

UNITED NATIONS GLOBAL COMPACT

EMPANDA COMMUNICATION ON PROGRESS

18TH JULY 2017

DURATION: JULY 2016 – JULY 2017



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CEO Statement of Support:

18th July 2017

To our stakeholders:

I am pleased to confirm that Empanda Pty Ltd reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

In particular, we intend to share our report with Accenture, who demanded our participation as a part of their supplier procurement process. Empanda could have perceived this requirement as an administrative requirement, ticking boxes, however, we have become attached to this initiative, and it holds a special place in our hearts. Thank you, Accenture.

Empanda is a small company, but, one that has seen rapid growth over the last year. We are proud of the role that we are playing in the learning, development and organisational change consulting space. This involves working with our clients to innovate their businesses. Working at the coal-face of people transformation is fundamentally aligned to the United Nations Global Compact agenda.

We are ensuring that this progressive agenda is central to our ways of working at every level.

Sincerely yours,



CHRISTY HUNTER-CHAPMAN

Founder and CEO

Introduction

Over the last year we have grown from 22 employees to 45, representing 104% growth. As such, we are a small organisation in the context of our South African peers that are members of the United Nations Global Compact. We have worked hard to punch above our weight in terms of contribution, whilst facing the natural resource constraints expected due to our size and fragility. Growing is hard work, with little time for luxury.

Given that we operate in an African market, one that has been subject to officially recognised recession, we believe we have made a relatively significant contribution to socio economic development. We are creating jobs. Importantly, the jobs that we create are focused on the capacitation and empowerment of people. This has a multiplier effect.

By working to deliver people led transformation with corporate businesses we are continuously focused on putting people and humanity into everyday business life. We deliver an inherent transformational effect. We believe in our role: working in the organisational change management and learning and development sphere for the betterment of mankind and our environment.

It is our core function to ensure that our clients engage with their stakeholders (internally and externally) to drive forward ethical ways of working that consider the modern world, constantly disrupted and constantly innovating. Supporting the journey of people as we work to adapt to the future.

We are confident that in our core mandate we address human rights and labour related matters. In our internal ways of working we are very committed to environmentally progressive ways of working. In terms of anti-corruption, we have established a non-billable think tank, that is working on creating a communications and awareness deliverable that will address corruption, watch this space.

The rationale around forming Empanda was to embrace a spirit of openness and to support change and innovation, it is why we came together, and it is what we deliver.

If you are interested in our value proposition, and understanding the statements above at a greater level of detail, please see our website at www.empanda.co.za, which details our purpose and scope of offering.

#DavidAndGoliath (an Empanda reality)

#TrulyHuman (an Accenture initiative, supported by Empanda)

#InclusionStartsWithI (an Accenture initiative, supported by Empanda)

Update: Human Rights

ASSESSMENT, POLICY & GOALS

Empanda is committed in principle to the Universal Declaration of Human Rights and other international standards relating to Human Rights. However, when considering whether we are complicit in human rights abuses we get authentically concerned. Working in large scale corporate projects is hard work. The initiatives are demanding, project timelines slip, scope increases. Change and training comes to full fruition at the end of the project timeline. Without us, client employees will be confused, lack in communication and awareness, be un-consulted and untrained about their role in their business, following future change.

We have policies, goals, values, behaviours, all of which are designed to protect and strengthen our people, to create humane and positive ways of working, and to enable people transformation and enlightenment in the client space. We are organisational change specialists, what would you expect! But, do these policies have traction, and are they effective?

We have predominantly qualitative measurement of outcomes, against soft KPIs. Whilst human rights are a central part of our mandate, we find that we are often perceived as 'external', 'expendable', and in many ways, 'non-human' resources in the eyes of our clients. Regardless of relationship quality or stakeholder engagement, when the rubber hits the road, we are expected to 'burn' to ensure delivery. To 'go the extra mile', and we do:

Our people do hundreds of hours of unpaid overtime because they are passionate about what they do. They sacrifice their personal lives. They endure rudeness and harsh treatment on client site. When tempers fray, they are expected to internalise and manage hostility. They are treated as 'collateral damage'.

Soft KPIs relating to this assessment:

- Unpaid overtime audits
- Support and / or escalation calls to HR and the leadership team
- Project team risks and issue logs
- Telephone calls from staff working between 11pm and 6am, as if this is normal...
- Staff morale surveys
- 121 employee performance management meetings
- Informal conversation

Overall our assessment is that our own internal staff are not being managed humanely. Interestingly, when surveyed, they demonstrate a great commitment to continuing their work, despite their treatment. This topic is massively relevant to us, and we care... however, policies are not enough.

Over the last month, we have finally had the scale to mobilise a properly talented and capacitated HR Director. This was not a previously affordable capability. It will be part of this role's core mandate to refine our policies, and the processes and procedures for managing the dialogue with clients. This is a delicate process, complaints cannot be perceived as a refusal to serve. Indeed, most of our people, regardless of counsel, feel a true and authentic need to over-perform in challenging environments.

We need to ensure there is a healthy, modern, and innovative dialogue at Empanda (and with our clients) that relates to how over commitment works and is managed. We need to have the courage to engage in a way that protects our people better. And we need to be commercially unafraid to stand up for high integrity human rights practices. This is needed despite our dependency on our big and strong clients.

IMPLEMENTATION

We already have clearly defined processes for internal communication, including points of support, mentorship, HR helpline etc. We are a small company, with good internal communication. What we can promote is better internal and external awareness of what we should expect as consultants, and better separation of duties between delivery roles, and the quality assurance roles that are responsible for employee protection and related conversations.

We will mobilise a responsibility within Empanda to ensure courageous conversations are held with our clients when staff are not being treated humanely. This responsibility will sit with the new HR Director. We will also raise personal objectives for staff relating to their responsibility to ensure that they are fairly and properly treated, despite their commitment.

Empanda authentically believes that our consultants add more value when they are not over tired and working with excessively large scope.

MEASUREMENT OF OUTCOMES

Empanda is grateful to the United Nations Global Compact for its role in making us consider this matter. We struggled initially with our Communication On Progress (COP), because we were trying to prove that we had passed a test. It took us a while to realise we were failing it. This periodic review has been helpful, because it has caused pause for thought, and made us consider the material actions that we can take to improve (this will not be easy). It has also given us a moment to reflect on how important getting human rights to a high standard is.

We authentically cannot believe in our mandate to deliver people led transformation if we are hypocrites. As such, improvement in human rights is of the highest importance. We truly hope that in our next report we will be able to demonstrate improvement against this baseline. It will take courage in this commercial world.

Update: Labour

ASSESSMENT, POLICY & GOALS

Empanda is deeply committed to upholding freedom of association, eliminating forced and compulsory labour, the abolition of child labour, and eliminating discrimination. We believe in this at a global level, at a South African level, at a client level, and within our own internal practices. Many of our internal challenges are addressed within the Human Rights update in this report.

At a client level, we offer human capital management consulting services. This quite naturally addresses the importance of employee consultation when managing transformational change. Best practice in this space goes beyond meeting statutory requirements. It involves ensuring a strong employee value proposition. We are first to champion that the best way for our clients to deliver value to their customers, is to have a strong employee value proposition that enables our clients to naturally reflect and relate to their customers. Abused staff do not create happy customers.

Domestically, this is a challenged space. In South Africa, we live with a legacy. One that we, and our clients are committed to addressing. Empanda has skilled human resource management advisory consultants that are dedicated to enabling our clients in managing their labour transformation and innovation related agendas.

We are too small an organisation to be unionised, however, our core brand and expectation is that our people speak out as part of a collaborative community. We are a reasonably flat and delayed team, in line with modern and progressive thinking in this space.

IMPLEMENTATION

We hold regular team planning and social events designed to ensure the sharing of ideas and the cross fertilisation of best practices. This extends to how we manage ourselves and our corporate planning process for the organisation we want to be. Empanda is not an institution. We see ourselves as a free association of skilled professionals. We operate in the modern 'gig' based world. Our consultants are talented, and can only be retained if we treat each other well. The ultimate litmus test of whether we are compliant will be our very survival. Watch this space.

One area that warrants special attention is the Empanda response to the South African Broad-Based Black Economic Empowerment (BBBEE) challenge. Over the next year, we are committing to a progressive agenda of Learnerships and Internships. This work with previously unemployed talent will build skills in our core areas including change consultancy, training, graphic design, and agricultural roles.

MEASUREMENT OF OUTCOMES

The key measurement of outcomes relating to demographics and diversity factors (e.g. gender, ethnicity, age, etc.) within South Africa is our BBBEE rating. Currently we are a level 4 rated organisation, which indicates we are compliant. We also have a strategy in place to raise our game... Read our next report!

Update: Environment

ASSESSMENT, POLICY & GOALS

Whilst it is easy to understand Empanda as a consultancy business, we have an extra dimension when it comes to the environment. We are based on a 4.3HA smallholding with more than 300 productive Almond and Pecan trees. This space is very naturally beautiful, and relies entirely on borehole water and is entirely organic. We are progressively working on making our space entirely sustainable. This situation and context means that we tend to draw talent that is very interested in the environment. From recycling through to animal welfare, our culture is inherently environmentally orientated.

The Western Cape, where we are based is currently going through a drought. We are working hard to be very responsible about water usage. Due to our sustainable approach, we have a very light footprint, and are constantly investigating new technologies relating to energy efficiency.

IMPLEMENTATION

Over the coming year we are seeking to replace our water infrastructure, and to implement our first projects relating to sustainable energy, particularly solar and wind. We find that our people love coming to our Porta Pandana HQ. It is an environment where you can take lateral thinking space, walk amongst the trees and rejuvenate. We already host our clients and partners for meetings where creative thinking is required. In the future, we seek to expand our offering in this regard.

The best treatment for putting nature first is to be a part of it, to be surrounded by it. Empanda is differentiated by having a particularly exciting environment in this regard. We believe that people who come to visit us enjoy the space so much that the environment is naturally strengthened as an agenda item in the hearts and minds of all who spend time with us.

MEASUREMENT OF OUTCOMES

We believe our stance on environment is indicated by the following:

- 4.3HA beautiful, organic natural space
- Organic Almond and Pecan farming
- Sustainable, off the grid water supply (efficiently managed)
- Refuse recycling

Update: Anti-Corruption

ASSESSMENT, POLICY & GOALS

Empanda is committed to working against corruption in all its forms. As a people led transformation consultancy this is a topic that proved very close to our hearts. Last year, when we joined the United Nations Global Compact, we consulted our employee base on the 10 Pillars, to enquire how we would like to expend our energy and contribution a.) across all pillars, or b.) by focusing on one pillar. The outcome of this consultation was that we should focus on Anti-Corruption... and do a good job of it.

Why? Because within our South African context, we are particularly subject to corruption, and because it is a topic that is not well understood. This proved a compelling topic to our Empandas.

Our first move was to review the United Nations Global Compact materials and website on this subject. We expected to learn, but, here is what we reviewed:

Principle Ten: Anti-Corruption

Businesses should work against corruption in all its forms, including extortion and bribery.

What does it mean?

The tenth principle against corruption was adopted in 2004 and commits UN Global Compact participants not only to avoid bribery, extortion and other forms of corruption, but also to proactively develop policies and concrete programmes to address corruption internally and within their supply chains. Companies are also challenged to work collectively and join civil society, the United Nations and governments to realize a more transparent global economy.

With the entry into force of the UN Convention Against Corruption (UNCAC) in 2005, an important global tool to fight corruption was introduced. The UNCAC is the underlying legal instrument for the 10th Principle. Corruption can take many forms that vary in degree from the minor use of influence to institutionalized bribery. Transparency International's definition of corruption is "the abuse of entrusted power for private gain". This can mean not only financial gain but also non-financial advantages.

The OECD Guidelines for Multinational Enterprises define extortion in the following way: "The solicitation of bribes is the act of asking or enticing another to commit bribery. It becomes extortion when this demand is accompanied by threats that endanger the personal integrity or the life of the private actors involved."

Transparency International's Business Principles for Countering Bribery define bribery in the following way: "Bribery: An offer or receipt of any gift, loan, fee, reward or other advantage to or from any person as an inducement to do something which is dishonest, illegal or a breach of trust, in the conduct of the enterprise's business."

Why should companies care?

There are many reasons why the elimination of corruption has become a priority within the business community. Confidence and trust in business among investors, customers, employees and the

public have been eroded by recent waves of business ethics scandals around the globe. Companies are learning the hard way that they can be held responsible for not paying enough attention to the actions of their employees, associated companies, business partners and agents.

The rapid development of rules of corporate governance around the world is also prompting companies to focus on anti-corruption measures as part of their mechanisms to express corporate sustainability and to protect their reputations and the interests of their stakeholders. Their anti-corruption systems are increasingly being extended to a range of ethics and integrity issues, and a growing number of investment managers are looking to these systems as evidence that the companies undertake good and well-managed business practice.

Businesses face high ethical and business risks and potential costs when they fail to effectively combat corruption in all its forms. All companies, large and small, are vulnerable to corruption, and the potential for damage is considerable. Business can face:

Legal risks: not only are most forms of corruption illegal where they occur but it is also increasingly becoming illegal in a company's home country to engage in corrupt practices in another country; **Reputational risks:** companies whose policies and practices fail to meet high ethical standards, or that take a relaxed attitude toward compliance with laws, are exposed to serious reputational risks. Often it is enough to be accused of malpractice for a company's reputation to be damaged even if a court subsequently determines the contrary; **Financial costs:** there is clear evidence that many countries lose close to \$1 trillion due to fraud, corruption and shady business transactions and in certain cases, corruption can cost a country up to 17% of its GDP, according to the UN Development Programme in 2014. This undermines business performance and diverts public resources from legitimate sustainable development; Erosion of internal trust and confidence as unethical behaviour damages staff loyalty to the company as well as the overall ethical culture of the company. What can companies do?

The UN Global Compact suggests that participants consider the following three elements when fighting corruption and implementing the 10th principle:

Internal: As a first and basic step, introduce anti-corruption policies and programmes within their organizations and their business operations; **External:** Report on the work against corruption in the annual Communication on Progress; and share experiences and best practices through the submission of examples and case stories; **Collective Action:** Join forces with industry peers and with other stakeholders to scale up anti-corruption efforts, level the playing field and create fair competition for all. Companies can use the Anti-Corruption Collective Action Hub to create a company profile, propose projects, find partners and on-going projects as well as resources on anti-corruption collective action; Sign the "Anti-corruption Call to Action", which is a call from Business to Governments to address corruption and foster effective governance for a sustainable and inclusive global economy. Your company's participation in this Call to Action underscores your continued efforts to integrate anti-corruption into your strategies and operations. Learn more about the Call to Action and how to sign.

We were, as an organisation, deeply concerned by this information. It appeared to us that the rationale for anti-corruption, as articulated by the United Nations Global Compact, entirely relates to the consequences of being caught. No element of why an organisation should not be corrupt relates to the reason as to why corruption is bad.

Instead we are led to understand merely that if we are corrupt we will lose sales and relationships, and that we may face financial, reputational and legal consequences. This is a bit like saying that the reason that murder is wrong is because we may end up going to jail, paying lawyers a lot, and that our associates may think of us as, well, murderers... and generally in a poor light.

If this was truly the only rationale relating to why murder is wrong, more people would be dead...

We became very concerned, and started to test our own understanding of why corruption is wrong and harmful, and deserves to be a Pillar. Were we simply taking the information on a faith basis, or did we understand why it was technically wrong, at a value or ethical level?

We ran a collaborative co-creating session with all employees to think things through, and to start working on telling an accessible story. We believe we have found a truth, and we have told our individual stories about how we have been personally affected by corruption. Almost all of us have been directly affected.

We hope to, over time, offer our story to the United Nations Global Compact as our contribution. But, we aren't there yet. Are you interested?

IMPLEMENTATION

If we want to, as a nation, and a globe, and as people, to take concrete actions to implement anti-corruption policies, address anti-corruption risks and respond to incidents, we need to understand what corruption is, why it is bad, how it affects us, and where it gets started. These were the first things we started telling stories about.

After a while we recognised that what we really wanted was for corruption to stop.

We believe that we can use our eAwareness capability to drive better consciousness in this space and present a (possibly contentious) value proposition for mitigating corruption itself.

But we can't do it alone... it's a social movement that requires sponsorship.

The reason that corruption is bad is complex. Effectively, corporate corruption allows goods and services to be provided in a way that is not subject to fair market and competition related prices. This allows corrupt suppliers and beneficiaries of kickbacks to cream money from the system. Money that is taken from the system does not fulfil a role in the economies, it disappears from corporate budgets. An opportunity for other spending is lost. Money sits in bank accounts, rather than working. When money is working it flows into other businesses, driving employment and further spending, being spread and multiplying. Google the Keynesian Multiplier Effect if you need to get the general idea. One nice analogy that we came up with is that corruption practitioners are like parasites. They feed off the system, but don't put back in.

Corruption can also result in poor quality delivery of goods and services, creating victims. However, the larger body of victims are the bottom feeders in the poverty gap equation. Jobs are not created; the economy is

not growing and depressed economies drive depressed people. Alcoholism, drug abuse, violence, crime, all these things are worsened when there is economic depression.

So: corruption is bad. How do we stop it?

After a lot of root cause analysis, we realised that being cross with, and punishing corrupt people was not the answer. Interestingly, we became very sorry for corrupt people.

Why?

When we reviewed stories about corruption cases we realised that most corrupt people did not know what they were getting into. Once they found out they became trapped and extorted. Sometimes threatened. Their personal lives were very stressful and filled with suffering. Most corrupt people wanted corruption to stop, but didn't know how to get free.

Shame.

So, our rationale is that we need to create a movement to free the corrupt people. An amnesty. Get corrupters out, forgive them, make it stop. We can't recover the sunk costs, but we can prevent the future ones.

This changed our story target audience from the victims of corruption being taught to judge, or corrupt peoples, being persuaded they were wrong, to being a combination of the above, but coupled with strong influence of the governors, arbitrators, decision makers, and policy setters. Will they agree that the corrupt need to be liberated? Will they be able to enable this kind of policy?

We believe that advancing our curiosity in this space, by telling a compelling and thoughtful story is a great opportunity to add value.

MEASUREMENT OF OUTCOMES

We have a story design we are continuing to work on. We would like to work with experts, better equipped on the topic, to enrich our deliverable. We would like to release an eAwareness story using our capability, and to make it available to help anti-corruption. We are also interested in providing a platform that helps many people to tell their different stories, creating a collective consciousness.

However, we believe we will only be successful as part of a broader initiative.

Perhaps the United Nations has ideas or can connect us to other participating organisations that we could work with?

Summary of Sustainable Development Goals:

We believe we are a motivated and active member of the Compact. We have areas for work, particularly on raising our courage levels, as a small fish in a big pond; not accepting inhumane treatment as a cost of doing business. That said, our people and our business is committed and authentically engaged in driving the 10 pillars.

The sustainable development goals we actively align to include:

- ✓ SDG 1: End poverty in all its forms everywhere
- ✓ SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- ✓ SDG 3: Ensure healthy lives and promote well-being for all at all ages
- ✓ SDG 4: Ensure inclusive and equitable quality education & promote lifelong learning opportunities
- ✓ SDG 5: Achieve gender equality and empower all women and girls
- ✓ SDG 6: Ensure availability and sustainable management of water and sanitation for all
- ✓ SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all
- ✓ SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- ✓ SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- ✓ SDG 10: Reduce inequality within and among countries
- ✓ SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable
- ✓ SDG 12: Ensure sustainable consumption and production patterns
- ✓ SDG 13: Take urgent action to combat climate change and its impacts
- ✗ SDG 14: Conserve and sustainably use the oceans, seas and marine resources
- ✓ SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- ✓ SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- ✓ SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

With respect to our actions to advance the Sustainable Development Goals (SDGs), our COP describes:

- ✓ Opportunities and responsibilities that SDGs represent to our business
- ✓ Where the company's priorities lie with respect to one or more SDGs
- ✓ Goals and indicators set by our company with respect to one or more SDGs
- ✓ How one or more SDGs are integrated into the company's business model
- ✓ The (expected) outcomes and impact of your company's activities related to the SDGs
- ✓ If the companies' activities related to SDGs undertaken in collaboration with other stakeholders
- ✓ Other established or emerging best practices

Approach to Stakeholder Engagement:

We will distribute this report to our employees, partners, key clients and primary service providers through our usual business channels.

APPENDIX 1: Initial letter of commitment to join the Global Compact

10 July 2016

H.E. Ban Ki-moon
Secretary-General United Nations
New York, NY 10017 USA

Dear Mr. Secretary-General,

I am pleased to confirm that Empanda Pty Ltd supports the ten principles of the Global Compact on human rights, labour, environment and anti-corruption. With this communication, we express our intent to implement those principles. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals.

Empanda Pty Ltd will make a clear statement of this commitment to our stakeholders and the general public. We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the ten principles and support any specialized UN Global Compact issue platform that our company may join at a later date. We support public accountability and transparency, and therefore commit to report on progress within one year of joining the Global Compact, and annually thereafter according to the Global Compact COP policy.

This includes:

- A statement signed by the chief executive expressing continued support for the Global Compact and renewing our ongoing commitment to the initiative and its principles. This is separate from our initial letter of commitment to join the Global Compact.
- A description of practical actions (i.e., disclosure of any relevant policies, procedures, activities) that the company has taken (or plans to undertake) to implement the Global Compact principles in each of the four issue areas (human rights, labour, environment, anti-corruption).
- A measurement of outcomes (i.e., the degree to which targets/performance indicators were met, or other qualitative or quantitative measurements of results).

Sincerely yours,



CHRISTY HUNTER-CHAPMAN
Founder and CEO