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

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In the BSR Report 2013-2014, we are proud to share perspectives on BSR's activities and impacts, and, more importantly, our sense of where the world of sustainability is heading. We chose the theme of “Transparency and Transformation” deliberately. Transparency is accelerating daily and changing people’s relationships with each other, as well as with the institutions that reflect and shape our world. The changes are coming with dizzying speed, and they both enable and complicate the drive to create a more just and sustainable world.

Transparency is a powerful force, but it does not automatically lead to transformative outcomes. And the urgency of transformation is growing.

The theme of the BSR at 20 Report, “Accelerating Progress,” continues to be our urgent objective. And we see signs of progress, from the multiplying company commitments to respect human rights, to the growing number and scope of commitments to renewable energy, to innovations that support a circular economy.

In spite of this progress, we are continuing along an unsustainable path. The good news is that we have all the energy and creativity that’s needed to transform the global economy—but our task is to make that happen.

This Report provides a window into that challenge: what we perceive as the biggest challenges and opportunities related to transparency and transformation, what BSR is doing to make transformation for sustainability a reality, and BSR’s assessment of our own impact.

In the pages that follow, you will see examples of our work that illustrate the range of our efforts, including one-on-one projects with our member companies, business collaborations, and multistakeholder initiatives. We have quantified impacts wherever we can and have tried to present a diversity of efforts, showing the range of topics, geographies, and partners with whom we work every day.

We also have included a section on our outcomes and impacts. This part of the Report is one that my colleagues and I are particularly interested in. This reflects a new effort, begun in 2013, to be more conscious of, and more rigorous in assessing, the outputs, outcomes, and impacts of our work. This is a work in progress, and we hope to learn as we go, finding new ways to deliver great value, understand key variables crucial to progress, and, ultimately, maximize our impacts. We know from conversations with many of you that this is a journey shared by many in the sustainability community, and we look forward to your perspectives on how BSR—and all of us—can achieve greater impact in the years to come.

We present this Report with pride in what we have done, as well as a deep sense that there is an immense amount yet to accomplish. We hope that the Report provides a platform for learning and innovation, and we invite you to respond to, challenge, and most of all, partner with us as we keep focused on the big prize of a just and sustainable world.

Aron Cramer
President and CEO, BSR
We are living in a world characterized by radical transparency. It allows us to see everything from traffic patterns in gridlocked cities to biodiversity in the most remote parts of the world. It helps consumers evaluate products based on social and environmental concerns, and it helps citizens interact directly with policymakers and CEOs, as well as friends and colleagues.

But transparency cuts two ways: Even as Big Data helps us understand challenges and build new solutions, it can have a dark side, as revealed by Edward Snowden. What’s more, transparency does not automatically bring meaning.

For business, though, transparency is a game-changer, revolutionizing our everyday lives and the business agenda. And no dimension of business is affected more than sustainability.

Thanks to transparency, our visibility into the extent of the world’s problems is magnificently detailed: We can track the rapid acceleration of climate change, watching glaciers recede and deserts grow. We know where emissions are coming from and can see them spike and drop as the economy accelerates and brakes. We can track progress on the Millennium Development Goals, and we can see, real-time, the treatment of the most vulnerable among us. Transparency also provides information that connects us to solutions through developments like hyperefficient smart buildings and wearable fitness monitors that help us understand and improve our health by sharing our fitness information with social networks.

With sustainability as the overarching challenge of the 21st century, transparency allows us to understand the scope and location of those challenges. Yet for all this potential, transparency alone cannot solve these problems. For that, transformation is sorely needed.
TRANSPARENCY IS REWRITING THE BUSINESS RULE BOOK.

With that in mind, this essay explores the most significant trends in transparency that are reshaping business, and we provide six ideas for transformation to jumpstart progress on the greatest challenges of our time.

Business in an Age of Transparency

Technology has enabled massive leaps in transparency, but it is most important to understand the social norms and expectations that are evolving as we come to terms with our transparent world.

Once a values-based act that people and institutions chose when they liked, how they liked, transparency is now the default setting for our lives. Today, there is little added benefit received for transparency, only a price to be paid for a lack of transparency. Transparency also has upended the long-standing advantage large institutions have had over other actors in society. In a transparent world, no institution, leader, or individual can assume they will be accorded trust.

The implications of these changes for businesses aspiring to sustainability are crucial. In several ways, transparency is rewriting the business rule book.

Responsibility is back. The behavior of companies and business leaders is on display for all to see. This means that the concept of corporate responsibility (doing things right) and not just sustainability (doing the right things) is regaining relevance. With most actions in plain view, it is easier to judge companies on the basis of fundamental fairness.
The definition of “stakeholders” has changed. Transparency is also changing how businesses engage with society, and changing how companies define their stakeholders. At the dawn of the sustainability era, company engagement came through easily identifiable NGOs, which were similar in structure to the world’s largest businesses and often maintained a monopoly on information about corporate practices. While NGO engagement remains important, it is no longer the only option. The stakeholder landscape is far more diverse, with shifting coalitions, pop-up activist groups, and empowered individuals now claiming some of the space previously held by the largest international NGOs.

“Micro-transparency” has arrived. Drones and the Internet of Things are making cameras and sensors ubiquitous, resulting in a growing flow of information untethered from constant human attention. This further underscores the demise of information monopolies held by large institutions, enabling observation and analysis of what big institutions are up to every day.

Transparency within organizations is as important as transparency between organizations. Much of the sustainability community is interested in how transparency affects information flows between organizations with different points of view and different objectives, such as the dialogue between companies and NGOs. But it is becoming more important to consider transparency within organizations. This takes different forms, from helping employees become ambassadors for sustainability through engagement on issues like efficiency, to recognizing that topics like executive compensation are now considered everyone’s business, to communicating with colleagues when the company faces a public challenge or campaign. Transparency is changing every aspect of business, but it is in no way a guarantee of better outcomes. It is up to us to use the new tools to our advantage. As indicated above, transparency of processes supported by the Internet of Things is already producing great leaps in efficiency. This is a simple matter of engineering hardware for more sustainable operations. Reengineering the software represented by increasingly transparent human and institutional relationships, on the other hand, is more complicated. This requires new decision-making process for boards and CEOs, reformed market and accounting rules, updated communications strategies, and a renewed emphasis on integrating our aspirations and our actions. It requires transformation.

Transformation for Sustainability

The trajectory of our economy is creating countless opportunities for better lives: Hundreds of millions of people have moved out of poverty in the last generation or two, and the middle class is growing in many parts of the world. This human progress is undeniable. But it also has left many people behind, and our progress to date is at risk.

Our current economic models are fundamentally flawed in two ways. First, inequality of access to products, services, and economic opportunities threatens to leave many people behind, leaves newly comfortable people vulnerable, and is sowing the seeds of social conflict. And second, our economic progress relies on unsustainable levels of natural resource consumption, including energy use that has produced mounting climate change.

The path forward requires transformative business models. Companies that lead the way will have the most sustainable businesses and will make the greatest contributions to sustainability.

The question, then, becomes: How do we get there? The transformation agenda has many components, from the deep detail of securities regulation and corporate governance laws to the very human dimension of personal values. Signs of these changes are everywhere, and yet transformation, like author William Gibson’s famous dictum about the future, is unevenly distributed.
There are six changes that every company, and every business leader, can promote to advance transformation.

01 **Change the rules of the game.** Our economy is based on certain market rules that must be changed. For starters, we need to unlock the iron grip of shareholder value, with its narrow focus on delivering short-term returns. Al Gore and David Blood of Generation Investment Management presented some common sense reforms that would unleash the ability of business leaders to create long-term value. This is an excellent start. Another important step is for more companies to embrace new forms of reporting, such as through integrated reporting as advanced by the IIRC and jurisdictions like South Africa. A price on carbon—something many companies are implementing internally and advocating for publicly—will also accelerate a more sustainable energy system that fosters innovation, reduces waste, and promotes ongoing economic progress.

02 **Reform corporate governance.** Related to market rules, corporate governance also has room for change. While corporate boards have begun to take social and environmental impacts and opportunities more seriously, this movement is still in its infancy. Redefining fiduciary duty is one step, but there are others. Boards do not always possess the insights and networks that can alert them to emerging developments. Our experience working with the United Nations Global Compact on a directors’ module on sustainability has demonstrated the value companies can obtain by transforming the governance agenda to include sustainability more directly.

03 **Innovate business models.** Today’s business models are not always fit for purpose in our changing world. Utilities, for example, are beginning to be undercut by a growing business of distributed energy generation. Other sectors face similar fates if they do not anticipate and participate in the changes needed to deliver green growth. New business models aren’t just for start-ups. Established companies in many sectors, including healthcare and information and communications technology, are thinking about how they can address new market needs.

04 **Measure what (really) matters.** Incentives drive business behavior. We are beginning to see signs of innovation in the measurement of economic performance, and this is crucial. More and more businesses are tying executive compensation and reviews to sustainability performance. And a growing number of companies, impatient with a lack of government action, are applying their own internal price on carbon. There is also a new drive to measure natural capital in practical ways that reward decisions based on preserving biodiversity and natural resources—the essential basis of economic activity.

05 **Embrace new technology.** Of course, technologies play a key role in transformation. This does not mean that only engineers and the algorithms they create will change the world. For most companies, it is the application of technologies that matters most. We are entering a world of widespread sensor technology, which allows us to understand the systems we rely on, from the farms that deliver natural resource inputs to the factories that process them, and the distribution networks that take them from point A to point B. The impact of emerging technologies on every company’s value chain demonstrates the opportunities to improve efficiency and use timely data rather than partial information and assumptions to make decisions.

06 **Connect with your inner Chief Sustainability Officer.** Every employee at every company has a role to play in sustainability progress, and personal transformation is often overlooked in this debate. Human behavior and the values that underpin our actions are essential in achieving enduring progress. Technology, rules, and incentives are all part of the transformation story. But sustainability progress will only get so far without personal change—changing minds, changing behaviors, and changing actions.
Without purpose, transparency and transformation are of little consequence.

At BSR, we believe transparency and transformation should be applied to two objectives that are the hallmarks of a just and sustainable world: Business in a Climate-Constrained World and Business Leadership for an Inclusive Economy. These twin pillars represent our assessment of the world’s greatest needs, as well as our take on how business can contribute to shared and lasting prosperity.

These themes are inextricably linked. Effective action on climate is the only way we can preserve the social and economic gains achieved in the past 30 years, and it is essential to maintaining a stable business environment that preserves the resources needed to meet market demands. At the same time, climate action must consider solutions that support the equally important need to ensure economic access for all people. By the same token, an inclusive economy is more likely to balance the need for ongoing economic progress with decisive climate action. Rampant income inequality undermines the social stability needed to create consensus for the long-term decisions necessary to act on climate.

None of this is easy. While transparency is everywhere, it evolves every day, and society’s expectations of business related to transparency are changing with it. Transformation is an easy word to use, and a hard concept to achieve. But transparency is here, and transformation is desperately needed. The creativity that business has so often applied to create wondrous new products, and to meet the needs of a growing world population, can be taken to even greater heights.
BSR works from eight offices in Asia, Europe, and North America to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Here, we highlight some of our projects from 2013, including our work to help Microsoft embed human rights considerations into all business decisions, our partnership with ANN INC. to empower 100,000 women in its global supply chain, our multiyear effort to help improve supply chain greenhouse gas performance in China, and more.
CASE STUDY | MICROSOFT

Embedding Human Rights Across a Global Technology Company

BSR helped Microsoft develop a global human rights strategy that ensures human rights are considered in all major business decisions.

THE CHALLENGE

For Microsoft, implementing the UN Guiding Principles on Business and Human Rights posed three main challenges:

First, the technology sector can affect a number of human rights positively or negatively, from privacy and data security considerations in cloud computing, to how human rights might be portrayed in video games.

Second, while company leaders believe the information and communications technology industry plays an important role in advancing free expression and human rights, the public narrative often is focused much more on the risks to freedom of expression and privacy than on the industry’s positive contributions.

And third, there was a need to clarify which human rights issues are most salient for Microsoft.

To address these challenges, the company asked for BSR’s support in creating one cohesive, global strategy for Microsoft’s human rights management—a partnership that began three years ago and continues today.

OUR STRATEGY

First, we reviewed Microsoft’s operations and identified potential risks and opportunities based on the full universe of human rights so that we could identify the most significant risks, impacts, and opportunities for the company.

With this short list of relevant issues, we interviewed key experts and more than 40 employees working directly with Microsoft’s business groups to understand how Microsoft considers human rights in its product development and operations.

After analyzing these interviews, we developed a new global human rights framework that outlines Microsoft’s commitments.

The framework is focused on proactive due diligence to avoid risks, maximizing the benefits of technology and responsible engagement, and clearly articulates the company’s point of view on human rights.

LESSONS LEARNED

The early success of this project reinforced our belief that meaningful consultation of internal stakeholders generates buy-in and helps employees across companies understand their role in protecting human rights when making critical decisions.

We also learned that approaches to human rights assessment are most successful when tailored to the company’s culture. For instance, at Microsoft, an assessment with broad-based internal engagement fit with the company’s culture of collaboration across disciplines.

Finally, we were reminded of the importance of executive leadership, which is instrumental in the success of this long-term work.
**CASE STUDY | ANN INC.**

Improving the Lives of 100,000 Women Workers in the Supply Chain

BSR helped ANN INC. develop a multiyear commitment to provide 100,000 women in its global supply chain with health and financial literacy training.

**THE CHALLENGE**

ANN INC., the parent company of Ann Taylor and LOFT, is a purpose-driven company that aims to help women “put their best selves forward every day.” Women comprise more than 70 percent of ANN INC.’s supply chain labor force, and company leaders recognized the opportunity to help improve the lives of the women manufacturing their products.

After ANN INC. joined BSR’s HERproject in 2012, company leaders began to talk with us about how to deepen its investment in supply chain women’s empowerment and share its approach with sales associates and clients, in order to ensure consistency with the company’s strategic commitment to women in North America.

**OUR STRATEGY**

BSR worked with ANN INC.’s corporate responsibility team to design a two-part approach for the company’s supply chain women’s empowerment program. First, we defined a program that supported the women workers in ANN INC.’s supply chain, and then we worked with the company’s communications and brand teams to promote this work via marketing and communications.

In developing this program, we assessed ANN INC.’s existing commitments and strengths, including the company’s focus on products made ethically and its strong relationships with its suppliers. We also evaluated the main barriers to women’s empowerment, and we reviewed gender standards such as the UN’s Women’s Empowerment Principles.

Based on this, BSR and ANN INC. identified three main areas of action for the company: health and well-being, financial literacy, and workplace empowerment.

To bring this program to life at the corporate and store levels, we recommended that ANN INC. sign on to the Women’s Empowerment Principles, and we suggested that the company expand its current investments in BSR’s HERproject initiatives to ensure that women involved in manufacturing ANN INC.’s products would have the opportunity to receive health and financial literacy training.

**OUR IMPACT**

As a result of this project, ANN INC. is revising its supplier code of conduct to ensure that the company and its suppliers share a vision to support women in accordance with the Women’s Empowerment Principles.

In the coming years, ANN INC., in partnership with its suppliers, will roll out a program that uses BSR’s HERproject and other supply chain programs to improve the well-being of women workers and create business benefits for suppliers. The company aims to ensure that at least 100,000 women are empowered to reach their full potential, and that this project will also strengthen their families and communities.

In the fall of 2014, the Ann Taylor brand will introduce a scarf in its holiday line that was produced by an artisanal cooperative receiving HERhealth training.

**LESSONS LEARNED**

This project demonstrated the importance of taking a holistic approach to supply chain management:

- Rather than focusing purely on risk mitigation, engaging suppliers on opportunities to improve worker well-being has the ability not only to strengthen supplier relationships but also to model the types of investments that might result in systemic improvements for workers in global supply chains.
- Mapping existing standards and initiatives to support a goal can allow companies to build on proven projects rather than reinventing the wheel.
- Customers are eager to be reassured that their products are made ethically and respond better to positive stories of investment rather than risk-mitigation strategies.
**Managing Greenhouse Gas Emissions in Chinese Supply Chains**

Over the past few years, BSR has helped dozens of companies improve supply chain greenhouse gas performance in China through a portfolio of initiatives.

**THE CHALLENGE**

For manufacturing companies, the supply chain typically accounts for 70 to 80 percent of lifecycle greenhouse gas emissions. Much of these emissions are found in China, which contributes to approximately a quarter of global emissions annually, as well as the majority of emissions from products for export. For these reasons, many companies that are serious about addressing climate change are seeking to manage supply chain emissions, with a focus on this region.

But they face obstacles, many of which are common among emerging markets: Suppliers’ ability and readiness to manage emissions vary widely, making it hard to rely on a standard approach with all suppliers. In addition, policy incentives are not sufficient to encourage factories to upgrade inefficient equipment and systems. And climate change often takes a back seat to other, more visible supply chain agendas, including labor conditions, worker safety and fires, and toxic spills.

**OUR STRATEGY**

Over the years, BSR has led a series of initiatives to reduce supply chain emissions, working with brands and their suppliers to use BSR’s local networks in China.

In 2008, we launched this work in a project with Walmart and the Environmental Defense Fund: To help Walmart meet its corporate commitment to reduce the emissions of 200 Chinese factories, we led outreach to suppliers and determined individual energy profiles and trends. Through this initiative, BSR identified four key priorities and determined individual energy profiles and trends.

Reflecting on lessons learned, we developed the Energy Efficiency Partnership (EEP), a coalition of 10 companies working with 100 suppliers in South China to coach and share information on energy efficiency. Through our work together, one significant partner, HP, has developed energy-management action plans for 20 factories. We helped HP identify current opportunities for motivating energy efficiency while segmenting and targeting suppliers for different kinds of interventions—with some focused on making the business case, and others focused on providing detailed energy audits. We complemented this by interviewing HP suppliers’ managerial and technical staff to understand how to address individual challenges.

**LESSONS LEARNED**

Companies can—and should—have goals for greenhouse gas management in their supply chains. To do this in a way that is effective and manageable, companies should:

1. Understand suppliers’ level of ambition and assumptions about the business case for investing in energy efficiency.
2. Be judicious in asking for data requests in an era of survey fatigue by focusing on information that is actionable.
3. Help suppliers improve their ability to manage greenhouse gas emissions by providing expertise and technical resources to suppliers and sharing in investments for energy efficiency.
HIGHLIGHTS

CLEAN CARGO WORKING GROUP

INDUSTRIES
Consumer Products, Food, Beverage, Agriculture, Information and Communications Technology, Manufacturing, Transport and Logistics

STAFFED FROM
Copenhagen, Hong Kong, Paris, San Francisco

SERVICES DELIVERED
Research and Analysis, Secretariat and Lead Facilitation, Supplier Engagement, Tool Development

CCWG METHODOLOGY
CCWG identified the metrics and qualitative factors to track, and then we developed tools to report on environmental performance.

>85%
Today, more than 85 percent of the container ship industry uses CCWG methodology.

BSR's Clean Cargo Working Group, founded 10 years ago, now works with 85 percent of the container ship industry to report on and improve the environmental performance of ocean shipping.

THE CHALLENGE
The ocean shipping industry, which transports 90 percent of what we own, contributes approximately 3 percent to global greenhouse gas emissions, which contribute to climate change, sea and land acidification, and poor air quality. The industry also affects the oceans' environmental health through chemical cargo residues, cleaning agents, and nonindigenous species from ballast water.

Ten years ago, few standards existed for quantifying the environmental impacts and performance of shipping, so a small group of BSR member companies asked BSR to help them capture the environmental footprint of their products' journey.

OUR STRATEGY
In 2004, BSR, the U.S. Environmental Protection Agency (EPA), global brands, and global container cargo carriers came together to establish the Clean Cargo Working Group (CCWG) to develop standardized tools that meet the needs of both shipping customers and cargo carriers to measure, report on, and evaluate environmental impacts.

First, CCWG identified the metrics and qualitative factors to track, and then we developed tools to report on carbon dioxide and other emissions; the use of environmental management systems; and best practices for transparency and for the management of waste, water, and chemicals. The transport providers and their brand customers meet twice yearly to refine tools and share best practices on improving environmental performance. For five years, we have published an “Emissions Factors” report, which has revealed that cargo transport providers have reduced carbon-dioxide emissions by up to 22 percent in that time.

To remain relevant and influence the development of groups across other modes of transport, CCWG also engages with other sustainability initiatives in the sector and aligns with global standards.

More recently, we have been working to integrate our tools with procurement systems to streamline use by brands, and we have been working with leading academics to analyze our data set—one of the largest of its kind on transportation environmental metrics—for operational decisions that can improve environmental performance.

OUR IMPACT
Today, more than 85 percent of the container ship industry uses CCWG methodology to report environmental performance. In addition, the majority of global buyer members—including companies such as Electrolux, IKEA, Marks & Spencer, and Nike—have used CCWG metrics and tools to improve environmental performance in their supply chains.

Given the group's industry recognition, CCWG engages regularly with the World Shipping Council as well as regulatory bodies such as the European Commission, as they seek to develop a globally recognized legal framework for maritime companies to measure, report, and reduce carbon-dioxide emissions. Already, the U.S. EPA and other transport sustainability initiatives have used our methodologies and results as the standard for environmental performance in ocean container transport.

On an ongoing basis, CCWG has provided a unique platform for peer companies to share best practices, for buyers to work with transportation providers on appropriate expectations for environmental performance, and for brands to influence latest developments across the entire transport supply chain.

We are now working to expand our reach as a global initiative by considering a merger with the Clean Shipping Initiative that, if successful, will launch a single industrywide platform for environmental performance measurement and reporting across more ocean goods such as oil, commodities, and finished vehicles.

LESSONS LEARNED
CCWG’s effective collaboration is a result of several factors:

» A consistent focus on mission
» Flexibility that meets members’ needs
» Time spent building trust among parties
» Appropriate incentive mechanisms for environmental data collection, reporting, and management
Since its formation in 2008, the Global Network Initiative has created standards on freedom of expression and privacy that have been implemented by the major internet and telecommunications companies, which reach a total of more than 2 billion users.

THE CHALLENGE
The rapid growth in global internet and telecommunications services has resulted in significant gains in our ability to communicate freely. However, this growth has been accompanied by government efforts to restrict user access to content, acquire personal information, and interfere with private communications.

For many years, information and communications technology (ICT) companies were caught between government requirements and the users’ expectations and rights—lacking international standards to apply when governments made demands that might result in human rights infringements. To determine best practices and create these standards, BSR partnered with the Center for Democracy and Technology in 2006 to design and facilitate a multistakeholder process to fill this void.

OUR STRATEGY
BSR worked with the group to write the foundational documents—principles, implementation guidelines, and a governance charter—that shaped the work of the Global Network Initiative (GNI), which launched in 2008 as the first group of its kind that included representatives from ICT companies, civil society groups, investors, and academics.

BSR served as the co-facilitator during this process, helping with negotiation and conflict resolution to generate consensus during debates. We also undertook the work of the GNI until it became its own legal entity in 2010. Following this, BSR wrote a public report for GNI on “Protecting Human Rights in the Digital Age,” outlining the main freedom of expression and privacy risks at different layers of the ICT value chain.

Since 2010, the GNI has had a full-time secretariat in place, and BSR no longer facilitates the organization—which reflects BSR’s occasional role as an incubator of innovative, collaborative efforts that are then implemented by others.

Today, the GNI focuses on advancing its principles, recruiting new companies, sharing best practices, engaging in policy debates, and implementing its accountability mechanism.

OUR IMPACT
The sustained success of the GNI is an indication of BSR’s own story of impact.

Partly as a result of this work, the GNI’s five member companies, which together serve more than 2 billion users, have implemented new global standards on freedom of expression and privacy. In 2013, nine global telecommunications companies launched a set of principles focused on free expression and privacy.

The GNI’s work also helped build understanding among experts from the ICT industry and from the field of human rights—two groups that previously did not regularly work together. This has helped build a growing community of experts in ICT and human rights—a significant development given the increasing importance of technology in our pursuit of human rights today.

While exact cause and effect is difficult to pinpoint, ICT companies’ increased transparency about their relationships with law-enforcement, and companies’ reformed approaches to surveillance and data collection, are among the GNI’s recent successes.

LESSONS LEARNED
The multistakeholder approach and emphasis on accountability standards has enhanced the credibility of the GNI among human rights organizations, and it is unlikely that the depth of collaboration between companies and human rights organizations would have happened without it.

However, the GNI has faced challenges expanding its corporate membership base, which has grown from three to five major internet companies. That said, because of the GNI’s open standards and multistakeholder approach, other companies that have not joined the GNI have deemed the GNI’s founding documents highly credible, and have adopted key features of the underlying principles.
**EICC**

**INDUSTRY**
Information and Communications Technology

**STAFFED FROM**
Guangzhou, Hong Kong, New York, San Francisco

**SERVICES DELIVERED**
Human Rights, Reporting, Stakeholder Engagement, Supply Chain

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The EICC grew from seven companies at its launch to almost 100 companies by its 10th anniversary in 2014.

The EICC now influences responsible business practices at companies representing more than US$2 trillion in revenues.

The most powerful way the EICC influences companies is through its code, which sets out minimum requirements on ethics, labor, health, safety, and the environment. As of the end of 2012, 100 percent of EICC member companies were applying the code at their suppliers’ facilities.

In 2008, the EICC became the Electronic Industry Citizenship Coalition (EICC).

As a neutral facilitator, BSR helped the group establish sustainable approaches to governance, management, and membership growth. This included the launch of the EICC as an independent legal entity in 2008, and the recruitment of full-time secretariat staff in 2013.

As an expert on supply chain responsibility, BSR helped develop approaches to some of the industry’s most intractable problems, including conflict minerals, excessive working hours, water quality, and carbon emissions.

To ensure that this work was meaningful to business globally, we worked with companies and suppliers in all regions, and invited companies at all layers of the ICT supply chain to participate.

**OUTLOOK**

Now that the EICC has a full-time secretariat, BSR no longer facilitates the group. However, we do regularly participate in EICC events, and maintain a dialogue on best practices in supply chain management.

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**Case Study | EICC**

**10 Years of Impact in the Electronics Supply Chain**

Since its founding at the BSR Conference 10 years ago, the EICC has grown from a handful of companies to nearly 100 businesses representing more than US$2.6 trillion in revenues, and its influential code of conduct is the information and communications technology industry’s standard for practices related to ethics, labor, health, safety, and the environment.

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**THE CHALLENGE**

The rapid growth of the information and communications technology (ICT) industry requires an expansive manufacturing supply chain that needs to address a range of labor, health, safety, and environmental challenges, including excessive working hours, growing carbon emissions, and inadequate living conditions for workers.

In 2004, it became clear that efforts to address these challenges would be more powerful if different players across the ICT value chain—brands, assemblers, and component manufacturers—formed one collaborative initiative. They enlisted BSR’s help.

**OUR STRATEGY**

In 2004, a small group of ICT companies came to BSR with a simple request: Help us establish and grow an organization to implement the new Electronics Industry Code of Conduct through shared tools, collaborative approaches, and innovative methods. That same year, at the annual BSR Conference, the group officially launched the Electronic Industry Code Compliance, which in 2008 became the Electronic Industry Citizenship Coalition (EICC).

As a neutral facilitator, BSR helped the group establish sustainable approaches to governance, management, and membership growth. This included the launch of the EICC as an independent legal entity in 2008, and the recruitment of full-time secretariat staff in 2013.

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**LESSONS LEARNED**

Bringing different parts of the entire industry’s supply chain together into one organization presents both opportunities and challenges.

On issues such as conflict minerals, environmental management, carbon emissions, working hours, and student workers, the industry has been able to develop solutions much more rapidly and effectively.

However, different parts of the ICT supply chain can have competing interests, and this creates challenges in decision-making, governance, and prioritization. Companies continue to seek evidence of how participation in the EICC will deliver measurable business benefits, and different membership tracks have allowed companies to make progress at different speeds.

At the same time, there are limitations even for an industrywide group such as this, due to core business factors and challenges associated with the ICT industry, such as pressures on price, quality, and delivery timelines, or the lack of government enforcement of legal requirements. Nevertheless, collaborative approaches have significantly increased the leverage of individual companies in the face of these challenges.
Using Materiality to Build a Strong, Focused CSR Strategy

Through a robust process that engaged more than 100 stakeholders, Sanofi was able to cut its list of priority CSR issues in half—and focus on the most relevant topics to create value for the company and stakeholders, especially patients.

**THE CHALLENGE**

Since 2010, Sanofi has used the materiality principle to ensure that its CSR strategy addressed the issues of greatest importance to both business success and stakeholders. Sanofi’s first materiality analysis in 2010 resulted in 12 priorities for action, and while Sanofi has continuously revised and improved the process since then, the same 12 CSR priorities have remained.

In 2013, Sanofi decided that after three years, it was the right time to review its materiality priorities. The company enlisted BSR’s help to explore whether these 12 issues had shifted in relative importance, whether there were additional issues to consider, and how best to focus the company’s resources.

**OUR STRATEGY**

Sanofi and BSR partnered to rank, map, and analyze a list of 50 potential issues, ranging from pricing of drugs, to responsible marketing practices, to emissions, to water, to talent development.

BSR’s materiality methodology has evolved since its creation in 2006, and in this case our methodology included a qualitative and quantitative dimension—engaging more than 100 internal and external stakeholders across Sanofi’s nine categories of stakeholders and across all major geographies through desktop research, phone interviews, in-person interviews, and online surveys. We also stretched our methodology to incorporate questions that helped us understand and highlight levels of management, actionable items, risks and opportunities, and upcoming trends.

This new approach to materiality gave Sanofi a deeper understanding of the company’s priority issues, which allowed the company to narrow the list down to six CSR priorities that are closely linked to its core business. Some items were kept, such as access to healthcare and patient safety, while the scope of other issues, such as business ethics, was clarified.

On environmental issues, stakeholders were divided. One stakeholder with a strong knowledge of the pharmaceutical sector described these issues as “less important, as they are not specific to the pharmaceutical industry.” While this overarching comment was shared by several stakeholders, many clearly identified “pharmaceuticals in the environment” as a growing risk, and because of BSR’s robust methodology, Sanofi felt confident in including this issue in its final list.

**OUR IMPACT**

Materiality is used to inform strategy, so the immediate impacts are in changes to the company’s CSR approach. This more focused list of issues is now helping the company sharpen its strategy, rebalance the allocation of resources and attention dedicated to advancing each issue, and work toward the objective of amplifying the company’s impact in the coming years.

**LESSONS LEARNED**

This project confirmed two key concepts of materiality.

First, a materiality process that involves robust methodology and a thorough data and input collection process can do more than identify priorities. It can provide a baseline assessment of risks and opportunities, and it can address management performance and even identify rising trends.

Second, materiality is more than the sum of its parts. It can provide an opportunity for stakeholders to influence a large company, for a company to continue existing dialogues or start new ones with stakeholders, for corporate teams to engage with executives, and for the company to bring focus and create more value for the business and its stakeholders.
3 OUTCOMES AND IMPACTS
Measuring Our Impact

BSR's mission is to work with business to create a just and sustainable world, and we believe we can achieve our mission only when the unique skills and resources of all sectors—business, civil society, and government—are aligned toward that goal.

Further, we believe our role is to catalyze change within business by integrating sustainability into strategies and operations, and by promoting collaborative solutions to systemic global challenges. We do this through consulting projects with individual companies, collaborative initiatives bringing together multiple companies and stakeholders, research, and events, including the annual BSR Conference.

Throughout our history, we have sought to understand our impact via member feedback, independent project evaluations, and internal discussion and debate. This year, however, we undertook enhanced efforts to understand and measure our progress in terms of real changes in the world, and this section outlines our approach, as well as our early insights about the impact we are having.

Through our efforts to evaluate more systematically how our work is contributing to the achievement of BSR’s mission, we have increased our internal focus on impact, established a stronger platform for dialogue with our member companies and other partners about impact, and delivered deeper insights that help us improve our efforts and increase our impact.

What follows is an overview of our new Outcomes and Impacts Framework, which is informing how we measure our impact and apply the lessons we learn. This section of the BSR Report is an initial effort to share our findings and our thinking.
WE ARE ANALYZING ALL OF OUR WORK TO EVALUATE OUR IMPACT.

Our Outcomes and Impacts Framework

To assess how well we are achieving our desired impact, we’ve designed a framework that analyzes each of our projects in three areas: outputs, outcomes, and impacts.

We are applying this analysis to all company projects, collaborative initiatives, and work supported by funders such as foundations or government entities.

We define the categories as follows

- **Output**: the final product (e.g., report, framework, strategy), such as the results of a human rights impact assessment.

- **Outcome**: a new action undertaken as a result of our work, such as when a company introduces new privacy protections for customers in line with recommendations made in the human rights impact assessment.

- **Impact**: positive social or environmental changes that occur as a result of our work, such as increased respect for privacy worldwide as a result of a human rights impact assessment.

In implementing this framework, it became clear to us that while outputs are well-defined from the start of a project, outcomes and impacts often become more apparent—and are more easily measured—over longer periods of time. Because BSR conducts so many different types of projects, our intention is to use this framework as a guide and customize it when evaluating each project.

For example, the outcomes from a three-month project to engage a company’s stakeholders will be very different from the outcomes resulting from a collaborative initiative that has been running for many years with multiple partners. With this in mind, we will be adjusting the depth of our evaluation based on the size of the project and the expected evaluation timeframe.
We seek to understand project outcomes and impacts across three dimensions:

» **Significance** of the outcome, such as whether it represents a large and permanent step toward the achievement of BSR’s mission.

» **Scale** of the outcome, such as the number of people, organizations, or companies affected by the outcome.

» **Level of attribution** to BSR, such as whether our work was directly responsible for the outcome, contributed indirectly to the outcome, and/or accelerated the timing of the outcome.

Ultimately, we will integrate the lessons from this analysis into the design phases of all our work, which will help us strengthen our focus on impact from the outset of each project. We want to be more deliberate in setting aspirations for the work that we do, replicating approaches that prove successful, learning from efforts that do not deliver desired impacts, and communicating about our achievements in order to inspire action by others.

**What We Have Learned**

We piloted this approach in the last quarter of 2013 and have been implementing it fully since the start of 2014 by reviewing the outcomes and impacts of every BSR project when it ends, or at suitable milestones for grant-funded work and longer-term collaborative initiatives.

In addition to BSR’s internal review, we collect member company perspectives in project review surveys, and we discuss the outcomes and impacts of our work at our annual meetings with member companies. For our donor-funded projects, we work with partners to develop project-specific outcomes that align with the vision of success, influence strategy, and the real-world impacts we are seeking to achieve through our collaboration. This serves as a framework to measure how the project is tracking and enables us to constantly orient our work toward positive societal change and course correct as needed. We evaluate and report this progress to the funder regularly throughout the project or when the project is complete.

We are early in the process and will report more in future annual reports and through other channels. However, here is a summary of our early insights about how we can have more impact as an organization. We can have more impact when we:

» **Develop a vision of success early:** The initiatives we co-create with companies and partners are most powerful if we clearly articulate a vision of success early in the project development process. In other words, a plan for outcomes and impacts must be built into the project right from the start. To ensure that we do this, we include a statement on desired outcomes and impacts in every BSR project proposal.

» **Build on projects with the most impact:** As an organization with a strong focus on collaboration, we often have more impact when we work on the same issue with multiple companies and partners. For instance, a project might start small, with a single company on a specific topic, and over time it might grow into a comprehensive strategy or collaboration with other companies and...
Look for areas to improve: We don’t always have desired impacts. Indeed, if we did, we would probably be aiming too low. At the close of some projects, we often see opportunities for more to be done and achieved. For example, while we have undertaken a large number of materiality assessments for companies over recent years, we recognize that to achieve greater impact, we need to transition from materiality assessments (which typically stop at identifying sustainability priorities) to partnering with companies on strategy development (which can involve establishing ambitious sustainability goals and integrating sustainability into the business).

Work collaboratively: Some of BSR’s most powerful work results from multicompany and multistakeholder collaborative initiatives (such as the EICC and GNI, which are profiled on pages 28 and 26 respectively). Given the systemic nature of sustainability challenges, progress is greater when companies within an industry or across a value chain work together to address shared challenges. Because of this, BSR intends to increase the portion of work we do based on collaborative approaches.

Work with the most influential companies: When the world’s most influential companies develop new programs or strategies, their competitors, partners, and peers pay attention. In this way, BSR’s impact is magnified when we work with companies that are influencers in their industries, creating knock-on effects when their programs are replicated by others. For this reason, we recently made a strategic shift from working with “the world’s largest companies” to working with “the world’s most influential companies.”

stakeholders. This type of work is illustrated in our case study on supply chain energy (see page 22).
Looking Ahead

We have big objectives at BSR. Achieving our mission means influencing highly complex systems with multiple actors who often have competing objectives. And the nature of our work means that we always work with partners who, in many cases, are the implementing parties. This means that we often see impacts on a secondhand basis. These complexities inspire us to redouble our efforts, take pride in what we have accomplished, and learn from our shortcomings.

In this Report, you can read illustrative examples of our impacts in our case studies. In our next Report, we will share the results and analysis for our first full year using our Outcomes and Impacts Framework.

In the meantime, we will be calling on all BSR members and partners to help us understand the sustainability outcomes we are creating through our work to gain a deeper sense of our impact. After all, our ability to make progress depends on our collaboration with others. As we continue our work on outcomes and impacts, we invite you to join us in a discussion about how BSR can most effectively work with you to create a just and sustainable world.
ABOUT THIS REPORT

The BSR Report 2013-2014 serves to provide an overview of our activities in 2013, as well as our perspective on the current state of sustainable business, including the most significant trends in transparency that are reshaping business, and six ideas for transformation to jumpstart progress on the greatest challenges of our time. This year’s Report also introduces BSR’s new Outcomes and Impacts Framework, which we are using to understand and measure our progress in terms of real changes in the world. We will use this framework to measure our impact and apply the lessons we learn from this analysis. To conserve resources, we did not issue a print version of this Report. To review our financial results, please visit www.bsr.org.

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

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BSR is a global nonprofit organization that works with its network of more than 250 member companies to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit www.bsr.org for more information.

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