



Redefining Leadership

BSR Report 2010





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Business exists for a purpose which is not just about making profits. The first challenge to any business is to make clear how that purpose serves societal needs and to demonstrate how it conducts its business in ways that are responsible *and* profitable. Next, it is about getting both sides of the equation into the core strategy and business processes and communicating cohesively and transparently about how this approach guides decisions and how it generates enhanced value, contributing to more balanced development and sustainable growth. That, in my view, is leadership in sustainable business.

”

Lise Kingo
Chief Sustainability Officer
Novo Nordisk

Redefining Leadership

BSR Report 2010

OUR MISSION

We work with business to create
a just and sustainable world.

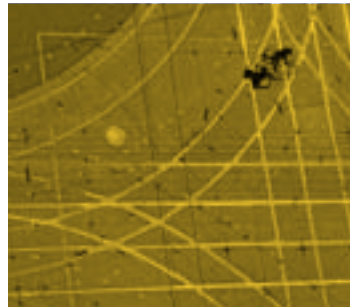
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Letter From the CEO

We chose the theme “Redefining Leadership” for the BSR Report 2010 because the fundamental challenges in our world require nothing less. At its best, business can deliver the creative solutions that the world needs: low-carbon prosperity for a planet that will have 9 billion inhabitants by 2050. But business as usual—or leadership as usual—won’t make it happen.

One of the most exciting aspects of today’s fast-changing world is the unprecedented opportunity for every one of us to be a leader. Each of us has the tools to create, inspire, and collaborate in ways that previous generations could not have imagined. This gives us all immense power to build the kind of world we want—if we use that power wisely.

Every year, we report on BSR’s activities and the state of sustainable business. This Report, like our past efforts, provides a window into our activities, our accomplishments, and our challenges. This is consistent with our commitment to transparency and our commitment to implement the same advice we provide our member companies on their own sustainability reports.

In this Report, you will see several examples of BSR in action, as we work with our member companies and a wide range of stakeholders and experts to advance sustainable business. We also hope to illuminate some of the challenges we face in working toward our mission. Like others committed to making sustainability the norm in business, we see many ways we can make faster progress: The process of producing this Report gives us a chance to reflect on how we can do exactly that.

Throughout the Report, we include perspectives on how leadership in sustainable business is changing. “The State of Sustainable Business” section presents our viewpoint on what’s most needed to make sustainable business a reality. We are also honored to present reflections on leadership from five globally recognized sustainability leaders from diverse organizations.

Our Report is designed not only to provide a look back at 2010, but also to share our insights on where we need to go from here. To that end, we will be weaving the theme of leadership into our activities throughout 2011. The BSR Conference 2011, which will be in San Francisco November 1 through 4, will also focus on “Redefining Leadership.”

I am particularly excited about the new features we have added to this Report, including video clips that provide additional depth and perspective on the topics we cover. We truly hope this Report will spark a reaction and inspire you to continue the conversation about the issues covered here. We value your input and encourage your thoughts on how to define leadership in sustainable business. Visit www.bsr.org/report to give your viewpoint.

I hope this Report underlines the importance of new ways of leading and reinforces how essential it is for everyone to be a leader. With that in mind, let’s get to work!



Aron Cramer
BSR President and CEO



Throughout this Report, we use this icon to designate case studies and other items for which we have created video clips providing additional perspectives and information.

VISIT WWW.BSR.ORG/REPORT TO VIEW THESE VIDEOS.

The State of Sustainable Business





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Whether it is a global economic crisis, natural disasters in Asia, or revolutionary times in the Arab world, one cannot deny that the well-being of businesses is intertwined with the well-being of societies. Sustainable business practices both within an organization and toward society at large are, then, no longer an option; rather, they are a matter of survival, competitiveness, and of existence beyond the short term. Leadership in sustainable business, then, becomes our ability to share knowledge, craft partnerships, leverage networks, mobilize resources, and put our skills at the service of all stakeholders in order to address the economic, social, and environmental challenges we are all facing.

”

Fadi Ghandour
CEO
Aramex International







Leadership in business looks very different in today's global, integrated, digital, and transparent world. Business aims to deliver more than just rising share prices and faces a more diverse array of questions than ever before. Meeting these challenges requires finding the right balance of flexibility and commitment, listening and communicating, and a global view that respects diversity. What's more, leadership today must be earned and renewed daily; it is no longer bestowed by self-perpetuating hierarchies.







At its best, business can lead the way toward prosperity for 9 billion people, create groundbreaking technologies for social benefit, and find ways to help us radically reduce our use of natural resources. Achieving this is no small feat.



In the world of sustainability, four dimensions of leadership are essential for everyone in business and provide the best path to a meaningful difference for all companies and the wider world.

1

Set Ambitious Targets

In 2010, several large companies exhibited leadership by raising the bar on their own sustainability performance. Companies including Panasonic, Walmart, Marks and Spencer, and Unilever distinguished themselves by adopting ambitious targets, creating a “sustainability north star” for their organizations, and inspiring other businesses to do the same. Even more striking, many CEOs have taken personal ownership of such goals, even as they acknowledged that meeting those targets is neither automatic nor easy. This trend represents a welcome change: For many years, business leaders were reluctant to commit to targets they couldn’t guarantee achieving. The fact that they now see more risk in *not* setting big goals than in *missing* big goals shows how much has changed.

2

Learn From the Margins

Traditionally, leaders were supposed to have all the answers. Today, it is more important to ask the right questions of the right people, no matter where they are found. The solutions to tomorrow’s challenges won’t come from centralized R&D laboratories, so leaders have to listen to weak signals and nontraditional voices.

Leaders increasingly live by the motto “there are a lot of smart people in the world, and most of them don’t work for me,” and therefore aim to be masters at gathering ideas and solutions from all corners of the globe. This is especially crucial given that the biggest sustainability challenges—access to food, energy, and water, and the drive for community development and workers’ rights—are felt most acutely in rising economies. This trend is reinforced by the increased instinct for crowdsourcing, or “smart-sourcing” ideas from loose networks, using technology. Leaders also need to work with nontraditional partners, including customers, competitors, and employees, who are no longer passive parties to arm’s-length transactions, but actors shaping their own futures.

3

Invest in Infrastructure— of All Kinds

A sustainable economy depends on the right infrastructure—and by that we don't mean just bridges and buildings. A sustainable future hinges on supporting social, financial, and policy infrastructures. This means that leaders can no longer be satisfied with merely making their own institutions the best they can be; they need to invest in the commons—shared resources that help their institutions, and others, reach their full potential. Leadership is no longer about separating yourself from others; it's about bringing others along with you.

As a result, more leading businesses are working on systemic solutions to complex challenges. In the policy realm, it is heartening to see companies respond to inaction at the international level by calling for a price on carbon, which they recognize is the key to making the transition to low-carbon prosperity. Value chain solutions are—rightly—taking greater importance through efforts like the International Labour Organization and International Finance Corporation's partnership on the Better Work program, which brings together governments, companies, and workers' representatives to establish dignified work, and the Better Cotton Initiative, which takes on a single commodity. These examples go well beyond transactional partnerships that are a staple of the sustainable business world. They are investments in "whole systems" that enable sustainable business to thrive. Without this, companies committed to sustainability will continue to face headwinds.

4

Sail Fearlessly Toward the Future

We rely on leaders to anticipate the future. But today's pace of change is much more intense than ever. The potential for truly disruptive change is great. The tenure of CEOs is shrinking. The survival of any one large company is not guaranteed, and the social license to operate can be erased overnight. Leaders have to encourage their organizations to understand the winds of change before they become a Category 5 hurricane. Doing this means questioning assumptions and, as we have said in past BSR Reports, paying more attention to long-term trends than short-term market gyrations.

The ultimate test of a leader today is how he or she enables others, because more people have the opportunity to make an impact than ever before and have the means to easily connect with like-minded people around the globe. In this world, leaders need to set big goals, listen to diverse voices, be architects of complex systems, and live both in the present and the future.

And let's not forget: Everyone can be a leader, and we need all leaders to make the future a sustainable one.



WWW.BSR.ORG/REPORT



Our Impact



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Many executives understand that the long-term success of their business is inextricably linked to the well-being of people and planet. But few are willing to act on it. It's the difference between lip service and bold action that defines true sustainability leadership: putting principles into practice, driving change before being driven, resisting the temptation of short-term gain, investing in common goods, and inspiring others to do the same.

”

Georg Kell
Executive Director
United Nations Global Impact



From helping the world's largest shipping company develop a sustainability strategy to building a multi-stakeholder coalition to address the challenge of conflict minerals in the Democratic Republic of the Congo, we work with business in all sectors and all regions to create a just and sustainable world.

In this section, we highlight our efforts to redefine leadership in sustainable business with our member companies and other stakeholders through our consulting projects, our Partnership Development and Research initiatives, and the BSR Conference.





BSR OFFICES AND STAFF IN EACH LOCATION



2010 BSR PROJECT LOCATIONS BY COUNTRY

Argentina	Democratic Republic of the Congo	Italy	Peru
Australia	Denmark	Japan	The Philippines
Bangladesh	Dominican Republic	Jordan	Russia
Belgium	Egypt	Kenya	Saudi Arabia
Bolivia	El Salvador	Laos	Singapore
Brazil	Finland	Malaysia	South Africa
Cambodia	France	Mexico	Sweden
Canada	Germany	Mongolia	Switzerland
Chile	Guatemala	The Netherlands	Thailand
China	Honduras	Nicaragua	United Arab Emirates
Colombia	India	Norway	United Kingdom
Costa Rica	Indonesia	Pakistan	United States
		Papua New Guinea	Vietnam

Paris | 8 staff

Beijing | 10 staff

Guangzhou | 10 staff

Hong Kong | 6 staff



150+

STAKEHOLDERS ENGAGED

By engaging stakeholders from multiple sectors—including Dell, the GE Foundation, and Intel—we increased action by business leaders and developed recommendations endorsed by more than 20 parties.

**INDUSTRIES**

Energy, ICT, Mining, Pharmaceuticals and Biotechnology, Transportation and Logistics

STAFFED FROM

New York, San Francisco, Washington, D.C.

SERVICES DELIVERED

Stakeholder Engagement, Sustainable Supply Chain Management, Reporting and Communications

Leading Business Action on Conflict Minerals

THE CHALLENGE

In the eastern Democratic Republic of the Congo (DRC), where armed conflict has claimed more than 5.4 million lives over the past 15 years, militant groups controlling most of the region's mines use the trade in tin, tantalum, tungsten, and gold as important sources of funding. At the same time, this trade—which feeds into complex supply chains for products ranging from cell phones and cutting tools to jet engines and jewelry—is an important source of income for a million people in the region.

The situation presents a dilemma: How can business support the people who rely on these minerals for their livelihoods without perpetuating the use of “conflict minerals” in this war zone? Campaigning NGOs, development organizations, governments, and industry working groups are addressing this important situation in a variety of ways. BSR is promoting collective action to reduce human suffering and advance economic development through a working group that began in 2009 with companies including Dell, HP, Intel, and Motorola.

OUR STRATEGY

The complexity of these issues—the need to improve supply chain transparency, sever the link between the minerals trade and conflict, and continue to support local communities—requires multidimensional solutions involving business, governments, and others working toward a common goal. Using BSR's experience building collaborative solutions to human rights dilemmas, and working with our extensive network of NGO partners, we developed a plan to raise companies' awareness of the issues and facilitate constructive dialogue among business, investors, government, and NGOs. This necessary step laid the groundwork for further work in 2011 focusing on identifying actions companies can take to reduce their use of conflict minerals.

Following an initial BSR-led forum in 2009 that gathered nearly 50 people to strategize potential actions, we partnered with the GE Foundation to expand our efforts and bring in additional industries. In May 2010, we published a report highlighting critical supply chain issues, opportunities to support diplomatic peace-building efforts, and ways to promote local economic empowerment. We concurrently convened a second forum with more than 100 industry, investor, and NGO representatives to explore action in these areas.

OUR IMPACT

Already, our efforts have increased business leaders' awareness, promoted action on the DRC conflict and its link to the minerals trade, and helped build a shared understanding between civil society and business on how the private sector can contribute to conflict reduction. In collaboration with the shareholder advocacy group As You Sow, we catalyzed new partnerships among companies, investors, and NGOs to address these challenges.

BSR worked with these organizations to prepare the only multi-stakeholder input to the U.S. Securities and Exchange Commission's (SEC) regulations requiring publicly listed companies to report on their use of conflict minerals. More than 20 companies, investors, and NGOs signed the consensus document, which included recommendations for reliable supply chain due diligence processes, third-party auditing, and company disclosures.

While our work has supported company initiatives and the development of strong, consensus-based SEC requirements, we are acutely aware that there is no easy solution to the conflict minerals issue. We continue to advise companies on ways to address conflict minerals in their supply chains and support ongoing multi-stakeholder engagement to solve this complex challenge.

60>4

ISSUES NARROWED TO
FOUR PRIORITIES

We analyzed more than 60 issues and conducted more than 60 interviews to create a strategy and goals focused on four Best Buy priorities: Product Stewardship, Sustainability Solutions, Access, and Inspired Workplace.



INDUSTRY
Consumer Products

STAFFED FROM
Guangzhou, New York,
San Francisco

SERVICES DELIVERED
Materiality Analysis,
Strategy and Integration

Best Buy: A Focus on Delivering Solutions and Sustainability

THE CHALLENGE

In an industry facing growing concerns about e-waste, the “rapid obsolescence” of products, and continued supply chain human rights issues, the senior leaders at Best Buy aim to transform the company’s business model from one based on selling only products to one that focuses on delivering “digital connections”—those technologies and services that help “connect customers to people, knowledge, ideas, and fun.” Recognizing that sustainability is key to that future, Best Buy partnered with BSR to turn that vision into a practical strategy aligned with the company’s other key priorities.

OUR STRATEGY

Our three-phase approach allowed Best Buy to set a clear direction for its sustainability objectives:

1 Assessment

Given Best Buy’s rapid growth in sales and its move into new services and businesses, we began by conducting interviews with 40 Best Buy executives and more than 20 external sustainability experts and stakeholders. We used this information to examine Best Buy’s business direction, management perspectives on sustainability, and current gaps in the company’s sustainability-related activities. Next, we mapped near-term trends affecting the consumer electronics industry, such as new regulations and the increasing costs of input materials. We also reviewed outside perspectives on Best Buy’s role in developing more sustainable products and the opportunities associated with the company’s desire to transition from products to solutions.

2 Materiality

We analyzed more than 60 sustainability issues—from digital privacy, to access to technology, to product safety, to transportation—based on how they affect Best Buy’s business and based on their importance to consumers, communities, governments, NGOs, and others. We presented the results to Best Buy’s Sustainability Team and Advisory Group, which used the presentation to agree on four priority areas: Product Stewardship, Sustainability Solutions, Access, and Inspired Workplace.

3 Strategy Development

Once Best Buy’s senior leaders validated BSR’s conclusions, BSR and the sustainability team defined goals for each area:

- » Product Stewardship: to lead the industry from product design to end-of-use solutions
- » Sustainability Solutions: to provide products and services that allow customers to lead more sustainable lives
- » Access: to build business models that enable people who don’t have it today to access all the benefits of the connected world
- » Inspired Workplace: to become the preferred place of work because of sustainability efforts

We also helped Best Buy develop specific targets for each area, and we proposed a sustainability governance structure that creates clear leadership and accountability within the company and a structured review process that incorporates external input.

OUR IMPACT

By nature, strategy projects set the direction for changes that come into practice fully over the medium to long term. Best Buy has made significant progress in establishing its sustainability strategy and a foundation for progress. To begin implementing this strategy, company leaders have started to develop relationships with consumer products manufacturers that are focused on sustainability and are key to the achievement of Best Buy’s sustainability goals.



100+

INTERVIEWS IN PAPUA NEW GUINEA

For the Papua New Guinea Liquefied Natural Gas Project, we helped ExxonMobil create sustainable economic development programs focused on workforce and supplier development and strategic community investments.



INDUSTRY
Energy

STAFFED FROM
Hong Kong, San Francisco

SERVICE DELIVERED
Local Economic Development Strategy

ExxonMobil: Early Planning for Sustainable Economic Development

THE CHALLENGE

As the operator of the Papua New Guinea Liquefied Natural Gas Project (PNG LNG)—a large-scale, integrated development project that includes gas production and processing facilities in the highlands, as well as onshore and offshore pipelines and liquefaction facilities in the Port Moresby region—ExxonMobil has the potential to greatly impact the economy of the PNG. Independent assessments anticipate that the project may double the PNG's gross national product, greatly increasing government and landowner revenues, creating jobs, and stimulating related industry developments.

Early in the project, to ensure delivery of these long-term local benefits, ExxonMobil created a robust “national content” program that seeks to develop a qualified and globally competitive local workforce and supplier base. The program also aims to identify opportunities for strategic investments in health, education, and infrastructure. The company engaged BSR to assist with an early assessment of the in-country capabilities.

OUR STRATEGY

In the first phase of our work, BSR conducted a review of the local context to provide ExxonMobil with an early indication of existing workforce, supplier, and civil society capacities and needs. We then began research and interviewed approximately 100 representatives of:

- 1 Vocational and academic institutions, to assess existing local workforce qualifications and potential focus areas for ExxonMobil training initiatives
- 2 Local suppliers and businesses that could be eligible to support project construction and operations, as well as capacity-building alternatives
- 3 NGOs focused on education, health, and community development, for possible partnerships with ExxonMobil in deploying strategic investment projects

BSR then created a preliminary database of PNG-based organizations in the three categories above, and we gave ExxonMobil an assessment of the wide-ranging perspectives on existing local capacity for the company to integrate into its national content planning.

In the second phase of our work, we used a tool designed with ExxonMobil to assess locally owned supplier companies against eight specific business criteria to provide a third-party view of the companies' performance, training requirements, and initial eligibility for supporting the PNG LNG project. Our phase-two activities helped ExxonMobil assess prospective local supplier companies in order to:

- » Lay the groundwork for ExxonMobil to constructively engage with local suppliers early in the project-planning phase.
- » Identify local training needs and capacity-building opportunities.
- » Match supplier capabilities with project needs.
- » Set local supplier expectations regarding ExxonMobil's standards for business conduct.
- » Promote accountability by focusing on suppliers' corporate governance improvements.

OUR IMPACT

Many of BSR's recommendations were incorporated into ExxonMobil's comprehensive national content plan. Our phase-one work helped provide the groundwork for the company to determine workforce training objectives and supplier-development strategies, to formulate strategic community-investment priorities, and to enter into partnerships early in the project life cycle. In phase two, BSR's assessments allowed ExxonMobil to engage early with local suppliers to discuss their areas of strength and opportunities for development. It also allowed for local companies to improve their business performance and potentially become eligible for engagement in the PNG LNG project.

Both phases of our work helped establish tangible baselines, early activities, and long-term focus areas for sustainable economic development programs focused on workforce development, supplier development, and strategic community investments in the PNG.

4

REGIONAL STRATEGY WORKSHOPS

We worked with Hyatt to develop an integrated sustainability strategy that connects corporate responsibility objectives to business goals and engages both senior leadership and the broader employee base.



INDUSTRY

Travel and Tourism

STAFFED FROM

Hong Kong, New York, Paris

SERVICES DELIVERED

Materiality Analysis,
Strategy and Integration

Hyatt Hotels: Developing an Integrated CSR Strategy

THE CHALLENGE

One of the biggest industries globally, travel and tourism contributes up to 10 percent of the world's economy and about one in every 12 jobs. Yet most companies in this sector are still in the early stages of assessing and addressing their sustainability impacts. To better communicate the newly public company's commitment to responsible practices, and to prepare for the increased transparency required of public companies, Hyatt leaders partnered with BSR to articulate a vision for an integrated sustainability strategy.

OUR STRATEGY

Our goal was to help Hyatt build a strategy that connects corporate responsibility objectives to business goals in ways that:

- » Deliver value and innovation to Hyatt's operating companies.
- » Identify and mitigate sustainability risks.
- » Build trust externally and engage colleagues internally.

At Hyatt, which owns, manages, and franchises hotels, engaging internal stakeholders such as general managers, owners, associates, and executives was an essential first step in understanding the unique global and local sustainability challenges each property faces.

First, BSR interviewed several executives to establish senior management's current and future conception of CSR. We then conducted workshops in Asia, the Middle East, Europe, and the United States to identify current activities, prioritize CSR issues, and understand regional nuances. Several key themes emerged:

- » Addressing poverty and inequality in local communities through education and economic self-sufficiency
- » Recruiting, developing, and retaining staff
- » Managing the environmental footprints of its hotels, expanding its commitment to sustainable sourcing, protecting the biodiversity of the areas surrounding its hotels, and using sustainable design and construction

OUR IMPACT

This work allowed Hyatt to develop and implement "Hyatt Thrive," a strong, practical CSR vision representing Hyatt's goal of creating "thriving communities, places where we are proud to work, our neighbors want to live, and our guests want to visit." The platform, which establishes a global CSR framework with a common vision and strategic focus that can easily be implemented locally, is centered on four pillars: educational and personal advancement, health and wellness, environmental sustainability, and economic development and investment. Hyatt Thrive's primary objective is to help the company communicate its philanthropic, environmental, and community-engagement initiatives, and to position Hyatt to focus on and articulate the value it brings as a global company to the many communities it serves.

The CSR strategy has spurred additional sustainability initiatives, including a new human rights policy statement that references specific industry issues such as human trafficking. Hyatt Thrive also led to an improved approach to aligning Hyatt's giving and volunteerism with the four pillars of the Thrive framework.

>50%

OF KKR'S PORTFOLIO COMPANIES
TRAINED AT EXECUTIVE LEVEL

We designed a resource guide and trainings to help KKR reward sustainable supply chain practices and improve the ESG performance of its portfolio companies—and set an important precedent for private equity more broadly.



INDUSTRY
Financial Services

STAFFED FROM
Hong Kong, New York

SERVICE DELIVERED
Sustainable Supply Chain
Management

KKR: Boosting ESG Performance Through a Supply Chain Strategy

THE CHALLENGE

A US\$61 billion global investment firm, Kohlberg Kravis Roberts & Co. L.P. (KKR) has more than 60 private-equity portfolio companies that operate in 15 general industries in the United States, Europe, the Middle East, and Asia. The firm's value-creation model includes active management of ESG issues as part of its efforts to build stronger companies.

In late 2009, KKR joined BSR, seeking a comprehensive partner for managing ESG issues within its portfolio, and looking to gain from our expertise in responsible supply chain management. KKR recognized that labor and environmental conditions in the supply chain were growing in importance for a number of its portfolio companies, and company leaders saw an opportunity to provide guidance and resources on this topic as part of the company's management of risks across its portfolio.

OUR STRATEGY

Recognizing that KKR had a unique opportunity to help firms in its portfolio learn from proven practices and one another, BSR created a "Supply Chain Sustainability Resource Guide" and subsequent workshops covering best practices, international standards, industry collaborations, established certification processes, and resources to help with the implementation of supply chain efforts. The workshops included an in-person event at a Responsible Sourcing Summit and subsequent web-based programs to get buy-in from and raise awareness among portfolio companies' general counsel and senior procurement or merchandising officers. The attendees were able to share the guide with colleagues who are responsible for developing or improving their own supply chain programs.

BSR's approach—built on nearly two decades of experience in responsible supply chain management across industries and geographies—included the basic elements of a program as well as more innovative elements drawn from our Beyond Monitoring initiative.

OUR IMPACT

This project—which helped KKR build a community of practice within its portfolio—was a valuable opportunity to leverage the partnerships that a leading investment firm has with multiple companies to highlight sustainable practices and improve ESG performance overall, on a large scale.

Since our project began, more than half of KKR's portfolio companies have participated in one of the training events, with direct executive engagement, and KKR has followed up with its holdings to determine specific issues of interest for further education. Additionally, many companies have used the resources to initiate a responsible supply chain program or to enhance their current supplier requirements, monitoring programs, or participation in industry efforts.

BSR is now working with KKR to take the next step and assess supply chain risks across its portfolio, identify gaps, and develop specific action plans for high-priority companies. We believe that KKR's innovative approach to creating a community of practice and identifying supply chain management as a key opportunity for value creation in its portfolio can set an important precedent for private equity more broadly.

25%

REDUCTION IN CO₂ EMISSIONS

We helped Maersk Line set a strong sustainability vision supported by clear objectives: reducing carbon-dioxide emissions by 25 percent by 2015 and striving for zero sulfur-dioxide emissions.

Maersk Line: Developing a ‘Future-Proofed’ Sustainability Strategy

THE CHALLENGE

As the world's largest container shipping company, Maersk Line transports more than 15 percent of all shipped containers. In an industry that transports more than a third of the value of global trade—and accounts for about 4 percent of the world's carbon emissions—Maersk Line has a tremendous economic, social, and environmental footprint. Facing pressure to reduce the company's environmental and social impacts, Maersk Line leaders viewed this challenge as an opportunity to offer customers a value proposition on sustainability that could not be matched by competitors. Company leaders asked BSR to help develop a “future-proofed” sustainability strategy.

OUR STRATEGY

BSR and Maersk Line collaborated to build a comprehensive sustainability approach that supports the corporate strategy and responds to long-term trends. Our work fell into three phases:

1 Internal Review and Current State

Through interviews with executive management, regional leaders, and sustainability professionals, BSR gathered details about Maersk Line's corporate objectives, strategy, business model, and existing sustainability efforts. This work clarified company strengths and weaknesses and defined key drivers for the company's sustainability performance. We discovered that Maersk Line lacked a comprehensive approach to working on and communicating about sustainability, which made it difficult for company managers to establish a business case for new programs.

2 External Review and Future State

Next, we built a set of future trends such as “hypertransparency,” regulated carbon, and resource constraints that business leaders would need to consider in strategic planning for the next seven to 10 years. We then tested these trends with employees and management teams to ensure a global perspective and identify specific regional challenges. Together with consultations with the company's major customers and key industry stakeholders, this input helped company leaders articulate the near-term changes in the business environment, including the direction of key customers' expectations.

3 Build Vision and Strategy

BSR helped Maersk Line define a strong sustainability vision supported by objectives such as reducing carbon-dioxide emissions by 25 percent by 2020 and striving for zero sulfur-dioxide emissions. This strategy will raise the bar for sustainability in the industry. BSR also helped Maersk Line develop objectives, strategies, and key performance indicators to guide the company's future work in the core areas of environment, social responsibility, health and safety, security, and business ethics. In what is a first for this industry, Maersk Line integrated sustainability into its customer value proposition, underlining the idea that sustainability strengthens the company's competitive edge and serves as a means of market differentiation.

OUR IMPACT

BSR's work has helped give Maersk Line a new, comprehensive direction for sustainability—and the company has reaped positive results from this course. In 2010, the management team declared that environmental sustainability would be one of the company's top three future differentiators. In September 2010, company leaders announced that Maersk Line would switch to low-sulfur fuel when calling port in Hong Kong, thus contributing to an 80 to 95 percent reduction of local sulfur-dioxide emissions that have a damaging impact on port communities' health. In part because of these efforts, in November 2010, the company received the European Business Award for Environmental Awareness for integrating sustainability into its business strategy and operations.

INDUSTRY

Transportation and Logistics

STAFFED FROM

Hong Kong, Paris, San Francisco

SERVICES DELIVERED

Materiality Analysis,
Stakeholder Engagement,
Strategy and Integration



90

ESG ISSUES SCREENED MONTHLY

Our research and analysis enabled Sumitomo to create a new investment model and achieve outstanding performance that has attracted significant attention and serves as a role model for investors in China.

Sumitomo Trust and Banking: A Sustainable Investment Strategy for China

THE CHALLENGE

Sustainable investing, the integration of ESG factors into investment analysis, helps mitigate risks, drive long-term financial returns for investors, and create an effective lever to shift companies toward greater environmental and social responsibility. Building on 10 years of sustainable investing experience in its home country of Japan, Sumitomo Trust and Banking sought a partner to help apply its investment model to China, where ESG risks are high.

China has a more complicated ESG landscape for many reasons, including its relatively basic environmental and social regulations in certain areas, low levels of ESG information disclosure, and few financial professionals with knowledge of ESG factors. Sumitomo's objective was to create a sustainable investment fund composed of Chinese equities. The formation of this fund required in-depth understanding of the Chinese market and the identification of high- and low-performing companies based on ESG factors. Sumitomo asked BSR to support this project with research and advice on ESG integration in China.

OUR STRATEGY

We identified the lack of credible and comprehensive ESG data in China as the major barrier to running a successful ESG fund. In response, we created a customized monthly ESG news screener that analyzed publicly traded companies across more than 90 ESG issues. To provide the information Sumitomo needed to make investment decisions, the news screener incorporated both international norms and standards for financial analysis and China-specific context. The system covers developments related to China's main sustainability concerns, tracks local regulations and laws, and is available in both Mandarin and English.

To help Sumitomo react quickly to changes in the performance of portfolio companies and other associated investment risks, we created a real-time news feed that delivers color-coded information on high-risk developments. This additional layer of information helps measure how portfolio companies are actually performing rather than merely which ESG data they are disclosing.

Because screening services alone are not sufficient for analyzing and measuring companies' ESG awareness, management quality, and performance, we provided Sumitomo with in-depth research on specific portfolio companies, events, and ESG issues. The research findings served as strategic inputs for Sumitomo's stock selection.

OUR IMPACT

In March 2010, Sumitomo successfully launched the "China Good Company" stock fund, the first sustainable investment fund offered in the country by a non-Chinese financial institution. Within 12 months of operation, the portion of A-shares in the fund outperformed the market benchmark by 4.5 percent. This new investment model and good performance has attracted significant attention and serves as a role model for domestic and international investors in China. For the next step, Sumitomo is looking for opportunities to go beyond ESG information analysis and will leverage the company's shareholder rights to engage with its portfolios to nurture sustainable performance in the long run.

INDUSTRY
Financial Services

STAFFED FROM
Beijing, Hong Kong

SERVICES DELIVERED
Materiality Analysis,
Reporting and Communications

Creating Business Opportunity by Tackling Sustainable Consumption

By nearly any measure, the way we consume natural resources is unsustainable: Research suggests that we are currently using 50 percent more natural resources than the Earth can sustain.

As the global population continues to grow, from almost 7 billion today to 9 billion in 2050, it is imperative that we develop new ways to enable all of the world's people to live a dignified life, with access to basic products and services, while also preserving healthy ecosystems.

That challenge is at the core of an initiative BSR began in 2010 to raise business awareness of this issue, and to recast it as an opportunity for innovation. To explore how business can lead the shift from “super” consumption to sustainable consumption, we launched a series of work that includes applied research, collaborative learning opportunities, and consulting projects.

DEFINING THE ISSUE, IDENTIFYING THE OPPORTUNITY

We kicked off our sustainable consumption initiative with the release of “The New Frontier in Sustainability: The Business Opportunity in Tackling Sustainable Consumption,” which identified business pathways in three parts of the “value chain cycle” that often have been overlooked in sustainability efforts to date:

- » Product design: using sustainability to guide design approaches to products from the earliest stages of conception and development
- » Consumer engagement: influencing *what* and *how* people consume
- » End-of-use: recapturing products at the end of their useful lives and converting them to serve as raw materials for other purposes

To test the ideas outlined in our research, we held two workshops with member companies and experts in the field of closed-loop systems and consumer insight. A number of key themes emerged:

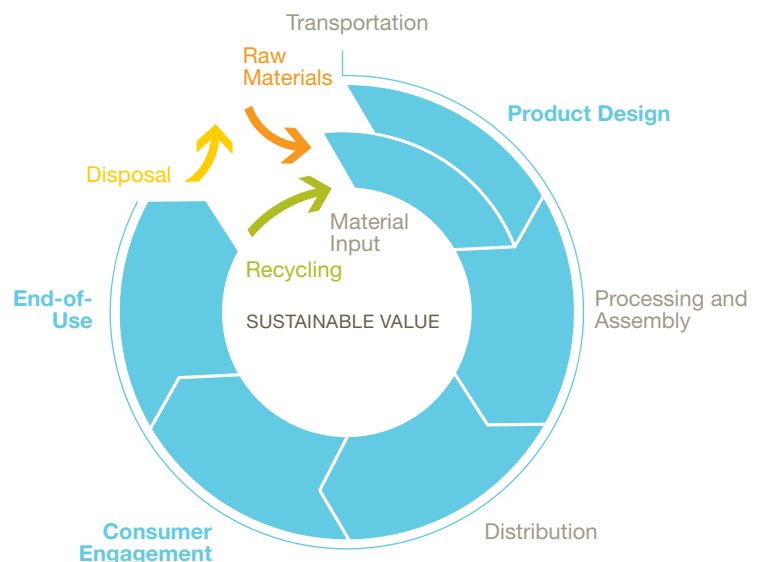
- » Sustainable product design is not just a matter of reducing the impact of existing products, but rather rethinking how to deliver the equivalent value in new ways.
- » Sustainable consumption means that business models encouraging the quick disposal of products, or “rapid obsolescence,” will have to change.

- » Influencing consumer behavior will require that we tap into social networks, peer groups, and communities. It also will demand that companies broaden their understanding of consumers—not just as “shoppers” but as citizens.

WHAT'S NEXT

Feedback from the workshop and other discussions with members has sharpened our focus for 2011, when we plan to look at rapid obsolescence, its problems, and potential solutions. Also in 2011, we will conduct an interview series with design thought leaders to examine some of the emerging approaches to sustainable products. Ultimately, we hope this work will provide our members with practical guidance for designing more sustainable products, inspiring consumers to shift their purchasing habits, and developing end-of-use solutions.

OPPORTUNITIES TO ADDRESS SUSTAINABLE CONSUMPTION IN THE VALUE CHAIN CYCLE





BY THE NUMBERS

20

countries in which
BSR is working
on grant-funded
programs:

Bangladesh
China
Costa Rica
Democratic Republic
of the Congo
Dominican Republic
Egypt

El Salvador
Guatemala
Honduras
India
Indonesia
Jordan
Kenya

Malaysia
Nicaragua
Pakistan
The Philippines
Saudi Arabia
United Arab Emirates
Vietnam

US\$2.5 million

in grant support in 2010



WWW.BSR.ORG/REPORT

Driving Innovation Through Partnerships

Since BSR's founding, we have been strongly committed to achieving our mission through powerful partnerships. BSR's Partnership Development team is dedicated to catalyzing collaboration between business and social and environmental innovators in the public and nonprofit sectors to make progress on systemic sustainable development challenges.

With grant support from public and corporate foundations, governments, and multilateral institutions, we design unique partnerships on topics ranging from women's health to the environmental impacts of port operations. By working with funders ranging from a Swedish aid agency to the Rockefeller Brothers Foundation, BSR leverages "venture capital," our member company network, and our own expertise as well as the expertise of our diverse project partners to help solve development challenges in emerging economies.

2010 HIGHLIGHTS

HERproject

We expanded our factory- and farm-based women's health training program—HERproject—with a major investment from the Swedish International Development and Cooperation Agency and ongoing support from the Levi Strauss Foundation. This support allowed BSR to link member companies with local partners who designed and provided training for female workers on health-related issues in Bangladesh, Indonesia, and Kenya from our original base in China, Egypt, India, Pakistan, and Vietnam. These training programs, now active in 50 factories, have impacted more than 70,000 women. Based on return-on-investment metrics, this training has not only brought improved worker health and awareness, it has led to reduced absenteeism, lower turnover, and increased productivity.

CiYuan (China Philanthropy Incubator)

With support from the U.S. Department of State, CiYuan is designed both to increase the impact of social investments in China, and to build the capacity and expertise of Chinese nonprofit organizations and their project partners to fund and implement additional efforts. For example, BSR is supporting a new, cross-sector collaboration that includes a multinational company (HP), a U.S.-based nonprofit (the Taproot Foundation), a local nonprofit (Huizeren), and a local foundation (the Narada Foundation) to advance the pro bono service model in China. Our hope is that this model will allow companies and civil society organizations to share skills and build stronger organizations capable of partnering with a wider range of partners.

Migration Linkages

A four-year program in partnership with the John D. and Catherine T. MacArthur Foundation, our Migration Linkages initiative helps protect the rights of migrant workers who are moving between developing countries. We connect multinational companies and their business partners with civil society groups, international organizations, labor unions, and governments to make the global migration system more transparent and advance responsible labor practices. In 2010, we launched a pilot program to protect human rights in the recruitment process for migrant workers in Malaysia and in the Persian Gulf.

Green Ports and Energy Efficiency

With new funding from the Rockefeller Brothers Fund, and building on our experience with BSR's Clean Cargo Working Group, this project is aimed at evaluating the environmental performance of freight carriers, and working to make ports and terminal operators more sustainable. As a first step, we identified ports' most significant sustainability issues and developed a framework for ports to consistently report on their performance on those issues. This funding also will allow BSR to expand our Energy Efficiency Partnership, a China-based effort to enhance the energy efficiency of small- and medium-sized enterprises in the Pearl River Delta.

MAJOR FUNDERS IN 2010: PRIVATE, CORPORATE, GOVERNMENT

- » British Consulate General in Guangzhou
- » GE Foundation
- » International Finance Corporation
- » Levi Strauss Foundation
- » MacArthur Foundation
- » Rockefeller Brothers Fund
- » Swedish International Development and Cooperation Agency
- » U.S. Department of State

Actionable Research on Sustainability

Our Research team tracks emerging trends and solutions central to building sustainable business. We aim to help business leaders stay ahead of the curve and shape future-oriented decisions on a wide range of challenges, from energy management, to sustainable consumption, to human rights.

We produce our research with two key business audiences in mind: executives responsible for shaping corporate strategy and practitioners in charge of implementation. Over the past three years, our output has grown considerably, and so, too, have the ways we convey our findings. Like many organizations, we have expanded the media through which we deliver our research, relying on traditional channels like reports, events, the *BSR Insight*, and external publications in the field of sustainability. In 2010, we also expanded our influence through the addition of social media channels such as Twitter, Facebook, YouTube, and Youku (a Chinese video-sharing site), allowing us to reach new audiences with our research.

RESEARCH IN 2010

In 2010, we focused on climate and energy, ecosystem services, human rights, and sustainable consumption.

In addition to offering insight on emerging trends and solutions, BSR's Research efforts focus on applied learning designed to promote and accelerate innovative efforts across our member company network, the wider business community, and the public. We achieve this by marrying lessons learned through project work with research and analysis that allows for wider adoption of good practices.

Our climate and energy initiative provides one example of how this works. After working on Walmart's supply chain energy-efficiency program in China, we produced a research guide showing companies how to replicate Walmart's work with their own Chinese suppliers. Based on that research, we launched our Energy Efficiency Partnership (EEP) initiative, which brings BSR member companies together with major suppliers to improve energy management. The group has three objectives:

- 1 Create a platform to share investments and think collectively about emerging issues.
- 2 Train suppliers in the Guangdong and Shanghai regions on energy management.
- 3 Collect effective energy information for reporting to sponsoring companies.

Initially comprising 10 companies and nearly 80 suppliers in the consumer products; ICT; and food, beverage, and agriculture industries, EEP trained suppliers to develop energy-management plans and introduced them to local energy-service companies to help them pinpoint opportunities for improvement. As a result, suppliers started more than 100 projects that will help them conserve energy and reduce greenhouse gas emissions. In 2011, we will broaden EEP participation and develop tools for bringing energy-efficiency innovations to scale.

Also in 2011, we will focus on a new initiative related to sustainability futures—identifying the key trends that shape business success in the industries with which we work. We will also explore the business opportunities in making sustainable consumption a reality, and we will build on our previous work looking at how the world is responding to sustainability challenges and the implications for the future of business.



REPORTS

BSR issued 25 major reports in 2010, covering topics ranging from sustainable supply chain management and investing in women to energy efficiency and sustainable consumption.



BSR INSIGHT

The *Insight* is BSR's leading weekly publication that provides members with current information on sustainability trends and practices. In-depth discussions focus on key sustainability issues.

2010 RESEARCH FOCUS AREAS

Climate and Energy
Ecosystem Services
Human Rights
Sustainable Consumption



EVENTS

To disseminate our findings, we held 17 events and webinars in 2010. These dialogues have been effective in disseminating our findings and helping BSR members gain insight on key issues.



MEMBER ENGAGEMENT

A unique aspect of our Research program is the ability to engage with companies on environmental and social issues. In 2010, our Research staff participated in more than 20 major projects designed to enhance the sustainability of companies and industries.



“Wicked problems demand systems thinking and brokering partnerships to achieve sustainable solutions. So we no longer innovate lineally; we try to innovate systemically.”

Judith Rodin
President
Rockefeller Foundation



BSR Conference 2010: 'Innovate. Integrate. Inspire.'

The BSR Conference 2010—"Innovate. Integrate. Inspire."—brought together more than 1,100 senior business executives, entrepreneurs, and leaders from the public sector and civil society to connect with their peers and define the business models essential for future success.

The BSR Conference 2010 was a central gathering point for BSR member companies and a diverse array of partners and innovators.

The 44 sessions at the Conference provided the unique insights and diverse perspectives business leaders need to shape a sustainable future. Breakout sessions ranged from one-hour conversations with industry experts, such as internet policy specialist Rebecca MacKinnon and Walmart's global sustainability leader Matt Kistler, to interactive, two-hour workshops covering topics as wide-ranging as "Sustainable Investment in Emerging Markets," "Responsible Sourcing and Conflict Minerals," the "Art and Science of Reporting Water-Related Risk," and "CSR and Policy: Improving Collaboration Between Business and Government."

13 plenary presentations, a new addition to the Conference, featured personal reflections on the Conference theme from visionary leaders. Highlighting universal aspirations and innovative leadership, presentations from the Museum of Modern Art's Paola Antonelli, Women for Women International's Zainab Salbi, and Naif A. Al-Mutawa, creator of the comic series "The 99," demonstrated how each of us has the potential to create awareness and drive change on important issues like health care, access to information, and education.

Plenary and breakout sessions emphasized how innovative partnerships are essential to the creation of solutions with large impact. "Company leaders who understand our globalized, integrated, collaborative world will be best positioned to succeed," said BSR President and CEO Aron Cramer. "They will be the ones who capture increased market share and access to markets through new products and services that deliver sustainable value. They will create new business models that take advantage of the collaborative spirit of our times. And they will be more likely to meet the needs of vast new markets in rising economies. The result will be more prosperous companies and a more sustainably prosperous world."

The BSR Conference 2011 will be held November 1 through 4 in San Francisco. To register and get updates on speakers, sessions, and more, visit www.bsr.org/conference.

SAMPLE PLENARY AND BREAKOUT SESSIONS

- » Plenary Address by Andrea Jung, Chairman and CEO, Avon Products, Inc.
- » BRICs and Mortar: Finding Local Partners in Emerging Economies
- » Closing the Loop: Minimizing Product Life-Cycle Impacts
- » Green ICT: Reality or Virtual Reality?
- » Healthier People, Healthier Planet: The Link Between Wellness and Sustainability
- » Plenary Address by Judith Rodin, President, Rockefeller Foundation
- » Risk and Reward: Incorporating CSR into Due Diligence
- » The Role of Business in Promoting Human Rights

For a complete list of session summaries, visit www.bsr.org/session-summaries.

BSR CONFERENCE 2010 HIGHLIGHTS

1,109
Attendees

95
Speakers

37
Countries
represented

7,626
Connections via Conference
networking site

“If BSR gave frequent-flier miles, I would be an elite flier. AMD is the third company that I have brought into the BSR membership, and the obvious question is, why keep coming back? The answer is that the BSR members and staff represent leading-edge thinking and action at the intersection of sustainability and business.”

Tim Mohin
Director, Corporate Responsibility
Advanced Micro Devices



BSR Membership: A Global Network of Sustainability Leaders

BSR is proud to support and partner with our powerful network of member companies, who share with us a focus on building a just and sustainable world. We work every day to provide our member companies with value based on the insights, expertise, and relationships we've built through years of hands-on work in the field.

In recent years, we have invested in becoming a more global organization to be closer to our member companies and to secure the expertise and network to serve our members well. In 2010, we continued on this path, and, as such, our member network has become more geographically diverse. The highest levels of growth in BSR membership in 2010 came outside the United States, with our membership base in Asia growing by 47 percent, and our base in Europe and the Middle East growing by 29 percent. Our U.S. membership grew by 6 percent. Globally, we ended 2010 with 285 companies in our membership, and our annual retention rate remained high, at 90 percent. A full list of BSR members is available at www.bsr.org/members.

2010 BSR MEMBER SURVEY

In June 2010, we conducted a member-satisfaction survey to improve our understanding of the value and quality of BSR membership. Results indicate that a strong majority of members is satisfied with membership. Respondents indicated that they highly value two particular benefits: our insight and analysis on sustainable business, and the network and collaboration opportunities that BSR provides. In 2011, we will take steps to reach more people in our member companies and to individualize the member experience on our website.

In 2011, our member events—including webinars, meetings, and working groups—covered a wide range of topics, including:

- » CSR and Government Affairs: Conflict or Convergence?
- » Climate Adaptation
- » The New Frontier in Sustainability: The Business Opportunity in Tackling Sustainable Consumption
- » ICT and Human Rights
- » Local Content in Emerging Markets

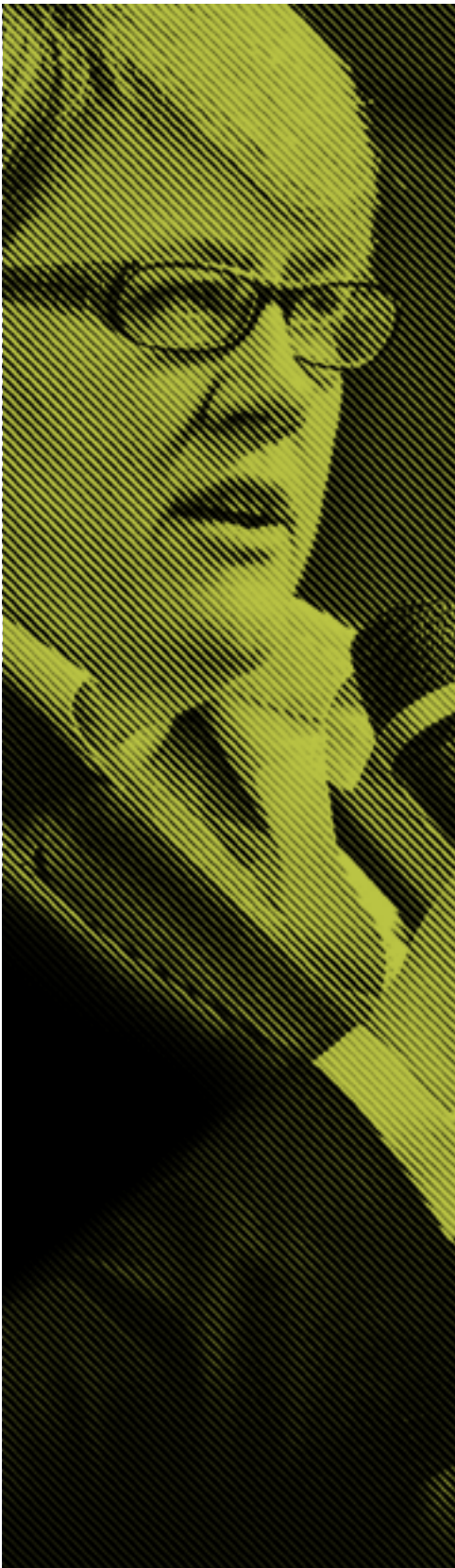
MEMBERSHIP BY INDUSTRY SECTOR

250+

BSR member
companies

Consumer Products
Energy
Financial Services
Food, Beverage, and Agriculture
ICT
Media and Entertainment
Mining
Pharmaceuticals and Biotechnology
Transportation and Logistics
Travel and Tourism
Other

Our People



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To be a leader in sustainable business means charting a path towards a world where business creates value for both shareholders and society. It means building markets where business succeeds by providing greater access to goods and services for people, and transforming markets where business succeeds by using the world's resources more efficiently. Today's leaders compete on the upside of sustainability, not the downside of profligacy. Sustainable business is smart business with a long-term perspective.

”

Rachel Kyte

Vice President for Business Advisory Services
International Finance Corporation

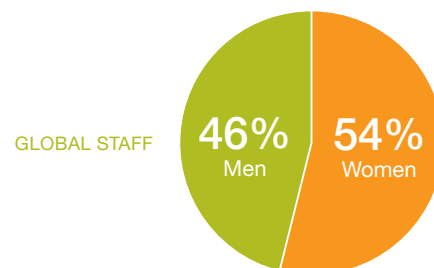




Our ability to achieve our mission—working with business to create a just and sustainable world—depends on having staff members with diverse experiences, perspectives, and networks. With that in mind, we consciously aim to create a team with a wide range of backgrounds. Our employees come to BSR from leading companies, pioneering social investors, human rights and environmental organizations, and the public sector.



Our People



ONE GLOBAL TEAM

For most of BSR's history, San Francisco has been our headquarters. Today, our reality is different. While San Francisco remains our largest office in terms of staff, we no longer think of ourselves as having a single headquarters and "regional" outposts. Instead, we operate as a single organization with several integrated offices and management spread across the organization.

Over the past three years, we have grown and decentralized our team and activities. At the beginning of 2008, 80 percent of our team was in San Francisco. Today, less than half of our 102 employees are in San Francisco, and nearly 40 percent of our staff is based outside the United States. BSR is now spread across seven offices in Asia, Europe, and North America, with representatives in Latin America. The center of gravity within the United States has changed as well, with our East Coast team growing quickly in the past 18 months to 13 people working from New York and Washington, D.C.

To align management with our new reality and build a more unified organization, we made various changes to our management team, which now includes senior staff from Hong Kong, New York, Paris, and San Francisco.

During 2010, 19 employees left BSR, resulting in an overall staff turnover rate of 20 percent. Employees left for a number of reasons, including the pursuit of higher education, family relocations, or for reasons of poor performance.

We continued to host interns in our various offices, introducing students from the Chinese Academy of Sciences, Coro, HEC Paris, the University of California, Berkeley, and other universities to careers in sustainable business.

In 2011, we expect to continue growing, with an emphasis on expanding our teams in New York, Paris, and our three Asian offices. We will also continue to offer our employees opportunities to spend time in other offices.

STAFF DEVELOPMENT

In 2010, we launched a new employee-development initiative, with the objectives of increasing staff training and establishing clearer career paths. Training in 2010 focused on facilitation and public speaking skills, writing, and coaching.

In 2011, we are planning to increase our support of employee development. All employees have a specific professional-development goal based on their unique skills and career aspirations, and we are organizing relevant trainings for staff at all levels. We are also revitalizing our career-manager program, in which every employee has a career manager who provides guidance and career coaching and manages our 360-degree feedback process. We will also provide more guidance to these managers to enable more effective and successful career management.

EMPLOYEE ENGAGEMENT

Each year, we undertake an employee-engagement survey to identify key areas in which employee experiences at BSR can be improved. In response to the 2010 survey, 77 percent of respondents selected "agree" or "strongly agree" in response to questions about their level of positive engagement at BSR. Staff consistently agreed that they had the opportunity to do their best every day, that they felt their colleagues cared about them, and that they had opportunities to learn and grow. The survey also revealed that 35 percent of staff did not feel they were receiving enough recognition or praise on a regular basis. BSR plans to address this concern in 2011.

DIVERSITY

We continue to strive to be an inclusive and diverse workplace. All told, our staff members speak more than 15 languages and dialects and represent 13 nationalities. Women comprise 54 percent of our global staff, and men make up 46 percent. At the director level and above, 30 percent are women and 70 percent are men.

Measuring Our Individual Impact: Three Questions for BSR Staff Members

Depending on whom you ask, you'll get a very different response to the question, "What do you do at BSR?"

From translating emerging sustainability trends into practical solutions for companies to promoting CSR in China, the work individual BSR staff members do contributes in a unique way to our mission. To provide a sense of the various ways we accomplish this, we asked several BSR staff—in each of the regions where we have offices—three questions: about their role at BSR, how they personally measure their impact, and their proudest moment in 2010.



FARID BADDACHE
Director, Europe
Paris office

What is your role at BSR?

I provide companies in Europe with insight based on their needs and based on trends that impact their business. I help companies project themselves beyond the short term to look at the issues—like climate change and human rights—that will be relevant in the long term and that could become drivers of operational efficiency.

How do you measure the impact of your work?

The simplest measure I use is the level of retention—whether our member companies are renewing their membership. A more qualitative way I measure impact is by looking at what our insight means on the ground: the level of GHG emissions that will not be emitted in the coming years, or what a human rights initiative that we connect to operations will mean for some local communities, for instance.

What's the biggest impact you experienced in your work at BSR in 2010?

I also measure the success of my work based on whether a pilot project turns into something on a larger scale, which happened several times in 2010. A client came in with a specific issue, I provided insight based on my understanding of the business she's in, she got it, and then her company made the decision to move that project to the next level and embed it in its operations.



KARA HURST
Vice President
New York office

What is your role at BSR?

As a member of the management team, I spend a lot of time thinking about the future of BSR—where we're going, how to structure the organization, and how to bring new ideas and new people into the CSR space. My operational role is to oversee several of BSR's functions—including our Conference and global events, and the Partnership Development team—as well as our U.S. East Coast offices.

How do you measure the impact of your work?

The most compelling impacts are in the subtle shifts of the private sector. Ten years ago, when I joined BSR, I was doing a lot of convincing and cajoling companies that sustainability was important. But after years of BSR's thought leadership, persistence, and sheer sweat equity, sustainability is now an accepted cornerstone of a successful business. Our fingerprints are everywhere in many of the world's largest companies and in industries that were not looking at their impacts before.

What's the biggest impact you experienced in your work at BSR in 2010?

The work I led with the travel and tourism sector ramped up quickly, and those companies are having a tremendous impact on the environment, guests, and employees in hotels. Eventually, it will affect how we all make more sustainable travel choices, influencing one of the world's largest and most visible industries.



LINDA HWANG
Manager, Research
San Francisco office

What is your role at BSR?

I translate emerging sustainability trends into practical solutions for companies.

How do you measure the impact of your work?

Internally, it's the number of ways my colleagues apply my research and build on it in their own projects with companies. Externally, my personal metric isn't a number—it's based on the discussions (positive and negative) I have with member companies who call with reactions to my research. That helps me refine my future work.

What's the biggest impact you experienced in your work at BSR in 2010?

I helped trigger someone's "aha moment." In a workshop for a beverage company struggling with community opposition to its operations, our objective was to develop a new approach for the company to engage local communities. After the first day, a company representative said her understanding of "engagement" had fundamentally changed, and that she needed to shift her central focus on water to communities.



KIRK LONG
Director, Information Technology
San Francisco office

What is your role at BSR?

I provide global technology leadership to support BSR. But what I do on a daily basis is not just about technology; it's about understanding what makes another department tick. I am an extrovert, and I enjoy talking with my colleagues about how I can make their work lives more efficient and productive.

How do you measure the impact of your work?

One personal metric is that my colleagues still like working with me. I feel a sense of value when coworkers ask me about something they need and use information technology in the solution.

What's the biggest impact you experienced in your work at BSR in 2010?

My colleagues have told me their day-to-day life is easier because of my efforts, which means a lot considering BSR staff's busy travel schedules. Over 95 percent of our staff have laptops. They're not at their desks from 9 to 5; they're in a hotel room, or an airport terminal, or a taxi. Technology enables them to work on sustainability from anywhere in the world, at any time.



WEI DONG ZHOU
China Director
Guangzhou office

What is your role at BSR?

Broadly speaking, I promote CSR in greater China and set the strategic direction for BSR projects by providing counsel to BSR's member companies and their supply chain partners in China. Another part of my job is people development. I build and "bring up" the China team—from zero to more than two dozen staff now.

How do you measure the impact of your work?

In the beginning, in 2005, CSR in China largely meant the policing of labor practices in export factories. But in the past few years, I have seen an increasing awareness of CSR through BSR's China Training Institute, particularly in the supply chain. Our efforts also have extended to many other issues, and to work with Chinese state-owned enterprises. People now have a more proactive attitude through our advisory work.

What's the biggest impact you experienced in your work at BSR in 2010?

I am most proud of our Labor Relations Practitioner (LRP) initiative, which has brought together businesses and national and local government to train 1,500 LRPs on labor rights and benefit 1 million migrant workers at more than 1,000 factories.

Our Challenges



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To be a real leader in sustainable business, it is necessary to balance the needs of the customers and shareholders with those of the planet and future generations. Leadership often comes with demands for immediate profitability and year-on-year growth, whereas sustainability often requires innovation, investment, and a longer-term view. A real leader in sustainability must therefore be open to taking risks and redefining success. Climate change will require new methods of production and distribution in which sustainable businesses will play a key role—but only if there are real leaders ready to challenge traditional thinking.

”

Kumi Naidoo
Executive Director
Greenpeace International





As we look back on 2010, we are proud of our many successes and equally mindful of the hurdles we face in achieving our mission. They fall into two broad categories: structural barriers to progress and BSR's own shortcomings.

Last year, we also reported on our challenges. In 2010, we made progress in surmounting some of them, and we continue to work on others.

We start this section with a review of our performance in areas we highlighted in the BSR Report 2009.

FINANCES

After a flat (and difficult) year financially in 2009, we had an exceptionally strong 2010. We attribute some of this to external factors: the stabilized economy and ongoing interest in sustainability.

ORGANIZATIONAL FOCUS

We also believe that the time we invested in refining our strategy in 2009 paid off in 2010. As part of our effort to increase our focus, we spent time strengthening our proficiency and efficiency in the offerings that are most in demand by our member companies, and we dedicated staff to leading our efforts on topics such as human rights and climate.

GLOBAL INTEGRATION

We made good progress toward a more globally integrated organization in 2010. Early in 2011, we decided to add our Asia and EMEA regional managing directors to the core management team. We also aimed to reinforce the "One BSR" model by phasing out the notion that San Francisco is our headquarters, moving to an organizational model that relies on all of our offices as hubs that work together through integrated project and functional teams.

MEASURING OUR IMPACTS

We did not pursue systematic efforts to measure our impact in 2010, although we have established a more comprehensive and consistent approach to implementing feedback from project reviews.

BOARD DIVERSITY

In 2009, we identified the need to increase the diversity of our board. This is an area where we did not make progress in 2010, but we expect that new directors in 2011 will contribute to a more diverse board.

We continue to face additional challenges concerning our internal operations.

MANAGING GROWTH

We have been fortunate to add to our capacity in recent years, enabling us to make further progress toward our mission. Growth, of course, also brings challenges, especially in the area of systems and shared-services support. For example, we are not yet able to invest in a fully functional video-conferencing system, even though that would be tremendously useful for our globally integrated organization. We are also outgrowing our current model, in which our shared-services functions are centralized in one location, but we are not big enough to invest in resources in all locations. We also face the need to maintain and refresh our culture, as well as promote a shared sense of community and purpose across the different BSR offices.

OPERATING A HYBRID ORGANIZATION

We firmly believe that a mission-driven organization working with business can deliver great results. As we have discussed in the past, we choose to maintain our hybrid model because we believe that a membership organization that delivers top-flight consulting along with research and collaboration opportunities is well-positioned to solve the diverse challenges of building a just and sustainable world.

Each day, we make decisions about how best to balance these activities, and we inevitably have to make trade-offs. For example, in 2010, our Research team faced growing demands to lend its expertise to consulting projects. This offered the chance for direct impact but also meant that we deferred some of the research we had hoped to complete. In 2011, we have addressed this by refocusing the Research team on sustainability futures, and we will be devoting more resources to the team to deliver on that strategy.

KNOWLEDGE MANAGEMENT

We were slower than anticipated in 2010 in improving both our systems and our culture of knowledge-sharing and management. We did make progress, however, and have reinforced that by adding a new position overseeing operations for our project teams. As we continue to decentralize our teams, the importance of knowledge-sharing and management grows.

We also continue to face multiple challenges in the external environment. Two issues in particular stand out.

FOCUSING ON PUBLIC POLICY

The great optimism of 2009, in advance of the Copenhagen climate summit, has now faded, and many have lost hope that policy makers will provide reliable frameworks to support sustainable prosperity. Adding to this, business' influence over public policy too often prioritizes short-term needs over policy structures that favor long-term sustainability. BSR will continue to make clear in all our activities how important public policy is to the achievement of sustainability goals.

SHIFTING AWAY FROM CONSUMPTION-BASED ECONOMIES

Most economies—and businesses—continue to measure their success and well-being based on consumption-based models. In 2010, numerous polls showed that consumer interest in sustainability continued to wane from its pre-recession heights. We launched our sustainable consumption initiative in 2010, and we continue to research and advance the concept as “the new frontier in business success.” Progress is, however, admittedly slow.

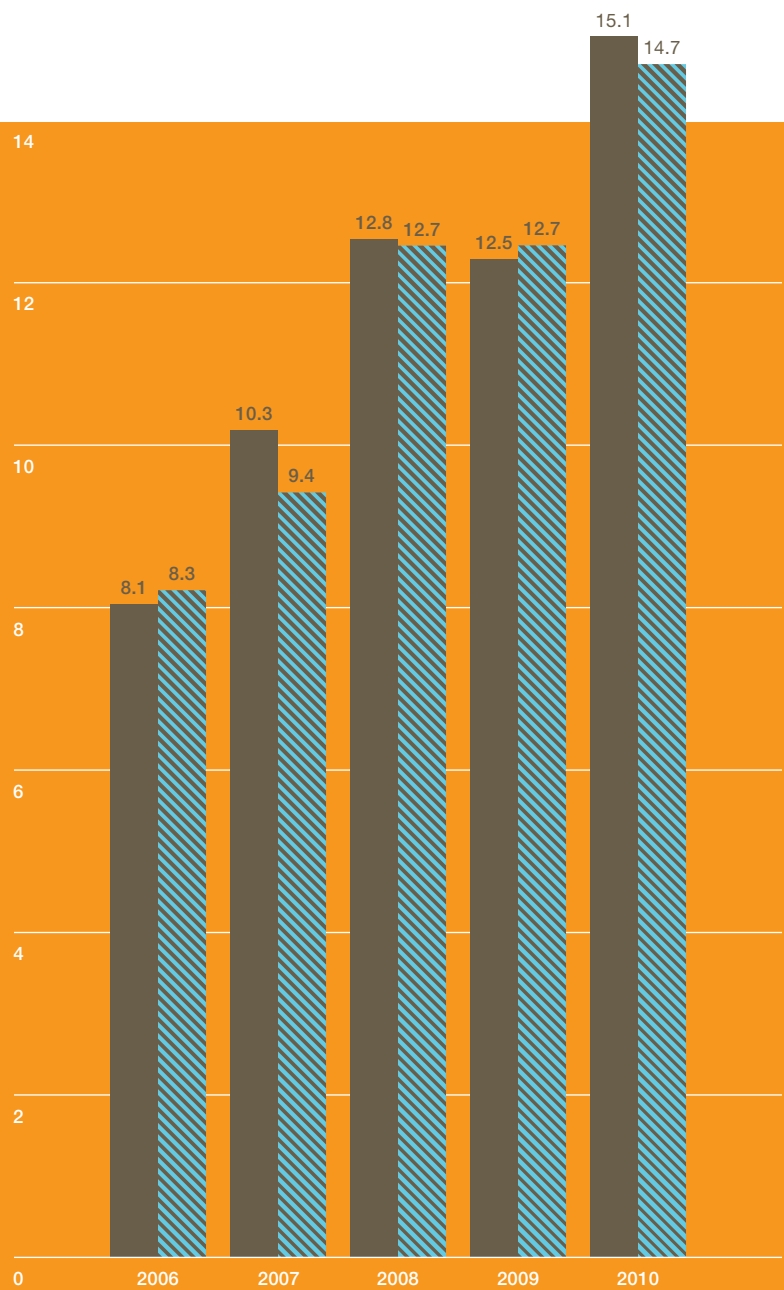
Financial Statement

Through the efforts of our global team and partners, BSR experienced healthy growth in 2010, as the global economy stabilized and interest in sustainability remained very high. Overall revenue increased 21 percent, to US\$15.1 million. All revenue categories grew in 2010, driven by growth in grants (48 percent revenue increase over 2009) and consulting (15 percent increase). Revenue from the BSR Conference 2010 increased 34 percent, and membership revenue was up 12 percent. Overall, BSR's annual revenue has nearly doubled—up by 86 percent—in the last four years.

Expenses increased 16 percent in 2010 as we expanded our staff to 94 employees in seven offices to meet the increased demand for our services, while keeping tight control over discretionary expenses.

BSR FINANCIAL PERFORMANCE (FIVE YEARS)
Visit www.bsr.org/report for full, audited
financial statements.

■ Revenue ■ Expenses
(in millions of US\$)



About This Report

This is BSR's fourth annual Report, in which we provide an overview of our activities, accomplishments, and the challenges we faced in 2010. Our Report also includes our perspective on the current state of sustainable business, and what we see as the most important steps companies can take to contribute to a just and sustainable world.

After careful consideration, we decided not to measure and report on our environmental footprint this year. While that information is important, we believe our most material sustainability impacts lie in our work helping BSR members and clients reduce their own impacts, and, as such, we have focused our reporting on those activities.

Following the launch of this Report, we will convene an external stakeholder group to review this publication and provide feedback that we can apply to the BSR Report 2011. As a result, this Report did not undergo external stakeholder review prior to publication.

While BSR's financial results included here have been audited, other Report content has not undergone third-party assurance.

For questions and comments about this Report, email us at report@bsr.org.

Acknowledgments

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