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

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**Inspiring Principled Performance**  
that Embraces the Ten Principles

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## MESSAGE FROM THE CEO



We are honored to have completed our first year as part of the United Nations Global Compact. We are proud to stand with the UNGC and its member organizations as we work together to help companies embed and embody a set of universally accepted principles in *how* they set strategy for and lead, govern and operate their organizations.

In fact, this is the journey that we have been on for the past 17 years. Since 1994, LRN has embraced and pursued an ambitious purpose and 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 500 organizations we work with and over 15 million employees we educate 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.

Mahatma Gandhi once said, “Be the change you want to see in the world.” 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.

We have welcomed the opportunity to work with the UNGC during a time when principled performance has never been needed more and where its benefits have never been clearer. Institutions are inventing new and more resonant ways to connect and measure progress in this new frontier. It’s not just conventional ROI – or shareholder return – that matters anymore. There’s a new ROI – Return on Inspiration – that measures not just ‘how much’ – ‘how much’ revenue, profits, market share, debt or resources – but more importantly *how* we do things – *how* we inspire our people, *how* we engender trust with our stakeholders, *how* we forge relationships with our customers, *how* we behave, *how* we treat the environment and *how* we relate to the world.

This journey depends on a commitment to inculcate sustainable values into the fabric of company cultures and systems of governance and leadership, and on the ability to translate those values into operating principles, improved corporate practices and measurable leadership behaviors. By inspiring the behavior we seek at both the organizational and individual levels, we help companies build organizations that can survive and thrive, have greater resiliency and growth and be both successful and sustainable.

We look forward to joining forces and journeying together with the UNGC and its member organizations to pursue our common goals for many years to come.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dov Seidman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dov Seidman



## THE UNGC TEN PRINCIPLES


- 1 Human Rights**  
Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2** make sure that they are not complicit in human-rights abuses.
- 3 Labour**  
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4** the elimination of all forms of forced and compulsory labour;
- 5** the effective abolition of child labour;
- 6** the elimination of discrimination in respect of employment and occupation.
- 7 Environment**  
Businesses should support a precautionary approach to environmental challenges;
- 8** undertake initiatives to promote greater environmental responsibility; and
- 9** encourage the development and diffusion of environmentally friendly technologies.
- 10 Anti-Corruption**  
Businesses should work against corruption in all its forms, including extortion and bribery.

## LRN PURPOSE, MISSION AND VALUES

**OUR PURPOSE** *is to help people around the world do the right thing.*

**OUR MISSION** *is to inspire principled performance and to help foster legally aware and ethically inspired organizational cultures rooted in sustainable values, committed to responsible conduct, and to elevating standards of behavior throughout the world.*

**OUR VALUES:** *Integrity, Humility, Passion and Truth*



**The UNGC  
has created a  
mindset, a set  
of approaches,  
a community,  
so no one  
company or  
organization is  
an outlier for  
trying to get  
it right.**

## LRN AND THE UNGC

Since 1994, LRN has helped companies create ethical corporate cultures and inspire principled performance. We have helped guide companies in translating their values into concrete corporate practices and leadership behaviors that create sustainable competitive 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 need not choose between living their principles and maximizing profits, or between enhancing reputation and growing revenue. Both are a byproduct 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.

The UNGC, which celebrated its tenth anniversary in June 2010, is the world's largest corporate citizenship and sustainability initiative, with more than 8,700 corporate participants and stakeholders from more than 130 companies. These participants have voluntarily committed to aligning their business operations and strategies with 10 universally accepted principles.

We were inspired to join the UNGC in early 2010 because we felt that our respective missions were complementary and reinforcing, and shared much fundamental commonality. The goal of all compact members is to further their commitment in the areas of Human Rights, Labour Standards, Environment, and Anti-Corruption, and our purpose for being is to help companies and their people live up to these higher principles, and not merely comply with minimal standards.

In building a community around these standards, one that is transparent and global, the UNGC has created momentum and underscored the most effective way to scale its ideas and beliefs. We at LRN anticipate collaborating with the UNGC in helping advance sustainable, values-based business models and markets throughout the world in 2011 and beyond.



## LRN'S REACH AND IMPACT

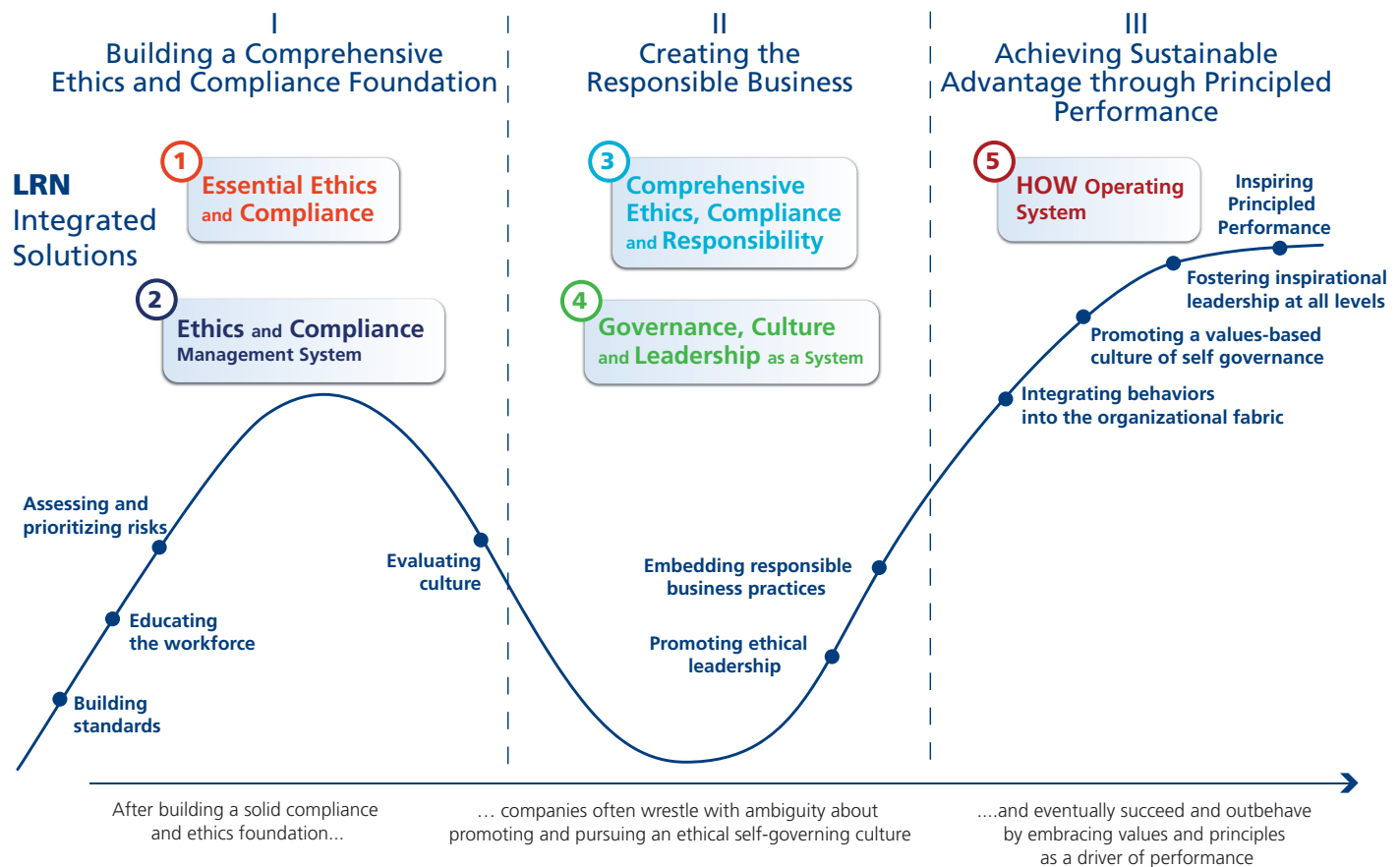
*Since 1994, LRN has helped 15 million people at more than 700 companies worldwide simultaneously navigate complex legal and regulatory environments and foster ethical cultures.*

*Organizations of all sizes and industries have come to rely on LRN's comprehensive and global education solutions to educate their people on topics that relate to the Ten Principles of the UNGC. In fact, LRN's partner community has completed more than 45 million educational experiences intended to inspire more principled behavior in business. Our partners completed more than 4 million educational experiences in 2010 alone. We have provided this education in more than 50 languages, helping partners reach their people in more than 120 countries around the world, ensuring 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. To date, we have received more than 900,000 responses on the quality, value and relevance of this education. In total, more than 85 percent have found the knowledge presented in the courses to be important or very important to their roles and their organizations, and more than 75 percent found the material to be relevant to their jobs.*

*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. Since 2000, GreenOrder, an LRN advisory group, has partnered with senior executives at more than 100 global enterprises to transform the way business leaders view sustainability, drive growth by creating environmentally responsible and innovative products and services, and relate to their stakeholders in sustainable ways.*

*LRN is also helping companies shape culture, governance and leadership as significant sources of advantage. We are defining new metrics through normative frameworks and assessments that serve to evolve and reinforce a system of self-governance by offering deep insight and interventions based on 22 dimensions of governance, culture and leadership. We are now finalizing our analysis of a national quantitative study that firmly indicates that companies operating through a system of self-governance are more innovative, deliver better financial performance and customer experiences, enhance their recruiting success, are plagued by less employee attrition, and find lower levels of employee misconduct and retaliation—all well-established building blocks of long-term sustainability and success.*

## THE JOURNEY TO CREATING A CULTURE OF PRINCIPLED PERFORMANCE



## 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. Our 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 helps organizations:

- 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, social and environmental responsibility.
- Meet compliance obligations and inspire and enable new measures of principled performance.

## LRN HELPS COMPANIES CREATE A CULTURE OF PRINCIPLED PERFORMANCE AND PROVIDES SPECIFIC SOLUTIONS THAT EMBRACE THE TEN PRINCIPLES

		UNGC PRINCIPLES			
		Human Rights	Labour	Environment	Anti-Corruption
LRN SOLUTIONS	Education				
	Alliances				
	Advisory Services				
	Tools & Assessments				

-  Issue Area **Not Yet** Addressed by LRN Solutions
-  Issue Area **Partially** Addressed by LRN Solutions
-  Issue Area **Substantially** Addressed by LRN Solutions
-  Issue Area **Significantly** Addressed by LRN Solutions

## INSPIRING PRINCIPLED PERFORMANCE THROUGH EDUCATION, TOOLS AND ASSESSMENTS, ALLIANCES AND ADVISORY SERVICES

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

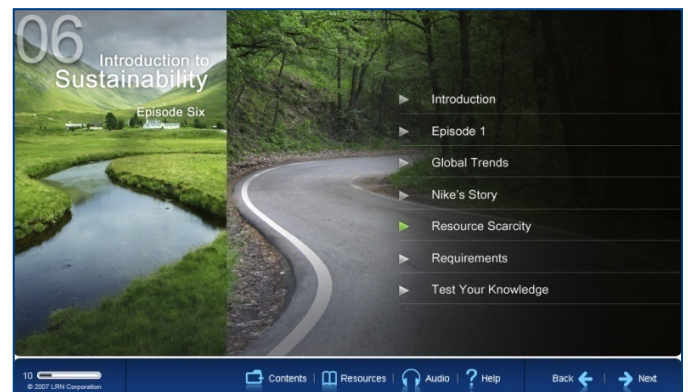


We give companies the means to deliver knowledge relevant to the Ten Principles within and beyond their own four walls.

For instance, LRN's solutions help companies understand and address their risks across the UNGC Ten Principles. Our proprietary Risk Assessment + Management solution provides a best practice methodology, overview and reporting tool to identify, assess and manage numerous risks, including freedom of association and collective bargaining, forced and child labour, employment discrimination, environmental risks and a variety of corrupt practices.



Our award-winning online education and experiential learning 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 succeed. Our educational experiences include



courses on collective bargaining, labour and employment discrimination issues, environmental compliance and responsibility, business-to-business and government-related corruption, and sustainability and sustainable supply chain management (including human rights, forced and child labour, environmental issues and corruption). We are expanding our library to deepen education in the areas of human and labour rights as well as environmental performance.

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 and work to reduce risk and leverage opportunities for social, environmental and ethical performance.

## ANTI-CORRUPTION

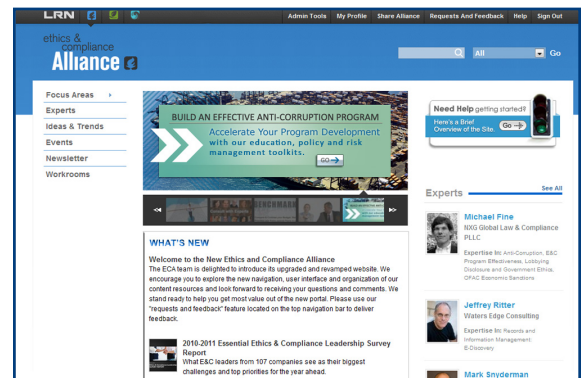
We have focused particular attention on anti-corruption issues, providing our partners a suite of services designed to assess and improve anti-corruption programs, engage employees and ensure sustainable success.

LRN's 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.

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

To help ensure the continuing effectiveness of anti-corruption efforts, we provide our partners with ongoing consultation with our anti-corruption experts – including a former UNGC Senior Advisor on Anti-Corruption.

In addition, our Ethics & Compliance Alliance (ECA) provides unique resources and support to enhance enterprisewide 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.

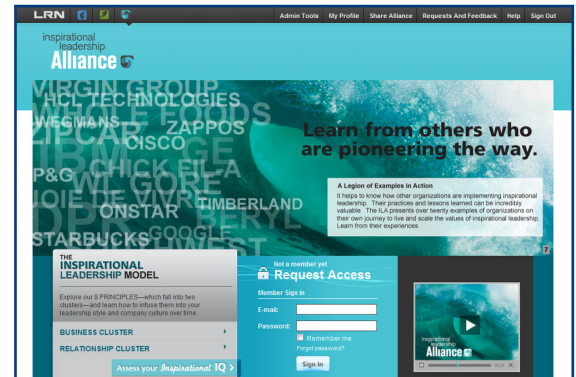


## LEADERSHIP

Strong anti-corruption programs with deep roots across the corporation are necessary but not sufficient to instill a values-based culture in which employees are comfortable speaking up about concerns and being role models of the right behaviors. LRN believes that leaders are the catalyst to promoting and sustaining an ethical culture inside organizations. Leaders must reconnect, set a new course and inspire all around them. We believe that inspirational leaders view leadership as a behavior, not a title. They pursue significance and meaning beyond the short term; and they achieve results with people, not over them.

To help propel this type of inspirational leadership across enterprises, in December 2010 LRN launched the Inspirational Leadership Alliance (ILA).

This unique online solution, consisting of in-depth leadership assessments, practical tools, individual coaching, learning plans, and community forums, supports and guides the development of leaders. Organized around eight leadership principles that have been synthesized from our research, thought leadership and proven practices, the ILA equips leaders at all levels to act as the engines of more principled performance.



## ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

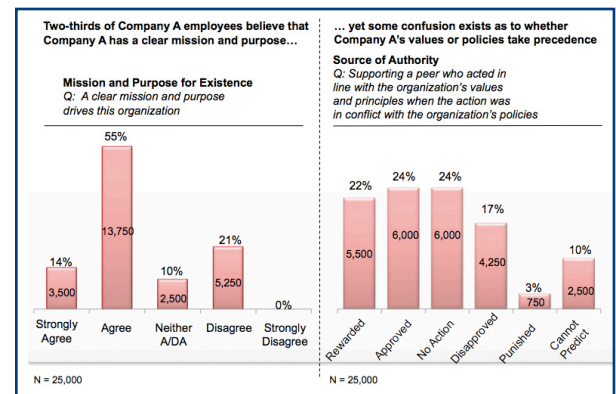
We are also positioned to help our partners in meeting their commitments to the UNGC by offering a comprehensive suite of solutions to address issues of environmental and social responsibility. Companies that have integrated environmental and socially responsible principles and actions into their operations are realizing great benefits in performance, reputation and enhanced stakeholder relationships—as well as seeing the long-term financial benefits.

It is essential that leaders committed to a sustainable journey for their organizations explore language, concepts, business risks and opportunities. Our environmental and social sustainability (ESS) solutions, including ESS leadership presentations, workshops and marketing materials, enable organizations to focus appropriately

on these critical areas. We also offer assessments on ESS practices, employee engagement and supply chain.

In addition, we have developed the LRN EcoStrategy Alliance (ESA), which allows organizations to deepen their commitments to being environmentally responsible. It 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.

GreenOrder, an LRN advisory group, helps companies gain competitive advantage through environmental innovation. GreenOrder works as a long-term partner to CEOs and senior management teams to achieve environmental leadership that supports key business goals, contributes to long-term success, and transforms business culture. LRN's advisory services, including GreenOrder, help companies advance in their journey to principled performance and social and environmental responsibility. We work with companies to help diagnose and assess current performance and to develop strategy and plans to achieve sustainable principled performance.

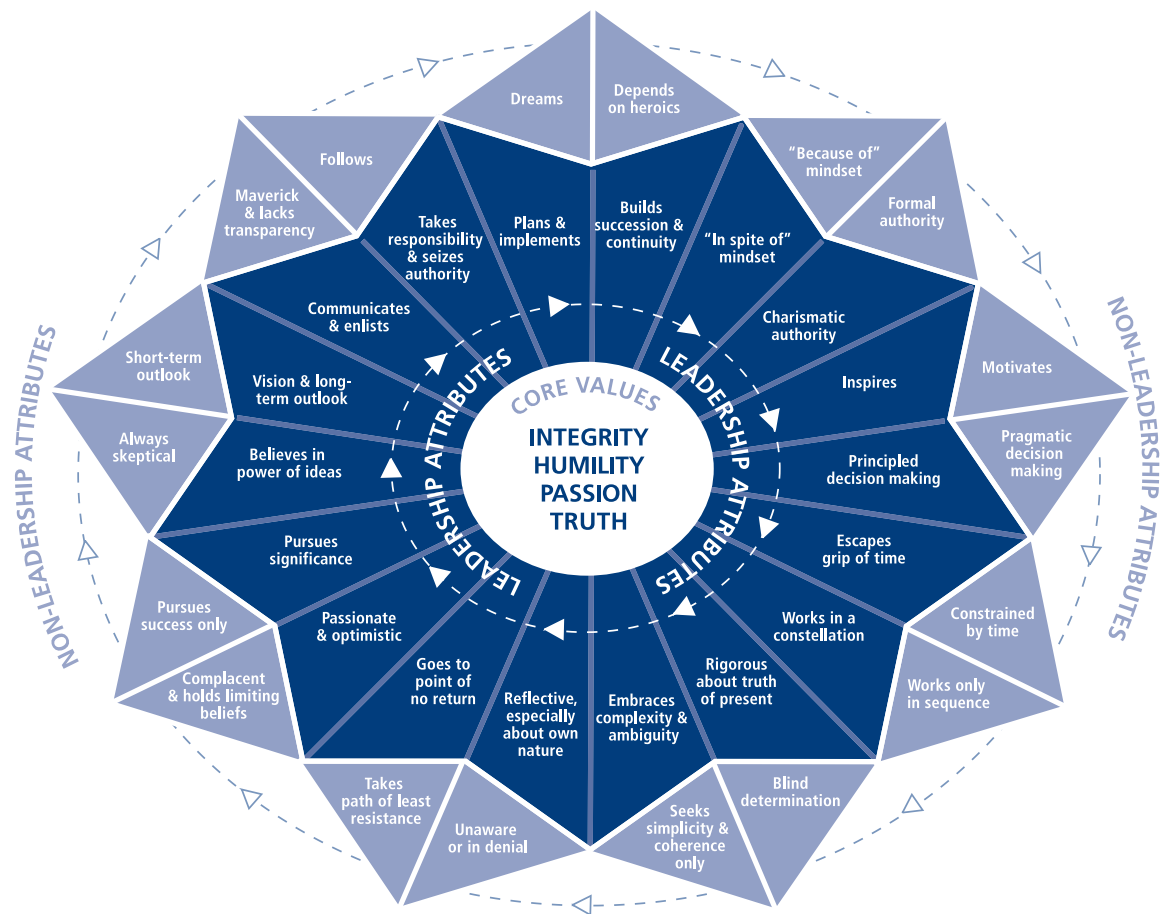


## LRN: A LABORATORY FOR OUR IDEAS

We are compelled by our mission to be a laboratory for our own ideas about leadership, culture and governance.

The LRN Leadership Framework—an interconnected, mutually reinforcing set of principles and behaviors—galvanizes and unifies our culture, inspiring and informing our conduct whether we're collaborating with colleagues or partnering with clients. Our core values lie at the center of the **LRN Leadership Framework: Integrity, Humility, Passion, and Truth.**

# OUR LEADERSHIP FRAMEWORK



The Framework guides our everyday business decisions and actions, and it allows us to consider our conduct in a broader, more reflective context that supports our evolution and journey. It 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 that are deeply rooted in our culture as well as ones that we wish to nurture in the organization.

Active engagement with the LRN Leadership Framework deepens our understanding of the significance of the LRN mission and furthers our ability to help companies engage their people in shared responsibility for shaping a culture that inspires principled performance.



An ethic of partnership guides and animates how LRN does business and how LRN colleagues relate to our partners. In 2010, we codified and published our LRN Partnership Principles. These principles inform and infuse the value and impact our partners can expect from LRN and the nature of the community we aspire to nurture and grow. Rooted in and inspired by LRN's core values, the LRN Partnership Principles guide our ongoing relationships. Key among these principles: "We will not deem ourselves successful, nor will we celebrate success, unless it has first resulted in our Partner's success." We apply this principle to existing and future partners in a manner that ensures an open, healthy, sharing and collaborative community.

In order for us to be authentic in our mission, we look internally on a continual basis and evaluate where our culture is and where we aspire for it to be. We call this effort "Living HOW." It both allows and obligates us to continually evaluate our processes against our values. As part of "Living HOW," our own colleagues take the same courses we provide to our partner companies, with particular emphasis on anti-corruption, supply-chain management and environmental awareness.

One of the most significant examples of our commitment to "Living HOW" in the community is our partnership with the Elie Wiesel Foundation for Humanity. The Foundation shares the same commitment to principled, ethical action as do LRN and the UNGC, particularly in the areas of human rights. LRN is 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 also worked with the Foundation to secure the publication of a book celebrating its 20 years of promoting ethical leadership among American youth. The book, entitled *An Ethical Compass: Coming of Age in the 21<sup>st</sup> Century*, is a collection of essays from students who have won the Foundation's Prize in Ethics over the years.

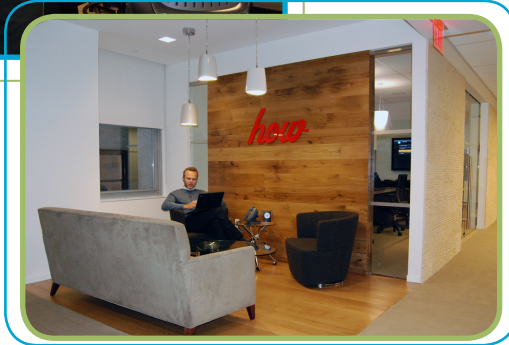


It is our belief that encouraging and supporting young people is critical to the future of our world, and we are investing in additional ways to create the next generation of ethical leaders. We work with a variety of educational institutions to inspire more youth to embrace principled, ethical action as the greatest source of strength and advantage. We also provide opportunities for LRN colleagues to dedicate work hours to connect meaningfully with their communities and to meet the needs of society in the areas of the Ten Principles.

LRN is committed to environmental responsibility in how we operate. We have dedicated teams who are charged with inspiring more environmentally responsible behaviors across all areas of our operation. 2011 marks the year in which the

company's New York City operations have been consolidated into a single office, for which we are seeking LEED certification. Some of the LEED components include sustainable sites, such as bicycle storage and shower rooms; water efficiencies through energy-efficient plumbing fixtures; energy-efficient HVAC systems, lighting equipment and appliances; the use of recycled material and resources in construction components; and dedicated areas for storage collection and recycling. The LRN office was also designed

to be open, transparent and collaborative and in other ways that reinforce and enhance our culture by helping to bring our values and principles to life.



# THE NEW NOW: *INSPIRING PRINCIPLED PERFORMANCE*

At LRN, we believe the world is more interconnected, and therefore more morally interdependent, than ever before. Business is no longer extracting itself from the needs of humanity and society, but is seeking ways to reestablish humanity at the very center of what it does – and *how* it does it. Knowledge is no longer concentrated among the elite; it is shared by and among large groups in democratic ways. Advances in technology and the impact of social media have thrust transparency on companies, forcing them to adapt.


Increasing competition from all parts of the world has commoditized numerous products and services; what can't be commoditized are relationships. If customers are making decisions solely on economic terms, there is a good chance a company will lose a customer if the company has no differentiator other than price. Therefore, companies must work to cultivate and strengthen their relationships every day through their behaviors, at the individual and organization-wide levels.

Yet these 21<sup>st</sup> century realities are fundamentally opposed to the 20<sup>th</sup> century organizational and leadership habits that many companies still cling to. Business is rethinking these old perspectives to focus on how to respond to today's challenges through a more principled approach to leadership, governance and culture. How companies lead, govern and operate in this world is not about reforming the old ways, but rather rethinking fundamental assumptions about how to pursue and create sustainable value, and how to forge deep, lasting relationships with stakeholders and society.

Today, companies are asking more of their employees. Companies want employees to relate to colleagues around the world who come from different cultures and speak different languages. Businesses want employees to go beyond merely serving customers by creating unique, delightful and genuine customer experiences. Workloads are growing while workforces shrink. Employees are expected to represent the company and nurture its brand not only when they're on the job, but whenever they publicly express themselves in tweets, blog posts, e-mails, or any other social or socially networked interaction. We increasingly ask employees to go beyond continuous improvement by conceiving and implementing disruptive innovations that deliver the step changes companies need to thrive amid global competition.

Leaders and institutions that succeed in inspiring these game-changing behaviors will not do so through 20<sup>th</sup> century systems of coercion and motivation, through carrots and sticks applied against primarily rules and policies. Such behavior will be inspired through a new system that places values and principles at the center of their operations, leadership and culture. And the source of that inspiration is found in sustainable values – the values that literally sustain us as individuals and institutions. Those values serve as a bulwark against risk and harm while simultaneously guiding and propelling behaviors that spark innovation and deepen relationships.

The ability to create value and thrive uniquely in the 21<sup>st</sup> century is increasingly based on *how* we do what we do—and not just in products and services. Embracing the UNGC's Ten Principles is an important step in a company's journey to tap into its "how" as a source of advantage. The challenge and opportunity that follows for these organizations is to discover how to share and scale these principles inside and outside their organizations.



## About LRN: Inspiring Principled Performance

Since 1994, LRN has helped 15 million people at 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: both are a product of principled performance. In 2008, LRN acquired green strategy firm GreenOrder. 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](http://www.lrn.com), follow @LRNinc on Twitter, or call: 800-529-6366 or +1-646-862-2040.