



LRN's Communication on Progress to the United Nations Global Compact

Inspiring Principled Performance that Embraces the Ten Principles

LRN *Inspiring Principled PerformanceSM*





**“May you live your life as if the
maxim of your actions were to
become universal law.”**

—Immanuel Kant

A Message from the CEO

LRN has just completed our third year as a member of the United Nations Global Compact, and we remain honored to work with the UNGC and its member organizations. We are proud to be part of this organization, which continues to encourage its members to embed into their plans and actions the ten universally accepted principles for how institutions should lead, govern, and operate.

The journey that partner organizations take to make deep and continuous progress related to the UNGC's ten principles is parallel to the journey that LRN has been on for 19 years. Since 1994, we have embraced and pursued an ambitious mission: to help people around the world do the right thing and inspire principled performance in business. In this way, we not only support the UNGC's ten principles, we aspire to live them in how we do everything we do: how we deliver knowledge and solutions designed to elevate the behavior of the more than 700 organizations with whom we have worked, and the nearly 17 million employees we have educated around the world; how we meaningfully connect with each other as colleagues; how we relate to our customers as partners; and how we contribute to the world on our journey of significance.

Culture as a conscious, deliberate, long-term strategy is the key to sustainable differentiation and success for companies in the 21st century. At LRN, we help companies operationalize values and principles by integrating them into their corporate cultures, and translating them into business practices and leadership behaviors. We are also a laboratory for our own beliefs and ideas, investing in how we ourselves can best exemplify the change we seek. A journey like the one that LRN is on requires constant vigilance and reflection. In 2012, we made investments in our own culture to ensure that we are truly living as a Self-Governing, values-based organization, and we continued to progress on our mission to elevate performance and live our own values.

The success of our journey depends on an accurate metrics for measuring our progress. In response to this need, we have developed LRN's Governance, Culture, and Leadership Assessment (GCLA), a survey consisting of questions about behaviors and business outcomes. The findings of the GCLA helped us to develop *The How Report*[™], a unique view into organizational behaviors and how they impact performance outcomes. In 2012, we expanded the assessment to the behaviors of over 36,000 employees from 18 countries working for both local and global organizations. The findings show that companies that self-govern via shared values which guide the behavior of all employees significantly out-perform companies which don't self-govern. At the very least, it is our sincere hope that *The How Report*[™] will help create a deeper understanding of the challenges and opportunities before us today, and that it can facilitate a structured dialogue about how our business leaders can take more certain and powerful steps on their respective journeys toward significance.

We look forward to continuing our journey with the UNGC and its member organizations to pursue our common goals for many years to come.



Dov Seidman



LRN founder and CEO, Dov Seidman

Since 1994, we have embraced and pursued an ambitious mission: to help people around the world do the right thing and inspire principled performance in business.

We were inspired to join the UNGC in 2010 because we felt that our respective missions were complementary and reinforcing, and we continue to share a joint vision for a more sustainable future.

LRN and the UNGC

Since 1994, LRN has helped companies on their journeys toward fostering resilient, innovative and winning cultures and inspiring principled performance in their operations. Our combination of tools, education, metrics, and strategic advice helps companies translate their values into concrete corporate practices and leadership behaviors that create sustainable advantage. We provide organizations with strategic advice and guidance, practical tools, comprehensive education and experiential learning, and peer-to-peer alliances across a broad range of issues in the areas of law, compliance, governance, ethics and risk; ethical and inspirational leadership; social responsibility; and environmental responsibility and innovation.

We believe that companies do not need to choose between living their principles and maximizing profits, or between enhancing reputation and growing revenue; both are the result of principled performance. We also believe that the journey to inspire more principled behavior and performance in business is a moral imperative, especially in our interconnected and thus interdependent world, and that it is the only viable path to sustainable business progress, success, and significance.

In its 12th year, the UNGC is the world's largest corporate citizenship and sustainability initiative, with more than 10,000 participants and stakeholders from over 145 countries around the world. Participants have voluntarily committed to aligning their business operations and strategies with the UNGC's ten universally accepted principles.

We were inspired to join the UNGC in 2010 because we felt that our respective missions were complementary and reinforcing, and we continue to share a joint vision for a more sustainable future. The goal of all compact members is to further their commitment in the areas of Human Rights, Labor Standards, Environment, and Anti-Corruption, and our purpose for being is to help companies and their people live up to the highest standards of organizational and leadership behavior.

The UNGC has built a global community around ten principles and underscored the most effective way to scale its ideas and beliefs. We at LRN remain committed to collaborating with the UNGC in helping to advance sustainable, values-based business models and markets throughout the world in 2013 and beyond.



LRN's Reach and Impact

Organizations of all sizes spanning a variety of industries currently rely on LRN's comprehensive and global education solutions to educate their people on topics that relate to the ten principles of the UNGC. LRN's partner community has completed some 57 million educational experiences intended to inspire more principled behavior in business. In 2012 alone, our partners completed over eight and a half million educational experiences. Our modules are available in 47 languages including English and are helping partners reach their employees all around the world. This ensures that the workforce, managers, leaders, and supply chain partners, regardless of their location, get the right knowledge at the right time and in culturally relevant ways.

Further, we have worked with corporate leadership and boards of directors to foster values-based, Self-Governing cultures and principled performance as their source of competitive advantage.

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Our Partners

Seeking Global Consistency Through Purpose and Values

One of LRN's partners is a global energy company that has grown rapidly through global acquisitions. With disparate global operations, an immediate challenge was to align a diverse group of employees in several different continents and countries around a common purpose and shared set of values. In addition, our partner was also experiencing issues of trust and collaboration between business units as a result of changing leadership. Our partner engaged LRN to help meet these challenges and to be deliberate and intentional about their culture to yield deep and lasting benefits to its business advantage.

In order to learn more about the partner's culture, LRN applied a rigorous and proven set of methods and tools, both quantitative and qualitative. We deployed our Governance, Culture, and Leadership Assessment (GCLA), a survey designed to analyze the individual and collective behaviors that drive an organization forward, to all employees and conducted select leader interviews and employee focus groups. LRN analyzed the data and shared the findings of these collective observations and insights with the partner's 70 global leaders and influencers last fall. These insights led to recommendations and the development of a comprehensive strategic roadmap to support sustainable behavioral change and the desired evolution of the partner's culture. In addition to finalizing the strategic roadmap, we are currently collaborating with the partner to cascade the assessment findings to all employees throughout the company.

A Principled Performance Journey to Inspiration and Innovation

One of the other partners with whom LRN is working closely is a well established manufacturing company and leader in its industry. This partner came to LRN for help with the transformation from a manufacturing company to a company that also focuses on providing innovative design and solutions to its clients. The company was also struggling with how to increase employee morale; the current economic climate had created a need for layoffs and outsourcing. Our main goals with this organization are to: inspire employees with a common purpose, encourage employees to think of the company as global rather than regional, foster global collaboration, inspire leadership behaviors in all employees, and innovate behaviors. This partner has begun sharing the information included in our findings throughout the organization and developing a new leadership framework that will allow them to move forward in their journey. They have established five global teams that will embed their core values into their structural process while prototyping and piloting new behaviors. Ultimately, we are confident that in helping organizations inspire leadership and embed values throughout their organizations, we are elevating behavior around the globe and continuing to make progress that is relevant to the UNGC's ten principles.

A Deeper Look at How LRN's Solutions Help Bring UNGC's Ten Principles to Life

LRN offers a comprehensive and integrated suite of solutions that help our partner companies create cultures of principled performance that embrace the UNGC's areas of commitment. We help organizations by using a combination of practical tools, education, and strategic advice in the areas of law, governance, ethics, compliance and risk; inspirational leadership; social responsibility; and environmental responsibility. Specifically, we help:

- **Evolve and reinforce a system of values-based governance, culture, and leadership.**
- **Make organizational principles and values-based corporate practices and behaviors an engine of sustainable value, competitive advantage, and significance.**
- **Understand and manage risk, and engage comprehensively on ethics and compliance, and social and environmental responsibility.**
- **Meet compliance obligations and inspire and enable new measures of principled performance.**

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LRN helps companies create a culture of principled performance and provides specific solutions that embrace the UNGC's ten principles.

The HOW Report: New Metrics for a New Reality

Rethinking the Source of Resiliency, Innovation, and Sustainable Growth

The 2011 U.S.-based *The How Report*™, a national assessment of more than 5,000 full-time employees, compared the business returns of competing models of Governance, Culture, and Leadership and the observed behavior of management and employees. *The How Report* provided practical evidence that principled approaches to business generate greater business outcomes, and that fostering a values-based culture creates sustainable advantage.

In 2012, we executed a rigorous statistical analysis of observations from more than 36,000 employees at all levels, at thousands of companies, in 18 countries. We sought to illustrate how governance, culture and leadership influence behavior and impact performance on a global scale. The findings of our 2012 Global Governance, Culture, and Leadership Assessment (GCLA) provide the equivalent of an “MRI” on the current state of governance, culture, and leadership across the world. The GCLA assessed governance, culture, and leadership at the behavioral level, asking pointed questions of employees about the conduct of management and peers in their organizations.

The How Report identifies three business “archetypes” describing how companies operate: Blind Obedience, Informed Acquiescence, and Self-Governance. The global assessment found that only 3 percent of employees surveyed observe high levels of Self-Governing behavior within their organizations, 43 percent observe Blind Obedience behaviors, and 54 percent observe behavior associated with Informed Acquiescence. Companies that are Self-Governing perform the highest on every one of the 14 performance outcomes—including higher employee loyalty, customer satisfaction, and lower misconduct. Self-governing organizations are also reportedly more resilient, and are observed by their employees to beat the competition, usually by huge margins, on innovation and financial performance.



LRN published the global *HOW Report* in 2012.

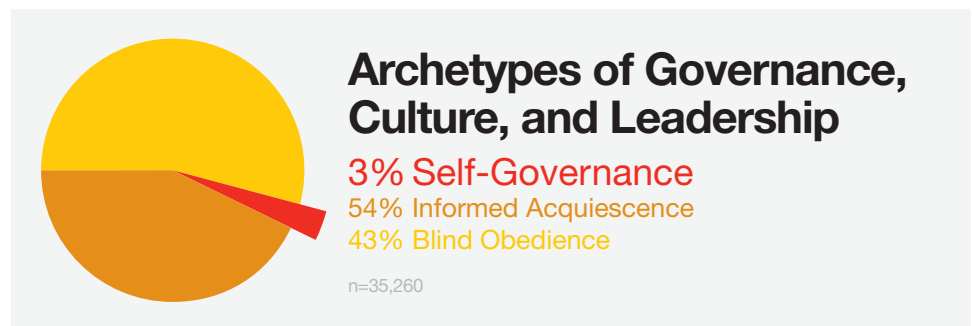
The Four Major Findings from the 2012 *HOW Report*:

- 1.** **Self-Governance is rare across the world.** Only 3 percent of the 36,280 employees in this study observe high levels of Self-Governing behavior within their organizations—the extremely low rate of Self-Governance is consistent across every demographic category, including country, industry, economic environment, language, and ethnic culture.
- 2.** **Self-Governing organizations in all 18 countries surveyed reportedly outperform other types of organizations across every important outcome,** including: higher levels of innovation, employee loyalty, and customer satisfaction; lower levels of misconduct; and superior overall financial performance.
- 3.** **There is a marked disconnect between the C-suite and the employees they lead.** On average, the C-suite is three times—and in some countries up to eight times—more likely to observe their organizations as Self-Governing, more inspiring, and less coercive as compared to the overall employee population.
- 4.** **Trust, shared values, and a deep understanding of and commitment to a purpose-inspired mission are the three fundamental enablers of the Self-Governing behaviors that produce competitive advantage and superior business performance.**

Among the report's top findings:

- Only 3 percent of employees observe Self-Governing behavior within their organizations—meaning they feel their organizations have high levels of trust, values, commitment to a purpose, and collaboration.
- There is a marked disconnect between C-suite executives and the employees they lead. Worldwide, CEOs observe their companies as Self-Governing three times as often as the overall workforce: 10 percent versus 3 percent.
- The companies represented by the 3 percent minority who observe Self-Governing behavior have significant advantages over the competition. They report that they experience: higher innovation, stronger employee loyalty, higher customer satisfaction, stronger financial performance, and lower levels of misconduct.

The results of this groundbreaking assessment point us toward one fundamental conclusion: Companies need to get deliberate and intentional about shaping their corporate character. They need to focus on how things really work in their business operations if they are to compete and succeed in today's business environment. We believe the global implications of *The HOW Report* will help the UNGC and its partner organizations further understand the challenges and opportunities facing organizations when it comes to their corporate character. Moreover, it provides further evidence of the importance of values-based cultures in creating Self-Governance—which, in turn, may lead to greater levels of innovation and resiliency, and lower level of misconduct and corruption—supporting principles related to those embraced by the UNGC and its partner organizations.



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In 2012, we added 32 new modules to LRN's education library.

Our online education and experiential learning programs help companies learn how to recognize risks, how to avoid danger zones, and how to stay true to their values so that they can be both resilient and successful.

Inspiring Principled Performance through Education, Tools and Assessments, Alliances, and Advisory Services

Our solutions help companies make progress specific to the UNGC's ten principles, and translate those principles into concrete corporate practices and leadership behaviors that create sustainable competitive advantage.

Our online education and experiential learning programs help companies learn how to recognize risks, how to avoid danger zones, and how to stay true to their values so that they can be both resilient and successful. Our educational experiences include courses on collective bargaining, labor and employment discrimination issues, environmental compliance and responsibility, business-to-business and government-related corruption, and sustainability and sustainable supply chain management. LRN's team of instructional designers has been recognized by the International Business Awards, the International CINDY Competition, the NewMedia INVISION Awards, and Brandon Hall Excellence in E-Learning.

We continue to expand and deepen LRN's educational library, having added 32 new modules in 2012 alone. We released three modules that address UNGC Principle 8 which strives to "undertake initiatives to promote greater environmental responsibility." These modules are: "Promoting Sustainability in the Supply Chain," "Promoting Environmental Performance in the Supply Chain," and "Green Marketing Practices: Getting to Know the Basics." In late 2011, LRN released a course entitled "Introduction to Eliminating Forced Labor, Slavery, and Human Trafficking from the Global Supply Chain," which addresses the various insidious forms in which forced labor manifests in today's global business landscape. This course helps employees and managers within our partner community understand their responsibility to uphold human and labor rights throughout their spheres of influence. This very successful course currently has more than 3,500 course completions.

In the upcoming year we will release new modules addressing a variety of corruption issues, ranging from corruption in the supply chain to money laundering to financial fraud. We will also be developing a supplier-oriented code of conduct suite that covers related issues, including child labor, corruption, and sustainability. We also will begin developing a module that addresses conflict minerals in the supply chain and delves into UNGC principles related to labor rights. These upcoming modules will inspire the necessary vigilance that helps companies avoid costly ethical mistakes through educating and engaging employees.

LRN also strengthens the ability of its partner organizations to influence and inspire their business partners, especially suppliers, to act more responsibly. Through education and advisory services, we help companies examine relationships and practices in the supply chain; work to reduce risk; and leverage opportunities for social, environmental, and ethical performance.

In 2012 we began developing LRN Catalyst, a new education and engagement solution that brings together all the components of a company's ethics and compliance education program to create an individualized, more immersive experience for employees, and easy administration for companies. Catalyst will address the challenges of education fatigue, relevance, and measurement by launching assessments, delivering information and experiences, measuring and reporting results, and providing opportunities to collaborate, share, and advise. The first release of LRN Catalyst is currently in its final stages of development and is slated for market introduction in early 2013.

Our proprietary Risk Assessment + Management (RA+M) solution provides a best practices overview and methodology, along with a reporting tool, to identify, assess, and manage 25 risk areas, including many that relate to the UNGC's ten principles. In relation to the areas of Human Rights and Labor, RA+M addresses employment hiring, child forced labor, discrimination and harassment issues, and employee relations and compensation issues. This solution also delves into the areas of environment and anti-corruption by covering global environmental compliance and cleanup risks, and anti-bribery/anti-corruption. RA+M makes it easy for employers to recognize ethics and compliance risks and helps them to prioritize these risks, report key findings, and facilitate enterprise-wide risk management. In 2012, LRN released a new Management section that enables companies to create mitigation plans, once they've identified and prioritized their high risk areas. We are continuing to monitor and evaluate the adoption and uses of RA+M and other LRN tools throughout 2013, and to be rigorous about their effectiveness and value.

Governance, Culture, and Leadership Services

LRN serves as a trusted advisor to numerous global organizations seeking to establish more sustainable systems of governance, culture, and leadership.

LRN primarily works with companies to develop, enhance, and evaluate Ethics & Compliance (E&C) management systems that prevent and detect misconduct, while simultaneously promoting a culture of commitment to organizational values, ethical standards, and compliance with the law. The advice and support we provide address a wide range of strategic and tactical E&C needs, including program development, risk assessment, code of conduct creation, education and communications, senior management and board oversight, and the ongoing evaluation of E&C effectiveness.

We also partner with companies that wish to become more deliberate, intentional, and strategic about culture and behaviors with the goal of enabling them to build stronger, more resilient organizations which can more effectively manage risk, while also driving positive business outcomes. Using proprietary tools and techniques, LRN helps organizations to assess their governance, culture, and leadership in behavioral terms. The discovery and analysis of employees' perceptions, attitudes, and observed behaviors provides the insights and understanding necessary to influence culture and elevate behaviors on a sustained basis. We work with companies to develop the strategies and plans for building a "human operating system" in which people are fully engaged and inspired to deliver principled performance.



In 2012, we developed the LRN Catalyst engagement platform, offering flexible branding, configuration and content customization capabilities.

LRN's work in helping global organizations to foster values-based management systems and Self-Governing cultures directly supports the UN Global Compact's Ten Principles. Fundamentally, LRN's purpose and mission are about restoring humanity to business and ensuring that companies focus on *how* they do business as much as on *what* they do. Respect for the human rights of employees, customers, suppliers, and all other stakeholders, and the promotion of responsible labor practices throughout the value chain, are essential to operating in this manner. The principled performance which LRN helps to inspire also necessitates that organizations balance financial, social, and environmental considerations in a responsible, sustainable way.

Anti-Corruption

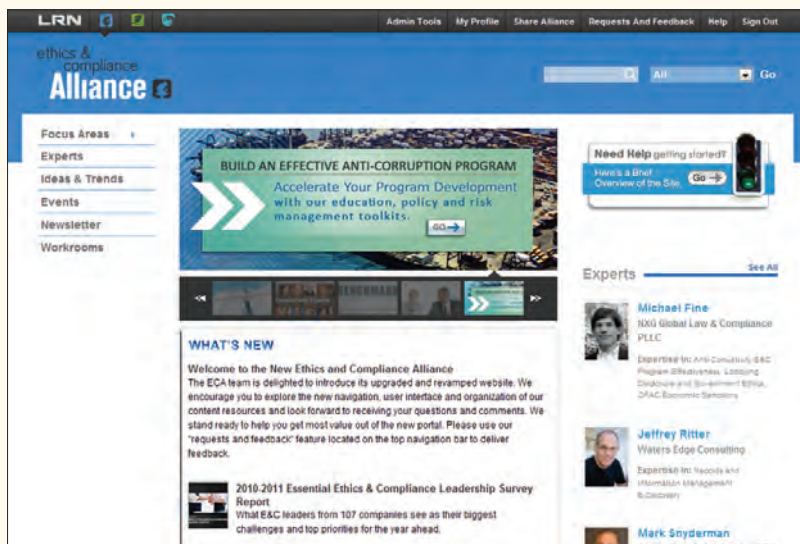
LRN has focused particular attention on anti-corruption issues, providing a suite of services to our partners that is designed to assess and improve anti-corruption programs, to ensure their long-term success, and to actively engage employees in these programs.

Our anti-corruption program assessments provide companies with a thorough analysis of their current anti-corruption efforts; discuss benchmarking and best practices in the context of the international anti-corruption landscape; and provide specific recommendations for improvement, including a roadmap for building a best-in-class anti-corruption program.

LRN's anti-corruption education solutions include highly interactive sessions that employ simulations, vignettes, video scenarios, and other rich content to engage employees. We provide custom online experiential education on various anti-corruption topics, and overview courses in a variety of formats: shorter awareness and reinforcement courses for introducing or refreshing knowledge, and advanced courses to further knowledge-building.

In addition, our Ethics & Compliance Alliance (ECA) provides unique resources and support to enhance enterprise-wide knowledge, mitigate risk, support collaboration with experts and peers, and implement program components. Encompassing 13 key risk areas, including anti-corruption, the ECA is a source for ethics and compliance tools and resources, as well as interaction and collaboration. Anti-corruption resources include model policies and program materials, risk assessment procedures, legal research, analyses of recent legal developments, and educational materials.

In 2012 we continued to make progress in our anti-corruption programs:



The LRN Ethics & Compliance Alliance (ECA) is a source for ethics and compliance tools, resources, interaction, and collaboration.

Principled performance is about doing business with integrity and resisting and preventing corruption in all its forms. LRN helps companies to understand their role and responsibilities, individually and collectively, to eliminate this significant impediment to global development, and thereby better serve their stakeholders around the world.

- More than 230 new content assets were created for LRN Alliances, resulting in more than 2,900 downloads from the Ethics & Compliance Alliance alone, almost double the number of downloads in 2011.
- LRN's Ethics & Compliance Alliance featured over 30 leading ethics, compliance, and risk management experts across all major ethics and compliance risk and focus areas that challenge global organizations today.

Leadership

Strong anti-corruption programs and comprehensive education suites are necessary—but not sufficient—to instill a values-based culture in which employees are comfortable speaking out about concerns, and standing as role models of the right behaviors. LRN believes that leaders are the catalyst to promoting and sustaining an ethical culture inside organizations. Leaders must connect with their colleagues, set a new course, and inspire all those around them to behave in accordance with their organization's values and mission. By viewing leadership as a behavior, not a title, inspirational leaders exemplify the attitude necessary to pursue significance and meaning beyond the short term. This means that leaders must not solely exist to delegate and give orders, but to instill a sense of purpose within those whom they lead.

LRN continued to use its Inspirational Leadership Alliance (ILA) to propel inspirational leadership across organizations in 2012. While we are evaluating the effectiveness and future of the ILA in 2013, the Alliance currently consists of leadership assessments, practical tools, individual coaching, learning plans, and community forums, designed to support and guide the development of leaders. Organized around eight leadership principles that have been synthesized from our research, thought leadership, and proven

practices, the ILA is intended to equip leaders at all levels with the tools to inspire more principled performance.

LRN has built a library of more than 50 online learning modules in the topical areas of ethical and inspirational leadership. These courses present managers in our partner community with the opportunity to strengthen their own leadership by better understanding important philosophical issues they may face in the workplace. In 2013 we will be building additional modules to better help managers apply these leadership philosophies to the practical questions they face in the workplace through the use of interactive exercises.

We have also sought to make leadership more efficient and effective for our partners in 2012 by continuing to improve our AIM (Activities & Interactions Mapping) solution. AIM is intended to help leaders gain insight into employee behavior and interactions; target knowledge to the right people; mitigate and manage risks; equip employees with new knowledge that supports critical business opportunities; and address organizational changes quickly. AIM also has a specific Anti-Corruption Knowledge Category. In 2012 we added to the ways in which companies can customize AIM in order to suit their individual needs. Leaders can now:

- Reach out to their employees in 53 languages.
- Create their own questions for employees and map them to existing or new Knowledge Categories.
- Modify existing questions to better target the needs of their company.

Additionally, we expanded the knowledge base with a new set of questions and categories including talent management, collaboration and relationship management, change management and innovation, planning and authority, and operations.

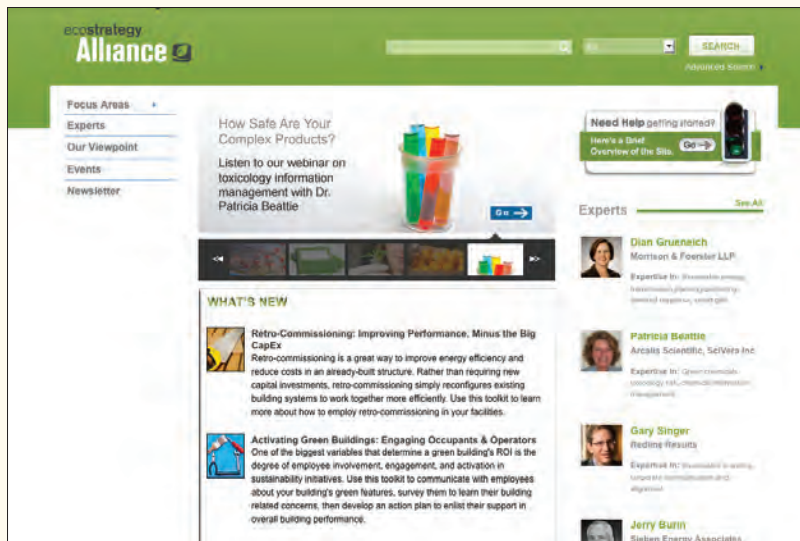
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Environmental and Social Responsibility

LRN offers a comprehensive suite of solutions to address issues of environmental and social responsibility. Companies that have integrated environmentally and socially responsible principles and actions into their operations are realizing great benefits in performance, reputation, and enhanced stakeholder relationships—and they are

workshops, and marketing materials, enable organizations to focus appropriately on these critical areas. In 2012, we offered assessments on ESS practices, employee engagement, and supply chain, and we released three new modules pertaining to these areas: Promoting Sustainability in the Supply Chain, Promoting Environmental Performance in the Supply Chain, and Green Marketing Practices: Getting to Know the Basics.

In 2012, the LRN EcoStrategy Alliance (ESA) continued to help organizations to deepen their commitments to environmental responsibility. The ESA provides global enterprises with the actionable tools and expertise required to craft, implement, and improve corporate sustainability strategies and initiatives. Leveraging a community of senior sustainability experts and practitioners, we are able to help our partners effectively reduce their organizations' environmental footprints, use sustainability to identify new business opportunities, and truly make sustainability a source of business value. LRN is evaluating how to proceed with the ESA in 2013, to best serve our partners and the larger LRN community.



LRN is evaluating how to proceed with the LRN EcoStrategy Alliance (ESA) in 2013 to best serve our partners and the larger LRN community.

seeing the long-term financial benefits. In 2012 we continued to help our partners address environmental issues with our suite of sustainability courses and videos.

Our Environmental and Social Sustainability (ESS) solutions, including ESS leadership presentations,

In October, 2012, GreenOrder, the premier management consulting firm focused on sustainability, merged with Cleantech Group, the leading market intelligence and advisory firm focused on clean technology innovation. LRN, formerly GreenOrder's parent company is a major shareholder of the combined company. This enables LRN to more powerfully bring to life our commitment to environmental sustainability and innovation. The merger will yield depth and breadth of new knowledge to power the sustainability and innovation strategies of our partners and prospects.

LRN: A Laboratory for Our Ideas

Our mission drives us to experiment with our own ideas concerning leadership, culture, and governance. We developed the LRN Leadership Framework—an interconnected, mutually reinforcing set of principles and behaviors—to help us reach this goal. This framework galvanizes and unifies our culture while inspiring and informing our conduct in all situations, from collaborating with colleagues to partnering with clients. Integrity, humility, passion, and truth are our core values which lie at the center of the framework.

The LRN Leadership Framework guides our everyday business decisions and actions while allowing us to consider our conduct in a broader, more reflective context that supports our journey and evolution. The existence of this framework infuses our culture with a consciousness of and commitment to lawful and ethical conduct across everything we do. The attributes promoted in the framework originate from qualities deeply rooted in our culture, as well as ones we wish to nurture in the organization.

We actively engage with the LRN Leadership Framework every day in order to deepen our understanding of our mission. Awareness of and dedication to this mission furthers our ability to help companies engage their people in shared responsibility for shaping a culture that inspires principles performance.

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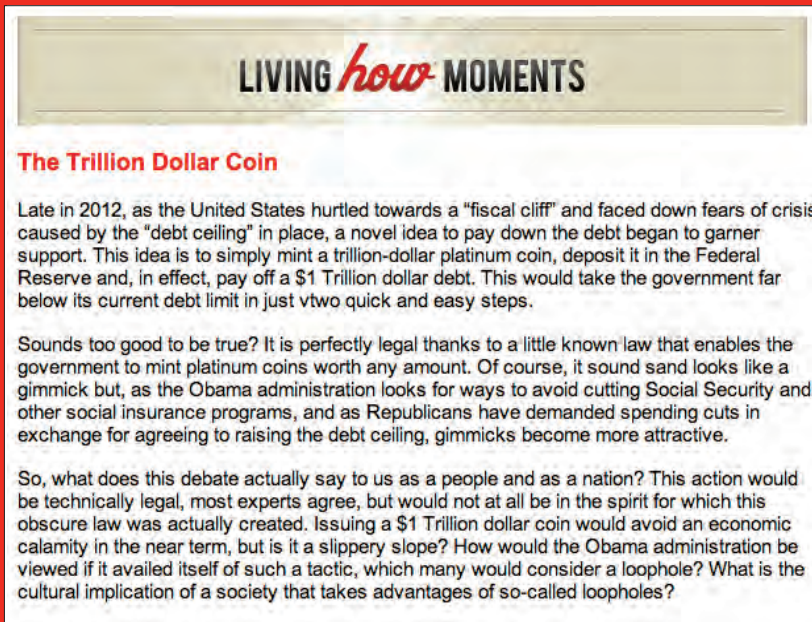
Our Leadership Framework



Living HOW

In 2012, LRN continued on our own journey to being an exemplar of our philosophy and mission. Living HOW is an authentic, constantly evolving effort to live our values and be true to our principles in every aspect of our business and culture.

LRN continues to be committed to the Self-Governing model introduced in 2011. Our four councils, in addition to the Executive Committee, govern LRN in careful consideration of our culture, resources, principled performance, operations, and our strategic initiatives. The councils function democratically and in adherence with our hierarchy-free structure.



LRN regularly poses difficult questions through various channels, such as the organization's internal "Living HOW Moments" emails, to ensure we are living our own values in our everyday decision-making processes.

We continue our dedication to Inspire Principled Performance internally by updating the Principled Performance Reflection (PPR) process. The process intends to strengthen relationships between colleagues, encourage personal development, and to measure performance and impact in terms of "how" and "what." The process allows colleagues to review any other colleagues to whom they feel they can provide meaningful feedback. Colleagues ultimately have the opportunity to view all feedback provided by their peers and mentor in order to inform his or her self-assessment, and the final rating that each colleague will give him or herself.

In furthering our commitment to encouraging and supporting young people in order to foster the next generation of ethical leaders, LRN has finalized its Fellow Program and taken on our first fellows as of January, 2013. The Fellow Program prepares talented and committed young professionals to be leaders within

business and the world at large through hands-on professional experience, mentoring, and professional development. No more than ten members of the Fellow Program are chosen every year through a competitive interview process. This rigorous program allows fellows to gain unparalleled access to a unique company and industry through rotating assignments within LRN.

The process intends to strengthen relationships between colleagues, encourage personal development, and measure performance and impact in terms of "how" and "what."

LRN's Ideas Out in the World

At LRN, we are not only committed to Living HOW within our own organization, but also to sharing our philosophy with others.

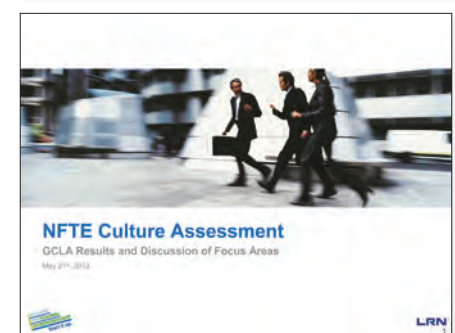
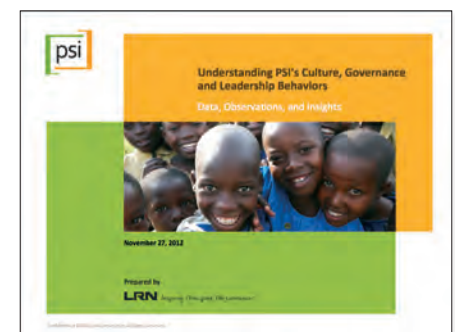
LRN is proud to be Living HOW through its commitment with the Elie Wiesel Foundation for Humanity as the exclusive corporate sponsor of the Foundation's Prize in Ethics, an annual competition that challenges college students to reflect upon the urgent ethical issues of our increasingly complex world. LRN deepened its support of the Foundation and the Prize in Ethics in 2012 by hosting a day-long ethics seminar with all five essay winners, and an evening awards ceremony with local leaders, including Professor Elie Wiesel. This remarkable day brought LRN and the Elie Wiesel Foundation for Humanity closer in partnership and closer to the essay winners who "think higher and feel deeper" through their writing.



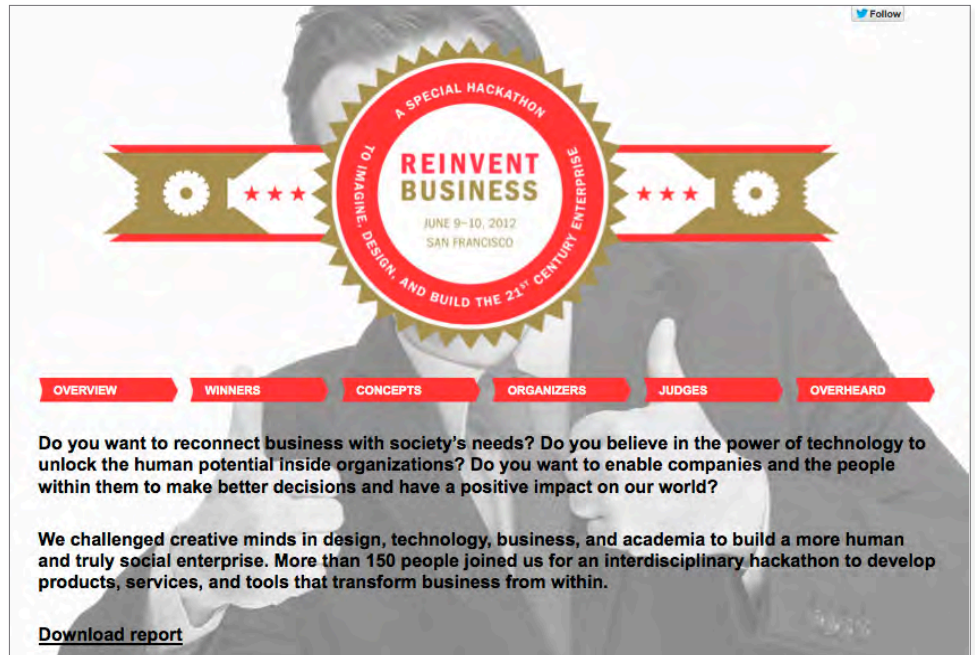
CLINTON GLOBAL INITIATIVE

Another meaningful project for LRN in 2012 has been our work with partners as part of our commitment to the Clinton Global Initiative. LRN has helped launch two non-profit organizations on journeys of significance, working intimately with Population Services International (PSI) and Network for Teaching Entrepreneurship (NFTE). To begin, LRN teams conducted extensive and rigorous analyses of both organizations' governance, culture, and leadership. At PSI, these analyses included roughly 700 surveys conducted across the organization's headquarters in Washington, D.C., and field offices worldwide. LRN advisors also worked with focus groups of PSI senior management. Once we took the temperature of PSI's governance, culture, and leadership, we shared recommendations for change and went to work to implement them, developing a new mission statement and strategies to improve collaboration, innovation, and trust at the organization. At NFTE, LRN advisors surveyed every one of the organization's employees and conducted focus groups with senior management. We are working closely with the organization's leadership to clarify a set of values, develop a mission-vision-purpose statement, and develop a "North-Star" document to envision the organization's culture moving forward.

At LRN, we are not only committed to Living HOW within our own organization, but also to sharing our philosophy with others.



LRN advisors worked with PSI and NFTE to help them on their journeys of significance in 2012.



LRN partnered to launch the “Reinvent Business” hackathon to enable creative, innovative people to collaborate on transforming business from within.

These projects have proven helpful for both LRN and its partners, giving us key insights into the overlaps and distinctions that these non-profit organizations face when compared with our advisory work with for-profit clients.

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In June of 2012, LRN partnered with frog, a global design and innovation firm, to launch a hackathon entitled “Reinvent Business,” specifically for generating ideas around humanizing and socializing organizations. While hackathons traditionally involve computer programmers collaborating on software-based projects, “Reinvent Business” combined the cooperation, creativity, and rapidity of a traditional hackathon with participants of diverse skill sets and backgrounds. More than 150 people gathered from June 9-10 in San Francisco to conceive, design, and build software systems with the goal of transforming business from within. It is LRN’s belief that today’s interdependent world needs to refer back to values in order to avoid crisis, which helped to inspire the five frames of the hackathon: Collaborate, Support, Relate, Demonstrate, and Measure. This successful endeavor was supported by Blumberg Capital, BSR, Carnegie Mellon, Cue Ball, Dachis Group, Fast Company, Net Impact, Silicon Valley Bank, and the World Economic Forum, and saw the result of the type of creation necessary in today’s more ethical business world.

About LRN: Inspiring Principled Performance

Since 1994, LRN has helped over 20 million people at more than 700 companies worldwide simultaneously navigate complex legal and regulatory environments and foster ethical cultures. LRN's combination of practical tools, education, and strategic advice helps companies translate their values into concrete corporate practices and leadership behaviors that create sustainable competitive advantage. In partnership with LRN, companies need not choose between living principles and maximizing profits, or between enhancing reputation and growing revenue: all are a product of principled performance. LRN works with organizations in more than 100 countries and has offices in Los Angeles, New York, London, and Mumbai.

For more information, visit www.LRN.com, join our community on Facebook at facebook.com/howistheanswer, or call: **800 529 6366** or **646 862 2040**.