent survey of young people (age 19-25) found that 59 percent are interested in working in the green economy.

A global Clean Revolution depends on bold leadership from businesses, governments, and innovators. Leadership is crucial because, within most systems, approximately 80 percent of the effects can be attributed to 20 percent of the causes. We believe this principle holds equally for sources of global emissions and emission-reduction solutions: 80 percent of emissions are caused by 20 percent of the global population. But 20 percent of global leaders can deliver 80 percent of the solution.

The Climate Group acts as a catalyst for creating this global coalition of low-carbon leaders: At Climate Week NYC 2012, an eclectic and surprising mix of global leaders and innovators joined our call for an American Clean Revolution. Former UK Prime Minister Rt. Hon. Tony Blair said: "Combating climate change is massively in our best interest if we want higher energy supply security, lower costs, and a better life. As global citizens we are going to continue to be agitating for a solution to this problem which is absolutely critical to the future of human progress." Also speaking at Climate Week NYC, Evan Williams, co-founder of Twitter, acknowledged the crucial role that innovative technologies will play in the low-carbon economy: "America's long history of prosperity was built by entrepreneurial innovators in science and technology. These visionaries imagined and then created a new and better way of doing things, which was the catalyst for a century of prosperity. We need powerful new thinking in that same vein in order to challenge and transcend the limits of our high-carbon economy with clean energy innovation."

There are leaders around the world who have envisioned a Clean Revolution future and are acting decisively to make their



vision a reality. Low-carbon technologies are being scaled-up in factories and cities to reduce emissions, improve living standards, and unlock economic potential. This leadership is evident in the scale-up of electric vehicles (EVs), which are at the tipping point of becoming mainstream in both commercial and consumer markets. A 2012 market analysis from the global management consultancy McKinsey & Company reasoned that EVs would become cost-competitive with conventional vehicles as the price of a lithium-ion battery pack falls from its current level of \$500-\$600 per kilowatt hour (kWh) to \$200 per kWh. McKinsey & Company believes that the decline in battery prices could occur as early as 2020 as a result of manufacturing at scale, lower component prices, and advances in battery technology.

Early adopters of commercial EVs are investing now in order to reap the benefits of the technology. In November 2010, GE committed to purchasing 25,000 electric vehicles to jumpstart the electric vehicle market in the United States while the Department of Defense (DOD) announced that it is planning to invest \$20 million to incorporate up to 500 vehicles-to-grid-capable electric trucks, buses, and related infrastructure into its non-tactical fleet in 2013. The DOD estimates that the money saved through such a system will cover the upfront investment in 10 years, while providing valuable insights into the value of the vehicles' energy-storage potential. If the project goes as planned, the next step will be to expand to as many as 1,500 vehicles at 30 installations nationwide.

Increasing numbers of consumers are turning to EVs for assistance with household savings. In 2011, the US gas price in California reached a record high \$4.67 per gallon, catalyzing



an increase in sales of the Toyota Prius hybrids. It became the bestselling passenger vehicle in the state, selling 60,688 in 2012: a remarkable 78 percent increase over 2011 sales. There is a similar pattern with models from other EV manufacturers — there was a phenomenal 286 percent increase in sales of Nissan's Leaf EV car in the United States in March 2012 when compared to the same period the year prior.

In many countries, the global \$100 billion solar-photovoltaic (PV) sector has reached a tipping point and, as a result of government subsidies and corporate investment, PVs are becoming competitive with fossil fuels. Many countries, including Germany, Denmark, Italy, Spain, and parts of Australia, which have higher electricity prices, have already reached grid parity — Japan, France, Brazil, and Turkey are expected to reach parity by 2015, and the MENA region is close to grid parity. In the United States, solar PV technology is expected to reach grid parity for some PV projects in 2014. Most regions will reach grid parity by 2017 and China could reach solar power grid parity in most of its regions as early as 2015-2016.

In just six years, installed solar-PV capacity across the globe has increased 1,200 percent, from 5.4 gigawatts (GW) in 2005 to more than 65 GW in 2011. In Australia alone, there are 1 million households with solar PV systems now installed — in 2008 there were just 20,000. With current growth rates, solar energy could be providing 10 percent of the total global power generation by the end of the decade. In the United States, SolarCity, SunRun, and Sungevity have made solar panels affordable for California's residents with their unique business model — they let customers install solar facilities and either

lease the panels or buy the produced power at a fixed rate. SunRun alone has been installing \$1 million worth in solar panels every day since January 2011.

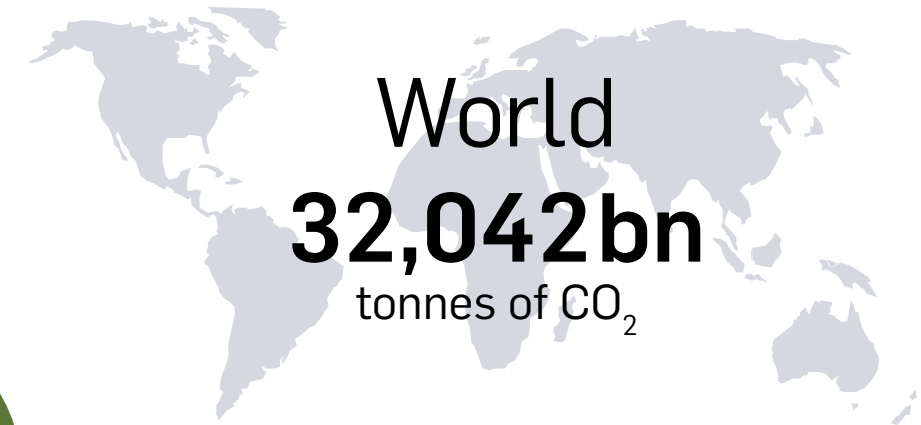
LED (light-emitting diodes) street lighting is another example of a low-carbon technology that can help state and municipal governments to reduce carbon emissions, improve public infrastructure, and lower economic expenditures. At the Rio+20 UN Global Compact Corporate Sustainability Forum in June 2012, The Climate Group published *Lighting the Clean Revolution: The Rise of LED Street Lighting and What It Means for Cities*, which presents the findings of an independent, two-and-a-half-year global pilot of LED lamps in 15 separate trials across 12 cities, including New York, London, Kolkata, and Sydney. The conclusion of the trials found that LED street lighting can generate energy savings as high as 85 percent — a valuable savings for public administrations in the current economic environment. As a consequence of these high energy savings, 670 million tons of greenhouse gas emissions are saved every year. As well as the economic and environmental benefits, the report also analyzed the social benefits attributed to LED street lighting. Surveys in Kolkata, London, Sydney, and Toronto indicated that citizens preferred LED lighting, with 68 percent to 90 percent of respondents endorsing the city-wide rollout of the technology. As a result of the pilot's findings, The Climate Group and Philips, the report's co-author, are calling for a new international low-carbon lighting standard that will see all new public lighting — both street lighting and public building lighting — use LED as of 2015, with the aim of all public lighting being LED by 2020.

It is clear that we are making progress with the scale-up of established clean technologies and emerging clean-tech innovations. But the scale-up of these technologies must be accelerated and it must happen now. The Clean Revolution offers us the opportunity to change the economic and social future of our societies. We cannot, and must not, allow ourselves to miss this crucial tipping point in our development. The Clean Revolution is a positive, inspiring, and achievable vision of tomorrow that answers the economic and political imperatives of today. It is indeed the only feasible path to a smarter, better, more prosperous future. For all. ■

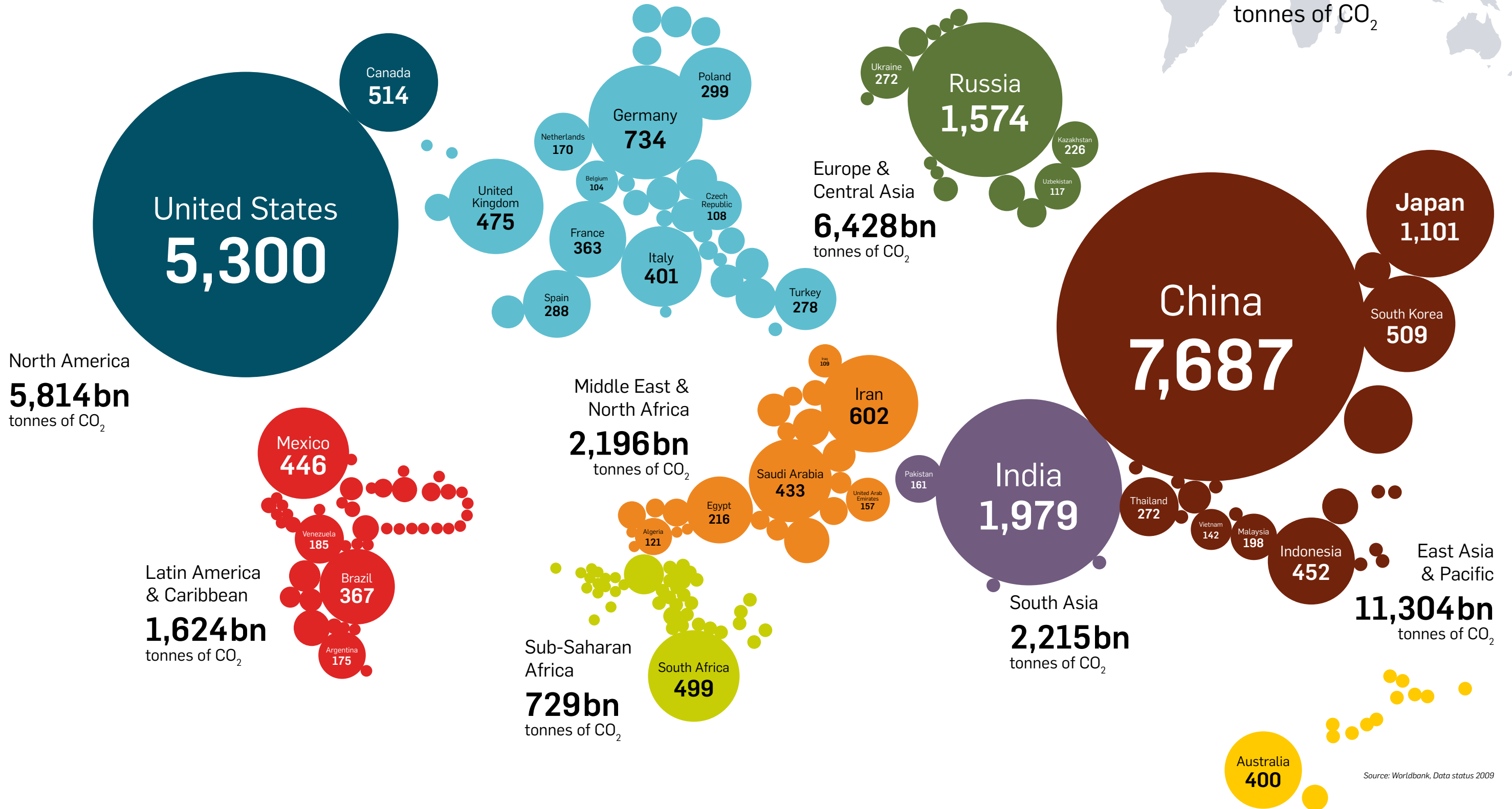


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Mark Kenber is CEO of
The Climate Group.

THE CARBON ATLAS



World
32,042bn
tonnes of CO₂



Source: Worldbank, Data status 2009



THE WORLD IS AWAITING INNOVATION

Anthropogenic greenhouse gas emissions are breaking new records every year. At present, we are on a track that will lead us to global warming of 4 degrees Celsius by the end of the century. The consequences are fatal, and it is mainly the poor of this world who will have to pay for it. Professor Dr. Hans Joachim Schellnhuber, member of the IPCC and Director of the Potsdam Institute for Climate Impact Research (PIK), warns: “If the world is to avoid dangerous climate change, the discussion in Rio needs to go beyond the very broad topic of sustainability and the very narrow concept of ‘green growth.’” The following is an exposition of his standpoint.

By Prof. Dr. Hans Joachim Schellnhuber

The Great Transformation toward a post-fossil fuel economy is certainly a business opportunity — but it is much more than that: It is a matter of ethics.

This does not contradict at all the fact that cutting our greenhouse gas emissions would be a downright rational choice that is based on sound science, as it is clear that unabated climate

change potentially could incur great costs. Crop yields would be put at risk by changing precipitation patterns and sea levels would rise slowly but inevitably. In combination with increasing extreme weather events, this threatens global hubs over the long term such as New York, Shanghai, and Mumbai, to name just three examples.

Yet there is also that other consideration, one that neither I as a scientist nor any business leader can neglect, because we are citizens of this one world after all. We feel we have a responsibility to act for those who lack the means to do this — namely, our distant neighbors living in developing countries and our children’s children who have yet to be born.

It is a tragedy of historic dimensions that climate change impacts are likely to be most severe in those countries — and for those populations — that contributed least to global greenhouse gas emissions. Most developing countries are situated in the regions where, for example, the monsoon regime might show a significantly increased variability, where storm surges might intensify, and where rising sea levels — which are not distributed equally across the globe — will be the greatest. Moreover, it is in these countries that many farmers cannot afford even for just one season of crops to fail, as they have no reserves to fall back on. And many governments in these countries do not have the resources for adaptation measures such as building dams. It is this combination of factors that, as the World Bank’s President, Jim Yong Kim, put it, “should shock us into action.”

Now climate change poses a triple problem of distance. First, of temporal distance: Most impacts of global warming will start to really be felt in the second half of this century, not now. But it is right now that one has to act if those future effects are to be avoided. The second problem of distance is geographical. Pakistan, which is vulnerable to climate change for many reasons, is a distant place to care about. But as globalization makes our world smaller, climate change impacts that disturb the economic and political stability of Pakistan — which is a neighbor of Afghanistan and India — quite obviously could affect our livelihoods as well.

The third problem of distance could be called a cognitive one. Though the basic facts — such as that CO₂ emissions lead to global warming — are clear, admittedly the findings of cutting-edge climate science often are difficult for non-experts to access and comprehend. The analyses deal with nonlinear processes in complex systems. They are often based on intricate computer simulations and come with uncertainties about, for example, the exact magnitude of climate impacts and their distribution in space and time. But this can be boiled down to a risk-management approach. Risk is defined as probability multiplied by the potential damage. So even if the probability is small, the potentially huge damage that climate change implies makes it a very significant risk.

Confronted with risk, and the need to fundamentally change the way we do business, denial is a popular reaction. However, to be a corporate citizen also implies the necessity to contribute to the public debate on climate change. That debate knows four stages of denial: (1) There is no climate change; (2) it exists, but it is not man-made; (3) it might be caused by our greenhouse gas emissions, but the impacts are not dangerous; (4) the impacts might be dangerous, but we cannot do anything about them because it is too late, too difficult, or because states and companies will not act. On a different level, procrastinating and pretending that the matter is not really urgent can be a form of denial as well. It is that fourth stage of denial that is the most perfidious.

Unfortunately, the same could be said about attempts to hide the issue of climate change behind a cloud of further considerations regarding the sustainability issue. Broadening an issue can be a way of avoiding the challenge of actually tackling it. Climate change is a crucial factor, in many cases triggering other elements of a sustainability vision. Cutting CO₂ is a prerequisite for achieving progress with other sustainability issues. Therefore, corporate responsibility in the age of climate change is not about putting recycled paper in the printer, or sponsoring some game reserve in Kenya. These might be good things to do, but what companies really need to do is to consider transforming their core business, as this has the biggest impact on their greenhouse gas emissions.

For those who dare to do this, promising paths lie ahead. The world is awaiting innovation that will change our industrial metabolism. In order to develop smart power grids and new technologies for energy storage, remove CO₂ from the atmosphere through intelligent use of biomass, use urban mining to recycle materials, find more efficient ways to achieve seawater desalination, and design new ways of urban planning and building, nothing less than a third industrial revolution is needed.

Again, this is certainly about green growth, but it is also about responsibility toward society as a whole. The choice about whether to be a laggard or a pioneer in this approaching industrial revolution might be the most important part of that thing we call corporate responsibility. ■



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Prof. Dr. Dr. h.c. Hans Joachim Schellnhuber has been Director of the Potsdam Institute for Climate Impact Research (PIK) since he founded the institute in 1992. Furthermore, he is Chair of the German Advisory Council on Global Change (WBGU).

WHAT BUSINESS HAS TO GAIN FROM ENGAGING IN INTERNATIONAL CLIMATE POLICY

By Julie-Anne Richards

Society, including business, works best when we jointly accept a challenge. One only needs to think of the huge strides that governments and businesses — supported by the public — made once nations had set themselves the task of landing a man on the moon. At the beginning of the “space race,” it was not even clear that this technological challenge could be met. Preventing catastrophic climate change will require a similar approach. Only when every facet of society — including government and business — sets the collective goal of ensuring our children inherit a safe planet will there be nothing to stop us.

What could trigger such a drive? Climate impacts are already affecting just about every country on the planet, and the costs of dealing with the havoc they create are rising. For example, the United States spent \$136 billion in two years on natural disaster relief — a spike resulting from weather impacted by climate change — yet action continues to fall far behind what is needed. To deliver a safe climate, we need to keep warming below 1.5 degrees Celsius and global emissions must peak by 2015 and decline every year after that until they fall 80 percent below that level by 2050. While pockets of extremely enthusiastic climate activists are pushing for society to embrace this goal and youth are struggling to have their concerns about their future on this planet heard, business leaders — whose voices are influential — remain largely silent. Businesses signing up to such a goal — individually and collectively through the UN Global Compact — and that are encouraging governments to do the same will make a huge difference in the momentum toward a safe climate.

Establishing strong domestic emission-reduction targets and putting in place policies to meet global goals are the best ways to drive the innovation we require to achieve this goal. The countries that have driven action with targets that are

supported by strong climate policies are the ones that have already benefitted from the new green economy. Since 2004, investments in Germany’s clean energy sector have grown by 122 percent, creating an industry that supports more than 380,000 jobs. By driving down the price of electricity, wind and solar have made Germany an attractive location for energy-intensive industries — cementing their position as a manufacturing powerhouse. Through policies to support the solar industry, China has created the world’s largest solar industry in less than a decade. A recent adjustment of these policies to support feed-in tariffs will see China’s solar industry consolidate and continue to grow. European states that are otherwise in the midst of an economic crisis, like Spain and Italy, have built solid renewable industries that are employing people. These new, green industries are likely to be the best route out of the Mediterranean’s economic malaise. By championing the implementation of the policies required to make these changes happen, businesses play a key role, such as supporting strong emissions-reduction and renewable-energy targets as well as mechanisms that price carbon fairly.

Businesses thrive on certainty, and an international agreement can help provide this certainty. An international agreement

“ Progressive corporations must speak loudly and call for climate action. ”



on aviation emissions through the International Civil Aviation Organization (ICAO) is within reach this year, but it will require progressive businesses to support it. Without an adequate ICAO agreement, the EU's Emissions Trading Scheme (ETS) will be weakened – and woe to the businesses that continue their negative campaigns against aviation in the EU ETS. Studies have shown Europe's frequent flyers are educated and concerned about climate change. It would not take much for this group to switch allegiances from a dinosaur airline acting against effective regulation to reduce emissions to an airline that is helping to build a green, low-carbon future.

Other ways to provide certainty to businesses are through market standards. The United Nations Framework Convention on Climate Change (UNFCCC) could roll out environmentally rigorous standards for market mechanisms across the world. The UNFCCC could monitor, manage, and approve which instruments could be used in a compliance market in order to ensure the system maintains environmental integrity. Businesses should encourage governments to be proactive here. After all, corporate social responsibility is much easier with effective standard-setting by governments in place. No one wants to be caught with meaningless credits, especially when factoring in the damage that can be done to corporate reputations from such a situation.

No one knows better than businesses that money makes the world go around. International climate negotiations are no different. It is clear that developing countries will need to

undertake much more adaptation and mitigation than they can afford – much, much more. For example, the World Bank estimates that over the next 20 years, reducing emissions in developing countries could cost \$240-\$600 billion a year, while adapting to climate impacts could cost \$10-\$90 billion a year. Furthermore, the International Energy Agency calculates that an additional \$430 billion – or 0.5 percent of global GDP – will need to be spent on energy infrastructure annually by 2020. Clearly, there are opportunities for businesses in these markets. But first, governments need to deliver the \$100 billion in public money they promised in Copenhagen. Once the public funds are delivered, the amounts of private finance that will be necessary in developing countries can be leveraged. To unlock these opportunities, businesses should advocate – at the UNFCCC, the G20, and at home – for governments to deliver on this promise. Furthermore, businesses should work collaboratively with NGOs and governments to ensure that both public and private funds are deployed effectively – for the climate and for poor people.

Another area in which positive action could open new markets in developing countries is the international negotiations surrounding intellectual property rights (IPR). Even though least-developed countries are not expected to have to conform with the World Trade Organization's regime on IPR (Agreement on Trade Related Aspects of Intellectual Property Rights – TRIPS), many developing countries with slightly higher income levels could be priced out of the climate technology market, especially for adaptation technologies. To



meet this need, businesses can participate in internationally coordinated research and development on climate technologies. They can support regulation to back up technological solutions, such as feed-in tariffs for renewable-energy power projects. Encouraging the sharing of technologies, which can put developing countries on a low-carbon development pathway, is an effective, relatively low-cost means toward our long-term climate goal.

A report released last year by the International Energy Agency warned that we need to keep two-thirds of our remaining fossil fuel reserves in ground if we are to keep climate change within acceptable levels. But the Unburnable Carbon report from Carbon Tracker found that many businesses are wasting capital by continuing to search for and exploit fossil fuels that will never be able to be used – generating what many have described as a carbon bubble that will soon burst. To avoid this and to retain social license, businesses can wise up to the fact that the future will necessarily be fossil fuel-free. They can stop new fossil fuel exploration, and call for regulation to keep fossil fuels in the ground (ensuring a level playing field). Banks, financial institutions, and others with large stock holdings can divest from companies that persist with inflating the carbon bubble.

Perhaps most important is standing up to – and going public against – the businesses that are actively working against effective action on climate change. Progressive corporations that see the opportunities that climate action affords and

that recognize the shared responsibility we all have must speak loudly and call for climate action – internationally, nationally, and locally.

Climate change is a challenge that far exceeds any sector's ability to deal with it on its own. UN agencies, governments, businesses, and civil society all have a role to play in ensuring a low-carbon, sustainable, equitable future. We all have a responsibility to help our leaders make the right choices to deliver this future. This is much more important than putting someone on the moon – this is delivering an inhabitable planet for our children. ■



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International.

JOIN OUR CLEAN GENERATION MOVEMENT!

International conferences on the climate depress me. Heads of state all come to say exactly the same thing: “Climate change is a huge problem. It is going to be very expensive to resolve and we can’t find the money.” How is it possible to motivate people when speaking only of problems and costs?



By Dr. Bertrand Piccard

As a doctor, I always learned that a problem is called a symptom, that a symptom has a cause, and that the cause has a treatment. When we speak of climate change, when we speak of CO₂, we are not looking at the source of the problem: We are only looking at a symptom that has a very clear cause. This cause is our dependence on fossil energy. It is a fact that we use far too much non-renewable energy, which is expensive and pollutes our world. Yet there is a treatment called CleanTech. This allows us to decrease our consumption of energy and produce renewable energy, all the while creating jobs, making profit, and sustaining growth.

What we are doing with the Solar Impulse program is giving a concrete demonstration of the efficiency of these technologies. Everything we are using in our plane in order to fly day

and night without any fuel, you can also use. This is not the secret technology of tomorrow but the technology of yesterday, the same solar panels, batteries, electrical motors, insulation foam, LED lighting system, construction techniques, and software. You can use them yourself. When governments state that they still cannot reduce the consumption of fossil fuels before investing in more research and innovation, it is completely false. The technologies already exist.

If all of the existing technology — all the CleanTech — was used in our society, we would already be able to halve our total energy consumption and produce half of the rest from renewable sources. It would leave 25 percent of the supply coming from fossil energy, which would be acceptable for the environment.

So why are we not doing it? In my view, there are two main reasons:

1. Too many people confuse the notions of price and cost. We are told that renewable energy is more expensive than fossil energy. This is a misunderstanding ripe with consequence. All of the costs of renewable energy are included in the price. The price of petrol, gas, or coal does not include the entire cost: You do not pay for the 200 million years that are necessary to replenish stocks, you do not pay for the oil slicks, you do not pay for the wars that have already begun and that will be extended in order to procure oil, and you are not yet paying for the environmental cost of the CO₂ produced by fossil fuels.



We are comparing things that cannot be compared. Evidently, the price of petrol is always less expensive than that of solar energy, but the cost of petrol is much more expensive than the equivalent cost of renewable energy.

2. The second reason is that the sacrosanct laws of the market no longer work in a speculative and globalized world. In the past, you would have been able to expect from the market a progressive equalization of the prices of energy derived from different sources, and thus obtain a spontaneous transition. Today this is no longer possible — our world does not work like that anymore. Our world functions on acceleration, on crisis, on speculation. The subprime mortgage crisis is a typical example of a market law that spiraled out of control.

The grand paradox is that we cannot simply take a political position from the left or right and apply it. In each doctrine there are elements absolutely necessary to arrive at an efficacious result. To resolve the current challenges, we need both entrepreneurs and governments.

The problem is that each entrepreneur expects their competitors to take the first step because there is a certain risk in being the first to pioneer and invest in renewable energy. Critical mass has not yet been attained and we do not know exactly which technologies are going to be the most immediately profitable or the breakthroughs of tomorrow. And so, they wait. On the other side, the governments say that it is up to the private entrepreneurs to take the first step. And so nothing — or very little — happens.

Today, people are forbidden from throwing garbage into the forest, but it is still permitted to waste energy and to spew CO₂ into the atmosphere. We are lacking the political will and the legal framework that would oblige our society, industries,



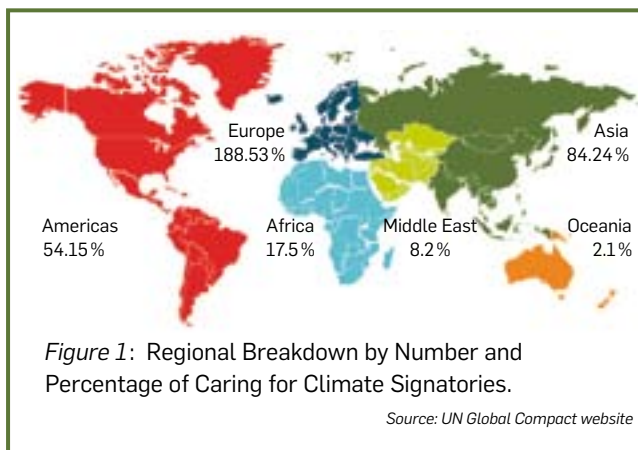
and consumers to use technologies that would allow us to decrease our consumption of fossil fuels. Government action is what we have to encourage from now on if we want to energize industry, create jobs, and improve our purchase power and trade balance — while at the same time protecting our environment. ■



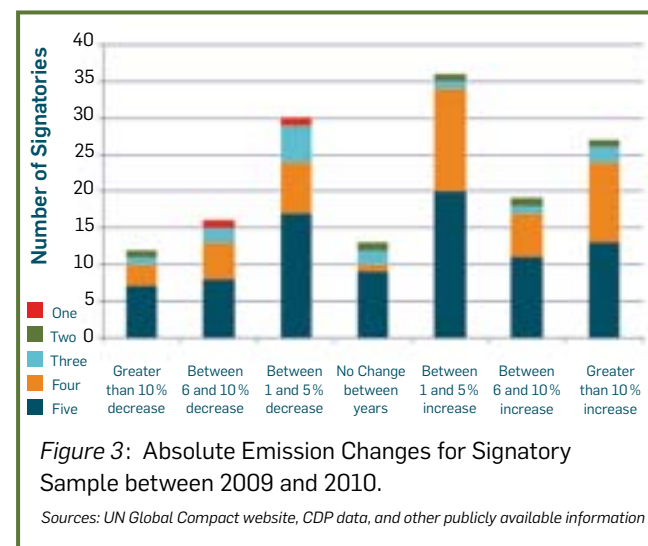
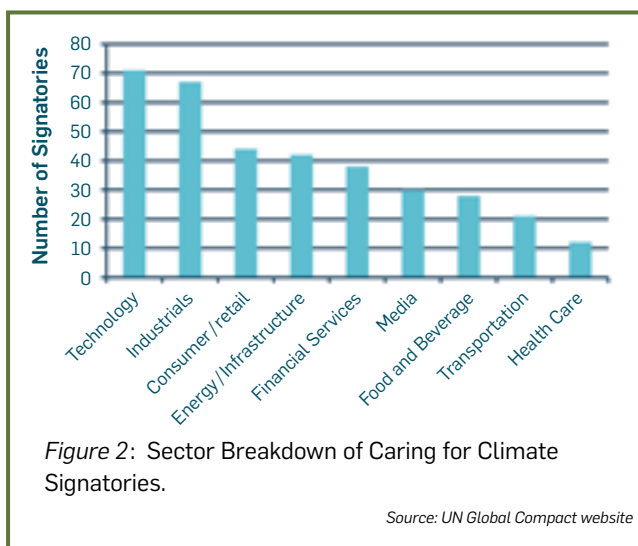
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Dr. Bertrand Piccard, along with Brian Jones, was the first to complete a non-stop balloon flight around the globe. His new futuristic enterprise is to fly round the world in a solar-powered airplane named Solar Impulse.

PORTRAIT: CARING FOR CLIMATE

As part of his five-year action agenda, UN Secretary-General Ban Ki-moon has prioritized sustainable development – with climate change as one of the key impulses. The United Nations has long been intensively engaged in various dialogues and targeted climate initiatives, and Caring for Climate is one such platform.



Launched by the Secretary-General in 2007, Caring for Climate aims to advance the role of business in addressing climate change. Led by the UN Global Compact, the UN Environment Programme (UNEP) and the UN Framework Convention on Climate Change (UNFCCC), Caring for Climate provides a framework for business leaders to advance practical solutions and help shape public policy as well as public attitudes. Chief executive officers who support the leadership statement are prepared to set goals, develop and expand strategies and practices, and to publicly disclose emissions. Caring for Climate is endorsed by nearly 350 companies from 60 countries.



In an effort to encourage greater climate action, Caring for Climate has convened large companies and small and medium-sized enterprises (SMEs) to uphold five key commitments, the essence of which are as follows:

- 1| Reduce emissions, set targets, and report annual performance.
- 2| Devise a business strategy to approach climate risks and opportunities.
- 3| Engage with policymakers to encourage scaled-up climate action.
- 4| Work collaboratively with other enterprises to tackle climate change.
- 5| Become a climate-friendly business champion with stakeholders.

To determine whether these commitments have been met, Caring for Climate conducted research and analysis of activity by signatories using publicly available climate change related information reported by signatories through the Carbon Disclosure Project (CDP) and in their Communications on Progress for Climate (COP-Climate). These are some findings, as presented in the Caring for Climate Progress Report 2012:

Regional and Sectoral Participation

Signatories of Caring for Climate are primarily located in Europe and Asia although there is a notable presence in the Americas as well. As seen in Figure 1, European signatories made up 53 percent of total membership in 2011.

Multiple industries are well represented amongst Caring for Climate signatories. However, the technology and industrial sectors are the most frequent signatories with 18 percent and 20 percent of total membership, respectively, as indicated in Figure 2.

Emissions Analysis

In defining a sample population of signatories for an emissions trend analysis, Caring for Climate took into account large companies that reported both high quality carbon and revenue data for the reporting years 2009 and 2010. After reviewing corporate disclosures to CDP and COP-Climate submissions as well as other publicly available sustainability reports and other relevant material, a sample population of 153 large companies was selected to assess the emissions performance of the initiative as a whole. During the reporting year 2010, the sampled signatories released approximately 2,017 million metric tonnes carbon dioxide equivalent (MtCO₂e) of scope

UPCOMING

CARING FOR CLIMATE BUSINESS FORUM AT COP19/CMP9 IN WARSAW

For the first time this year, the UN Global Compact, UNEP and UNFCCC are organizing the Caring for Climate Business Forum: Innovation, Ambition, Collaboration during COP19/CMP9 on 19-20 November in Warsaw, Poland. At the Forum, business and investors will have the opportunity to directly interface with government negotiators, the UN and civil society. With a view to facilitating dialogue, action and collaboration, the Forum seeks to serve as a flagship channel for business to make genuine contributions to climate change negotiations annually.

In particular, signatories are welcome to contribute to the following new opportunities and workstreams:

- National Adaptation Dialogues: Global Compact Local Network-led dialogues for companies and local policymakers to enhance adaptation efforts on-the-ground, including throughout the supply chain and communities.
- Responsible Corporate Engagement on Climate Policy: Guidance on the nature and implications of corporate interaction within climate policy, including an engagement framework to help business play a positive and reinforcing role in achieving robust climate change policy.
- Climate and Energy Action Hub: A web-based portal that enables various stakeholders to collectively accelerate progress on climate and energy.

1 and 2 emissions into the atmosphere. Total scope 1 and 2 emissions of the Large Companies included in the sample rose by 3.8 percent between 2009 and 2010 likely due in part to the global economic recovery. Despite the increase in emissions for the entire Caring for Climate sample, approximately 42 percent of sampled signatories reported absolute reductions over the reporting period as detailed in Figure 3. The top 25 performers from the sample reportedly achieved approximately 16.8 MtCO₂e in GHG reductions during the 2010 reporting year. It should be noted that five companies within this “best in class” group achieved roughly 93 percent of the calculated reductions. Within the top 25 signatories, this population achieved between 2 percent and upwards of 18 percent declines in emissions year over year due to specific emission reduction initiatives. ■

Source: Caring for Climate Progress Report 2012, C4C Update Letter May 2013, compilation: Dr. Elmer Lenzen



CORPORATE
SOCIAL
RESPONSIBILITY
IN AFRICA



AFRICA'S NATURAL ASSETS: THE STRUGGLE FOR SUSTAINABILITY

By Fred Nelson

During the past decade, African countries have experienced a widespread economic boom, six of the world's ten fastest-growing countries have been African, and in eight of the past ten years, Africa has grown faster than East Asia. The rate of foreign investment has soared to almost tenfold in this period.

This growth has been driven by a range of factors, including a reduction in regional conflicts, greater political stability and democratization, and new technologies such as mobile communications, which have transformative implications for rural African societies. Perhaps the most important driver,

though, has been Africa's natural wealth, including both non-renewable resources such as oil, gas, and minerals, as well as renewable ones, which include agricultural land, forests, wildlife, water, and fisheries.

The way that natural resources are managed and governed will have enormous implications for the future of African societies. For extractive resources such as fossil fuels and minerals, the challenge is to establish transparent and equitable governance systems to avoid the "resource curse," whereby these industries fuel corruption and thereby undermine governance and development. An additional challenge is to balance extractive industries with rigorous environmental and social standards and safeguards, in order to avoid the large-scale negative externalities seen in areas such as the Niger Delta.

For renewable resources, the foremost need is for establishing institutional frameworks that promote sustainability in use and exploitation, for example by clearly allocating and enforcing property rights over land, forests, wildlife, and other valuable resources. These issues of natural resource governance lie at the center of the struggle for sustainable development in Africa today; future investments may either contribute to balanced and more equitable growth, or they may alternatively lead to disenfranchisement and resentment, and eventually to the all-too-familiar path of resource-linked violence. As global markets and the demand for African resources continue to expand, the decisions made today about policy reform and development models will have an enormous impact in shaping these future outcomes in fundamental ways.

Africa and the global land and resource rush

The past decade has witnessed a new global rush for land and natural resources due to a range of economic and social factors. Global food prices have more than doubled since 2000, leading to a major shift in demand for agricultural land, as both sovereign nations and major commercial producers seek to acquire large areas of fertile or irrigable land. New industries such as biofuels are further contributing to a surge in land acquisition. Tourism, forestry, and carbon markets generate further demand for rural lands and resources across much of the developing world. In 2009, the World Bank estimated that more than 50 million hectares of agricultural land was being sought that year for acquisition and investment around the world, compared to an average annual acquisition of around 4 million hectares prior to 2008.

Africa has been the focal area for this land and resource rush for several basic reasons. First, African nations such as Sudan, Mozambique, and Ethiopia have large areas of land that are not actively cultivated, and thus appear to be "unused" and available for external allocation and conversion. Secondly, formal legal rights over land, water, and natural resources in

Africa tend to be heavily centralized, with the state usually claiming ownership over lands that are not directly farmed or settled, which includes most forests and rangelands. The result of this situation is that the majority of people living in rural areas — perhaps up to 500 million Africans in total — have insecure or inadequate recognition of their customary rights over their land and territories. This particularly impacts forest-dependent communities and pastoralists — groups of people who are heavily reliant on collectively held and managed pastureland and forests, which tend to cover extensive areas. For example, in Africa less than 1 percent of all forests are formally owned or controlled by local communities, compared to about 25 percent of forests in Latin America.

These legally unrecognized community lands — which some estimates place at roughly 1.6 billion hectares in total across sub-Saharan Africa, or around 70 percent of the total land area — also contain much of the region's natural wealth, in terms of forests, watersheds, rangelands, and wildlife. In Kenya, for example, about 70 percent of all large mammals are found outside of state lands such as national parks, mostly on communally managed rangelands where wildlife lives alongside resident pastoralist communities. These wildlife resources support a tourism industry that accounts for more than \$1 billion in annual revenue and roughly 13 percent of GDP in direct and indirect contributions. The reality is similar in Namibia, Tanzania, Botswana, Zambia, and many other countries where wildlife is a major source of tourism investment and one of the most valuable resources in rural areas.

The widespread failure of African governments to legally recognize rural citizens' customary lands and resources is highly problematic — and dangerous — on a number of fundamental levels. Secure rights over the land that one lives on and depends on for one's livelihood is an essential human



right, and the basis for a stable and growing economy. Insecure property rights undermine livelihoods, investment, and foster conflict and violence. The roots of this failure to recognize local land rights and to maintain overly centralized tenure over forests, wildlife, and other natural resources is an artifact of colonial and post-colonial history. The colonial state claimed ownership over land and resources as a central element of imposing political and economic control over African societies. Post-independence African states maintained this order in the interest of centralized, often socialist nation-building creeds, or in many instances to simply ease governing elites' access and control over the most valuable resources in a country. State control over land and natural resources has been a core aspect of modern Africa's political economy, whereby governance has largely revolved around the competition between various elite factions for exploitation and capture of public assets. Often land has been among the most valuable of those assets, with state-linked elites often privately amassing land or, more recently, natural resource concessions.

These political-economic dynamics and constellations of interests have strongly worked against the interests of rural development, natural resource conservation, and democratization in Africa for the past 30 years. Rural citizens have long been deprived rights over the natural resources that their livelihoods depend on. This excludes them from opportunities to partner with external investors and to benefit from the development of new value chains and enterprise opportunities. By depriving rural communities of property rights and control over the economic value of natural resources, incentives for local communities to conserve those resources are eroded. This is a major factor underlying high rates of rural deforestation in many African countries, as well as the uncontrolled illegal hunting that has greatly depleted wildlife in many areas.



Risks and challenges

The current global land rush thus brings into stark relief a number of fundamental contradictions and sources of conflict that characterize natural resource governance in Africa today. Even as Africa's natural assets increase in value and generate higher levels of interest and investment, both domestically and globally, these market trends may create further incentives for national elites to resist granting local groups more control over these resources, or to recognize local customary property rights. At the same time, though, if greater rights to land and resources are not granted to local people, the stage will be set for increased conflicts over these resources in the future. When governments grant land to investors that in fact – if not in law – is used by and belongs to local communities, conflict is inevitable.

Sometimes these conflicts around land and resources play a major role in the fate of entire nations; the long series of conflicts in Sudan and ultimate independence of South Sudan largely revolved around control over land and natural resources. More recently, the 2009 uprising and coup that led to regime change in Madagascar was at least influenced by the previous government's decision to grant up to half of the country's remaining arable land to a South Korean company. Even where such large-scale violence and political instability is avoided, struggles over land rights are increasingly taking center stage in African politics. In Kenya, for example, land was one of the central issues in the constitutional reform process that arose in order to address the violence that took place across the country following the disputed 2007 general election. When the country passed its new constitution in August 2010, land reforms were among the most prominent features, in particular the provisions that reclassify "trust lands" – which had been held by local governments and widely mismanaged – as "community lands" to be held more directly by local-level groups of people. These lands comprise about 70 percent of the total land area of the country.

For private investors in agriculture, forestry, tourism, and other renewable resource industries, these dynamics create substantial risks. Many private investments in these land-based activities in Africa today are taking place in a context of contested property rights and weak governance. This creates risks, both financial and reputational, for companies undertaking projects on the ground, as well as for their financial investors and stakeholders. The underlying source of risk is that many

More than 75% of all the world's rhino today are found in South Africa. World Wildlife Fund (WWF) urges all South Africans to be proud of the natural heritage.

investments are situated on lands that are being allocated by government authorities without the free, prior, and informed consent or authorization of the local communities, who hold customary rights (rights that are in many instances recognized under international, but not national, law) over those lands. Governments are in essence granting lands to investors that they do not in fact hold free and unencumbered property rights to. The result is that, in many cases, investors encounter major conflicts when they acquire such lands. As recent findings published by the Rights and Resources Initiative demonstrate, such conflicts are often costly, and often incur large losses on the part of the investor, particularly if projects must eventually be abandoned due to local legal action or resistance.

Reforms for sustainable growth

African societies face both major risks and growing opportunities as global markets generate more demand for African resources – ranging from wildlife and wilderness for recreational tourism, to minerals and fossil fuels for industrial consumption. In order to minimize negative fallout such as growing social strife, economic inequality, and political instability, and to maximize positive opportunities for growth and investment, two major priorities require more attention and action.

The first is to design and implement far-reaching land tenure reforms that grant clear recognition to citizens' customary lands, including both individual and group landholdings, as well as the natural resources associated with those lands. It is due to a historic anomaly, a deleterious legacy of colonialism, and the political priorities of post-independence governments that community land rights remain unrecognized – with so much land held by central governments in so many African states today. Property rights are a basic foundation of economic growth, prosperity, and human rights, making land reform a central development priority across Africa. Some countries have recently taken action or are planning reforms – for example, Kenya's 2010 constitution represents a notable positive example of far-reaching land tenure reform, and land is similarly high on the agenda of Tanzania's current constitutional reform process. Even the vast and complex Democratic Republic of Congo, where nearly all land and forests are formally owned by the state, has embarked on a land policy development process that has the potential to bring about crucial reforms.

The second priority is to promote greater awareness of the challenges to national development aims and private investments in land-based enterprises that the current land tenure realities create – this includes the current mispricing of tenure risks in financial models of investments – and to promote alternative investment models that mitigate these risks. The most essential element of such alternative models is to shift from the prevalent current pattern, where investors in African countries are often allocated landholdings directly



by the state, to where private enterprises and local communities or smallholders directly enter into partnerships or joint ventures. Such models are, in fact, common. There is a long history of contract farming in the agricultural sector across much of Africa. There has also been a great deal of innovation in the tourism sector, with joint ventures between lodges and rural communities, which provide land and access to wildlife and other natural attractions. These models generate greater local equity, control, and benefits. As a result, they mitigate the risk of local conflicts that have been impacting many of the investments pushed through during the recent global land rush. Such win-win arrangements that create new economic opportunities and market access for rural communities through partnerships with external expertise and capital will be critical to the future of African economies. These business models can also play a crucial role in helping to sustain Africa's natural assets through the right combination of incentives and devolved governance. ■



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Fred Nelson is the Executive Director of Maliasili Initiatives, an organization that promotes sustainable natural resource management and conservation in Africa by focusing on building the capacity of leading local civil society organizations and facilitating collaborative approaches.



GOOD PRACTICES



COTTON MADE IN AFRICA

Cotton made in Africa works on the principles of a social business. That means the initiative operates in accordance with sound business methods, except that it does not aim to maximize the profits of individuals, but rather to improve the conditions of life of a large number of African cotton farmers. In order to do that, it is building an alliance of international retail companies that has targeted demand in the global market for sustainably produced cotton and that uses this material in its products. Cotton made in Africa acts in accordance with the rules of the market, avoiding subsidies or interventions in the system of world market prices, which are dependent on supply and demand, as are the prices of practically all raw materials.

In return for the right to produce garments labeled “Cotton made in Africa,” the members of the Demand Alliance pay license fees. The surplus from this is passed on in accordance with the principles of a social business to the partners who have made the label possible by means of their work, namely

the smallholder farmers in Africa. This holistic approach provides a win-win situation for everyone involved. The partners of the Demand Alliance receive cotton produced in accordance with a social and ecological standard, without paying a significantly higher price for it. The African smallholder farmers and their families receive several advantages – they learn more-efficient growing methods, meaning that they can improve their incomes through better yields, and they benefit from social projects such as improvements to schools.

One of the special features of Cotton made in Africa is the verification system. It works through the cotton companies, and thus involves lower verification costs than certification systems that work through the individual farmers or groups of farmers. That means a large proportion of the license fees received will, in the future, benefit the farmers and their families directly. ■

cotton-made-in-africa.com

WORLD COCOA FOUNDATION

Approximately 70 percent of the world’s cocoa currently comes from West and Central Africa. The vast majority of this cocoa is grown on nearly two million small, independent family farms that are less than 2 hectares (5 acres) in size. The World Cocoa Foundation (WCF) promotes a sustainable cocoa economy through economic and social development and environmental stewardship in cocoa-growing communities.

African cocoa farmers and their families face a number of challenges: low yields; pests and diseases that attack their cocoa trees; difficulty obtaining farming supplies; and limited access to credit. As with other rural communities in sub-Saharan Africa, cocoa-growing communities often have low levels of adult literacy, face health risks such as malaria and HIV/AIDS, and have difficulty with access to quality education for their children. WCF is empowering communities by training farmers, enhancing education, investing in families, and improving community health and welfare.



WCF works to address these issues in West and Central Africa through three flagship programs: WCF Cocoa Livelihoods Program, WCF ECHOES, and the WCF African Cocoa Initiative. WCF supports active programming in the following countries: Cameroon, Côte d’Ivoire, Ghana, Nigeria, and Liberia. ■

worldcocoafoundation.org

SUSTAINABLE ENERGY AFRICA

Sustainable Energy Africa (SEA) promotes the development of a low-carbon, clean-energy economy throughout southern Africa. Through their work, SEA promotes the more efficient

use of conventional energy, the transition to more sustainable energies such as solar and wind power, and a holistic view of sustainable living more generally.

South Africa is in an enviable position with regard to natural energy sources, and SEA sees itself at the forefront of debate on not only sustainable and cost-efficient energy supply, but also climate change and environmental issues. A large component of the work has been in supporting government – particularly local government, and more recently provincial government – in understanding sustainable energy issues; developing strategies, policies, and planning that facilitate a move toward sustainable development; and very importantly, assisting and supporting their implementation.

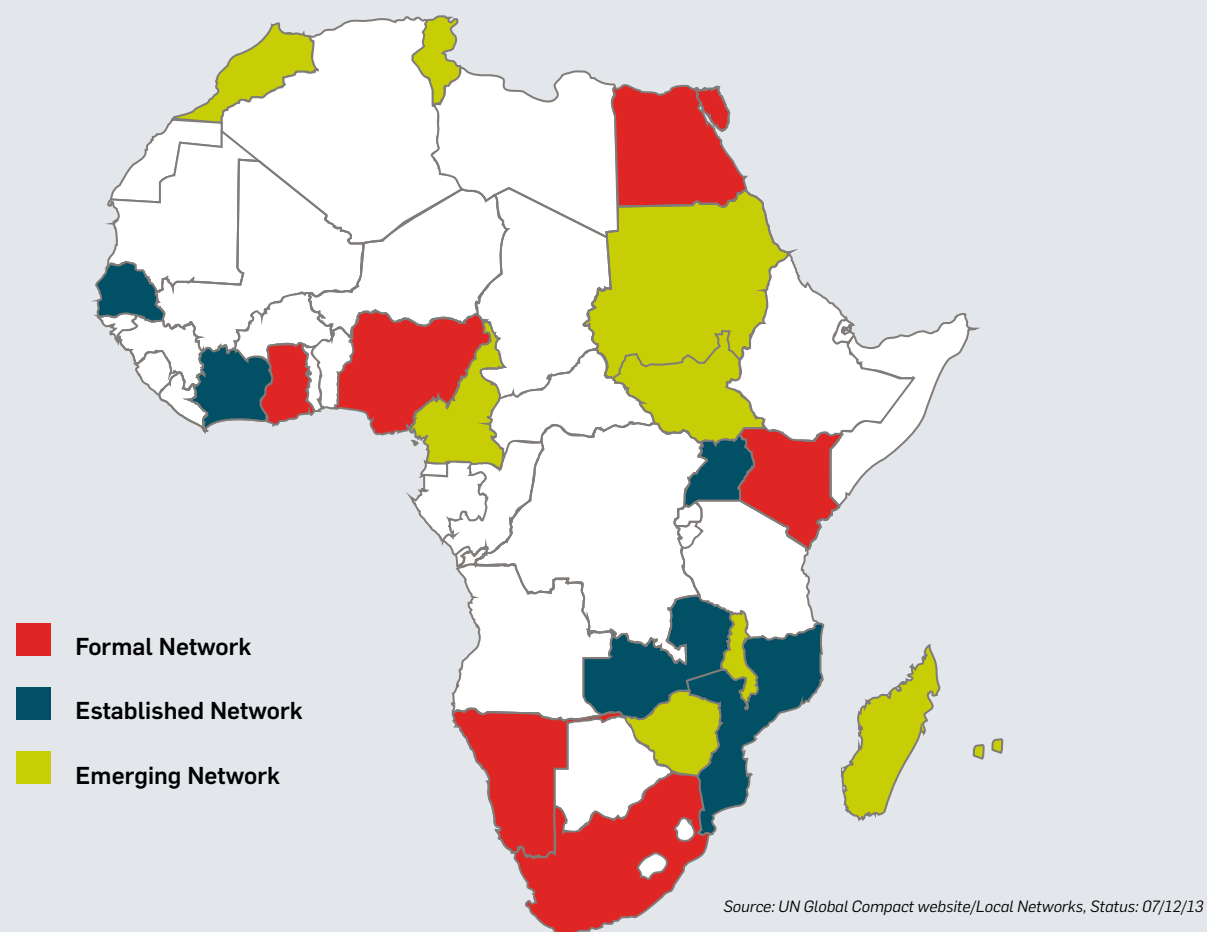
The theme of sustainable energy underpins all of their work. As a dynamic, people-centered, and driven NGO, they act essentially as a consultative agency providing research, capacity-building, and assistance with project implementation as well as skills that cover engineering, environmental science, education, and urban and regional planning. ■

sustainable.org.za





THE UN GLOBAL COMPACT IN AFRICA



SELECTED ACTIVITIES IN 2012

NIGERIA

The Global Compact Network Nigeria held a session covering efforts made by companies and partners in Nigeria to increase access to clean and renewable energy resources in rural settings.

KENYA

The Global Compact Network Kenya organized a half-day roundtable event to discuss emerging issues on human rights. The event was hosted by a participant of the Local Network and provided a space for companies to engage, discuss, and increase their knowledge on the intersection of human rights and business within the Kenyan context. The event successfully brought together participants and introduced them to the Global Compact Human Rights Self Assessment Tool as well as international trends on managing human rights risks. A presentation on the implications of the Kenyan Constitution's Bill of Rights on companies was also introduced. The host company also shared its experiences regarding these themes, including a best practice case study that other companies could learn from and apply to their own systems and processes.

NIGERIA

As part of its contribution to the Siemens Integrity Initiative, the Nigeria Network hosted a collective action workshop with a focus on "Openness and Transparency: A Stakeholder Commitment against Corruption." A wide range of participants attended the two-day meeting, including top business executives, government agencies, civil society, and media. The workshop was an opportunity to promote dialogue among the various stakeholders using breakout sessions and small group discussions along thematic areas of interest. Nearly 130 people were in attendance, signaling a strong commitment to anti-corruption measures and an interest in sharing and following the strong examples of good corporate business practice.

UGANDA

The Turkey and Uganda Local Networks partnered with European government representatives and donor agencies to host a session on biodiversity and ecosystem services. The session was an example of South-South cooperation, whereby participants engaged in discussions on how businesses are mitigating and offsetting their biodiversity impacts. Models of innovative public-private partnerships were shared as well as ways in which these can contribute to conservation efforts and thrive in competitive markets.

UGANDA

A Women's Executive Conference was hosted by the Uganda Network, and coincided with the graduation of nine women enrolled in the Federation of Uganda Employers Female Future Programme — a nine-month executive training programme to elevate women into executive roles in Ugandan corporations.

GHANA

The Global Compact Network Ghana teamed up with the Ghana Chamber of Mines to organize a two-day residential training seminar under the theme of "Environmental and Social Responsibility: Key to Sustainable Mining." The seminar covered corporate sustainability guidelines for mining companies in regards to the utilization of mineral royalties and water quality management, as well as proper procedures for mine closures and new regulations that are set to impact companies in this sector. The event successfully created a space for mining companies to discuss issues and ideas with one another and move forward on the environmental agenda.

SOUTH AFRICA

The South Africa Network partnered with the National Business Initiative to host a roundtable discussion on anti-corruption collective action measures in the construction sector. Over the course of the discussion, companies learned about current initiatives, explored additional collective measures to address corruption in their sector, and shared best practices from other countries and sectors that could be applied to the construction industry in South Africa. Presentations provided guidance to companies in determining what measures were most suitable for their context, and provided updates on government initiatives and regulations. Participating companies agreed that corruption has become a major issue in South Africa and that business should set positive examples in order to influence change. Participants agreed to several next steps, including pursuing partnerships with existing initiatives, expanding representation of companies in the sector, and continuing conversations and meetings on the issue moving forward.

SOUTH AFRICA

The Global Compact Network South Africa provided an overview of programmes throughout Southern Africa aimed at establishing a green economy. Presentations explored synergies and areas for regional cooperation, and the potential opportunities created by these initiatives in areas such as enterprise development to job creation, and the renewal of commercial and residential environments.



“RENEWED ENERGY FOR WOMEN’S EMPOWERMENT”

Interview with head of UN Women in southern Africa

Nomcebo Manzini is a busy woman. As the regional director for southern Africa and the Indian Ocean islands of the UN’s recently created Entity for Gender Equality and the Empowerment of Women – officially known as UN Women – she is constantly on the road from one country to another, addressing public gatherings, attending conferences, and strategizing with government officials and women activists alike. Africa Renewal’s managing editor, Ernest Harsch, was fortunate to catch Ms. Manzini at her home in Johannesburg, South Africa, in late March 2011, during a brief stopover in her travels.

Harsch: In South Africa and Mozambique, women have reached the benchmark of 30 percent women’s representation in parliament. What’s the picture across southern Africa?

Ms. Manzini: As a sub-region we certainly have a long way to go. A few countries have been doing well, but there are others that have regressed. In terms of women in political leadership positions, the average is only 18 percent. It is way below the 30 percent level we have been calling for, and far below the 50 cent level that the heads of state and government agreed to in signing the Gender and Development Protocol [of the Southern African Development Community – SADC]. We are seeing a lot of change at the local level. Most countries seem to be doing much better in terms of representation in local governments. This might be because women work in the community and are better known at that level.

Women’s political representation is absolutely important because participation is a basic human right. Women bring their experiences, knowledge, and capacities, which are different from those that men bring.

Beyond getting into office, how can women better engage with broader governance issues, including political conflicts?

One of the things that UN Women is doing is building capacities for women to participate in leadership, but transformative leadership, so that they can engage from a perspective of basic human rights and understand broader governance issues and democracy in general. Some countries are in deep conflict. Our position is to support women to participate in negotiations, in mediation, but also in prevention. In Comoros, for instance, we are working within the context of the UN country team on a peacebuilding project. Our contribution is to build the skills of women to understand the issues of gender relations in peace, in peacebuilding, even in conflicts and how conflicts happen. Even if they understand that, they need to build allies within the traditional leaderships, among men, with their partners, etc. We try to engage a more holistic approach to dealing with such issues.

UN Women coordinates the Africa Unite campaign, which targets violence against women and girls. What is the main challenge?



The problem is the resources. We are not getting enough funds from national budgets or from the donor community. African heads of state launched the campaign in Africa in January 2010. We are now doing advocacy with the different heads of state to ensure that their ministries of planning and finance allocate funds for implementing the national action plans.

We have safer cities programs that we will be rolling out in several countries in cooperation with UNICEF. Research shows that rape of young girls is normally of school children in the early morning when they are going to school, and in the evening when they are going back home, often through thick bushes and other unsafe pathways. But when we talk to governments about this, they hardly have the resources to provide sanitation and water to communities. They do not see it as a priority.

And the judicial and security systems?

We are working with the police, military, and other entities in the security sector to make sure they understand the gender

dimensions of policing and security, also gender-based violence. We had a conference to talk about how we can support the SADC gender unit to mainstream gender in the SADC Organ on Politics, Defence, and Security. We talked about ensuring that the officers who go on peacekeeping missions have some gender training.

We are also looking at the informal justice sector. In southern Africa, research clearly shows that when women experience abuse or violence in the home, they do not go to the police as a first port of call. They go either to their families or to traditional leadership.

There has been real progress in narrowing the gap between boys and girls entering primary school. But do the girls stay in school?

That is a fundamental point. Looking at many countries, we find that there is parity in terms of entry. In some countries, girls are even surpassing boys in entering basic education. But as you move further into the school years and you get into grades seven and eight, there are fewer girls continuing



in school. Parents are more likely to withdraw the girls from school if they are cash-strapped — or if the girls are going to get married. The other problem is that pregnancy in schools is very high and girls will drop out to have the babies. Girls also tend to have more work to do in the home, so they have less time to study and therefore tend to have a lower passing rate than the boys.

Southern Africa has the highest HIV prevalence rates in the world. How are women affected?

So much money has come through for programs against HIV and AIDS. But the work has not taken into account the clear connection between gender inequality and the spread of HIV/AIDS. In some southern African countries, there are 5 percent of men with HIV, but you find 20 to 22 percent of young women of the same age group with HIV. When you do the research, it is very much: “I didn’t want to sleep with him, but he forced me.” And then there is the whole issue of “survival sex” in southern Africa, where young girls will sleep with older men so that they are able to go to school.

And women are also more likely than men to be in poverty ...

It seems as though even our governments have now acknowledged that development is not going to happen without the full involvement and participation of women in the economy. But they have not just all of a sudden become benevolent.

It is because of the advocacy that has been coming from the women’s movements and from the ministries responsible for women and gender issues.

At UN Women we are working with five governments in the sub-region in a pilot program to see exactly what women are doing to get out of poverty. Most of these women are in what is called the informal sector, and their work is not recognized. The women who kept the Zimbabwe economy going at the lowest point in its history are not recognized even today. Yet, they ensured the survival of their families and the economy. It is absolutely essential to deal with the economic empowerment of women, because we know that when women have that economic independence, they are more likely to be able to make decisions about their dignity, their security, and their welfare.

Does UN Women work with rural women?

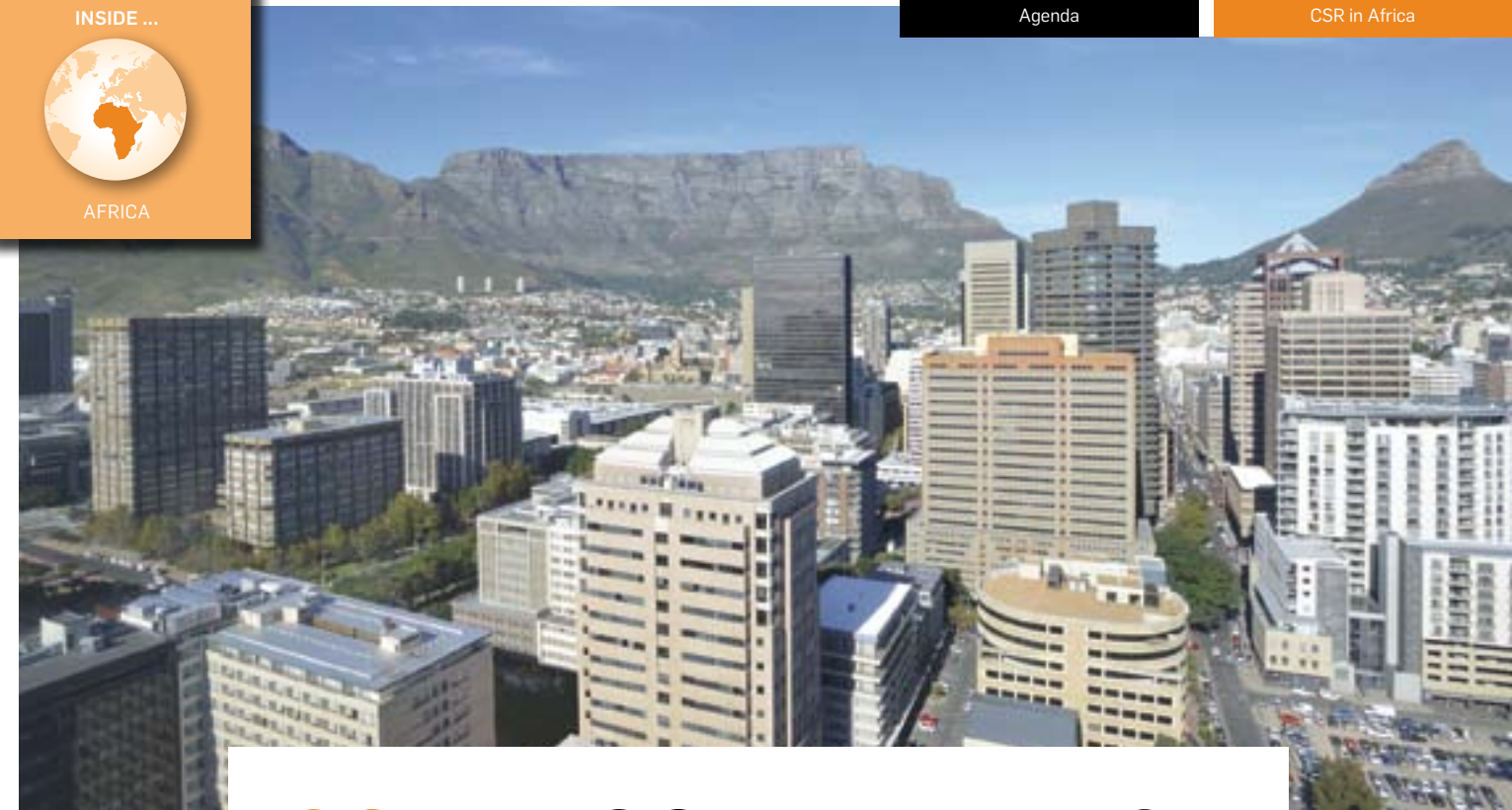
We are currently looking to raise \$33 million in funds for a project to do exactly that, to work with rural women, particularly rural women farmers. It is a major challenge. At least 70 percent of the labor in agriculture is provided by women. When we seek \$33 million, that is a drop in the ocean really — it is nothing in terms of the need. And what happens when the \$33 million is gone? We need to be able to define programs that governments include in their own national development plans. And governments must be able to desist from corruption. It is not that the national resources are not there, but they are misused.

UN Women has just been created, merging four different UN entities that dealt with women. For women here in southern Africa, what difference can UN Women make?

What I see already is just an amazing amount of renewed energy for women’s empowerment in the various areas of work since the creation of UN Women — renewed hope indeed that UN Women will do things better and faster in promoting women’s rights globally. It is a very tough call for us in UN Women to deliver on that. ■



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This interview was originally published in *Africa Renewal, Special Edition on Women 2012*, produced by the Africa Section of the United Nations Department of Public Information. www.un.org/africarenewal/magazine/special-edition-women-2012/renewed-energy-women-s-empowerment



CSR IN SOUTH AFRICA

Professor Ralph Hamann is Research Director for the Graduate School of Business at the University of Cape Town. His areas of expertise include Corporate Citizenship and Corporate Social Responsibility. In 2006 he was involved as a researcher at the UN Global Compact Learning Forum, which took place in Ghana. For the UN Global Compact International Yearbook, Hamann highlights the “paradox for CSR in South Africa” and beyond.

National Concept of CSR

In light of South Africa’s history, is there a specific South African view on corporate social responsibility (CSR)?

Prof. Hamann: The historical context has provided a paradox regarding CSR in South Africa. On the one hand, corporations are implicated in the design of the apartheid economy and migrant labor system, specifically, as well as associated human rights abuses. As argued by the Truth and Reconciliation Commission, “grand apartheid was not an Afrikaner state invention, but was created by the mines” (paraphrased). This historical legacy still lingers in the pervasive distrust between big (white) business and the post-1994 government. For those distrustful of business, CSR will remain a fig leaf. On the other hand, large companies recognized — at least in the 1970s — that the increasingly severe policies of the apartheid government were leading to social unrest that would have negative consequences for business. As a prominent

example, Anglo American and others established in 1978 (after the Soweto riots) the Urban Foundation, which played an important role in building schools and houses in Soweto and elsewhere, and also in advocating policy changes (less strict pass laws). The Urban Foundation is a precursor to the National Business Initiative.

The apartheid legacy obviously creates particular social challenges, which have become priorities for companies’ corporate social investment (CSI) programs. These investments focus on education, health, and small enterprise development. Unfortunately, many companies still think that CSR is primarily about CSI. My criticism is that companies focus on giving away a small proportion of their profits without really understanding and responding to the social implications of their core business practices. I hardly use the term CSR anymore, partly due to this confusion. We rather emphasize the need to understand the broader social-ecological context in companies’ strategy design and implementation.

With the fall of Apartheid in 1994, did South African companies implement CSR programs voluntarily or did they rather feel the pressure of democratization and the need to comply with international labor standards?

After 1994, many companies were keen to build their legitimacy and create a good impression with the new government. Much of this was done through CSI, as mentioned above. Many companies built schools, for instance. In parallel, the new government embarked on an ambitious policy and law review, based on the 1996 Constitution. These included progressive labor relations, occupational health and safety, anti-discrimination, environmental and natural resource laws (most of which were published in the latter half of the 1990s). These have had an important impact on the regulatory pressures on business, though the state's enforcement capacity has been limited. I have argued that there is thus a quasi-voluntary character to legal compliance, especially if companies attempt to comply with the spirit of this new legislation, rather than merely the letter.

Then, of course, there was the black economic empowerment policy, which was also promulgated as an act, as well as subject of numerous sector-specific "charters." This sought to address the racially skewed ownership and management structures in the economy. One of the most prominent charters was the one in the mining industry (2002), and a bit later in the finance sector. Many of these charters were the result of corporatist (business-government-stakeholder) negotiations, and they identified sector-specific targets for ensuring: ownership of companies would be transferred to black people; management positions would be held by black people; and employment equity/affirmative action. There were also sector-specific targets — for example, conversion of hostels in the mining sector, increased access to banking in the finance sector. Generally, there was an expectation that about 1 percent of profit would go toward socio-economic development, that is, CSI.

What are the drivers of CSR in South Africa? Is it merely voluntary? Or is it the government, for example by regulating the Johannesburg Stock Exchange (JSE) or labor laws?

There is a confluence of drivers, and their influence also varies, depending on the sector and size of the company, as well as the specific social or environmental issue that is at stake. I think state regulations have been very important, especially in areas such as labor relations and environmental protection. The state's enforcement capacity has been a problem, especially in small, dispersed operations. Public regulations have also been important. This includes the JSE's listing requirements, which rely on the King codes of corporate governance. The latter has been very influential in driving sustainability reporting and, more recently, integrated reporting. There have also been international pressures, including regulations of the London



and New York stock exchanges, which have influenced some of the big South African companies that have listed there, and which have provided some "best practice" leadership in South Africa.

Human Rights

In a report, you said that UN attempts to formally apply international human rights laws in the private sector in 1990 and 2003 were unsuccessful. What does the link look like in sub-Saharan Africa today?

Well, those earlier attempts subsequently led to the appointment of John Ruggie as UN Special Representative on business and human rights. His "three pillars" framework has been very helpful and influential, in that it clarifies and codifies what is expected of business. The second — and final — report by Ruggie was published in 2011, and since then there have been numerous initiatives to provide companies with more detailed guidance. There is more scope, however, for companies to recognize human rights as the overarching framework that guides their CSR activities. At the same time, the human rights framing emphasizes "do no harm," and it leaves out the opportunities for business to make positive contributions through processes, products, business models, or systems innovations.

In conflict zones, such as in parts of the Democratic Republic of Congo (DRC) and Rwanda, we experience the problem of "limited statehood" and hence a lack of human rights and responsibility toward communities. Can and should companies' CSR fill this gap?

This is a significant challenge. On the one hand, some companies are beginning to fill this gap because they recognize that some minimum provision of public goods and rule enforcement is necessary for their business, and also desired by local stakeholders. On the other hand, this is problematic because it may create a dependency on companies. This is not just a phenomenon in places such as the DRC; it is also happening in South Africa, where some municipalities are just unable to provide public services. I think the big challenge is for companies to contribute to developing state capacity, without co-opting the state to suit their interests.

Environment and Green Business

Woolworths' managers in South Africa set out to develop a program of direct engagement with the farmers in their supply chain to enhance their productivity, focusing in part on irrigation techniques. Is this a rare example of "green economy," or is this sector on the rise in South Africa? What is its status today when compared to industrialized countries?

I think the Woolworths "Farming for the Future" (FfF) program is quite unusual. You have a company with significant public sustainability commitments made by the CEO, and you also have a sophisticated middle management that was capable of sensing the problems encountered by farmers. Also pertinent is this company's emphasis on high-quality, fresh produce and emphasis on long-term relationships with key farmers ... these factors provided the motives and the capabilities for the FfF program. Though I have said that initiatives such as FfF are unusual, I think more companies are recognizing their reliance on a sustainable value chain, and they are thinking about more systemic approaches to addressing these problems. Another prominent example is SAB's work on water.

In the run-up to Rio+20, you said there will be much discussion on the transfer of environmental technologies to developing countries. Has the 2012 conference resulted in any real progress for African companies' CSR?

None that I am aware of.

Labor Standards

For which reasons do mining companies take a special role in the South African and sub-Saharan African private sector when it comes to CSR?

Mining is the foundation for the development of the southern African economy, as well as the development of the state and colonial and apartheid economic systems. The migrant labor system had significant implications for the development of towns, as well as the (under)development of rural areas. Mining still has significant economic significance and employs large numbers of unionized workers. In areas such as Rustenburg, mining accounts for an overwhelming proportion of employment and economic development. Over and above significant

social impacts, mines, of course, also have far-reaching environmental impacts, which, in turn, have social implications.

Has the "Marikana incident" led to a rethinking among mining companies about the way in which they tackle social wrongs around mining sites? (In August 2012 more than 40 people died in a wildcat strike at Lonmin's Marikana mine.)

There has been much debate and some important suggestions have been made, for example changing the migrant labor arrangements so that migrants return home more often. But I have not heard of any actual changes being implemented.

There is a discussion about the "de facto government" of mining companies in the informal settlements around mining sites, in addition to some social investments that are territorial. Is there a real risk of mining communities being at the sole mercy of those "mining governments," instead of a local government?

Yes, some communities are becoming very dependent on mining companies. This is a problem because the companies are not formally accountable to the communities. Of course the problem is amplified when the mine scales-down or closes.

Anti-Corruption

Corruption is a significant problem in South African society. Local Global Compact Network advised the sectors of healthcare and construction, and the awarding of mining licenses should be more closely scrutinized. What are your recommendations?

UN Global Compact companies should collectively emphasize the transparency movement, including a call for all party funding to be made public. The fact that this is being resisted by the African National Congress and opposition parties is deeply problematic. It would be great for companies to make a committed stand on this. It would have far-reaching effects. ■



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Ralph Hamann is research director and associate professor at the Graduate School of Business, University of Cape Town (UCT).



CSR AND DEVELOPMENT IN AFRICA

REDEFINING THE ROLES AND RESPONSIBILITIES OF
PUBLIC AND PRIVATE ACTORS IN THE **MINING SECTOR**

By Prof. Bonnie Campbell

The issue of corporate social responsibility (CSR), as it relates to the mining sector, has emerged in a particular historical context. Several decades of reform that liberalized regulatory frameworks and mining codes in mineral-rich countries of Africa in order to encourage investment has contributed to redefining the role and functions of mineral-rich states, as well as contributed to the shift of what were formerly considered state functions to private actors — often large transnational mining companies. In the context of the weakened institutional and political capacities of states — and consequently of their weakened capacity to pursue developmental objectives, to enforce regulations in areas of key importance to communities, and to meet national economic objectives, along with the trend of transferring public responsibilities to private actors — issues of legitimacy have emerged about the operations of mining companies themselves. Such a redefinition of spheres of authority and responsibility in situations of declining public resources — compounded by the fact that mineral-rich states have become less able to ensure the needed monitoring, follow-up, and, if necessary, bring in remedial measures — has called into question the regulatory role of states, hence creating a legitimacy gap, which inevitably impacts on the activities of mining enterprises.

While past and current trends may have allowed governments to shift the locus of responsibility for what were previously considered state functions — including public service delivery (clinics, roads, infrastructure, security, etc.) as well as rule-setting and implementation and mediation — to the private operators of large-scale mining projects and NGOs (which helps explain the pressures on companies to introduce CSR projects in order to gain a social license to operate), such transfers are problematic for several reasons. With regard to the origins of CSR projects, they are most often the result of externally-driven initiatives rather than ideas emanating from a domestic policy process and as integral parts of locally-owned public policies. Moreover, not only do they silence the legitimate, and indeed necessary, right of governments to offer services to their populations — a precondition to their being held publicly accountable — they also contribute to obscuring the issue of government responsibility itself. The current sidestepping of the state — by suggesting companies can gain better legitimacy for their operations by offering social services — runs the risk of undermining a precondition for building responsible governments and the basis of democratic practice: the need to hold governments publicly accountable. The blurring of lines of responsibility of public, as opposed



to private, actors is a key element in explaining why – in situations when differences of opinion among stakeholders arise over land rights or compensation, for example – there are increasing risks of a degeneration into violent conflicts.

There have been different responses to these issues of legitimacy emanating from different arenas, including the multilateral level – as, for example, though the production of international norms to which companies are invited to adhere, such as in the area of environmental impact assessments or involuntary displacements. However, such “transnational legal frameworks” leave unresolved the key issue of enforcement, as they do not address the problem of the capacity of states to ensure their implementation and to bring in corrective measures if necessary. There have also been proposals from bilateral agencies, such as the production of tool kits to better manage situations of risk and potential conflict. These initiatives similarly fail to address the origins of such conflicts, which often concern the perceived legitimacy of the positions held by different stakeholders (communities as opposed to companies), about whether to proceed with a particular project, the conditions under which it is undertaken, or the distribution of the revenues it produces.

Finally and a third type of response are CSR projects put forward by private actors with a view of obtaining a social license to operate. While one can understand the motivation behind such initiatives, by their very nature and origin they are most likely to be attempts to respond to community grievances – that is, symptoms or manifestations of the problems at hand – rather than an addressing of their causes, namely, issues such as the control over resources

and access to land rights, the distribution of influence and authority among actors, and the choice of the development agenda being implemented. Beyond the fact that such CSR strategies are usually externally driven and raise issues of local appropriation and sustainability beyond the life of a particular project, they not only fail to address the issue of the regulatory authority of states, but by sidestepping the state, they may even contribute to postponing the conditions necessary for resolving the problems of legitimacy that they are intended to address.

The issue of legitimacy that companies increasingly face can be seen as a consequence of evolving structural relations that have resulted, at least in part, from the manner in which the mining sector has been reformed. These structural relations have significantly modified – and sometimes obscured – the demarcation of spheres of responsibilities, whether public or private, and have frequently also blurred distinctions between the political and the technical domains. Such a perspective underlines the importance of taking into account the reforms at the origin of the reshaping of institutional arrangements, the structural relations of influence and authority that characterize these reforms, and the roles and responsibilities of the various actors involved.

Moreover, strategies of CSR often appear premised on the faulty hypothesis that it is investments initiated by private companies that are going to drive development. In fact, there is no historical example anywhere on the earth whereby sustainable growth, social and economic development, and poverty reduction took place through private investment in the absence of

appropriate public policies and state interventions needed in order to plan strategically, regulate, and monitor investment as well as to ensure that the presence of the private sector be harnessed to meet the development objectives determined by the countries and the governments concerned.

A useful example of recognition of the above is a 2011 report of the United Nations Economic Commission for Africa (UNECA), which sets out recommendations for the mining sector in Africa in order to encourage it to become a catalyst for sustainable, intergenerational, and equitable development. With regard to CSR, the report is clear: “From a policy perspective, CSR initiatives should not be considered a substitute for government responsibility toward its citizens in providing basic infrastructure and other public goods. Indeed, CSR initiatives should complement government efforts through local government institutions and local authorities.”

Significantly, CSR projects could reduce the motivation of governments to fulfill their responsibilities to citizens, and the latter could come to see the company as the provider of those services for which they should be looking to the state. Better coordination between the planning and investment of the state and corporate outlays under CSR could improve the value of both streams of expenditure. For example, the sustainable use of a school or clinic built as part of a CSR strategy is more likely if the project is coordinated with the state to ensure that it fits into a larger plan and that the state can support health staff or teachers should the mine halt its support. Finally, the norms according to which CSR initiatives are undertaken should be part of a national policy debate on

the mining industry’s obligations regarding social development objectives. Indicators needed to assess the impact of good CSR projects must be built into a nationally derived framework and applied by a range of stakeholders, including civil society. The framework must focus on stakeholder consultation and allow for a review of obligations and commitments. This review must be based on reporting requirements that should be part of the CSR framework.

In the end, companies have the following responsibilities: 1) Signing contracts in a transparent manner and making these public; 2) paying fair royalties and taxes in a transparent manner; 3) respecting the laws of the country in which they operate, international obligations, and human rights obligations. Should companies wish to contribute in other ways to the sustainable development of the countries in which they operate, the guidelines set out by UNECA leave little doubt as to how best to proceed. ■



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Bonnie Campbell is Professor at the University of Quebec in Montreal, Faculty of Political Science and Law.

GOOD PRACTICE

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.

CHILDREN: A UNIVERSAL CAUSE

By Corinne Bélière, Air France KLM

AIRFRANCE KLM

Air France KLM's mission is to connect people around the world. Some 72 million people of all ages, languages, and cultures travel each year on board our aircraft. The attentive service provided to each and every one of our passengers has led the Group toward a better understanding of its customers and their expectations over the years. This approach, which encompasses much more than simple flight services, extends to the destinations and regions where the Group is present and to the people who live there.

Through its international presence, the Group contributes to the economic and social development of the countries it serves by using local resources, promoting skills development, and rallying local players and staff around projects for the

local populations. Air France and KLM each offer their own social and environmental programs, but there is one cause that they are both principally committed to: helping children and young people. Through the work of the Air France

Corporate Foundation and KLM AirCares program — combined with local actions and the support of (or at the initiative of) company staff — this commitment takes the form of concrete actions and long-term investments.



The Air France Foundation

In 2012, the Air France Foundation celebrated 20 years of supporting children in need. With the support of NGOs, the Foundation contributes to projects in favor of sick, disabled, and underprivileged children by facilitating access to education, training, and cultural activities.

The Foundation has made helping street children one of its priorities, providing funding for the highest number of projects worldwide. In the face of extreme poverty, the associations work relentlessly to bring these children back into mainstream society and give them opportunities to pursue their educations. When, in 2010, Haiti was devastated by an earthquake that left the country completely desolate, the Foundation immediately rallied to provide support and assistance. Two days after the earthquake, the Foundation launched a fundraising campaign with Air France and KLM staff, with a view to rebuilding a school that was ready to welcome 2,500 children between the ages of 6 and 16 a few months later.

Beyond the material and financial aspects, the Foundation wishes to develop its actions. For instance, by creating the Corporate Foundation Club, which groups together some 30 major French companies, its aim is to pool different experiences in order to increase the impacts of its actions and conduct more long-term projects. Furthermore, the Foundation is looking into ways for associations to offer psychological support to street children.

Since 1992, there have been 856 programs funded in 80 countries. The Foundation has a network of 2,200 volunteers and has been sponsored by numerous celebrities (Mstislav Rostropovitch, Javiez Perez de Cuellar, Boris Cyrulnik, Miguel Angel Estrella, Olga Havlova, and Daniel Alagille, among others). Each year, charities are honored for their efforts to improve the living conditions of young people and give them a better future.

Air France has also been supporting humanitarian programs through long-time partnerships with different associations:

- Acting for Life, which is committed, among other actions, to protecting children in distress;
- ECPAT International, which informs passengers about the damage caused by child sex tourism;
- Aviation without Borders (created by pilots), which transports medical supplies and also ill children who cannot be treated where they are;
- NGOs that offer medical assistance and transport medical supplies and children suffering from rare diseases to specialized medical centers, and help transport doctors and surgeons to poverty-stricken areas.

KLM AirCares

The KLM AirCares program supports a number of NGOs that contribute through their projects to medical, educational, and/or sanitation needs for communities in developing countries, with a focus on children and giving them good foundations for their futures.

The program was set up in 1999 and consisted of supporting four NGOs per year via a new project every quarter. Since then more than 40 charitable organizations have had their projects supported through financial sponsorship and free freight capacity.

In recent years a shift has taken place. KLM has chosen to focus on specific partners to support their social projects over the long term. In this way, organizations benefit from the long-term sponsorship of KLM. Currently, KLM is working with seven NGOs that were selected on the criteria that they contribute to basic education, health, and sanitation needs. They also needed to be active in those destinations that KLM flies to. KLM offers these partners freight support, logistics expertise, exposure, hands-on help, and active promotion.

KLM is currently working with the following partners:

- Wings of Support — the KLM and Martinair foundation staff with more than 3,000 volunteers managing more than 300 projects worldwide;
- Doctor2Doctor — a cooperation between Amsterdam University Medical Center, KLM Health Services, and Kenya Airways;
- Aviation Without Borders — supporting regional and international medical transports in and from/to Africa;
- Medical Knowledge Institute — handling health and sanitation in the townships in South Africa by deploying health workers;
- Aflatoun — offering educational programs worldwide;
- Get It Done — a social media fundraising network with many appealing projects set up by passionate youngsters;
- Close the Gap — a Belgian nonprofit organization working to shorten the distance between developed and developing nations in terms of computer hardware and know-how. They support 76 projects in 16 African countries. The computers are used mainly for education, but information and communication technologies are used for education and awareness programs and for HIV/AIDS prevention. With the opening of an e-waste facility in Nairobi, Close the Gap computers are sustainable and certified to be dismantled for reuse of metals and materials, thereby providing jobs for the local community.

Flying Blue members are invited to donate their frequent flyer miles to NGOs selected by Air France and KLM AirCares. In 2012 there were 64 million miles donated to all social partners combined. ■

For more information, please visit the following websites:
www.airfrance.com
www.klmtakescare.com

AYEYARWADY BANK'S COMMITMENT TO THE COMMUNITY

By May Myat Thu, Ayeyarwady Bank



Ayeyarwady Bank commits to making the United Nations Global Compact's Ten Principles part of its strategies and practices, focusing on fulfilling corporate social responsibility toward the communities it serves.

In a rapidly-changing world with high population growth, it is apparent that the impact of our activities and actions are being felt in more ways than it was before. The implications of this change for the business arena are indeed overwhelming, as there are needs and expectations of society that businesses may have to consider and respond to. Attitudes of businesses and their relationship with society are therefore shaped by society's diverse needs.



Ever since its inception in August 2010, Ayeyarwady Bank has recognized that the mere existence of the organization and the operations it engages in impact on the communities at large. With its mission to be a leading bank in the country in the long run, the Bank also realizes that the communities plays an important role for the Bank in achieving its sustainable growth. Hence, one of the priorities for Ayeyarwady Bank is its commitment to be a positive force in the communities in which it operates by contributing to the people and their communities as a whole. As the Bank's slogan "Your Trusted Partner" states, the Bank endeavors to be a trusted partner to the people and the communities for their banking and financial needs as well as to be a partner that those communities can reach out to.

Ayeyarwady Bank invests a significant amount of time and funds into various social initiatives that the Bank's workforce actively participates in. In a country such as Myanmar, which has spent many years in isolation, there are still numerous areas left underdeveloped. Therefore, the focus of Ayeyarwady Bank for the past two years has been on developing and improving the healthcare sector in the country. As the saying goes, "health is wealth," and only the healthy will be able to work hard and contribute to society and help the economy to grow.

Ayeyarwady Foundation to represent Ayeyarwady Bank

Keeping the need to contribute to society in mind, Ayeyarwady Bank has created a foundation that aims to improve the social and living standards in the country – Ayeyarwady Foundation will represent all of its CSR activities. Every year since its inception in 2010, Ayeyarwady Bank has contributed to society through the Foundation, which aims to support the development of the country in the education, healthcare, social, sport, as well as religious sectors, with a specific focus on the healthcare sector.



Ayeyarwady Bank and the United Nations Global Compact

After just two years in operation, in August 2012 Ayeyarwady Bank became a participant of the United Nations Global Compact (UNGC) initiative. This was a corporate milestone for Ayeyarwady Bank, which is the first bank in Myanmar to commit to making the Ten Principles of the Global Compact part of its business operations and strategies. Incorporating the Ten Principles into the Bank's business strategies and operations required redesigning corporate policies as well as restructuring.

Yankin Children's Hospital – Our very first contribution

Ayeyarwady Bank's first and foremost activity for helping to develop the healthcare sector started with the donation of a 550-bed children's hospital in Yankin Township, Yangon, Myanmar. Ayeyarwady Bank, along with its parent company Max Myanmar Group of Companies, contributed to the donation of the Yankin Children's Hospital.

Complete restoration work was done on a former government building, which was converted into a hospital with modern facilities and all the required medical equipment. The completed hospital was then handed over to the relevant authorities in March 2011.

Ayeyarwady Bank's contribution to the Yankin Children's Hospital was not just a monetary gesture. The Bank's involvement will continue through its role in handling the regular maintenance and upkeep of the hospital: The Bank's workforce has been actively engaged in weekly voluntary services at the hospital to help with the maintenance and upkeep of the hospital compound.

In addition, the Chairman, the Board of Directors, and the Bank's management team have also paid occasional visits to the hospital and its residents to ensure that equipment is in working order and to provide any necessary assistance. Plans are also under way with a number of CSR activities to celebrate the second anniversary of the Yankin Children's Hospital in March 2013.



Ayeyarwady Bank donates ambulances

The country’s healthcare sector needs much help in terms of premises, facilities, equipment, etc. To play a part in contributing to the sector, Ayeyarwady Bank donated a total of six ambulances on different occasions – two to the Yankin Children’s Hospital and four to the Ayeyarwady region. These activities were all sponsored by the Ayeyarwady Foundation.

Our blood donation drives

“Give life, give blood” – everyone at Ayeyarwady Bank strongly believes and practices this.

Many times, lives are lost because there is not enough blood, or because the required blood type is not available. Ayeyarwady Bank employees help those in need and spare no expense, even if it means giving their own blood as proud donors.

In March 2011, when Ayeyarwady Bank and the Max Myanmar Group of Companies jointly donated the Yankin Chil-

dren’s Hospital through the Ayeyarwady Foundation, the Bank initiated its very first blood donation drive. The overwhelming response proved further the spirit of employees at Ayeyarwady Bank – we are ready to help.

In cooperation with the National Blood Bank, the Ayeyarwady Bank organized its second blood donation drive in early 2013 at the very hospital they had donated. It was also on this special occasion that there was an urgent need for A-type blood for an emergency operation for a child in one of the wards. As the A-type blood donor at the event recalled: “It was indeed a really memorable moment for me, to know that my blood is giving life to a teeny weeny little girl who was fighting for her life.” The event has proved to be even more successful as the size of the workforce has grown, as has the number of caring and giving hearts.

This successful event has spurred Ayeyarwady Bank to continue to focus on more such CSR activities to give to those in need. Ayeyarwady Bank has since planned to carry out regular blood donation drives on a biannual basis to help fulfill its corporate social responsibilities.

Ayeyarwady Bank goes beyond the healthcare sector

After its contribution in the healthcare sector, Ayeyarwady Bank began working toward contributing to society in times of need. Having witnessed the aftermath of Cyclone Nargis, which hit the country in 2008, Ayeyarwady Bank began placing great emphasis on extending help to those in need – the people affected by the aftermath of natural disasters.

Floods across Myanmar

Ranked first as the “most at risk” in Asia Pacific, according to the UN Risk Model, Myanmar is exposed to various natural disasters such as floods, cyclones, etc. In October 2011, heavy floods hit central Myanmar, in Magwe Division, destroying more than 3,500 homes and 5,400 acres of crops. More than 30,000 people were affected. In response to this unfortunate event, Ayeyarwady Bank stepped in to provide for the victims of the flood – one of the Bank’s CSR activities in looking after the social welfare of people. Ayeyarwady Bank offered cash donations to the victims of the flood while they were in their temporary shelters.

In August 2012, Myanmar was hit yet again by floods across different states. The floods displaced more than 80,000 people, affecting a total of more than 287,000 people. Ayeyarwady region was the worst hit, affecting and displacing about 48,000 people and destroying more than 136,000 acres of farmland, houses, roads, and bridges. Representing the Bank, Ayeyarwady Foundation generously offered donations in cash and in-kind for the affected victims.

Extending reach to victims of internal conflicts

Ayeyarwady Bank is aware that there are many people across the country in need of help – some of which include the victims of internal conflicts within the country, thus extending our CSR further. It is apparent that Myanmar, a country made up of many ethnic groups, is still experiencing internal conflicts, such as those in the states of Kachin and Rakhine. Reaching out to the victims of such conflicts naturally became one of our priorities.

The conflict in Rakhine State

The Rakhine conflicts and riots – caused by clashes between ethnic Rakhine and the Rohingya – has displaced more than 100,000 people since it started in June 2012. Buildings were set ablaze during the riots, burning down more than 4,000 houses. Once again representing the Bank, Ayeyarwady Foundation stepped in to help the affected victims. Management personnel from Ayeyarwady Bank and the volunteers from Ayeyarwady Foundation went to the temporary displacement camps to offer victims donations in cash and in-kind, such as medical supplies and dried food stuffs.

The Kachin conflict

Many civilians in the Kachin region are also affected by the conflicts among the ethnic groups. The fighting and shootings have forced these civilians to flee from their homes and take up accommodations in the temporary displacement shelters set up by many humanitarian groups across the state. In an attempt

BANK INFO (AS OF APRIL 2013)

- Obtained license to operate banking services in July 2010 from the Central Bank of Myanmar.
- Commenced operations with the opening of its first Head Office in Naypyitaw, Myanmar’s new capital, in August 2010.
- Current number of branches is 34, with a staff of more than 1,500 across the country.
- Number of ATMs across the country: 50.
- A member of the Association of Banks in Myanmar, SWIFT, and an active participant in the United Nations Global Compact.

to reach out, Ayeyarwady Foundation, once again representing the Bank for its CSR activities, went to a number of these shelters in December 2012 to offer much needed food supplies at the camps. The glimpses of hope in people’s eyes at the sight of the donors showed just how much support they needed.

Ayeyarwady Bank and its workforce

By helping to improve the lives of those in society does not mean that Ayeyarwady Bank neglects those in its workforce. Ayeyarwady Bank also reaches out to its current workforce of more than 1,500 employees across the country by having welfare funds allocated, by providing transport arrangements to ease their travels to and from work, as well as by providing for lunch during their workdays. These little acts have been well-appreciated by the employees and, hence, the employees are happy to be actively engaged in all of the Bank’s corporate social initiatives. ■



COMBATING CHILD LABOR IN THE SUPPLY CHAIN IN INDIA

Child labor cannot simply be eliminated by decree. To this day it remains deeply rooted in many societies. In particular, subsistence farmers still frequently resort to child labor to manage their fields. Implementing the effective abolition of child labor may be laborious and time-consuming for businesses if child labor is the norm. Yet pursuing this approach is worthwhile in every way, as shown by an example from India.



Science For A Better Life

By Steffen Kurzawa, Bayer

In India child labor can still be found in many parts of everyday life. Some years ago, the International Labour Organization (ILO) found that the subcontinent has the highest number of working children worldwide, with an estimated 5.6 million working in agriculture alone. In the face of this enormous social challenge, can companies make a meaningful contribution at all?

Bayer in India has now been focusing on this question for more than 10 years. In 2002, the company's agricultural business unit, Bayer CropScience, acquired an Indian company that was active in seeds. In areas such as the states of Andhra Pradesh and Karnataka — where child labor is particularly widespread — contract farmers were growing cotton seeds on behalf of the newly acquired company. Bayer — one of the first companies to become a participant of the UN Global Compact — had long attached great importance to respecting ethical principles, including in the supply chain. In line with one of the Ten Principles of Global Compact, namely that businesses should uphold

the effective abolition of child labor, it became clear very soon after the takeover that child labor among the contract farmers was a significant issue.

A steep learning curve

Apart from all the other arguments against child labor, it robs children of almost all educational opportunities and thus a range of possibilities to determine their own lives. Yet implementing the ban was easier said than done. What evolved out of a steep learning curve was probably one of the most comprehensive sustainability projects in Bayer's 150-year history: the Bayer CropScience Child Care Program.

But let us start at the beginning: Soon after the local Indian seed company Proagro had been taken over by Bayer as part of the larger international acquisition of Aventis CropScience, a potential child labor issue at Proagro was raised by nongovernmental organizations. And our Indian seeds unit was subject to critical scrutiny. Later, key institutional investors called for more information

on how Bayer intended to combat child labor among contract farmers in India.

Initially, Bayer started working together with industry partners that were facing similar problems. That resulted in the foundation of the Child Labor Elimination Group (CLEG) under the Association of Seed Industry, which in particular used communication strategies in an effort to persuade farmers to dispense with child labor in the future. Bayer also developed initial strategies to create economic incentives, with farmers receiving bonuses for complying with the ban.

Yet because no significant progress was made with the CLEG program, Bayer decided to proceed alone in taking action against child labor. It became increasingly clear that more comprehensive approaches with a longer-term impact were necessary to bring about a real change in mentality in village communities. Thus the Bayer CropScience Child Care Program was launched in 2007. The program extends far beyond abolishing child labor. Besides a contractual ban of child labor, it includes monitoring



and control as well as an incentive and sanction scheme. Moreover, it focuses on: engaging local people and combining initiatives to improve education in local governmental schools; increasing awareness about working the fields profitably without resorting to the use of children; knowledge transfer concerning sustainable crop production; vocational training opportunities for children; as well as communication strategies to raise awareness of the problem among parents.

Child labor virtually eliminated

A dedicated team within Bayer was formed to put this comprehensive program into practice, which has since proven a great success. The latest figures from December 2012 show how many people the program has reached to date: In 2006, an average of around 0.6 children per acre were still being employed on the fields of suppliers — a figure that was, however, already well below usual practice among Indian cotton seed companies. In the 2012/2013 main season, only 21 isolated cases were noted on the 3,898 acres in total managed by suppliers. Sanctions were applied against these immediately. The number of children as a proportion of the total workforce thus went down dramatically to 0.03 percent.

Ultimately, the Bayer CropScience Child Care Program can be described as a genuine win-win situation for all involved. Children now receive education instead of having to work in the fields, giving them a better start in life. Farmers acquire a substantial volume of know-how to improve their cultivation methods, which has resulted in a better quality of the seeds produced, among other benefits. Last but not least, research has shown that farmers' earnings tend to be higher because they can harvest more. Bayer itself draws positive results from the closer and more efficient collaboration with the farmers. However, the highest benefit lies in the fact that the company helps combat child labor and is thus living up to its own values and the expectations of society and investors — in India and worldwide.

With this program, Bayer is the first company to have achieved a lasting impact in tackling child labor in India — a commitment that was highlighted for instance in the 9th Human Rights Report of the German Federal Government. Seeing the Child Care Program succeed was a priority for Bayer CropScience, and the Executive Committee has actively supported it as a core sustainability program. We are convinced that, with such an initiative, we can make a key contribu-

tion to eliminating child labor and at the same time help improve the lives of Indian cotton farmers and their children. That is why we have extended the Bayer CropScience Child Care Program to other crop cultivation areas in India. ■

A PACKAGE OF MEASURES AGAINST CHILD LABOR

What are the details of the Bayer CropScience Child Care Program? The following measures have been implemented so far:

1. Contractual ban on child labor
2. Regular visits to areas under cultivation to check ages
3. "Learning for Life" education opportunities
4. Raising awareness of the problem
5. Incentives for farmers

60 YEARS OF CONTRIBUTING TO THE COMMUNITIES



By Tony Awad, Consolidated Contractors Company

Sixty years of continuous giving that is rooted in the beliefs and values of the founders is what distinguishes CCC and makes it unique among other companies. Even before the term “corporate social responsibility” became quite popular in recent years, the CCC founders put giving and care for the communities, employees, and their families as some of their core values, which they have been practicing throughout the history of the company. Their continuous giving to their communities, employees, and their families has left its mark on the thousands of people who have felt their support throughout the years. Their compassion and philanthropic deeds may have grown out of the hardships they experienced in their early years; however, becoming one of the most affluent companies in the world had just multiplied these humanitarian acts.

CSR is an integral part of the CCC corporate vision

CCC’s corporate social responsibility initiative undertakes the role of “corporate citizenship” to ensure that business values and behavior are aligned. They should be balanced between improving and developing the company’s business as well as improving the quality of life of its workforce, their families, local communities, and societies at large.

CCC’s CSR initiative

CCC’s corporate social responsibility philosophy originated from the founders’ strong belief that the company has an obligation toward its shareholders, employees, clients, partners, subcontractors, and society. CCC does not exist merely to make a profit, but rather to improve the livelihoods of the more than 120,000 families of its employees, as well as to

serve the societies and the countries in which CCC has an operational presence.



CCC’s CSR policy is guided by the company’s strong and ethical family values and traditions. They are an integral part of its Corporate Vision, which ensures that its business values and behavior are aligned with its Mission Statement; Company Core Values, Guiding Principles, and Code of Practice; Health, Safety, and Environment Procedures; and Human Resources Procedures.

CCC’s CSR contributions to the communities

Over the years, CCC has participated and contributed generously to the countries and communities in which CCC has operated and passed through. CCC has engraved its humanitarian and philanthropic footprints in support of social development, health, and education through contributions that have come in the form of monetary donations and in-kind participation. A few examples are:



Clothing Donation Campaign in Greece

In Greece:

It was 36 years ago that CCC moved the managing offices of the Group to Athens, Greece. Over the years, the management and employees have become closely connected to the local communities. In continuation of the CSR initiatives, the CSR Committee in Athens has continued to extend a supporting arm to communities that have been badly affected by the prevailing financial crisis in Greece. The NGOs, charities, and institutions that have benefitted from these campaigns included Medecins Du Monde / Doctors of the World; SOS Children’s Village; various municipalities; retirement homes; orphanages; kitchens offering meals for homeless persons; facilities offering shelter for refugees and homeless individuals and families; schools; clinics; and various other needy causes.

The contributions and sponsorships have consisted of providing specific necessities, including – but not limited to – food stuffs; medicines and medical equipment; clothing and blankets; kitchen equipment; blood donation campaigns; PCs and various materials. Generous contributions have also been made to the Greek Association of Women with Breast Cancer.



CCC Kazakhstan visits needy communities to provide food packages and clothing.

In Egypt:

CCC Egypt has provided continuous help to the local communities in Egypt by donating food packages containing basic necessities such as rice, sugar, oil, flour, salt, and dried vegetables to affected communities – mainly daily laborers and their families. These food drives are periodically repeated to cater to the needs of various NGOs, charities, and institutions that fall below the poverty level. Blood donation campaigns are regularly organized to support local hospitals.

In Kazakhstan:

CCC Kazakhstan has set up a program whereby visits are made to different orphanages, retirement homes, and needy communities to provide food packages, clothing, and entertainment for the elderly and orphans on a monthly basis and during national and religious holidays.

In Turkmenistan:

CCC Turkmenistan periodically contributes food packages and clothing to retirement homes, orphanages, and institutions to help support the needs of the local communities.

In Jordan:

CCC Jordan provides regular financial and in-kind contributions and donations to various charities and NGOs, organizes blood donation campaigns, and is a main supporter of the King Hussein Cancer Foundation. ■



Above: CCC Turkmenistan periodically contributes food packages and clothing to support the local communities.

Left side: Blood donation campaigns are regularly organized to support local hospitals in Egypt.

BUILDING AWARENESS AND GOING THE EXTRA MILE: HUMAN RIGHTS IN FOCUS

By Green Delta Insurance

 গ্রীন ডেল্টা ইন্স্যুরেন্স কোম্পানী লিমিটেড
Green Delta Insurance Company Ltd.
Marches With Time

As the foremost non-life insurance brand of Bangladesh, Green Delta Insurance has many responsibilities to fulfill when it comes to CSR. Participating in activities for the betterment of our environment, Human Rights, culture, sports, and society in general has been a prominently visible trait of the company. The history concerning CSR at Green Delta Insurance goes back years — to a time before CSR became the catch-all concept it is today.

The Ten Principles set by UN Global Compact have always been given importance. In previous years, Green Delta Insurance Company (GDIC) has emphasized environmental issues, labor rights, and safety issues through its communication tools. Many issues regarding Human Rights have also been dealt with. For 2013, GDIC took the initiative to focus primarily on Human Rights, with an eye on the rising concerns surrounding this sector — although it is not the first

time that GDIC has contributed toward the improvement of Human Rights in Bangladesh. Some of the initiatives led by GDIC in the previous years have been the rehabilitation of the freedom fighters and women oppressed during the independence war; wheelchair distribution for the war-wounded freedom fighters; support for the family of a slain police constable; and sponsorship of a children's day program to nurture hidden talents among the little ones.

The management as well as the Corporate Affairs and Communications department sensed the need for showcasing elements of Human Rights through innovative means to create awareness among the people. The idea was to do something creative that would trigger people's inner conscience. The biggest challenge was to deliver the messages clearly without showing violent images, but to also show appropriate visuals as well. The GDIC team, with the help of its creative agency, came up with the idea to use "shadow puppetry" to portray elements of Human Rights in a metaphoric manner. This idea was set to debut in 2013. Shadow puppetry, or "shadow play," is an old form of storytelling used usually for entertainment purposes. It creates the impression of moving objects or three-dimensional human figures. We wanted to tell a story about the shadowy parts of our society, where values and rights are neglected and often violated.

Out of the many articles on Human Rights set by the UN, 12 were chosen for 12 months of the year. They were:



1. All are equal before the law and are entitled — without any discrimination — to equal protection of the law.
2. Everyone is entitled to all the rights and freedoms set forth in this declaration, without distinction of any kind, such as race, color, sex, language, religion, political, or other opinions; national or social origins; property; birth; or other status.
3. Everyone has the right to freely and peacefully assemble and associate.
4. No one shall be held in slavery or servitude; and the slave trade shall be prohibited in all its forms.
5. No one shall be subjected to torture or to cruel, inhuman, or degrading treatment or punishment.
6. Everyone has the right to life, liberty, and security.
7. Everyone has the right to a nationality.
8. Men and women of full age, without any limitations due to race, nationality, or religion, have the right to marry and to found a family of their own.
9. Everyone has the right to own personal property as well as in association with others.
10. Everyone has the right to freedom of thought, conscience, and religion.
11. Everyone has the right to freedom of opinion and expression.

12. All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act toward one another in a spirit of brotherhood.

Keeping all 12 articles in mind, a photo shoot was organized. The creative agency arranged sets for all 12 visuals for 12 pages of the calendar. It was undoubtedly a difficult but fascinating task to come up with "state of the art" outputs, since the concept of shadow puppetry is still new in Bangladesh and using this in a calendar was something no one in Bangladesh had done before. When the final version appeared, we were happy with the results.

People from all walks of life responded positively. Especially the clients, large corporate entities, NGOs, and humanitarian organizations fully appreciated the concept and initiative and expressed their whole-hearted gratitude. After the success of this project, GDIC decided to run CSR-based campaigns regarding Human Rights in 2013. The calendar was an awareness-building project, whereas future projects are aimed at bringing direct and positive changes to the lives of the victims. Some activation plans are already in the pipeline. These projects will

emphasize women's rights and women's empowerment as well as other related issues. Green Delta has already offered its sponsorship to the Bangladesh Women Chamber of Commerce and Industries for some of their upcoming projects.

The current state of Human Rights in Bangladesh is a much talked about topic these days, from both national and international points of view. Bangladeshi security forces are constantly being criticized by Amnesty International and Human Rights Watch. The abuse of children and women is alarmingly high and on the rise, as are attacks on minority communities. With support from a number of political parties, terrorists are committing heinous acts in the name of religion. Negative elements always seem to be on an upward trend and prominently highlighted, whereas positive actions largely go unnoticed. Green Delta Insurance plans to stick with positive actions while making people aware of Human Rights through their communication tools. The awareness-building programs and CSR of Green Delta go beyond the idea of doing better business in the future — rather, they highlight the need to build a better society for our future generations. ■



MUNDIAL DEL BARRIO

By Lilinés Urriola Herrera, Medcom

medcom.

In 1997, after his social reinstatement, community leader Hector Brands decided to start a summer soccer league in the small town of San Felipe. The league comprised four teams with 70 kids from that area. The purpose of the league was to try to occupy the participants' spare time during the summer and to keep them from violence and the use of drugs present in that area of the city. It was through soccer that the children and young adults started learning about peaceful coexistence, tolerance, and the benefits of living without violence.

Because of this league, there was a movement started that became well respected by civil society. Today, Movimiento Nueva Generación — MNG (New Generation Movement) is a nongovernmental organization that handles the project called Neighborhood World Cup in its entirety. The main objective of this project is to develop activities under an overall scope of prevention that are geared toward children and adolescents living in socially vulnerable and violent environments. It also highlights moral and ethical values, including the International Children's Rights Law, and contributes to society with the education of future community leaders for a peaceful culture.

In 2013, there were 49,060 crimes and misdemeanors of all types that were reported in Panama for the year 2012, according to the National Integrated System of Criminal Statistics, which belongs to the Office of Public Security. Furthermore, other studies presented by this office have shown a direct correlation between delinquency and population density, which means there is more crime in urban areas such as San Felipe, which is a small municipality adjacent to the metropolis that Panama City has now become. There are many communities similar to San Felipe in which kids are more likely to follow a violent pattern of living due to population densities and poverty levels.

For more than 10 years, the soccer league, previously called Summer Cup, kept expanding in San Felipe as an inter-neighborhood league. It was installed two years after its creation in the popular



neighborhood of El Chorrillo, which became famous after being almost wiped out by the tragic bombings of the United States during Operation Just Cause in 1989 before being reconstructed by subsequent administrations after the Manuel Noriega dictatorship. In 2007 Hector Brands presented the project to the UNICEF Panama director at that time, who agreed to be a sponsor for three consecutive years, calling it then "UNICEF Cup." That same year, more neighborhoods were included, such as Santa Ana and Curundu, which are still socially vulnerable places. In 2009 the "UNICEF Cup" had around 3,000 participants. In 2010 Medcom engaged with UNICEF to create a bigger inter-neighborhood league, expanding it to other provinces, changing its name to what it is now, Neighborhood World Cup, and bringing it to the national level, with participation by 4,500 kids in its first season.

As Medcom became the main organizer along with MNG, the project has been featured on national television by station RPCTV, which broadcasts news and sports. Medcom is a multimedia corporation composed of five television networks (two broadcasted nationally and three broadcasted by cable), two radio stations as well as the most important internet platform in Panama: telemetro.com. The alliance of both entities allowed for the inclusion of new sponsors, which made possible

to transmit the games nationally. This served as an important motivator for the kids to stay in the league, which has strict rules, specifically regarding discipline and attendance.

The Neighborhood World Cup is the only league in the country that is free for all the participants. In 2011 there were 5,070 boys and girls participating, from which 3,000 were granted scholarships by the Institute for the Education and Use of Human Resources, a government agency.

Aligned with Medcom's corporate social responsibility strategy, this project adheres to the principles included in the Declaration of the Rights of the Child regarding the areas of health, the use of spare time, and protection — it is all linked to the sporting activities, instruction of values, and the prevention of drugs and violence. Currently, and ever since UNICEF assumed the project, the Neighborhood World Cup has linked football with the teaching and practice of values. It trains team directors and the children on topics such as leadership, self-esteem, children's rights, family values, drugs and violence, communication, and teamwork. In 2011 there were a total of 576 hours of formal training, with 15-minute preparatory lessons before each game. For the last two years, the project has had record-breaking participation all

across the country: 5,834 beneficiaries in 2012 and 6,900 in 2013.

As in many other countries, soccer is the most popular sport in Panama and attracts a great number of fans. Because of its influence on the people, Panama's national team and professional soccer club players have become role models for the children, primarily in low-income communities. In the 16 years since the project's inception, some of the program's graduates have become players on the national teams in the professional leagues. This project has become the largest soccer school in the country — not only because of the teaching of soccer, but also because of the education as a whole, and the hope is that it will be sustained for many more years.

The soccer school's primary objective has always been to prevent violence and to provide its participants with a better future, both personally and socially. Each game that is broadcast also features an individual case that takes into consideration the outstanding participation of one player. The case is chosen by evaluating all the team players, not only their social backgrounds and outstanding sporting skills, but also their personal development regarding values and economic needs. In recognition of the efforts of the chosen player, a sponsor is selected and offers a financial contribution for the player and his or her family. ■



CHANGING THE LIVES OF 10,000 CHILDREN



By Scott Dille and Camilla Crone Jensen, Novo Nordisk

Living with type 1 diabetes is challenging – even more so for children in developing countries, where having diabetes puts their lives at even greater risk.

Persons with type 1 diabetes must adhere to daily injections of insulin to replace the insulin that their pancreas is unable to produce. Self-discipline – including sticking to a balanced diet and monitoring blood glucose levels – is essential to preventing dangerously high or low blood sugar levels. On top of all this, persons with type 1 diabetes need to make sure they get regular exercise.

For a child with type 1 diabetes, parents and healthcare professionals are essential to support their health and well-being. But in many parts of the developing world, this support is hard to come by.

As the world leader in diabetes care, Novo Nordisk saw a need to leverage its competences and responsibility to take action. In 2009, the company launched the Changing Diabetes® in Children program to improve the lives of children with type 1 diabetes in developing countries. In March 2013, the program surpassed its 2015 goal of enrolling 10,000 children. Today, thousands of children are receiving the support and treatment they need to live normal, healthy lives.

Diabetes in children

Type 1 diabetes is a lifelong disease that often occurs at a young age, and its prevalence is rapidly increasing in children and adolescents in many countries. The International Diabetes Federation estimates that there are 490,000 children under the age of 15 years with type 1 diabetes in the world. Around half of them live in developing countries.

In the developing world, there is a high mortality rate for those with childhood diabetes. In sub-Saharan Africa, the life expectancy for a child with newly diagnosed type 1 diabetes is typically less than one year.

Barriers to proper care for children in developing countries

Diagnosing type 1 diabetes is the first crucial step. But in the developing world, healthcare professionals are lacking awareness about the symptoms that can lead to neglected cases or misdiagnosis. In many cases, the symptoms of type 1 diabetes in children resemble symptoms

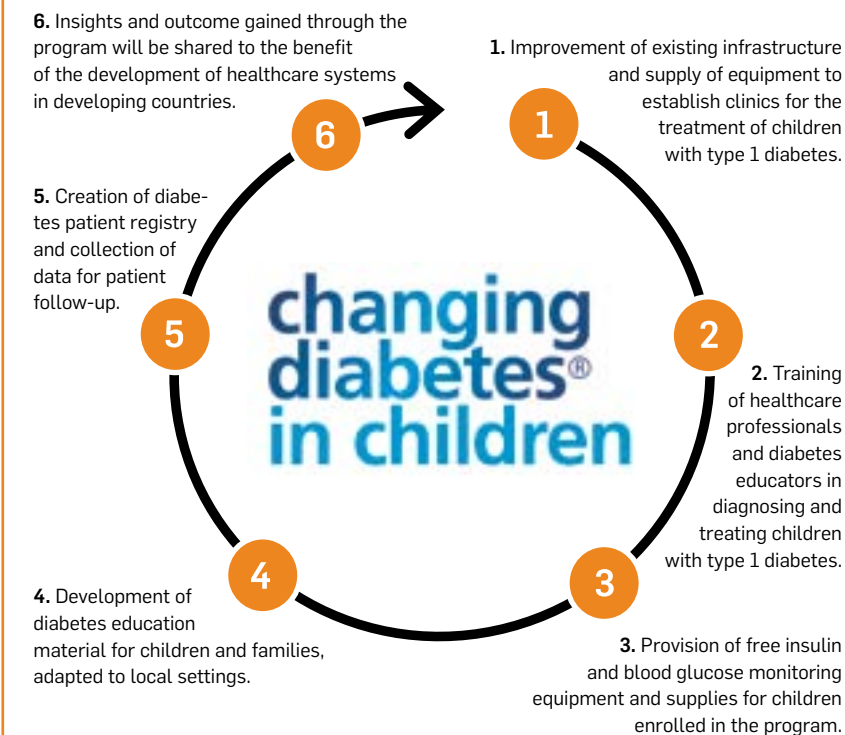
of common acute medical conditions encountered in many developing countries, such as cerebral malaria.

For the family, having a child diagnosed with diabetes can bring an overwhelming financial and emotional burden. The cost of necessary treatment and care often exceeds a family's annual income. In some cases children are abandoned by the family as they are forced to make the difficult choice between feeding their other children and using the income on treatment.

Unfortunately, lack of awareness and the cost of treatment are not the only barriers. Great distances and insufficient travel options in rural areas make it difficult for families to seek medical care. Medical facilities, when reached, are short of medical equipment, supplies, and cold-chain storage for insulin.

To bring down the barriers, healthcare professionals require better knowledge about diagnosing and treating diabetes in children, care facilities must be accessible and well supplied, and insulin and

THE CHANGING DIABETES® IN CHILDREN PROGRAM HAS SIX COMPONENTS:



education materials must be made available to the children and their families.

The Changing Diabetes in Children® program

For the Changing Diabetes® in Children program, Novo Nordisk works with national and international partners to provide immediate relief for children with type 1 diabetes and their families. Looking beyond immediate relief, the program builds lasting and long-term support through the establishment of clinics and training of healthcare professionals.

Since 2009, diabetes clinics have been established in nine countries: Bangladesh, Cameroon, Democratic Republic of Congo, Ethiopia, Guinea, India, Kenya, Tanzania, and Uganda. Within each

country, a number of satellite access points have been set up to offer diabetes monitoring and treatment. The whole hub-and-spoke system is coordinated at a central point in each country.

Children in the program receive free insulin, glucometers, and strips – a service that continues for the duration of the program.

The program gives major support to both the diabetes clinics and the satellite access points. Both are provided with medical equipment – including glucometers and strips – as well as storage facilities for medical supplies, with the support to set them up correctly. The clinics are given appropriate registry systems – developed by Novo Nordisk for recording blood glucose (HbA1c) and other monitoring data –

and the training to use it. Data produced in this way is an invaluable source of information about the state of diabetes in these countries and how it is being controlled. It will contribute to an improved understanding of the practical extent of the problem and ensure that individual children are given access to desperately-needed treatment throughout the course of their illness.

An important milestone reached

The goal set for the Changing Diabetes® in Children program was to enroll 10,000 children by the end of 2014. As of March 2013, reports from the nine countries revealed that the total number of children receiving treatment and care had passed 10,000 – a little more than a year ahead of time.

Today 10,119 children have been enrolled and a total of 77 clinics have been established to treat and care for children with type 1 diabetes. Education efforts have resulted in 2,700 trained healthcare professionals who are better equipped to diagnose and treat children with type 1 diabetes and to provide education and support to their families.

The Changing Diabetes® in Children program supports the rights of children with type 1 diabetes and their families to access the facilities and medical care that provides health and well-being. Through the program, Novo Nordisk aims to strengthen efforts to achieve Millennium Development Goal 4 by doing its part to reduce child mortality.

Ensuring the long-term sustainability of the program

The current Changing Diabetes® in Children program is expected to proceed until the end of 2014. Novo Nordisk is currently working on a sustainability plan for the program, in consultation with all involved partners, to identify ways to ensure the continuation of the provision of diabetes care for children on a country-by-country basis. ■

ROAD SAFETY – FUNDAMENTAL RIGHT AND EVERYBODY'S RESPONSIBILITY



By Natalia Gonchar, Sakhalin Energy

We drive and bike, walk, and even run trying to catch the rhythm of modern life. For most of us, traffic has become an integral part of our everyday routines. We take it for granted and do not consider the road to be a source of constant danger – until suddenly a car accident happens and we are forced to reconsider ... and think. Each year nearly 1.24 million people die as a result of road traffic accidents. It means that more than 3,300 are killed on the road every day.

The world community acknowledges danger and its complexity. At the recent Rio+20 UN Conference on Sustainable Development, a clear link was made between road safety and sustainable development. It is of critical importance that all stakeholders accept responsibility for road safety – state responsibility to protect its citizens, individual responsibility of all road traffic participants, and corporate responsibility of business to protect its employees and to contribute to sustainable development of society where it operates in. Cross-sector cooperation and, in a best-case scenario, partnership are essential.

The participants of the Sakhalin Road Safety Council believe partnership helps to maximize existing resources and transfers joint efforts into long-term, efficient programs. The basis of such optimism is the fact that the partners have been working together for more than eight years and their initiatives have yielded good results. The Sakhalin Road Safety Council unites representatives of the Sakhalin Oblast government, the local Ministry of Internal Affairs and Road Traffic Safety Inspection, the public, and – representing the business sector – Sakhalin Energy.

Safety is one of the key priorities for the company. During all the years of its activities, Sakhalin Energy has been implementing programs targeted at road safety.



In 2004 a program was launched within the company aimed at raising awareness about the driving culture while creating safe conditions for the transportation of people and cargo. The program includes daily road-safety monitoring, vehicle compliance control, close engagement with contractors and subcontractors, Defensive Driving Training, use of the In-Vehicle Monitoring System, among other things.

However, road traffic is a “multi-player game.” The success of a program that is only focused on an isolated group of participants – for example employees – will always be limited. An important objective of the Sakhalin Energy road safety program is to spread high standards for corporate road safety beyond the company and its contractors. This is implemented via the Sakhalin Road Safety Partnership, initiated by the company back in 2005.

The first step toward the creation of a partnership program aimed at improving the situation on the roads of Sakhalin was the workshop arranged by Sakhalin Energy in March 2005. It was supported by the Sakhalin Oblast Government and the Global Road Safety Partnership, with the participation of more than 60 representatives from 25 government organizations and businesses.

In June 2005, the Sakhalin government, the Ministry of Internal Affairs, as well as businesses and the public joined together to sign the Agreement on Sakhalin Road Safety Partnership. This officially confirmed their intention to work together toward the improvement of road safety in the Sakhalin Oblast. In 2011 the partnership was transformed into the Sakhalin Road Safety Council, the primary function of which is to build a platform for cooperation among the stakeholders and thereby create a favorable environment for the development and implementation of social projects. The projects should help to decrease the number of injuries and deaths from car accidents as well as the overall number of accidents, and encourage a culture of safe road behavior for all road traffic par-

ticipants. Since 2005, the partners have implemented several major projects. The key to their success in these efforts has been the comprehensive support given by all the participants of the partnership.

- The goal of the long-term and large-scale seatbelt promotional campaign called “Choose Life – Buckle Up!” is to enhance the awareness of drivers and passengers in regards to the benefits of seatbelts. In different years and at different stages, it has included different components and has thus been continuously expanded. Since 2012 this project has become part of a complex educational and informational area of activities. The project is an open contest for the development and implementation of the best promotional campaign for the use of restraints (seatbelts and children booster chairs). Symbolically, Sakhalin Energy employees and their family members participate in promotion campaigns as volunteers.
- The project “A Safe Road to School” started in 2006 due to problems concerning school students’ safety on Sakhalin roads. The goals of the project were to reduce the injury rate of children involved in car accidents; to unite the efforts of the road police officers, teachers, and parents; and to increase road-safety awareness in the area. Under this project, the schools of the Sakhalin Oblast received visual aids and “safe school route” maps indicating dangerous sections of the streets and roads. All the materials were developed after having taken local habits into consideration. This gave the students an opportunity to study traffic regulations using practical examples, and to provide insights on their actual daily routes.
- The international experience shows that first aid provided right on the spot plays the main role in rescuing human life and preserving health. This is the reason why training programs should work to improve the awareness and first-aid skills of road police officers and nurses. First aid is a priority method, as it helps to reduce the occurrence of death and injury. The Council supported

first-aid training seminars to help in the response to injuries and heart attacks. Each year more than 70 medics take part in these training seminars. Moreover, 135 first-aid kits were granted to the Road Traffic Safety Inspection office for placement in police cars.

- On a contest basis six Sakhalin schools received modern equipment for tutorial road safety classes. Significantly, under the terms of the contest, the schools will implement special road safety programs for children and parents as part of their normal educational activities, as well as organize road safety events for other schools.
- “Be Bright! Be seen!” is a promotional project encouraging Sakhalin young people to wear light-reflecting stickers on their clothing. The main characters of all the promotion materials and events are break dancers of the group very popular among the Sakhalin teenagers and youth.
- Over the years different events were arranged under The World Day of Remembrance for Road Traffic Victims.

The main accomplishment of the partnership has been a decrease in car accidents and injuries. These figures are dropping slowly but steadily. According to the Road Traffic Safety Inspection office of the Sakhalin Oblast, when compared to the figures for 2011, the number of car accidents in the region in 2012 declined by 3.3 percent; the number of deaths decreased by 2.4 percent; and the number of people injured in car accidents dropped by 0.1 percent.

The UN General Assembly proclaimed the period 2011-2020 as the Decade of Action for Road Safety. The Secretary-General called on States, civil society, business and communities to ensure that it will lead to real improvements. The Universal Declaration of Human Rights guarantees everyone the fundamental right to life, liberty and security of person. Should road safety be recognized as a part of it? To answer this is unalienable right and responsibility of all members of the human family. ■

THE GLOBAL SOCIAL ENTERPRISE ACTION HUB



By the Social Enterprise Team, SK SUPEX Council

As social and environmental issues change and become more complex, a new approach is required beyond the existing efforts of governments, NGOs, and corporations to tackle global challenges. In this regard, social enterprises are becoming significant players in bolstering global sustainability and addressing social challenges in innovative and sustainable ways. With the objectives of creating both economic and social value, social enterprises adopt managerial efficiency and market mechanisms in their social operations to offer more customized and efficient solutions that deliver larger and more sustainable impacts.

For social enterprises to grow, support from – and cooperation among – different players is necessary. Large corporations can play an especially important role in supporting social enterprises through their state-of-the-art technologies, financial firepower, and global networks. Recognizing social enterprises can be a vehicle to effectively deal with fundamental problems.

SK's effort to build an ecosystem for social enterprises

SK has been focusing on creating a vibrant and robust ecosystem that supports social enterprises. SK has tested various ideas by establishing new social enterprises and supporting existing ones in Korea. SK is endeavoring to leverage its core competencies in supporting social enterprises to maximize their impacts. SK established Happy ICT, a social enterprise that offers IT training and field

IT experiences to the underprivileged to help support their employment opportunities. Happy ICT is working to narrow the information gap between different socioeconomic classes and to build a social safety net in the telecommunication sector. SK has also transformed one of its subsidiaries, Happy Narae – a maintenance, repair, and operations company – into a social enterprise. As a social enterprise that supports other social enterprises, Happy Narae purchases products of other social enterprises, thus providing a healthier and broader sales channel. To find and nurture prospective social entrepreneurs, SK also launched a website called “Sesang,” a collaboration network that brings together the expertise of diverse sectors such as social enterprises, governments, and NGOs. Through the website, SK is consolidating the foundation to support social enterprises through information services, communication, and research.

Reflecting the increasing interest of the UN in enhancing its partnerships with the private sector, the UN Global Compact and SK came together to launch an online platform to connect social enterprises with corporations and other stakeholders such as impact investors.

At the Rio+20 Corporate Sustainability Forum in June 2012, which was hosted by the Global Compact, SK announced a collaborative project with the Global Compact called The Global Social Enterprise Action Hub (SE Hub), an online platform for social enterprises and impact investors. The SE Hub collaboration was also reiterated at the World Economic Forum in January 2013, and it is being pushed ahead as one of the Global Compact LEAD priority projects. The Global Compact and SK plan to unveil the beta version of the Hub at the 2013 Global Compact Leaders Summit and to launch the final version by the end of 2014. As



their businesses. To provide effective and substantive support for these social entrepreneurs, the SE Hub takes an action-oriented approach by encouraging collaboration and inviting participants to post current sustainable development projects. The SE Hub seeks to support a range of functions such as progress monitoring. The platform is intended to be robust and will evolve to include a reporting element that will allow participants to assess the progress and performance of projects posted on the SE Hub.

The SE Hub will also create an online community of social entrepreneurs and investors by providing networking and information-sharing channels in addition to matchmaking services. Through information and communication technology, all experiments in supporting and managing social enterprise will continuously evolve in order to build a more robust platform.

Inspiring other business contributions to the UN Development Agenda

The growing complexity and scale of social problems requires the solutions to be collaborative rather than independent. Reflecting this trend, the Global Compact is developing the UN Global Compact Partnership Portal to encourage cooperation among UN entities, corporations, and other organizations in support of the UN Development Agenda. The SE Hub will be integrated into the portal.

As one of the components of the UN Global Compact Partnership Portal, the SE Hub will contribute toward fulfilling the Millennium Development Goals through facilitating an action-oriented approach. The Hub is expected to provide new strategies and ideas in effectively implementing the Global Compact's Ten Principles and will spur more business participations in other Global Compact issue platforms, including Caring for Climate, CEO Water Mandate, Women's Empowerment Principles, and Children's Rights and Business Principles. ■

members of the steering committee, key organizations including Abraaj Capital, Intel, World Resources Institute, UN Principles of Responsible Investment (UNPRI), and New Ventures-Brazil will also play an active role in deciding policies and developing strategies of the SE Hub.

An online platform to connect social enterprises with stakeholders

The SE Hub is an online platform to connect social entrepreneurs, corporations, impact investors, NGOs, policymakers, and other stakeholders. The SE Hub aims to catalyze partnerships among these groups to co-create and scale the most promising solutions to global development challenges and to advance the UN Post-2015 Development Agenda.

The SE Hub will facilitate various collaborations between social enterprises and other participants in the areas of strategic

investment, joint venture, product development, incubation, and procurement opportunities. This participation is expected to help further drive the development of social enterprises, impact investing fields, and boost public interest in social enterprises and inclusive economies.

To address a range of UN priorities in relation to the Millennium Development Goals and the Post-2015 Development Agenda, the SE Hub aims to balance its activities across emerging markets, underdeveloped countries, and OECD member countries.

Action-oriented approach through on- and offline assistance to social enterprises

In spite of innovative ideas and commitments to solve social problems, many social entrepreneurs confront difficulties in successfully launching and managing

SAVING LIVES AROUND THE WORLD WITH ZINC

By Kathleen Reid, Teck

Zinc & Health | Teck

The Zinc Alliance for Child Health (ZACH) brings together Canadian organizations committed to accelerating the use of zinc and ORS around the world to treat diarrhea, one of the leading killers of children. More infants die from diarrhea-related illnesses associated with zinc deficiency than from HIV/AIDS, malaria, and measles combined.

ZACH aims to make the management of childhood diarrhea a key part of reducing child mortality. ZACH works with all levels of government to help ensure the availability of supplies and treatment that is affordable for families, communities, and the wider health system.

Zinc Alliance for Child Health reaches communities in Africa

The first partnership under ZACH was formed between Canadian partners the Micronutrient Initiative, the Government of Canada, and Teck in 2011.

ZACH's first project was launched in Senegal in May 2012 in support of that country's Ministry of Health plan to dramatically scale-up zinc treatments for children aged six months to five years. The project aims to treat more than 2 million cases of diarrhea in Senegalese children under the age of five over the next three years. Zinc and ORS treatment is being delivered by healthcare workers at 4,000 health facilities across Senegal.

To date, the project has supplied 39,000 zinc treatments to health facilities and treated more than 8,000 cases of diarrhea with zinc and ORS. As a result of ongoing advocacy and consultation by ZACH, zinc and ORS are now provided free of charge in public health facilities by the Ministry of Health in Senegal. This is significantly improving access to treatment for the country's poorest populations. In February 2013, ZACH launched two major projects in Burkina Faso and Ethiopia that will save more young lives.



A young girl in the village of N'Gomene Keur Atou in the Thies region of Senegal waves a Canadian flag. The Thies region was the first in the country to scale-up zinc and oral rehydration salts (ORS) to treat diarrhea.

ZINC IS FUNDAMENTAL FOR HUMAN HEALTH

It is crucial for growth and brain development and helps fight dangerous infections, especially in children. Sadly, zinc deficiency affects 2 billion people worldwide and contributes to the death of nearly 450,000 children under five each year. It costs less than \$0.50 for a 10-14 day course of zinc treatment and oral rehydration salts to treat acute diarrhea, and ultimately save a child's life. Zinc treatment has been recognized as a cost-effective solution for treating acute diarrhea by the international community, including the World Health Organization and Copenhagen Consensus.

As Canada's largest diversified resource company and one of the world's largest producers of zinc, Teck recognizes the role we can play in finding solutions to the global issue of zinc deficiency. We believe in strategic community investments that make a difference and are related to our core business. Our Zinc & Health programs are active in communities where zinc deficiency is a major issue. In 2011, Teck launched the Zinc & Health program to raise awareness and contribute to short- and long-term solutions to zinc deficiency worldwide. Our involvement with the UN Global Compact has fostered the partnerships needed with multilateral organizations, businesses, NGOs, and governments to advance Zinc & Health. Through our Zinc & Health program, we are proud to be working toward the health-related UN Millennium Development Goals.

The numbers cannot be ignored. Each year, more than 1 million children under the age of five die from complications associated with diarrhea.

Burkina Faso: Aim to treat 7 million cases of diarrhea by 2015

Sadly, nearly one in five children born in Burkina Faso does not see his or her fifth birthday. The project in Burkina Faso will scale-up the use of zinc supplementation and oral rehydration salts to treat childhood diarrhea across the country. The project will aim to treat more than 7 million cases of diarrhea in children under the age of five over the next three years and train healthcare workers and caregivers on the proper treatment of diarrhea with zinc and ORS.

Project components include increasing knowledge and awareness so that more caregivers, health practitioners, and community members recognize the importance of treating diarrhea with zinc

and ORS. ZACH will work with all levels of government to help ensure the availability of supplies and treatment that is affordable for families, communities, and the wider health system.

Ethiopia: Aim to treat 6.5 million cases of diarrhea by 2015

The project in Ethiopia is focused on increasing awareness of diarrhea as a serious childhood illness, as well as increasing awareness that zinc and ORS are the treatment of choice.

Currently, just over a third of children with diarrhea who are taken for treatment at a health post or clinic in that country receive oral rehydration salts, and zinc treatment is close to zero. Yet, providing both forms of treatment not only helps children recover from diarrhea faster, but can help save their lives. The ZACH Ethiopia project is expected to treat 6.5 million episodes of diarrhea in children under the age of five by 2015.

Diarrhea is one of the diseases targeted in Ethiopia's National Child Survival Strategy, which the ZACH project will support. The project aims to make the management of childhood diarrhea a key part of Ethiopia's efforts to reduce child mortality.

ZACH expands with a new partnership in India

In April 2013, Teck announced a new partnership with UNICEF Canada to help save the lives of children in India. Nearly one-quarter of all worldwide deaths of children under the age of five occur in India. Many of these children die from a preventable cause — diarrhea. Currently, less than 2 percent of children with diarrhea are treated with zinc and ORS — a proven and effective form of treatment.

Teck and UNICEF Canada's partnership will improve child health in these states of India — Uttar Pradesh, Odisha, and Madhya Pradesh — by improving access to and use of zinc and ORS as therapeutic treatments for diarrhea. The partnership aims to save the lives of approximately 150,000 children from 2013-2017, and 50,000 lives annually by improving coverage of effective diarrhea treatment and strengthening healthcare systems in three regions in India.

A simple solution to a global problem

Since being launched in 2011, Teck's Zinc & Health program has made significant progress in improving distribution channels, raising awareness, and educating others about the devastating effects of zinc deficiency. The program focuses on short- and long-term solutions organized around five pillars: Therapeutic Zinc, Zinc Supplementation, Advocacy and Awareness, Food Fortification, and Crop Nutrition. ■

To learn more about Teck's Zinc & Health program, visit www.zincsavestives.com or follow @ZincSavesLives on Twitter.

PHILANTHROPY AS AN INTEGRAL PART OF CSR

By Jeffrey Revels, The TMS Group



Corporate social responsibility (CSR) encompasses many different components across a myriad of industries in both the public and private sectors. One of the most demonstrative aspects of CSR involves philanthropy, which not only includes a commitment of monetary support, but a personal involvement in volunteerism, too. These much-cherished values represent the cornerstone of our year in 2012 and future CSR endeavors.

The key concerning CSR — for business and community partners — is to take the initiative to consistently identify and seize opportunities to elevate the well-being of humanity. It further implies that our policies and practices must be ethical and transparent at all levels of operations. As an enterprise, we must be accountable in our daily work as well as to our customers, employees, and the communities we operate within. Hence, the obligation to pass on these philosophies and actions to our supply base is a fundamental and ethical business requirement.

The TMS Group strategy for social compliance and CSR is a holistic approach that utilizes the combined framework and participation within the United Nations Global Compact and the Business Social Compliance Initiative to create partnerships aligned with clear and measurable global standards that are addressed in a proactive way with suppliers. This progressive strategy toward implementing ethical corporate business processes is part of an overall CSR philosophy that embodies philanthropy as a key element.

Philanthropy and CSR are indeed mutually inclusive. Philanthropy for the TMS

Group embodies the following three key traits:

- (A) Protection: First and foremost upholding human rights and the respect of dignity for all.
- (B) Community Service: Strengthen and build the community ties and social involvement of our suppliers.
- (C) Inspiring: Develop new and existing methods to advance underprivileged people's socioeconomic status with an emphasis on access to education and healthcare.

Solely addressing operational CSR issues within the confines of global supply chains does not complete a true CSR profile. A significant degree of social responsibility and compliance is inherently manifested within the concept of corporate philanthropy. "Giving back" to the communities in which our global operations reside — and to those in need — also represents the "true heart and commitment" of the corporate citizen.

Consistent with the core values of corporate citizenship, the TMS Group conceives, promotes, and sponsors internationally-based philanthropic endeavors:

Haiti: "I am Haiti" project

The Franca Art and Fashion charity was founded by TMS Group CEO, Frank Fleischer, and his wife, Caroline. This charitable organization has a mission to promote the global-wide education, health, and welfare of disadvantaged children.

In 2012, the charity was a key contributor and sponsor of the "I am Haiti" project. This project utilizes art created by children, who are victims of long-standing poverty and were devastated by the 7.0 magnitude earthquake that struck Haiti in 2010. The children's artwork, which was exhibited in several charitable art shows, was then transformed into an



artistic fashion line of cashmere scarves. This process not only generated awareness about the plight of the Haitian people, it ultimately gave the children a voice and a creative outlet for their messages of survival, hope, and determination for a better future.

The TMS Group collaborated closely with the charity regarding the production, sales, and distribution processes. One hundred percent of the net proceeds generated by Franca Art and Fashion go to building a sustainable community and a brighter future for the children of the Maranatha School and Orphanage, which is located in the capital city of Port Au Prince.

Through dedication and tireless commitment, the school's staff cares for 160 children in a region whereby poverty remains pervasive. In the United Nations Human Development Index, Haiti as a nation ranks 145th of 169 countries, which is the lowest ranking in the Western hemisphere.

India: School rebuilding and sponsorship

The TMS Group has been a long-term sponsor and primary contributor to the rebuilding of the Sacred Heart Primary and High School located in the Paramankeni Kanchipuram coastal district of the Chennai region of India. The sponsorship dates back to the devas-

tating tsunami that struck throughout Southeast Asia nearly a decade ago. The Sacred Heart School and surrounding community were decimated.

Through collaborative efforts with the TMS Group for fundraising and volunteerism, the school was rebuilt and has grown into a thriving institution.

The school is divided into primary and secondary levels. Nearly 40 percent of the enrollment is at the primary level, with student ages ranging from 6 to 11 years old. Sixty percent are enrolled in the combined secondary/high school levels for students aged 12-17 years old. An intermediate level/wing is being planned for ages 12-14 in 2014.

Annually, the school's student registration continues to grow through word of mouth within the adjacent communities. At the end of calendar year 2012, the student population was 424. Based on the current growth rate, the school is expected to double within the next three to five years. Families continue to relocate to the coastal fishing region in order for their children to enroll in the school's well-structured curriculum.

The basic education provisions throughout India are free. However, critical requirements must be provided by families such as: school uniforms, course materials, notebooks, and meals. The costs for these essentials oftentimes will limit a

family's ability to educate one or all of their children. Direct financial support, school uniforms, and computer equipment are all part of the continual provisions provided by the TMS Group for the Sacred Heart School.

The positive outcomes here translate into increasing numbers of children in this community who now have access to free education. Upon completion of high school, greater opportunities are opening for matriculation to universities or trade and vocational training schools. Furthermore, those children who take advantage of the newly created pathway out of poverty are becoming positive family and community role models.

Year 2012 synopsis

The TMS Group has a long history of philanthropy and it will continue to be a significant hallmark of the TMS Group's corporate citizenship and CSR philosophies. This includes not only offering financial support coupled with compassion, but emphasizing the creation of opportunities for socioeconomic mobility through individual and corporate deeds.

All of these efforts are done with the expressed understanding that education — combined with social development — offers the best hope. It is the key to breaking the vicious cycle of poverty that pervades developing nations and disadvantaged families. ■

THE FUTURE OF WORK: SUPERHUMANS INCLUDED

The British broadcaster of the 2012 Paralympic Games invited viewers to “meet the superhumans.” More than an advertising phrase to highlight Paralympians’ sporting ability, it also opened minds to the unique talents and potentials of people with disabilities – or rather, with different abilities. As the world’s leading provider of HR services, we are passionate about this ethos. Adecco helped recruit the people to work at the most inclusive Olympic and Paralympic Games ever.

By Lilian Furrer, Adecco Group



With around 32,000 employees assisting 700,000 associates on a daily basis, we embrace our responsibility to uphold the UN Global Compact Principle 6: “The elimination of discrimination in respect of employment and occupation.” In 2012, our activities in this field intensified as we helped recruit the people to work at the Olympic and Paralympic Games. Our approach is about doing a wide range of ordinary things for extraordinary people, for the good of the economy and society. “Better work, better life” applies to everyone and the future of work means “superhumans included.”

London 2012 – The most inclusive Games

As the official recruitment services provider to the London Olympic and Paralympic Games, Adecco UK & Ireland helped the London Organising Committee of the Olympic Games (LOCOG) realize their vision to create the most inclusive Games ever. Lord Sebastian Coe, Chair of LOCOG, says, “Inclusion is about removing barriers to making people participate at every level.” Embracing this philosophy, we partnered with

LOCOG to manage 218,000 applications and hire 8,300 people to work directly for LOCOG, being the people behind the Games. Thanks to our Diversity Tracking Software, we knew that 10 percent of the registered workforce had some kind of disability, which was way beyond our 6 percent target from LOCOG.

A Guaranteed Interview Scheme and the Disability Talent Pool were vital for this achievement. The Guaranteed Interview Scheme meant that if a disabled candidate’s curriculum vitae demonstrated that he or she had the required skills and experience for the role applied for, Adecco guaranteed them an interview and the opportunity to display their skills. The Disabled Talent Pool was created by Adecco and used by LOCOG’s Diversity and Inclusion Team. It gave disabled people who initially missed out on a position the possibility to be considered for other opportunities. Adrian Cross, COO Hyphen, Adecco Group UK & Ireland says, “Our diversity deliverables demonstrate what can be achieved when the right stakeholder cooperation – supported by robust systems and processes – are implemented. The fact that Adecco and LOCOG jointly

worked to deliver and overachieve on the key elements of the government’s diversity targets is widely recognized as ground-breaking.”

The IPC Academy Inclusion Summit

To support one of the goals of the Paralympic Games, which is to promote inclusion in our wider society, Adecco joined forces with the International Paralympic Committee (IPC) to organize the IPC Academy Inclusion Summit, which took place between September 6 and 8, 2012, in London. Speakers included Organising Committee of the Olympic and Paralympic Games (OCOG) representatives, companies such as Adecco and British Airways, as well as Paralympic athletes sharing their view on what the benefits of inclusive and accessible societies are by exemplifying the Paralympic Games as a catalyst for societal change. Attendees included more than 100 people from around the world representing governments, disabled people’s organizations, businesses, and the International Labour Organization. In his opening speech, IPC President, Sir Philip Craven, set the stage with a clear message: “London 2012 is



Adecco Group CEO Patrick De Maeseneire during his presentation at the IPC Academy Inclusion Summit in London.

a continuous legacy. We must drop the word disabled and make ability and accessibility the main topics.”

Adecco Group CEO, Patrick De Maeseneire, highlighted both the economic and social case for a diverse workforce, stating that the inclusion of people with different backgrounds and abilities into the working world is high on Adecco’s agenda: “Inclusion because we need it; inclusion because we want it.” He drew attention to a growing scarcity of workers and skills that makes inclusiveness essential and highlighted a study by the Centre for Strategy & Evaluation Services, which showed that more than 60 percent of companies with diversity policies reported that it strengthened cultural values, enhanced corporate reputations, and helped them attract and retain highly talented people. More than 50 percent of companies stated that diversity contributed toward improved innovation and creativity among employees, enhanced service levels and customer satisfaction, and helped overcome labor shortages. De Maeseneire concluded: “As the leader in inclusive workforce, it is our responsibility to create opportunities and offer solutions for individual development. It not only enhances social harmony but has tangible economic value at a time when the skills shortage is growing.”

Multifaceted action for inclusion

As a Steering Committee Member of the ILO Global Business and Disability Network, our activities aimed at the inclusion of disabled people are multifaceted. Through working with disability organizations and government employment services, we helped more than 50,000 disabled people integrate into the labor market between 2007 and 2012.

In 2012 the IPC and Adecco extended their relationship to deliver the IPC Athlete Career Programme for the next eight years. The cooperation began in 2007 by helping Paralympians with career guidance and employment to sustain an income while competing for a successful transition into the workforce. So far, the Programme has been adopted by 15 National Paralympic Committees, with another 5 to 10 countries joining in 2013. Dervis Konwalp, a British Paralympian swimmer and multiple medalist, states: “The Programme allows us to see our own skills and realize the traceability from our sporting careers to our working careers.”

At Adecco we strongly believe in the power of sport to engage and unite people behind a common cause. Each year, our Win4Youth program galvanizes thousands of Adecco Group colleagues,

clients, and now also associates, to take part in joint sporting activities to collect kilometers and raise funds for organizations that have a clear focus on giving young people a future in work and life. In 2012 and 2013, we asked elite athletes to champion the Win4Youth project. The Godfather of the 2012 program was Belgian disabled triathlete and role model, Marc Herremans. In 2013, supporting our Win4Youth efforts is medal-winning Paralympian, Wheelchair Tennis player, and “One of Us,” Florence Gravellier. Since 2010 she has been leading the Disability and Skills Programme for Adecco France. As a role model for the power and potential of inclusion, Gravellier says: “People do not define me as a former athlete or Paralympian anymore. I have become part of the mainstream workforce. This is what inclusion is all about, being accepted and playing a part.” ■



Win4Youth Godmother 2013 Florence Gravellier during the Beijing Olympic Games in 2008.

OCCUPATIONAL SAFETY MANAGEMENT – A SYSTEMATIC APPROACH TO ACHIEVING SUCCESS



By Bernhard Schwager, Bosch

Occupational health and safety management for associates is one of a company's key processes. This applies primarily for humanitarian reasons but is also true from an economic perspective. Occupational accidents, illnesses, and diseases are costly for companies and society. Today, technical safety aspects combine with the requirements of ergonomics, user-friendly organization of work, and health protection to form a system-oriented approach to occupational safety.

Efficiently organized occupational safety is becoming an increasingly important competitive factor. Productivity and quality depend crucially on the health and motivation of the workforce. Operating processes can only run smoothly if practical consideration is given to health and safety protection. Effective occupational safety management systems promise the greatest benefit in this respect. In the Bosch Group, we have therefore integrated occupational health and safety management into our management processes and introduced an occupational safety management system that complies with internationally recognized standards. We conduct systematic risk-analyses, detect potential accident and health risks very early, and thus prevent occupational illnesses and diseases. If the hazard sources are known, appropriate preventive measures can be introduced and associates can be given targeted protection. As incidents such as accidents and loss of work are documented, the documentation can be used to compare figures and



measure success. It is also possible to agree upon new targets and monitor these.

The Bosch Group occupational safety target

We have enshrined the prevention of occupational accidents, illnesses, and diseases in our principles for work safety and environmental protection throughout the world. The Bosch Group has set long-term targets for reducing the number of

Safety engineer Carsten Pipper at robot acceptance inspection: "We scrutinize every machine and workplace, analyze risks across the board, and define protective measures."

accidents. It is looking to achieve a rate of three reportable accidents per million hours worked by 2020. Managers, safety specialists, and occupational health

BOSCH PRINCIPLE ON OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

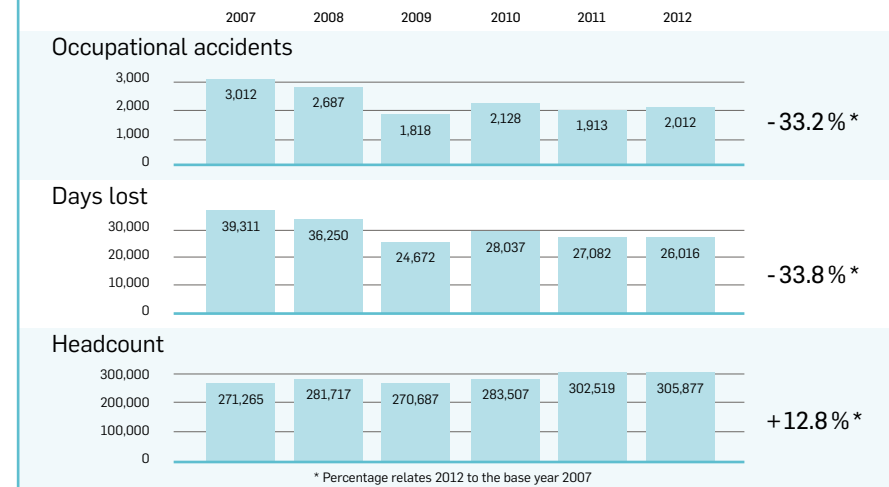
Safety in the workplace and the physical well-being of our associates has top priority. National standards for a safe and hygienic work environment are complied with strictly, thus ensuring health and safety in the workplace and a healthy work environment.

practitioners at all of the approximately 300 manufacturing and development locations around the world are working to achieve this goal and are committed to reaching the targets at all regional and local levels. Quarterly reports on goal achievement are sent from these locations to the respective divisions and to corporate headquarters, which provides support for any measures and campaigns required at the locations. Our international EHS Steering Committee (Environment, Health, and Safety) comprises 15 regional coordinators and manages the worldwide implementation of our strategic goals and standards. This includes the optimization of production processes.

Internal requirements and standards

Binding standards exist for the Bosch Group that lay down minimum requirements for occupational health and safety management. Systematic risk assessments are used at the locations to identify risks for workplaces and activities before necessary protective measures are derived from these for plant and machinery and for handling hazardous substances, for example. Bosch provides managers with training on their duties and responsibilities in occupational health and safety management such as carrying out

OCCUPATIONAL HEALTH AND SAFETY



regular safety instruction for associates on safety-conscious practices. Up-to-date information, guidelines, checklists, and instruction materials for occupational safety and health promotion are supplied for these purposes. Operating instructions are also an important prevention tool. All this ensures that our associates worldwide are informed about risks and protective measures in the workplace.

Positive assessment

Since 2007, Bosch has been implementing an occupational safety management system at all its manufacturing and development locations, thus making it one of the forerunners worldwide in implementing the Occupational Health and Safety Advisory Services 18001 standard. The results have been positive, as this has created a global uniform structure for occupational health and safety and has therefore simplified it. Total numbers for accidents and lost days have decreased significantly, confirming that the safety measures taken are having a positive effect. The accident rate fell by approximately 40 percent – from 6.9 in 2007 to 4.2 in 2012; the number of occupational accidents decreased accordingly – from 3,012 in 2007 to 2,012 in 2012. At the same time, the number of associates increased by approximately

13 percent between 2007 and 2012 and is now about 300,000. Lost days have also declined. In 2007, these amounted to 39,311 days, whereas the figure for 2012 was only 26,016, representing a decrease of around 34 percent.

Continuous improvement process

Continuous efforts are needed to maintain these types of reductions on a sustainable basis. Bosch works with specialists in internal and external working groups and committees to develop and improve standards and implements improvement initiatives systematically. We actively involve associate representatives and communicate good practice solutions to all locations to achieve a continuous improvement process. One of the main functions here is to detect potential accident and health risks for associates in order to take appropriate preventive measures in good time. The safety specialists offer the locations comprehensive advice on all issues relating to plant, process, and operational safety, whether it involves handling individual safety issues, practical solutions for process engineering systems, or support for systematic safety assessments. The specialists also provide support on implementing legal obligations. ■

WHEN WOMEN DO BETTER, ECONOMIES TO DO BETTER

Few companies have helped empower women like ManpowerGroup – both inside and outside our organization. As the world leader in innovative workforce solutions for 65 years, ManpowerGroup was one of the first employers to bring women into the workforce decades ago and remains a pioneer for women today. We not only provide experience and employment opportunities to women that they previously may not have had access to, but equally important, we nurture a culture that respects how diversity of thought inspires the productivity, innovation, and collaboration companies need in the Human Age – an era of certain uncertainty requiring flexibility and new approaches to work.



ManpowerGroup™

By Mara Swan, ManpowerGroup

Every March, the world celebrates International Women's Day to honor the economic, political, and social achievements of women. While much progress has been made – for example, I am writing this piece the day after the passing of Margaret Thatcher, a woman who certainly made her mark on the world as the first female prime minister of the United Kingdom – many barriers still exist. Women are still grossly underrepresented both in the workforce as a whole and, particularly, in leadership positions.

According to the International Labor Organization, nearly half of working age women are not currently active in the formal global economy. Grant Thornton's 2012 International Business Report revealed that barely one in five senior management positions globally are held by women. Among Fortune 500 companies, only 15.7 percent of board seats are held by women. The issue of women in the workforce is not about fairness or merely achieving gender parity, it is a critical economic issue.

Women account for 70 percent of global consumer spending, which means that when we do better, economies do better. Women also make up half of the global talent pool, yet they are being underleveraged at a time when businesses across the globe cannot find the talent they need to drive future growth – ManpowerGroup's 2013 survey shows 35 percent of employers report talent shortages. This situation is not sustainable.

Accelerating demographic shifts in many countries, particularly developed markets, are shrinking traditional talent pools. As world economic growth continues to shift south and east, emerging markets have plenty of people, but not necessarily the required qualified talent. In a world where uncertainty is the one certainty, diversity of thought is required to remain agile and adaptable in the face of an unpredictable business environment.

The modern issue of women in work is not necessarily one of deliberate exclusion; companies on the whole desire an

inclusive workforce because they recognize there is no substitute for diversity of thought and perspective. The issue now is this – what companies are offering is not what women want. The barriers placed in front of working women are social, cultural, and structural, and there needs to be a shift toward contemporary work models that better provide them with the flexibility they seek so that the percentage of women in the workforce does not drop off with every sorting of talent.

There also needs to be greater focus on strategic ways to reintegrate women who temporarily leave the workforce to raise a family. Skills lifecycles are now so short that being out of the workforce for a period of time makes it extremely difficult to return because skills have atrophied in the interim. This requires flexible work models and people practices so that women are not forced to choose between a career and children. Evolving technology makes flexible working feasible, where it was simply not possible in the past – now we can work from



Seven female electricians with a ManpowerGroup France employee. ManpowerGroup helped source, train, and recruit the women to tackle an energy company's talent shortages.

anywhere, meaning that women who are the sole caretakers of their children and cannot be in an office or workplace at certain times of the day have the option of flexible hours and telecommuting.

Across the world, ManpowerGroup is committed to providing training, experience, and employment opportunities to help women unleash their potential anywhere at any time.

- Manpower in Australia has launched several recent initiatives to increase the proportion of women in the Australian Defense Force, resulting in more women applying for a diverse number of roles in the military. Manpower Defense Force Recruiting centers around the country have been developing Women in Army information sessions, including guest speakers. One recruit, who is also a single parent, provided excellent insight to those in attendance on how the army has supported her and her family.

- In France, an energy company was faced with a serious lack of skilled electricians. To fill these positions, Manpower France developed a custom solution to help source, train, and recruit women for the roles, which have traditionally been filled by men. The program is now being introduced nationwide.
- In Hong Kong, a nationwide staffing initiative recruits unemployed or underemployed women found through NGOs and nonprofits to fill a large number of support positions working in hard-to-fill roles at more than 60 public libraries.
- Our operations in Mexico and Central America have taken steps to help women with disabilities find work, including sponsoring those with visual impairment so they can train as massage therapists, as well as providing scholarships to assist 129 women in completing high school.

Inside our own organization, women account for more than 70 percent of ManpowerGroup's managers globally. For the fifth consecutive year in 2013, ManpowerGroup was named one of America's Top Corporations by the Women's Business Enterprise National Council in recognition of the company instituting programs offering equal access to women-owned businesses and world-class supplier diversity.

ManpowerGroup was also named a 2020 Women on Boards Winning Company for its commitment to board diversity – 30 percent of ManpowerGroup's board of directors are female. I am proud to work for an organization that values diversity of thought, experience, and perspectives regardless of gender.

Today's era of certain uncertainty demands new ways of working, sharing, and collaborating that makes old models unsustainable. This means companies should address their leadership models, people-practices, and talent sources, and revise their internal systems, culture, engagement, and training practices to create new, flexible work models so that high-performing women can contribute and unleash their full potential.

At a time of acute talent shortages, making a workplace more flexible and attractive to women can give companies a significant advantage over competitors. I am proud to recognize International Women's Day but look forward to a time when the world no longer needs such a day because our societies have achieved equality in the workforce and have unleashed the potential of all people. ■

Mara Swan is ManpowerGroup Executive Vice President, Global Strategy and Talent.

PROVIDING QUALITY AND TRANSPARENCY FOR CONSUMERS

By Charles Ferro, Saga Furs

sagafurs®

Transparency may not be the first thing that comes to mind when a fashionista gasps in awe at a stunning fur creation on a Paris, New York, London, or Milan runway, but transparency is a central value in consumer consciousness. As a fur auction house, Saga Furs promotes innovative transparency: upstream at farms where the company sources only quality European-produced pelts, and downstream among partners in creative phases resulting in fashion.

“Even before sustainability and transparency became household terms, Saga Furs had become the fur industry pioneer in providing openness along production chains,” says Director of Communications/ CSR Päivi Mononen-Mikkilä. “This applies to cooperation with partners within Saga Furs’ sphere of influence as well as processes over which the company has direct control. That we were the first in the trade to create CSR policy and to join the UN Global Compact is also noteworthy.”

A garment bearing the Saga Furs® label on fashion runways carries the values of transparency demanded by consumers. The Saga Traceability System allows every pelt sold at auction to be traced back to the farm of origin. All Saga Furs pelts come from European farms and are barcoded at the source to allow identification along the production chain.

In phases between an auction — dressing, logistics, manufacture — Saga Furs helps partners find services from companies that share our concerns for



transparency. The traceability of the entire production chain, the fact that important stakeholders can assess it as objectively as possible, and the gradual inclusion of fur farm certification in the Saga Furs quality criteria are the company’s most important tools for increasing its own control over the products it sells. Quality criteria begin on a fur farm.

Farm Certification System goes beyond what is required

Saga Furs has supported — and played an active role in — the Finnish Fur Breeders’ Association’s (ProFur) Farm Certification System, launched in 2005. The program raises fur-farming standards above those recommended by the EU and has proven to be a major success.



Above: Saga Furs label not only for the beauty of the fur, but also the promise of transparency contained in the brand.

Left: Saga Furs Design Centre offers a prime example of how the company promotes responsible use of fur without compromising creativity.

In the 2012-2013 auction season, all Finn racoon pelts sold by Saga Furs came from certified farms. The company aims for the same objective for fox pelts in the following season. Efforts to extend Farm Certification have progressed to the point where well over 90 percent of fox production in Finland and 60 percent of mink breeding takes place on certified farms. In addition, the system has been exported to other European countries where the company sources pelts.

Saga Furs, via ProFur, also works closely with Finnish and international agencies to reduce the impact of fur farming on the environment. Studies show the carbon footprint of a mink or fox pelt used for clothing is rather small when compared to the carbon footprint of other habitual consumption items. The company intends to reduce the footprint even further, with one means being the introduction of sustainable energy sources to farms.

As a member of the Baltic Sea Action Group, Saga Furs helps reduce acidification and nutrient emissions that cause eutrophication in bodies of water — two

factors that may be caused by the seepage of animal waste. The use of underutilized sea species for making feed is one factor that helps balance the ecology. The fishing of feed species reconditions water systems by significantly reducing volumes of phosphorus and nitrogen in the Baltic to deter eutrophication. Another practical measure is the use of newly developed technology that allows precise feeding of individual animals, thereby reducing their waste.

Openness and action from farm to fashion

As an auction house, Saga Furs holds a pivotal position between the sources of its product and the fashion industry. In its essence, fur is a natural, sustainable product, but the company takes extra steps to guide auction buyers and their manufacturing customers toward sustainable, transparent processes. Saga Furs Design Centre offers a prime example of how the company promotes responsible use of fur without compromising creativity.

“The Design Centre is a steward of European craftsmanship and innovation in the realm of fur. In addition to being the world’s think-tank for developing new applications for the material, it is also a training ground for a new generation of furriers, designers, and consumers,” says Head of Product Development Per Reinkilde.

The majority of designers are there to find inspiration while learning the basics of the craft and refining their skills. Reinkilde notes that visitors are also briefed on sustainable processes that should be employed when creating fur designs. Consumers who visit learn about the four sustainability principles of fur: use, store properly, renew, and recycle. Since doors to the Design Centre opened in 1988, more than 30,000 persons have visited.

The company may also act as matchmaker, as many clothing companies and designers who visit the Design Centre do not have the equipment needed to

make fur garments for their collections. When these situations arise, Saga Furs is in a position to recommend trusted dressing companies and manufacturers whose transparent policies toward employees, the environment, and social responsibility match those of Saga Furs.

Day-to-day routines often lead to ideas linked to sustainability. The Design Centre is working with a dressing company that has achieved preliminary success in developing alternative, “green” techniques for dressing furs. The dresser and Saga Furs have engaged several researchers in a project aimed at finding eco-friendly, plant-based alternatives to replace chemicals in dressing processes.

As it looks toward tomorrow, Saga Furs is in the process of expanding the values of transparency, both internally and through its sphere of influence among partners. Years ago, the company had freely chosen to do so in a global community that now leaves us with no other responsible choice. ■

SAGA FURS IN BRIEF

Saga Furs is the world’s only publicly-listed fur auction house. The company sells Saga Furs® Mink, Fox, and Finn racoon at four annual auctions to buyers from around the world. It was the first company of its kind to have a CSR policy and to join the UN Global Compact.

Saga Furs Design Centre is the R&D department, where new applications for fur are innovated. To help designers — and ultimately auction customers — the Design Centre hosts seminars, where visitors learn furrier techniques and find the expertise needed to realize their creative ambitions.

YOUNG AND OLD: THE BEST CONNECTION

By Dominique Alhäuser, Weidmüller



Actively encouraging junior staff as well as the more experienced is sustainability in action for the family-owned company Weidmüller, and it is also a way to counteract the effects of demographic change.

According to UN estimates, by 2050 the world population will total more than 9 billion, of which 22 percent will be over the age of 60. This shift in our age structure needs to be compensated for within the corporate environment. The ability and desire of older employees to work must be maintained, and the full potential of the coming generations

will have to be nurtured and maximized. The SME family company Weidmüller, therefore, demonstrates its commitment using a structured and consistent approach, with its very own academy for the managerial staff of tomorrow. At the same time, it offers a special work-life balance program for its older employees.

Young or old? For Weidmüller, a family-owned company, that is not an either-or question. "We have to support our older staff in helping them to stay healthy and in retaining their enjoyment at the workplace and assisting the young ones to find their way in life and realize their full potential," explains the Chief Ex-



ecutive Officer, Dr. Peter Köhler. In his opinion, it is not only immoral to count colleagues over the age of 50 as past their prime, but faced with demographic change, it is also unwise from a corporate perspective. Older colleagues have a huge wealth of experience that they bring to the daily work processes. Combined with the newest qualifications of the younger staff, this experience creates the perfect mix for a company that is dedicated to innovation and precision.

Based in Detmold, the company has maintained an academy of its own since 2003. "We have united international activities for qualifying and building knowledge in our company and transferring that knowledge to and from external institutions, universities, and partners under the umbrella of the Weidmüller Academy," states Köhler. The academy has had an offshoot in Shanghai since 2011. It is dedicated to ensuring, for example, that the successful "dual course of studies" model takes off in Asia. Additionally, the academy cooperates with well-known universities in Germany, Asia, and across the world – for instance with the Centrum Industrial IT in Germany and the Shanghai Jiaotong University – to promote research.

Weidmüller places particular emphasis on being involved at an early stage by providing support for solid education and making the right choices – not simply when youngsters are starting their professional lives. Every year, more than 3,000 pupils all over the world experience their first taste of a "corporate atmosphere" at Weidmüller. In 2011, the company was awarded the Hermann-Schmidt prize for its professional orientation program, which accompanies pupils on an ongoing basis starting in the 7th grade. "We harness the natural curiosity and enthusiasm of teenagers to steer them toward topics such as mathematics, natural sciences, and technology in a playful way," explains the Managing Director Human Resources, Dr. Jürgen Ober. "According to the Association of German Engineers (Verein Deutscher

Ingenieure), there are currently 98,000 vacant jobs for engineers in Germany, and the need for engineers in the future will be even greater. Investing in education is, for Weidmüller, sustainability in action," summarizes Köhler.

With its diverse range of opportunities, Weidmüller also makes every effort to offer the right path for each candidate as they begin their work life. The company has trained apprentices for more than 60 years, and every year it accompanies more than 200 apprentices and trainees worldwide as they begin their professional lives. Alongside the classic apprenticeship for a total of 10 professions in the technical and commercial spheres, the dual course of studies and trainee program provide further attractive possibilities for an ideal start in the chosen profession. Three-month periods abroad in one of Weidmüller's global branches are an integral part of the training plan of the 18-month trainee program. Furthermore, there are integrated "mentoring programs": Junior staff have direct access to managers who also help them with career planning. A direct exchange of ideas promotes a culture of dialogue within the company.

"For today's employees – whether starting work or already experienced – alongside salary, the whole package has to be just right: A motivating company culture



Dr. Peter Köhler, spokesperson of the board, believes in the encouragement of employees as a crucial factor of success.

is part of this, as is a productive work atmosphere," states Ober. This is influenced positively by an appreciative management culture and pleasant colleagues, but also by additional fringe benefits such as individual training measures and joint sporting and leisure activities.

Measures aimed at catering to the needs of older staff are currently being developed. Opportunities tailored to older staff should help maintain performance, the ability to work, and – last but not least – the motivation of staff aged 57 and older, particularly in the years right before reaching the statutory retirement age. For example, older staff can reduce their work hours and enter into a part-time arrangement, with which they can alternate between five-day and four-day work weeks. From the age of 57, staff members are also granted two extra days of "extraordinary holiday." With increasing age, the number of additional holiday days rises as well and allows for up to 36 days of extra holiday. Longer periods of exemption are also possible: For example, staff on part-time contracts could work full-time for three months and then take three months off.

Additional measures are also offered for the health of older staff. General examinations by doctors as well as annual eye and hearing tests and subsidies for hearing aids are part of the package. Spouses and partners can be involved in the individual planning of special fitness programs: for instance, through a grant for a holiday in a convalescence clinic or a joint cookery course for healthy eating.

The innovative activities are not only well-received by staff, they also help to counteract the impression that age is an obstacle that needs to be overcome. In fact, our program expresses our particular appreciation for older staff and their qualifications, which are hugely important for the company. Köhler emphasizes: "The difference between a good and an outstanding company are the staff: the young and the experienced – together – in one team." ■

GOOD PRACTICE



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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.

AUDI FUTURE ENERGIES – BALANCING BUSINESS AND ENVIRONMENTAL CONCERNS

Sustainability is a guiding principle at AUDI AG. Sustainability helps us retain our competitive edge and economic efficiency as well as protect the environment and ensure a decent future for generations to come.



By Dr. Peter F. Tropschuh and Elise Pham, Audi

A primary objective concerns comprehensive CO₂-neutral mobility. To this end, Audi is looking far beyond emissions from vehicle exhaust systems. Besides the actual usage phase, the company is also examining vehicle manufacturing and recycling processes as well as the upstream fuel supply chain that is increasingly gaining in importance.

Audi is the world's first carmaker to become directly involved in the development and production of renewable fuels that do not rely on biomass. Audi is focusing on an entire range of drive technologies. Its fuels of tomorrow are Audi e-gas, Audi e-ethanol, Audi e-diesel, and Audi e-hydrogen.

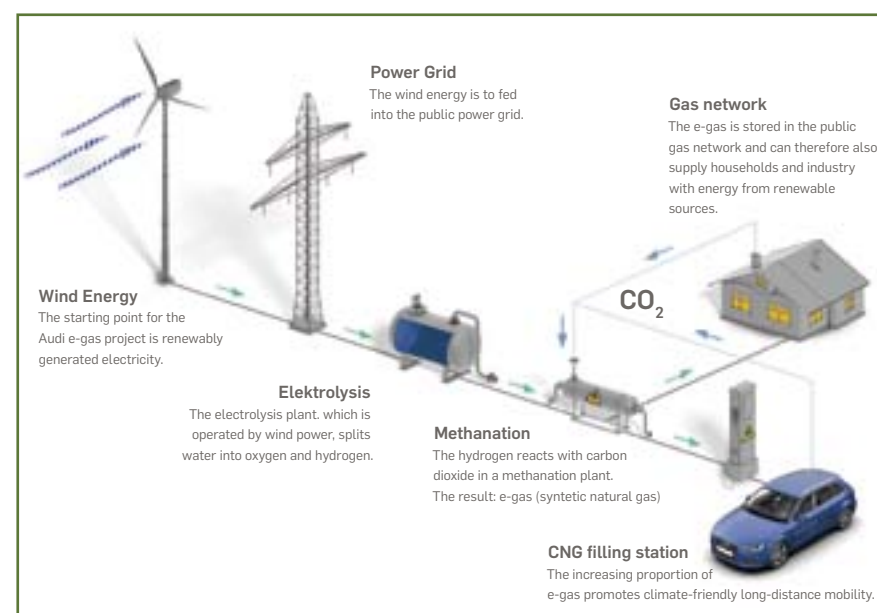
Audi e-gas

The first step is the Audi e-gas project: Audi is creating an entire chain of sustainable fuels. As a joint project of Audi and plant builder SolarFuel, the Audi e-gas plant in the northern German town of Werlte began operations in June 2013. It is the world's first industrial facility to use CO₂ and renewable electricity to generate a synthetic substitute for methane. The plant will run on renewable electricity generated via, for instance, wind or solar

energy. The accelerating expansion of renewable energies means that energy sources subject to fluctuations play an increasingly larger role. In short, there is sometimes a surplus of electricity and at other times a shortage. With a rated input of around 6,000 kW, the plant will primarily use electricity from wind power whenever there is oversupply. That,

in turn, will help solve a considerable problem associated with the sea change in energy: the storage of energy.

At the plant, renewable electricity will be used to split water via electrolysis into oxygen and hydrogen (Audi e-hydrogen), which will power the fuel-cell vehicles of tomorrow. A widespread hydrogen infrastructure does not yet exist, however,



Audi uses another innovative process to solve this problem. The hydrogen is combined with CO₂ in the methanation facility downstream of the electrolysis plant to produce synthetic renewable methane – Audi e-gas. From there, it can then be fed into the natural gas network and stored there. It can later be tapped – anywhere, anytime.

The CO₂ comes from waste gas emitted by a nearby biomethane plant operated by EWE, an energy provider. This biomethane plant runs on organic waste. The Audi e-gas facility uses the CO₂ as a raw material for new fuel. Audi e-gas is thus a climate-neutral fuel – when combusted in the engine, exactly the same amount of CO₂ is released as was previously bound at the e-gas plant.

Depending on the supply of electricity, the plant in Werlte is expected to produce some 1,000 metric tons of e-gas annually while chemically binding approximately 2,800 metric tons of CO₂. These same 1,000 metric tons of Audi e-gas could power 1,500 Audi A3 Sportback g-tron vehicles for 15,000 kilometers (9,320.57 miles) per year in CO₂-neutral driving.

CO₂ tailpipe emissions for the Audi A3 g-tron are consequently less than 95 grams per km (152.89 g/mile). When the Audi A3 g-tron is powered by Audi e-gas, no more CO₂ is released than was chemically bound in its production beforehand, creating a closed loop. Even when one includes in a comprehensive analysis the energy required to build the e-gas facility and wind turbines, CO₂ emissions are still only 20 grams per km (32.18 g/mile).

The German energy industry could also benefit in the medium term from the concept of the Audi e-gas project, as it provides an answer to the unsolved question of how to store green power efficiently and independently of location. The potential of electricity-gas cogeneration to store large amounts of wind or even solar energy can provide powerful stimuli for the expansion of renewable energies.

Audi e-ethanol and Audi e-diesel

These projects address an old problem in search of a solution. Whenever conventional petroleum-based fuels are combusted, they release CO₂ and pollute the atmosphere. Ethanol and diesel from renewable raw materials such as corn and rapeseed generally achieve a better environmental balance.

But these fuel sources compete with arable land for growing food. As such, they cannot constitute a long-term solution for our planet's skyrocketing population.

The CO₂-neutral mobility of tomorrow necessitates radically different fuels. Audi is therefore collaborating on just such a solution with the American company Joule. In a patented process, Joule manufactures fuels in a highly scalable modular system (SolarConverter®): Audi e-diesel and Audi e-ethanol.

This process requires either wastewater or salt water; CO₂; solar energy; and special single-celled microorgan-

isms that are just thousandths of a millimeter in diameter. Just as plants do, these organisms carry out oxygenic photosynthesis. The experts at Joule have modified these microorganisms such that they produce ethanol or long-chain alkanes – important components of diesel fuel – directly from the CO₂ and sunlight. The fuels are removed from the microorganisms, separated from the water, and cleaned. This technology is the basis for Audi e-diesel and Audi e-ethanol.

In short, e-ethanol is a product with the same chemical properties as bioethanol. But e-ethanol is far better, as no biomass is used in its production. This e-ethanol can be admixed with fossil fuel gasoline (e.g., E10) or, alternatively, can be used as the basis for E85 fuel (85% ethanol, 15% gasoline).

In addition to developing Audi e-ethanol, Audi is partnering with Joule to manufacture synthetic diesel fuel: Audi e-diesel. A considerable strength of Audi e-diesel will lie in its purity.

In contrast to petroleum-based diesel – a mixture of a great many hydrocarbon compounds – e-diesel is free of sulfur and aromatics. This fuel of tomorrow will also offer excellent ignition performance thanks to its high cetane number. And its chemical composition will permit unlimited blending with fossil fuel diesel.

Audi and Joule jointly built a demonstration facility in Hobbs, New Mexico – a barren region with lots of sunshine. This facility opened in September 2012. Audi e-ethanol was produced for the first time in transparent plastic tubes in early 2013 and manufacture of Audi e-diesel is expected to follow in the next few years. Efforts at the demonstration facility alone illustrate the clear superiority over conventional bioethanol. In line with forecasts, the yield of Audi e-ethanol is some 20 times greater! In addition, regions that are unsuitable for agriculture such as deserts could be utilized for energy production. Commercial production of the new fuels could begin within the next five years. ■

BUILDINGS NEED EFFECTIVE AIR FILTERS

By Myriam Tryjefaczka, Camfil



Air is free and necessary for life. The quality of air also has a direct impact on quality of life: The cleaner the air we breathe, the healthier we are, and the better we feel and perform. Unfortunately, healthy air is becoming a scarce commodity, especially in the larger and more densely populated cities of the world. The most common air pollutants, such as airborne particulate matter (PM), ozone, and nitrogen oxides, are known to cause respiratory problems, heart diseases, and other illnesses. A recent study by the World Health Organization (WHO) suggests that long-term exposure to this air pollution can also affect brain development, reproductive health, circulation, and diabetes.



ventilation systems operating without effective filters, where it mixes with a cocktail of other indoor pollutants that may be present, such as radon, tobacco smoke, volatile organic compounds, and biological pollutants. This is why our indoor air can actually be more seriously polluted – up to 50 times more than outdoor pollution, involving greater health risks for the young, elderly, and chronically ill, especially in urban environments and in areas with heavy vehicle traffic. With people spending up to 90 percent of their lives indoors, we need to think just as much as about indoor air quality (IAQ) as ambient air quality.

Balancing ventilation and energy demands

At the same time as we need cleaner air, governments are focusing on the energy aspects of ventilation as a means to cut the energy consumption of buildings and reduce greenhouse gas emissions. Cleaning air from air pollution in heating, ventilation, and air conditioning (HVAC) systems requires substantial energy and

Europe is an example, where one-third of the people living in cities are exposed to excessive PM concentrations, and one out of six Europeans is said to suffer from a respiratory problem. Air pollution in Europe is estimated to cause more than 400,000 premature deaths annually. On a worldwide basis, the figures are just as grim: Two million people die too early

because of exposure to air pollution, according to WHO. Fortunately, governments are responding by reviewing and strengthening air quality strategies based on the latest knowledge and research.

But air pollution has a darker side: Polluted outdoor air penetrates the indoor environment through open windows and

therefore contributes to CO₂ emissions related to power production. But ventilation should not be reduced just to save energy, which may compromise IAQ.

In Europe, it is estimated that HVAC systems consume up to 30-40 percent of all energy needed to operate a building. Air filters that consume less energy, are eco-efficient in design, and comply with industry guidelines and standards will cut this consumption directly. A simple measure such as installing quality filters with the lowest average air resistance, and the highest filtration efficiency, can reduce the considerable power appetite of HVAC systems. Quality filters last longer, clean better, save more energy, and do not have to be changed as often. This adds up to a lower total cost of ownership. Good filters provide clean air with economic benefits. Clean air is good for the bottom line of business and society at large.

Sustainable side of air filtration

Camfil offers a full portfolio of air filtration products to protect people, manufacturing processes, and the environment. Over the years, we have focused on driving the air filtration industry toward better standards for product performance and energy efficiency by helping to develop the EN 779:2012 air filter standard, ratified in 2012, and contributing to the Eurovent product certification program for energy labeling of air filters, formally launched in 2012 (but introduced by Camfil for its products already in 2009). These developments are positively impacting the air filter industry and highlight the need for better ventilation systems that consume less power and make buildings greener.

Reducing the power consumption of HVAC systems with energy-efficient filters that also improve IAQ is a practical way to reach two important goals: mitigating climate change and combating the health threats of indoor air pollution. The savings are true and tangible if customers make the right decisions and

use the best available air-cleaning solutions. By aligning our business approach and practices to ensure the delivery of eco-efficient solutions, Camfil can help building owners meet emerging energy-performance requirements and comply with building-certification schemes.

Lifecycle costing of air filters

From a long-term perspective, energy consumption is the major overall cost component in an air filter's overall lifecycle cost. Compared with most standard filters on the market, Camfil's products – thanks to their design and filter media – can reduce the operating cost of a ventilation system by more than 20 percent, since the system can operate more efficiently with our filters, which keep their pressure drop low over a longer time and have higher filtration efficiencies to remove more contaminants. Simply described, air-handling units need less power to drive air through Camfil filters.

Calculations with lifecycle cost software document this. Lifecycle thinking for clean-air solutions helps customers lower their operating costs, increase their energy efficiency, and select the right product for the best air quality and lowest total cost of ownership. The software considers filter efficiency, filter life, filter change, labor, filter cost, disposal costs, and allows for varied inputs for all of these factors, plus the largest filter expense: energy usage.

Economic impact of IAQ

In the debate to trim the energy consumption of HVAC systems, Camfil argues that IAQ is a factor that cannot be ignored because it may determine a building's functionality and economics. Without proper filtration and ventilation, substantial IAQ problems can be quite costly in terms of lost work time, lost use of buildings, expensive repairs, legal costs, and bad publicity for the owner. ■

SUSTAINABLE AIR FILTRATION

By reducing the energy needs of ventilation systems, Camfil's eco-designed products can make more of a difference for conserving energy and supporting global efforts to fight against climate change.

Camfil Group joined the UN Global Compact initiative in 2009 and reports annually in accordance with the Global Reporting Initiative. We offer sustainable clean-air solutions in the air filtration market and have won numerous awards for our low-energy filters in Europe and the United States. Designing environmental aspects into air filters has been a priority for years. Our products have the lowest energy consumption in all filter classes for air conditioning and ventilation systems.

Converted into carbon dioxide emission data, air filtration becomes one of the easiest, cheapest and most available clean technologies to reduce the energy consumption of building ventilation systems while improving IAQ. Fans in air-handling units need an average of 31.5 TWh of energy to move air through filters. If the air filter maintenance market in Europe would convert to energy-efficient air filters, energy needs would be reduced by a minimum of 10 percent, which is equal to a minimum reduction of 190,000 metric tons of carbon dioxide, the amount emitted by some 610,000 vehicles.

www.camfil.com

DELIVERING A BETTER TOMORROW

Deutsche Post DHL

By Katharina Tomoff and Dr. Jan Dietrich Müller, Deutsche Post DHL

As one of the world's largest logistics companies, Deutsche Post DHL has a special responsibility to society and the environment, which is why sustainability is so important to our business. In particular, we are taking concrete measures through our innovative environmental protection program, GoGreen. This is just one of the ways in which we are translating this commitment into action, as part of our efforts to be part of the solution for a better tomorrow.

Because of its potentially devastating impact on the environment, the economy, and humanity, climate change is widely recognized as a critical problem requiring urgent action. All parts of society — and not least, business — are becoming more aware of the urgency and the need to

act. In a global survey of 3,600 business customers and consumers worldwide commissioned by Deutsche Post DHL, alongside its Towards Sustainable Logistics study in 2010, climate change was identified as the most pressing challenge facing the world today.

As the first logistics provider to offer carbon-neutral shipping services for our customers, and the first to publicly commit to a quantifiable carbon-efficiency goal, sustainability is part and parcel of how Deutsche Post DHL does business. It is this commitment to be a positive force in the societies in which we operate that motivates our partnership with the United Nations and our steadfast adherence to the UN Global Compact and its Caring for Climate initiative.

Greener solutions

As a global logistics provider, Deutsche Post DHL moves goods and information around the world for all types of businesses in every sector of the economy, making it an important force in promoting economic prosperity. At the same

DHL employee delivering GoGreen items



time, we acknowledge the responsibility of the logistics industry in mitigating the environmental impact of transport. Moreover, with their unique position and expertise along the entire supply chain, logistics providers can help other industry sectors make progress toward a low-carbon economy.

Through its GoGreen program, Deutsche Post DHL is improving its own CO₂ efficiency, thereby making it a key driver for greener logistics solutions for its customers, many of whom have already introduced specific goals to reduce their CO₂ emissions. By combining innovative technologies with more environmentally-friendly products and services, we are able to open up new markets and business opportunities for our customers, while helping them achieve their own environmental goals.

Sustainability matters

By 2020, we intend to improve the carbon efficiency of our own transport services and those of our subcontractors by 30 percent compared with the base year 2007 — improvements that, in turn, benefit our business customers' environmental efforts. In fact, we are well ahead of our interim target, having already achieved our 2012 mid-term goal of improving our own carbon efficiency by 10 percent two years in advance, in 2010. Optimized transport routes, modern aircraft, alternative drive vehicles, and energy-efficient warehouses are just some of the ways in which we are reducing climate-damaging CO₂ emissions.

To measure our progress, we have integrated carbon accounting into our financial accounting system. The CO₂

emissions calculations are based on our fuel and electricity consumption data, which is combined with operations data from the various divisions. This highly accurate method of calculation earned Deutsche Post DHL the "Green Controlling Award" in November 2011, which was conferred for the first time by the Péter Horváth Foundation.

We have taken this approach because we see environmentally friendly and efficient logistics as an opportunity to create value — for the environment, for the company, for our customers, and for our shareholders. At Deutsche Post DHL, we believe that environmental protection and business success are not just compatible — they are closely interlinked. Sustainability is becoming more and more of a competitive advantage, as consumers increasingly consider environmental

GOING ELECTRIC

In 2011, DHL Express successfully switched to an all-electric fleet of 30 vehicles to handle its deliveries in downtown Manhattan, New York. This was part of Deutsche Post DHL's global electric-vehicle testing program of 131 electric vehicles in the United States and Germany, to assess their usability in everyday operations. The company is also employing or testing hybrid, propane, and other alternative fuel vehicles, with some 1,500 vehicles in the Deutsche Post DHL fleet powered by alternative methods.



AIR FLEET MODERNIZATION

The most significant share of Deutsche Post DHL's direct CO₂ emissions is generated by its air network. To help shrink this footprint, the company is continually investing in newer, more efficient aircraft that not only burn less fuel, but also generate less noise.



aspects in their purchasing decisions. The same applies to investors who consult sustainability rankings when looking for viable investment options.

Preparing a sustainable future

Using fuels and other natural resources in a more sustainable way is critical, both for ensuring a better future and enabling the long-term success of Deutsche Post DHL. This focus on the long-term and concern for a sustainable future is also the driving force behind our groundbreaking series of publications called Delivering Tomorrow. With this series, the company is fostering a dialogue on key issues that will shape the world over the coming decades.

The Delivering Tomorrow series was launched in 2009 with an examination of customer expectations in 2020. This Delphi study shed light on pertinent trends in the economy, technology, and society up to the year 2020 and beyond. A year later, we delved into another important development of the future – the shift to more sustainable logistics. The findings showed that the pursuit of sustainabil-

COUNTING CARBON

DHL Express in the United States has launched two new carbon-reporting services for customers looking to monitor and reduce their climate change impact. By expanding its GoGreen Carbon Estimate and GoGreen Carbon Footprint carbon-reporting services to the United States, DHL Express is responding to the growing priority many businesses are putting on being environmentally responsible.

ity will transform the logistics industry, both in terms of its business model as well as the range of advanced solutions and technologies that will be used by logistics service providers going forward.

We then rounded out the series in 2012 with the logistics 2050 scenario study.

This in-depth look into imaginative future scenarios reveals how, while we may not be able to make precise predictions in our interconnected world, thinking about the future can help us anticipate and prepare for change.

Visionary thinking

What types of trends and developments should we prepare for in the future? Could “green” growth help avoid the climate crash? Will mass consumption prevail everywhere? Will nations cooperate more closely, or will the world become more fragmented and protectionist? Will the drive toward ever-bigger economic efficiency be forsaken for more resilient supply structures? And, what new technologies will deliver the everyday goods of tomorrow?

These are just some of the questions explored in “Logistics 2050 – A Scenario Study.” Based on astute observations from a large, multidisciplinary range of prominent experts, the study outlines how the world and logistics could change in the next four decades. In presenting alternative visions of the

world in 2050, it takes a far-reaching look into the future of trade, business, and society.

More than 40 well-known experts, including Klaus Töpfer – the former German environment minister and former director of the UN Environment Programme – helped develop the futuristic scenarios. The study describes five far-reaching, occasionally radical, versions of life in 2050, and it is complemented by a series of multifaceted essays contemplating various aspects of the future (see the box for more on these).

Of course, in reality, the future will not conform to any one scenario, but may contain elements from all these hypotheses. In this regard, the most important common themes to emerge from among the scenarios are the broadly transformed role of logistics, along with a more prominent role of urban areas and the importance of sustainability topics. In particular, the threat posed by climate change stands out, calling for a responsible approach to the environment as a crucial consideration for shaping the future.

Taking responsibility for tomorrow

In the words of Deutsche Post DHL CEO Frank Appel, “All of us must realize that it is our responsibility today to set the direction for tomorrow and the day after tomorrow.”

Logistics have always moved the world and are doing so today in a much more resource-efficient and sustainable manner. Logistics companies are taking responsibility for their actions, while also helping their business customers operate in a more environmentally responsible

manner. By taking a proactive role in seeking better alternatives and sparking a dialogue on more environmentally sound business practices, Deutsche Post DHL is upholding the spirit and Principles of the UN Global Compact to help deliver a better world for tomorrow. ■

Delivering responsibility

Deutsche Post DHL is committed to making a positive contribution to society and the environment. More about its corporate responsibility program: www.dp-dhl.com/en/responsibility.html

ABOUT DEUTSCHE POST DHL

Deutsche Post DHL is the world's leading mail and logistics services group. Some 475,000 employees in more than 220 countries and territories form a global network focused on service, quality, and sustainability. In 2012, Deutsche Post DHL revenues exceeded € 55 billion. The Group operates a fleet of more than 80,000 vehicles – some 1,500 of which are powered by alternative methods – and around 250 dedicated aircraft.

FUTURE IMPERFECT – FIVE SCENARIOS FOR THE WORLD IN 2050



Scenario 1 shows a world that revolves around growth, unchecked materialism, and mass consumption. This unsustainable way of life is fed by the relentless exploitation of resources, which stokes climate change and spurs escalating natural disasters, thus leading to supply chain disruptions.



In **Scenario 2**, sustainable megacities emerge as the world's power centers amidst a paradigm shift to “green” growth, where institutions and companies collaborate to cater for urbanites and create efficient logistics solutions – from underground cargo transport to a sophisticated high-tech infrastructure.



Scenario 3 describes a world where individualization and personalized consumption are pervasive, driven by 3-D printing, leading to a rise in regional trade streams, with only raw materials and data still flowing globally.



Scenario 4 describes a less rosy world beset by economic hardship, excessive nationalism, and protectionism, leading to international conflicts over resource deposits.



And, in **Scenario 5**, accelerated climate change results in repeated supply failures and the need to create resilient, regionalized supply structures. The resilient world in 2050 relies on a logistics sector that ensures supply-security as a top priority, with backup infrastructure to guarantee reliable transport in unstable times.

Delivering tomorrow

To learn more about future trends in logistics and to access the studies in the Delivering Tomorrow series, go to: www.dp-dhl.com/en/logistics_around_us.html

PILOTING THE FUTURE: ENVIRONMENTALLY-FRIENDLY TECHNOLOGIES

Innovations are the key to ensuring the future of our society. Whether smart grids, networked transportation, and mobility solutions or virtualization of products – information and communication technologies (ICT) offer a wide range of solutions. But in order for a new invention to make it, it has to go through stringent practical testing. In T-City Friedrichshafen, the world's largest living lab, Deutsche Telekom has been testing new environmentally-friendly technologies for the last six years.



By Katja Brösse and Rainer Knirsch, Deutsche Telekom

For Deutsche Telekom, developing and propagating environmentally-friendly technologies is not just an obligation under the Global Compact and a moral imperative, it is also a business opportunity. According to the study Smart2020 Germany Addendum, around 207 megatons of CO₂ equivalent can be saved by 2020 with the help of intelligent ICT solutions. Since 2007, the city of Friedrichshafen has been Deutsche Telekom's future lab and partner under the motto "T-City Friedrichshafen. Living the future." Taking a medium-sized city in Germany as an example, the project has realized examples of the Group's vision of connected life and work. The findings from numerous projects are currently being used across Germany, for example in public administration, as well as by energy providers, private enterprise, and citizens.

From test to reality

Take, for example, De-Mail, the first form of binding and secure electronic communication. Before this secure mail service

was launched across Germany on August 31, 2012, De-Mail had already been piloted for six months in T-City Friedrichshafen with 40 participants from companies and administration and more than 1,000 retail customers. The service not only helps to save time and money, it is also environmentally-friendly. The Institute for Applied Ecology (Öko-Institut) in Freiburg drew up the product carbon footprint for De-Mail in accordance with ISO standard 14040/14044 and calculates that De-Mail can save 77 percent of the carbon emissions produced in the sending of conventional letters. Based on 2013, this corresponds to 25,801 metric tons of CO₂ or the annual energy requirement of around 10,500 four-person households. Even if some De-Mail users also print out the relevant documents, there is still a savings potential of 64 percent. For 2015, Deutsche Telekom assumes even higher CO₂ savings.

In the energy segment, T-City worked with Technische Werke Friedrichshafen and other partners to extensively test the requirements for a smart grid. In the future, *smart meters*

and *smart grids* will offer consumers greater transparency and thereby help to manage their electricity consumption in a more targeted way and save energy. But real-time information will also be required to make the grid fit for a future in which electricity will increasingly be generated locally by a large number of different producers through the inclusion of renewable energies.

The initial test phase in 2008 focused on smart meters. Some 300 interested users tested the equipment in their homes and gave feedback on the



functions. In 2009, two complete districts of Friedrichshafen with 1,600 households were networked, thereby taking the first step toward a *smart grid*. The pilot also allowed the project planners to test the basic functions and use the smart meters in different building/residential and installation situations. Billing options that enable new rate plans, thereby encouraging customers to save electricity, were also introduced. The findings from this project are being applied in the further development of the completely connected home. Smart-metering solutions have now been installed for a number of customers throughout Germany. According to SMARTer2020*, the smart grid sector could potentially result in a reduction of about 2 Gt CO₂ equivalent overall by 2020.

T-City has also piloted models for future mobility, which customers throughout Germany are now able to use: The "real-time ridesharing" service offered by flinc, a company from Darmstadt, mediates ridesharing options quickly and on the move, even for short journeys. The service enables drivers and passengers to find each other automatically. All users

need is a smartphone. Real-time ridesharing connects the driver's internet-capable navigation software with the smartphones of potential passengers. Using a real-time analysis of traffic movements, the system can tell the passenger in just a few seconds about rides available in cars on their requested route. The driver says how much he wants to charge in cents per kilometer. The smartphone app uses this figure to calculate the ride price and enables the passenger to make a price comparison of the various rides available, as well as to pay without cash using a one-click payment system. To use the service, users must first register on an online platform and enroll for cashless payment.

Building on successes

Overall, more than 40 projects from all areas of life have been implemented in five years. Based on positive experiences from the T-City project, the City of Friedrichshafen and Deutsche Telekom agreed in December 2011 to continue to work together for another three years. This further collaboration is to concentrate rigorously on major

social challenges. The projects focus on the issues of energy, transportation, and healthcare, with partners building on previous successes. In the area of energy, the aim is to improve security of supply and save energy costs. In the area of transportation, the plan is to push ahead with the networking of different forms of transport, to reduce traffic, and – through progressive mobility systems – to protect the environment directly and indirectly. And finally, healthcare will be made safer and more affordable through technological developments.

By carefully piloting the technologies and through direct customer feedback, future products and services will be optimized at an early stage. At the same time, potential partners and customers have the opportunity to check out solutions locally for themselves. In this way, Deutsche Telekom directly helps to research, improve, and propagate forward-looking, environmentally-friendly technologies. ■

* Global eSustainability Initiative (2012): SMARTer2020 – The Role of ICT in Driving a Sustainable Future.

WATER MANAGEMENT IN ACTION

By EDF Group



Water is used in energy production and supply, and, in turn, energy is used for pumping, moving, and treating water. As a result, in a context of climate change, the linkages between both energy and water systems have grown more complex and interdependent.

For many years, the EDF Group has been developing specific skills in the fields of water resources management, meteorological forecast, and environment preservation in order to better optimize its power generation and water resources while protecting ecosystems. EDF operates nearly 500 hydropower plants and has been recognized for its worldwide experience in the design and operation of multi-purpose hydro schemes that

deal with agriculture, drinking water, tourism, industry, and energy issues that involve a sustainable development perspective.

In the field of thermal power plants (including nuclear), water is needed for cooling systems, either once-through cooling systems or re-circulating cooling systems (tower). Water intake, utilization, and thermal discharge are important parameters in terms of water resources. They are factored into optimization studies for the design, operation, and maintenance of power plant cooling circuits. While these circuits currently rate among the “best available techniques” for industrial cooling systems, efforts are continuously being made to improve their design and operation in order to limit their impact on water resources. Therefore, water is naturally at the heart of EDF’s core business and skills.

Being aware of the current stakes related to the nexus between water, energy, and food, the EDF Group was deeply involved in preparations for the 6th World Water Forum in Marseille in March 2012 – particularly in the key priority topics “Harmonize water and energy” and “Water, energy, food nexus” – and signed a dedicated partnership agreement with the International Committee of the Forum and the World Water Council. Following are the visible and strong commitments made by EDF, in particular

regarding the assessment and management of the Group’s water footprint (or impacts) from its electricity generation.

To deepen its knowledge of the synergies between water and electricity, the EDF Group – in conjunction with the scientific community – decides to invest the necessary means in the development of the methods and tools to estimate the water footprint of its activities of electricity production within the territories that welcome its facilities.

The EDF Group makes a commitment to manage the water footprint of its activities of electricity production. In particular:

- to carry on the improvements in performance in terms of water withdrawal and consumption of existing and future power plants;
- to look for the best possible efficiency of the use of water on the scale of territories and catchment basins.

In accordance with its CSR commitments, when it develops a project for electricity production in a territory, the EDF Group makes a commitment to create some value locally and to minimize its water footprint by integrating elements from the design phase. In particular, the EDF Group will use the Hydropower Sustainability Assessment Protocol of the International Hydropower Association for its hydro projects.

Furthermore, the EDF Group will pursue the work started with the preparation of the 6th World Water Forum on the linkages between water, energy, and food, in particular with the Consortium of International Agricultural Research Centers and International Wetlands, who decided to join this last commitment by pursuing the works on the nexus between water, energy, and food. ■

CORPORATE RESPONSIBILITY – EDF GROUP IS ENGAGED IN PRESERVING WATER RESOURCES IN ALL ITS ACTIVITIES

(publication, starting in 2015, of the water footprint at Group level)

Water valuation to optimize water use in the Durance Valley, France

EDF used water valuation to help the decision-making process for optimal water management in the watershed along the 250 km Durance River, in southeast France, with respect to competing multi-purpose uses of water. These include agriculture, tourism (fishing, swimming, sailing, etc.), hydropower, drinking water, and flood control. The overall aim was to optimize water allocation between energy generation and irrigation and to develop appropriate incentives for water savings in order to restore financial margins, and to answer future water demand from other users. The value used for water was the energy cost (€/kWh), based on current and future prices in France, linked to energy productivity (m³/kWh) and the volume of water used (m³) by the hydropower plant. The main business argument for the valuation study was to clearly demonstrate the benefits of optimizing water uses for each party and to define the level of remuneration for this savings. The approach adopted was to implement a Water Saving Convention, signed by EDF and the two main irrigators, for a six-year period with the possibility to adjust it if it achieved better results than expected. To balance these efforts, EDF has made a commitment to remunerate the partners for their savings. The deal was so effective that a first additional agreement was signed in 2003 and a second one in 2006 to increase the savings target from 44 to 65 and then to 90 million cubic meters – showing a decrease in agricultural consumption from 310 million cubic meters in 1997 to 201 million cubic meters in 2005. The results showed that, in addition to the volume of water saved, a key benefit was the timing of the water savings because the saved water could be used to generate more electricity during peak periods of electricity demand when electricity prices are higher. Both parties come out ahead, with a third winner being ecosystems, as around 84 percent of the water savings are used for ecological purposes.

UTE Norte Fluminense: Keeping the planet blue

In Brazil, UTE Norte Fluminense (EDF 90%) has put in place a full program to reduce the use of water in its Macaé CCGT power station, in Rio State. The project started three years ago with the identification and reduction of all leaks and the reduction of purges. This first stage also involved ensuring employees were aware and involved. The results were impressive: a 30 percent reduction in water use. In 2011 the station management went further and launched the construction of a rainwater capture system, which allowed them to reduce by a further 5 percent the water extracted from the Macaé River (100,000-150,000 m³ of rainwater is collected per year). Raising the bar further, 2012 saw the launch of a program to collect all processed water in order to re-inject it into the plant’s water circuits. The aim is to reduce water consumption by a further 15 percent. These large investments (€3.8 million), with a payback over 18 years, would not have seen the light of day without the support of the Board of Directors. But there were also indirect benefits: employees who are even more proud of their power station, sub-contractors who are more involved, and local groups and NGOs who are on board with a thermal power plant whose operation is focused on respecting the environment. At the same time, UTE is collaborating with a university in Rio on research into reducing water evaporation from cooling towers, which represents 80 percent of water extractions from the river.



MAKING A SUSTAINABLE BUSINESS OF SUSTAINABILITY

By Hanne Joergensen, Grundfos



Pump manufacturer Grundfos has faced up to its role in industrial energy overconsumption and the resulting CO₂ emissions. The company's response has been to rehabilitate its products from being energy offenders to becoming a genuine part of the solution. In the spirit of the Global Compact, Grundfos has also taken an active role in advocating the role of business in promoting greater environmental responsibility and developing environmentally-friendly technologies



"A CAP STARTING AT THE 2008 LEVELS WILL ALLOW US, IN THE LONG RUN, TO HEAD TOWARD OUR ULTIMATE GOAL OF BECOMING EMISSIONS-NEUTRAL."

Karen Touborg, Manager, Group Environment, Health & Safety

From humble beginnings in rural Denmark, the Grundfos Group has grown to become the world's largest pump technology manufacturer with a presence in 55 countries. More than 16 million pump units roll off its production lines each year. In fact, it is fair to say that wherever you are in the world, you are never too far from a Grundfos pump or related product.

Uniquely placed to make a difference

Grundfos has always been progressive in terms of corporate sustainability and responsibility. It has an established set of business principles, a clearly communicated set of policies and strategies, and an organization dedicated to executing these strategies globally.

When it comes to the practical application of these strategies, Grundfos naturally focuses on its key product: pumps. With good reason: Pumps actually represent one of the best opportunities to immediately curb global energy expenditures and carbon emissions.

This is because pumps are working behind the scenes everywhere in our daily lives: from supplying water to domestic shower and kitchen facilities to moving any kinds of liquids in industrial complexes and processes. But even many Grundfos employees were surprised by the findings of a series of recent studies. These weighed up exactly how much of an impact pumps have on global energy resources and, implicitly, carbon

emissions. And this is what they found: Pumps account for 10 percent of the world's electricity consumption. At the same time, 20 percent of current global CO₂ emissions come from the value chains in which Grundfos does business.

For Grundfos this information in the wider context of global warming has accelerated rather than prompted its many sustainability-focused initiatives. Long before carbon emissions or green legisla-

Pumps account for 10 percent of the world's electricity consumption. However, if every pump operator switched to high-efficiency pump systems, the world could immediately cut 4 percent of its electricity consumption – an amount equal to the residential electricity consumption of 1 billion people.

tion entered the general consciousness, Grundfos was exploring more energy-efficient products.

Pumps: already proven and present

The result of Grundfos' early interest in energy efficiency is that unlike many more high-profile sustainable-energy technologies, energy-efficient pumps are a proven reality. And, according to

one estimate, if every pump operator switched to high-efficiency pump systems, the world could immediately cut 4 percent of its electricity consumption – an amount equal to the residential electricity consumption of 1 billion people.

Grundfos Director of Sustainability, Pernille Blach Hansen, sums up her company's view of the responsibility of industrial companies like itself: "Our energy usage continues to increase at an astonishing rate. Listening to most scientists and forecasts, we need to act now in order to reduce CO₂ and create sustainable living patterns. We have the technologies needed – we just need to start using them, especially within the larger industrial sectors. They have a huge responsibility and societal obligation to lead the way."

Over the last decade, Grundfos has accepted its responsibility as a contributor to the world's runaway energy consumption and the carbon emissions resulting from it. It now actively pursues a future in which its products and policies exemplify corporate sustainability at work.

Getting its own house in order first

Complying with corporate social responsibility calls for a change in habits within organizations of all sizes. In Grundfos' case, the company has applied its aspirations to its own operations.

That has included a cap on carbon emissions, with the company pledging to never exceed its 2008 CO₂ output. Karen Touborg, Manager, Group Environment, Health & Safety, adds that "a cap starting at the 2008 levels will allow us, in the long run, to head toward our ultimate goal of becoming emissions-neutral."

Since 2009, ongoing efforts have ensured that all pump installations have been audited and, if necessary, replaced with high-efficiency pumps. More than 1,000 pumps have been replaced in Grundfos' Bjerringbro headquarters' factories alone, with the resulting energy reductions ranging from 27 to 82 percent.



Grundfos has also committed itself to ensuring that all new buildings are energy-efficient, as befits a signatory to the World Business Council for Sustainable Development's manifesto on Energy Efficiency in Buildings. Today, all new Grundfos buildings must be LEED Gold certified, while all renovations must meet LEED certification.

A vivid example of this policy at work is the company's recently refurbished British headquarters. This features energy-efficient pumps along with solar roof panels that supply hot water and supplement electricity usage. Similarly, Grundfos' new Indian complex is packed with sustainability initiatives that have seen it become the country's first gold-rated green building.

Putting aspiration into action

Of the Ten Principles of the Global Compact, there are two that are especially close to Grundfos' heart. These are Global Compact Principle 8: "Businesses should undertake initiatives to promote greater environmental responsibility" and Global Compact Principle 9: "Businesses should encourage the development and

diffusion of environmentally friendly technologies." Grundfos has actively delivered on both principles, bringing the full weight of its global reach and technological leadership.

Fostering awareness of the challenge...

Over the past few years Grundfos has put a great deal of focus on creating awareness of the role of pumps in industrial energy overconsumption, along



with their potential as an immediate solution. This has centered on the Meet the Energy Challenge NOW campaign. Disseminated through multiple media channels, including social media, this campaign has targeted a broad array

of relevant people, from company purchasers to CSR managers to politicians. Its goal is as crucial as it is simple – to make people understand just how real and present the issue is, while informing them how the ever-present pumps they take for granted could make an immediate and radical difference.

As there are many who remain unconvinced of the reality or urgency of global warming, the campaign has also emphasized that reduced energy consumption translates to lower power bills and that energy-efficient installation or retrofitting may cost a little more to start with, but in the long run saves a lot of money.

... and introducing a practical solution

Meet the Energy Challenge NOW has been run in conjunction with the release of next-generation high-efficiency pump technology. Pumps are an often overlooked opportunity for energy savings. This is because most run at full speed at all times when, in fact, they rarely need to. A typical example of this is hotels, where very few guests will take showers during the late hours. This makes maintaining

WATER2LIFE – SAFE AND CLEAN DRINKING WATER IN THE THIRD WORLD

There are currently 1 billion people in the world who lack access to safe, clean water. Three million people, half of them under age five, die each year as a consequence. This has spurred Grundfos to develop an employee program in which its staff can donate money to the Water2Life scheme.

This is a collaborative effort in which Grundfos and its external partners provide sustainable water solutions for some of the world's poorest communities. These are based on Grundfos' own products and adapted to local conditions: from Vietnam, where water is plentiful but undrinkable, to arid Kenya, where Water2Life systems already make millions of liters of water available to 16,000 people. This initiative enables Grundfos employees to help poor people gain access to one of the fundamentals of life – clean water.

Pernille Blach Hansen believes more and more companies are joining Grundfos and realizing the long-term financial benefits offered by sustainable initiatives. She says: "Earlier, sustainability work was regarded as a marketing spend by most companies – something you ought to do. But today, more and more realize that it is an area that offers the benefit of both savings and a return on investment."

Eventually companies may no longer have a choice. Environmentally-focused legislation continues to tighten in response to greater awareness and acceptance of climate change. This means sustainable initiatives are very much an investment in the future.

For Grundfos, a company with a unique capacity to make a real difference, sustainability has become a company ethos. It is an ethos that has enhanced rather than hindered profitability, providing a heartening example for companies that still regard corporate social responsibility as a forced expense rather than a viable business model.

"Our course is set," concludes Pernille Blach Hansen. "Our future as a company is closely bound with the Principles of the Global Compact and sustainable practice. It is not only the responsible thing to do, we believe this is the only way to sustain successful business into the future." ■

ACT NOW – A FORUM FOR POSITIVE CHANGE



Grundfos is a founding member of ACT NOW, a partnership platform made up of individuals from private, public, and nongovernmental organizations. It acts as a corporate forum and network for the exchange of energy-efficiency ideas and best practice examples. It also aims to generate awareness among commercial decision-makers by making the most of its unique position as a business-driven voice in the world of energy and climate initiatives.

pumps at their maximum capacity at all times both unnecessary and wasteful. Grundfos' intelligent pump solutions regulate themselves to avoid this.

These energy-optimised pump solutions exemplify Grundfos' contribution toward reductions in the use of industrial energy, in that they are a proven technology, accessible to everyone, and available now. Furthermore, most of these perform at a level that surpasses current and upcoming legislative requirements.

Ultimately, it's just good business

Pernille Blach Hansen regards the success of Grundfos and the welfare of the environment and our society to be "mutually reinforcing." She says: "Fundamentally, we believe that Grundfos and the societies in which we operate are interdependent. Successful companies need healthy societies, and healthy societies need successful companies. Therefore, our business decisions follow the principle of shared value – value that benefit both sides."

ABOUT GRUNDFOS

Established: 1945

Headquarters: Bjerringbro, Denmark, represented in 50+ countries

Employees: 18,000

MTU AERO ENGINES: AWARD-WINNING TECHNOLOGY



By Martina Vollmuth, MTU Aero Engines

In view of increasingly scarce resources, rising fuel prices, and the growth in air traffic – which continues unabated at an average rate of 5 percent per year – passengers, people living in the vicinity of airports, authorities, organizations, and other players in the aviation industry are calling for more fuel-thrifty and cleaner aircraft and engines. MTU Aero Engines has been working on innovative technologies for decades to further improve the environmental compatibility of future engines.

The target: Each new engine is to burn less fuel and be cleaner and quieter than its predecessor model. The key to success: With the PurePower® PW1000G Geared Turbofan™ (GTF), MTU and its US partner Pratt & Whitney have developed a solution for meeting the exacting requirements of the future. They are building a highly advanced engine that burns 15 percent less fuel, emits 15 percent less CO₂, and cuts the perceived noise level in half. It marks the debut of a new family of environmentally friendly engines.

An indispensable, key component of the GTF is MTU's high-speed, low-pressure turbine. Germany's leading engine builder has been specializing in low-pressure turbines (LPT) for aircraft engines for decades and has become the world's technology leader in this field. The company's masterpiece is the high-speed turbine for the GTF, which beats conventional models by a wide margin. MTU is the leading manufacturer of this engine component worldwide. In March and April 2013, the company won two German Industry Innovation Awards for the novel technology.



The geared turbofan is based on an entirely new engine architecture: What sets this innovative propulsion system apart is that it features a reduction gearbox between the fan – that is, the large rotor at the engine inlet – and the low-pressure turbine, which drives the fan. With today's engines, the two are seated on a common shaft. Uncoupling the two components allows the fan with its large diameter to rotate more slowly and the turbine to rotate much faster. This lets the individual components achieve their respective optimum speeds, greatly boosting the geared turbofan's efficiency. The result is a significant reduction in fuel consumption, emissions of CO₂, and noise; moreover, the propulsion system is much lighter than a conventional engine, as it has fewer stages, and hence a lower parts count.

Apart from the high-speed, low-pressure turbine, MTU also contributes the forward four stages of the high-pressure compressor to the GTF. This new transonic compressor is characterized by a markedly increased efficiency, which gives it a clear edge over most existing commercial models. It comes as an all-blisk design – blisks (blade-integrated disks) are high-tech rotors in which the disk and blades are produced as a single piece, eliminating the need for blade roots and disk slots. This increases strength and lowers weight. The GTF is a textbook example of successful technology development funding: Two of its key components – the high-speed, low-pressure turbine and the high-pressure compressor – are based on

technologies developed under national and European research programs. With both components, MTU is setting new standards worldwide.

The GTF concept is catching on: The engine has meanwhile developed into a bestseller. Some 3,500 orders have been received to date. First applications include the Bombardier CSeries and Mitsubishi MRJ regional jets, the Airbus A320neo short- and medium-haul aircraft, and the Irkut MS-21. Last but not least, Embraer, too, has selected the clean engine as the powerplant for its second-generation E-Jets.

The geared turbofan offers even more savings potential, and work on its optimization has already commenced. Jointly with Bauhaus Luftfahrt, MTU has defined an ambitious program to further reduce

the CO₂ emissions of aircraft engines: With its Clean Air Engine (Claire) technology initiative, the company aims to reduce its CO₂ emissions by 30 percent by the year 2035 in staged goals. The GTF engine alone already provides a reduction in CO₂ emissions of around 15 percent. The second stage is aimed at reducing emissions by at least 20 percent by the year 2025. This can be achieved by making thrust generation even more efficient, for instance through the further development of individual components or through the use of a shrouded, counter-rotating propfan. The necessary technologies were developed by MTU already back in the 1980s. The company expects to achieve the 30 percent target in 2035. In the third and last stage, the efficiency of the core engine will be further enhanced, for example through the use of a heat exchanger. ■

MTU – AN ESTABLISHED GLOBAL PLAYER

With more than 75 years in the aircraft engine business, MTU Aero Engines and its predecessor companies have acquired unique expertise and experience that makes it an established player and must-have partner in the engine community. The company is a technological leader in high-pressure compressors, low-pressure turbines, manufacturing processes, and repair techniques.

MTU has a workforce of 8,500 employees worldwide and operates affiliates in all important regions and markets. The site in the north of Munich is home to its corporate headquarters and the MTU Group's biggest location. In fiscal 2012, the company posted consolidated sales of around €3.4 billion. MTU Maintenance is the world's largest independent provider of maintenance services for commercial engines. In the military arena, MTU Aero Engines is Germany's leading industrial company for practically all engines flown by the country's military.

MTU is fully committed to operating in a green and sustainable manner. The company makes it a point to ensure that its products as well as its manufacturing and maintenance processes meet the most stringent environmental standards. MTU makes conscious use of resources, materials, and energy, and it keeps noise and pollutant emissions in its production and maintenance shops as low as possible. The German engine manufacturer takes its responsibility for the environment very seriously: The protection of the environment is one of MTU's corporate objectives and a responsibility shared by everyone in the organization.

IMPLEMENTATION OF THE BIODIVERSITY ACTION PLAN ON SAKHALIN ISLAND



By Andrey Samatov, Valentina Andreeva, Alexey Vladimirov, and Elena Arkhipova, Sakhalin Energy

As the first company in Russia to start shelf hydrocarbons production from offshore ice-resistant platforms and liquefied natural gas production, Sakhalin Energy can be justifiably proud of its achievements in the field of environmental protection. The environmental control, local monitoring, and conservation of biodiversity programs implemented by Sakhalin Energy are among best practices and are aimed at minimizing the impacts on the unique ecosystems of Sakhalin Island.

When carrying out any work, one of our foremost priorities is to comply with Russian and international requirements. The Company undertakes a large number of long-term programs and reviews the environmental conditions in the vicinity of the project facilities while monitoring flora and vegetation, avifauna, mammals, soil, ground waters, river ecosystems, and the marine environment. These priorities are reflected in Sakhalin Energy's Sustainable Development Policy, Commitments and Policy on HSE and Social Performance, Biodiversity Standard, among other things.

In 2008 the Company developed an integrated Biodiversity Action Plan (BAP). In a way, this plan became the end result of the Company's multi-year efforts for environmental preservation. The plan systematizes the Company's experience and simultaneously defines further actions to be taken under environmental monitoring and adverse impact mitiga-

tion. It describes the framework and rationale to support monitoring programs that Sakhalin Energy, its stakeholders, government authorities, and project lenders believe are important – not only because it provides environmental protection, but also because it makes good business sense.

The Biodiversity Action Plan includes programs to preserve the most important rare and threatened species (gray whales, the Steller's Sea Eagle, Hucho perryi) as well as programs for the conservation of particularly vulnerable ecosystems (e.g., wetlands, area of protected bird colonies adjacent to the Chayvo lagoon, and the coastal zone of Aniva Bay around the Prigorodnoye production complex).

Sakhalin Energy's BAP was approved by the Biodiversity Expert Working Group of the Sakhalin Oblast Environmental Council and was highly praised by independent international experts and

Sakhalin-2 project lenders. Thus, the BAP implementation is supported by all stakeholders at both the national and international levels. Below are short descriptions of some of those programs.

• Gray whales

Every summer a small gray whale group feeds off the northeast coast of Sakhalin, near the Piltun-Astokhskoye oil-gas field. This proximity obliges Sakhalin Energy to take enhanced environmental protection measures in its offshore activities. Recognizing the potential impact, Sakhalin Energy – together with Exxon Neftegas Ltd., the operator of Sakhalin-1 – has been financing programs to study and monitor the gray whales since 1996.

In association with the IUCN Western Gray Whale Advisory Panel, initiated by Sakhalin Energy in 2004, the Company has used the data from these studies to draw up and implement a plan for monitoring and mitigat-

ing effects on the gray whale population. Following up on the experts' recommendations, Sakhalin Energy has adjusted their production plans. So, despite the considerable financial costs, the construction of a pipeline for a year was postponed, the route was changed, a seismic survey was postponed, etc. Within the framework of the research on gray whales, there was

during the multi-year construction, the eagle's fertility rate remained at the average for the population.

To assess the condition of the whole population, the Company's studies covered not only the potentially impacted area, but also a vast territory in the northeastern part of Sakhalin. Once Sakhalin-2 entered the operational phase, the Company updated the monitoring



also an international satellite tagging program, which has already yielded some very interesting results about the migration patterns of animals in the North Pacific Ocean.

The program's details are presented on the IUCN website www.iucn.org/wgwap/ and at "Gray Whales. The Sakhalin Story" at www.sakhalinenergy.ru/ru/documents/wgw_book_web.pdf.

• Steller's Sea Eagles

A program was launched in 2004 to study and preserve the Steller's Sea Eagle in the northeastern part of Sakhalin. In the course of construction work, Sakhalin Energy paid a great deal of attention to impact mitigation. For example, each of the occupied nests impacted by construction was assigned as a protective zone; eagle couples were constantly monitored in certain nesting areas where the potential impact was high, etc. These efforts minimized the construction's impact: All nesting areas were preserved, and

program. For details, see "The Steller's Sea Eagle" at www.sakhalinenergy.ru/en/documents/Steller_Sea_Eagle.pdf.

• Wetlands

Sakhalin wetlands have a unique value to Sakhalin's natural environment. The wetlands absorb precipitation and feed water to streams and rivers, maintaining the surface water balance, and are therefore very important for migrating and spawning salmon. It is necessary for Sakhalin Energy to make sure pipeline construction does not affect these fragile ecosystems. Mitigation measures included temporary restrictions on work; requirements for equipment; arrangement of plank roads (temporary roads); earthworks only for the trench line; and reclamation of right-of-way.

The Company monitored the reinstatement of wetlands after construction as well as any potential long-term impacts caused by the construction or presence of pipelines.

• Ballast water discharge

The migration of alien organisms from one region to another within ships' ballast water poses a global problem, often leading to major environmental and economic disasters. Sakhalin Energy decided to use international practices based on the IMO Convention for the Control and Management of Ships' Ballast Water and Sediments requirements.

Although Russia ratified the Convention in April 2012, it will not take effect until it is signed by 30 maritime nations holding 35 percent of the world's merchant tonnage.

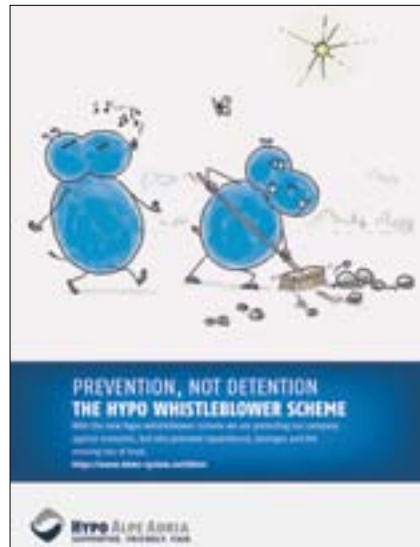
As early as 2009, Sakhalin Energy developed and implemented an integrated Ballast Water Management Policy. For the purpose of compliance with this policy, each vessel is inspected for a number of parameters, and discharge is allowed only after confirmation of ballast water replacement in the open sea. Efficiency of these control measures is checked through biological analysis of ballast waters of the tankers.

Every year since 2007, the Company has been monitoring Aniva Bay near Prigorodnoye production complex by sampling and analyzing plankton, benthos, and epibioses. Monitored results have led to the firm conclusion that the Company's controls are highly effective. ■

COMPREHENSIVE WAYS OF COMMUNICATION ON ANTI-CORRUPTION MEASURES AND COMPLIANCE

By Jenice Hartmann, Business Keeper

BUSINESS KEEPER AG 



This is one of the reasons why multinational companies as well as an increasing number of small and medium-sized companies – and not only members of the Global Compact that comply with Principle 10 – have established compli-

Hypo Alpe-Adria's communication with respect to the implementation of the BKMS® System as one result of its efforts to introduce an effective Compliance Organization

Nowadays, there is agreement within companies and the public that neither corruption nor other contraventions of national and international regulations are acceptable. Corruption causes an estimated economic harm of up to US\$4 trillion per year; the number of unreported cases and not quantifiable social harm through the erosion of trust and the economic systems is much higher. As is publicly known, companies such as Wal-Mart, Monsanto, and General Electric were strongly sanctioned by government and society for their corrupt business activities. In times of financial crisis, a sustainable business model is more important than ever to ensure the necessary social acceptance and “license to operate.”

ance units in order to guide and control the legal behavior of all actors in the company.

There are many stakeholders who should be informed about companies' targets, measures, and projects regarding the prevention of corruption. Besides customers, suppliers, the government, and society, the employees are a very important target group. They should know very well the documents that compliance departments usually elaborate upon – that is to say codes of conduct and guidelines on different topics, for example anti-corruption

guidelines. Unfortunately, these documents often remain unnoticed in the everyday work process and are therefore not sufficiently effective.

The challenges that compliance units face are providing a convincing introduction and to continuously communicate the principles of responsible conduct and accompanying measures. The admittedly rather dry nature of juridical facts, rules, and laws may create even greater difficulties. Therefore, it is one thing to establish guidelines and codes, but bringing them to life, getting the

message across, and teaching employees how to act responsibly, to respect the fine line between prohibited and allowed behavior, and to recognize this grey area is another thing completely.

“To establish compliance processes, structures, codes of conduct, and to integrate an effective whistleblowing system normally outweighs the effort to set up adequate communication measures. We need to develop a certain awareness regarding the communication toward the desired target group. Communication is crucial for the success, acceptance, and efficiency of the compliance program,” says Kenan Tur, founder and Executive Board Member of Business Keeper AG.

Hence, communication on compliance must be practically-oriented, innovative, and convincing. Only through the continuous sensitization of employees regarding the important topic of anti-corruption and compliance can lasting changes be achieved and an overall consciousness of value-based economic practices be developed and maintained.

Thus, it is advisable to tackle the corporate culture, which in turn may necessitate a change management. Following the theory of Kurt Lewin, the first step is to catch freezing. This can be reached, for example, by offering the clear positioning of the CEO on the topic of anti-corruption. Announced in different communication channels, it emphasizes the relevance of compliance with the support of the top management and shows that the written values are actively pursued. During the second phase, the moving, new solutions are generated, new behaviors are tried, and a change movement is carried out. At this point, the employees must be addressed with adequate communication instruments and be sensitized to these. The ideal case would entail integrated thinking, which means that integrity and compliance are automatically included as elements of every decision within the company. Within the context of the last phase, the refreezing, communication channels that should be used are defined

Merck's distinctive Compliance Communication Campaign when introducing a new Whistleblowing System

in case misconduct is observed. The manifold possibilities include the line manager, the compliance team, and a functioning whistleblowing system that guarantees confidentiality or even anonymity.

In this context, it is advisable that the compliance units make use of the specific competences of the communication departments. A campaign using joint forces may be much more effective than the mere dissemination of compliance content.

For too long, compliance departments have disregarded the fact that communication toward the target group not only needs to be informative but also convincing in order to increase consciousness and encourage acceptance for compliance issues and whistleblowing systems. Internal communication on compliance topics must nowadays be practical and true-to-life. Therefore, compliance and corporate communication departments have to align their communication efforts to close this gap. For globally engaged enterprises it is advisable to consider cultural differences – for example, based on historical incidents in the country – when launching a whistleblowing system. In general, a decentralized and culturally adapted communication is likely to generate higher acceptance throughout the stakeholders.

It needs to be considered that compliance without adequate communication can lead to the same risks as the nonexistence of compliance – or even worse. With respect to recent scandals in the corporate world, one can ask why contraventions still occur even if extensive compliance structures have been built. One of the reasons might be that the potential of a genuine compliance communication has not yet been exploited. ■



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 contravention and misconduct at an early stage. Today, the BKMS® System is used in more than 196 countries and regions worldwide and is available in 52 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. Possessing more than 10 years of experience, Business Keeper AG is a reliable and competent compliance partner for companies and organizations.

INTEGRITY, AS A CORE STRATEGIC IMPERATIVE!

The technological expertise that the company has been cultivating for more than a century is crucial to the security of people, goods, and information. Thales is therefore in a unique position and has a particular responsibility to its stakeholders and to society at large.

By Dominique Lamoureux, Thales

THALES

From compliance ...

A corporate responsibility policy is a basic necessity for any company that has made a commitment to sustainable growth and recognizes the true role of its stakeholders. For Thales, the primary

objective of a corporate responsibility (CR) policy is to ensure compliance not only with a vast array of legal and regulatory requirements, but also with a growing number of standards, best practice guidelines, and recommendations issued by international organizations and civil society. It is important to meet expectations of the public at large on a range of environmental and social issues and those of the society. By embracing these new responsibilities, companies such as Thales clearly benefit in terms of image and reputation. By incorporating practical prevention policies into their risk-management processes, fraudulent practices are also less likely to occur and legal sanctions can be avoided. Companies with strict CR policies therefore deliver better overall performance.

... to a corporate global responsibility focused on performance

As an international company, Thales conducts its business in a strategic space of global dimensions and growing complexity. Thus, the Group has put in place a proactive integrity policy and attaches the utmost importance to ethical business practices with respect to customers, suppliers, employees, shareholders, financial markets, the environment, and society at large.

Thales considers CR to be a strategic imperative for the Group, in that it opens up opportunities for innovation, creates competitive advantages, and contributes directly to the future success of the company. This approach is supported by a Group-wide Code of Ethics and a dedicated organization in charge of ensuring compliance with the principles it sets forth.

A comprehensive training and awareness policy is in place across the Group to promote participation by all Thales employees and foster a shared sense of belonging that is anchored in the concepts of ethics and responsibility. Focusing on excellence and long-term sustainability, this approach builds collective intelligence on the basis of mutual trust and respect. It forms a common vision of the issues Thales faces by sharing meaningful information with others in order to understand the risks involved and to find innovative, proactive responses that stakeholders expect.

Driven by a common vision of the Group's business and its role in society – and empowered by irreproachable ethical conduct – each employee contributes actively and collectively to the long-term sustainability and performance of Thales.

A GLOBAL LEADER IN THE QUEST FOR SECURITY

With operations in 56 countries and 66,000 employees – of whom 22,500 are high-level researchers and engineers – Thales is a world leader in critical information systems for the defense, security, aerospace, and transportation markets.

Building on its expertise in the most sophisticated technologies and large-scale software systems, Thales is stepping up to the security challenges of its customers in an increasingly complex world. The Group has earned particular recognition for its ability to develop and deploy dual civil and military technologies. Leveraging its international operations and spanning the entire value chain – from equipment to systems and services – Thales plays a pivotal role in making the world a safer place. <http://sustainability.thalesgroup.com>



by the International Forum on Business Ethical Conduct (www.ifbec.info), which is a joint structure of the AeroSpace and Defence Industries Association of Europe and the Aerospace Industries Association of America and of which Thales is a founding member.

In 2012, Thales was ranked as one of the top 10 companies in the defense sector by Transparency International, an NGO working to fight corruption worldwide. Transparency International's Defence Companies Anti-Corruption Index 2012 report (<http://companies.defenceindex.org/report>) presents an analysis of the corruption prevention programs of the world's 129 biggest companies in the defense sector. ■

Zero tolerance

Corruption represents a major risk for multinational corporations, particularly for those that bid on public contracts. The practices of solicitation, extortion, and passive corruption are still very frequent in countries with weak governance. This type of practice can expose a company and its officers to civil and criminal penalties and, in addition, be extremely damaging in terms of reputation.

At the end of the 1990s, in order to mitigate these risks, Thales established a policy to prevent corruption that has since been incorporated into a process for continuous improvement.

The Group's compliance and integrity program is regularly evaluated and adjusted on the basis of changes in internal and external risks and the Group's commercial strategy.

This global compliance and integrity program is based on:

- international organization and dedicated resources that are responsible for ensuring the implementation of systems and procedures to prevent corruption;
- the integration of procedures to prevent the risk of corruption within the com-

pany's operational processes, particularly during commercial transactions involving third parties;

- internal alert channels available to the employees;
- a robust internal control and audit process;
- programs to increase awareness and to inform and train Group employees – programs that are primarily intended for those with the greatest potential exposure (marketing, sales, projects, and purchasing).

The policy of “zero tolerance” for any act of corruption is fully supported by the Group corporate management and Board of Directors.

The participation of the Group within professional, intergovernmental, and nongovernmental organizations is also one of the key factors of its policy to prevent corruption and to share and disseminate best practices. Thales has contributed to the establishment of directives and common standards for all business sectors, such as the “Best Practice Guidance on Internal Controls, Ethics, and Compliance” of the OECD and – more specifically for the aerospace and defense sector – the Common Industry Standards in Europe, and the Global Principles of Business Ethics, published

GC ADVANCED LEVEL

Since 2003, Thales has been a proud participant in and supporter of the United Nations Global Compact and has adopted its Ten Principles.

Reflecting the relevance of its actions in CR, Thales saw its UN Global Compact performance rating be raised from “active” to “advanced” in 2012. Among the 7,300 companies that are participants of the Global Compact, to date only 386 have been awarded “Global Compact Advanced” status, 18 of them being French and only one being in the aerospace and defense sector.

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 Millennium Development Goals (MDGs)

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APPLIED SUSTAINABILITY FOR THE FOODSTUFFS INDUSTRY



By Christine Haupt, BASF

Around nine billion people will live on planet earth in the year 2050. This outlook poses enormous global challenges to us. Innovative strategies turn challenges into opportunities, especially in the chemical industry: BASF's products and solutions will contribute to conserving resources, ensuring healthy food and nutrition, and improving quality of life. Sustainability and innovation will be significant driving forces. Three selected case studies show how BASF collaborates in the field of nutrition and health with its customers to produce consumer goods more sustainably.



A continuous improvement for creating more sustainable beef is good news for future generations.

Rewarded for their long-term sustainability strategy: Dr. Helfried Giesen, Spokesman of the Westfleisch Executive Board (left), and Jörg Bartel, head of the company's Central Quality Management unit.



Innovative product developments and strategic sustainability tools are tangible measures with which BASF emphasizes its corporate mission: "We create chemistry for a sustainable future." One example is SET — applied sustainability™, which is a customer-oriented sustainability strategy that helps improving sustainability along the entire value chain.

BASF's division Nutrition & Health develops, produces, and markets a comprehensive range of products and services for human and animal nutrition, as well as the pharmaceutical, flavor, and fragrance industries. The division strives to contribute to a better quality of life by improving the nutrition, health, and well-being of people across the world. A balance between economic, ecological, and social needs is a prerequisite to successfully finding the best solutions for a sustainable future. The SET team works together with and for BASF customers and other stakeholders to achieve this balance.

Understanding and activating value chains

Consumers and retailers are increasingly looking for products that contribute to a more sustainable lifestyle. SET — applied sustainability™ helps foodstuffs producers measure the sustainability of their products and identifies specific potential for improvements along the entire value chain: from the use of raw materials through to production and all the way to consumption by the end-consumer and finally disposal.

As "The Chemical Company," BASF possesses an extraordinarily wide range of expertise in different industries. Thus,

customers in the foodstuffs industry benefit from close collaboration among BASF's agricultural experts, feed and food ingredient specialists, packaging experts, as well as from BASF's comprehensive view on sustainability challenges along the entire value chain. Well-integrated in its different stages, BASF can activate the value chain for sustainable development.

This widespread network also lets BASF maintain a clear understanding of what moves the market. BASF is a founding member and board member of The Sustainability Consortium (TSC), an independent network that also includes leading and globally active wholesale corporations and consumer goods manufacturers. "We're active in the TSC in order to understand consumer expectations from the point of view of retailers and of our customers. This lets us anticipate market demands and find innovative solutions," explains Kristina Gräper, head of SET — applied sustainability™, BASF Nutrition & Health.

SET — applied sustainability™ is distinguished from many sustainability initiatives by its direct relationship to the product. SET — applied sustainability™ applies comprehensive sustainability

analyses and strategies to actual customer products, making sustainability tangible and measurable. Whether it is orange juice, headache pills, fragrances, or beef — every product can be continuously made more sustainably, regardless of whether it is produced in a conventional manner or under the provisions of an organic "Bio" standard. SET — applied sustainability™ takes products "on a journey" to higher sustainability. "The proof of improved sustainability creates additional value for the consumer, the producer, and his brand," explains Gräper.

Award-winning sustainability strategy

A specific example of applied sustainability is the CO₂ balance calculated together with meat product marketer Westfleisch for the complete pork, beef, and veal production chains. Headquartered in Germany, Westfleisch is one of Europe's largest marketers of meat products.

The SET team, led at the European level by Dr. Christoph Günther, investigated the amount of greenhouse gas (CO₂e) generated along the entire value creation chain. Knowing how much greenhouse



More sustainably-produced foodstuffs match the consumer's taste.

rape, and wheat was replaced by barley, since barley requires less fertilizer. New technologies in the stall also cut down on energy consumption. Also, animal feed conversion was improved. These measures were visibly successful: A review of the values for pork carried out three years later showed a reduction of 3 percent in the annual amount of greenhouse gas emitted to the earth's atmosphere.

"Thanks to SET, as a leading company in the meat production sector, we were able to calculate a detailed CO₂ footprint for our products. This lets us distinguish ourselves from market competition and actively accommodate our trade partners while meeting consumer expectations at the same time," says Dr. Helfried Giesen, CEO Westfleisch. On May 3, 2013, Westfleisch received the "Meat Vision Award 2013" from the Industry Press of the Deutsche Fachverlag for its long-term and rigorously implemented sustainability strategy.

Value chain profits from optimized fish feed

Another example of applied sustainability is the optimization of fish feed for the Norwegian fish feed producer BioMar. Since 2007 the SET team and the BASF Sustainability Strategy unit have been working together with the customer on a long-term sustainability strategy. The goal: Producing salmon feed more environmentally friendly and ensuring a nutritionally ideal diet for the fish.

Here the BASF team investigated the lifecycle of BioMar products and measured their sustainability along the entire value chain. The analyses clearly showed that an increase in the amount of added plant proteins and a more balanced use of fish meals and fish oils would

gas emissions are generated — and where exactly along the value chain — is the crucial prerequisite for continuously reducing emissions and effectively communicating this success to the market.

Christoph Günther explains: "There are a variety of levers for fine-tuning the improvement of sustainability. With our comprehensive approach we find potential for optimization and help our customers exploit this potential." In 2010 the first CO₂ balance for pork clearly

showed how strongly the production of animal feed affects the CO₂ balance: More than 50 percent of the CO₂ footprint for pork production was based on this factor. This included CO₂-relevant fertilizers and measures for plant breeding and plant protection upstream in the value creation chain.

Westfleisch took some effective steps, together with its mixed-feed partners: The soya in feed imported from overseas was replaced in part by domestic oil-seed

Jan Sverre Røststad, Vice President, BioMar North Sea, works closely with BASF on its sustainability strategy.

make the feed more sustainable: The feed consumed less in terms of marine resources.

At the same time the diet was matched to the needs of the salmon. With the help of the Eco-Efficiency Analysis that was developed by BASF and has been successfully applied for over 15 years to more than 500 products and processes, BioMar was able to determine fish diets that were optimal for both the salmon and for BioMar. Here BioMar regularly uses the BASF Eco-Efficiency Manager, which is an online tool that accesses the jointly collected data in real time and simulates the environmental and economic effects of alternative feed recipes at any time.

Salmon fed with optimized fish feeds are among the highest-quality types and are a favored choice for salmon-branding purposes. Jan Sverre Røststad, Vice President, BioMar North Sea, emphasizes the benefits for all involved: "This strategic approach and the innovative tools from BASF are helpful to all players in the value chain: BioMar, fish farmers, processors, retailers, and other stakeholders as well. Making sustainability tangible and applying it at the product level with SET is very beneficial for us and our products." The comprehensive sustainability strategy of BioMar has been certified under the ProSustain™ standard of the foundation Det Norske Veritas. The foundation has used an independent evaluation system to define standards for continuous improvements in product sustainability.

More sustainable beef – A tangible vision?

A juicy, nutritious beef steak has been an integral part of the human diet for thousands of years. At the same time,



concern is growing about the social, ecological, and economic impacts of worldwide beef consumption. The US National Cattlemen's Beef Association (a contractor to the Beef Checkoff) commissioned the SET team with the performance of a comprehensive sustainability analysis. The overall goal of the entire project is to take the beef industry on a journey for continuous improvement for creating more sustainable beef. In the first phase, scientists, consumers, merchants, nongovernmental organizations, producers, and other stakeholders were surveyed as to which sustainability topics are the most relevant, from their points of view, along the entire value chain for beef in North America and where improvements are necessary. For this purpose, the respondents nominated the most urgent environmental, social, and economic topics related to beef production and consumption. This "outside-in-view" is crucial to gain additional market understanding.

In a second step, the SET team investigates exactly how sustainably the US beef industry actually produces beef and how various measures can impact ecological, social, and economic factors. The experts analyze the manufacturing processes of the US beef industry — from feed production to animal husbandry

all the way to beef consumption over time. This quantitative analysis creates a scientific basis for sound decision making when it comes to enhancing the sustainability of manufactured goods and designing an end-to-end strategy that fosters greater sustainability. The baseline data from the analyses will be used to analyze opportunities for improvement and establish a direction for improving the sustainability attributes of the beef industry. When the project as a whole is completed, the beef producers will receive a tool that will help them continuously optimize their operations in ecological and economic terms.

All three examples above show that there are no standard paths on the journey toward more sustainability. Each company and industry sector has highly varied opportunities for approaching the topic for itself and its customers. Established evaluation methods and independent certification help to make the topic tangible and to convincingly communicate progress made. All those involved profit greatly by using multistakeholder networks such as the UN Global Compact to exchange information on positive examples as well as on difficulties encountered, making it possible to learn from one another while working toward a more sustainable future. ■

COMBINING SUSTAINABILITY WITH HAPPINESS

Coca-Cola has been operating in Germany for more than 80 years and was named the world's most valuable brand yet again in 2012 by Interbrand. Consumers increasingly expect the manufacturers of their favorite brands to operate in an ecologically, socially, and economically responsible manner in order to protect the natural resources of society – today and in the future. In 2011 Coca-Cola Germany was presented with the Silver Award for Sustainable Manufacturer by Die Verbraucher Initiative e.V. (consumer initiative association).

By Uwe Kleinert, Coca-Cola Deutschland



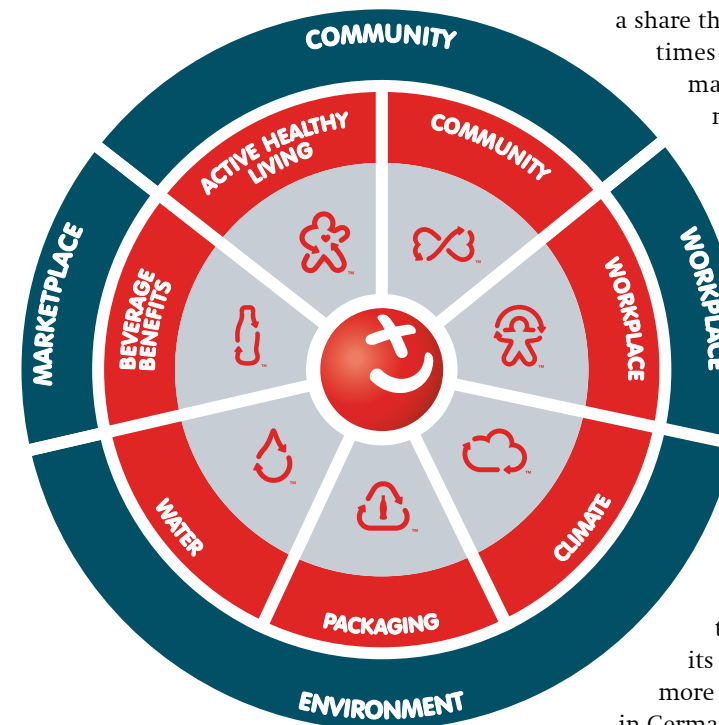
The strategy of Coca-Cola Germany is not geared toward individual sustainable products but toward the entire production and distribution process for all products. In this connection, goals have been defined in seven fields of sustainability. With a view toward a balanced diet, the company offers more than 70 products in all segments of non-alcoholic beverages – from soft drinks such as sports drinks, iced teas, juices, and juice spritzers to several types of water. For all

soft drinks, iced teas, and sports drinks, there is always a sugar-free and calorie-free alternative. Transparent product information on the label ensures that consumers can obtain comprehensive information to make the right purchasing choice.

At the same time, Coca-Cola has committed itself to responsible marketing and sales and has this audited externally: We respect the role of parents and the school

in the education of children. Therefore, we do not target any advertising to children below the age of 12 and consider schools to be advertising-free zones. In concrete terms, this means that: no advertising is inserted in media that targets more than 35 percent of children below the age of 12; no beverages are sold in primary schools; in secondary schools, products from at least three beverage categories are offered, including one that is calorie-free; and vending machines are designed in a brand-neutral manner.

Coca-Cola Germany also promotes active lifestyles on a day-to-day basis through "Mission Olympic – Wanted: Germany's most active city," which is an initiative for urban citizens to make private commitments to engage in more physical activity. Coca-Cola has set itself the goal of producing in a water-neutral manner by 2020. With the Water Saver Program, developed together with WWF, water consumption in the production process is being continuously reduced. Processed water is treated and fed back into the water circuit in such a way that it corresponds to natural conditions to protect the fish.



a share that is almost three times higher than the market average for non-alcoholic beverages (22.4%).

As an employer, Coca-Cola promotes above all the diversity of its associates and women in management positions. The community commitment of the company and its associates at the more than 60 locations in Germany are part of the

basic understanding of corporate social responsibility.

The company organizes every year a sustainability activation month, during which more than 500 associates are involved in 40 to 50 regional ecological or social projects.

In 2012 Coca-Cola Germany published its second Sustainability Report, now at the highest level (A+) of the Global Reporting Initiative (GRI), and it also issued its declaration of conformity under the German Sustainability Code. At the point of sale, the most important topics can be retrieved using the barcoo app, which permits access to independent information on products via a smartphone, and through which the complete report can be obtained.

Sustainability messages are also increasingly included in brand communication. Dialog with stakeholders has shown that these groups expect Coca-Cola to use the strength of its brands to draw attention to social challenges, contribute to their solution, and hence motivate consumers to engage in a more sustainable lifestyle. A survey conducted together with Die Verbraucher Initiative e.V. showed, moreover, that people associate sustainability today

more strongly with joy of living than with renunciation. Sustainability matches the core values of many Coca-Cola brands. Already in the past, the Xmas truck tour was used to support social initiatives financially and in terms of communication (Nordoff Robbins Foundation, SOS children villages, A Heart for Children). Today, Mission Olympic places happiness and physical activity center stage and Coca-Cola leverages the awareness of its own brands in order to promote socially relevant topics. With Coca-Cola light, the company wishes to raise awareness about the heart health of women. In December 2011, it started the initiative "Listen to Your Heart" with the German Society for Gender Medicine as a partner. This was followed in 2012 by the Fanta Playground Initiative for safer and free playing, together with the German Child and Youth Welfare Organization and TÜV Rheinland. The company envisages an increasing integration of these aspects into its communication about future brands that represent a positive attitude toward life. ■



Coca-Cola has been represented in Germany since 1929. Today more than 10,000 associates work at more than 60 locations in Germany – 24 of which are production facilities. Coca-Cola offers more than 70 products in all segments of non-alcoholic beverages. A socio-economic impact study by the consultants Steward Redqueen showed that through the entire value chain of Coca-Cola in Germany, a total economic output of €6.1 billion is generated directly and indirectly, €2.9 billion is paid in taxes, and 119,000 jobs are protected.

COMMUNITY INVOLVEMENT AND CONSTRUCTION EXPERTISE

By Ann-Kristin Brönnecke, HOCHTIEF



For HOCHTIEF, bridge-building is a many-sided subject. It is both a core business and part of our corporate vision – and it plays an important role in the international construction group's community involvement. Together with the organization Bridges to Prosperity and its own employees, the company is building footbridges in developing countries – with tangible success.

Bridge-building is one of HOCHTIEF's core competences. During the 140 years of its corporate history, the construction group has built many bridges all over the world. Bridges connect people, span bodies of water and gorges, and even cross national

borders and continents. Some of them – such as the Öresund Bridge, or the bridge over the Bosphorus – are world-famous. Moreover, our Corporate Vision states: "We link people and organizations and create new ways to think and act."

Since 2009 HOCHTIEF has been putting this part of its vision into very real practice in the area of corporate responsibility. At the time, HOCHTIEF's US subsidiary, Flatiron, and the nongovernmental organization Bridges to Prosperity (B2P)



signed a long-term cooperation agreement with the aim of jointly building footbridges in structurally weak regions of Central and South America. These bridges are an important part of the public infrastructure, as they provide the local people with access to education, medical care, and markets. They thus permanently create better living conditions and open up opportunities.

Group-wide commitment

In the meantime, the entire HOCHTIEF Group is involved with B2P. Apart from Flatiron, HOCHTIEF's other American subsidiaries also work with the NGO, and HOCHTIEF Europe's collaboration began in 2012. While the US subsidiaries are focusing their efforts on projects in Latin America, HOCHTIEF is also active in Africa. To date, the collaboration has resulted in seven bridges in Latin America and one in Rwanda. Further projects are already being planned for the coming years. Two bridges in Rwanda and three in Nicaragua are to be built in 2013 alone.

The initiator, Flatiron, still has the greatest level of involvement: In strategic partnership with B2P, the constructions experts developed the prototype of a suspension bridge that can be built anywhere in the world in a similar form and with few means.

Teamwork is central

HOCHTIEF's involvement with B2P is not restricted to the financing of bridge projects and the provisioning of know-how to the NGO. A crucial advantage of this sponsorship is that the company's employees can get involved directly as well. For each project HOCHTIEF seconds a 10-member team to build the bridge on site, together with the local villagers and B2P representatives. There, everybody has to work hard: It often takes pure muscle to deliver stones, cement, wood, and sand to the construction site, where they are then processed rapidly, using simple means. It is worth noting that the group of volunteers is not only made

up of employees with practical and construction site experience: Anybody from engineers to financial experts can apply for a place on the team. It is only the key positions – involving construction or logistics management, for example – that require specialists. Ultimately, employees from entirely disparate corporate units and professions end up working hand in hand.

In-house identification with the B2P projects is high. At Flatiron alone, since this collaboration started the number of employees who agree with the statement "My employer's community involvement is good," rose from 64 to 91 percent. For each project – including the first HOCHTIEF project in 2012 – around 10 times as many volunteers applied than were required, despite the prospect of camping in the most basic conditions and the physically challenging work. The comments from those chosen to take part are positive, with team spirit, the chance of doing some good, and getting to know different cultures making up for some of the physical pressures. Those employees who primarily work at a desk are particularly enthusiastic about the

opportunity of "physically producing something themselves." And it is not only the local volunteers who are motivated by seeing the bridge grow little by little every day: For HOCHTIEF, too, as the sponsor, it is of great advantage to see directly where and how funding is being used and to know that it is going straight to where it is needed, with no detours.

Benefits for all involved

The collaboration between HOCHTIEF and Bridges to Prosperity has positive effects for all sides: The local communities benefit directly in the shape of an improved infrastructure and, thanks to the bridges, are strengthened for the future. B2P can call on the construction group's expertise and carry out its mission with the funding that is made available. Finally, with this collaboration HOCHTIEF has found the ideal way of realizing its social responsibility: The company can bring in its core competences, the internal networking and motivation effect is enormous, and every bridge built delivers clearly measurable results. HOCHTIEF and B2P – all in all, a true community-involvement success story! ■

TANGIBLE DEVELOPMENT AID

Bridges to Prosperity was founded in 2001 with the aim of providing people in remote and structurally weak regions with access to education, medical care, and markets through the construction of footbridges. While functioning infrastructure is routine in industrial countries, in developing countries simply crossing a river to the neighboring community can often be a dangerous undertaking, or involve detours of many kilometers.

B2P uses the example of a project in Nepal to show just how great the impact of such a bridge can be for the local people. Data prior to and after the bridge construction were compared: The number of pupils attending classes rose by 12 percent; medical facilities recorded a 25 percent increase in patients; and per capita income rose by 20 percent.

In the 11 years since it was founded, B2P has built more than 100 bridges in Africa, Central and South America, and Southeast Asia, eight of which were built together with HOCHTIEF Group companies.

CUSTOMER DIALOG DRIVES SUSTAINABLE PRODUCT INNOVATIONS



By Yvonne Benkert, MAN

Stakeholders present companies with very different challenges. The MAN Group responds by inviting stakeholders to communicate their expectations and opinions. To this end, MAN conducts systemized surveys every year and discusses specific issues with selected stakeholders. As customers represent a very important stakeholder group for MAN and also have a major influence on whether efficient products are used, they are central to our corporate responsibility activities. In 2012 we further intensified our dialog with customers at the two leading trade fairs for our industry, IAA Commercial Vehicles and the SMM maritime trade fair.

As a global player in the field of transport-related engineering, MAN faces a variety of very different expectations from its stakeholders. Taking these into account builds trust and acceptance. The Company is therefore guided by the expectations and opinions of those stakeholders with whom it maintains a close relationship: customers and employees; suppliers and other business partners; analysts and investors; science and government; municipalities; and NGOs. They give MAN important input for its corporate responsibility (CR) strategy, helping identify opportunities and risks, align products with customer needs, and harmonize business processes with the interests of society.

MAN conducts an intensive dialog with its stakeholders to exchange information and ideas and proactively learn about

their requirements and expectations. Here the Company uses a variety of channels – from stakeholder and customer surveys to a presence at international trade fairs and joint research projects with universities.

2012 Stakeholder Survey

Since 2010 MAN has conducted and continuously expanded an annual international web-based stakeholder survey which delivers detailed insights into stakeholder expectations. Responses in 2012 showed that the more successful MAN's CR activities are, the higher stakeholder expectations become. Of the approximately 600 stakeholders selected, around 40 percent took part in the survey. One-third of the participants were from Germany, followed by China (19 percent) and India (9 percent).

TOP FIVE CHALLENGES FOR MAN

1. **Resource conservation** (74 percent) →
2. **Climate change** (67 percent) →
3. **Diversity and equal opportunity** (42 percent) ↑
4. **Globalization** (40 percent) →
5. **Urbanization and megacities** (36 percent) ↓

Source: MAN 2012 Stakeholder Survey. The arrows indicate how the issue was rated in comparison to the previous year.



Particularly quiet and with zero-emissions, the MAN Metropolis truck handles heavy-duty urban roles such as trash collection.

THE MAN GROUP

The MAN Group, headquartered in Munich, Germany, is one of Europe's top commercial vehicle, engine, and mechanical engineering companies. As a producer of trucks, buses, diesel engines, turbomachinery, and special gear units, in all our divisions we hold leading market positions. MAN's core business activities shape pioneering transportation and energy solutions that are both ecological and economical and meet the needs of customers and society.

The MAN Group employs some 54,300 employees in more than 150 countries and includes the companies MAN Truck & Bus, MAN Latin America, MAN Diesel & Turbo, and Renk. In 2012 the Company reported revenue of approximately €15.8 billion.

In 2012 stakeholders again indicated that resource conservation and climate change are the two greatest challenges facing MAN. They rated climate change six percent higher than in the previous year (see graphic). Stakeholders' awareness of diversity and equal opportunity issues has shown a strong increase – they are therefore considered the third-largest challenge for MAN. The issue of globalization was rated about the same as in the previous year. According to the stakeholders, the subject of urbanization and megacities is also relevant to MAN, because in its role as a supplier of transportation solutions, the Company can make a major contribution here.

The vast majority of the stakeholders rated MAN's overall CR performance between adequate and above average. The Company received especially good

marks for the fields of product responsibility, environmental protection, and corporate governance. Participants said they would like the Company to show more initiative in terms of social responsibility and corporate citizenship as well as human rights and responsibility toward its employees. However, more than three-quarters of the stakeholders found that MAN's approach to sustainable business practices is credible. "The ratings given by our stakeholders are a valuable instrument that allow us to regularly adapt our CR activities to shifting challenges," says Jochen Schumm, Chief Human Resources Officer of MAN SE and MAN Truck & Bus. The results of the annual surveys feed into MAN's existing materiality analysis, from which the CR Roadmap takes its lead. The Roadmap not only includes concrete targets extending to 2015, but also shows

what MAN has achieved in the past year and what the Company is working on at present.

Customer dialog at international trade fairs

Customers form a large and important stakeholder group for MAN. They decide which trucks make up vehicle fleets, which turbines are used to generate power, and which engines propel ships. At trade fairs, the Company informs customers about the products and solutions it is offering in these fields – and explains which ones are particularly efficient and environmentally compatible. The employees who represent MAN at these events learn through face-to-face conversations and from written questionnaires what requirements and challenges their customers are facing.



World premieres at IAA Commercial Vehicles fair

Held every two years in Hanover, Germany, the IAA Commercial Vehicles fair is the most important innovation and trend forum for commercial vehicle manufacturers. In 2012 MAN presented a total of twelve innovations from the truck, bus, engine, and service sectors. The crowd-puller and most-photographed vehicle at this key fair was the Concept S prototype truck. The streamlined semitrailer combination – featuring an especially aerodynamic semitrailer manufactured by Krone – has the same load volume as a conventional truck but an extremely low drag coefficient at the level of a passenger car. This leads to a drop in fuel consumption of up to 25 percent and thus to a corresponding reduction in CO₂ emissions. Zero local emissions and particularly quiet operation in all-electric mode are characteristics of the MAN Metropolis truck. Its lithium-ion battery is simply plugged into an electric socket for recharging. A car diesel engine serves as a range extender, providing security for longer distances.

MAN also premiered its new, Euro VI-compliant TG family of trucks as well as its NEOPLAN Jetliner buses and MAN Lion's Coach EfficientLine at the trade fair. These vehicles also drew tens of thousands of visitors to the Company's stand who

were interested in solutions that promise significant improvements in efficiency.

Growing demand for low-emission marine engines

In 2012 MAN Diesel & Turbo presented its products at SMM (shipbuilding, machinery, and marine technology), the world's largest maritime trade fair, which was held in Hamburg, Germany. At this event, too, customer interest was focused on boosting efficiency – not least because starting in 2013, all newly built ships must meet the criteria of the International Maritime Organization's (IMO) Energy Efficiency Design Index (EEDI). This states how many grams of CO₂ a ship may emit per ton of cargo and nautical mile. MAN's emission-reducing

innovations already meet these requirements today. These include the G-type two-stroke engines, which by decreasing the speed of a vessel – an approach known as “slow streaming” – cut the ship's fuel consumption.

A dual-fuel large-bore diesel engine was the highlight on the MAN stand at the SMM fair, where it was displayed as part of a 14-meter-long drivetrain consisting of engine, clutch, transmission, and propeller. The engine can be run on oil or natural gas. In gas mode it already meets the IMO's Tier III emission standards, which will become mandatory for international maritime shipping in 2016. In certain coastal areas, the standards require an 80 percent reduction in emissions of oxides of nitrogen compared to

CUSTOMER SURVEY AT 2012 IAA COMMERCIAL VEHICLES

More than 70 percent of our customers call for environmentally compatible and resource-efficient solutions. They are also willing to pay more for such products. This was shown in a survey of 276 truck customers and 79 bus customers conducted at the IAA Commercial Vehicles fair in September 2012. In addition, 97 percent of participants believed that MAN is responding to climate change responsibly and developing appropriate solutions.

2000 levels. MAN Diesel & Turbo has developed an integrated gas strategy for its customers called “Bluefire,” bringing together gas technologies that represent efficient alternatives for energy production: gas engines for power plants, dual-fuel engines which can run on either gas or diesel in stationary and maritime applications, and industrial gas turbines.

Stricter emission standards and climbing fuel prices are leading customers to demand solutions that are more environmentally compatible and at the same time more economical. “Our dual-fuel and gas engines are optimally designed to meet these requirements,” emphasizes Dr. René Umlauf, Chief Executive Officer of MAN Diesel & Turbo and member of the MAN SE Executive Board. “We must, however, keep listening to our customers so we can understand what their needs will be in the future – this is the only way we can stay ahead of the game.”

Studying the future of urban mobility

Aiming to better understand future urban mobility requirements, Technische Universität München (TUM – Technical University of Munich) is currently working on a study commissioned by MAN called “What Cities Want”. The study is examining 15 cities on five continents – from Shanghai to London to Los Angeles – and

analyzing global trends in urban traffic. Researchers are first defining the status quo of mobility, then studying how it will look in the future and what role the different modes of transportation will play. The goal is also to find out how the issues of climate change and noise emissions will impact on cities' future mobility planning.

The study is being conducted against the backdrop of the megatrend urbanization, which is characterized by sharp population growth in cities. This is leading to new requirement profiles. Growing numbers of people are traveling within and between cities. Inhabitants must be supplied with food and consumer goods; the waste they generate must be removed. As MAN helps design infrastructure solutions in line with these trends, the Company will build on the key foundation provided by the joint study with TUM. “Only if we have an in-depth knowledge of future trends can we develop products today that will meet society's needs tomorrow,” explains Dr. Kirsten Broecheler, who is heading up the project for MAN. The results of the study are expected in 2013.

Dialog with customers – for today and tomorrow

MAN's stakeholder dialog on products has two objectives. The Company is aiming to make existing environmentally

Pictures from left to right:

The streamlined MAN Concept S truck with the AeroLiner semitrailer from trailer manufacturer Krone.

The MAN Truck & Bus stand at the IAA Commercial Vehicles fair in Hanover.

Traffic in São Paulo, Brazil, one of the cities whose transportation system is being analyzed in the “What Cities Want” study.

compatible technologies the preferred products of its customers. And MAN also wants to get to know its customers' future environmental and efficiency requirements, so as to work with them to develop the right solutions. Ongoing dialog with customers lays the foundation for the Company's success – today and tomorrow. In keeping with this priority, which is firmly anchored in MAN's corporate culture, the Company became a participant of the UN Global Compact in December 2010. MAN thereby made a comprehensive commitment to supporting and implementing all Ten Principles of the Global Compact. ■

MANAGING CSR ACROSS BOUNDARIES



By Andrew Lofts, Ricoh

From the very beginning, Ricoh has been energized by combining innovative products and services with a sustainable approach to business. The company's founder, Kiyoshi Ichimura, nurtured a unique pool of thinkers who envisioned a world where business, society, and the planet are interconnected. As a group, we have a regional framework whereby we connect to the collective imagination and creativity of all our people, which ensures alignment across all regions. To support Ricoh's goals and meet social expectations, accurately and promptly, the Ricoh Group actively introduces internationally-established CSR frameworks throughout its supply chain.

To facilitate this commitment and growth, we are working to make social and environmental contributions toward the sustainable development of society. With globalization expanding and deepening in recent years, issues facing society are becoming increasingly complicated and diversified. In tandem with this social change come increasing changes in the business environment. In this situation, corporations are expected to make meaningful contributions toward overcoming multiple social issues while also creating economic value.

Ricoh was one of the first companies to become a participant to the UN Global Compact in 2002 and the first corporation in Japan to establish a dedicated Corporate Social Responsibility division in 2003, within Ricoh Europe, the CSR Office was formed in 2006. The division produced the Ricoh CSR Charter and Ricoh Code of Conduct, which was based on the principles defined in the UN Global Compact. It also incorporated the principles and philosophies

of Ricoh's founder. Currently Ricoh is reviewing the use of ISO 26000 and its operating companies in Europe are now evaluating how best to use this framework to deliver more value to all stakeholders.

Ricoh has a wide stakeholder group that is involved on a global basis. It reviews the CSR activities of its partner companies and key members of its global supply chain against international CSR frameworks and makes continuous improvements through a self-assessment process. As it pursues business growth while simultaneously helping to support the development of society, Ricoh recognizes the need to do more than just respond to constantly changing environments and to the needs of society. Ricoh believes it is necessary to work as a member of society to create new value that will facilitate sustainable social growth and to address various challenges facing society. With this understanding, it is proactively cooperating with a variety of stakeholders globally in implementing

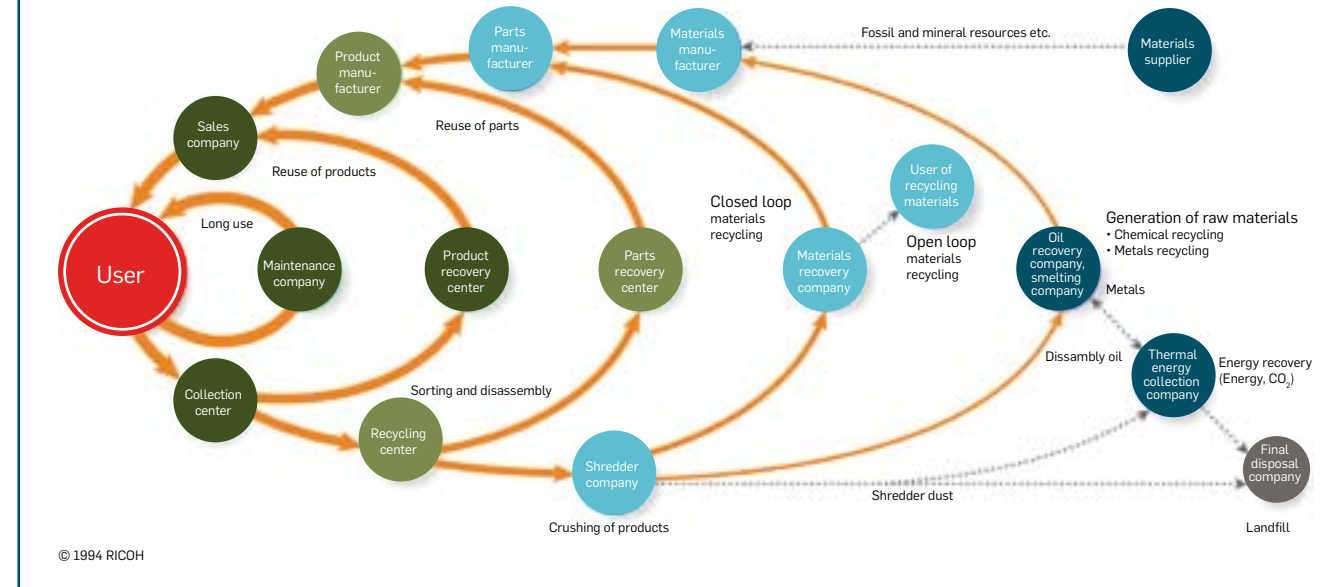
social initiatives and activities. It proactively involves its individual employees in these activities through corporate programs and regional employee-volunteering schemes. It expects that each of these activities will increase awareness of social issues and help employees to understand how they can contribute to solving such issues by encouraging them to take action. In 2012 a Global Social Policy was launched, which covers three themes:

- Global Environment Conservation
- Community Development
- Raising the Next Generation

Putting good intention into practice: social issues

In its value-creating CSR activities that revolve around local communities, the Ricoh Group provides its products, services, and human resources for the purpose of contributing to the resolution of social problems in developing countries. In 2011, Ricoh launched

CONCEPT OF A SUSTAINABLE SOCIETY: THE COMET CIRCLE™



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the Education Support Program in the Medak District in Andhra Pradesh State, situated in the south of India, and has been working together with Save the Children to help improve local education conditions. Ricoh employees visited the area, where they conducted a field survey and interviewed school faculty, educational bureau staff, parents, and children, through which various issues were identified. Among the several issues listed, the study pointed out that most schools did not have any printing machines or duplicators, which meant that teachers did not have any means to print tests and teaching materials and that communities could not share information effectively.

To address this issue, Ricoh implemented a program to donate digital duplicators to local schools and educational institutions. Training is provided to children, teachers, and officials of local governments on how to use the machines for the purposes of improving the quality of classes and helping

community residents to share information effectively. At the same time, with the aim of improving the educational environment in the target area, Ricoh is conducting educational activities, for instance, hosting seminars for the school management committee and organizing "children's groups."

Putting good intention into practice: environmental issues

For the Ricoh Group to become the type of organization it envisions, not only does the Group need to realize change toward the creation of a sustainable society, but society as a whole also needs to realize such change. In 1994, Ricoh established the Comet Circle as the basis to encourage such change. The Comet Circle expresses the greater picture of its environmental-impact-reduction scheme, which includes not only the scope of the Ricoh Group as a manufacturer and sales company, but also the entire lifecycle of its products, including upstream and downstream of its business activities.

For the seventh year, Ricoh has supported the annual United Nations World Environment Day to raise awareness of its commitment to reducing its environmental impacts and to encourage positive change among employees, suppliers, and customers.

By linking its environmental commitment to forward-thinking business strategies, Ricoh promotes development that is profitable and sustainable at customer sites as well as its own operations. Ricoh's services include supporting the migration from paper to electronic invoicing, realizing savings of up to 90 percent and through the Sustainability Optimisation program, which typically reduces CO₂ by 33 percent.

Ricoh continually reviews sustainability requirements on a people, plant, and profits basis. Ricoh takes the lead in its industry to ensure that all stakeholders are fully informed and have the opportunity to work in a collaborative way to achieve the needs of all. ■

INCREASED ROAD SAFETY – ALL OVER THE WORLD

Volkswagen produces vehicles of the highest quality and reliability, resulting in the highest level of safety for customers. But closing a sale is not the end of our responsibilities. On the contrary, whether our customers are in Mumbai, Beijing, or Wolfsburg, we provide them with targeted training to help them feel safe while driving. The worrying figures in international accident statistics, especially from emerging economies, have led us to respond in this manner. The Volkswagen Group is actively engaging with various traffic-training programs tailored to the individual markets – our motto is: “Every traffic-related death is one too many.” The Group includes the German market in these efforts, of course. The Autostadt in Wolfsburg – which offers a world of experience in these matters as well as a communication platform for all things to do with mobility – has a “Learn Park” for children 5 to 11 years old and offers them the chance to obtain a “child driver’s license.” Meanwhile, in the “safety training track,” parents experience first-hand that a cautious driving style not only increases safety but is also good for the environment.

By Julia Glogowski, Volkswagen



It is the youngest on the road who warrant our attention – A common image is of a child running after a ball onto the road, and maybe even in front of a car. Working together with schools, clubs, and public services, the various Group brands are providing different measures all over the world to help protect people. Approximately 100,000 children at the Cordoba and Pacheco sites have been trained in the ABCs of how to behave in traffic using the role-playing as well as the successful traffic education project “Juegoteca Volkswagen de Seguridad Vial,” developed by Volkswagen Argentina together with local schools.

Some sites are also campaign for more safety on roads leading to schools, which are particularly problematic, as well as investing in play areas and the improvement of pedestrian crossings. But what use are the ABCs to children if adults have not learned the basics? Three out

of four children in the United States are not buckled in correctly: a statistic that can prove fatal in the event of an accident. Volkswagen of America is using the “SitSafe” program to train their customers in the correct use of child safety seats and seatbelts.

At Volkswagen, traffic safety is not limited to passenger cars. The Group is also involved with safety in the area of commercial vehicles and offers specific traffic and loading safety training. This is what Scania has based its worldwide competition “Young European Truck Driver” on and receives support from the European Commission and the International Road Transport Union for its efforts. Participants not only learn something about traffic safety but also train to make their driving style more fuel-efficient and environmentally friendly.

Even beyond our production sites, our importers are busy working on increased traffic safety, for example the Turkish Volkswagen importer Dogus-Otomotiv, whose program “Traffic Is Life” raises awareness among Turkish drivers about safety in traffic. This includes an advertisement campaign that receives a lot of attention as well as exhibitions, concerts, and even rap festivals. The importer is even working closely with the Turkish government to improve traffic safety.

As the examples in Turkey and Argentina show, the Volkswagen Group is looking to contribute toward traffic safety by keeping their customers aware – not only about the safety equipment fitted into their vehicles, but also on how their own behavior can increase traffic safety.

VOLKSWAGEN
AKTIENGESellschaft

TRAFFIC EDUCATION AS A PUBLICITY MAGNET – VOLKSWAGEN COMMITMENT IN CHINA



Each year there are 90,000 deaths on the roads in China – that is 7.5 percent of all road deaths around the world: the darker side of China’s automotive boom. As it is the most successful automotive producer in China, Volkswagen has acknowledged its responsibility and has revived a classic solution from German road safety. The traffic education series “The Seventh Sense” once served to raise awareness among Germans about road safety issues. It is now experiencing a successful comeback in China with the title “Drive Safely, Drive the Volkswagen Way” – 40 episodes of this series have been shown to date and they are enormously popular in China.

Why the seatbelt is so important; what to do when an accident has occurred; and why you should pay special attention to more vulnerable road users are among the key issues presented to the audience. Particularly noteworthy is that the episodes are not only very entertaining but also very educational. The series came into being by working closely with traffic experts from the Tongji and Jilin universities. Interviews with psychologists, use of case studies, and also appearances by prominent local television stars have en-

sured that Chinese road safety education is enjoyable to watch and has a lasting effect. The series started in 2008 and is broadcast primarily by television stations in the east of China and in the large cities of Beijing, Shanghai, Guangzhou, and Dalian, where there are large populations and a high number of passenger vehicles. The employees of Volkswagen Group China have often been invited behind the scenes of the series with the aim of raising awareness about traffic safety. The extravagant television castings have also become a true television spectacle. Child actors have been selected from among the sons and daughters of employees.

Volkswagen is continuously offering its Chinese employees regular training programs on traffic safety using alternative media. The “Family Day for Traffic Safety Among Children” is just one example. In addition, Volkswagen dealers in China offer their customers practical safety training using professional driving instructors. “By engaging so extensively, Volkswagen AG is taking responsibility for society and is contributing toward sustainable development in China,” says Dr. Zhang Suixin, Vice President of the Volkswagen Group China. ■

PERSONAL AND PROFESSIONAL DEVELOPMENT OF WOMEN IN AGRIBUSINESS



By Francesca Carnesella, Camposol

According to figures from the Food and Agriculture Organization of the United Nations, of the economically active population in Peru, 24 percent of all workers are in the agriculture sector – one-third of whom are women. Agri-business has an extensive labor reserve that employs thousands of men and women in decent work conditions and good pay guaranteed by law, which allows for improvement in their quality of life. CAMPOSOL generates more than 13,000 jobs, of which approximately 40 percent are held by women, thus creating an opportunity to improve their quality of life.

Therefore, one of the main themes of our sustainability strategy is to focus on women and pay special attention to them in order to provide the best working conditions. We do this through the program “Women in Agriculture,” which includes the implementation of a set of programs aimed at their welfare and development. This program is promoted by CAMPOSOL in order to provide better working conditions and opportunities for all employees and more professional development for their partners and for women from the community, thereby contributing to the socioeconomic development of women

in agriculture and society. We have developed strategic alliances with public and private institutions to ensure that this program has a greater impact as it focuses on the regions of La Libertad and Piura, located in northern Peru where CAMPOSOL operates. The program covers topics such as obstetric psychoprophylaxis and prenatal stimulation to pregnant women; training and career growth opportunities; the Wawa Wasi (nursery) Rayito de Sol; the program “Useful Vacations” for employees’ children; healthcare and entrepreneurship programs in CAMPOSOL communities, among others. ■



Margarita Gabriel Sanchez has been a beneficiary of the nursery Rayito de Sol. “My child, Jefferson, has attended the Wawa Wasi since he was 10 months old. I know that he is well-cared for and he has gained weight because he is now eating healthy food. I feel relief and happy to leave my son there while I am at work, because he is well-attended to and in good hands.”



Casilda Calsina Yunganina began her career in CAMPOSOL as a worker at the piquillo pepper plant. She currently holds the position of Head of Piquillo Pepper Production in CAMPOSOL and is studying industrial engineering at the Universidad Privada del Norte from Trujillo. “I feel comfortable and happy working in CAMPOSOL because it has helped me progress as a working professional, and now they support and encourage me with my studies.”

SUSTAINABLE PROJECT IN “27 DE OCTUBRE” COMMUNITY OF CHIMBOTE



By Francesca Carnesella, Copeinca

By mid-2011, COPEINCA made contact with the Stromme Foundation and the NGO Tierra de Niños with the aim of evaluating sustainability projects with surrounding communities. The company wanted to contribute toward the development of the surrounding families near the Chimbote industrial plant. They began working together in order to define a meaningful strategy for the future of the “27 de Octubre” residents.

In order to establish appropriate lines of action, they proposed the development of a Participatory Social Diagnosis in order to promote dialogue with key community groups to identify and analyze their problems, needs, practices, knowledge, feelings, attitudes, and perceptions regarding development issues. With these diagnosis outcomes, we shared the information with the community to set the path for the prioritization of activities.

To ensure that development plans were articulated with the community, we decided to support them in developing their Local Development Plan, linking it with the District Development Plan and Regional so they could align national policies and budgets and the “27 de Octubre” community could be included formally in local priorities. We also designed a training plan to develop sustainable social management skills and leadership in the leaders and people of the community – in 2012 more than 10 working sessions were held in order to strengthen the bond with them. Within

this plan, needs and interests were considered and prioritized. After establishing benchmarks and indicators to measure each project, they voted, validated, and chose to work in the following:

The progress of these projects is the just the beginning of many successful future activities for this prosperous community – and COPEINCA is proud to be able to support them. ■



Project	Status	Comments
Technical support for obtaining legal titles	In progress	Two attorneys are working to identify and obtain sanitary approval of the properties
Legal technical support to implement drainage projects	Done	Was submitted to the community
Building a recreational family park	Done	Recreational space that allows healthy recreation. Inaugurated on October 27, 2012
Implementing a security gate	Starting 2013	Allow access control, trailers and evil perpetrators to avoid accidents and thefts
Healthy Homes Project	Starting 2013	Training and implementation of improvements in practices and customs of the community

TOP-FLIGHT COMPENSATION PROJECTS: THE CLIMATE, PEOPLE, AND ANIMALS ALL BENEFIT



By Thomas Compagno, Coop

Offsetting CO₂ emissions is a good thing – but there is still a hint of a “sale of indulgences.” Coop has found a solution: The Swiss retailer only invests in development projects that are either developed by the WWF according to the Gold Standard or which are supported by the WWF. They stand for maximum quality.

Khasti Devi, a farmer from the village of Mankanthpur in northern India, is happy. She has a new kitchen. But she is not pleased because she has conveniences such as a dishwasher, refrigerator, and steamer. Khasti has a new oven that runs on biogas instead of wood. The family uses a new biogas plant to produce the biogas from the manure of its two cows. This was not cheap: The family contributed 40 percent of the total cost of around 400 Swiss francs. They had to spend 17 francs on a compost site. The rest of the money – amounting to just over 200 francs – comes from carbon-offsetting compensation from Coop.

The retailer uses biogas plants such as this to offset part of the emissions caused by flying-in fresh produce. Coop and the WWF intend to build several thousand biogas plants in India. The WWF has already successfully implemented similar projects for Coop in Nepal. This helps families and the climate, as a family uses around 25 kg of wood for fuel each day. The forest – as a valuable CO₂ storage facility – is also protected. The Devi fam-

ily alone has reduced its CO₂ emissions by around four tons per year, thanks to the biogas plant. This corresponds to the average annual output of a car, that is, around 15,000 km traveled.

The small village of Mankanthpur, where Khasti lives, is in northern India, half an hour to the east of the Corbett National Park in the Terai region. The fertile 800 km-long valley stretches along the south



of the Himalayas in India, Nepal, and Bhutan. In this region, many people still rely on wood as their main fuel. The pressure on the forests is therefore huge. But the Terai region also has the world's highest density of tigers. It is estimated that there are around 16 animals per 100 sq km. But because their habitat is being reduced as a result of deforestation for agriculture, settlements, and fuel, conflicts are inevitable. At least for Khasti, these are now a thing of the past.

Thanks to the biogas plant, the family's safety and health has improved. “The kitchen and all the pans used to be black with soot, the air in the house was permanently smoky,” she says. Everyone used to suffer from tears in their eyes and chronic coughs. Smoke in living quarters is one of the most frequent causes of death in many developing countries – almost half the world's population still cooks on an open fire or with primitive stoves. According to the organization Global Alliance for Clean Cookstoves, a person dies from the consequences of this toxicity every 16 seconds. Today, the walls in Khasti's house are bright, and the air is clean. “And cooking is much easier,” she says while pouring tea for her guests. It takes just a few minutes to heat the water on the new gas stove.

Devi says that it is easy to use the biogas plant. She places 25 kg of manure and about the same quantity of water into the fermenter. Fermentation produces methane gas in the tank, which can be used for cooking. The residue is ejected by pressure in the tank. This is a valuable, non-odorous fertilizer. Producing plants like this so that people no longer

COOP: OFFSETTING PROJECTS ARE BETTER THAN THEIR IMAGE

There are two main points that have to be fulfilled for Coop in order to reach the maximum level with its CO₂ offsetting projects: Firstly, the projects have to be recognized development projects and, if possible, related to the supply chain for Coop's products – and they should help those people most affected by climate change. This often means the small-scale farmers who do not have the resources to deal with the consequences. Specifically, the projects are developed by the WWF and correspond to the global Gold Standard. In a statement, the WWF explains that this standard imposes strict conditions in terms of sustainability and sets the highest ethical requirements. Overall, Coop offset more than 80,000 tons of CO₂ equivalent in accordance with the strictest standards in 2012. Examples follow:

- In Madagascar, open fires are being replaced with solar-powered stoves. This helps to counter deforestation of rainforests and other forests. There are 13,000 solar-powered and low-energy stoves per year that are replacing 7,800 tons of wood. Each stove saves 2-3 tons of CO₂ per year.
- In Kenya's Lake Naivasha region, open fires are being replaced with more efficient stoves. This also works to counter deforestation and also relieves people of the need to gather wood, which requires them to walk for long distances. In addition, it reduces the effects of smoke inside their houses.
- In southern China, new and highly efficient stoves are replacing conventional cookers. The new stoves result in about half the quantity of wood being saved, with 1,600 stoves eliminating 16,000 tons of CO₂. The quality of air in the houses also improves.
- In the Terai region of Nepal, people are relying on biogas plants. The technology is simple and reliable. Fermentation of manure produces heat for cooking and valuable fertilizer.
- Biogas facilities are also being built in the Terai region of India. They reduce pressure on forests, as people no longer need to gather wood for fuel. There are thus fewer conflicts between people and tigers. The negative effects of smoke in houses can be virtually eliminated.

have to deal with dangerous conditions is one of the goals of the WWF in the Terai region of India. But it is far from the only one. “If conflicts between people and animals can be avoided, nature also benefits,” says K.D. Kandpal, a representative of the WWF in India. One of the WWF's goals is to double the tiger population worldwide in the next 10 years: 100 years ago, the world's tiger population was put at around 100,000; they now number around 4,000, of which 1,700 live in India. But tigers need space.

Depending on the availability of prey, a tiger's territory can stretch over 30-50 sq km. “If fewer people enter the forest, that's better for the tiger,” says Kandpal.

For Khasti Devi and her family, the facility is certainly a blessing. Now that she no longer needs to enter the forest she has time for other things. “Now I have more time to work our land, and look after the children and the house.” Her smiling face shows that her life really has improved. ■

PRE ORGANIC COTTON PROGRAM: A SHIFT TO ORGANIC FARMING



In September 2012, more than 150 delegates from corporations, international organizations, governments, and NGOs around the world gathered at Business, The MDGs and Beyond – a forum run as a side event to the UN General Assembly in New York. ITOCHU Corporation represented the Japanese corporations that are members of the UNDP-led Business Call to Action (BCtA) and spearheaded a panel at the first session, “Innovative Business Models for Sustainable Development.” At the forum, ITOCHU presented the Pre Organic Cotton Program, an initiative of its Textile Company, which contributes to overall development in the cotton farming communities in India through poverty reduction and improvements in farmers’ health and the farming environment.

In 2007, managers at the Textile Company visited India, the world’s largest producer of organic cotton, to learn about local farming of organic cotton. By visiting local farmers, they came to understand

the needs and issues associated with the production of organic cotton, which was then developed into an innovative business model not only for ITOCHU Corporation, but also for the textile industry.

Issues confronting cotton farmers in India

Since the green revolution in the 1960s, genetically modified seed, agrochemicals, and pesticides have been used in large quantities in India. It is said that 45 percent of all agrochemicals consumed in India are used for cotton farming, yet cotton fields account for a mere 5 percent of all farmland in India. The purchasing of chemicals and pesticides poses an economically heavy burden on impoverished cotton farmers.

Moreover, since many of them are not equipped with appropriate protective gear for handling chemicals on their farms, skin and respiratory diseases are common. The safety of drinking water is also a concern, since farmers depend on wells near cotton fields where agrochemicals are used. For decades, despite these negative impacts, it was commonly used as the most efficient way of farming.



India accounts for nearly 70 percent of total world production of organic cotton, yet organically grown cotton accounts for only 1 percent of all cotton cultivated in India. The issues confronting farmers provide the context for the low numbers of farmers shifting to organic farming.

Most cotton farmers could not wait the three years required for their farmland to be certified as organic and to receive financial and health benefits. During this period, farmers usually experience a 20 to 30 percent decrease in crop yields. In addition, they are unable to sell the organically produced crops at higher prices due to the lack of certification. In addition to lost revenue, the certification process requires additional fees that are prohibitive for many farmers. Thus, switching to organic cotton cultivation is no easy matter for those farmers who have been farming conventionally for years.

From identifying issues to creating initiatives

Conventional cotton and organic cotton are well known to the world; however, the transitional period to organic and the producers’ living situations during that period is rarely recognized. In the first few years of organic farming, cotton production will usually be unstable, because of the rapid change in farming methods. Also, transitional cotton will be sold as conventional cotton, even when it is produced using the organic method. Recognizing this situation, ITOCHU realized that drawing attention to this little-known reality has the potential to greatly change awareness in the textile industry.

As a solution for improving the living conditions of cotton farmers, ITOCHU Corporation conceived a system called the Pre Organic Cotton Program with kurkku, a company that promotes sustainable lifestyles by selling eco-friendly products. Initiated in 2008, this program puts value on the cotton that is grown without the use of agrochemicals or chemical pesticides during the transition period. The main supports for

“Companies such as ITOCHU and kurkku demonstrate the potential of innovative business partnerships to generate value for companies as well as communities.



This new commitment to the BCtA, the first in recent years by a company from Japan, supports environmentally sustainable agriculture while at the same time increasing income for farmers in India.”

Sahba Sobhani,
BCtA Acting Program Manager

the program include (1) undertaking purchase guarantees in volume before seeding, (2) providing organic farming education to farmers, and (3) helping farmers to get their land certified. This scheme reduces the economic burden on farmers, since they no longer need to purchase agrochemicals and pesticides. At present, more than 40 apparel brands that are eco-friendly and conscious about product origin use Pre Organic Cotton as the key material for cotton products such as clothing, towels, and bedding.

Commitment to the Business Call to Action

Today, the private sector is expected to have a substantial impact on the development agenda of the UN through business. For example, it is possible to achieve sustainable development through “inclusive business” by fairly engaging people in developing countries as producers and business partners in the value chain.

In August 2012, the Pre Organic Cotton Program was approved by the BCtA, which is led by the UNDP. The BCtA is a global initiative to encourage the private sector to develop innovative business models that achieve both commercial success and sustainable development. It is organized by several international organizations, including the UNDP. As a part of its commitment to BCtA, ITOCHU pledged to improve the economic conditions, health, and farming environment of low-income farmers in India by increasing the number of participating farmers and fields in the Pre Organic Cotton Program.

Contributing by connecting people with the world

So why is ITOCHU Corporation involved with the Pre Organic Cotton Program? Because it believes the program has the power to connect people, and because the program brings happiness and positive sustainable changes for those involved – from service providers to consumers around the world.

Through this program, ITOCHU hopes that people become more aware of the issues surrounding the poorest segments of the population. It believes that consumers of Pre Organic Cotton products will pay greater attention to the social issues surrounding the farmers in developing countries. By increasing both production and consumption of Pre Organic Cotton, ITOCHU hopes that more cotton farmers will switch to organic farming to improve living conditions and the natural environment. This is why it continues to support the expansion of the Pre Organic Cotton Program.

Unique to Japan, a general trading company such as ITOCHU – with its multifaceted corporate activities in regions around the world and its extensive areas of operations – has both the potential and the responsibility to contribute to countries and society by connecting people and building bridges among different segments. ■

By POC Program Team,
ITOCHU Corporation

ADDRESSING NUTRITIONAL CHALLENGES THROUGH MICRONUTRIENT FORTIFICATION



Nestlé

Creating Shared Value

Nutrition | Water | Rural Development

A number of global trends – including a growing world population, urbanization, rising incomes, and an increase in the number of people living beyond 60 years – have an impact on nutritional habits and health. In many developing countries, people bear a “double burden” of malnutrition, with undernutrition (comprising protein-energy malnutrition and micronutrient malnutrition) and overnutrition (overweight and obesity) occurring simultaneously. In general, people in lower-income groups around the world are at higher risk of suffering malnutrition in any form.

By Susan Steinhagen, Nestlé

With 2,000+ global and local brands and more than one billion products sold around the world every day, Nestlé has the ability and reach to make a positive impact on the health and nutrition of consumers on a large scale – by offering the right kinds of products and helping consumers make the right nutritional choices.

How do we aim to do that? We have a fundamental conviction that for a company like ours to prosper, we must take a long-term view. Everything we do should create shareholder value, and at the same time, our work must create value for society at large, because that is what ensures the long-term sustainability of a company. We call this “creating shared value.”

Creating shared value

We employ more than 339,000 people and have operations in almost every country in the world. We recognize that

our global and local reach, which we take pride in, brings both opportunities and responsibilities. Therefore, beyond complying with national laws, international standards, and our own Nestlé Corporate Business Principles (which are based on the UN Global Compact’s Ten Principles), we are operating in ways that help protect the environment for future generations. Thus, our commitments to sustainability and compliance form the foundations upon which we build our actions to create shared value in our focus areas of nutrition, water, and rural development.

Focus on nutrition

We aim to create shared value in the area of nutrition by providing nutritious products that deliver real health benefits to our consumers and by making our products more affordable and accessible through innovation and partnerships. We have more than 140 years of ex-

perience in enhancing the nutritional profiles of food products. Today, many of our products are fortified primarily with the “big four” micronutrients – iron, iodine, vitamin A, and zinc. We use information from local governments and international health authorities to identify the different nutritional gaps in diets. We then “renovate” our portfolio by adding the relevant nutrients, focusing on popular foods.

Boosting nutritional content of affordable food

It is important that our fortified products reach the people who need them most, so they must be enjoyable, nutritious, and affordable. We market a growing number of “popularly positioned products” – high-quality food products, ranging from culinary products to dairy, that provide nutritional value at prices to suit those on lower incomes. We prioritize the needs of young children and



Above: Selling iron-fortified Maggi cubes in Nigeria.

Left: Teaching good culinary habits at scale in Côte d'Ivoire.

women of child-bearing age in countries where micronutrient deficiencies are most prevalent, and fortify the products preferred by these vulnerable groups to address specific local needs.

Dehydrated milk powders make very good carriers of micronutrients and provide a way to get them to people on a lower income without changing their existing eating habits. By the end of 2012, our affordable milk ranges were available in more than 80 countries, where they are largely consumed by preschool children. Our recent milk product launches include Nido Dayem, an affordable, iron-enriched milk launched in the Maghreb region of northern Africa. We have a range of powdered and ready-to-drink milks in the Philippines that are fortified with essential micronutrients and have also developed a range of affordable fortified infant cereals to help bridge the nutrition gap during the weaning period and beyond.

Crops that help bridge the nutrient gap

We have launched a new research program that seeks to use conventionally bred crops that are naturally rich in micronutrients. This is done by cross-breeding varieties that are rich in micronutrients with high-yield varieties to produce high-yielding, nutritious crops.

For instance, cassava, which is rich in vitamin A, is being bred in Nigeria and Côte d'Ivoire, whereas rice rich in iron and zinc is being developed for Madagascar. These will be integrated into future product lines as an alternative to fortification. By sourcing conventionally bred staple food crops that are bio-fortified, we hope to increase the quality of raw materials used in production while promoting the planting and consumption of plant foods rich in vitamins and minerals by rural populations in developing countries.

Addressing micronutrient deficiencies in Nigeria

To address iron and vitamin A deficiencies in Nigeria, we have fortified our affordably priced Golden Morn family cereals with both these ingredients. More than 210 million servings of Golden Morn are consumed in Nigeria every year, so fortification gives families across the country the opportunity to increase their nutritional intake every day at breakfast. We are also training farmers in Ghana and Nigeria who grow the corn used to make Golden Morn to follow simple practices that reduce the risk of damage from naturally occurring mycotoxins and increase yields, quality, and consequently price. About 30,000 farmers have benefited from the project since its launch in 2009.

Nutrition education through “cooking caravans”

We have supported the launch of all our fortified Maggi products with advertising and information campaigns that promote their health benefits, their affordability, and the benefits of combining them with fresh, locally sourced products.

We have gone on the road in Central and West Africa to provide nutrition expertise and healthy eating tips to consumers. Maggi brand “cooking caravans” are traveling through Cameroon, Côte d'Ivoire, and Nigeria, educating people about balanced diets, micronutrient deficiency, and the importance of culinary hygiene. The program also aims to encourage cooking at home.

Our long-term vision

This year, we made a commitment to improve the nutritional profiles of our products to help reduce the risks of undernutrition through micronutrient fortification. We aim to lead industry efforts to help ensure that consumers everywhere have the right choices and availability of products to be optimally nourished and, consequently, enjoy good health and personal wellness. We have the capacity and, even more importantly, the determination to do so. ■

PIECITOS COLORADOS – EDUCATING TO DEVELOP LATIN AMERICA



By Prosegur

Piecitos Colorados is a Prosegur development cooperation project that seeks to improve the comprehensive education and the quality of life of children living in disadvantaged areas of Latin America where the Company is present. With an emphasis on a long-term sustainable approach, the program prioritizes the teachers, students, and their families being actively committed to transforming the schools and to turning them into the driving forces of their communities.

By improving education and awareness-raising among the families and the communities, as well as refurbishing the schools, overhauling the basic services and applying nutritional programs, the project seeks to reduce the school drop-out rate and to foster the development of the communities where it is established. Piecitos Colorados is managed by Fundación Prosegur and is currently set up in seven countries (Argentina, Brazil, Colombia, Chile, Paraguay, Peru, and Uruguay), where it benefits more than 4,000 students from 30 schools in different intervention phases.

The origins of the project date back to 2006, when a group of Prosegur employees in Argentina discovered the difficult situation of some rural schools in the north of the country, with serious shortcomings in their infrastructures and basic services. They were located in isolated zones and the students had to walk for miles to attend class, resulting in their feet being stained by the red earth

of the path – they were affectionately referred to by their teachers as “piecitos colorados” (little red feet).

The Company – at a local level – decided to support them by means of a school sponsorship process to rebuild their facilities. One year later, this spontaneous and initial aid played a fundamental role in Fundación Prosegur’s decision to take over the project, put it on a professional footing, and extend it to other countries of Latin America, with the conviction that education is the best future guarantee for these “piecitos.”

For a comprehensive education

Piecitos Colorados, as a development cooperation program, wants to be an agent for change. Its comprehensive approach means that it avoids one-off interventions to emphasize education and cooperation. By developing human capacities and improving the use of the

local resources, the aspiration is that the schools achieve higher levels of self-management and autonomy in the long run by increasing their development opportunities.

In order to work in such different contexts and countries without losing the essence of the project, Prosegur produced an Internal Manual. It is followed by all teams involved in Piecitos Colorados, and, among other things, sets out the main criteria for selecting a school that may qualify for the program. Furthermore, the initiative has its own Business Plan, subject to a quarterly reporting procedure, in order to administer the resources transparently and exercise their effective control.

Piecitos Colorados believes in establishing a strong link with each beneficiary educational center. Therefore, once the school is selected, an Affiliation Agreement is entered into to guarantee a transparent intervention and to break down



the duties and rights for both parties. Once the cooperation has been formalized, the intervention phase kicks off in four progressive levels.

Phase 1 – Infrastructures: Depending on the state of each school, the emphasis is on improving its facilities to provide a better environment for educational development and appropriate health conditions.

Phase 2 – Nutritional Training: The goal is to foster healthy eating habits and encourage better use of local resources. In order to tackle this stage, a strategic alliance has been set up with a nongovernmental development organization (NGDO) specializing in this area – Nutrición Sin Fronteras – based on efficiency and innovation criteria, with a long-term sustainable approach. In that way, employees, parents, and teachers work together as a team to obtain the nutritional data of the students through an information transmission human chain. This means that experts do not need to be sent over from Spain, thus obtaining a good cost-efficiency ratio for the action.

Phase 3 – Educational Quality: Without interfering in the official education set up by each local government, this phase focuses on the overhauling of the

teaching tools and materials. It is also the period in which the students are encouraged to respect the environment and to access the new information technologies.

Phase 4 – Sports: This last phase tries to hearten the students to do sports and foster their physical development, along with highlighting the values of team work, effort, and healthy competition.

The combination of all these measures has enabled significant advances to be detected, such as the reduction of school absenteeism and greater teacher motivation as well as progress in the self-management of the centers (vegetable gardens, greenhouses, and corrals) and in the entrepreneurship spirit of the families (sewing and literacy workshops). In short, great impetus has been given to developing the communities through the schools.



In this sense, the initiative stresses ongoing training. Therefore, the students that show the greatest skills are monitored and then supported through a Prosegur Talent Scholarship, so that they can continue to study and, thus, complete the program’s circle of aid: training professionals who will work for their communities in the future.

A project involving everyone

Piecitos Colorados would not have been able to evolve without the voluntary work of the whole Prosegur team. The link between the workforce and Piecitos Colorados is established right from the start. The employees themselves are the ones who can propose candidate schools; are part of the Selection Committees; cooperate with the work teams; take part in the volunteer activities (painting walls, planting, and weeding vegetable gardens, building greenhouses, etc.); and suggest aspects to improve the program through the website, Intranet, or the specific Piecitos Colorados inboxes. The President of Prosegur and its Fundación, Helena Revoredo, pointed out: “We have been ambitious with the challenge and decided when defining an intervention model, but we knew that we had the best instrument to drive it: the people that are part of our Company.”

A responsible Company

Prosegur is aware of its responsibility toward its customers, employees, and shareholders and of its role in the development of the societies where it is present. The Company, a UN Global Compact participant since 2002, is a partner and a member of the Spanish Network Steering Committee, which promotes the Ten Principles that make up this initiative.

The social action of the Company is managed through Fundación Prosegur, which in 2012 expanded and consolidated its projects, focused on the fields of education, social and occupational integration of disabled people, and corporate volunteering, which benefit more than 40,000 people on three continents. ■

WHO AND SANOFI: A PUBLIC-PRIVATE PARTNERSHIP TO SAVE LIVES

For Sanofi, as a global healthcare partner, improving access to healthcare for the most disadvantaged patients is pivotal to its corporate social responsibility approach. At the core of this commitment is the long-term partnership with the World Health Organization (WHO) to control a group of debilitating infectious diseases, called “neglected tropical diseases,” which affect mostly poor people in developing countries. Since the partnership began, in 2001, more than 20 million people in sub-Saharan Africa have been screened for sleeping sickness, and more than 170,000 patients have received free treatment for what is a fatal disease, if left untreated. This partnership has put the elimination of sleeping sickness within reach — a prospect that was unthinkable a decade ago.



By Benedict Blayney and Pierre-Guillaume Harscouët, Sanofi



Dr. Pere Simarro, WHO, examining slides under the microscope for sleeping sickness parasites



Queuing for sleeping sickness screening test



Finger prick to collect blood for screening test

Sleeping sickness: A neglected tropical disease threatening millions of people in Africa

More than one billion people worldwide are at risk from — or are affected by — a group of infectious tropical diseases that the international community considers to be “neglected diseases.” They are called “neglected” because the people who are most affected by these diseases are often the poorest populations, living in remote, rural areas, urban slums, and conflict zones with poor living and hygiene conditions. Neglected tropical diseases persist under conditions of poverty and are concentrated almost exclusively in the most disadvantaged populations in developing countries.

Without a strong political voice to address the issue, these tropical diseases will continue to have a low profile and a low status in public health priorities, even though they are endemic in 149 countries and territories. Their consequences range — depending on the disease — from blindness, disfiguring scars and ulcers, severe pain, limb deformities, impaired mental and physical development, to death.

Sleeping sickness (also known as human African trypanosomiasis) is a parasitic disease transmitted by the bite of an infected

Glossina insect, commonly known as the tsetse fly. If left untreated, the parasites invade the central nervous system and cause severe symptoms such as changes in behavior, confusion, poor coordination, and disturbance of the sleep cycle (which gives the disease its name). Without treatment, sleeping sickness is generally fatal.

Sleeping sickness threatens millions of people in 36 countries in sub-Saharan Africa. Many of the affected populations live in remote areas with limited access to adequate health services, making

“Above all, this partnership shows what is possible when a pharmaceutical company wants to see its products make a difference in the lives of impoverished people living in remote places. In collaboration with WHO and national control programs, multiple challenges — beyond the donation of drugs — have been progressively tackled in ways that build sustainable capacity. The results speak for themselves.”

Dr. Margaret Chan, Director-General of the World Health Organization

surveillance, diagnosis, and treatment of the disease very challenging. In certain areas, displacement of populations due to conflict is an additional factor favoring transmission of the disease, in regions where health systems are weak or non-existent.

A 1995 WHO Expert Committee estimated that 60 million people were at risk, with an estimated 300,000 new cases per year in Africa, of which fewer than 30,000 cases were diagnosed and treated. During epidemics, prevalence reached 50 percent in several villages in the Democratic Republic of the Congo, Angola, and Southern Sudan. Sleeping sickness was the first or second greatest cause of mortality in those communities, ahead of even HIV/AIDS.

A partnership born from a desperate situation

Despite the efforts of WHO, the situation for sleeping sickness was becoming desperate in 1999 when drugs to treat the disease were likely to be discontinued, and manufacturing to come to an end. However in 2000, discussions were initiated between WHO and Aventis, one of the parent companies of Sanofi, which manufactured three of the five drugs used to treat the disease (pentamidine,

Mr. Christopher A. Viehbacher, CEO, Sanofi and Dr. Robert Sebbag, Vice President, Access to Medicines, Sanofi at Bodo sleeping sickness treatment center, Chad



"The key to success in fighting these diseases is the need to address the multidimensional factors. What is the point in a pharmaceutical company providing treatments, if there are insufficient resources on the ground to provide the healthcare that is needed, or if people are not aware of the symptoms, and cannot be correctly diagnosed and treated?"

Since the beginning of our partnership, we have worked closely with WHO to identify the real needs of people. We have ensured that our commitment not only includes, but also goes beyond, donations of medicines. As a result of the resources we have committed, and the tremendous passion and dedication of the teams, WHO can ensure that trained staff, efficient screening and diagnosis, treatment, disease surveillance, and health education are available and made accessible to all patients.

Thanks to WHO's leadership and the combined efforts of national control programs, academia, nongovernmental organizations, and pharmaceutical companies, we can look forward to the day when the word 'neglected' no longer applies to tropical diseases. I would like to congratulate and commend all those involved in this endeavor."

Mr. Christopher A. Viehbacher, CEO, Sanofi

melarsoprol, and eflornithine) to find a solution to the problem of access to drugs.

On May 3, 2001, a landmark agreement was signed between WHO and Aventis, initially for a five-year period. The objectives of this agreement were to restore control activities; to ensure systematic screening of sleeping sickness and availability of medicines; and to train staff in endemic countries. This agreement was renewed by Sanofi in 2006 and 2011, each time for another five years. From 2006 onwards, the partnership with WHO was extended to include other neglected tropical diseases such as leishmaniasis, Chagas disease, Buruli ulcer, and yaws.

Beyond drug donations, Sanofi provides WHO with funding to support training,

logistics, and infrastructure. From 2001 to 2012, Sanofi has provided \$60 million in financial support and sleeping sickness drug supplies to WHO.

At the London declaration meeting on Neglected Tropical Diseases, held in January 2012, in the presence of Dr. Margaret Chan, Director General of WHO, Sanofi pledged to provide sleeping sickness medication until the disease was eliminated.

On the path to elimination

The results speak for themselves. To date more than 20 million people in endemic areas have been screened for sleeping sickness, and more than 170,000 patients have received treatment for what is a fatal disease, if left untreated.

Through public awareness, control, and surveillance programs implemented in endemic countries, the number of new cases reported has also dropped by some 72 percent – from more than 25,000 in 2001 to less than 7,000 in 2011 (the estimated number of total cases is currently 30,000). These results have been achieved despite the complexity of the screening process required to detect the parasite in remote areas of sub-Saharan Africa with little medical infrastructure (this process involves an antigen-antibody blood test followed, if positive, by a lymph gland puncture, or blood film, to be reviewed by a skilled technician under the microscope, and finally a lumbar puncture and analysis of the cerebral spinal fluid, should evidence of the parasite have been found in the prior tests).



Mobile team laboratory technician performing screening blood test

ADDRESSING INEQUALITIES IN ACCESS TO HEALTHCARE

A majority of the global population does not have access to adequate healthcare today. This is a complex issue, and responsibility for tackling it lies with many different stakeholders: governments, the World Health Organization (WHO) and other international organizations, NGOs, academia, pharmaceutical companies, and funders. As developers and manufacturers of life-saving products, pharmaceutical companies have a crucial role to play. Enabling individuals to assert their right to health means facilitating access to quality medicines and vaccines for as many patients as possible, whether they live in developing, emerging, or developed countries.

For Sanofi, access to healthcare is not only a matter of the patient having access to affordable medicines and vaccines, but also of having the opportunity to benefit from disease prevention and to receive comprehensive care – from diagnosis through to treatment. Sanofi is committed to supporting governments' and other stakeholders' efforts to reducing the barriers to help all people access healthcare. For this reason, it has designed initiatives to address major public health priorities while supporting an economically viable business model that places patients and their needs at the center of its concerns.

Treatment for late stage disease is complex and poorly tolerated with several intravenous infusions per day. This is why Sanofi is also collaborating with the Drugs for Neglected Diseases initiative (DNDi, a collaborative, patients' needs-driven,

nonprofit drug research and development organization) to develop a promising new oral treatment for sleeping sickness. This could potentially replace the current treatments, which are complex and difficult to administer. If this new drug is safe and

effective, it will make treatment much easier for patients. Sanofi and DNDi also started in 2011 a three-year collaboration agreement for research on new treatments for eight other neglected tropical diseases listed by the WHO. ■

CREATING HOMES – AFFORDABLE HOUSING IN INDIA



By Katharina Riese and Svenja Wittkämper, TÜV Rheinland

In recent years there has been a large migration wave from India's rural regions to the cities. Soon, 40 percent of the Indian population will be living in the country's urban centers. Due to this fast growth and the large influx of people, cities are having trouble providing adequate living spaces, utilities, and facilities. More than 130 million people – equivalent to 40 to 60 percent of the urban population – are expected to be living in substandard housing. These low-income groups face a broken housing market that hinders them from living in an affordable and quality home.

Ashoka Innovators for the Public, an association of the world's leading social entrepreneurs, and TÜV Rheinland, a global inspection, certification, training, and consulting company, are using their joint competencies to facilitate the exchange between real estate developers and the low-income population. The mission of the joint project "Creating Homes – Affordable Housing in India" is "[to] create a rating system for affordable housing that certifies sustainable, safe, and quality housing for BoP [bottom of the pyramid, referring to the poorest socioeconomic group] customers."

The large influx of immigrants has left the cities in dire need of innovative city planning measures and approaches to find appropriate housing. Due to the large differences in monthly incomes – which range from 3,300 INR (approx. \$65) for the most vulnerable to 25,000 INR (approx. \$500) for informal sector workers and micro-entrepreneurs – there is no all-encompassing solution. The focus of this project is on the low-

income urban population earning between \$200 and \$500 a month. From a financial point of view, these urbanites would be able to afford a new home at market price in a well-functioning real estate and financial market. Yet, the reality is just the opposite. Low-income families are facing multiple barriers such as a faulty property rights system; bureaucracy combined with corruption; low-quality, expensive building materials; restricted distribution channels; and lack of financial and technical support. Factors such as irregular incomes and no provable financing or tax receipts deter the banking and housing industries from including informal sector workers and micro-entrepreneurs into the market.

Alleviating these market inefficiencies – and thus improving the housing situation for the mentioned income group – is the mission of Ashoka's initiative Housing For All. The civil sector, TÜV Rheinland, as well as additional actors from the private sector have combined their complementary expertise to set

up a framework for a market-based solution. Whereas developers are in possession of a wide knowledge base about land acquisition, construction, design, financing, as well as legal and fiscal regulations, citizen sector organizations can provide valuable insights into the needs and demands of the target group. By introducing new entrants to the market, examples can be made, positive impacts demonstrated, the mindset of the market changed, and the supply of affordable housing increased. In the end the synergy is beneficial for the businesses, communities, and customers involved.

Besides the mere increase in housing supply, the initiative focuses on ameliorating quality by developing a best practice standard. The project partners TÜV Rheinland and Ashoka are combining their expertise to create a certification that sets a benchmark for quality housing. With the help of this benchmark, real estate developers and low-income families will receive guidance on appro-



appropriate and attainable housing with the best quality-to-cost ratio. The standard provides consumers with a high level of transparency, which allows them to make an informed decision. Besides empowering the low-income families, the certification positively influences their living conditions, as safety, sustainability, and accessibility to utilities are part of the eligibility criteria. For developers, the rating system serves as a guideline to help create homes that fit the needs of the target group. Furthermore, the certification requirements lead to optimized processes and reduced transaction costs.

To create appropriate quality housing, the rating focuses on four areas: finance, construction, energy and environment, and community. The aim is to facilitate the access to financing options; to ensure safe, qualitative, and legal construction; to consider resource-efficiency and the carbon footprint of the new development; and to meet the customers' needs. From different angles this view provides

a holistic evaluation of the lifecycle of a building as well as the demands of its occupants. A set of criteria for each of the focus fields is formulated with the help of subject experts. TÜV Rheinland is relying on its 140 years of experience in developing and conducting certifications, to establish, for example, the pillar concerning energy and environment. As project manager, TÜV Rheinland coordinates the realization of the rating process, trains certifiers, and is in charge of awarding certifications to exemplary residential buildings. The result of these concerted efforts is a rating system that covers the length of the housing development project – from the first planning ideas to the time when the house becomes a home.

The cooperation between TÜV Rheinland and Ashoka is scheduled for a four-year period, after which a profitable, affordable housing market will have been created. According to market studies, the affordable housing market is worth \$500 billion, as India faces a shortage of

an estimated 25 million homes. Besides setting up a lucrative market for developers, interaction between developers and the urban poor has been fostered and has resulted in added value for all participants. For low-income families, the project will lead to increased dignity and quality of life as well as to an improved economic status.

In addition, the environment profits from installed energy-efficient technology and resource-saving measures considered in the realization of the project. Ameliorating the lives of excluded members of society as well as applying innovative environmental solutions go hand in hand with the UN Global Compact Principles. By ensuring the initiative is profitable, the sustainability of the project can be guaranteed over many years. Furthermore, the developed certification is easily transferable to other cities within India as well as worldwide, for example to Colombia, Brazil, and Egypt, where comparable projects are being implemented. ■

CORPORATE GOVERNANCE: THE WAY TO SUSTAINABLE FINANCE



By Perihan Abdelghaly and Maha Hasebou, Arab African International Bank

Arab African International Bank (AAIB) firmly believes that the road to impactful corporate governance entails values that achieve sustainable businesses as an end goal – AAIB seeks to maintain the balance between economic growth, profitability, and environmental, social, and governance (ESG) concerns.

AAIB corporate governance goes beyond having effective controls in place. It is about the voluntary adoption of governance practices, individual behavior, and corporate culture.

- Corporate governance is a living and dynamic framework: At AAIB the role of internal control functions goes beyond monitoring and control to guidance and consulting on risk awareness.
- Linking risk-management practices to organizational performance: ensuring that consistent risk-management and compliance practices are in place without losing focus of long-term growth and profitability.
- Being an early adopter of what the Bank considers to be best practice internationally: where appropriate, by applying before a legislation or regulatory directive is published.
- Empowering staff members to come forward and report any serious issues: AAIB's whistle-blowing policy is managed by the Compliance "Department," whereby findings – if any – are reported to the Board's Audit committee.

AAIB has in place an effective control framework that properly monitors compliance and the transparent reporting of financial results, as well as assesses potential risks and proposes the appropriate management thereof. The applied control framework consists of the following:

Board of Directors and Board Committees

The Board is assisted by its Audit, Risk, Corporate Governance, and Remuneration committees in performing its oversight role on bank operations and management.

Senior Management

Within the powers delegated to them, senior management is responsible for ensuring the implementation of an effective control framework and for setting the tone for the AAIB's risk culture, which reflects the Bank's attitude toward risk-taking and risk management, as well as integrates risk awareness into the Bank's daily operations.

Internal Committees

In addition to the primary role assumed by the Bank's control functions, risk and control issues are also discussed by the Bank's internal committees, such as the ALCO & Market Risk Management, Operational Risk Management, Retail Credit Risk, Risk and Control, to name a few. Internal committees are responsible, among other things, for ensuring that AAIB has appropriate and current risk policies in place that address the major risks faced by the Bank. The committees' recommendations are presented to senior management and Board-level committees for review and appropriateness.

Consolidated Risk Management Function

AAIB has a consolidated independent risk-management function with access to the Board through its Risk Committee. The Consolidated Risk Management Group is mainly concerned with the identification, assessment, monitoring and control, and reporting of the main

risk categories to which AAIB is exposed. This is addressed mainly through the following functions under its supervision: Credit Risk, Market Risk, Operational Risk, and Policies and Procedures Unit.

Internal Audit

AAIB has a centralized, independent Internal Audit function, which reports directly to the Board's Audit Committee. The Division's primary focus is on the following activities:

- assessing the effectiveness and adequacy of internal policies and procedures;
- reviewing the Bank's financial reporting;
- conducting risk-based audits on the Bank's branches and functions (including other control functions) to evaluate / validate the effectiveness of internal control systems within the Bank, as well as to review the compliance of branches and functions with internal and regulatory policies and guidelines;
- following up on the implementation of corrective actions related to audit findings.

Internal Control

The Internal Control Division is responsible for ensuring that the established controls are complied with. In essence, the Division is responsible for reviewing the daily transactions on the Bank's ledgers to ensure their proper execution, documentation, and compliance with regulatory and internal regulations, policies, and guidelines. Its role expands to the regular review of various functions at the branch level.

Compliance Function

The main role of AAIB's Compliance Function is to safeguard the Bank against "compliance risk," which is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with compliance laws, rules, and standards

applicable to its banking activities. AAIB's Compliance Function has access to the Board Audit Committee, which ensures the department's neutrality and independence.

Furthermore, AAIB has created the position of Corporate Governance Advisor to provide support to management and the Board's Corporate Governance Committee on the implementation of best practices and the assessment of the overall governance framework.

Facing Changes and Challenges

Egypt's revolution created instability that threatened the security and flow of operations in the country's financial sector. As a corporation with effective management mechanism, AAIB's Board of Directors claimed the expansion of Corporate Governance Committees in Egypt to include Risk and Information Technology Committees. All of AAIB's Corporate Governance Committees are working according to the terms of reference issued by the Board of Directors in 2011. The committees abide by the minimum requirements of the terms of reference and reassess the terms every year. The committees are not limited to senior officials and decision-makers but include all stakeholders. This inserts new blood into AAIB's corporate culture and encourages the independence of various functions such as Compliance, Audit, Control, and Risk.

Juniors are observers: AAIB uses different approaches to surpass the traditional corporate governance goals, whereby the Corporate Governance Committees are not limited to standard scenarios. This means that the Corporate Governance Committees are not limited to senior management in the Bank but include juniors from all functions to integrate corporate governance from the whole bank.

Comply or justify: AAIB follows a strict policy to govern and control the institution. All processes comply with the fol-

lowing guidelines for the Central Bank of Egypt, the Center for International Private Enterprise, and the Bank for International Settlement. "If you cannot comply, then you have to justify." ■

SUSTAINABLE FINANCE IN EGYPT

For development to be sustainable, it must not only seek profitability but must address social justice; equality; reduce – and eventually eliminate – poverty; preserve natural resources; and remain within the limits imposed by the ecosystem. AAIB has partnered with the United Nations Development Programme to enhance the competitiveness of the financial sector in Egypt and to embrace the ESG agenda to establish sustainable growth. Sustainable finance must contribute to the economic growth of the countries.

The objectives of the partnership are:

- promoting awareness of sustainable finance in Egypt;
- developing a national model for inclusive banking, which in turn enables the financial sector a strategy for offering financial assistance to low-income families and individuals;
- reducing and mitigating the financial risks of big markets by distributing wealth and risks on different market segmentations;
- developing banking practices that aim to have a positive impact on people, profits, and the environment and encouraging ethical business practices.

FOR A FINANCIAL EDUCATION CULTURE

Bradesco is committed to its stakeholders' financial education and believes in social transformation through knowledge and awareness fostered by several actions.



By Tita Berton, Bradesco

Bradesco knows the importance of education and all its aspects. Accordingly, with the mission of being recognized as the best and most efficient financial institution in Brazil – and for promoting banking inclusion and sustainable development – it invests in the development of educational tools and spreading the content it produces by targeting each of its stakeholders.

In 2008, the Bank began to conduct "Credit Municipal Meetings" in small Brazilian towns. The lectures provided the people – most of whom had never had contact with a financial institution before – with basic information. These meetings, which are still being provided by the Bank, have reinforced even more the concepts of responsible credit and personal finance.

In 2011, a work group was created to focus on financial education and intensify the Bank's investments in training. That same year, the number of people served by courses in personal finance, financial mathematics, and Microsoft Office totaled 600,000 – double the 2010 figure. Since the Bank began providing courses on its home page in 2010, the course materials have been accessed over 900,000 times.

FINANCIAL EDUCATION ACTIVITIES FOR BRADESCO'S STAKEHOLDERS

Employees	Community, customers, universities, fairs
Lecture on Financial Education and Responsible Credit – Prime and Retail: • 2012: 678 people • 2013: 20,000 people (estimate)	Booklet – Take care of your money: • 6,305 copies delivered
Lecture on Personal Finance – Departments and Affiliates: • 2012: 1,567 people	Lecture on Personal Finance: • 2010 to 2012: 10,184 people
Treinet – Personal Finance: • 2012: 5,593 people	Treinet – Responsible Credit • 2012: 2,590 people
Videos on Financial Education (to be launched in 2013) • Unit I – Responsible Credit and Credit Card • Unit II – Opening of Accounts, Consortium, Social Security, Insurance, Investments and Capitalization Bonds	

Important advances in 2012 were made with the creation of a financial education strategy for the organization. This strategy took into consideration the priority stakeholders and their characteristics (employees, customers, and community) and the decision to utilize one language. The strategy went beyond communication and was applied to Bradesco's sustainable inclusion and financial education strategies and models, so that all stakeholders could be aligned regarding social security, insurance, consumption and credit, investments, and citizenship.

Another highlight was the launch of the Responsible Credit hot site – open to customers and non-customers – and the inclusion of financial education content in network manager courses, with a view to emphasizing the responsibilities of each employee in guiding customers regarding their use of credit.

In 2013, the Portal de Educação Financeira (Financial Education Portal) was launched, which contains all of Bradesco's related actions.

Inside out

In conjunction with guidance on the responsible use of credit as well as products and services offered to customers, Bradesco's financial education measures include internal training. Personal finance courses and the newly launched Responsible Credit courses are provided through the intranet's training system, named TreiNet, in addition to lecturers on financial education, onsite courses, and training for managers.

Through trained staff, the financial knowledge is spread to other stakeholders: namely, the customers and community. Customers can download software, such as Net Finanças, to support personal or corporate financial management decisions. Net Finanças Pessoais and Net Finanças Prime versions allow for the importing of internet bank account data; accessing graphs and reports on financial situations; controlling investments and



credit card expenses; and for understanding Bradesco Corretora's operations and tax calculations. For customers with a University Account, the Bank offers online courses on financial education and other interesting themes. Another tool is the Responsible Credit hot site that, in addition to offering services and guidelines, allows users to control their household budgets and better utilize their funds.

Certain stakeholders need special attention regarding financial education, such as those in low-income communities. In the cities of São Paulo and Rio de Janeiro, the Bank conducted a number of lectures for nearly a thousand people in 2011 and created a specific booklet on personal finance. The topics of financial education, sustainability, and responsible credit were included in the Credit Municipal Meetings' scope and objectives.

In the first quarter of 2013, a video training on financial education is scheduled to be available for the entire Bank network.

Network's strength

Bradesco invests significantly in the organization and availability of online content, videos, and web tools on financial education for individuals and companies. The purpose is to offer di-

dactic, accessible content on financing and related subjects in order to prepare customers to make decision on how to use and manage their money. Thus, much content is included on websites and distributed as follows:

- **Websites for individuals: Classic, exclusive, prime**
- **Websites for companies: Retail**
Content structure on websites for individuals and companies: Financial Situation, My Revenues, My Expenses, My Projects, Financial Products, Responsible Credit, Useful Tools, Further Information, Keeping Up to Date with the Economy.
- **Click Conta (financial education for children and teenagers)**
Click Conta has produced a web series called Antenados, in which children play in the role of two brothers who discuss subjects that are based on certain situations and give tips on financial education.
- **Bradesco University Account (financial education for youngsters)**
The Bradesco University Account has developed the web series Pra toda vida, which helps university students to use money wisely. This is done through content and interactive videos that offer facts and situations of students and their personal finances. ■

RBS INSPIRING ENTERPRISE

The RBS Group has been a signatory of the UN Global Compact since 2003. We support the Compact, as we believe that the resources available to businesses can be leveraged to create sustainable development and more sustainable economies across the globe. As part of building a sustainable RBS, we recognize the responsibility we have to be a positive force in the communities in which we operate. One of the ways in which we do this is by encouraging a more entrepreneurial culture. From the classroom to the boardroom, we are inspiring and enabling enterprise at every stage of the journey.



By Royal Bank of Scotland Group

We know that starting and running a business can be both exciting and challenging. We understand that entrepreneurs and businesses need the right combination of support, advice, and funding to succeed. That is why we provide a wide range of products and services for businesses of all shapes and sizes, in every sector of the economy.

We also know that people need help to explore the idea of enterprise, unlock their potential, and gain the right skills, knowledge, and networks before they can achieve their ambitions. This is what Inspiring Enterprise is all about.

Inspiring Enterprise draws together the work that we do – including our work

with partners and charities – to help people explore and develop their enterprise potential. While we will always support entrepreneurs and businesses of all shapes and sizes, we are focusing additional efforts on three groups that could play a stronger role in the entrepreneurial economy, if given more support.



We have committed, by the end of 2015, to:

- help 100,000 young people to explore enterprise, develop their skills, and start up in business, whatever their background;
- inspire and enable 20,000 women to explore and unlock their enterprise potential;
- support 2,500 social enterprises, working in partnership with the sector to improve access to expertise, markets, and finance.

In summary, Inspiring Enterprise is how we encourage more people in more communities to explore enterprise, build their skills, and, ultimately, to start up and succeed in business.

Enterprise leadership

When it comes to entrepreneurship, the RBS Group is leading in both thought and action. Working with partners – including The Prince's Trust, Social Enterprise

UK, Find Invest Grow, and the RSA – we are delivering targeted research and programs to help drive the entrepreneurial agenda in the United Kingdom.

Every year, we commission research into a range of topics, including current trends, the needs of entrepreneurs in our target groups, and the changing nature of enterprise support. We use this research to inform our own approach and to help us direct our funding and support to where it will be most effective.

Through Inspiring Youth Enterprise, we have extended our partnership with The Prince's Trust – one of the United Kingdom's most successful supporters of youth enterprise – to help young people from disadvantaged backgrounds get the support they need to start up in business. We have also launched our student enterprise programs in partnership with Find Invest Grow – RBS ESSA and RBS EnterprisingU – to encourage, reward, and recognize undergraduates' enterprising activities across the United Kingdom.

Enterprise resources

Inspiring Enterprise provides a range of resources and support for organizations that work with young entrepreneurs, women entrepreneurs, and social entrepreneurs. This includes access to networks, advice, inspiration, and practical facts and figures about how these groups can best be supported on their entrepreneurial journeys. The RBS Group and our partners also provide a wide range of events and services for potential and existing entrepreneurs to help them realize their potential and achieve their ambitions.

Funding

We are making £3 million available between 2012 and 2015 to provide grant funding to nonprofit organizations that run programs to offer support and encourage more young people and women into enterprise. This may include enterprise training, business mentoring, skills development, workspace support, or something completely new and different that will aid young people and women to explore the idea of enterprise and build their skills. Organizations can apply for funding for their programs through a competitive process, which is open several times a year. In addition, we provide loan funding to social enterprises through the RBS Group Micro-finance Fund (RBS MFF). The RBS MFF is an independent arms-length charity set up 10 years ago to work with the community finance and social enterprise sector. The RBS MFF breaks down traditional barriers experienced by social enterprises, as it offers an alternative route to finance. It is our aim to support this sector as it continues to grow and develop and eventually reach a stage where these organizations find it easier to obtain finance from mainstream financial institutions. ■

For more information about the funding that is available, please visit our website www.rbs.com/inspiringenterprise

OTHER RBS ENTERPRISE INITIATIVES

- **Mobile Business School (MBS).** The MBS visits universities, London boroughs, and trade exhibitions and partners with enterprise agencies, charities, councils, and libraries to provide enterprise education to a large number of people, support entrepreneurship, and encourage ambition.
- **Start-up Surgeries.** The Start-up Surgeries offer guidance to potential new business owners and those who have just started trading. This guidance is delivered locally and covers a wide range of topics such as marketing, taxes, and legal information.
- **Business academies.** The academies aim to provide additional support to businesses through enterprise education and providing them with the tools they need to be successful.
- **Trade clinics.** These clinics form a key part of a program of events focused on educating SMEs on doing overseas business. These are typically run in local offices or local venues for 10 to 20 clients, and they are usually managed with input from UK Trade & Investment, local chambers, or other third parties.

A wide-angle photograph of a busy stock exchange floor. The room is filled with traders, many wearing red jackets, who are looking up at large digital screens displaying financial data. The screens show various stock prices, market indices, and charts. The atmosphere appears energetic and focused.

INTEGRATED REPORTING

Growing expectations of stakeholders and legislators as well as the steady growth of global trade flows have added significantly to the complexity of businesses. This comes along with the call for a more holistic reporting of companies' financial and nonfinancial performance. This is the core idea behind integrated reporting: It wants to provided in a coherent way a clear link between economic drivers, financial information, and social and environmental impacts. While the concept is clear, the roadmap is still vague. The International Integrated Reporting Council (IIRC) shall help to overcome this.

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Dr. Kurt Bock,
Chairman of the Board of Executive Directors
of BASF SE

➤ *Mr. Bock, in April 2012 you were appointed by the UN Secretary-General Ban Ki-moon as a new member of the UN Global Compact Board. What are the main reasons for BASF's engagement in the UN Global Compact?*

Kurt Bock: As a founding member of the UN Global Compact in 2000, we strongly support the role of the UN Global Compact as a peer-learning and dialogue platform. By combining high-level commitment with hands-on learning at the local level, the UN Global Compact has gathered experience with concrete best practices in the area of sustainability, and it has a unique competence in the field of facilitating multistakeholder dialogue and projects.

BASF is also participating in the LEAD platform of the UN Global Compact. What is your experience with the initiative so far, and what are your current priorities as a LEAD company?

We welcomed the opportunity of becoming more active in sharing our experiences with other Global Compact members, when the UN Global Compact launched its LEAD platform in 2011. After a two-year pilot phase, LEAD is now focusing on a few workstreams more intensively. BASF is currently engaged in two workstreams: One deals with the post-2015 development process of the UN. Here, the UN Global Compact is asked to bundle and bring in the perspectives of participating companies. The other workstream deals with integrated reporting.

The term "integrated reporting" seems to be on everyone's lips at the moment. Your company has been publishing an integrated report since 2007. Why did BASF decide to do this?

We aim to demonstrate how sustainability contributes to the long-term success of our company. As the first large German company, we have documented our economic, environmental, and social performance and provide specific examples to demonstrate the interdependencies between financial and non-financial information. We have made progress toward a fully integrated report, but there is still potential to further integrate our reporting.

How would you define the target group of your report? And how do you think integrated reporting might change the behavior of your target group?

Our report targets expert readers from both the financial and the sustainability communities. It aims to serve as a basis for assessing BASF's current and future risks as well as opportunities, and therefore it enables investors and other stakeholders to evaluate our performance and strategy. Our report also strives to give a full picture of our company's performance to enable investors and analysts to judge whether BASF is a suitable investment. Furthermore, integrated reporting helps us to further strengthen our reputation as a reliable and responsible business partner. In the long run, we ensure our license to operate by providing neighbors, NGOs, politicians, and others with transparent information.

Currently there is no internationally recognized standard for integrated reporting. Could the work of the International Integrated Reporting Council help to move integrated reporting into the mainstream?

The International Integrated Reporting Council (IIRC) is in the process of defining a framework for integrated reporting. The discussions and exchange of information among different companies in the IIRC pilot program enable us to better meet the expectations of our stakeholders, and especially those of our investors.

What are BASF's main challenges regarding integrated reporting?

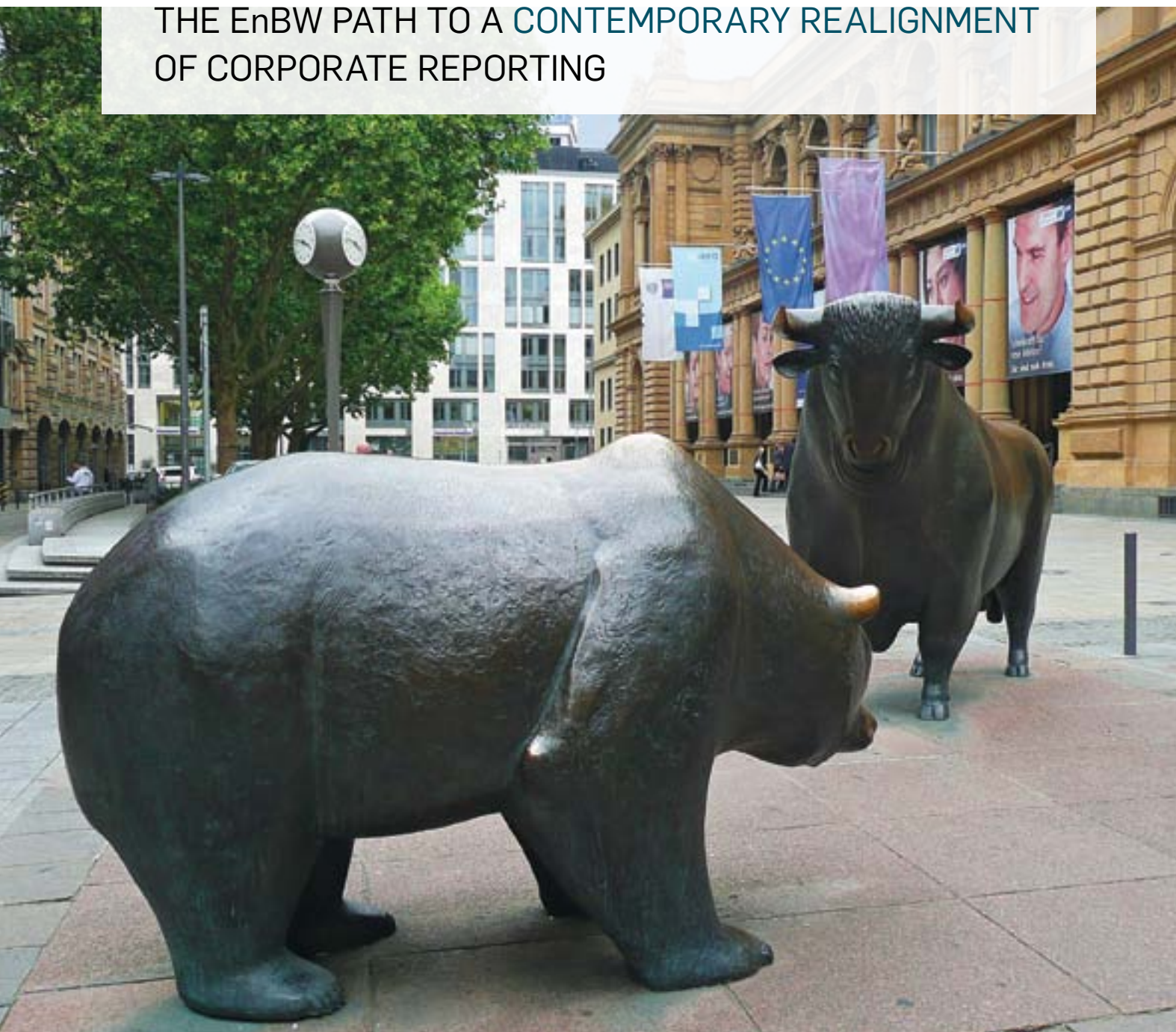
An integrated report has to reflect an integrated corporate strategy: It is an excellent way of demonstrating that sustainability is an integral part of our strategy and operations. All information is provided in a single publication that is externally audited. One challenge we face in the context of integrated reporting is the inclusion of non-financial data within an ambitious reporting time schedule.

What do you think will be the main challenges in the next years?

The main challenge of an integrated report is to provide a view of the material aspects of a company in a comprehensive way to its stakeholders. It is important for us as well as the readers of integrated reports that the various initiatives concerning integrated reporting such as IIRC are compatible with existing reporting standards such as the Global Reporting Initiative and the UN Global Compact. <

INTEGRATED REPORTING: OLD WINE IN NEW BOTTLES?

THE EnBW PATH TO A CONTEMPORARY REALIGNMENT
OF CORPORATE REPORTING



This contribution strives to answer the following questions: Why do we need to realign corporate reporting? Is it old wine in new bottles or does it contain revolutionary ideas about corporate reporting? What is the additional value of integrated reporting and what does EnBW's path toward integrated reporting look like?

By Dr. Lothar Rieth and Christoph Dolderer

In times of globalization and economic and financial crises, organizations are faced with a myriad of challenges. They have to reinvent their business models and implement new, innovative structures. Like many other organizations, EnBW has been affected as well, in addition to issues relating to the government-prescribed energy system transformation (Energiewende) in Germany. EnBW is one of the largest energy companies in Germany and Europe. In 2012 EnBW employed a workforce of about 20,000. These employees generate, trade, transport, and sell energy. Decentralized energy solutions, renewable energies, and low-carbon production are what the business focuses on. In these turbulent times in the global economy – and in the utility sector in particular – EnBW has decided to implement the idea of integrated reporting.

A changing landscape of reporting

In the last decade, the global economy has suffered under the worst financial crisis since the 1930s – a crisis that was in part driven by individuals and organizations focusing on short-term profits and rewards, irrespective of their long-term sustainability. The crisis has underlined the need for capital market decision-making that reflects long-term considerations and implications. Furthermore, it has questioned the extent to which corporate reporting disclosures – as they exist today – reveal systematic risks to business, and whether this is sufficient and transparent. For years, corporate reporting became more voluminous and complex. Business reports are therefore equally exposed to fundamental criticism and used less as a primary source of information. At the same time, the

number of stakeholders as well as their expectations over the years have grown considerably. Therefore, some companies produce “Sustainability” or “Environmental, Social and Governance” reports that consider these factors. Sustainability reports do not sufficiently address the risks and opportunities associated with the business strategy and model, nor are they well-known and relevant within companies. More reports and more information do not imply better reporting.

As a result, discussions have been carried out for several years as to whether the published corporate information should be realigned and in parts condensed, made more transparent, and formulated in a more understandable way. New concepts for reporting are necessary and go beyond the existing traditions and legal requirements. The idea of integrated reporting is considered a viable alternative.

The International Integrated Reporting Council

All observers are aware that, as with all good ideas, a common and consistent understanding of integrated reporting is highly necessary to gain acceptance in markets, politics, and across society. Nevertheless, until recently, no standards or principles for integrated reporting had been set. The International Integrated Reporting Council (IIRC) was founded with the support of HRH Prince Charles with the Prince's Accounting for Sustainability project in August 2010. It was intended to fill this gap by developing an internationally binding framework that supports companies in preparing an integrated report. With a number of draft papers, the IIRC proposed a framework

for combining financial core elements with environmental and social information, as well as aspects of corporate governance, in a distinct, precise, consistent, and comparable format. The Council is composed of representatives from the most relevant organizations that have shaped financial reporting in the past and who come from the sciences, for example: companies such as EnBW, auditing firms, and organization such as IASB, IOSCO, and the World Bank, as well as leading organizations in the field of sustainability, such as the Global Reporting Initiative. As one of the leading actors in developing corporate reporting, the European Union is also being closely followed with great interest concerning current developments in integrated reporting.

What is integrated reporting?

The IIRC Consultation Draft, presented in April 2013, is a principle-based and not a rule-regulated approach. From a continental European point of view, this constitutes a less precise approach while containing fewer mandatory requirements.

At the heart of the Consultation Draft is the value concept as well as the concept of materiality, which has a great effect on the process of integrated thinking within the company and the assessment and the comprehensibility of connecting financial and non-financial KPIs. The Consultation Framework defines integrated reporting as a process that results in communication by an organization, most visibly a periodic integrated report about value creation over time. The most visible result of integrated reporting is the integrated report, which, according to the suggested framework, is described as: “a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.”



Four main elements of integrated reporting can be highlighted:

- 1| The concept of integrated reporting, with its guiding principles and content elements, represents not only an evolution but also a revolution in corporate reporting that increase the quality and the information value of corporate reporting according to the motto “Less is more.”
- 2| The concepts of integrated thinking and integrated reporting are supposed to reflect the management capability to monitor and to manage the complexity of the corporate value creation process. Following this logic, the actual integrated report is at the end of the process chain.
- 3| Integrated reporting is a holistic approach that connects classical financial reporting with non-financial information (such as sustainability issues, risk management, and corporate governance aspects). It merges all material information about strategy, corporate governance, and performances, and thereby mirrors economic, ecological, and social contexts within which a company is operating.
- 4| The concept of integrated reporting is not only a communication instrument in terms of report optimization, but also a steering tool that is used to measure financial and non-financial objectives through a corporate performance system with KPIs and target values.

It is the declared objective to communicate the internal management view externally, thereby enabling external observers to have a better and more comprehensive picture of the company.

To test the practicality of the concept, the IIRC started a pilot program for companies and investors in 2011. Since then, about 100 international companies have been engaged in this pilot program, which has the goal to further develop the framework by adding practical advice from companies and investors – one of the main goals of the IIRC. In April 2013 the IIRC Draft Consultation Framework was launched. Pilot participants as well as all interested parties have the possibility until July 15, 2013, to comment on the framework and thereby simultaneously participate in the realignment of corporate reporting. In December 2013 the first version of the IIRC framework will be released.

EnBW’s path to integrated reporting

In 2011 EnBW embarked on a journey to integrated reporting. The direction of this journey is already known, but the path it takes, together with its internal and external stakeholders, has yet to be determined. In order to do justice to future markets as well as political and social demands, EnBW has put a clear focus on its strategic targets. Long-term and responsible thinking and action, including economic, ecological, and social aspects, are

thereby necessary prerequisites. EnBW’s path is signposted by a continual convergence process that includes many internal stakeholders in different working groups. EnBW’s integrated report is adapted on a homeopathic dosage level so as not to overburden the reader with this new form of reporting.

As an interim result, EnBW has published a combined report for fiscal year 2012. EnBW consciously uses the term “combined report” – in other words, a combination of the sustainability and business reports – because not all central concepts of integrated reporting have been implemented yet. This report was created based upon an optimized sustainability strategy and it already combines key aspects of the business and sustainability reports to a major degree. In addition, first steps were made to reduce the amount of facts provided to limit the report to the most crucial information.

EnBW’s project organization

EnBW’s path encompasses at its heart a company-wide project that was set up by the EnBW Board of Directors to implement the idea of integrated reporting across business units. The project is under the leadership of one employee from the finance branch and one employee from the sustainability branch (both authors). This step is an important signal for a change from internal “silo thinking” – irrespective of what degree this situation is present in a company – to an integrated approach. For achieving the project goals, a close mesh of all relevant business units is crucial, therefore they are all integrated into the project team. This means that various representatives from the fields of strategy, communications, investor relations, corporate accounting, legal affairs, controlling, environmental protection, human resources, and sustainability are involved throughout the process of the project.

Open questions

Although significant progress has been made in a number of fields with regard to content elements and guiding principles, some questions remain unresolved. It still needs to be clarified whether integrated reporting is a renunciation of the traditional shareholder value reporting. In the Consultation Draft, investors are described as the main addressees, but at the same time the concept fosters the idea of a stakeholder orientation, which is advocated by many companies. There are different opinions out there as to whether integrated reporting is more than pure report optimization – in terms of reducing and trimming business reports. Corporate experience will highlight whether an integrated governance concept has to be at the heart of a process that addresses corporate steering components for assessing the main corporate objectives as well as presenting the company strategy and performance results in a new address-orientated format. In addition, a number of national particularities will have to be resolved. In Germany,

there are discussions as to whether the German management report (Lagebericht) already fulfills the recommendations of the Consultation Framework on integrated reporting. The initial view that there are no major changes in comparison to the requirements of the German management report (s. DRS 20, German Accounting Standard, a regulatory standard for the group management report in Germany) has to be taken into consideration. But upon closer examination, significant changes can be identified when compared to the current legal requirements. These affect the accuracy of the report, the expectations of the linked representations, stakeholder-oriented reporting, and future orientation.

These and other questions are being discussed on a regular basis together with other German pilot program companies (SAP, Munich Airport, BASF, and Deutsche Bank) at the German IIRC Round Table. It is the objective of the Round Table to have regular exchanges of experiences concerning the central question of implementing IIRC recommendations.

Integrated reporting can definitely not be classified as “old wine in new bottles.” It constitutes a new approach for company reporting as well as for corporate governance. This new approach has led – and will lead – companies in the near future to alter their approaches to collecting, linking, and preparing financial and non-financial information and to external reporting. In comparison to compliance with rule-based approaches, it has the potential. The discussion entails the promise that, in the future, corporations can gain more trust and confidence in the reporting of its stakeholders through more clarity, conciseness, and transparency in their main communication tool.

By introducing integrated reporting, companies can achieve reputational advantages with key stakeholders by using a precise, transparent, and representative form of reporting. ■



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WHAT ARE THE BENEFITS OF INTEGRATED REPORTING?

By Nicolette Behncke

Integrated reporting moves beyond a silo approach of information gathering and reporting toward a more comprehensive assessment and presentation of a company's value and performance. This offers various benefits, such as giving organizations a more holistic view of information relevant to their strategies, business models, and abilities to create and sustain value in the short, medium, and long term.

More specifically, potential benefits are:

- greater access to and transparency of information from a wide range of both internal and external information sources, through integrated processes and the standardization of information;
- streamlined and better-connected reporting through more reuse of reporting elements, transparency, and collaboration on reporting;
- more relevant and understandable information available for management and stakeholders to enable better decision making;
- better allocation of capital and other resources;
- better access to capital markets and business partners;
- competitive advantage through cost savings, operational efficiencies, and differentiation.

However, the roadmap to realizing such benefits is not necessarily a simple one. It requires a comprehensive approach: understanding the company's strategy drivers, identifying key stakeholders and their specific expectations, and implementing processes to obtain the information necessary for an integrated approach to managing the business.

The integrated model set out below highlights the scope of the information that needs to be considered when assessing the information demands of an organization, including the connectivity between the various areas — external, strategic, business, and performance. Regarding external drivers, companies might ask: What is the market and regulatory landscape like today, and how is it changing? What are the megatrends that are changing society now, and how will they impact markets in the future? With a view to the business model, relevant questions include: Are the business model and supply chain designed to withstand the impacts of climate change, technology failures, and natural disasters? What assumptions have been made regarding the availability of resources?

Answering these questions within an integrated approach will give companies a much clearer picture of their industry, markets, and broader environment as well as how to change products and services, business models, and positioning to remain successful.

Q: Is integrated reporting an external reporting phenomenon or does it have wider ramifications?

Even though the International Integrated Reporting Council (IIRC) discussion paper, which has triggered the current discussion about integrated reporting, initially provides a framework for external reporting, its aim is much higher. The idea of integrated reporting is focused on making some real changes to the existing corporate reporting model, both to external reporting as well as to internal decision making. An integrated report is merely intended to be one output of integrated reporting, which should reflect — and will depend upon — integrated thinking within an organization. It is about understanding the relevance of various factors — financial as well as non-financial — and its connectivity to the company's business model, as well as about considering the insights

formed with such a comprehensive approach in strategic and operational decisions. Ultimately, it is a topic with implications for the management, steering, governance, and culture of an organization.

Q: A status quo analysis based on the outcome of such questions may be the first step on the road to implementing an integrated reporting approach. Which standards have to be applied?

Despite increasing attention on and application of integrated reporting, there is still no common mandatory reporting standard. The only exception so far is South Africa, where companies listed on the Johannesburg stock exchange have to provide an annual integrated report — or explain why they have not — according to the King III Code of Governance Principles. The IIRC consultation draft, published in April 2013, offers fundamental principles for a new corporate reporting framework, including content elements and guiding principles as well as the “six capitals” approach in order to describe value creation. Furthermore, the IIRC issued three background papers on materiality, business model, and capitals, providing preparers with a clear idea of how a good integrated report should look. Maybe the final standard to be published in December 2013 will become mandatory one day. Nevertheless, we think that the principles of good reporting included in the IIRC framework can be applied regardless of specific regulation. In addition, we already see various reporting examples that reflect the ideas of integrated reporting very well and thus offer organizations that are aiming to move toward integrated reporting a foundation to build upon.

Q: Is an integrated report a “one size fits all” solution?

In essence, an integrated report should tell the story of the company. This includes historical financial information as well as information that is forward-looking, explains the company's strategic direction, and discusses targets, risks, and opportunities to be addressed. The structure and length of the report thus depend on the complexity of the company's business. However, the report should focus only on the matters that the organization considers most material for its value creation. This again leaves room for a different understanding of the scope of reporting and will lead to diversity in integrated reporting practices. Therefore, the development of supplementary guidelines for a consistent application of the IIRC framework will be crucial to assure comparability among preparers.

Q: Is an integrated report an additional document that organizations need to produce?

According to the IIRC framework, the main output of integrated reporting seems to be a single report that the IIRC anticipates will become an organization's primary report.

Due to the numerous existing regulatory reporting requirements, it is currently not realistic to call for replacing existing regulated information with an integrated report in the short term. Therefore, the IIRC rather refers to adding this information. However, as one of the goals of integrated reporting is the reduction of current reporting, preparers, users, and standard-setters should find alternative reporting solutions, such as including information required by the IIRC framework into existing reporting, and additionally making use of the online environment, thereby reducing clutter in the so-called primary report.

Q: When is my company ready for an integrated report?

In theory, every company can get ready at any time. However, depending on the size and complexity of an organization as well as the maturity of its reporting, a move toward integrated reporting may need longer preparation. Fortunately, many companies will not need to start the process from scratch, because they already publish a transparent, investor-oriented annual report, sustainability information, KPIs, and other information required for integrated reporting. However, such information is often not linked to their strategy and business model. Therefore, moving toward integrated reporting will mean restructuring the underlying reporting and internal processes. In some organizations, the structures may be so complex and fragmented that companies may even consider establishing a new structure with processes designed specifically for integrated reporting.

Given the developments and the potential benefits of integrated reporting, organizations should consider moving toward integrated reporting in anticipation of regulatory requirements. It may help them to make a difference as first movers and thus give them a valuable competitive advantage.

For those who do not yet report on non-financials, integrated reporting can be an opportunity to move to a more comprehensive and meaningful reporting that meets future requirements from the outset. ■



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WHEN DOES IT PAY?

LINKING CARBON AND FINANCIAL PERFORMANCE

Why do firms have a management orientation toward sustainability?
How should society reconcile the dilemma of maximizing satisfaction today without placing an undue burden upon ourselves in the future?
In the strategy literature, a related question remains fiercely debated:
Does it pay to address ecological and social issues?

By Prof. Dr. Timo Busch

Starting from very fundamental investigations, John Spicer was one of the first authors to conduct an econometric study that investigates the economic consequences of ecological and social efforts. Ever since then, a substantial body of more recent management research has sought to address this question and investigate the relationship between corporate sustainability performance (CSP) and corporate financial performance (CFP) from different angles. However, there continues to be much confusion within this debate. At the 2010 Academy of Management conference in Montreal, papers presented in a session entitled “Examining the corporate social performance – corporate financial performance relationship” offered various results: no relationship, a positive relationship, or even a curvilinear relationship. These results are reflected by scholars’ attempts to detect an outperformance of mutual funds or specialized indexes that invest in firms with enhanced CSP: Empirical studies suggest that sustainable investments may either outperform the market, underperform the market, or make no difference in terms of their risk-adjusted financial returns.

As a result of these mixed findings, some scholars suggest that the situation has remained the same: There is no clear relationship between CSP and CFP. Other scholars conducted meta-analyses and indicate – albeit highlighting epistemological and methodological concerns – that CSP practices are likely to pay off. At least there seems to be no clear indication of a negative relationship between CSP and CFP.

One common notion that has recently emerged in the literature emphasizes that there is no unequivocal, final answer to the CSP – CFP debate. As a consequence, focusing further on the “Does it pay?” question defeats its purpose, as it “reinforces, rather than relieves, the tension surrounding corporate responses to social misery.” As a call for extending this debate, scholars have suggested that instead of seeking to answer the “Does it pay?” question, future research should address the more important one of “When does it pay?” This line of thought is consistent with Rivoli and Waddock’s argument that there is a clear business case for sustainability, but it shifts over time. What is – and what is not – responsible corporate practice is time- and context dependent; the same holds for the profitability of CSP practices. In sum, Berchicci and King conclude that CSP practices “may pay only for some firms, or in certain cases, or in certain time frames.”

Extending the business case debate

One reason for the inconclusiveness of the business case debate can be ascribed to the lack of long-term considerations. To illustrate this in more detail, it is important to distinguish between three generic positions within this business case debate. First, there is the “only profits matter” argument: Rooted in neo-classical economic theory, this argument considers firms to be efficiency-driven anyway, and thus no special emphasis on managing ecological or social issues is needed. The managerial advice would be to incorporate sustainability only to the extent as it is covered by business as usual processes. Any

further efforts to increase CSP unnecessarily constrain the firms’ actions through increased costs. Following this line of thought, management should only focus on maximizing profits and creating shareholder value. It is obvious that, under these assumptions, there is not much room for more sustainable business practices, especially to the extent that is urgently needed.

Second, there is the short-term payoff argument: This argument is rooted in the assumption that, because of information asymmetries, companies may not always follow efficiency-driven goals and make optimal decisions. Based on this assumption, environmental-strategy research suggests green management

efforts can detect previously overlooked efficiency potentials. Increasing operational efficiencies then, in turn, contributes to the firms’ profitability and competitiveness. Hillman and Keim present similar arguments in the stakeholder context: If CSP practices are directly related to primary stakeholder concerns, they may not only serve to improve stakeholder relations, but also improve shareholder value. Following this line of thought, it has been argued that there is no linear relationship between CSP and CFP. The managerial advice would be to make use of cost-benefit analyses to determine when the optimal amount of investments for enhancing CSP is reached.

Third, there is the long-term value-creation argument: This school of thought proposes that management should care about environmental degradation, as this is expected by society. According to this line of thought, in the short run it is possible that firms will face a negative effect of CSP practices on CFP, as such activities do not necessarily result in immediate returns. However, in the long-term they benefit from such a strategy, as their stakeholders value more socially acceptable business practices, which in turn contributes to long-term business success. The managerial advice would be to investigate when and how global sustainability trends and challenges are going to change the business environment, and to implement corporate strategies that respond to these changes.

Most of the empirical research on the business case considers rather short-term effects, for example, the return developments in the following year or the evaluations in financial markets within a short time frame after an event. However, in practical terms, it may often be difficult to precisely determine the optimal amount of CSP investments, especially when purely looking at the short-term financial benefits. Some investments may immediately be profitable, others not. Thus, limiting CSP–CFP evaluations only to short-term considerations can be seen as an important reason for the inconclusiveness of the business case debate.

Moreover, in most of the cases, the fundamental negative consequences of unsustainable business practices are likely to become visible in the long run. This, in turn, implies that efforts to become more sustainable may also require some time to become tangible — or, in business language, to materialize. First empirical evidence suggests that, in fact, a long-term orientation has a positive effect on CFP. Wang and Bansal find exactly that for firms with a high level of long-term orientation — their relationship between corporate social responsibility and CFP is stronger compared to firms with a low level of long-term orientation. Busch, Stinchfield, and Wood find a positive effect of CSP on CFP in the long run, whereas there is no support for this effect in the short run. As such, it may be important to actually answer the “When does it pay?” question by considering the long-term effects and implications of CSP.

Managerial implications

The way ahead is that the short-term efficiency-driven objectives need to be aligned with a long-term value-creating strategy. In a first step, for example, Unilever has moved its reporting practices in this direction. As from 2011 the firm has been releasing a quarterly trading statement every second quarter instead of publishing full financial results. The purpose behind this change is to enhance communication about corporate performance by moving from a short- to a longer-term focus, which better reflects the way the firm manages its business. This is a good starting point.

The next important step is to understand a firm’s ecological embeddedness, as it is a key determinant for the long-term success of an organization. Based on this understanding, new questions need to be asked when entering markets, developing products, and evaluating investment opportunities: How resource-dependent are the production processes? To which extent do we explore low-carbon opportunities? Are there any potentially controversial business practices, notably in the supply chain? Essentially, as part of its long-term-oriented strategy, a company does not use the prevailing uncertainties within the business environment as reasons for inaction. Instead, the principle of responsible leadership can serve as the foundation for a proactive business strategy.

As a precondition for firms implementing such a strategy, the organization’s self-image is important. It has to shift its taken-for-granted stance toward an attitude of being a responsible leader that acknowledges the relevance and necessity of taking new, uncommon, and sometimes even inconvenient pathways that reflect the firm’s ecological embeddedness. As Amory Lovins puts it, such leaders who want to get it done need “guts, creativity, and perseverance.” Responsible leaders can fundamentally change corporate strategy and influence “others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives.” Thus, business leaders can become important drivers of (structural) changes. From this point of view, the primarily instrumental motivation of a long-term value-creating strategy finally merges with the normative form of addressing corporate sustainability. ■



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THE CSR-CFP LINK – SOME USEFUL NATIONAL STUDIES

Malaysia:

Mustaruddin Saleh, Norhayah Zulkifli and Rusnah Muhamad: An Empirical Examination of the Relationship between Corporate Social Responsibility Disclosure and Financial Performance in an Emerging Market
Link: http://www.pbfeam2008.bus.qut.edu.au/papers/documents/MustaruddinSaleh_Final.pdf

South Korea:

Fu-Ju Yang, Ching-Wen Lin and Yung-Ning Chang: The linkage between corporate social performance and corporate financial performance
Link: <http://www.academicjournals.org/ajbm/pdf/pdf2010/apr/yang%20et%20al.pdf>

Indonesia:

Hasan Fauzi and Kamil M. Idris: The Relationship of CSR and Financial Performance: New Evidence From Indonesian Companies
Link: <http://ssrn.com/abstract=1694284>

Bangladesh:

Kazi Zahirul Islam: Corporate Social Responsibility (CSR) and Issue to Corporate Financial Performance (CFP): An Empirical Evidence on Dhaka Stock Exchange (DSE) Listed Banking Companies in Bangladesh
Link: <http://www.iiste.org/Journals/index.php/EJBM/article/view/2456>

South Africa:

Hopolang Leeto Ntoi: Impact of Corporate Social Responsibility on the Financial Performance of Companies listed on the Johannesburg Securities Exchange
Link: <http://upetd.up.ac.za/thesis/available/etd-06182011-184232/unrestricted/dissertation.pdf>

Pakistan:

Nadeem Iqbal, Naveed Ahmad, Nauman Ahmad Basheer and Muhammad Nadeem: Impact of Corporate Social Responsibility on Financial Performance of Corporations: Evidence from Pakistan
Link: <http://www.macrothink.org/journal/index.php/ijld/article/download/2717/2286>

Sri Lanka:

Wijesinghe K. N. and Senaratne S.: Impact of Disclosure of Corporate Social Responsibility on Corporate Financial Performance in Bank, Finance and Insurance Sector in Sri Lanka
Link: <http://www.kln.ac.lk/uokr/ICBI2011/A&F%20141.pdf>

UNPACKING THE CSR-CFP LINK



The continuing financial crisis calls for different managerial paradigms and a broader definition of business success. The narrow and exclusive focus on short-term monetary results has led to counter-productive and negative consequences for business and society. All over the world, different approaches are emerging. Thanks to innovative corporate social responsibility (CSR) practices, a great number of firms have been working with stakeholders in order to support broad and shared value-creation processes that are able to benefit the different constituencies, including not only shareholders but also employees, customers, suppliers, the community in which the company operates, and others.

By Francesco Perrini, Angeloantonio Russo, Antonio Tencati, and Clodia Vurro

The real impact of CSR efforts on corporate performance is still questionable. In fact, for four decades, research on the role and responsibilities of business has centered on the business case for CSR. As a result, an increasing number of studies have appeared on the ties between corporate social performance (CSP) and corporate financial performance (CFP). Yet, the business case for social responsibility and the related link between CSP and CFP remain the most controversial areas in studies on business-in-society.

As a consequence – and in order to keep research aligned with business practice and growing practitioner interest in CSR – the shift away from a simplistic assumption over the link between CSP and CFP has become increasingly stringent, along with a growing request to reorient empirical investigation toward a deeper understanding of what it means to succeed in CSR, disentangling its specific dimensions.

Based on an extensive review of the literature on the CSP-CFP link, our work aims at providing a comprehensive organizing framework for systematizing the performance effects of specific CSR-related efforts. In particular, adopting a stakeholder-based view of a firm's engagement in CSR, we delve into the various dimensions underlying the relationship between stakeholder-related CSR policies and specific performance outcomes. In so doing, we point out the drivers of the relationship, thus advancing the existing debate over the need for a contingency approach to the business case for CSR.

In more detail, our contribution provides a guide that is useful for understanding better the mechanisms by which certain activities may translate into improvements in a firm's performance, leveraging on specific drivers of market and operational results. Thus, it moves beyond a straightforward view of the CSP-CFP link, underlining the limits of paying disproportionate attention to “black box” approaches to both CSR and the performance of firms.

Deconstructing the CSP-CFP relationship: A stakeholder approach

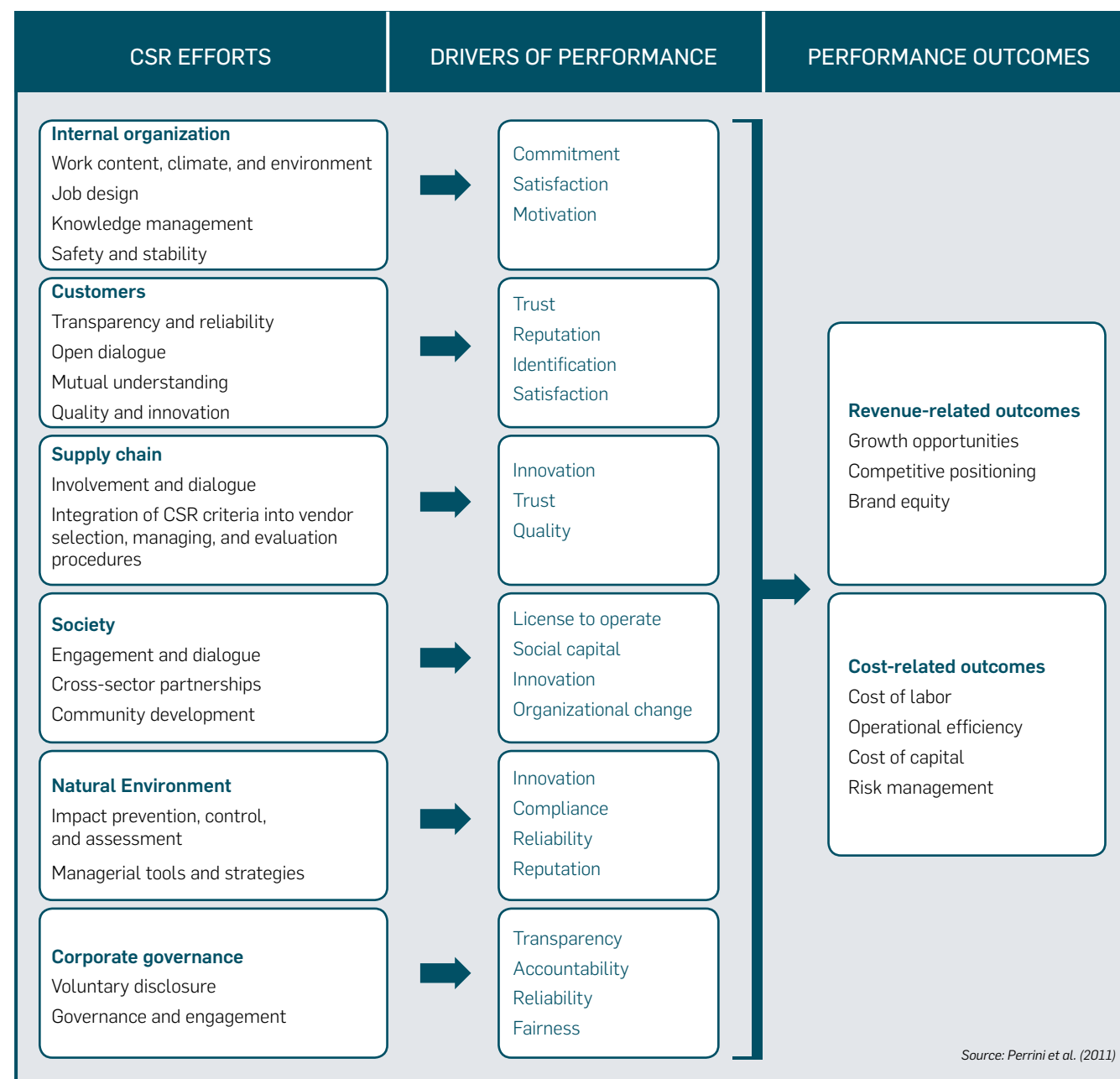
Rooted in the stakeholder theory of the firms, recent research has been appreciating the impact of CSR, both at different levels of analysis and in specific management domains and stakeholder interactions. In this context, research has started to focus on organizational, market, consumer-based, and/or environmental outcomes of specific areas of responsibility. Moreover, emerging theoretical and empirical accounts have started to investigate the impact of specific tools and practices of CSR management in a stakeholder setting, based on a conception of CSR as a new governance model rooted in the value of stakeholder relationships and in the capacity of a firm to meet stakeholder needs beyond mere legal compliance. Thus, a clear understanding of CSR performance consequences should disentangle different management areas and investigate how specific activities translate into organizational, managerial, or market gains according to a multiple-bottom-line perspective.

An extensive and in-depth review of 250 empirical and theoretical contributions allowed us to map the major mechanisms by which CSR efforts may turn into performance outcomes, leveraging on stakeholder-related performance drivers. Accordingly, Figure 1 provides a summary picture of how integrating CSR in specific management domains (e.g., supply chain,

internal organization) can lead to both revenue-related and cost-related outcomes through its impact on performance drivers such as, for example, perceived trustworthiness and company reputation, organizational commitment, consumer-company identification, and a firm's innovativeness.

Figure 1

THE CSP-CFP MULTILEVEL FRAMEWORK: EFFORTS, DRIVERS, AND OUTCOMES



By unpacking the CSP-CFP link, our framework provides an important further step for both research and managerial understanding of the need for setting clear boundaries and specifying levels of analysis while addressing the business case for CSR.

Implications for business

Firms are searching for legitimacy. Due to the financial crisis and the related corporate scandals, society is asking firms to generate more than money for the benefit of limited groups of interest such as top managers and main shareholders. However, several companies "...continue to view value creation narrowly, optimizing short-term financial performance in a bubble while missing the most important customer needs and ignoring the broader influences that determine their long-term success" (Porter and Kramer).

If many firms overlook these crucial opportunities, it is because the business case for CSR is still elusive. The lack of once-and-for-all supportive evidence has often undermined efforts to fully integrate the CSR perspective into managerial decision making. In parallel, this issue also has a great impact on the corporations' relationships with investors. In fact, if there is no clear linkage between CSR and, for example, net income, earnings per share, and market value, why should CSR be a worthwhile consideration in investment decisions? Financial markets and the "mainstream" investment community do not appropriately value the CSR efforts carried out by innovative firms and this behavior penalizes business and society.

From a strategic standpoint, rejection of CSR dramatically limits companies' understandings of their surrounding environments. For the investment community, ignoring the possible consequences – if not benefits – of CSR means losing opportunities for more reliable and robust investments. Despite some attempts to integrate these points into mainstream management and performance assessments, financial considerations are still the prevailing criteria for accepting or rejecting corporate initiatives or investments. Therefore, more comprehensive and reliable tools and methodologies, such as integrated reporting, to support the evaluations of corporate performance and business projects are needed.

Our analysis proposes a framework that could help companies and the investment community to better understand how CSR – and therefore more inclusive stakeholder-oriented governance systems – could positively affect corporate performance. Firms can refer to that to better assess, reframe, and improve their CSR policies – in terms of their efficiency and effectiveness – by considering the mechanisms that could lead to enhanced performance. The investment community can draw on this framework to increase its understanding of corporate initia-



tives and efforts in order to better evaluate the real quality of management and the sustainability of the value-creation processes developed by the companies they work with.

Furthermore, our framework could also assist a more balanced interaction between firms and the investment community. At the moment, this field suffers from a knowledge gap.

To address the sustainability challenge, several firms are developing more participative governance systems and deploying broad value-creation processes by targeting, involving, and engaging stakeholders, but these efforts are not fully appreciated by the financial markets. The perspective provided by the CSP-CFP multilevel framework outlined in this study offers a positive contribution to address this crucial issue and direct the behavioral patterns of firms and investors toward more aware, consistent, and informed approaches. ■

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THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

At the core of the Global Compact initiative are 10 principles for human rights, labour standards, the environment and eliminating corruption.

The Global Compact calls upon globally active companies to recognise these principles and to take steps to put them into effect.

HUMAN RIGHTS

- 1 *Principle 1:* Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 *Principle 2:* make sure that they are not complicit in human rights abuses.

LABOUR STANDARDS

- 3 *Principle 3:* Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 *Principle 4:* the elimination of all forms of forced and compulsory labour;
- 5 *Principle 5:* the effective abolition of child labour; and
- 6 *Principle 6:* the elimination of discrimination in respect of employment and occupation.

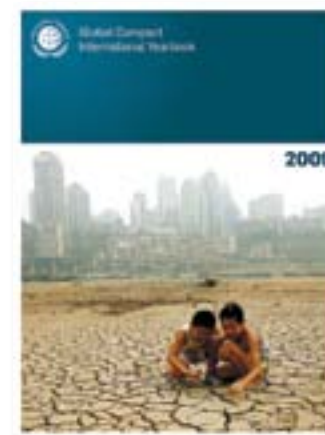
ENVIRONMENT

- 7 *Principle 7:* Businesses should support a precautionary approach to environmental challenges;
- 8 *Principle 8:* undertake initiatives to promote greater environmental responsibility; and
- 9 *Principle 9:* encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- 10 *Principle 10:* Businesses should work against corruption in all its forms, including extortion and bribery.

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“ A growing number of businesses in all regions recognize the importance of reflecting environmental, social and economic considerations in their operations and strategies. ”

Ban Ki-moon, UN Secretary-General

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