



## United Nations Global Compact Communication on Progress



services for sustainable procurement  
**global** resource. **local** skills.

**Achilles Group Limited 2009**

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## Contents

- 1 Chief Executive Officer and Chairman's statement
- 2 Materiality Assessment and New Reporting Approach
- 3 Core principles of how Achilles Supplier Management Systems impact UNGC issues
- 4 Specific UNGC related activities within Achilles SMS programs
  - 4.1 Introduction
  - 4.2 Electronic's Industry's Tool for Accountable Supply Chains (E-TASC) (ICT sector, global)
  - 4.3 carbonReduction (All sectors - Global)
  - 4.4 Building Confidence (Construction Sector, UK)
  - 4.5 Utilities Vendor Database
  - 4.6 Connexio (Utilities Sector, Central and Eastern Europe)
  - 4.7 Link-up (Transport Sector, UK)
  - 4.8 Oil and Gas Sector Verify Audits
  - 4.9 Oil and Gas Audits Nigeria
  - 4.10 Chile: audits to the utilities industry
  - 4.11 Southern European Region
  - 4.12 Other systems
- 5 Collaborations
  - 5.1 Oxford-Achilles Working Group on Corporate Responsibility
  - 5.2 The Global Reporting Initiative
  - 5.3 Membership of Business for Social Responsibility
  - 5.4 Nottingham International Centre for Corporate Social Responsibility
- 6 UNGC Goals for 2010





## **1. Chief Executive Officer and Chairman's statement**

This year saw the growth of the Achilles Group and with it the growth in the Achilles' communities and their positive influence on the implementation of UN Global compact principles into real business behaviour. That influence now reaches over 650 major corporations and over 45,000 of their suppliers world-wide.

Within these communities buying organisations are increasingly asking searching questions of their suppliers via Achilles' self-assessment questionnaires, or during Achilles' audits, related to the UN Global Compact principles. In many cases they require their suppliers to demonstrate compliance and year on year improvements.

This year was one of both change and continuity in our approach to supporting the UN Global Compact principles. The Achilles' offices, now twenty in number across the globe, continue to provide positive examples of corporate citizenship: for example 2009 saw the fourth year of our sponsorship of the Outward Bound Charity Challenge which offers corporate teams the opportunity to take part in outdoor challenges whilst raising funds for the Outward Bound Trust.

We see the continuation of these activities as an essential part of how we live the values embodied by the UNGC. This year however, following an assessment of where our greatest material impact lay, we have changed our reporting approach to focus on the corporate responsibility actions of our collaborative communities where our values are leveraged to yield results many orders of magnitude greater than we could achieve alone. In this way we can harness our core business strategy to our corporate values to deliver an increased positive impact and turn UNGC principles into practice.

As well as the change in focus this report brings a change in format. For the first time we report progress against specific supplier management systems in order to drive ownership and alignment within our core business. For the first time we attempt to quantify our impact by providing initial data on our programs. For the first time we set ourselves some ambitious goals within the report.



We continue to learn from our own experience, from the wealth of experience within our communities and from the UNGC global network. This report will not be perfect, but it does represent our commitment to be just a little bit bolder and more focused in the way we champion the principles of the UN Global Compact. We look forward to the year ahead and to harnessing the full positive potential of our work and the work of our communities.

Signed by Colin Maund (CEO) and Kevin Gaskell (Chairman)

Two handwritten signatures in blue ink. The signature on the left is a stylized, cursive signature, likely belonging to Colin Maund. The signature on the right is a more legible cursive signature, likely belonging to Kevin Gaskell.



## **2. Materiality Assessment and New Reporting Approach**

As per our communication of last year the Achilles Group has carried out a corporate responsibility survey and an initial materiality assessment to determine which of its activities are likely to have the most material effect and positive contribution to the UN Global Compact principles. The primary finding was that although Achilles is growing at a significant rate for a medium sized business (with around 500 employees in 21 countries) its global network is much larger and continues to grow at an even faster rate. Achilles now hosts 33 communities which influence the business practices of over 650 large corporations and approximately 45000 of their suppliers. The clear conclusion is that while Achilles must continue to live the values through the positive behaviours of its own offices its greatest effect is through the sphere of influence of its communities. From this point forward Achilles will focus its reports on the activities of those communities alongside significant examples of how of good practice from its offices.

Many of the challenges related to the UNGC principles are quantitative issues of large scale, for example the challenge of mitigating climate change can be expressed as the challenge of limiting carbon dioxide emission concentrations to 450ppm to keep temperature rises within 2 degrees by 2050. Similarly creating responsible supply chains is an issue where changing behaviours, cultures and institutions requires a critical mass of suppliers to be engaged in a consistent manner – rather than anecdotal or ad-hoc interventions.

Hence Achilles will take its first steps in this year's report to starting to report quantitative measures of its relevant activities alongside descriptive accounts. This will move us towards best practice and with an aspiration to measure and report in the years ahead using some of the standard measures proposed of the kind provided by the global reporting initiative.





### **3. Core principles Achilles Supplier Management Systems' Impact**

Achilles supplier management systems (SMS's) are developed as a result of the consensus building activity of Achilles collaborative communities. They typically include an online database which can be used by buying organisations to pre-qualify their suppliers on specific issues and by suppliers to efficiently respond to data requests from a marketplace of current and potential customers. Those issues have evolved over time from basic ones such as financial stability and quality management to broader issues including corporate social responsibility and the principles of the UN Global Compact.

Typically a supplier will be asked to complete a self assessment questionnaire, and in some cases to undergo an audit. These databases vary in their specific content and are deployed across 8 industry sectors and in all Achilles global regions. Some of the databases – such as the Electronics Tool for Accountable Supply Chains or E-TASC are completely focused on corporate social responsibility issues– whereas others have varying levels of this content. The databases also vary in their maturity and scale. For example while E-TASC has just reached 1000 supply facilities this year, the Utilities Vendor Database or UVDB has over 5000 suppliers.

The task of increasing Achilles' material impact on CSR issues through these databases can then be expressed in at least three important dimensions A) increasing the number of supplier management systems and Audits with a responsibility and Global Compact content B) increasing the extent of that content C) Increasing the number of users which interact with that content. Of course the picture is more complex than this but as a rough guide to material impact there can be no doubt that if more companies are asked more questions about more aspects of their corporate responsibility behaviours then management attention time and resources will be focused on the issue. If these resources are matched by a genuine willingness and capability to change, then positive results will follow. These systems promote the fundamental principles of the UN Global Compact and in our view constitute an environmentally friendly and scalable technological solution to sharing information and driving sustainability and responsibility in global supply chains.



## **4. Specific UNGC related activities within Achilles SMS programs**

### **4.1 Introduction**

The data here is reported initially under headings related to the Achilles Supplier Management Systems. This has the advantage that these systems are owned by specific business units and business unit managers within the Achilles Group. These business units then experience a connection with their everyday core business; recognition for their advances in corporate responsibility and motivation to drive change. The data is then cross-referenced to relevant parts of the UN Global Compact. To see an overview of how these systems contribute to UNGC goals and a summary data table is provided at the end of the data at the end of the individual accounts.

### **4.2 Electronic's Industry's Tool for Accountable Supply Chains (E-TASC) [Global]**

E-TASC is an online tool originally commissioned by the Global e-Sustainability Initiative and the Electronic's industry's Citizenship Coalition to enable ICT buyers and their suppliers to connect and share data about their labour and ethical, health safety and environmental practices, performance and management systems. In 2009 there was a significant growth from 31 to 52 buying companies using the system and the database reached the landmark total of 1000 supply facilities on the system. E-TASC is a truly global system now deployed to suppliers in over 40 countries.

The self assessment questionnaire (SAQ) is in two parts. Firstly, the corporate SAQ which is concerned with overall company policies and standards. The corporate SAQ covers 4 areas:

- Labour
- Ethics
- Environment
- Health and Safety





On the other hand, the facility SAQ is focused on actual implementation of these corporate policies in specific supply facilities. The facility SAQ covers the same 4 areas, but includes a much more comprehensive analysis and focuses on that particular facilities operations and practices. There are many subsections for the facility SAQ.

Having both questionnaires ensures that companies have to account in detail for how they turn their corporate principles into practical implementation. Following feedback from users in 2008 it was felt that the original questionnaire was best suited to manufacturing sites and some service providers were therefore dissuaded from completing it. The services sector is not without corporate responsibility issues and so the questionnaire was modified in 2009 to provide options in the dynamic questionnaire mechanism to ensure that service providers could conveniently answer.

Having completed and submitted the SAQ's the answers are put through a standardised algorithm. This produces a risk score rating for that supplier for each of the sections answered. The risk scores are identifiable in three zones: low (green); medium (yellow); high (red). This system enables buyers to identify suppliers and issues of highest risk to engage with these suppliers as a priority. It equally enables suppliers to understand their issues and take correction actions rapidly.

The content of the questionnaires maps closely against the principles of the UN Global Compact which was considered in its design. This mapping is shown in appendix 1 of this report. This is part of a wider strategy to align and harmonise Achilles' systems with leading global standards (see for example section on the comparative analysis research project on the Global Reporting Initiative GRI).

### **4.3 carbonReduction (All sectors - Global)**

The Achilles carbonReduction programme is a supply chain initiative that provides the framework for companies to measure, reduce and report their carbon footprints with confidence and credibility. Achilles has adopted CEMARS (Certified Emissions Measurement and Reduction Scheme) as the certification standard of the programme. CEMARS has been developed by Landcare Research and is based on 15





years of scientific research by greenhouse gas experts. CEMARS is the world's first internationally accredited greenhouse gas certification scheme accredited to ISO 14065. A critical requirement of CEMARS certification is the reduction of emissions.

The carbonReduction programme was launched in June 2008 in response to demand from key buying organisations in the Utility sector. The programme is supported by seven Utilities - Anglian Water, CE Electric, E-ON, National Grid, Northumbrian Water, Scottish and Southern Energy, United Utilities – who have collectively agreed to take action:

"We are committed to reducing our greenhouse gas emissions. We expect our collective supply chain partners, suppliers and contractors to share our values and commitments and we will work with them to help reduce emissions and adapt to minimise the risk that climate change presents to our businesses. Achilles carbonReduction provides a way for suppliers to work towards measuring and managing emissions and we fully support the development and launch of carbonReduction for our utility supply chain"

To date, almost 50 suppliers have registered with Achilles to attain CEMARS certification. Twelve companies have achieved CEMARS certification and represent a combined footprint of over 2 million tonnes CO<sub>2</sub> equivalents. Achilles has ensured as an organisation it is working internally to reduce its own carbon footprint and is currently undergoing re-certification to CEMARS for the second year in a row.

#### **4.4 Building Confidence (Construction sector UK)**

Building confidence is the Achilles supply chain accreditation scheme for the construction industry. It features a supplier pre-qualification questionnaire and an onsite 1 or 2 day audit delivered by Achilles' auditors. The service helps companies identify operational and reputation risk related to: safety; financial; quality control and assurance; sustainability/Environmental; CSR (social & ethical) including anti-bribery and corruption; Immigration and labour supply issues.



The initiative aims to work collaboratively with the industry and its supply chain to drive improvement, through addressing non conformances & increasing standards. Over 650 suppliers are registered on the system and leading construction companies such as Bovis. Performance data from across the system is being gathered and significant improvements have been demonstrated from year 1 to year 2 of measurement showing significant improvements in average levels of compliance in areas such as: safety; environmental; immigration and ethics.

#### **4.5 Utilities Vendor Database (UVDB) [UK]**

The Utilities Vendor Database is an online database at the centre of a community of 60 Utilities buying organisations in the UK. In 2009 it hosted 5192 suppliers. Each of these suppliers was required to respond to a self-assessment questionnaire which included a social and ethical dimension. These questions corresponded to the Labour and Ethics, Human rights and Environmental principles of the UN Global Compact. In addition 2440 of these suppliers underwent Verify Audits which also addressed the Environmental and Labour and Ethics principles.

#### **4.6 Connexio (Central and Eastern Europe)**

The Connexio supplier management system is at the heart of a growing community of utilities suppliers across the Netherlands, Belgium, Slovakia and Germany. The questionnaire requires all of the 2838 suppliers to approve or and/or subscribe to the principles of the UN Global Compact. In addition German energy supplier Vattenfall deploys an Achilles Total Supplier Management Solution which currently engages 460 of its suppliers in Germany and Poland on adherence to the principles of the UN Global Compact.

#### **4.7 Link-up (UK)**

In the transport sector in the UK the link up system questionnaire seeks information and confirmation of suppliers holding ISO 14001, waste disposal and handling licences. The scoring element of this system then rewards those companies that achieve these goals. As a result buyers are able to identify, for example, companies





for work in an environmentally sensitive location who have identified a commitment to the environment. The system reaches over 3943 suppliers thus promoting the environmental principles 7, 8 and 9 or the UN global compact.

The content of these questionnaires is validated through audit. This is supported by evidence of implementation of the Environmental Management System (EMS) as part of the service offering. As a result buyers can be confident that suppliers are actively using their EMS and that this has been validated independently. In 2009 a total of 1633 suppliers were audited in this way.

#### **4.8 Oil and Gas Sector Verify Audits**

Through the Verify Audit the Oil and Gas Sector community is assessing their suppliers to check they have appropriate Environmental documentation and set company values and direction regarding the Environment. It also ensures they are committed to continuous improvement. Therefore the businesses would be able to manage any environmental challenges that occur and upholds the environmental principles 7 and 8 of the UN global compact. Companies are also assessed to see if they have had specialised environmental training. Where this is the case it is more likely that they will be well aware of environmentally friendly technologies and will be implementing them within the organisation corresponding to principle 9 of the UN Global Compact. These audits are currently deployed to 405 companies in the oil and gas sector in the UK Netherlands and Ireland.

#### **4.9 Oil and Gas Audits Nigeria**

The core Audit Module has specific sections with significant CSR content utilised during Supplier on-site verification. It corresponds to the labour and ethical principles of the UN Global Compact and currently reaches around 698 suppliers.

#### **4.10 Chile: audits to the utilities industry**

Chile has developed specific audits to some of the biggest Utilities Companies in the country to check the compliance of their contractors with Labour Standards regarding legal and CSR principles. Those audits have helped our subscribing companies to identify some critical problems and agree specific actions to avoid irregular behaviours. Those actions have been taken and have already improved the relationship between subscribing companies and their



contractors. In 2009 61 such audits were carried out as the program was launched. Some of the issues our auditing team reviewed were:

1. Can your company demonstrate the existence of specific policies regarding standard labour conditions?
2. Can your company demonstrate internal methods to control and inform about the fulfilment of labour standards?
3. Can your company demonstrate internal labour policies that forbid any kind of bribery with your company contractors/subcontractors?"

#### **4.11 Southern European Region**

Achilles Southern Europe Region and the non-profit multi-stakeholder organization Forética have developed a rating system to evaluate suppliers according to corporate social responsibility (CSR) criteria. This classification model is scheduled to be deployed as a module inside the region's supplier management systems. The model scores suppliers according to corporate responsibility issues in order to provide a differentiating criterion when going to tender or contract. With the CSR scoring results, the buying companies will be able to evaluate the suppliers' CSR performance and consider this within the overall business decision to pre-qualify, select and/or contract with them, thus bringing CSR, based on UNGC principles, into the core procurement processes in the region.

#### **4.12 Other Systems**

Achilles hosts a total of 33 systems and most of these include some element of responsible and sustainable procurement. Although there is not room to report on all of them here - in 2010 we will engage all regions to determine the extent and potential of promoting and implementing the UNGC principles within these systems (See goals).





## **5. Collaborations**

### **5.1 Oxford-Achilles Working Group on Corporate Responsibility**

The working group, established in 2006, is sponsored and fully funded by Achilles to bring intelligent discussion and practical recommendations to this important but under-developed field of corporate life. In March 2009, in its third year, we brought together leaders of our practitioner communities with some of the global thought leaders in corporate responsibility and human rights for our first ever summit in Geneva. This landmark meeting saw the renewal of our continued sponsorship of the Oxford-Achilles working group on corporate responsibility and the next step in our mission to make this vibrant community of practice into a centre of excellence in responsible and sustainable supply chains. The agenda from that summit went on to shape our program of activities for 2010. The working group's dedicated web-site displays that program for all stakeholders and carries useful resources such as case studies and research papers to promote UNGC principles.

### **5.2 The Global Reporting Initiative**

Achilles continued its membership of the Global Reporting Initiative and carried out a collaborative research project with the GRI. This project examined how suppliers on Achilles' databases providing their customers with corporate responsibility data could extend the detail of that data effectively and efficiently to create a C level GRI report. The project resulted in a guide to be published in 2010 to help suppliers make that connection.

### **5.3 Membership of Business for Social Responsibility**

Following our expansion of activity in the United States we joined Business for Social Responsibility in 2009 to align with current best practice and connect with business leaders and thinkers in this forum.

### **5.4 Nottingham International Centre for Corporate Social Responsibility**

For the second year Achilles sponsored two new research projects with the respected CSR centre: the first examined how carbon data is used to make procurement and other business decisions; the second examined the link between



Achilles databases and publicly disclosed CSR reports. Achilles also sponsors Ping Wang, who holds the Achilles lectureship in Chinese procurement law where components include addressing the issues around bribery and corruption.

## **6. UNGC Goals for 2010**

To date these communications have been retrospective, enabling Achilles to reflect on its achievements but not acting as a driver to further its corporate responsibility objectives. This year we will introduce another change in the reporting approach by setting goals for the year ahead. Again this will ensure a consistent and yearlong forward looking engagement with the principles in line with best practice. It will also help drive ownership by assigning specific goals across the business. This year's goals will be as follows:

**Goal 1:** To extend the CSR focused supply chain program E-TASC (Electronic Industry's Tool for Accountable Supply chains) with the support of the global ICT industry to at least a further 500 suppliers.

**Goal 2:** To promote the E-TASC system to new sectors and issue trial licenses to leading firms who wish to address supply chain responsibility.

**Goal 3:** To publish an Achilles code of conduct for suppliers and to use this to engage feedback from all Achilles regions on supply chain CSR.

**Goal 4:** To host a significant supplier engagement on responsible supply chains in China.

**Goal 5:** To recruit at least 25 new members to the Oxford-Achilles' Working Group on Corporate Responsibility to drive innovation, knowledge sharing and implementation.

**Goal 6:** To establish a clear SMART CSR goal within each Achilles region for 2011.

Progress against these goals will be reviewed on a quarterly basis and outcomes will be reported in our 2011 communication on progress. These goals will be owned and co-ordinated by Achilles' Director of CSR Paul McNeillis in collaboration with Achilles business units.





**Appendix 1 Analysis of Exemplar Achilles’ supplier management system corresponds to and promotes the principles of the UN Global Compact.**

The following shows how specific areas of the Achilles hosted E-TASC program corresponds to the principles of the UN Global Compact.

<b>Principle</b>	<b>Example of system question</b>
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	Does your facility have a process for workers to confidentially report cases of harassment, coercion, threatening behaviour, physical abuse, sexual abuse, or verbal abuse
Principle 2: Make sure that they are not complicit in human rights abuses	Does your facility have procedures to investigate such cases if they arise and to discipline workers that commit acts of harsh or inhumane treatment against workers?
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Are workers at your facility free to join trade unions or other collective bargaining organisations of their choice?
Principle 4: The elimination of all forms of forced and compulsory labour	During the last 12 months, what percentage of the workers employed at your facility were forced or involuntary labourers, including prisoners or bonded workers?
Principle 5: The effective abolition of child labour.	Do you have personnel records including evidence of the birth date of each worker?
Principle 6: The elimination of discrimination in respect of employment and occupation.	Do you have written policies and guidelines to prevent discrimination in hiring, promotion, equal pay, benefits, and training based on any of the above characteristics as well as race, colour, age, and gender?
Principle 7: Businesses should support a precautionary approach to environmental challenges	Does your facility utilise or is it developing a management systems approach (including policies, programmes, procedures, and review processes) to assure proper management of health and safety practices?
Principle 8: Undertake initiatives to promote greater environmental responsibility.	Do you place a contractual requirement on your suppliers (including contractors) to be in compliance with health and safety laws, regulations, or codes of conduct
Principle 9: Encourage the development and diffusion of environmentally friendly technologies.	Does your facility have a programme to facilitate recovery of discarded products, components, or materials at the end of their useful life (product take-back)?
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Does your facility have a programme and/or procedures in place to prevent corruption, including bribery, excessive gift-giving, extortion, or embezzlement?

