



# LRN's 2013 Communication on Progress to the United Nations Global Compact

# LRN's 2013 Communication on Progress to the United Nations Global Compact

## Letter from the CEO

Since 1994, LRN's mission has been to guide companies on their journeys to inspire principled performance in how they operate, lead, and govern themselves. Now, as we enter 2014 and embark on our fourth year as a member of the United Nations Global Compact, our commitment remains as firm and absolute as ever.

Each year, around this time, we look forward to preparing our Communication on Progress. It provides us an opportunity to reflect on what we have done to strengthen our commitment to the UNGC's ten principles and, at an even deeper level, consider just how well we are living up to our own mission. This year's COP is all the more special because LRN celebrates its 20th anniversary in 2014.

For two decades, we have worked tirelessly to convince the marketplace that principled business is practical business and that deep human values are the hard currency of the 21st century. And like the UNGC, LRN has long viewed corporate sustainability in financial, social, environmental, and ethical terms. That is why it was so meaningful to take part in UNGC's Leaders Summit in 2013 as the organization was unveiling its new global architecture for scaling up corporate sustainability and aligning business with sustainable development priorities.

As I facilitated the opening keynote with an esteemed group of CEOs and debated the materiality and morality of integrating the ten principles into operations, leadership approaches, governance models, business strategy, and corporate culture, I felt a connection to the work of the UNGC and pride in LRN's own journey in helping companies understand how values need to be at heart of sustainable business transformation.

As we reflect on the specific progress we made in this regard during the past year, I am heartened by what we have accomplished. We created new education offerings that help to embed the ten principles into employee behaviors at every level within organizations—from the factory floor to the C-suite. We have developed new services that help to inculcate the ten principles into corporate cultures. We have formed a team of experts who work hands on with companies to discover their core values and how they can be brought to bear on organizational and leadership behaviors that help them win in the marketplace. We have strengthened our diagnostics and analytics so that organizations can ensure they are having true impact on the behaviors they seek to create within their organizations. We have also strengthened LRN's fidelity to the ten principles in how we seek to grow and make progress as an organization.

It remains a distinct honor and pleasure to work with the UNGC in our collective mission, and I look forward to the progress we can make together over the course of 2014 and beyond.

Sincerely,



Dov Seidman



LRN founder and CEO Dov Seidman

## **LRN and the UNGC**

We believe that companies do not need to choose between living their principles and profiting as a business, because principled performance results in both enhanced reputation and revenue growth. 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.

These core beliefs have guided LRN's work since 1994 as we've helped companies on their journeys toward fostering resilient, innovative, and winning cultures and inspiring principled performance in their operations.

In its 13th year, the UNGC is the world's largest corporate citizenship and sustainability initiative. 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 UNGC has built a global community around its 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 throughout the world in 2014 and beyond.

**The following details how LRN made progress in 2013 to further the adoption of the ten principles at LRN and our approximately 300 client partner organizations.**

---

## Human Rights Principles

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights;

**Principle 2:** make sure that they are not complicit in human rights abuses

---

### Talking Values Podcast

LRN sought to heighten awareness of timely human rights issues with our podcast: Talking Values. Host Michael Bramnick used Talking Values to discuss corporate responsibility and supply chain integrity in the wake of the tragic Bangladesh garment factory collapse. Drawing from his past experience as an Ethics & Compliance officer, and leveraging the experiences of guests, which included other legal advisors for large companies, Michael used the podcast to raise questions of responsibility and ethics in the supply chain and offered ideas for how ethics and compliance officers can help prevent such tragedies from occurring in the future.

### Ethics & Compliance Alliance (ECA)

In 2013 LRN launched a new and improved version of our Ethics & Compliance Alliance (ECA), a community of ethics and compliance professionals dedicated to building and maintaining world class, values-based E&C programs. Access to the online ECA portal provides everything a company needs to fully and professionally address its ethics and compliance risks, including: customizable tools, an expert network, news, research, analysis, and values-based compliance. LRN believes a true culture of compliance is rooted in a strong connection to a company's values. The ECA can help organizations move beyond compliance towards a model of values-based governance, culture, and leadership. Included in the topic area of Supply Chain & Third Party Management, the ECA has education resources covering the topics of child labor, forced labor, health and safety, as well as a variety of resources that cover other supply chain risks and ethical issues.

---

## Labour Principles

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation

---

### New Education Offerings

In 2013, LRN released four new education courses related to workplace harassment and discrimination: Preventing Sexual Harassment, Speaking Up About Workplace Violence: The Conference Call, Preventing Harassment in the Workplace, and Bullying in the Workplace: Patterns of Behavior. These courses are designed to reinforce the importance of corporate values so that employees are better prepared to make principled decisions to prevent and seek the proper guidance if they should ever encounter discrimination, sexual harassment, violence, or bullying within the workplace.

## Advisory Services

LRN has also enabled a number of its client partners to reduce workplace discrimination with specific interventions resulting from in-depth diagnostics of the prevailing corporate cultures. In one case, the LRN advisory services team collaborated with a multinational energy company to facilitate a roundtable discussion focused on salient strengths and weaknesses of the company's corporate culture. The event was convened for senior leaders and groups of employees that reported feeling discrimination as a result of their status as union members or due to their ethnic or national background. In another case, LRN helped bridge a gap between unionized plant workers and non-union office staff by enabling the company's management team to devise and deploy inclusive training solutions. Finally, in the course of carrying out a comprehensive governance, culture, and leadership assessment at a manufacturing plant located in Latin America, LRN reported cases of employees being treated unfairly and in a discriminatory way by the company's internal safety services, which has led to discussions around a broader policy review of the company's security practices.

## Ethics & Compliance Alliance (ECA)

LRN's newly revamped Ethics & Compliance Alliance offers 70 resources for partners on Labor & Employment law topics. These offerings include: workforce education resources (handbooks, FAQs, etc.), videos, research and analysis, assessment resources, templates, and policy information. Under the topic area of Supply Chain & Third Party management there are also resources related to labor principles. These offerings cover: freedom of association and right to collective bargaining, non-discrimination, working hours, and coercion and harassment.

## The Freedom Report

In 2013, we released a new Freedom Index, which measures the health of a company's relationships with its employees, suppliers, customers, and community members through the metric of freedom. A related study found that "high freedom" companies dramatically outperform all others in terms of financial results, innovation, and long-term success, making establishing the right level of "freedom" a key conduit to value-creation.

The extent to which a company is "free" measures both how free actors—employees, customers, suppliers, or community members—are from hierarchies and rules, as well as how freely those actors deploy their power in a values-based manner to further the mission of a company. The dataset consists of 834 professionals and executives at U.S. companies with greater than 1,000 employees or more than US \$1.5 billion in revenue who responded to an online survey.

The findings of the Freedom Report demonstrate that allowing employees to have the appropriate freedoms is not only a moral imperative, but that ignoring employees' right to freedom is unlikely to result in sustainable material gain for businesses.

---

## Environmental Principles

**Principle 7:** Businesses should support a precautionary approach to environmental challenges;

**Principle 8:** undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

---

### LEED Certification

In 2013, LRN received Leadership in Energy and Environmental Design (LEED) Gold Certification in the category of Commercial Interiors for our Manhattan-based office, becoming one of only 14 projects in New York City to receive the accreditation for the year. Presented by the U.S. Green Building Council, this certification recognizes high-performance green interiors that are healthy, productive places to work, are less costly to operate and maintain, and have a minimal environmental footprint.

### Member of the Cleantech Group Board

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. As GreenOrder's former parent company, LRN has since become a major shareholder of the combined company and holds a seat on Cleantech Group's board.

Since 2002, the Cleantech Group has been providing Fortune 1000 global corporations, investors, entrepreneurs, and policy-makers with the latest industry market intelligence through subscription-based research, global industry networking events, and world-class custom research services. By focusing entirely on the companies innovating in clean technology, Cleantech Group helps its clients make critical business decisions that foster growth, reduce cost, and meet consumer and government demands for improved environmental quality.

### LRN and Grow NYC

In June of 2013, LRN partnered with Grow NYC as part of LRN's corporate philanthropy work to build a community garden in Brooklyn, NY. The community garden is located in the middle of a northeast Brooklyn Housing Development Corporation apartment compound and supplies fresh vegetables to a nearby food pantry. The garden was such a success that the food pantry requested that it be expanded. A group of our New York colleagues expanded the garden on #GivingTuesday, the national day of giving back. LRN became an official partner of #GivingTuesday in 2012 and expanded its participation in 2013 by encouraging its global employees to take part and matching monetary contributions.

---

## Anti-Corruption Principles

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

---

Corruption is considered a top risk by 65 percent of Ethics and Compliance leaders who are challenged to build and maintain effective programs that monitor and capture relevant laws, to reconcile differences and, to communicate standards, expectations, and knowledge to an increasingly diverse workforce. Traditional rules-based, country-by-country approaches simply cannot embed consistent commitment to business integrity in an organization's culture. Thus, creating a values-based culture that roots out corruption, prohibiting all bribes and other corrupt practices everywhere a company does business, is now the only truly effective means to manage corruption risk. LRN's goal is to provide tools and support to our partners in order to help them permeate all levels of their organization with an awareness of the values and standards that are essential to maintaining responsible moral conduct across the company.

### New Education Offerings

In 2013, LRN produced 11 new courses covering anti-corruption topics such as antitrust, competition law, insider trading, money laundering, corporate governance, and anti-bribery. These courses are: Navigating the Foreign Corrupt Practices Act, Managing Corruption Risks in the Supply Chain, Anti-Bribery: The Corruption Files, Preventing Fraud in the Insurance Industry, Anti-Money Laundering for Insurance Home Office, Research Integrity, Competition Law: "School'd," Insider Trading: "Talk, Stock and Insider Trading," Global Anti-Money laundering for Insurance Companies, Dawn Raids: Surprise Enforcement by European Authorities, and Conflicts of Interest—The Resolver. These courses are designed to deepen employee engagement with, and understanding of, anti-corruption principles so they are better prepared make appropriate decisions or seek further guidance in the face of corruption.

### Gamification: The Resolver and the Honesty Project

One of the formats that LRN has spent a great deal of time and resources developing in 2013 is what is known as "gamification." LRN developed and released one of these games, The Resolver, in 2013, and also did the bulk of the work on a new gamified course called The Honesty Project.

Gamification means applying gaming elements such as points, challenges, rewards, and competition to non-game problems to increase motivation and inspire active engagement. Games can have a tremendous influence on the way people learn. By providing constant feedback, games help learners understand the right course of action so they are prepared in case a situation arises in the real world. The Resolver game is played from the perspective of a Conflict Resolver, tasked with helping individuals resolve actual or perceived conflicts of interest. Players increase their score by making the right decisions while balancing each decision's impact on the in-game stakeholders. The Resolver drives participation and engagement while helping employees develop a deeper understanding of conflicts of interest, so employees learn to make smarter, more ethical real-world decisions—and have fun doing it.

The Honesty Project is an anti-corruption and anti-bribery gamified course designed for corporate employees involved in international business activities. This course is designed to highlight the broad number of situations where corruption and bribery might occur, how to deal with these difficult situations, and explain the processes for speaking up should an employee face a corruption or bribery situation in real life. The game transforms employees into agents with special powers that they must use to help others analyze scenarios of bribes (inspired by real world events) and

fight corruption across the globe. With these powers, the employee must recommend the actions that will end the scourge of corruption and promote healthy, competitive business. The better, more legally accurate advice given, the more points the employee will score, and the higher their name will appear on the game leader board as they compete with other employees within their organization to become the greatest corruption and bribery fighter of them all.

## **Ethics & Compliance Alliance (ECA)**

Our newly released Ethics & Compliance Alliance (ECA) is a critical tool that companies can use to combat corruption within their organization. Our Advisory Services team, supported by our risk assessment methodology and tool, can help assess bribery and corruption risks and evaluate efforts to combat them, making strategic, actionable, and context-specific recommendations for enhancements. The ECA team of experts, including current and former Ethics and Compliance officers, attorneys, consultants, and former federal prosecutors, offers practical and in-the-moment guidance. Our education helps employees understand the cost of corruption to business and society, and our customisable tools help leaders build more robust programs that are deeply embedded in their business. The ECA provides 43 resources relating to the general topic of anti-corruption and bribery, as well as 77 resources on antitrust and competition and 28 on conflicts of interest.

## **New Assessment Tools: Compliance & Ethics Program Impact Assessment and Program Effectiveness Index**

### **Compliance & Ethics Program Impact Assessment (CEPIA)**

In 2013, LRN launched two new assessment tools, both of which help companies combat corruption. Our Compliance & Ethics Program Impact Assessment (CEPIA) is built on the premise that meaningful evaluation must go beyond program design and implementation and measure the impact of the E&C program on employee behavior. It is not enough to measure lagging indicators like helpline calls per thousand and course completion rates. CEPIA uncovers employee attitudes and behaviors that create the environment for misconduct. It highlights deltas between tone at the top and middle management conduct, reveals how decisions are actually made, and surfaces whether values influence behavior. CEPIA helps organizations understand whether their compliance programs are having impact, such as increasing employee willingness to speak out.

Because you can't fix what you can't see, CEPIA helps leaders understand how their E&C program is informing everyday business conduct—its true impact—from the way managers talk about the importance of ethical conduct to the degree to which colleagues hold each other accountable and beyond. Focusing on the leading behavioral indicators that predict misconduct and risk, CEPIA generates insights that enable companies to shape ethics and compliance strategies and allocate resources effectively. Using CEPIA, LRN helps companies prioritize training, hone leadership communication, and demonstrate the logic and assessment underlying their risk-mitigation roadmaps.

### **Program Effectiveness Index (PEI)**

In our 2013 Ethics & Compliance Leadership Survey Report we introduced the Program Effectiveness Index (PEI). “Program effectiveness” is a term Ethics and Compliance professionals frequently use in reference to whether or not their companies’ investment in their E&C programs are paying off. Those leaders managing these programs generally collect and report whatever is immediately measurable to their boards of directors, including: numbers of helpline calls, code violations, disciplinary actions, and education completion rates. This data is useful, but companies and contexts are idiosyncratic, and the data they report internally wouldn't tell us which programs are particularly effective or what those effective programs have in common.

The Program Effectiveness Index begins to address this issue. We define program effectiveness in terms of the three major roles that E&C programs play: as a significant part of a network of corporate controls, as a facilitator of business operations in regulated contexts, and as the promoter of ethical conduct. Mining the data collected for the 2013 Ethics & Compliance Leadership Survey, we used the questions addressing employee application of codes of conduct and the impact of E&C Education as proxies for program effectiveness. We combined the data collected from all respondents to create the PEI.

The key findings of the PEI are those that demonstrate what is working in E&C programs, that is, what is helping organizations to combat misconduct, and what is not. Thus, the index gives E&C leaders insight into the best practices that they can begin to incorporate into their own programs in order to effectively mitigate risk and prevent misconduct.

## **Data and Thought Leadership**

### **2013 Ethics & Compliance Leadership Survey Report**

Last year LRN conducted our sixth annual Ethics & Compliance Leadership Survey and trained a spotlight on what leaders from more than 180 companies identify as their biggest challenges and how they are rising to meet them. These leaders are charting courses for enterprises of all sizes and types, though most are multinationals, and 40 percent have more than 15,000 employees.

Every year we publish the findings survey along with our recommendations on what to watch for, how to grapple with increased demands and stretched-thin resources, and how to make ethics and compliance an even more vital and integral part of the company's day-to-day life and operations. This yearly report has become an invaluable resource for our partners in the ethics and compliance community as they plan for the year ahead and prepare their programs for any upcoming challenges.

### **Ethics & Compliance Alliance Risk Forecast Report 2013**

In conjunction with the Ethics & Compliance Leadership Survey Report, LRN also released the Risk Forecast Report, a collection of articles that addressed the key E&C risks identified by the survey. The 11 individual articles within the report discuss important updates to government policies and regulations while providing expert insight and recommendations for mitigating risk in 2013. The article topics include: anti-corruption and bribery, antitrust and competition law, E&C program management, education and communication strategies, government contracting and relationships, labor and employment, privacy and data protection, records and information management, SEC enforcement, social media, and trade compliance.

### **Code of Conduct Services**

An essential part of any company's efforts to combat corruption is its code of conduct, which explains a company's values and the expectations of behavior that employees are expected to uphold. Unfortunately, too many companies have codes of conduct that are failing to connect with company purpose and values, leaving employees uncertain about why the right behavior matters, and potentially allowing more room for misconduct.

LRN code of conduct services provide customized, values-based code solutions founded on expert knowledge and more than 10 years of helping partners with code programs. Our team works together to ensure that a company's code is a relevant, engaging, and sustainable guide. In 2013, LRN conducted three code of conduct assessments and revisions.

### **Advisory Services**

LRN worked with several partners in 2013 to strengthen ethical business culture with a specific focus on anticorruption and bribery. We provided E&C advisory services that enabled two of our partners to make significant strides in working against corruption.

LRN enabled a leading U.S.-based heavy equipment manufacturer to uncover the root causes behind a corruption incident in one of its Latin America operations. When the company received an anonymous tipoff on its ethics hotline about misuse of company funds by a local executive for personal gain, the company partnered with LRN to reinvigorate anti-corruption controls and educate the entire in-country workforce on the most up-to-date anticorruption rules and regulations.

LRN also helped another multinational with global operations understand the cultural drivers, the governance mechanisms, and leadership practices that accounted for a track record of non-compliance over a number of years at one of its regional units, including breaches of trust, influence peddling and mild forms of bribery among potential and existing customers. A classic example had been the practice of extending inappropriately expensive gifts to key distributors as a standard practice, regardless of performance. Among the findings, LRN discovered that, notwithstanding perceptions in corporate headquarters, the prevailing local corporate culture and employee habits had, in fact, improved markedly in recent years as a result of drastic compliance measures. Armed with these findings, the company was able to fine-tune its internal communications to celebrate examples of ethical choices. It was especially effective within the sales force, whose members were among those who fully embraced the strict new anti-bribery approach to doing business in spite of the short-term disadvantage they faced vis-a-vis less scrupulous competitors.

### 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, Mumbai, and Paris.

For more information, visit [www.LRN.com](http://www.LRN.com), find us on Twitter @LRN, or call: 800 529 6366 or 646 862 2040.

©Copyright LRN Corporation. All rights reserved.