



United Nations
Global Compact

UN GLOBAL COMPACT

2016 ANNUAL MANAGEMENT REPORT

MARCH 2017



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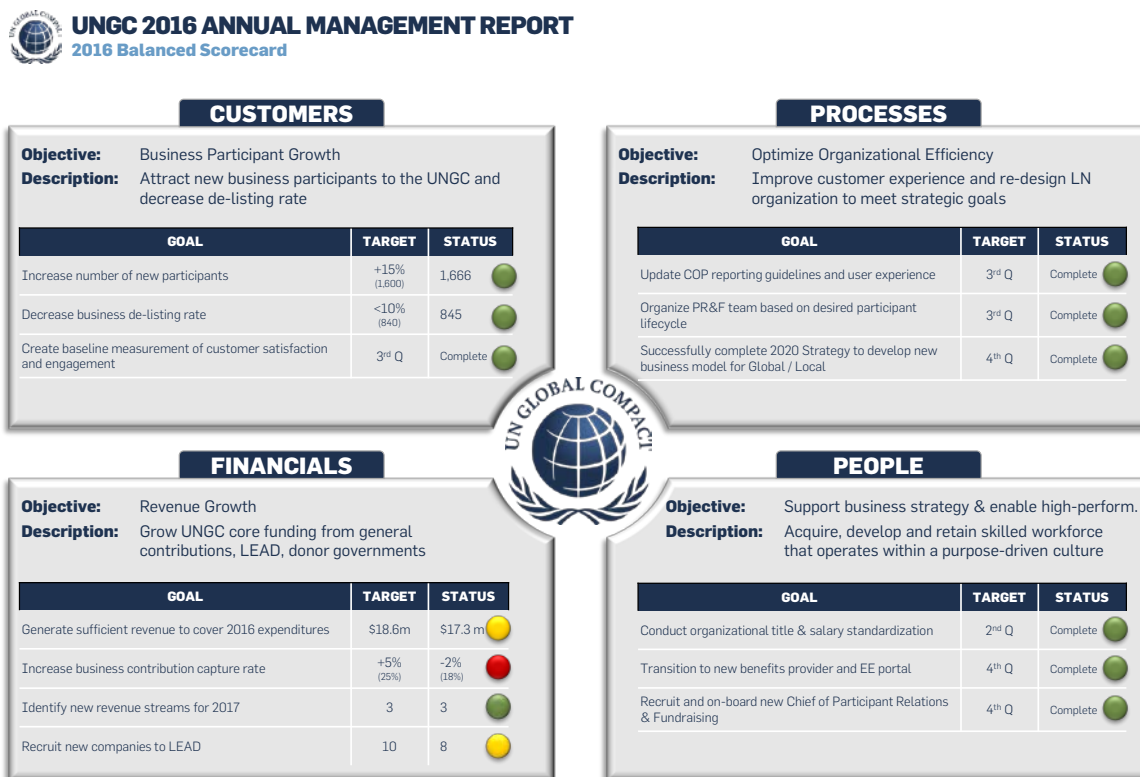


1 OVERVIEW

The purpose of this report is to provide United Nations Global Compact stakeholders with an overview of the organization's progress in key strategic and operational focus areas during 2016, as well as to highlight recent activities undertaken to promote business action on UN issues and priorities. Stemming from the Executive Director's *First 100 Days in Office Review*, and continuing through the recently finalized UNGC 2020 Global Strategy, the UN Global Compact has focused its activities on delivering against three crucial "Must-Win Battles":

1. Creating Sustainable **GROWTH**
2. Optimizing the Global **ORGANIZATION**
3. Clarifying and Strengthening the **BRAND**

These Must-Win Battles served as the basis for the below scorecard that identifies key related organizational goals and reflects progress through the end of the 2016 calendar year:



During 2016, the Global Compact registered strong participant growth as a result of targeted recruitment efforts and the creation of new marketing materials under the multi-year *Making Global Goals Local Business* campaign. The organization was also able to implement several global process and people enhancement efforts, including the recruitment of an experienced business executive to lead the newly created Participant Relations & Fundraising function in New York. This role will be critical in enhancing, and more clearly articulating, the initiative's value proposition and engagement opportunities as the Global Compact shifts to a mandatory contribution model in 2018.

Continued global economic headwinds, coupled with the current optional nature of contributions, resulted in less than expected income in 2016. With the introduction of the Sustainable Development Goals (SDGs), an increasingly crowded group of players in the sustainability landscape also contributed to a lower capture rate amongst business participants. Recognizing these early warning signs, while still needing to invest in key strategic priorities including the development of the UNGC 2020 Strategy, the Breakthrough Innovation platform and the *Making Global Goals Local Business* campaign, the management team engaged the Foundation for the Global Compact Board during Q3 2016 to agree on a plan for covering the projected budget shortfall via the Foundation's sizeable reserves. An aggressive expense management process was also implemented for the remainder of the year resulting in an expected ~USD 600k deficit.



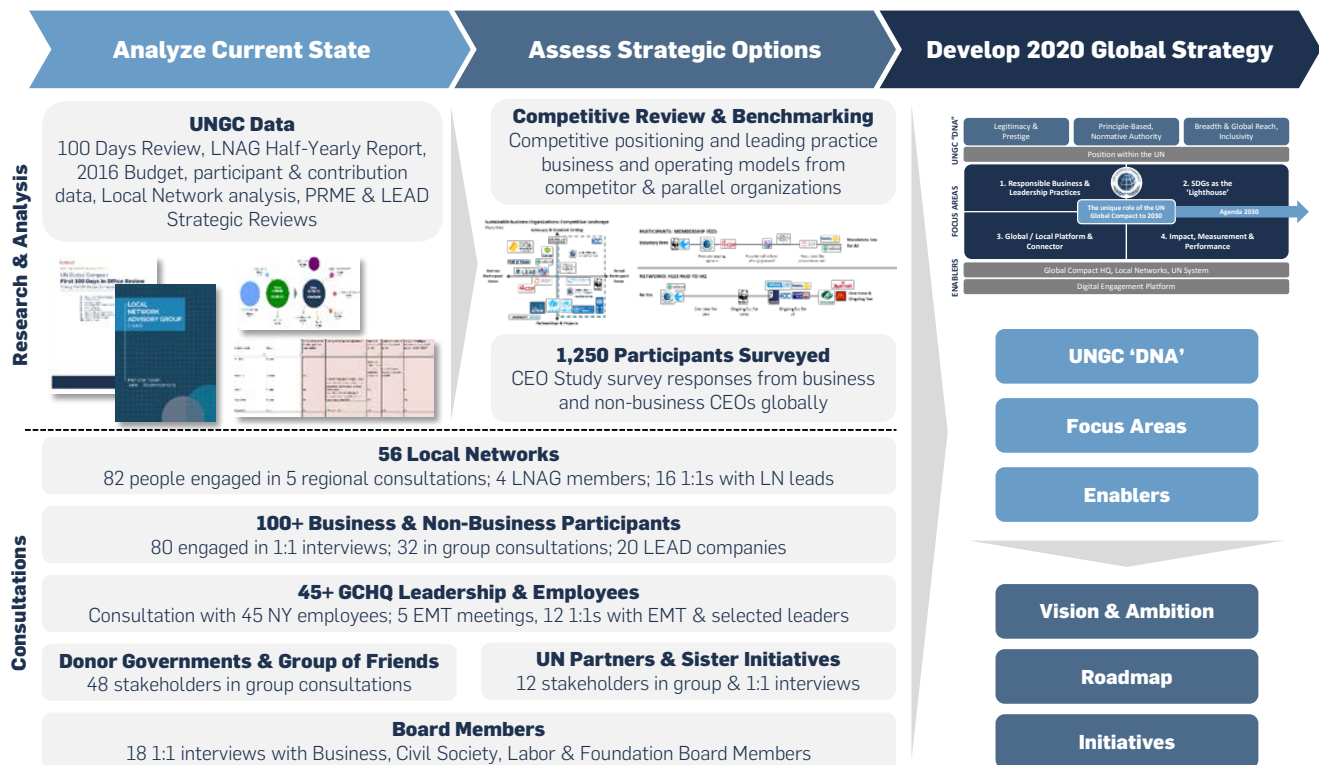
2 ANNUAL SPOTLIGHT: UNGC 2020 GLOBAL STRATEGY

BACKGROUND & PROCESS

The *First 100 Days in Office Review* identified a clear need for the UN Global Compact to “evolve from an entrepreneurial, fast-growing global initiative into a professional, mature global organization.” With the recent unveiling of the 2030 Agenda and related Sustainable Development Goals, leadership changes at both the UN and UN Global Compact and with plateauing participant and financial metrics amidst a crowded sustainable business landscape, the UN Global Compact viewed 2016 as an opportune moment to undertake the development of a new UNGC 2020 Global Strategy. This new strategy provides a lens through which the UN Global Compact and its stakeholders can view the current and future opportunity for the initiative to create game-changing impact on private sector contribution to the 2030 Agenda. This strategy also provides the basis for a clear timeline, 2017-2020, for the UN Global Compact to lead and catalyze action as the overarching “platform of platforms” for business, the UN system and diverse stakeholders to deliver impact at scale.

The strategy process, conducted from March – October 2016 and supported by Accenture Strategy, engaged more than 1,500 stakeholders across the entire UN Global Compact ecosystem, including the UN Global Compact Board, Executive Management Team, fellow UN agencies and partners, the Government Group and Group of Friends, GC LEAD companies, New York staff, and involved extensive and multi-channel consultations with Global Compact Local Network representatives. The consultations with Local Networks included interviews of each network, regional workshops facilitated by Accenture, as well as an opportunity to provide specific comments to the draft strategy document. The strategy was also informed by a survey of more than 1,200 participants, the analysis of key management and financial data, and extensive benchmarking relative to other global sustainability initiatives. This process served as the most comprehensive stakeholder engagement exercise in the UN Global Compact’s history.

UNGC 2016 ANNUAL MANAGEMENT REPORT UNGC 2020 Strategy Stakeholder Engagement Overview



The UNGC 2020 Global Strategy received strong endorsement from the UN Global Compact Board and has been presented to, and endorsed by, the new Secretary-General of the United Nations, H.E. Mr. António Guterres.

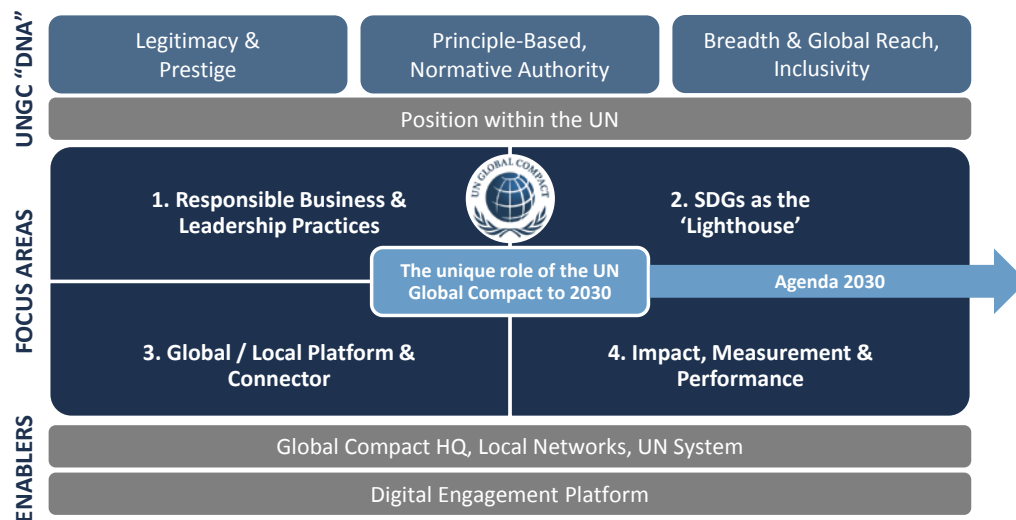
KEY ELEMENTS

Following a thorough current state assessment and review of diverse stakeholder feedback, the UN Global Compact updated its vision and ambition towards 2030 to:



MOBILIZE A GLOBAL MOVEMENT OF SUSTAINABLE COMPANIES AND STAKEHOLDERS TO CREATE THE WORLD WE WANT

Insights from the strategy consultations also confirmed that the Global Compact's unique "DNA" creates a strong foundation for this 2030 vision through four key focus areas that are enabled by expertise in the HQ office in New York, across the Local Networks and through a new digital-first platform:



Fulfilling the unique role that the Global Compact can play, through its global-local combination of the central office in New York and Local Networks, will demand renewed attention to four main focus areas:

- **Global Advocate for Leadership Practices:** The Global Compact will amplify its unique role given by the UN General Assembly as a promoter of responsible business practices and UN values to the global business community and UN System on complex business and social issues (e.g., carbon price, living wage, etc.).
- **SDGs as the Lighthouse:** With the Ten Principles as its foundation, a pivot towards the SDGs will position the Global Compact as the definitive voice and enabler of business contribution to the 2030 Agenda.
- **Global Platform & Connector:** The Global Compact can leverage its UN connection and neutrality to become a global/local "Platform of Platforms." It will be important that credibility and quality is ensured for all materials sourced from other organizations in order to warrant the quality stamp of the Compact.
- **Impact & Performance:** The initiative can leverage its position as the largest and most inclusive network of companies to become the trusted authority on communicating impact of, and progress on, responsible business.

A realistic assessment of the UN Global Compact's existing ability to deliver against each of these four focus areas suggests that radical change is required across the organization. Successful transformation will require commitment to this change, directed toward the vision and ambition for 2030; openness to reorganization and redirection of efforts towards a common mission; attention to critical activities in key areas of focus; and a mature, professional, business-driven culture with deep links to the UN.

Already in 2016, and with greater urgency during 2017, the UN Global Compact will begin implementing transformative change across the following three key work streams:

- **Reinvent the Business Model:** Develop a sustainable global/local business model with a clear value proposition
- **Optimize HQ Operations:** Remove silos and ensure HQ has the capabilities to support core functions & thematic work
- **Strengthen Local Networks:** Provide greater support to enhance LN ability to deliver on global/local value proposition



3 UN GLOBAL COMPACT SIGNATORIES OVERVIEW

The Global Compact experienced renewed steady growth in 2016 and now has a participant base comprised of:

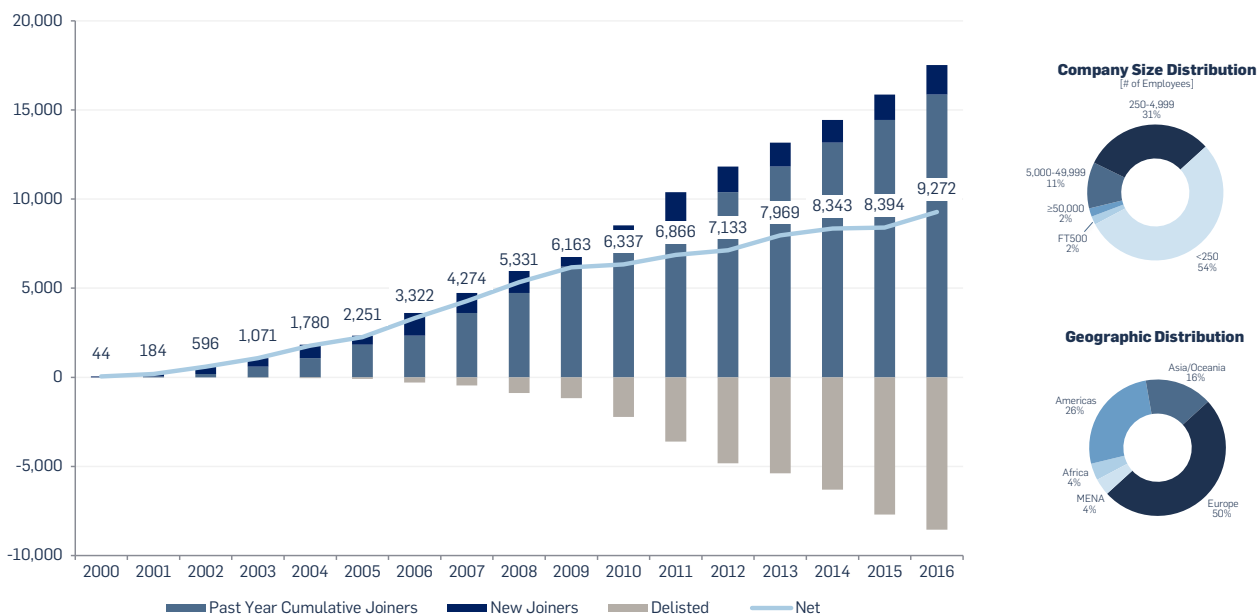
- Business Participants: **9,272**
- Non-Business Participants: **2,983**
- **Total Participants: 12,255**

BUSINESS PARTICIPANTS

Growth: During 2016, **1,666 new business signatories** joined the Global Compact, bringing the number of business participants to 9,272. Although the year started with numbers lagging behind 2015 levels, there was an uptick in June following targeted recruitment activities. Of these new participants, small and medium-sized enterprises (SMEs) make up 69% with the largest proportion of new joiners coming from Europe (43%), followed by the Americas (26%), Asia/Oceania (21%), Africa (5%), and MENA (5%).



UNGC 2016 ANNUAL MANAGEMENT REPORT Cumulative Business Participant Growth



De-listings: **845 business participants were de-listed** from the Global Compact with 78% of them being expelled due to a failure to communicate on progress – the primary requirement for continued participation in the initiative. The regional distribution of de-listings closely resembles that of new joiners, with the largest proportion occurring in Europe (43%), followed by the Americas (26%), Asia/Oceania (21%), Africa (5%), and MENA (5%).

NON-BUSINESS PARTICIPANTS

Growth: As of 31 December 2016, **595 new non-business participants joined** the initiative, surpassing last year’s on-boarding of 491 non-business participants.

De-listings: During 2016, **2,547 non-business participants** were de-listed from the initiative. This sizeable de-listing was anticipated and is primarily a result of the Communication on Engagement (COE) policy instituted in 2014. Similar to the Communication on Progress (COP) requirement for business participants, non-business participants are asked to demonstrate their continued engagement by submitting a simple COE every two years. Non-business participants who were in non-communicating status on 31 October 2016 stemming from the 2014 policy implementation have subsequently been expelled. While unfortunate, the Global Compact views an active and engaged participant base as a necessity in delivering on its vision of mobilizing a global movement.

4 MOBILIZING BUSINESS FOR THE SDGs

The 2030 Agenda for Sustainable Development and the introduction of the 17 Sustainable Development Goals have given the UN Global Compact a roadmap to mobilize a global movement of companies and organizations to create the world we want. Launched in June at the UN Global Compact Leaders Summit in New York, and kicked off with an inaugural event in Dubai in October, *Making Global Goals Local Business* (MGGLB) is the UN Global Compact's multi-year campaign to drive business awareness and action in support of achieving the SDGs by 2030. Key elements of the campaign include an annual high-level Leaders Summit, an SDG Pioneers programme that recognizes local change-makers, expanded UN-business partnerships and enhanced reporting on impact.

The events and resources captured below highlight some of the UN Global Compact's key efforts during 2016:

EVENTS

- **2016 World Economic Forum: High-Level Meeting on UN-Business Partnerships & CEO Dinner** [January – Davos]: At the end of January, global business leaders and UN heads met with the UN Secretary-General to explore opportunities for the United Nations to scale up public-private partnerships that will advance the SDGs. Co-chaired by Lise Kingo and Dr. David Nabarro, Special Adviser to the UN Secretary-General on the 2030 Agenda for Sustainable Development, the roundtable discussion built on the work of the UN Global Compact to mobilize business knowledge, expertise, technology and financial resources that can deliver sustainable solutions at scale. Frank and insightful exchange among UN and business leaders at the event uncovered helpful new ideas and partnership opportunities.

- **Signature Ceremony of the Paris Climate Agreement** [April – New York]: On 22 April the UN Global Compact played a leading role in organizing the *High-Level Luncheon of the Signature Ceremony of the Paris Agreement*, hosted by the UN Secretary-General. Lise Kingo served as Master of Ceremonies at the luncheon – which brought 50 chief executives to the UN on a historic day with 175 Member States signing the climate accord. Amid the day's events, at a UN press conference, Lise Kingo called for companies to set an internal carbon price at a minimum of \$100 per metric ton over time. The announcement was supported by various partners both within and outside the UN, and the call to companies was featured prominently in the official UN press release and several mainstream media outlets.
- **UN Global Compact Leaders Summit** [June – New York]: The UN Global Compact's flagship Leaders Summit provided a dynamic stage to jump-start business action on the SDGs and enjoyed unprecedented media attention, including profiles on electronic billboards across New York City. The official launch of the multi-year *Making Global Goals Local Business* campaign and innovative event programming was well received by participants. In addition, the UN Global Compact unveiled the inaugural class of ten SDG Pioneers, a group of change-makers and sustainability champions who are advancing the SDG agenda globally. Also presented at the event was the triennial UN Global Compact - Accenture CEO Study that continues to show that business leaders within the Global Compact are increasingly incorporating sustainability into their core strategies.

- **High-Level Political Forum** [July – New York]: The UN Global Compact co-hosted the SDG Business Forum alongside the United Nations Department of Economic and Social Affairs (DESA) and the International Chamber of Commerce. At the Forum, the Global Compact committed to further aligning its approach to collecting and measuring partnerships data with DESA and the UN Office of Partnerships. The Global Compact also committed to expanding its role to serve as the primary vehicle for measuring private sector contribution to the SDGs. The 2016 HLPF also set a positive precedent for inclusiveness, and strong business turnout underscored the private sector's commitment to contributing to this annual event to help maintain progress toward achieving the SDGs.

- **UN Private Sector Forum** [September – New York]: While governments came together on 19 September to adopt the historic New York Declaration for Refugees and Migrants, the UN Global Compact convened 300 chief executives, Heads of State and Government, and other leaders for the annual Private Sector Forum. Focused on the role of business in advancing sustainable development to prevent global instability and humanitarian challenges, the forum gave a platform for more than 50 companies to announce major new partnerships and commitments aligned with the SDGs and the Agenda for Humanity. The Secretary-General was in attendance and the keynote address on fostering greater collaboration and understanding between the UN and the private sector was given by the Prime Minister of Canada, Justin Trudeau.



- **Making Global Goals Local Business – Dubai** [October – Dubai]: The United Nations Global Compact convened over 600 leaders from business, civil society, the UN and Government in Dubai to drive business awareness and action in support of the SDGs in the region. Hosted by Global Compact Network UAE, the four-day series of events entitled Making Global Goals Local Business – Dubai explored the actions and partnerships needed to advance the SDGs at the local level, particularly in the realm of peace and the humanitarian agenda. The series focused on encouraging companies to move from awareness to action.
- **Annual Business for Peace Event** [October – Dubai]: A central focus of Making Global Goals Local Business – Dubai was the Annual Business for Peace Event, recognizing the fundamental role of peace in advancing all of the SDGs. Held on 26 October, the event convened 250 participants across sectors to help move the peace agenda from aspiration to action and identify opportunities for companies to align their strategies with SDG 16 – the new universal goal on peace and good governance. Addressing the event, H.E. Dr. Thani Ahmed Al Zeyoudi, Minister of Climate Change and Environment in the UAE, emphasized the deep connection between peace and sustainable development and outlined the SDG work already underway in the UAE. Global Compact Local Networks from Brazil, Colombia, Egypt, Germany, Indonesia, Nigeria, Uganda, Ukraine, and Turkey also shared their efforts to mobilize the private sector around issues such as violence containment, refugees, interfaith and intercultural understanding, and peace negotiations.
- **2016 LEAD Symposium** [November – Cambridge]: On 9-10 November the UN Global Compact, in collaboration with partners John Elkington and Volans, PA Consulting, Singularity University and Innovation Arts, hosted the UN Global Compact LEAD Symposium in Cambridge, UK. Centered on the theme of Breakthrough Innovation for the SDGs, the event convened a hand-picked group of LEAD companies, exponential thought leaders, innovators and UN colleagues to explore the potential of disruptive technologies and how they can enable new and more sustainable business models to meet the ambitions set out by the SDGs. Not only was the event an exciting one with its truly interactive design, it marked an important milestone, kicking off direct engagement with participants on these themes and showing "proof of concept" for the Breakthrough Innovation approach.



- **COP 22/CMP 12: High-Level Meeting on Climate Change** [November – Marrakech]: More than 100 high-level business leaders and investors met with leaders from Government, civil society and the UN in a show of resounding support and commitment to taking action on the Paris Climate Agreement. Hosted by the UN Global Compact, together with UN Environment Programme and the secretariat of UN Framework Convention on Climate Change, the meeting was proof that responsible businesses across the world stand ready, willing and able to take climate action. Over the course of the meeting, participants mapped out how they plan to accelerate climate action and increase low-carbon investments at the country level, and business representatives shared proposals on how the private sector can support and reinforce national climate priorities on mitigation and links between addressing climate change and achieving the SDGs.

RESOURCES

- Partnership Passport:** The UN Global Compact is calling on companies everywhere to take action on the SDGs in partnership with the UN, governments and civil society. The Partnership Passport is a guide to finding new partnerships and enhancing existing ones, and highlights 10 inspiring examples of UN-Business collaboration, tips to plan your own partnerships and directions for finding UN partners to work with.
 
- 2016 Status Report: Business Contribution To Global Climate Action:** As the key deliverable unveiled at the COP 22/CMP 12: High-Level Meeting on Climate Change in Marrakech, this status report presents a first attempt at assessing the contribution of key business initiatives to achieving the goals of the Paris Agreement and the 2030 Agenda for Sustainable Development. Although it is too early to assess quantitative progress in detail, there are encouraging early signs of progress that are detailed in the report.
- 2016 Global Opportunity Report:** In January, the UN Global Compact launched the 2016 Global Opportunity Report in partnership with DNV GL and Monday Morning. The report identifies a number of exciting new business opportunities to address sustainability challenges and aims to unleash a wave of market innovation. The Report received major media coverage, including in the International Business Times and the Boston Globe.
 

5 PROMOTING ISSUE AREAS & THE TEN PRINCIPLES

In 2016, the UN Global Compact partnered with numerous corporations, NGOs and UN agencies to convene events that promoted our Ten Principles in the areas of Human Rights, Environment, Labour and Anti-Corruption. Below are some notable examples:

EVENTS

- 2016 Women's Empowerment Principles Event** [March – New York]: The UN Global Compact co-hosted the *Women's Empowerment Principles* annual event with UN Women on 15-16 March in New York. At the event, Lise Kingo announced the "Panel Pledge" on behalf of UN Global Compact HQ, committing our office not to take part in or host panels comprised only of men. UN Global Compact HQ is now encouraging our Local Networks and signatories to make their own pledges to bring gender balance to conferences and events. The announcement has had an enormously positive response from business participants, partners, Local Networks and the media.
- Ring the Bell for Gender Equality** [March – Worldwide]: In celebration of International Women's Day (8 March), 34 stock exchanges around the world joined the UN Global Compact and the Global Compact Local Networks from 3-11 March in a global "Ring the Bell for Gender Equality" partnership to highlight the business case for achieving gender equality in the workplace, marketplace and community. The campaign kicked off in New York on 7 March with the first opening bell at IEX which Lise Kingo and others rang to raise awareness that gender equality is central to driving the global economy and achieving all of the SDGs. "Ring the Bell for Gender Equality" is a partnership of the UN Global Compact, together with UN Women, the Sustainable Stock Exchanges Initiative, IFC, Women in ETFs and the World Federation of Stock Exchanges.
 
- 7th Global Forum of the UN Alliance of Civilizations: Business Symposium** [April – Baku]: The UN Global Compact, the UN Alliance of Civilizations, Azpromo, and the Ministries of Economy and Culture of the Republic of Azerbaijan co-hosted the first Business Symposium on 29 April alongside the 7th Global Forum of the UN Alliance of Civilizations to discuss the role of business in contributing to societies. Held in Baku, the event focused on three themes – diversity and inclusion, interfaith understanding, and the global refugee crisis – all identified as key constituents of inclusive societies and areas that the private sector can impact and advance. Participants made a call for more innovative methods for business and civil society to work together, leveraging the core strengths of each to achieve maximum impact and new sustainability solutions.



- PRME Business for Peace Forum** [October – Sharjah]: Taking place on the sidelines of the Making Global Goals Local Business events nearby in Dubai, the PRME Business for Peace Forum was a large gathering of representatives that spotlighted the relationship between business, sustainable peace, and conflict resolution. Organized by the PRME Working Group on Business for Peace (B4P), the forum brought together academics, practitioners, civil society, international organizations and NGOs to present and discuss cutting-edge academic research on the role of business in advancing peace, while highlighting areas for further exploration. Recognizing the crucial role of students as future business leaders to advance the SDGs and the Agenda for Humanity, panel discussions and sessions throughout the Forum were guided by questions generated by students from the American University of Sharjah's senior seminar on Business and Peace.



LAUNCH OF ACTION PLATFORMS

An important part of the 2020 Strategy is the update of existing issue areas into new more systematic Action Platforms - all seen through the lenses of the SDGs. This has resulted in the creation of 9 new Action Platforms, including The Blueprint for SDG Leadership, as well as a Global Opportunity Explorer that will gather best practices from companies engaged across all of the platforms and beyond. These platforms are intended to more closely tie the Global Compact's day-to-day work to current global events and to make its thematic work more time-bound and output oriented. The Action Platforms will also be complemented with work streams dedicated to learning and sharing, as well as continued development of tools and resources for our various global stakeholder groups.

Designed for a group of 20 to 40 participants, each Action Platform is rooted in a foundation that combines at least three SDGs with at least three of the UN Global Compact's Ten Principles, and will convene business, leading experts, civil society, Governments and UN partners to solve complex and interconnected issues, explore new market opportunities and innovate around the SDGs. The graphic below presents the new Action Platform portfolio and the Global Opportunity Explorer and a high-level overview of each Action Platform can be found in the following pages.



ACTION PLATFORMS OVERVIEW

- 1. The Blueprint for SDG Leadership:** An expert group of platform participants comprising companies, UN partners, civil society organizations and GC Local Networks will develop a new framework that aligns stakeholder expectations and defines corporate leadership to support all 17 SDGs. Together, they will lead a global consultation process that will consolidate existing standards and leadership principles to advance the SDGs. When launched at the UN Global Compact Leaders Summit in September 2017, the Blueprint will serve as a foundational document for Global Compact participants to use to align their strategies, goals and targets to support the achievement of the SDGs.

 - *Timeframe: Jan 2017-Dec 2017*

- 2. Reporting on the SDGs:** In partnership with GRI, the Reporting on the SDGs platform will enable business to incorporate SDG reporting into their existing processes, empowering them to act to achieve the SDGs. Platform participants will receive expert guidance and identify innovative ways to report on their SDG progress. Through self-assessment exercises, participants will determine the SDGs that are most material to their business and improve how they communicate on their contributions in those areas. Participants will also collaborate on the development of a validated list of business disclosures across the SDGs and contribute to a publication on leadership and best practices for business on SDG reporting.

 - *Partners: Co-led by the UN Global Compact and GRI, in partnership with Principles for Responsible Investment (PRI)*
 - *Timeframe: Jan 2017-Dec 2018*

- 3. Breakthrough Innovation for the SDGs:** In partnership with Volans, PA Consulting, The DO School and Singularity University, this platform will connect companies with some of the world's leading exponential thinkers and innovators to explore the potential of disruptive technologies (e.g. Artificial Intelligence, Big Data, the Internet of Things) to create the sustainable business models of the future. Participants will gain insights on the industrial applications of disruptive technology, identify business models and technologies most relevant to their companies, and receive support for integrating solutions powered by disruptive technologies into their sustainability initiatives.

 - *Partners: Volans, PA Consulting, The DO School and Singularity University*
 - *Timeframe: Jan 2017-Dec 2018*

- 4. Financial Innovation for the SDGs:** In partnership with the United Nations Environment Programme Finance Initiative (UNEP FI) and Principles for Responsible Investment (PRI), this platform will identify innovative financial instruments that have the potential to direct private finance towards critical sustainability solutions. The platform will develop guidance on impact investment strategies that support sustainable development, map current and emerging financial instruments, and provide a laboratory for the development of new innovative instruments.

 - *Partners: UNEP FI and PRI*
 - *Timeframe: Jan 2017-Dec 2018*

- 5. Pathways to Low-Carbon & Resilient Development:** Building on a decade's work of the Caring for Climate initiative, this platform is aimed at driving business leadership to implement the Paris Climate Agreement and related SDGs at the country level. The platform will provide a multi-stakeholder space to catalyze the business contribution to national climate and SDG plans in 7 to 10 countries, and offer analysis of the gaps, synergies and trade-offs between Nationally Determined Contributions (NDCs) and SDG plans for business and policymakers.

 - *Partners: UNEP, UNFCCC, WRI, PRI, WWF and Global Compact Local Networks*
 - *Timeframe: Jan 2017-Dec 2018*



6. Health is Everyone's Business: This platform will enable business to minimize negative impacts and accelerate positive action to support sustainable living, health and well-being in the workforce, community and marketplace. It will demonstrate why health and well-being are imperative for sustainable business, develop the business case for action and showcase opportunities across supply and value chains. Participants will explore opportunities for collective impact through cross-sector partnerships and local implementation and collaborate on the development of a scorecard that business in any sector can use to drive performance and report on progress.

➤ *Timeframe: Sep 2017 Launch*

7. Business for Inclusion: This platform will consider the spectrum of ways that business can help end discrimination, promote equal opportunity, tackle harmful stereotypes and build cultures of respect and understanding. Participants will fine-tune their inclusion strategies to maximize impact and connect to corporate sustainability objectives. They will launch new business practices or expand existing initiatives to create opportunities for economically and socially excluded people, and engage in multi-stakeholder partnerships and business-led advocacy to promote the social and economic benefits of inclusion.

➤ *Timeframe: Sep 2017 Launch*

8. Business Action for Humanitarian Needs: This platform will provide an entry point for business to support the implementation of the New York Declaration for Refugees and Migrants. By developing guidance, supporting global advocacy efforts, mapping opportunities for business engagement and designing new innovative solutions, the platform aims to increase and deepen private sector action in support of vulnerable migrants, refugees and internally displaced persons (IDPs).

➤ *Timeframe: Sep 2017 Launch*

9. Decent Work in Global Supply Chains: This platform will identify and highlight relevant standards, initiatives and good practices, and develop thought leadership on the role of business in promoting decent work in global supply chains by focusing on enhancing social dialogue, ensuring fair wages and ending child labour, forced labour, modern slavery and human trafficking. By launching a business-led advocacy for workers' rights and facilitating partnerships and collaboration at the local level, the platform aims to help build a human-rights based approach to the 2030 Agenda.

➤ *Timeframe: Sep 2017 Launch*

6 LOCAL ACTION: GLOBAL COMPACT NETWORKS

Global Compact Local Networks play a critical role in convening important regional events to build sustainability awareness, translating the SDGs for business, and helping to facilitate the development of national plans in their respective countries to deliver the 2030 Agenda.

EVENTS

- **The 8th CJK Roundtable and China SDGs Summit** [August – Beijing]: Since 2009, the Global Compact Networks from China, Japan and Korea convene annually a multi-stakeholder audience to foster mutual understanding, collaboration, learning and dialogue. At the 8th edition, over 500 government officials, top business leaders, sustainability professionals, academics, students and Global Compact Local Network representatives came together to discuss the implementation of the SDGs and how companies can help advance the global goals through enhanced leadership, collaboration and transparency.



- **VI Business Forum in Latin America and the Caribbean** [September – Lima]: This forum presented the latest accomplishments of UN Global Compact signatories in the region, featuring an overview of the trending business topics in Latin America and the Caribbean and the work of Global Compact Local Networks. The Forum was established in 2009 by the Regional Center for the Support of the Global Compact in Latin America and the Caribbean and provides a platform for benchmarking and exchanging of business practices. The VI edition was built around the 2030 Agenda, with topics including the contribution of the private sector to the implementation of the 2030 Agenda, business trends around global supply chains and regional leading practices. There was also a special focus on SDG 16: Transparency, good governance and solid institutions, and on the role of the corporate sector in guaranteeing its implementation locally.

- **XIV Annual Local Network Forum** [October – Dubai]: Hosted by Global Compact Network UAE as part of Making Global Goals Local Business – Dubai, this two-day forum was attended by 53 Local Networks from across the globe. The ALNF marked the starting point of the implementation journey of the UNGC 2020 Global Strategy, and provided an in-person opportunity to better understand the realities that Local Networks, and the organization as a whole, are facing to collectively discuss the best path forward. Throughout the programme, participants had the opportunity to closely engage with the UNGC Executive Management team and the Regional Local Network Heads, and to share their perspectives and questions on the past, present and future of the UN Global Compact.



In addition, there were break-out sessions focusing on four key areas: New GC Business Model, Global Engagement Model and the Role of Local Networks, Building a Global-Local Value Proposition, and Communicating the 2020 Strategy and Business Model.



7 MEDIA & BRAND OVERVIEW

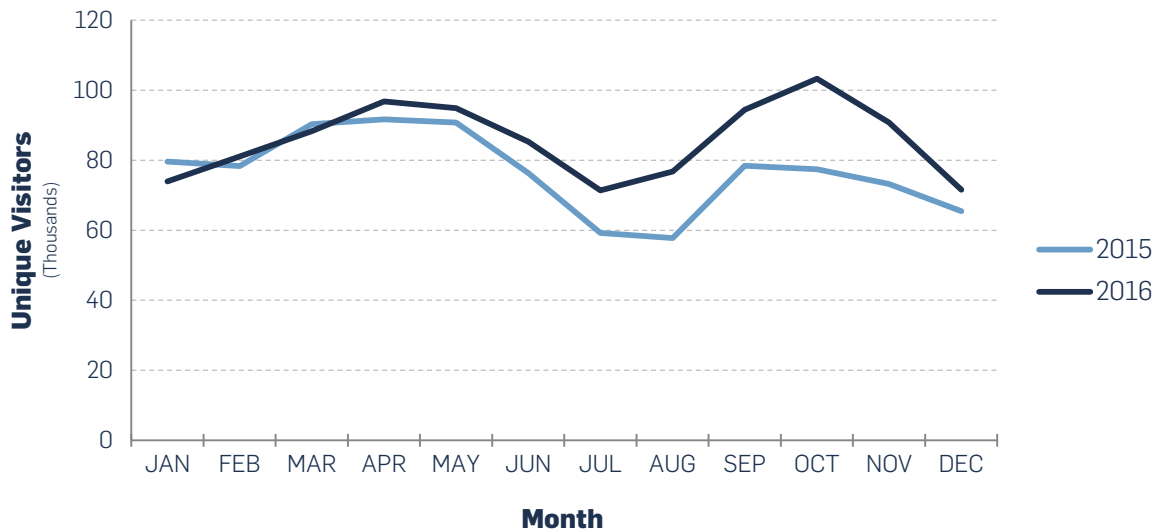
The UN Global Compact's brand and external visibility continued to grow during the course of 2016, particularly through outreach efforts related to the *Making Global Goals Local Business* campaign and the UN Private Sector Forum event, as well as from the launch of the initiative's Action Platforms.

WEBSITE

The Global Compact website saw a steady increase in traffic during 2016 as compared to 2015, with an overall average increase of 12% in the number of unique visitors. Throughout 2016, the website was leveraged to promote key priorities of the Global Compact, notably the *Making Global Goals Local Business* campaign and the UN more broadly. Further, with the redesigned website launched in June 2015, the initiative gained the ability to house all content related to our flagship events. This allows the Global Compact to keep traffic directed to www.unglobalcompact.org as opposed to sending the public to an independent URL, as was done in the past (e.g. www.leaderssummit2013.org).

UN Global Compact Website Visitors

2015 vs. 2016



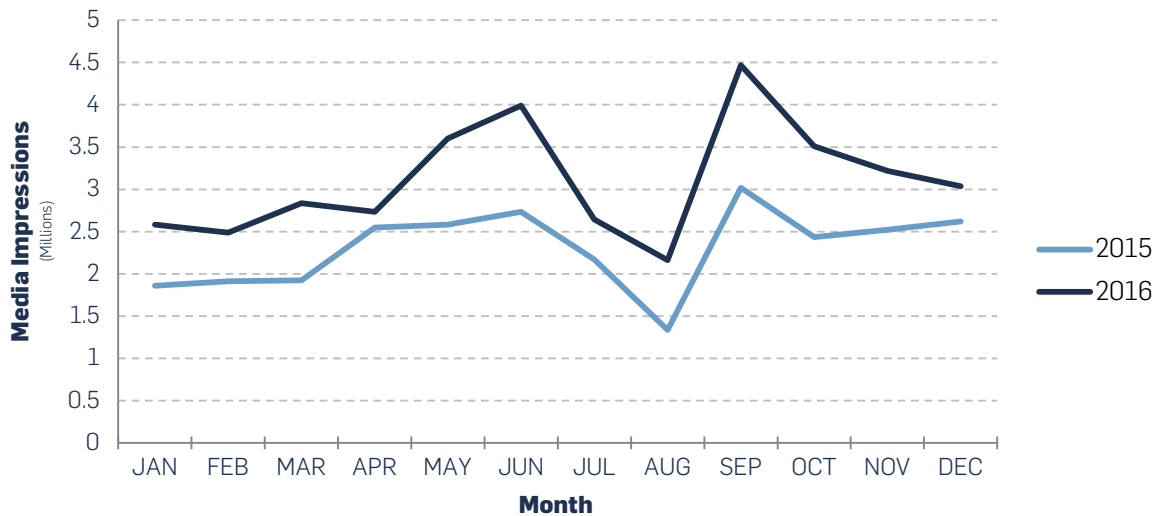
MEDIA

Estimated media exposure for the Global Compact in 2016 reached 37.3 million media mentions representing a 35% increase in comparison to 2015 levels. The estimated potential reach of coverage was 38.6 billion impressions in 2016, with mentions in mainstream and trade media including *CBC*, *The Times of India*, *The Financial Times*, *Fortune*, *The Guardian*, *Huffington Post*, *The Nation Nigeria*, *Reuters* and *Xinhua News*, in addition to UN outlets such as the UN News Centre and a LinkedIn Pulse article from the UN Secretary-General. Potential reach in 2016 was down 17% from 2015, which had extraordinary media moments including the 15-year anniversary event of the Global Compact, the transition of the Executive Director and the COP21 climate meetings. The UN Global Compact currently ranks 45th among the SustMeme Top 500 Business & CSR Influencers, a ranking of the top 500 influencers and players active on Twitter in corporate social responsibility (CSR); sustainable, green and ethical business; socially responsible investment; and governance. Additionally, the initiative holds a Klout Score – a measure of our online influence – of 73 out of 100 positioning the initiative well among other corporate sustainability initiatives.



UN Global Compact Estimated Media Exposure

2015 vs. 2016

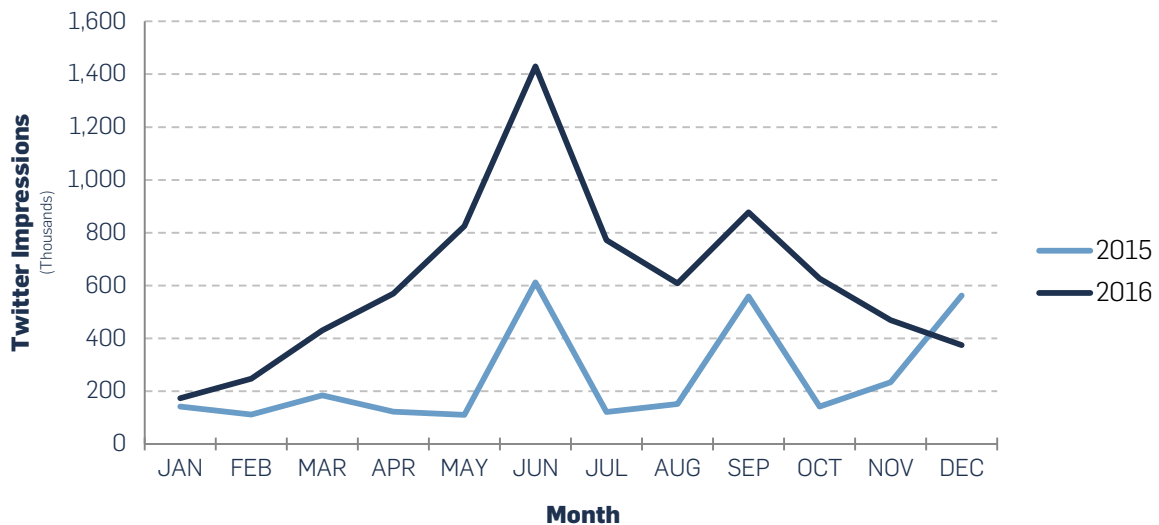


SOCIAL MEDIA

The social media activities of the UN Global Compact saw a significant increase in exposure in 2016 compared with the previous year. The total impressions in 2016 reached over 7.4 million, up from 3.05 million in 2015 and represent a 142.5% increase. This past year also saw the UN Global Compact reach its highest impressions ever over a one-month period, at 1.43 million in June alone. This spike reflected a high interest in the Leaders Summit and the announcement of the 2016 class of Local SDG Pioneers. Throughout the year, our *Making Global Goals Local Business* campaign played a central role in all social media activities. An increase in the use of visuals on social media, including gif images and videos, also contributed to these improved numbers. The initiative also rolled out more frequent updates to our social media cover photos, in line with the UNGC website hero images, to streamline and professionalize. Stronger relationships with social media focal points at DPI also increased traffic to Global Compact posts, and resulted in many of the initiative’s messages being shared by the official UN Twitter account (8.5 million followers). In 2016, the “@globalcompact” Twitter handle was approved for verification, broadly identifying our account as an important and legitimate voice on the platform.

UN Global Compact Social Media Impressions

2015 vs. 2016



8 FINANCIAL OVERVIEW

Continued sluggish global economic conditions, rising political uncertainty and a rapid expansion of other sustainability engagement platforms for business resulted in a challenging financial year for the Global Compact. The external environment was also met with the need to invest in key strategic priorities internally, including the development of the UNGC 2020 Strategy, the Breakthrough Innovation platform and the *Making Global Goals Local Business* campaign.

Based on early signals that income would fall short of projections, the Global Compact's Executive Management team agreed to develop a more conservative scope of work for the remainder of the year. The Board of the Foundation for the Global Compact was also engaged during Q3 and agreed to a plan for covering the projected budget shortfall. Through an aggressive expense management process, the resulting deficit amounted to an expected ~USD 600k and was covered in its entirety by the Foundation's sizeable reserves (USD 8 million). For 2017, the Global Compact has forecasted a significantly more conservative budget and will also pursue a multi-pronged approach to identify additional fundraising opportunities including expanded government funding and grants from foundations.



UNGC 2016 ANNUAL MANAGEMENT REPORT 2016 Financial Results [Un-Audited]

	Consolidated Budget FY 2016 (USD)	Consolidated Actuals FY 2016 (USD)
INCOME		
Issue Area & Special Projects	2,595,780	2,367,957
Donor Government Contributions	3,036,370	2,687,035
General Contributions	6,300,000	6,100,000
GC LEAD	2,500,000	2,000,000
Grant Income	1,785,896	1,785,896
Event Income	1,816,149	1,801,958
Other Income	615,000	503,594
Total Income	18,649,195	17,246,440
EXPENSES		
Personnel	8,998,922	8,654,614
Consultants & Experts	3,730,161	3,500,000
Event and Conference Services	2,149,560	1,850,000
Travel	885,916	750,000
Occupancy & Office Expenses	1,558,170	1,549,146
Telecommunications & IT	567,201	536,074
Communications and Outreach	523,101	400,000
Other Expenses	509,642	471,184
Total Expenses	18,922,673	17,711,018
Net Operating Surplus/(Deficit)	(273,478)	(464,578)
Depreciation	105,000	141,112
TOTAL NET SURPLUS/(DEFICIT)	(378,478)	(605,690)

INCOME

Overall income for 2016 was ~USD 17.25 million, almost 8% lower than expected, due primarily to lower than expected business and GC LEAD contributions. Government contributions also saw an unexpected decrease as a long-time donor was unable to fulfill their pledge due to a technicality that requires the Global Compact's reserves to fall below a certain threshold. This matter has been addressed and the Global Compact does not foresee any future challenges in receiving funding from this specific government, or others within the Government Group.

EXPENSES

In 2016, Global Compact expenditure totaled ~USD 17.71 million. After the mid-year budget re-forecasting, significant cost savings were realized from personnel/consultant, travel and communications expenses.



9 INTEGRITY MEASURES OVERVIEW

OVERVIEW

This portion of the report provides a brief overview of the UN Global Compact's implementation of integrity measures in 2016. This section is organized around the three main components of the UN Global Compact's integrity measures¹:

- Communication on Progress/Engagement (reporting)
- logo policy and brand management
- the facilitation of dialogue on alleged systematic and egregious abuse of the UN Global Compact's Ten Principles

A brief section has also been included to outline proposals for stronger integrity measures as part of the UNGC 2020 Global Strategy. A formal proposal will be presented to the UN Global Compact Board in Q2 2017.

Key Highlights:

- COP submissions increased during the first half of the year and slightly decreased during the second half, but their quality remained steady throughout the year
- Hundreds of SMEs have used the simplified process to submit their COP, which was launched in April 2016
- COE submissions drastically increased during Q4, before more than two thousand non-business participants were delisted for failure to submit their COE
- While instances of logo misuse have risen in recent years, they have decreased this year
- The number of matters being raised under the dialogue facilitation process remains steady
- Labour related concerns remain the top issue raised under the dialogue facilitation process
- As part of the 2020 Strategy, the UN Global Compact plans to strengthen its integrity measures, starting by adopting a stricter due diligence policy for entry and participation, high level engagement opportunities and more proactively engaging with participants on their sustainability issues

REPORTING

Communications on Progress (COP): COP submissions increased for the first half of 2016 and then slightly decreased during the second part of the year. Still, the quality of the reports remained stable throughout 2016, with the same percentages of companies submitting GC Learner COPs (i.e., COPs that are submitted, but do not meet the minimum requirements) and GC Advanced COPs (i.e., COPs going beyond the minimum requirements and covering a comprehensive range of topics outlined in the advanced criteria) as last year. Spikes of Advanced COPs were noticed in June and July.

We continued to see a steady number of COPs using robust reporting frameworks, such as GRI, and more companies adopting integrated reporting. The UN Global Compact has further strengthened its strategic collaboration with GRI with the aim of aligning COP requirements and GRI standards. Longer term, through the action platform, Reporting on the SDGs, the two organizations will work together to consolidate leadership practice and expected business contribution on SDGs, and shape the future of corporate reporting.

COP Reporting Terminology

GC Advanced: A COP that meets all minimum requirements and provides information on additional advanced criteria including governance and leadership.

GC Active: A COP that fulfills all minimum content requirements.

GC Learner: A COP submitted within the deadline but does not meet the minimum requirements (one year limit).

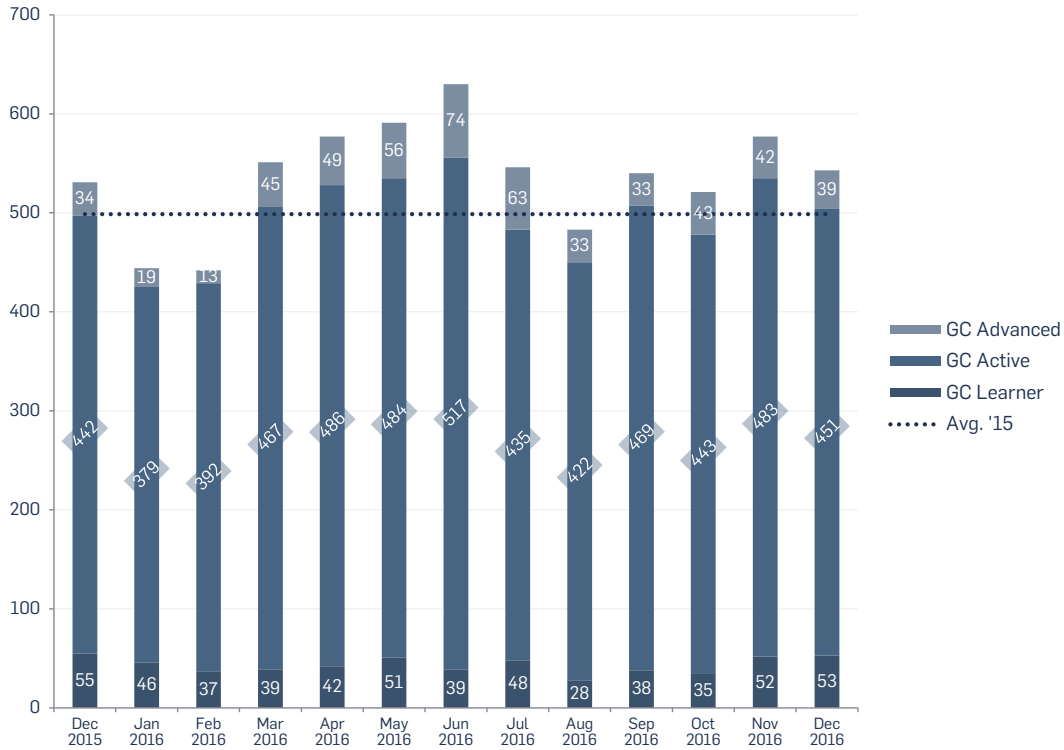
Non-communicating: A company that has failed to submit a COP within the deadline, or fails to submit a COP that meets the minimum criteria after the 12 month GC Learner grace period.

Expelled: A company that is removed from the UN Global Compact for failing to submit a COP that meets the minimum requirements within 1 year of becoming non-communicating or for other reasons.

¹ <http://www.unglobalcompact.org/AboutTheGC/IntegrityMeasures/index.html>

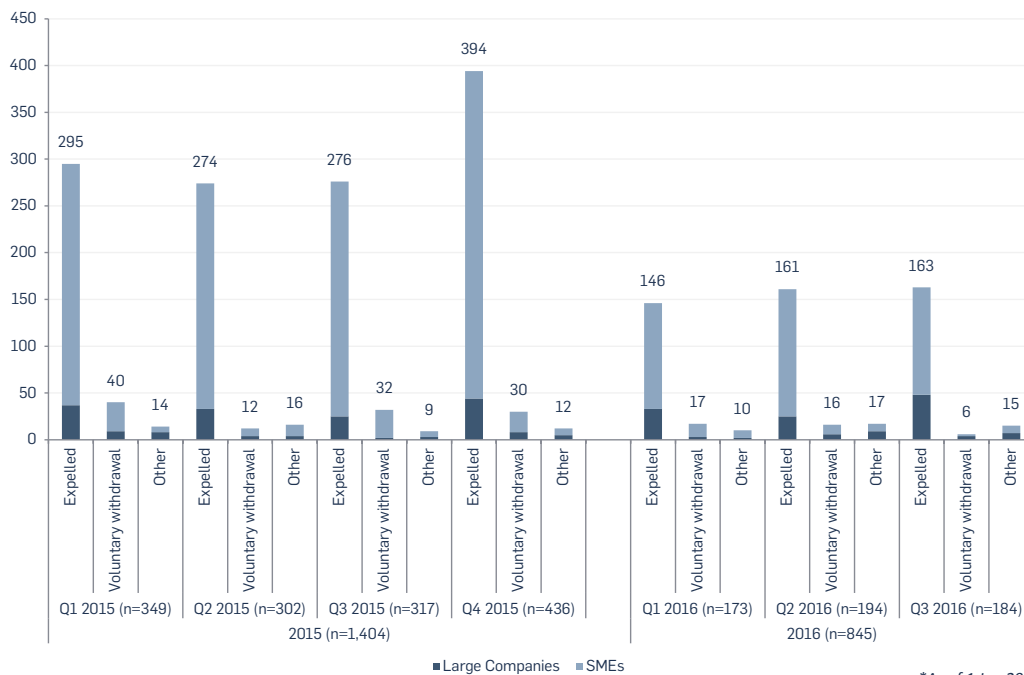


Communication on Progress (COP) Submissions:



De-listings of Business Participants:

Delisted - Business 2015-2016
(SMEs=1,875; Large Companies=374 [Total=2,249])



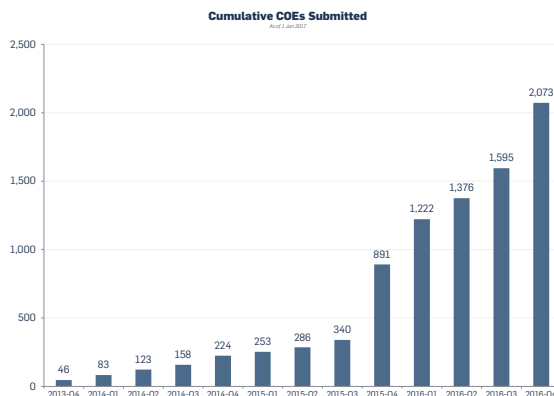
*As of 1 Jan 2017



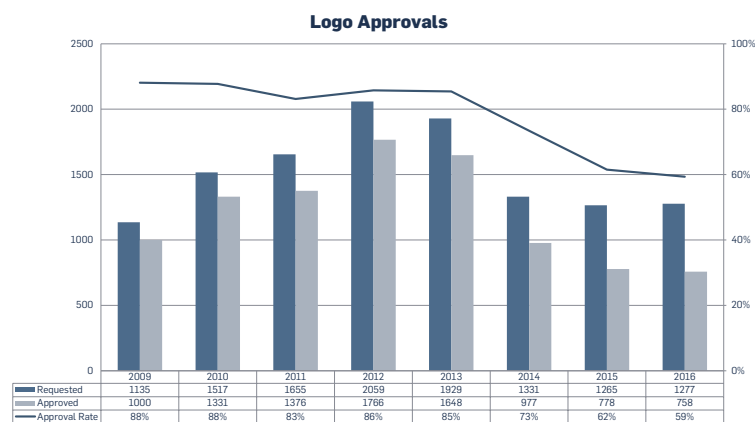
Express COP: Since its introduction in April 2016 until the end of the year, 577 SMEs elected to submit an express COP. While retaining the essence of the COP policy and its requirement to communicate progress on the four issue areas as a key accountability measure, the express COP offers SMEs a simplified and shorter questionnaire. The Global Compact Office continues to encourage its SME participants to openly disclose their impact through the traditional COP submission, and calls on Local Networks to support companies of all sizes to transparently disclose progress.

Communication on Engagement (COE): The COE is the biennial reporting expected of non-business participants. The policy requires non-business participants to submit their COE through the Global Compact website every two years disclosing their activities and outcomes in support of the Initiative. By the end of 2016, 2,073 COEs and 249 letters requesting deadline adjustments were submitted by non-businesses. Throughout the year, the Global Compact Office worked closely with Local Networks to ensure that non-business participants received appropriate support locally.

Still, as expected, by end of 2016 2,213 non-business participants were expelled for failure to submit a COE, going from a total of 5,332 organizations as of 30 September 2016 to 2,983 by 31 December 2016. This led to a substantial decrease in the total number of UN Global Compact signatories, but also removed a large number of non-business participants that no longer exist or that were never engaged. Prior to the COE, there was no accountability measure for non-business participants. Looking ahead, the UN Global Compact continues to actively supporting non-communicating participants with their COE submission to seek to minimize the number of expulsions.



A. LOGO POLICY & BRAND MANAGEMENT



Since recordkeeping began in February 2005, 11,119 requests for use of the regular and/or endorser logo were approved for participants and other stakeholders. Since the new computerized request system was established on 5 February 2009, the UN Global Compact has received a total of 12,169 requests through the system, with 9,514 requests being approved (78% approval rate).

To receive permission to use the endorser logo, participants must have an active COP or COE status and, if business participants, must have demonstrated support for the UN Global Compact

by ensuring their applicable annual contribution to the Foundation for the Global Compact is up to date. Participants commonly request to use the logos in the context of a COP, in annual or sustainability reports, on web pages (internal or external), in training materials and in announcements that a participant has joined the initiative. Requests are normally turned around within no more than two business days.

The number of logo requests received and approved has decreased significantly since the Global Compact introduced an update to the logo policy in 2014, limiting the use of the endorser logo by business participants to those that have made an annual contribution to the Foundation for the Global Compact. In 2015, the policy was updated to restrict the use of the logo on social media platforms, stationary, business cards and other identifying material, contributing to a further decline in the logo approval rate. The approval rate has remained steady throughout 2016.

Logo Misuse: During the course of 2016, 34 instances of logo or name misuse have been reported, including 21 involving non-participants. Instances of misuse are addressed promptly with a cease and desist communication, which is typically effective. Serious instances may result in a participant being delisted. Out of the 13 instances involving a participating organization, only one of those organizations was delisted as a result of its egregious misuse of the UN name and logo. A decrease has been noticed in the number of logo and name misuse cases in 2016 compared with the

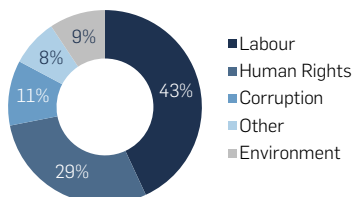


past two years (56 in 2015, 60 in 2014). It remains that most cases of misuse of the UN name or emblem involve civil society organizations, while the majority of cases of misuse of the UN Global Compact name or logo involve businesses.

DIALOGUE FACILITATION

As of 31 December 2016, 207 matters have been raised² since the establishment of the UN Global Compact. The number of matters has seen a slight increase this year (19 in 2016; 17 in 2015; 18 in 2014; 19 in 2013) with a frequency of 1-2 new matters per month. Nearly 57% of total matters (115) were about one or more of the labour principles, including violations of freedom of association and refusal to engage in collective bargaining; almost 37% (77) of the matters have concerned other human rights issues (e.g., product mislabeling, impact of marketing activities, complicity in the context of alleged illegal occupation, impact of operations on the local community including fueling of conflict, right to a fair trial); approximately 15% (29) have alleged corruption; nearly 12% (25) have alleged environmental abuses (e.g., deforestation, water pollution, exploitation of environmentally protected areas); and 21 matters concerned other issues. In many instances, more than one issue area was involved: out of the 207 matters, 53 matters have related to more than one issue area.

Matters Raised Under Dialogue Facilitation



In 2016, a total of 19 new matters were raised with the UN Global Compact. Of these, 2 were accepted for dialogue facilitation, 12 were declined for being beyond the scope of the UN Global Compact, one is yet to be determined pending an internal investigation by a UN agency and one concerned a participant who voluntarily withdrew from the UN Global Compact as a result of their involvement in a sustainability scandal and will request to rejoin the initiative after demonstrating substantial progress. Additionally, in line with the amended integrity measures policy which sets out the conditions for a more proactive stance on corporate accountability, the Global Compact Local Networks: Kenya, Brazil and

UK, each put forward a recommendation for a company from their country to be delisted for integrity reasons. All three recommendations from the Local Networks were endorsed by the Board, resulting in three companies being delisted.

Non-Raised Matters: In addition to the matters raised above, since 2006, 72 matters have been brought to the UN Global Compact's attention through other means; these are referred to internally as "non-raised matters". Such matters have not led to dialogue facilitation, as they do not involve a typical raising party with whom the participant could engage in correspondence/dialogue, such as a journalist or an academic who raises an inquiry. Eleven of these matters were noted in 2016. One resulted in a phone call between the UN Global Compact staff and the company's representative. The phone call was requested by the company in order to address the concerns raised in media outlets. Two of these matters resulted in the UN Global Compact informally reaching out to the participants involved to ask for input on the issues raised. In each case, the company shared the policies and procedures they had in place and/or planned to address the issues in question and no further action was required.

B. INTEGRITY MEASURES IN THE 2020 STRATEGY

As part of the 2020 Strategy, the UN Global Compact seeks to further strengthen integrity measures to promote greater alignment with the Ten Principles and maintain the reputation and credibility of the initiative with stakeholders. Among other proposals to enhance integrity, the UNGC is considering reviewing the entry criteria for participation. So far, properly constituted (under prevailing national law) companies from any industry sector are eligible for participation, except those companies involved in the manufacture, sale, etc. of anti-personnel landmines or cluster bombs. This is due to a UN Convention on these armaments. Through 2016, especially in light of the intention to work further on the topic of health and in line with the UN Pension Fund, the UN Global Compact has received increasing requests to consider excluding tobacco companies from the initiative. The current policy permits their participation, but prohibits the receipt of funding, invitations to speak at UNGC events, and use of tobacco sector examples in UNGC publications. The UNGC plans to enhance its due diligence for the most high profile corporate engagement opportunities, such as sponsorships and the highest profile speaking opportunities, given the higher risk exposure. The results will also be used to help support and encourage companies toward greater alignment with the Ten Principles through engaging them on the content of the due diligence results. The UNGC will further consider the matter and provide a formal proposal to the Board in Q2 2017.

² This number includes 7 matters that were raised prior to March 2004. For simplicity, these 7 matters have been treated as Integrity Measures matters for purposes of recordkeeping, even though formal dialogue facilitation procedures had not yet been developed and implemented.

10 LOOKING FORWARD TO 2017

As the first year under the new UNGC 2020 Strategy, the Global Compact has identified the following goals for 2017:



UNGC 2016 ANNUAL MANAGEMENT REPORT 2017 Must-Win Battles & Key Goals

GROWTH	ORGANIZATION	BRAND
<ul style="list-style-type: none"> ▪ Successfully implement the new business model in the NY Office ▪ Successfully implement the new business model across the Local Networks ▪ Prepare for introduction of mandatory fees by Q1 2018 (for companies with revenues greater than 50m USD) ▪ Strengthen the value proposition of the UN Global Compact at global and local levels ▪ Develop a proactive recruitment strategy targeting both large companies and SMEs ▪ Develop and implement a fundraising strategy directed towards institutional funds and donors ▪ Maintain Government funding while expanding the engagement of Governments 	<ul style="list-style-type: none"> ▪ Drive the 'One Global Compact' culture & values initiative ▪ Review UN Global Compact governance ▪ Successfully implement Local Network support across regions ▪ Upgrade Communications & Branding capabilities ▪ Develop prominent digital capacities ▪ Address the human capital implications of the 2020 Strategy within UNGC NY ▪ Address the human capital implications of the 2020 Strategy across the Local Networks ▪ Ensure close collaboration with the new UN Secretary-General and his office ▪ Review and enhance the UNGC's integrity measures 	<ul style="list-style-type: none"> ▪ Continue the "Making Global Goals Local Business" SDG campaign ▪ Successfully introduce new Action Platforms based on the 10 Principles and the SDGs, while transitioning the LEAD programme ▪ Deliver the SDG Blueprint as the 2017 flagship platform ▪ Begin to develop the Global Compact's strategic positioning as the "Platform of Platforms" ▪ Convene two annual flagship strategic events ▪ Increase collaboration across the UN System and strengthen role as Focal Point for UN-Business partnerships ▪ Strengthen LN capacity to support impactful global/local UN-business partnerships ▪ Publish an annual UNGC Impact Report on the business contribution to the 10 Principles and the SDGs

The following key areas will serve as priorities for guiding the Global Compact's work in the coming year:

- **IMPLEMENT BUSINESS MODELS:**
 - Enhance the global/local value proposition and clearly articulate it to participants & partners
 - Refine the global HQ business model, including identifying and aggressively pursuing new sources of income
 - Partner with each LN to choose a local business model from options presented in the UNGC 2020 Strategy
 - Prepare for implementation of a mandatory contribution model for business participants with >\$50m revenue
- **LAUNCH ACTION PLATFORMS:**
 - Successfully refine concepts and launch remaining Action Platforms
 - Recruit participants, identify advisory committee members, and select chairs to support each Action Platform
- **CONDUCT GOVERNANCE REVIEW:**
 - Clarify required qualifications, appointment, term limits, and roles/responsibilities of Board Members
 - Specify the relationship between the Foundation Board and UNGC Board
 - Ensure adequate Board diversity and regional representation
- **UNDERTAKE INTEGRITY REVIEW:**
 - Review policies and procedures regarding the entry of new participants, engagement opportunities within the initiative (e.g., speaking opportunities at flagship events, sponsorship, participation in LEAD, etc.); as well as criteria and procedures for de-listing participant

With an ambitious UNGC 2020 Strategy in hand, strongly endorsed by the UN Global Compact Board and the new Secretary-General of the United Nations, the UN Global Compact has a concrete and exciting roadmap for optimizing the way it works while scaling business contribution to the Ten Principles and SDGs.