

UN Global Compact Communication on Progress

Statement by the Chief Executive

I firmly believe that we must run our business in a sustainable way to ensure that we provide a valuable long term commitment to our clients and our customers. This means operating for the long term and delivering value for all our stakeholders whilst minimising the impact to the environment and the communities we work in. In 2010, we launched our 'Partners in Progress' sustainability strategy framework. Since then, we have engaged with our stakeholders to understand better how we can collaborate with our customers, employees and suppliers to reduce the impact of our global operations. Underpinning this work are the commitments that we make each year in our UN Global Compact Communication on Progress. These commitments describe how we intend to integrate into our business practices the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

1.1. Human rights and labour principles

1.1.1. Assessment, Policy and Goals

We are committed to adhering to the Universal Declaration on Human Rights and ILO Core Conventions. We communicate our policy on Human rights and Labour principles in our code of conduct which is published on the Group website. This code outlines to our suppliers, partners and employees the standards that we will operate under and as far as practicable we will influence our stakeholders to adhere to the same policy goals. The following policies relating to human rights and labour principles are taken from our code of conduct:

- **Discrimination:** Our employees must be recruited, selected, and promoted on the basis of objective criteria only, in accordance with all legal requirements. Harassment or discrimination based on race, colour, sex, religion or on any other basis, will not be tolerated by Innovation Group. In the case of disability or chronic illness employees should be able to work for as long as medically fit in available, appropriate work, avoiding prejudice and discrimination in the process. It is one of our core objectives to create an attractive working environment for our employees. In this respect it is our responsibility to recruit, hire and promote employees on the sole basis of suitability for the job (whilst supporting the South African Black Economic Empowerment initiative to redress the imbalances of the past), to stimulate their individual and professional development, and to provide a safe working environment.
- **Child labour:** Innovation Group adheres to the legal minimum age requirements in all countries in which the Company is active.
- **Business Relations:** business unit management is responsible for making the Innovation Group standards with regard to child labor known to key suppliers and contractors.
- **Forced labour:** Innovation Group will under no circumstances make use of forced labour. Innovation Group will only employ employees that are working of their own free will. No employee is required to lodge deposits nor will they be deprived of identity papers upon commencing employment with the company. Business unit management is responsible for making the Innovation Group standards with regard to forced labour known to key suppliers and contractors.
- **Right to organise:** Innovation Group recognizes the freedom of employees to establish or join an organisation of their choice and will respect this right. Innovation Group will not make the employment of a worker subject to the condition that he/she shall not join a union or shall relinquish trade union membership. Innovation Group will not dismiss or otherwise prejudice a worker for the mere reason of trade union membership.
- **Collective bargaining:** Innovation Group respects within the framework of applicable laws, regulations and prevailing labour relations and employment practices, the right of employees to be represented by labour unions and other employee organisations.

1.1.2. Implementation

We have taken the following measures to ensure that our Human rights policy and labour principles (as outlined in our code of conduct) is upheld across its global operations:

- New employees entering the Company must receive at least a basic training on Business Principles within their first three months of employment. Management at every level of the Company must ensure that all employees are informed about Innovation Group's Business principles. The intensity of training may vary depending on the risk of possible infringement of Business Principles to which the various categories of employees may be exposed.
- Key suppliers to Innovation Group companies must sign that they comply with Innovation Group Business Principles and that they live up to these principles in their business relations with Innovation Group
- We recruit, hire and promote employees on the sole basis of suitability for the job whilst supporting the South African Black Economic Empowerment initiative to redress the imbalances of the past.
- We prohibit harassment of any kind and exploitation of child labour.
- We provide safe and healthy working conditions for our employees in all our countries of operation

1.1.3. Measurement of outcomes

We are committed to conducting our business with honesty and integrity, and we expect all staff to maintain high standards in accordance with our Code of Conduct. However, all organisations face the risk of things going wrong from time to time, or of unknowingly harbouring illegal or unethical conduct. A culture of openness and accountability is essential in order to prevent such situations occurring or to address them when they do occur. To enable us to identify breaches of our Human rights and Labour principles policy, we have introduced a global Whistle Blowing policy. The policy is aimed at encouraging our staff to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate, and that their confidentiality will be respected. To manage this process we have implemented a global telephone hotline and web reporting solution that will enable us to effectively report, investigate, track and analyse our employees' policy and procedure issues, violations and concerns.

1.2. Environmental principles

1.2.1. Assessment, Policy and Goals

As a responsible business, we recognise that we have a role to play in mitigating the effects of climate change and wider sustainability issues. Our operational environmental impacts come from the use of natural resources used to deliver our services, the disposal of waste and carbon emissions from the use of fossil fuels for transport and energy used in our buildings. Resource use is also an important consideration to our stakeholders. For example, our key customers require us to minimise the negative impacts of both our own operations and the operations of our supply chains. Waste and inefficiency also cost money, so the twin objectives of playing our part and improving profitability go hand in hand. We are committed, therefore, to improving resource efficiency in our business and our supply chain.

We publish our Group wide Environmental Policy on our website and we also disclose our environmental performance within the sustainability section of our Annual Report.

1.2.2. Implementation

- The priority for this financial year has been to develop the mechanisms required to measure and monitor our environmental impacts.
- The first step towards reducing our climate impact has been to establish a system to measure our global carbon footprint. We are now in a position to report our total global carbon emissions for the 2011 financial year were estimated to be 8,572 tCO₂e which is the equivalent of to 2.25 tCO₂e per employee working in the buildings included in the review. It is the aim of the Group to extend the system to cover resource use, such as water and waste, so that these processes are in place by the end of the next financial year.

- In the past year we have completed a programme of energy audits across our portfolio of head offices and data centres. This has provided a detailed understanding of the characteristics of our energy use and associated carbon emissions. Furthermore, we are now equipped with the first tools of a Carbon Abatement Strategy, with recommendations for energy, carbon and cost savings.

1.2.3. Measurement of outcomes

- We are looking to develop our data management processes and controls to establish a robust 2012 baseline with reduction targets to be set from 1st October 2013 and reported in the next annual financial statements. Our first performance target will focus on managing down our carbon emissions. Based on these energy audits we have committed to reduce our full time employee emissions intensity (CO₂e/FTE) by 6% through a reduction in our Scope 1 and 2 emissions by the end of the 2015 financial year against a 2012 baseline set at the balance sheet date. We plan to extend this reduction to achieve 15% by the end of the 2020 financial year.
- In 2012 we assessed where our greatest social and environmental impacts occur and identified key performance indicators (KPIs) for those areas which we can influence in the immediate term. We intend to have an established baseline for the following KPIs for the financial year 2012 which will allow us to monitor our performance on an ongoing basis against reduction targets that will be set from FY2013 onwards.
- Our Governance structure includes a Sustainability Committee which is represented by the regional Managing Directors and chaired by the Group Company Secretary. The Committee's main areas of focus are environment, health and safety, employee satisfaction, social performance and ethical conduct. It recognises that its responsibilities are to manage the Group's own direct impact from its operations. It also understands that it has an opportunity to influence the social, ethical and environmental performance of the Group's suppliers and, through its service provision, that of its customers.

1.3. Anti-corruption principles

1.3.1. Assessment, Policy and Goals

It is the policy of The Innovation Group plc to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery.

We will uphold all laws relevant to countering bribery and corruption in all the regions in which we operate.

Our anti-bribery and corruption policy is published on our website. The purpose of this policy is to:

- set out our responsibilities, and that of those working for us, in observing and upholding our position on bribery and corruption; and
- provide information and guidance to those working for us on how to recognise and deal with bribery and corruption issues.

1.3.2. Implementation

- Our policy includes the requirement to keep financial records and have appropriate internal controls in place which will evidence the business reason for making payments to third parties.
- An affected person must enter details of all hospitality or gifts accepted or offered, which are permitted by this policy on his/her regional hospitality/gift register.
- An affected person must ensure all expenses claims relating to hospitality, gifts or expenses incurred to third parties are submitted in accordance with our expenses policy and specifically record the reason for the expenditure.
- All accounts, invoices, memoranda and other documents and records relating to dealings with third parties, such as clients, suppliers and business contacts, should be prepared and maintained with strict accuracy and completeness. No accounts must be kept "off-book" to facilitate or conceal improper payments.
- An affected person is encouraged to raise concerns about any issue or suspicion of malpractice at the earliest possible stage. If an affected person is unsure whether a particular act constitutes bribery or corruption, or if an affected person has any other queries, these should be raised with his/her line manager. Persons who refuse to accept or offer a bribe, or those who raise concerns or report another's wrongdoing, are sometimes worried about possible repercussions. We aim to encourage openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.

- Training on this policy forms part of the induction process for all new employees. All existing employees will receive regular, relevant training on how to implement and adhere to this policy. Our zero-tolerance approach to bribery and corruption is communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and as appropriate thereafter.
- An affected person's line manager has primary and day-to-day responsibility for implementing this policy, and for monitoring its use and effectiveness. Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.

1.3.3. Measurement of outcome

An affected person's regional MD (together with the board, directors and Chief Legal Officer of the Company) will monitor the effectiveness and review the implementation of our anti-bribery and corruption policy, regularly considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible. Internal control systems and procedures will be subject to regular audits to provide assurance that they are effective in countering bribery and corruption.

The board of directors of the Company has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those under our control comply with it.

Affected persons are invited to comment on this policy and suggest ways in which it might be improved through our regional legal teams.

1.4. Our performance against prior year commitments

Over the course of this review, we have worked hard to make changes and have retained specialist external sustainability advisors to assist with the design and implementation of initiatives which are focused on achieving the commitments that we have made. This year, we are pleased to report on our 2012 UN Global Compact sustainability commitments. The following table outlines the activity undertaken during the past year against each of our commitments.

Our 2012 commitments submitted to UN Global Compact	Progress made by Innovation Group over the last reporting period
Engage with key stakeholders to inform the development of our sustainable development strategy and road map	We have undertaken an independent stakeholder engagement exercise to assess the expectations of our investors, lenders, customers and employees and have assessed our position against our peers. The findings have helped us to define the focus areas of our sustainability strategy.
Define relevant social and environmental KPIs that we will report against and embed these into our monitoring and reporting system	We have identified core KPIs that we will use to monitor our sustainability performance in areas including waste, resource use, health & safety, community investment, diversity, employee engagement and business ethics. We aim to develop our management information systems to report these metrics for the 2013 financial year.
Develop regional carbon abatement action plans	An energy audit has been undertaken at each of our regional head offices resulting in the identification of energy reduction initiatives that will help achieve our carbon emissions reduction target.
Deliver monitoring training to sustainability champions	Training has been provided to all of the data owners for the collection of environmental data. This training will continue to be rolled out over the next financial year.
Embed sustainability criteria in the supplier audit process	Work is currently still underway to fulfill this commitment by March 2013.
Communicate our sustainability performance to our employees and develop an awareness program to be trialed in the UK	Our intranet will be used to communicate sustainability activity to our employees. We have also undertaken an employee survey to assess how to support our employees to reduce environmental impacts.

1.5. Our 2013 commitments to the UN Global Compact

We have made good progress over the past two years to begin embedding sustainability into the core of our business. The following are our new set of commitments to focus efforts over the next twelve months and beyond.

Sustainability area	The Innovation Group's 2013 sustainability commitments
Employees	Continue to build on our Kairos employee training programme to further develop the skills of our employees
	Select a pilot location to review health and wellbeing of our staff to identify enhancement opportunities with a particular focus on enabling healthy workplace behaviours
Environment	Initiate a range of behavioural changes and investments towards delivering our carbon reduction target of 6% per employee by 2015, against a 2012 baseline and report on performance
	Develop systems to monitor key environmental metrics including energy, water use, paper and waste
	Pilot the development of an Environmental Management System and consider suitable EMS certification schemes
	Continue to refine and expand our global carbon emissions inventory with a view of reporting some material scope 3 emissions
Supply chain	Continue to embed sustainability criteria into supplier contracts
Community investment	Generate options for employees to invest in the local community through volunteering programmes
Innovation	Work with our suppliers and employees to assess options so as to reduce the impact of repairs in the claims handling process and to collaborate with our key customers to assess demand for low impact or preventative insurance products
Communication	Communicate our sustainability performance to our employees through the employee intranet
	Develop a network of employee sustainability champions so that improvement ideas can be communicated to the Group's sustainability committee
	Develop a system of communication to inform our key stakeholder groups of our progress in managing sustainability risks and opportunities
Monitoring and reporting	Establish a data collection system to collect social and environmental KPIs on an ongoing basis
	Deliver sustainability data management training to data owners to improve sustainability data quality