

UN Global Compact

A practical guide for suppliers



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Foreword

EDF Energy has committed to engaging with all of our suppliers to ensure they meet the ten principles of the UN Global Compact, to guarantee an ethical supply chain.

We made this commitment recognising the importance of sustainable supply chain management to the triple bottom line of **people, planet** and **profit** and with the objective of creating, protecting and developing long term environmental, social and economic value for all stakeholders participating within our supply chain.

We recognise that for many of our suppliers, particularly the smaller organisations with whom we partner, developing management arrangements that encompass the Compact's four areas of human rights; labour standards; environment and anti-corruption remains a daunting challenge. To help our suppliers overcome this challenge we have produced this Guide offering practical guidance on how to develop management arrangements based on the values and principles of the Compact. The Guide will assist suppliers in demonstrating compliance as well as setting priorities for action in pursuit of continuous performance improvement.

We hope this publication will encourage our suppliers to engage with us on sustainability. By learning and sharing information and experiences with our suppliers, we hope to establish closer, more durable supply chain relationships; delivering lasting benefit to their business, EDF Energy and the communities we serve.

1. Introduction to the Guide

1.1 Why is the Compact important to EDF Energy?

In 2001 EDF Group, of which EDF Energy is part, became a signatory to the UN Global Compact signalling our intent to promote within our own **sphere of influence** the sustainable development principles and corporate citizenship practices enshrined within its principles.

Through our participation, we issue an annual **communication on progress** publicly disclosing to our stakeholders the progress we have made in implementing the ten principles of the Compact and in supporting broad UN development goals.

Communicating our progress ensures the ongoing transparency and accountability of our operations; reinforcing to our stakeholders our company ambitions, corporate values and protecting the long term viability of our business.

1.2 How to use this Guide

This Guide outlines:

- specific information about each of the Compact's principle areas
- the relevance of each principle and the importance of compliance
- how to demonstrate compliance – taking account of organisational size

The Guide can either be read from cover-to-cover or can be dipped into for guidance on specific issues. Use the hyperlinks in **Section 4** to navigate from individual questions contained within EDF Energy's UN Global Compact Compliance Questionnaire to information relevant to it.

1.3 What can the Guide do for my business?

This Guide has been introduced to enable you to understand the subject matter of the Compact's principles in a time-efficient and cost-effective manner; identifying the benefits and mechanisms to achieve compliance.

Customers and other key stakeholders are increasingly expecting that we understand, and manage the sustainability impacts of our operations and are able to demonstrate our impacts within these areas. Whilst issues relevant to individual businesses will vary dependant on sector, location of operations and organisational size; companies like EDF Energy are increasingly using qualification questionnaires', based upon social initiatives such as the UN Global Compact to identify risk areas and prioritise actions.

This Guide has been produced to assist our suppliers in understanding these expectations and to identify the range of management arrangements which exist that demonstrate compliance.

If, after reading this Guide, you have further queries then we encourage you to contact us to agree a

common understanding of the challenges you face and how they might be resolved.

2 UN Global Compact: A Synopsis

What is the UNGC?

The UN Global Compact is a **strategic policy initiative**, developed by the United Nations, for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. The Compact is a **practical framework** for the development, implementation, and disclosure of sustainability policies and practices, offering participants a wide spectrum of workstreams, management tools and resources designed to help advance sustainable business models and markets.

Why was it created?

As social, political and economic challenges (and opportunities) affect business more than ever before, many companies recognise the need to collaborate and partner with governments, civil society, labour and the United Nations.

Who is it for?

The Compact is a leadership initiative, involving a commitment by a company's Chief Executive Officer (or equivalent), and supported by the highest-level governance body of the organisation (e.g. the Board). It is intended for **all businesses irrespective of size**.

When was it developed?

The Compact was first announced by the then UN Secretary-General Kofi Annan in an address to The World Economic Forum on January 31, 1999, and was officially launched at UN Headquarters in New York on July 26, 2000.

What does it mean to be a signatory to the UNGC?

Participation in the Compact is a widely visible **commitment** to the implementation, disclosure, and promotion of its ten universal principles. A company joining the initiative is expected to:

- integrate the Compact and its principles into business strategy, day-to-day operations and organisational culture
- incorporate the Compact and its principles into the decision-making processes of the highest-level governance body (e.g. the Board)
- contribute to broad development objectives (including the Millennium Development Goals) through partnerships
- declare through its annual report (or equivalent document) a description of its activities in support of the principles
- publicise the Compact, and the case for responsible business practices, through advocacy and active outreach to peers, partners, clients, consumers and the public at large.

Companies of all sizes are encouraged to sign up and file an annual [communication on progress](#) (COP).

Is the UNGC a legal requirement?

The Compact is not a regulatory instrument but is instead a **voluntary** initiative whose goals are intentionally flexible. The Compact itself states that once companies have declared their support for the Compact principles "This does not mean that the Global Compact recognises or certifies that these companies have fulfilled the Compact's principles." Each company is expected to demonstrate adherence to the Global Compact principles.

3 The Principles

Human Rights

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2:** make sure that they are not complicit in human rights abuses.

Labour Standards

- **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.

Environment

- **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.

Anti-Corruption

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

4 EDF Energy Compliance Questionnaire

4.1 Human Rights and Labour Standards

Question	Further Info	Practical Guidance	
		Large	SME
Do you have a policy in place that prohibits physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation?	5.1.1	6.1	7.1
Are all workers paid at least the minimum legal wage (or industry benchmark standards, if minimum wage does not exist)?	5.1.1	6.1	7.1
Do all employees receive all the benefits they are entitled to under law?	5.1.1	6.1	7.1
Do you operate a formal health and safety management system? A management system is a standard framework such as the "PLAN, DO, CHECK, ACT" cycle, with defined objectives, performance that is measured and reviewed and actions to respond to performance.	5.1.1	6.1	7.1
Do you provide workers with personal protective equipment appropriate for the work they do?	5.1.1	6.1	7.1
Do you have written procedures for each machine or tool giving details of how to use it safely?	5.1.1	6.1	7.1
Do you have a health and safety policy that complies with the law in your country?	5.1.2	6.1	7.1
Do workers receive health and safety training relevant to their job?	5.1.2	6.1	7.1
Do you maintain a record of the national and international health and safety legislation that your business must comply with?	5.1.2	6.1	7.1
Do you have a formal fire evacuation procedure?	5.1.2	6.1	7.1
Do you have copies of the relevant local regulations on working hours?	5.1.2	6.1	7.1
Do you have a formal grievance procedure that allows employees to raise employment issues with management?	5.2.1	6.2.1	7.2
Can you confirm that you ensure the freedom of association and effective recognition of the right of collective bargaining?	5.2.1	6.2.1	7.2
Can you confirm that workers are permitted to join a trade union if they wish?	5.2.1	6.2.1	7.2
Can you confirm that no workers work in excess of 48 hours per week (or 60 hours including overtime) on a regular basis?	5.2.2	6.2.2	7.2
Do workers receive pay slips clearly showing wages, hours worked, piece rate (if applicable) and deductions?	5.2.2	6.2.2	7.2
Are all workers free to leave your employment at any time, upon giving reasonable notice?	5.2.2	6.2.2	7.2
Can you confirm that no workers work in excess of 12 hours per day (including overtime) on a regular basis?	5.2.2	6.2.2	7.2

Can you confirm that that you do not use any forms of forced or compulsory labour?	5.2.2	6.2.2	7.2
Can you confirm that you do not employ any children under 16 years old?	5.2.3	6.2.3	7.2
Do you have records that specify the date of birth of all workers with a copy of documentary evidence (e.g. ID card, birth certificate, medical certificate)?	5.2.3	6.2.3	7.2
Can you confirm that no child workers (under 18) perform hazardous jobs or work at night (between 22.00 and 06.00)?	5.2.3	6.2.3	7.2
Can you confirm that workers receive equal pay for equal work, regardless of race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation?	5.2.4	6.2.4	7.2
Can you confirm there is no discrimination in the recruitment process on the basis of race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation?	5.2.4	6.2.4	7.2

4.2 Environment

Question	Further Info	Practical Guidance	
		Large	SME
Do you carry out your activities in accordance with international/national laws and regulations relating to the protection of the environment?	5.3	6.3	7.3
Do you have a documented environmental policy signed off by a senior director or executive?	5.3	6.3	7.3
Do you operate a formal environmental management system? A management system is a standard framework such as the "PLAN, DO, CHECK, ACT" cycle, with defined objectives, performance that is measured and reviewed and actions to respond to performance.	5.3	6.3	7.3
Do you maintain a record of the national and international environmental legislation that your business must comply with?	5.3	6.3	7.3
Do you monitor your environmental performance? (For example do you collect statistics on areas such as energy consumption, waste disposal, recycling, discharges and emissions of pollutants? Do you measure your performance against any improvement targets you have set?)	5.3	6.3	7.3
Do you have a programme of environmental initiatives intended to improve your environmental performance?	5.3	6.3	7.3

4.3 Anti-Corruption

Question	Further Info	Practical Guidance	
		Large	SME
Do you have a policy or code of conduct in place that prohibits the payment or receipt of unlawful incentives in the course of business?	5.4	6.4	7.4
Can you confirm that there are no circumstances where facilitating payments are made in the course of business?	5.4	6.4	7.4
Is training provided to employees in relation to your approach to preventing bribery and corruption (e.g. as part of training on your code of conduct)?	5.4	6.4	7.4
Do you have a mechanism in place, for employees or other third parties to report incidents of bribery or corruption?	5.4	6.4	7.4

5 Introduction to the Principles

5.1 Human Rights

The first two principles of the Compact relate to human rights; the basic rights of each human being, independent of race, sex, religion, political opinion, social status or any other characteristic.

Whilst the concept of human rights has existed for centuries, the modern definition is centred on a commitment made by governments in 1948 to respect, protect, promote and fulfil the human rights of their citizens and other individuals within and beyond their borders. This commitment is known as the Universal Declaration of Human Rights.

Box 1: Universal Declaration of Human Rights

The [Universal Declaration of Human Rights](#) was established in Paris on 10 December 1948 to set basic minimum international standards for the protection of the rights and freedoms of the individual. The fundamental nature of these provisions means that they are now widely regarded as forming a foundation of international law.

The Declaration identifies many rights including:

- life, liberty and security of person
- freedom from slavery and servitude
- freedom from torture, or cruel, inhuman or degrading treatment or punishment
- equality before the law
- freedom of movement and residence
- freedom of thought, conscience and religion
- peaceful assembly and association
- nationality, work, health and education

5.1.1 Principle One

"Businesses should support and respect the protection of internationally proclaimed human rights."

Whilst governments have primary responsibility for human rights, the Universal Declaration of Human Rights identifies individuals and organisations, as **organs of society**, as having a moral obligation to respect the universal rights enshrined within it.

Organisations play a fundamental role in society and as a consequence have the potential to impact, both positively and negatively, virtually all human rights. That said, there is no legal obligation under international law requiring companies to comply with human rights standards.

5.1.2 Principle Two

"Businesses should make sure they are not complicit in human rights abuses."

Whereas the first principle of the Compact relates to the behaviours and activities of an organisation itself, the second principle concerns the activities of a company's stakeholders in relation to human rights, and specifically human rights abuses.

The principle identifies that organisations have the potential to infringe on the rights of others by supporting or contributing to the ability of another organisation, or government, to carry out systematic abuses.

To be found guilty of complicity under international law, a crime against humanity must have been committed (e.g. forced labour) and the complicit organisation must have knowingly contributed to the commissioning of the crime. However, organisations implicated through complicity often suffer serious damage to their reputation and receive broad social condemnation.

Box 2: Complicity

There are widely held to be three categories of complicity:

- Direct complicity: intentional participation in human rights abuses
- Indirect complicity: receiving benefit from human rights abuses without actively participating or commissioning them
- Silent complicity: failure to act (e.g. by not notifying the appropriate authorities) where systematic or continuous human rights abuses are perpetrated

5.2 Labour Standards

The four labour principles of the Compact are derived from core conventions identified within the International Labour Organisation's Declaration of Fundamental Principles and Rights at Work.

Box 3: The International Labour Organisation [ILO]

The ILO was founded in 1919 as the UN agency tasked with advancing opportunities for men and women to obtain decent and productive work in conditions of freedom, equity, security and human dignity. The organisation is formed of governments, employers and worker representatives from its 183 member states with the objective of developing international labour standards and promoting compliance.

Labour standards are defined as a series of conventions; of which 8 are deemed to be fundamental to the rights of people at work:

- freedom of association and protection of the right to organise convention, 1948 (No. 87)
- right to organise and collective bargaining convention, 1949 (No. 98)
- forced labour convention, 1930 (No. 29)
- abolition of forced labour convention, 1957 (No. 105)
- equal remuneration convention, 1951 (No. 100)
- discrimination (employment and occupation) convention, 1958 (No. 111)
- minimum age convention, 1973 (No. 138)
- worst forms of child labour convention, 1999 (No. 182)

5.2.1 Principle Three

"Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining."

The third principle recognises the imbalance of power between employer and individual in relation to workplace conditions such as terms and conditions of employment.

The principle attempts to influence this imbalance by protecting the right to freedom of association (essentially the right to come together with other individuals to express and defend common interests). By enabling collective bargaining the principle promotes a form of workplace democracy; empowering workers to hold their employer to account and supporting adherence to the rule of law within the workplace.

5.2.2 Principle Four

"Businesses should uphold the elimination of all forms of forced and compulsory labour."

Forced labour is a fundamental violation of basic human rights which is still prevalent in several developing countries. In fact, the ILO states that at least **12.3 million** people continue to be trapped in forced labour.

Modern day slavery within employment takes the form of confiscated salaries and identity papers, or the collection of pre-employment deposits (preventing workers from being able to leave the workplace or seeking alternative employment). It also manifests itself in forced overtime or in workers being locked overnight in company premises.

Forced labour is prohibited under UK and EU law but the potential for complicity exists when engaging with overseas suppliers or contracting services through agencies based overseas.

Box 4: Modern Slavery

Modern slavery is a crime resulting in an abhorrent abuse of human rights. It is constituted in the [Modern Slavery Act 2015](#) by the offences of 'slavery, servitude and forced or compulsory labour' and 'human trafficking'.

- Slavery: where ownership is exercised over a person
- Servitude: an obligation to provide services imposed by coercion
- Forced or compulsory labour: work or service exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily
- Human trafficking: arranging or facilitating the travel of another person with a view to exploiting them.

5.2.3 Principle Five

"Businesses should uphold the effective abolition of child labour."

It is important to differentiate between child labour, youth employment and student work when considering the subject matter of the fifth principle which is aimed at protecting children from economic exploitation and work that may be dangerous to their health, safety or morals.

The harm caused by child labour is felt across society as children engaged in work are less likely to complete an education; increasing rates of illiteracy and providing a reduced contribution to wider economic development.

UNICEF estimates that **1 in 6** of the world's children is engaged in child labour.

Box 5: Child Labour

UNICEF defines child labour as work that exceeds a minimum number of hours taking into consideration the age of the child and the type of work performed.

- ages 5-11 – in excess of 1hr of economic work or 28hrs of domestic work per week
- ages 12-14 – in excess of 14hrs of economic work or 28hrs of domestic work per week
- ages 15-17 – in excess of 43hrs of economic or domestic work per week

In the UK, children under 13 years of age are generally prohibited from any form of employment and children below the minimum school leaving age must not be employed in any industrial undertakings (e.g. factories, construction sites) except when on a work experience scheme approved by the local authority (or governing body of an independent school).

5.2.4 Principle Six

"Businesses should uphold the elimination of discrimination in respect of employment and occupation."

Discrimination within employment means treating people differently because of characteristics unrelated to their ability to fulfil a role.

Individuals are most commonly discriminated against based upon their race, gender, sexual or political orientation, ethnic or social background but in some countries discrimination as a result of HIV status or age is becoming increasingly prevalent.

From a business perspective, discriminatory behaviour is counter-intuitive as it gives rise to social tensions with the potential to disrupt the internal business environment or external business relations. Furthermore, there is a competitive advantage associated with encouraging diversity; which can improve accessibility to markets and reduce staff-churn by nurturing a more inclusive organisational culture.

Box 6: Forms of discrimination

Discrimination can arise in a variety of work-related activities, including:

- access to employment in general, or to particular opportunities
- consideration for promotion or training opportunities

In addition, it can manifest itself in relation to terms and conditions of employment, such as:

- remuneration
- hours of work and holiday entitlement
- inclusion in performance assessment schemes

5.3 Environment

Environmental impacts from businesses are often severe; particularly where environmental regulations are lax, price pressures are significant and natural resources are perceived to be abundant.

The three environmental principles of the Compact are derived from the Rio Declaration on Environment and Development recognising that the policies and operations of business can play a major role in minimising environmental impact; and providing an entry point for business to address key environmental challenges.

Box 7. COP21: United Nations Climate Change Conference

2016 saw the adoption of the Paris Agreement on climate change at COP21. It is the first global agreement on climate change which holds all parties fully accountable ([once they have deposited their instruments of ratification, acceptance, approval or accession](#) with the Secretary-General of the United Nations). It sets a commitment to limit global temperature rise to 2°C, with further efforts to limit the rise to 1.5°C.

In recent years, increasingly more and more companies have adopted strategies and policies to manage the widening array of risks, and in some cases opportunities, presented by the environmental challenges they face. Companies that embrace a sustainable approach to environmental management generate benefits for themselves, including:

- cost savings through improved efficiencies
- enhanced revenue as a result of related product, service, and technology development
- improved corporate and brand reputation
- enhanced competitive advantage through differentiation
- improved employee and community health

5.3.1 Principle Seven

"Business should support a precautionary approach to environmental challenges."

The sixth principle of the Compact reinforces the idea that prevention is always better than cure, and that taking early action to prevent irreversible environmental damage will ultimately be more cost-effective than attempting to clean up afterwards.

Improving environmental risk management can reduce the financial risks associated with environmental issues (an important consideration for insurers), and through early investment in sustainable business processes (by minimising resource depletion and environmental degradation) can generate larger returns in the longer term.

5.3.2 Principle Eight

"Businesses should undertake initiatives to promote greater environmental responsibility."

Businesses operating in developed countries, such as the UK, are subject to a broad array of environmental legislation designed to ensure minimum standards of environmental compliance.

In recent years, however, customers have demonstrated raised awareness, and greater concern in relation to environmental issues and are increasingly looking to business, as a corporate neighbour, to go further than legislative requirements when considering their environmental responsibilities.

With low and middle-income countries occupying **76%** of the world's land area and **93%** of its population, the globalisation of business (through global supply chains and markets) offers an opportunity for business to undertake initiatives to promote environmental responsibility outside of traditionally national boundaries.

5.3.3 Principle Nine

"Businesses should encourage the development and diffusion of environmentally friendly technologies."

The Compact recognises in principle nine that technology (broadly defined to include knowledge, procedures, equipment, goods and services as well as organisational and managerial processes) has the capacity to both positively and negatively influence environmental impacts.

Businesses that introduce environmentally friendly technologies are also finding that there is financial, as well as a moral, rationale for their actions; realised through a reduction in costly raw material consumption, improving the overall competitiveness of their business and providing entry into new markets.

5.4 Anti-Corruption

Corruption can take many forms that vary in degree from the minor use of influence to institutionalised bribery.

Common to all forms of corruption is the economic cost resulting directly; through the impact to quality, and indirectly; through an increased management focus on issues such as legal liability and reputational damage.

In the UK, anti-corruption has been the subject of recent government focus through the introduction of new legislation in this area.

Box 8: UK Bribery Act 2010

The **Bribery Act 2010** came into force on 1st July 2011 representing the most significant change to UK law in this area for generations.

The Bribery Act:

- replaces the fragmented and complex offences at common law and in the Prevention of Corruption Acts 1889-1916
- creates two general offences covering the offering, promising or giving of an advantage, and requesting, agreeing to receive or accepting of an advantage
- creates a discrete offence of bribery of a foreign public official
- creates a new offence of failure by a commercial organisation to prevent a bribe being paid for, or on, its behalf (defensible only where the organisation has adequate procedures in place to prevent bribery)

5.4.1 Principle Ten

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

The tenth and final principle of the Compact was announced at the UN Global Compact Leaders Summit in **2004**, communicating to the global community the pivotal role of business in eliminating corruption.

Box 9. Bribery, Extortion and Corruption definitions

Subtle differences exist between the terms bribery, extortion and corruption as outlined below:

- *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 (Transparency International)
- *Extortion* – the solicitation of bribes accompanied by threats endangering personal integrity or the life of the private actors involved (OECD Guidelines for Multinational Enterprises)
- *Corruption* – the abuse of entrusted power for private gain (Transparency International)

6 What your Company can do

6.1 Human Rights

Having established that your company has both a legal and moral imperative to address human rights issues across its operations, you now need to understand the types of activities that can be undertaken to ensure the protection of human rights and to avoid complicity in any human rights abuse.

6.1.1 Principle One

"Businesses should support and respect the protection of internationally proclaimed human rights."

As with each of the Compact Principles, it is important to understand that there is no universal solution for implementing the implied corporate values and behaviours across all business sectors and geographical locations. However, a practical approach to implementing an integrated human rights management framework would commonly include:

- **determining the scope of your responsibility** by considering the local context (including country) in which you are operating in relation to common human rights challenges; identifying the potential human rights impacts of any pre-existing business risks; reviewing trading and other stakeholder relationships to assess their potential for implicating your business in any human rights abuse
- **developing a management framework** to set clear expectations of your business; to demonstrate the activities you undertake to support human rights; and to provide a mechanism to enable you to monitor and report to your stakeholders on your human rights performance. This should include:
 - developing a policy statement, approved by the board or equivalent, confirming your commitment to the protection of human rights
 - integrating human rights into your existing corporate policy framework; so that all areas of your business are aware of, and consider, their contribution to human rights protection
 - tracking and monitoring performance against defined improvement action plans
 - establishing effective grievance mechanisms to enable potential human rights issues to be identified and considered

Recognising the difficulties many organisations face translating their commitment to human rights into real action, a group of organisations came together in 2003 to develop resources to assist business in this endeavour. This group, the Business Leaders Initiative on Human Rights, has developed some useful resources which will be useful to you in achieving the above.

Box 10. Business Leaders Initiative on Human Rights

Key resources developed by the Business Leaders Initiative on Human Rights:

- [Guide for Integrating Human Rights into Business Management](#)
- [Essential Steps for Business to Respect Human Rights](#)

6.1.2 Principle Two

"Businesses should make sure they are not complicit in human rights abuses."

As with the first Principle, the avoidance of complicity can be achieved by ensuring your organisation is sufficiently educated about potential areas of human rights risk and has management processes in place to mitigate these risks.

Specifically;

- ensuring your own organisation respects international guidelines and standards in relation to the use of force
- clarifying within any agreements made with high risk stakeholder groups (e.g. security forces) that your organisation will not condone any violations of international human rights legislation
- considering the potential for human rights violations pre-investment and monitoring risk areas post-investment

6.2 Labour Standards

6.2.1 Principle Three

"Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining."

Compliance with the third Principle does not require a fundamental overhaul of employers' existing industrial relations frameworks but can instead be achieved by ensuring an absence of barriers to collective representation.

In particular;

- ensuring workers are able to form and/or join a trade union of their choice without fear of intimidation or reprisal
- adopting non-discriminatory policies and procedures with respect to trade union membership in relation to recruitment, promotion, redundancy and transfer
- avoiding any interference in the activities of worker representatives (e.g. the posting of union notices, collection of union fees), providing these activities do not disrupt your company's normal operations
- recognising collective representation as an enabler of constructive dialogue between your organisation and its employees in relation to terms or employment and general working conditions

6.2.2 Principle Four

"Businesses should uphold the elimination of all forms of forced and compulsory labour."

A common misconception is that forced labour issues only arise within developing countries and, therefore, the key messages in relation to this principle is to avoid complacency.

Your organisation should:

- establish a clear policy not to use, be complicit in, or benefit from forced labour
- adhere to international standards in relation to forced labour where the provisions of national law and regulations is insufficient
- make employment contracts available to all employees stating the terms and conditions of employment
- ensure that all practicable measures are taken to prevent employees from falling into debt bondage through any provision of company loans or otherwise
- ensure key employee groups (e.g. Procurement) have sufficient training to be able to identify forced labour should it manifest itself
- carefully monitor supply chain and subcontracting arrangements

6.2.3 Principle Five

"Businesses should uphold the effective abolition of child labour."

Again, child labour is most commonly associated with developing countries but it is important that you develop an awareness and understanding of the causes and consequences of child labour in order to uphold its abolition.

You should:

- familiarise yourself with the countries, regions, sectors and economic activities, relevant to your business, perceived to be most at risk of child labour issues and respond accordingly with policies and procedures
- adhere to international standards in relation to minimum age provisions where national law and regulation is insufficient
- verify age as part of your recruitment process (e.g. by verifying passports or other identity documents)
- seek viable alternatives to work, and access to adequate services for both children and their families, where instances of child labour are identified within the workplace
- exercise influence on subcontractors, suppliers and other business affiliates to combat child labour and its underlying social causes

6.2.4 Principle Six

"Businesses should uphold the elimination of discrimination in respect of employment and occupation."

First and foremost, you should familiarise yourself with national and international legislation in respect of non-discrimination and equal opportunity.

In addition:

- provide a work environment free from any form of harassment, intimidation or bullying
- assign responsibility for equal employment issues at a high level within the organisation
- develop and implement company policies and procedures that ensure promotion and termination are based on legitimate non-discriminatory business reasons, such as experience and competence
- provide training for managerial/supervisory staff so that they develop an understanding of the types of discrimination and the impact of discrimination on the workforce
- ensure equal pay for equal work (taking into account national and regional differences)
- develop effective grievance processes to address complaints, handle appeals and provide recourse for employees
- maintain records on recruitment, training and promotion to provide transparency of decision making

6.3 Environment

Your organisation will already be required to comply with a variety of environmental legislation relevant to your country(ies) of operation and your industry sector. However, the environmental principles of the UN Global Compact require your organisation to go beyond this minimum compliance.

6.3.1 Principle Seven

"Business should support a precautionary approach to environmental challenges."

The existence of an appropriate environmental management system is key to complying, and being able to demonstrate compliance, with the seventh Principle:

In addition you should:

- develop a code of conduct for your operations and products confirming your commitment to care for health and the environment
- provide adequate product information and communicate potential environmental risks to consumers
- comply with approval requirements when introducing potentially hazardous materials to the marketplace
- establish a steering committee or steering group to oversee your company's application of precaution, in particular risk management of high risk areas through environmental risk and environmental impact assessments, and which engages with stakeholders of your business to identify and mitigate identified risks
- develop environmental targets and KPIs embedded within your corporate strategy
- utilise forums relevant to your industry sector to identify and collectively address known environmental risk areas

6.3.2 Principle Eight

"Businesses should undertake initiatives to promote greater environmental responsibility."

By your own organisation supporting a precautionary approach to environmental challenges and being transparent its performance (both successes and areas requiring greater focus), your business will have taken the first step to promoting greater environmental responsibility.

Areas of additional opportunity are:

- develop, monitor and communicate progress in relation to business improvement initiatives designed to further embed sustainable business practices into your organisation's normal operations
- engage with suppliers to improve environmental performance across your supply chain
- ensure transparency and unbiased dialogue with stakeholders

6.3.3 Principle Nine

"Businesses should encourage the development and diffusion of environmentally friendly technologies."

To demonstrate compliance with the ninth Principle, your organisation should:

- review the use of existing technologies and seek to make changes to processing techniques and input materials to improve the environmental performance of your manufacturing processes and end-products
- introduce **reduce, reuse and recycle** schemes to lower your organisation's consumption of raw materials/products
- communicate identified environmental performance benefits of technologies to external stakeholders
- embed environmental criteria into your supplier qualification processes and make these transparent to potential business partners
- incorporate life cycle assessments into the research and development of new technologies and products

6.4 Anti-Corruption

6.4.1 Principle Ten

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

The tenth Principle of the Compact is widely considered to be the most difficult for business to implement and an abundance of tools and initiatives have been developed since its launch in 2004 to support business in dealing with corruption within their operations.

One such tool *Business Against Corruption: A Framework for Action*, developed directly by the UN, provides a comprehensive roadmap for business to eliminate corruption and is summarised below:

- your business should **commit** to fighting corruption, sending a message of zero tolerance and avoiding mixed messages
- you should **assess** and understand the context, and risks, under which you operate to identify high risk activities against which you can set stretching but realistic targets
- you should **define** stretching but realistic targets (e.g. establishment of an ethics code/code of conduct) with clear dates for completion of activities
- you should **implement** business improvement initiatives to improve your performance in this area; recognising that policies and codes need to be accompanied by training, follow-up and access to effective grievance processes in order to be implemented effectively
- you should **measure** the efficacy of individual business improvement initiatives by periodically reassessing your management systems; identifying approaches that have had a positive vs negative impact so as to capitalise on lessons learned
- you should **communicate** progress on business improvement initiatives you undertake and consider publishing details of company transactions in high risk areas to stakeholders

7 Sole Traders & SMEs

If you are a sole trader or small business, at first glance you might ask *'What has any of this to do with me?'*

With SMEs averaging 90% of all businesses worldwide and accounting for between 50-80% of all employment opportunities, the UN recognises the collective power of SMEs to transform corporate citizenship practices.

Within the [UN Global Compact Operational Guide for Medium-Scale Enterprises](#) (a resource for smaller businesses, developed in 2006, to assist with implementation of the principles), the UN recognises SMEs as knowledge-intensive, specialised organisations with the potential to influence larger business behaviour through the opening of markets, transfer of technologies and improvement of working practice. The adoption of the Compact by SMEs therefore forms a key development target of the Global Compact Office.

Clearly the specifics as to how a company achieves, and demonstrates, compliance will undoubtedly vary depending on the size of organisation, and the principles themselves may not universally apply (e.g. if you are a sole trader or other organisation without additional employees). It is, however, worth familiarising yourself with the international conventions and standards that larger organisations increasingly consider to represent best practice so as to save yourself time and money as your business expands.

7.1 Human Rights

The core value inherent within international human rights legislation is the notion that all human beings are born free and equal in dignity and rights. This translates to ensuring that all people are treated respectfully within your company.

You should:

- pay comparable salaries for comparable work
- strictly reject jokes or behaviour that target employees because of their race, gender, religion, disability, sexual orientation, or political or other viewpoint
- ensure there is a secure mechanism for employees to report instances of harassment or abuse
- choose suppliers that adhere to human rights standards
- consider how your business activities may affect human rights in neighbouring communities
- consider joining a [Global Compact Local Network](#) to get support

7.2 Labour Standards

Maintaining appropriate working conditions and respecting core labour standard conventions form legal obligations for all companies irrespective of size. The Compact principles aim to enhance working conditions beyond these minimum legal requirements with a potential benefit to business of improved productivity.

Steps you could take:

- provide all staff with employment contracts stating the terms and conditions of service including the process by which they can leave and any penalties that may be associated with a departure or cessation of work
- establish working practices that ensure the health and safety of all employees and make these practices known to employees
- encourage a healthy workplace (by e.g. implementing a smoking ban or a drug and alcohol abuse support program)
- establish policies against gender discrimination at all levels of the company
- ensure equal opportunities to employees from minority groups
- confirm your assent for workers to associate at the workplace and initiate collective bargaining, if they so choose, without fear of intimidation or reprisal
- be open to job sharing, flexi-time and other work-life balance solutions
- raise the awareness of your suppliers concerning labour standard issues
- consider the possibility of projects that increase the living standards of the community where your company operates, including volunteering schemes undertaken by company employees

7.3 Environment

Through their collective impact, SMEs exert considerable pressure on the environment and, similar to larger organisations, are regulated by environmental legislation in developed parts of the world. The Compact recognises, however, that voluntary contribution to environmental protection has the potential to achieve far more than legislation alone through the embodiment of sustainability principles within business culture.

You should:

- aim to save energy, water and reduce emissions by regularly reviewing your production process(es)
- save raw materials by using or producing recycled and recyclable materials
- choose local suppliers or goods produced locally, where possible, to minimise transport usage
- use web or video-conferencing with potential customers and suppliers to reduce travel requirements
- consider the environmental hazards and risks in your operations (especially if you operate within heavy industry sectors) and ensure you have robust emergency procedures in place
- regularly train staff to ensure adequate environmental awareness
- establish an environmental management system with objectives and procedures for evaluating progress, minimising negative impacts and transferring good practice

7.4 Anti-Corruption

Corruption is perceived to be the major business obstacle SMEs face in their commercial activities, especially for SMEs operating within the developing world.

Pursuing a zero-tolerance policy with regard to corrupt practices is often considered difficult for SMEs because of the imbalance of power within their commercial relationships and a lack of resources to combat resulting disadvantages.

Some steps your organisation can take to promote anti-corruption practices are:

- introduce an internal code of conduct, prohibiting all forms of corruption; signalling to all your stakeholders that you understand the problem and are willing to face it
- if you do not feel comfortable introducing a code of conduct within your own company or if you fear such a code will result in competitive disadvantages, start pushing for a code of conduct within your business association or industry sector
- approach your key allies (UN Global Compact Local Networks, business associations, chambers of commerce, NGOs) in order to arrange anti-corruption training for your employees
- establish an independent reporting mechanism to detect and to deter corrupt conduct (e.g. a telephone hotline) where the risk of corrupt practice is high

The Ten Global Compact Principles

Human Rights

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

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

Labour

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.

Environment

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.

Anti-Corruption

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

Email UNGC@edfenergy.com
www.edfenergy.com

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