



BSR Report 2008

# Meeting the Challenge of a Reset World



BSR®

Our mission is clear:  
We work with business  
to create a just and  
sustainable world.

BSR Report 2008

# Meeting the Challenge of a Reset World



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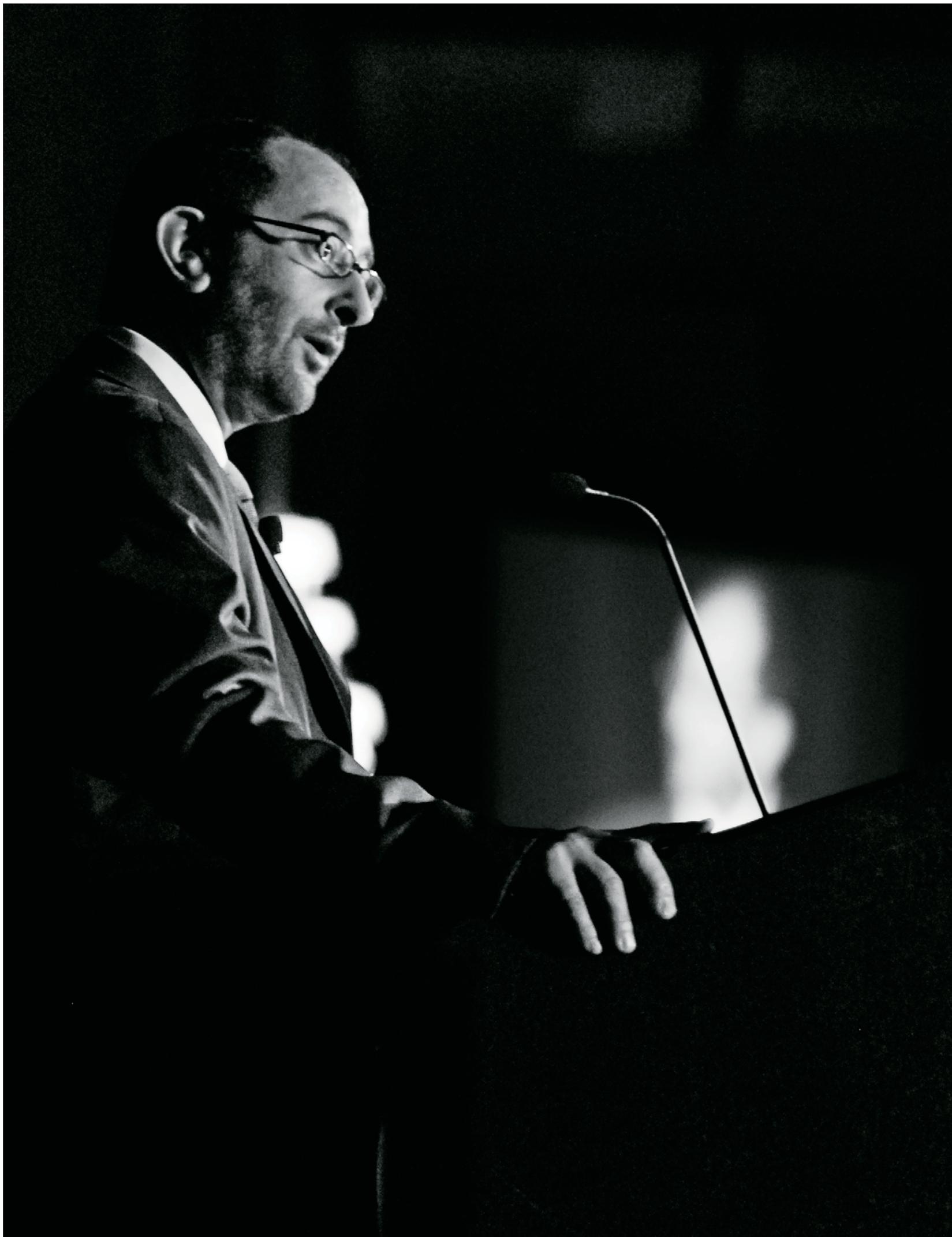
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I am pleased to present BSR's second public Report.

This Report arrives in a world that looks very different than it did one year ago. Business is facing a trio of crises: the sharp global recession; increasing evidence of natural resource constraints, especially related to accelerating climate change; and the loss of trust in the private sector.

These developments reinforce the importance of innovative, sustainable business practices that lead the transition to a low-carbon economy, promote economic development, and rebuild trust in business.

We have shaped this year's BSR Report with the goal of both recounting some of our most important achievements during 2008, and presenting our thinking about a road map for sustainable business success in a reset world.

We report for multiple reasons. First, we believe this demonstrates our commitment to transparency, which is a core value for BSR, and one we promote in working with our members and partners. Second, we have found that the reporting process pushes us to look more closely at our own activities. Third, like a growing number of reporters, we take the opportunity this year not only to look back, but also to look ahead to the most significant challenges and opportunities concerning responsible business in these extraordinary times.

The BSR Report is intentionally different from many of the reports issued by our member companies. Based on internal deliberations and reactions from external reviewers, we have concluded that we can make the greatest contribution by reporting not only on our footprint, but primarily on our "brain print" and our impacts as an organization. That is why, for example, our Report does not mirror Global Reporting Initiative (GRI) indicators—although we do aim to embrace principles of GRI reports, including materiality, sustainability context, stakeholder inclusiveness, and completeness.

We aim to achieve the objectives above through the four sections in this Report:

- » First, we outline our thinking on the impact of current economic, social, and environmental conditions for sustainable business, and our view for the best path forward.
- » Second, we provide examples of the impact of our work in 2008, with a representative sample of the kinds of projects that are at the center of our work.
- » Third, we discuss our own footprint, with an emphasis on our people and our environmental impacts.
- » Fourth, we assess the most important challenges BSR faces as an organization.

This Report reflects a great commitment from many of our staff, as well as very insightful comments from external reviewers who provided candid thoughts on how to improve it.

This Report embodies BSR's commitment to sharing our thinking and reflecting on our successes and challenges. We hope it helps you look ahead with commitment and determination to our common journey of building a just and sustainable world. Never during BSR's 17-year history has the need been so great.



**Aron Cramer**  
BSR PRESIDENT AND CEO



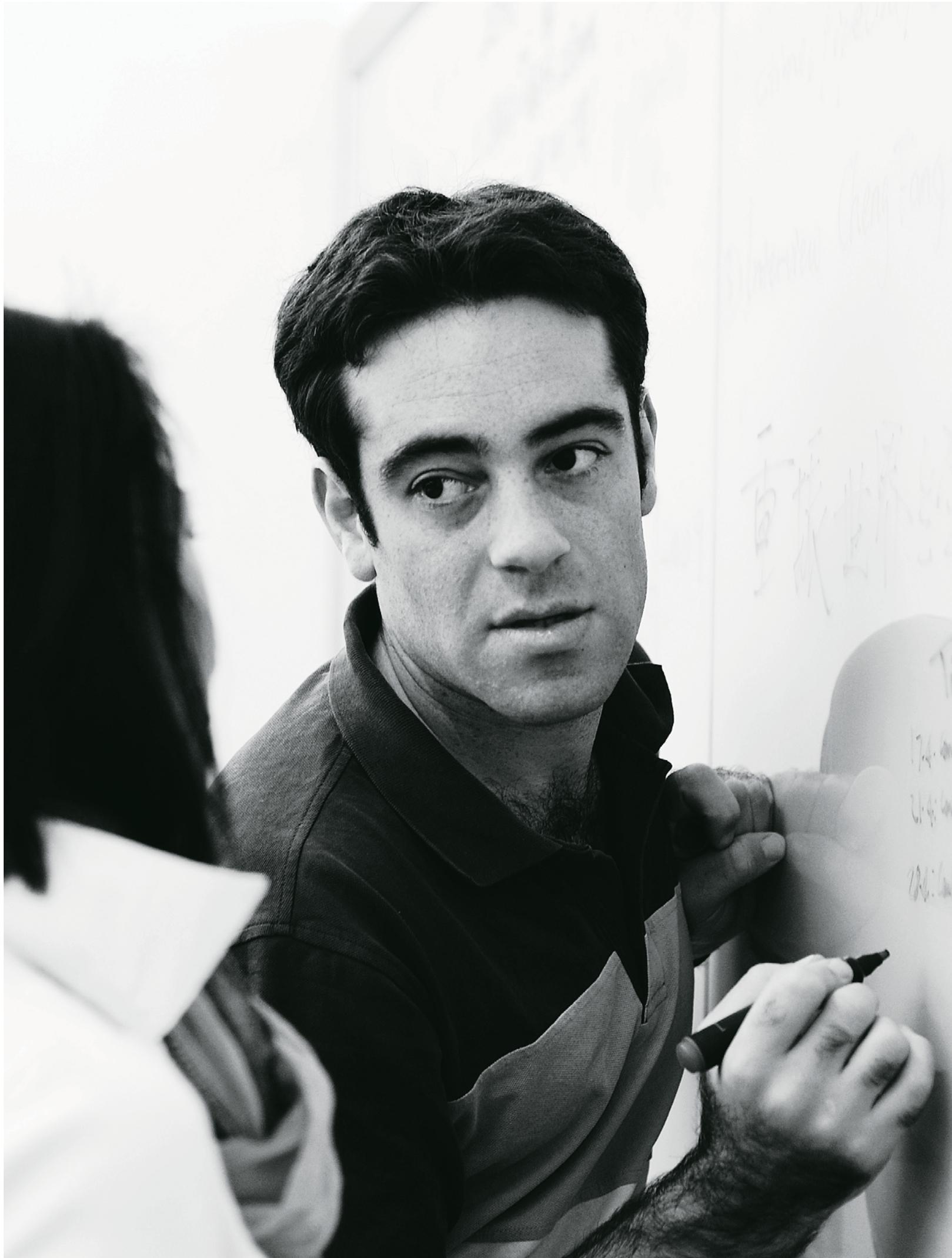


The State of  
Business in  
a Reset World

These are remarkable times—for the global economy, for business, and for the world.

The “long boom,” enjoyed for a generation, has given way to a fast-developing new reality largely defined by the dramatic events that took shape in late 2008: sharp declines in financial and real estate markets, extreme price volatility of fundamental commodities, widespread calls for government to take a more active role in regulating business, the election of an American president with a mandate for change, and the collapse of major businesses—and of trust in business overall.



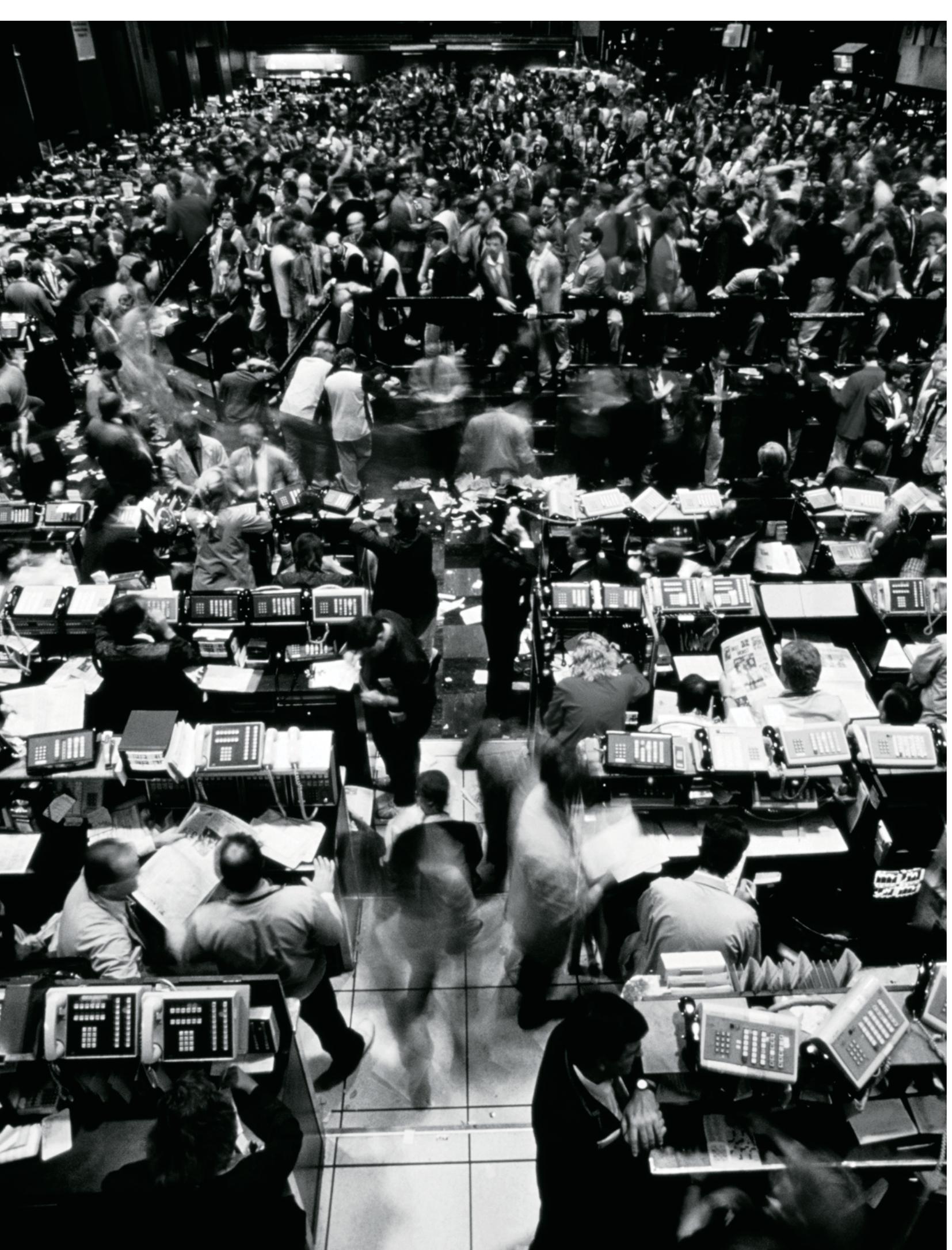


Future generations are likely to view the current times as a pivot point, when old frameworks were discarded and new ones began to emerge.

They might describe that pivot point as a “reset,” when business as usual was no longer possible, and new ways of thinking and acting were needed.

At the time of this Report's publication, the world was still grappling with the worst recession in decades, and what the shape of the economy in a reset world would look like.

The discontinuities that emerged in 2008 are leading to reformulated social contracts, and business' role in contributing to truly sustainable development is being reshaped as well.



## The Sustainable Way Forward

The way forward looks different than it did before the economic crisis hit. We open this year's BSR Report with a look ahead at the sustainability road map that will enable business to meet the new challenges of the reset world in 2009 and beyond.

## 1

### Develop business strategies based on long-term trends.

These times remind us that the business world is highly unpredictable. Even as short-term pressures intensify, the companies that stay focused on the long-term trends that reinforce sustainability's importance will thrive after this crisis.

The long-term trends are clear: The big environmental and demographic challenges are getting bigger. Many climate scientists now believe that the 2007 Intergovernmental Panel on Climate Change report may have significantly *underestimated* the pace of global warming—sending us on a path beyond the previously assumed worst-case scenarios. There is also good reason to believe that water—in terms of supply, access, and quality—will soon rival climate change as *the* critical issue in many parts of the world. And the commodity price spikes that many long had predicted came and (temporarily) went in 2008. The tricky intersection of food, fuel, and water brought public demonstrations and trade barriers across Africa, Asia, and Europe. In addition to these environmental changes, powerful demographic trends—massive urbanization, population growth, increased migration, and both youth bulges and graying populations—are impacting how and where business is conducted.

Achieving sustainable prosperity in light of these trends will require new approaches. As many have noted, it is simply not possible for 6 billion people—let alone the 9 billion forecast for the middle of the century—to consume at the rate that Americans or Europeans do. In 2008, the extreme volatility in commodity prices (which have now subsided) was not a false alarm, but rather a preview of how increased demand and environmental impacts on production will lead to price and supply pressures. The current reprieve in most commodity prices provides a welcome opportunity to rethink business models and prepare for the future. Companies that do this will be rewarded.

## 2

### Innovate for sustainability and value.

The economic downturn that emerged in late 2008 means that sustainability initiatives that deliver value will be central to solving the crisis—and those that don't will face substantial pressure. The current crisis is, in effect, creating a “stress test” for sustainability efforts as surely as it is for banks. We should embrace this development as a needed maturation of the field.

The companies that innovate—with sustainability in mind—will emerge from this crisis strengthened. The smartest companies know that flexibility and adaptability are key to innovating themselves out of a crisis. However, in a reset world, it is important that we plan innovation for the world that is emerging, not the one we are leaving behind. Innovation that builds a more sustainable economy includes not only a focus on attracting consumers, but also a thorough review of all stages of the product lifecycle, including product development, sourcing and assembly, distribution, use, and end of life.

Innovation also means looking at some of our most pressing global challenges as market needs waiting to be captured. New products and services will be the building blocks of the low-carbon economy—and of business success. This type of innovation for sustainability will create opportunities for new partnerships among companies that may not traditionally think of themselves as having much in common. One example of this in 2008 was the combined effort to build a smart energy grid through the partnerships launched by GE and Google.

## 3

### Think big— develop systemic answers.

Sustainability challenges—and therefore sustainability solutions—require systems thinking. It is only by addressing the most complex problems of our times—climate, water, labor standards, and human rights—in a context larger than one company’s direct footprint, that enduring solutions can be developed. A single company, or the private sector alone, can’t solve these problems.

In many ways, we are “present at the creation” of a world emerging from a relatively stable era. Just as a new political architecture was built in the aftermath of World War II, today’s dynamic world requires big thinking, applied to the 21st century’s needs and expectations.

Indeed, we are beginning to see this kind of thinking take hold, and shape action. The most visible examples of this are the various coalitions to address climate change leading up to the COP15 United Nations Climate Change Conference in December 2009. Partnerships such as the UN’s Caring for Climate Initiative, the United States Climate Action Partnership, and the Copenhagen Climate Council have exhibited leadership, with an effective voice for business.

There is also an increased appetite for private sector coalitions and partnerships between business and civil society. Examples of private sector coalitions include Wal-Mart’s Sustainable Value Networks and BSR’s Beyond Monitoring initiative, a strategy for next-generation management of sustainable supply chains. An example of a private-public partnership is the food industry’s Smart Choices Program, a coalition of global manufacturers, retailers, health experts, and NGOs, who are creating a simple label that allows consumers to make nutrition-based choices in their food purchases.

## 4

### Refocus on partnerships with governments.

Beginning in late 2008, we saw the biggest assertion of public sector authority in decades. Policymakers from Washington to Beijing funneled billions into stimulus packages and bailout plans. UN Secretary-General Ban Ki-moon called for a “green new deal” as a key building block of economic recovery, and U.S. President Barack Obama hoped to provide US\$150 billion in green infrastructure packages to jumpstart the American economy.

The economic crisis has brought recent government intervention on a scale that would have been unimaginable even two years ago. For the first time in a generation, the public sector is seen by many as the lead actor in addressing our common economic future.

Businesses that don’t recognize this shift will be less effective in assuring their own futures. Business innovation and multi-stakeholder partnerships remain central, but the link between public policy and corporate responsibility has never been stronger. This means that business’ approach to sustainability will include a much more robust relationship with governments, with a better alignment of lobbying and corporate responsibility objectives, an increased focus on the right kinds of incentives, and more policy coordination within and among nations.

## Rebuild trust.

Following the breakdown of the financial system and the high-profile lapses in judgment that symbolize the economic crisis, the public's faith in the private sector has plummeted. According to the 2009 Edelman Trust Barometer, nearly two-thirds of the public reported less trust in businesses than the year before. Early in 2009, U.K. City Minister Lord Myners aptly summed up the public's sense of business when he described British bankers as "people who have no sense of the broader society around them." The gap between the needs and expectations of society and the objectives and practices of many businesses has widened dramatically in the past decade or more.

Business leaders need to reestablish connections with society and consumers as a first step to rebuild trust. Furthermore, business can restore trust in part by meeting sustainability challenges and acting with the broader interests of society at heart. To counter questions about the purpose of business—and of its ability to provide human security and environmental stability—it is also critical that business renew its commitment to transparency.

Finally, the current crisis reinforces the need to redefine corporate governance in ways that enable greater emphasis on long-term value, and which ensure that directors reflect stakeholder perspectives. These steps will be essential in rebuilding trust.

## Business Success in a Reset World

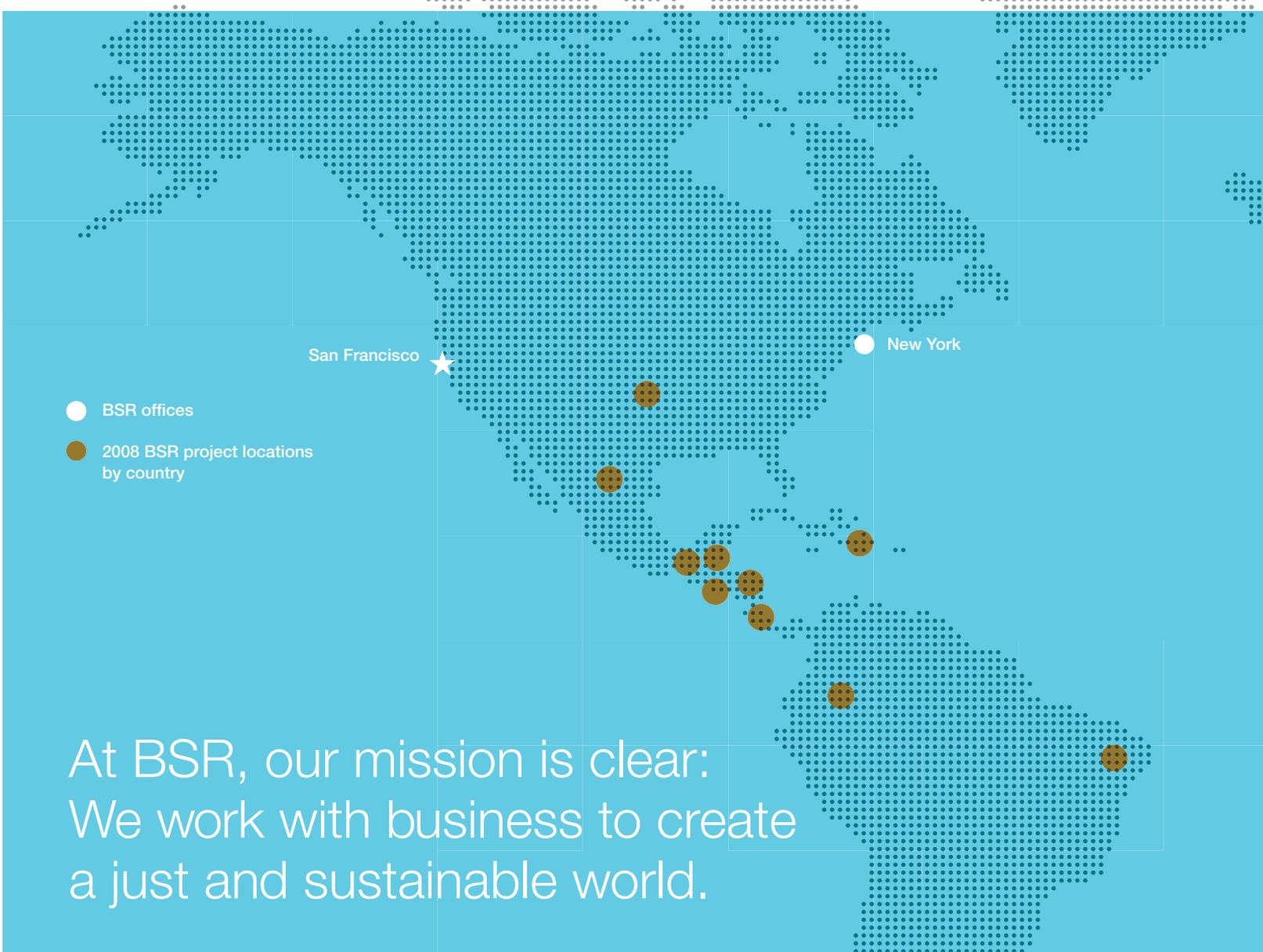
2008 delivered many more questions than answers. The task of shaping our reset world falls to us in 2009 and beyond.

Businesses that follow the sustainability road map outlined here will be able to navigate a changing world effectively, maintain competitive advantage, and, most importantly, create lasting solutions to global challenges. This is what's needed to hardwire sustainability into a reset world.





Our Impact



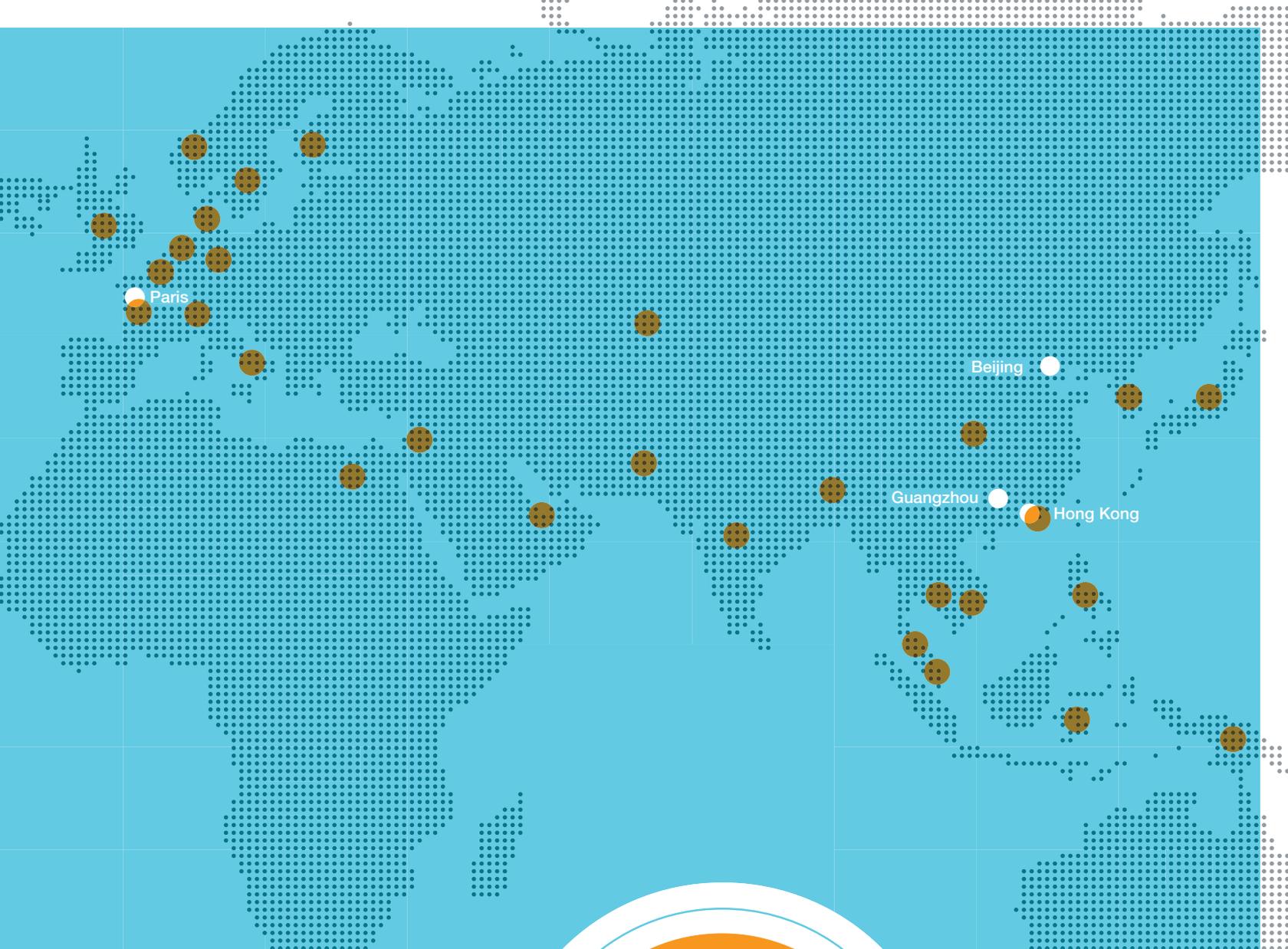
- BSR offices
- 2008 BSR project locations by country

At BSR, our mission is clear:  
 We work with business to create  
 a just and sustainable world.

### How do we do that?

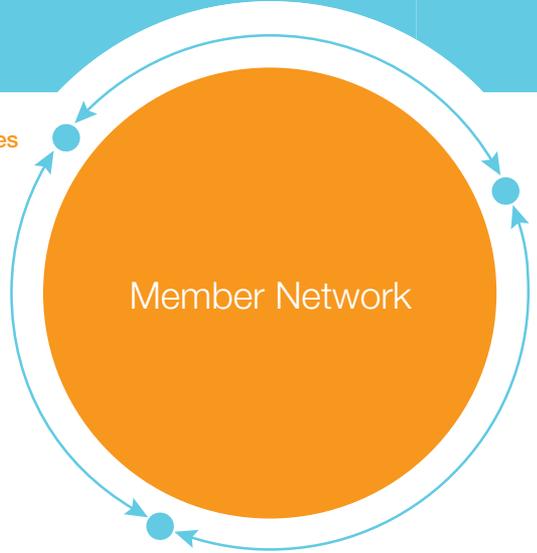
A leader in corporate responsibility since 1992, BSR works with a global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.

Often, the measure of our success can be seen in the amplification of our “concentric circles” approach to influencing networks and systems. Working with our member companies, we make an impact through one-on-one consulting projects; cross-sector collaboration; cutting-edge research and innovation projects; and events, such as the annual BSR Conference. These multiple approaches enable us to magnify impacts by working with our member network, as well as each individual company’s network of stakeholders, suppliers, and communities.



Consulting Services

Cross-Sector Collaboration



Research and Innovation

## Case Studies

In the following pages, we present examples of our work from the past year. The case studies in this section illustrate all aspects of BSR's activities—how and where we work, what types of issues we address, with whom we work, and what we accomplish. These case studies also present a window into our impacts with our member companies, as well as our impacts on society and the environment at large.

# Archer Daniels Midland: A Sustainable Supply Chain for Agribusiness



## THE CHALLENGE

As one of the largest agricultural processors in the world—producing food, feed, and bio-energy products—Archer Daniels Midland (ADM) addresses one of the world's most pressing challenges: meeting the growing global demand for agricultural products, while balancing the need to use such resources for food, fuel, or animal feed, and minimizing environmental degradation. Seeking guidance as it navigated these interconnected issues, ADM engaged BSR, beginning in 2007, to help the company align its supply chain management with best practices in social and environmental stewardship.

## OUR STRATEGY

Over the course of nine months, BSR assessed key commodities in ADM's supply chain, evaluated the impacts of related operations on the environment, helped the company understand stakeholder views, and recommended options for maximizing sustainability in the years to come.

BSR's supply chain assessment included several steps. First, we analyzed the sustainability impacts for three commodities (corn, palm oil, and soy) in the key countries where they are grown: Brazil, Indonesia, Malaysia, and the United States.

Next, BSR sent teams to observe growing and harvesting practices at individual farms in these countries. To obtain a complete picture of the production, processing, and traceability of the three crops, BSR team members interviewed a variety of stakeholders at local and global levels, including farmers, production managers, key staff within ADM, and NGO leaders.

Finally, BSR used the information gathered in these steps, and our expertise in food and agriculture supply chain issues, to develop detailed recommendations for ADM. We provided executive-level guidance on the commitments and structural changes necessary to further integrate sustainable business practices into ADM's culture and operations, as well as advice related to commodities production—such as how to increase stakeholder engagement and align with sustainable sourcing criteria.

## OUR IMPACT

With BSR's guidance, ADM is taking several important steps: building capacity in its various sourcing regions by hiring local people with sustainability expertise; developing partnerships with local experts to reduce deforestation, prevent the loss of local land rights, advance sustainable growing practices, and improve working conditions; and working with supply chain partners in multi-stakeholder initiatives to establish certification schemes for palm and soy production. Finally, ADM has enhanced roles, responsibilities, and structures inside the company to anticipate sustainability risks and opportunities more effectively—and deliver value everywhere it does business.



# Visa: Aligning and Strengthening Corporate Responsibility Strategy



## THE CHALLENGE

Visa Inc. undertook the world's largest initial public offering (IPO) in March 2008. As one of the world's foremost brands, Visa sought to "place a stake in the ground" as a leader in responsible business at the time of its IPO. Executives sought to create an integrated and strengthened vision of corporate responsibility to achieve greater impact—building on its existing programs in employee engagement, environmental stewardship, community relations, and philanthropy. They engaged BSR to assess the company's existing programs, analyze strategic options, and prepare a comprehensive corporate responsibility platform.

## OUR STRATEGY

Our three-step approach, described below, led Visa to adopt the theme of "inclusive economic growth" for its global sustainability program.

**Assessment** The BSR team interviewed senior executives to understand the company's strategic business priorities and identify key intersection points with corporate responsibility. We then assessed and benchmarked Visa's impacts and activities in core products and services, philanthropy, community relations, employee involvement, and environmental stewardship. We also conducted a materiality analysis to define the most critical elements of corporate responsibility for Visa.

**Strategy Development** Based on the assessment, we worked with Visa to develop a comprehensive sustainability strategy and helped to define an implementation strategy.

**Implementation** As a result, the company adopted "inclusive economic growth" as its defining theme for corporate responsibility. This concept is used as the basis for all program development for philanthropy, community relations, and employee involvement. We created specific one- to two-year goals and action plans—including staffing and structure—as well as longer-term goals and actions, with high-level business cases for each. Throughout this process, we focused on efficient ways for Visa to have the most meaningful impact and exemplify leadership as a publicly traded company.

## OUR IMPACT

This project resulted in a highly focused corporate responsibility strategy at Visa to support the company at a key turning point in its history. The strategy BSR helped develop has resulted, for the first time, in a clear objective guiding all aspects of Visa's corporate responsibility: inclusive economic growth. The development of this objective has animated both internal efforts and external engagements, including a new signature partnership with Oxfam, as well as increased support for environmental stewardship, financial literacy, and workplace practices that promote economic growth for all.

# Shell Wind: Community Engagement in a New Era of Energy



## THE CHALLENGE

Shell Wind Energy is involved in 11 wind-generating facilities across the United States and Europe, with 550 megawatts of owned generating capacity—saving around 1 million tons of carbon dioxide per year compared to conventional energy sources. Shell recognizes that wind projects can have a range of impacts that require community engagement, and that community engagement is central to positive outcomes. For example, while wind developments in rural areas can support the regional economy, important public services also need to be readied for managing revenues, safety, and communications regarding planned construction and operating activities. Shell asked BSR to support community engagement with wind projects in several locations, including New Mexico and Texas.

## OUR STRATEGY

BSR worked with the Shell Wind Energy team to identify a range of stakeholders associated with each of these projects, including community leaders, NGOs, government officials, and local residents. BSR then designed a series of discussion questions and deployed a team to conduct interviews (with anonymity) and obtain feedback on specific concerns, observations, and recommendations regarding the project, the local community, and Shell's track record. Each project typically involved more than 40 interviews and covered topics related to economic development, environmental impact, and community dynamics. While the interviews revealed excitement about harnessing renewable energy, investing in local infrastructure, and reinvigorating business developments, interviewees expressed concerns about how the turbines would impact the natural landscape and affect longer-term community development.

Based on this feedback, BSR crafted a range of recommendations that focused on:

- » Expanding direct communications with local residents through newsletters, town halls, and other gatherings.
- » Supporting strategic community projects that would match Shell competencies with local infrastructure needs.
- » Helping community leaders identify gaps in needed public services and civic planning activities.

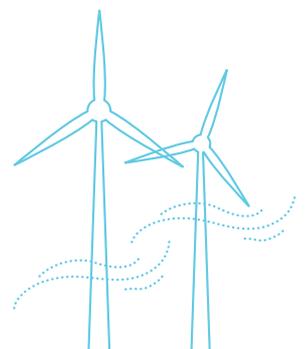
## OUR IMPACT

While the wind projects themselves are still in various stages of development, Shell has incorporated many of BSR's recommendations in its community relations strategy—in order to maximize benefits both for the projects and the impacted communities. With BSR's assistance, Shell is developing a stakeholder engagement plan to identify the various community stakeholder concerns throughout its development process. One of the most important anticipated outcomes is the development of awareness and capacity at the community level to support effective planning and management of local emergency, housing, water supply, and education services.

SHELL WIND SAVES

# 1 million

TONS OF CARBON DIOXIDE PER YEAR



# China Mobile: Advancing Corporate Responsibility Reporting



## THE CHALLENGE

While sustainability reporting in Europe, Japan, and the United States has been common practice for years, businesses in China have begun embracing this practice recently. China Mobile issued its first corporate responsibility report in 2006, and it engaged BSR to assist with its 2007 report as a way of advancing its newest sustainability efforts.

## OUR STRATEGY

BSR responded by putting together a global team composed of BSR staff with deep experience in the telecommunications industry, familiarity with international standards and approaches to reporting, and specific knowledge of Chinese culture and business practices.

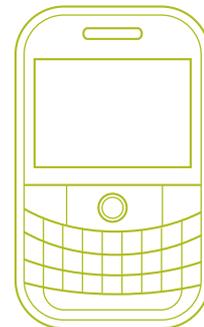
Together, the team spent months interviewing China Mobile officials about how the company defined and implemented its approach to corporate responsibility—“responsibility makes perfection”—across 19 different departments at its headquarters and 31 subsidiaries across China. Specifically, discussions focused on understanding the four distinct elements of its approach: improving access to technology in rural villages; offering care and support for society’s disadvantaged; sponsoring philanthropic support for education; and promoting new techniques to manage resource consumption, improve materials efficiency, and decrease environmental impact overall.

## OUR IMPACT

With input from the BSR team, China Mobile published its corporate responsibility report in early 2008. China Mobile was praised by the international corporate responsibility community for providing readers with a better understanding of its systematic and strategic approach to corporate responsibility management. In the latter part of 2008, China Mobile became the first mainland Chinese company recognized on the Dow Jones Sustainability Index. The company also has continued to expand and meet its commitment to absorb nonfinancial criteria into corporate decision-making and pursue its goal to “grow together harmoniously” with industry, society, and nature.

CHINA MOBILE IS THE

# 1st



AND ONLY MAINLAND CHINESE COMPANY TO BE LISTED ON THE DOW JONES SUSTAINABILITY INDEX

# Defining the Role of Responsible Business in Protecting International Labor Migrants



## THE CHALLENGE

An increasingly vital part of the global workforce, labor migrants now comprise approximately 190 million people, or about 3 percent of the world population. These migrants—many of whom are moving “South to South,” between emerging economies—often arrive in destination countries heavily indebted, with limited knowledge of local languages, laws, and culture, and with restricted access to protection. As a result, they are vulnerable to a number of human and labor rights violations, including passport withholding, bonded labor, broken contracts, and nonpayment of wages.

Despite attention to general working conditions in global value chains—and despite the fact that this issue can have a great impact on global businesses—there are no widely accepted and understood guidelines for how multinational companies can help manage the needs of migrant workers. The complex scope of the problem, and its potential solutions, lie beyond the abilities of individual businesses to address.

## OUR STRATEGY

With support from the John D. and Catherine T. MacArthur Foundation, BSR launched a two-year initiative to engage business in operational and policy efforts to protect the rights of international labor migrants in global supply chains in South and Southeast Asia, the Middle East, and North Africa.

We began this project by conducting comprehensive outreach to experts worldwide from business, government, civil society, and academia concerning key features of labor migration between emerging economies.

Through this research, BSR identified stakeholder interests and activities, key areas of vulnerabilities for workers,

and broad trends in the current system of labor migration between emerging economies. For optimal impact, BSR pinpointed key risks and strategic opportunities for company engagement.

## OUR IMPACT

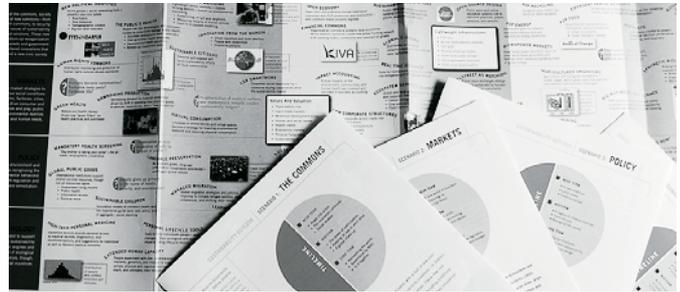
This initiative represented the first effort to engage companies in an analysis of the South-South labor movement and its impacts on global supply chains. In the fall of 2008, we published “International Labor Migration: A Responsible Role for Business” on the nexus of South-South migration and business challenges, such as:

- » Use of third-party recruiters and labor outsourcing companies increases the risk of abuse.
- » Migrant workers are unprotected under many national laws.
- » Few workers receive adequate predeparture skills training.
- » Processes for dispute resolution are often ineffective.

Applying this knowledge, as well as our expertise from more than a decade of supply chain work, BSR built a three-step business engagement strategy that encourages companies to educate themselves, engage with suppliers, and expand their influence through partnerships with government, trade unions, NGOs, and others.

At the BSR Conference 2008, we conducted outreach with international companies through our Ethical Sourcing Working Group and a Conference panel session entitled “Migrant Workers in Your Supply Chain: Risks and Opportunities.” More than 40 companies from apparel, electronics, food and agriculture, and media sectors, as well as 20 NGOs and government representatives, expressed interest in joining a Migration Focus Group launched in early 2009 to address the needs of migrant workers in global supply chains.

# Sustainability Outlook: Forecasting the Future



## THE CHALLENGE

The fast-changing events of 2008 reinforced how important it is to understand the undercurrents of change that shape our world—and determine the success of business strategy. Companies that anticipate underlying social, economic, technological, and political changes are positioned to win.

## OUR STRATEGY

BSR, in partnership with the Institute for the Future (ITF), developed a framework called Sustainability Outlook to identify the signals of change likely to define sustainability over the coming decade. Working with a cross-industry group of 10 companies, the BSR/ITF team of experts produced a map of emerging trends. We then used four distinct lenses to consider how these new realities would be shaped and managed: market-based solutions, regulatory efforts, technological innovation, and bottom-up solutions from “the commons.” We also developed scenarios to illustrate specific aspects of the map.

Among the questions we explored were: What if the advancement of mobile and sensor technology enables individuals to monitor each other’s environmental impacts? What if the use of infrastructure becomes taxed? What if measuring social and environmental impacts becomes integrated into business accounting?

The group also examined four future scenarios that were influenced by different sets of sustainability-related factors. We explored this content in workshops and asked ourselves: What could the business operating environment look like in the future? What does this mean for our companies today?

## OUR IMPACT

Sustainability Outlook provided participating companies a window into the future of sustainability. The various materials were designed to be a “wind tunnel” through which participating companies could test their own sustainability strategies, as well as learn from each other and the BSR/ITF team.

BSR and the companies involved with this group—Campbell Soup Company, Deloitte, General Motors, Ikea, Kraft Foods, Nike, Procter & Gamble, Rio Tinto, Starbucks Coffee Company, and Sun Microsystems—have been able to take a long-term, big-picture view of the future business environment. This focus on identifying new opportunities in addressing critical horizon challenges has helped companies switch from a risk-management to a forward-looking approach.

In late 2008, we began the second phase of Sustainability Outlook, which will explore future trends through an online wiki-based tool, and will allow participating companies to integrate the lessons from this innovative project into their strategies.

## Building Collaboration: The ILO/IFC's Better Work Program



### THE CHALLENGE

A joint project of the International Labour Organization (ILO) and the International Finance Corporation (IFC), the Better Work program is designed to improve working conditions in global supply chains while boosting both countries' economic competitiveness and business for national industries. The ILO and IFC selected BSR to help increase the involvement of international buyers in order to create systemic improvements of the working conditions in their supply chains.

### OUR STRATEGY

BSR's work on this project grew out of our support for the ILO/IFC's Better Factories Cambodia project. In 2008, following the global expansion of the model, BSR worked with the ILO/IFC to expand the participation of international buyers in Better Work, to strengthen both that program and the companies' efforts to ensure responsible supply chains.

At the same time, BSR began running country-specific buyers' forums in countries to which Better Work was expanding, including Vietnam and Jordan. These events allow buyers to work directly with key local stakeholders—including government, unions, and enterprises—on shared solutions to improve working conditions. These country-level programs—which directly benefit nearly 800,000 workers—combine independent assessments of labor standards at the factory level with training and capacity building.

### OUR IMPACT

As a result of BSR's efforts, the number of international buyers in the project doubled, and we contributed to a significant reduction of duplicative factory monitoring in Cambodia. Our approach also led to verified improvements in working conditions across the apparel industry, the creation of tens of thousands of new jobs, and sustained increases in exports to the United States and the European Union.

In 2005, at the end of the Multi-Fibre Arrangement, the international system of national quotas for apparel production, many people were concerned that the industry in Cambodia would be decimated. Instead, the Better Work program helped increase jobs in Cambodia's garment export market by nearly 30 percent. In the first year after the lifting of quotas, international buyers involved in the program increased exports at twice the rate of the industry average.

While it's too early to quantify our impact in other Better Work countries, BSR has worked with many buyers sourcing in those regions to create a strong commitment to reducing the duplication of monitoring, continuously improving working conditions, and actively engaging in partnerships with local stakeholders.

The tripartite model of Better Work provides a basis for impact and credibility. Most importantly, Better Work's tools and country-specific programs enable international buyers to collaborate with government, employer, and workers' organizations on shared models that promote sustainable impact at the national level.

# Cleaning Up Industrial Water Pollution in Southern China



## THE CHALLENGE

In industrial regions of southern China, water pollution is an increasingly serious problem. According to the *Nanfang Daily*, 12.62 billion tons of polluted materials and 8.3 billion tons of wastewater were discharged into the waters off Guangdong in 2007—up 60 percent from five years ago. Perhaps most distressing, according to Guangdong officials, more than 40 percent of the province’s rural people do not have access to safe drinking water.

In southern China, the apparel and textile industry’s discharge of wastewater containing reactive dyes is a serious environmental challenge contributing to the problem of polluted water. The load is characterized by high color content, with suspended solids, salts, nutrients, and toxic substances such as heavy metals and chlorinated organic compounds that pose significant risks to human health, including exposure to constituents such as chloride, nitrate, nitrite, and sulfate. In addition, the effluents discharged lead to serious pollution of surface water sources and groundwater, inhibiting biological processes and the productivity of rivers and streams.

## OUR STRATEGY

In January 2008, BSR launched the China Water Initiative to determine how the private sector can help reverse the degradation of southern China’s water resources. Our aim is to create a network of organizations working toward the same objective—to protect the region’s natural waterways.

To do this, BSR built partnerships with organizations like the Center for Water Research at Beijing University, the Institute for Public and Environmental Affairs, the China Environment Forum, and the Association for Sustainable and Responsible Investment in Asia, which already are tackling this challenge.

## OUR IMPACT

Based on a series of factory visits in southern China, BSR identified a range of pressures on factory managers that impact the management of water resources and wastewater discharge. These include low worker retention rates, international competition, and rising prices for their material inputs.

After we presented these findings at a forum in Guangzhou, BSR incorporated the information into a training curriculum designed for factory managers. BSR is applying its expertise as a partner with brands and suppliers to provide best practices, tools, and training to factory managers at textile mills, dyeing facilities, and other finishing mills. Ultimately, this will help factory managers improve their environmental performance related to wastewater management, water and energy use, and efficient use of materials and chemicals.

# 12.62 billion

TONS OF POLLUTED MATERIALS WERE DISCHARGED INTO GUANGDONG WATERS IN 2007



# Enhancing BSR Membership Value and Extending Our Impact

Our global network of more than 250 member companies is at the core of all of our activities. We serve our member companies by providing them with information and analysis, access to BSR staff expertise, and opportunities to access others in the member network—all for the purpose of helping them strengthen their approach to responsible business. In 2008, we engaged approximately 50 percent of corporate members in consulting projects and working groups.

We also draw insight and inspiration from our members, seek to build a global community of corporate responsibility leaders, and serve our members by participating in field-building activities that strengthen our collective impact.

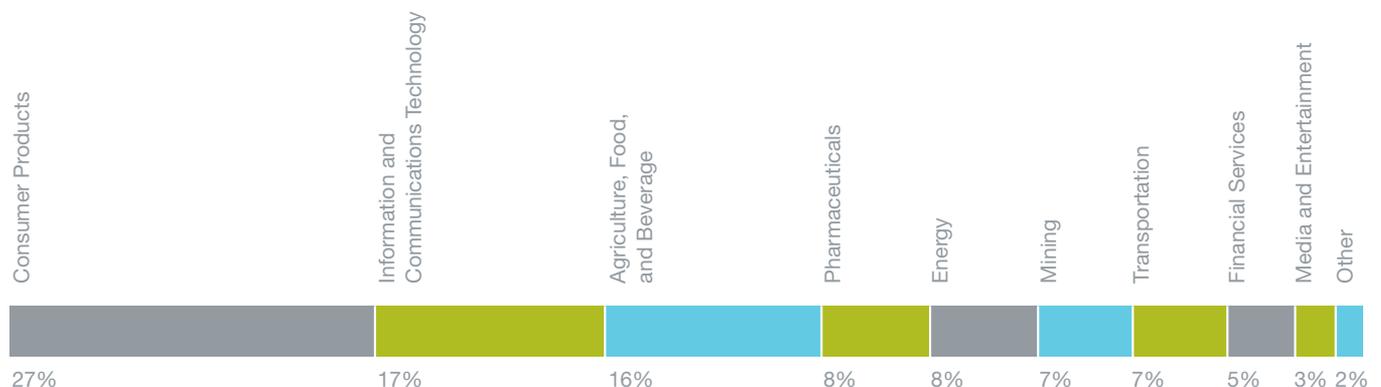
During 2008, we evaluated our offerings to member companies to look at ways to increase the value our members derive from participation in BSR. This evaluation included interviews with members and nonmembers, surveys, and benchmarking.

Based on these inputs, and our own analysis, we are planning in 2009 and beyond to enhance what we offer members to better respond to their needs. In particular, we are taking the following steps:

- 1 Revamping the program for membership support so that BSR staff will engage in regular outreach and follow-up with members.
- 2 Launching formal virtual and in-person events globally to support members.
- 3 Enhancing our publications and online member center to provide timely analysis and improved access to our content.
- 4 Reestablishing a formal lead director to oversee member services, supported by a team responsible for implementation of member transactions.

As part of this review of our member services, we also carefully examined the structure and amount of our membership dues. And despite the fact that we have not raised dues in several years, we decided not to raise them at this time, taking into account the impact on our members of the current challenges present in the global economy. We expect to revisit that decision in the future.

## Member Companies by Sector\*



\* Members with more than US\$1 billion in annual revenues.

## BSR Conference: Connecting Corporate Responsibility Leaders in a Globalized World



The 2008 BSR Conference took place amid a dramatic backdrop of sharp economic decline and the results of a U.S. presidential election that sparked intense interest around the world.

In this context, the Conference—which brought together 1,200 people from 47 countries, representing business, NGOs, government, and academia—provided a timely opportunity to gather and address complex sustainability challenges.

The collapse of several financial institutions, and the descent into a deep global recession, reinforced the importance of the Conference theme, “Sustainability: Leadership Required.” Our plenary speakers conveyed their view of the type of leadership needed to establish responsible business as part of what GE Chairman and CEO Jeffrey Immelt dubbed the “reset” of the global economy.

In 46 sessions and trainings, BSR Conference attendees heard from 105 speakers, including CEOs such as Levi Strauss & Co.’s John Anderson and SK Telecom’s Shin-Bae Kim, thought leaders such as Triodos Bank’s Peter Blom and management guru Peter Senge, and major civil society representatives such as trade union leader Sharan Burrow and NGO leader Kumi Naidoo, honorary president of CIVICUS.



In addition to the public sessions, the event included a mix of workshops, trainings, and working group meetings before, during, and after the Conference. These provided a platform for dialogue and idea incubation, which helped strengthen participating companies' efforts to implement sustainability commitments.

One example illustrates how this works: At the Clean Cargo Working Group meeting, BSR gave a presentation on carbon, suggesting that companies undergo a "heat-mapping" exercise to identify the carbon hot spots in their supply chains. Following that presentation, BSR and the retailer H&M have collaborated on the development of a roundtable that will benefit the apparel sector as a whole. In June 2009, BSR will reveal early findings.

For the first time, BSR augmented the in-person experience by offering online video highlights of selected sessions and speeches, as well as executive summaries of every Conference session. In a six-month period following the Conference, the video footage was viewed more than 7,500 times, and the session notes were downloaded more than 25,000 times.

According to a post-Conference survey, 70 percent of respondents gave the Conference a score of either four or five out of five for overall value.

**1,200**  
ATTENDEES

from **47**  
COUNTRIES

**105**  
SPEAKERS

**25,000**  
SESSION NOTES DOWNLOADS

3





Our Footprint

With six offices in Asia, Europe, and North America, we use our expertise in four core focus areas—environment, human rights, economic development, and governance and accountability—to guide global companies toward creating a just and sustainable world.

But what is *our* footprint? To evaluate the impact we're making at an organizational level, we have taken a critical look at two key areas: our staff and our use of natural resources.

This section provides an overview of who we are as an organization and how we're impacting our natural environment.

## Our People

### Managing a Growing Organization

The success of our activities is highly dependent on attracting, developing, and retaining a high-quality team.

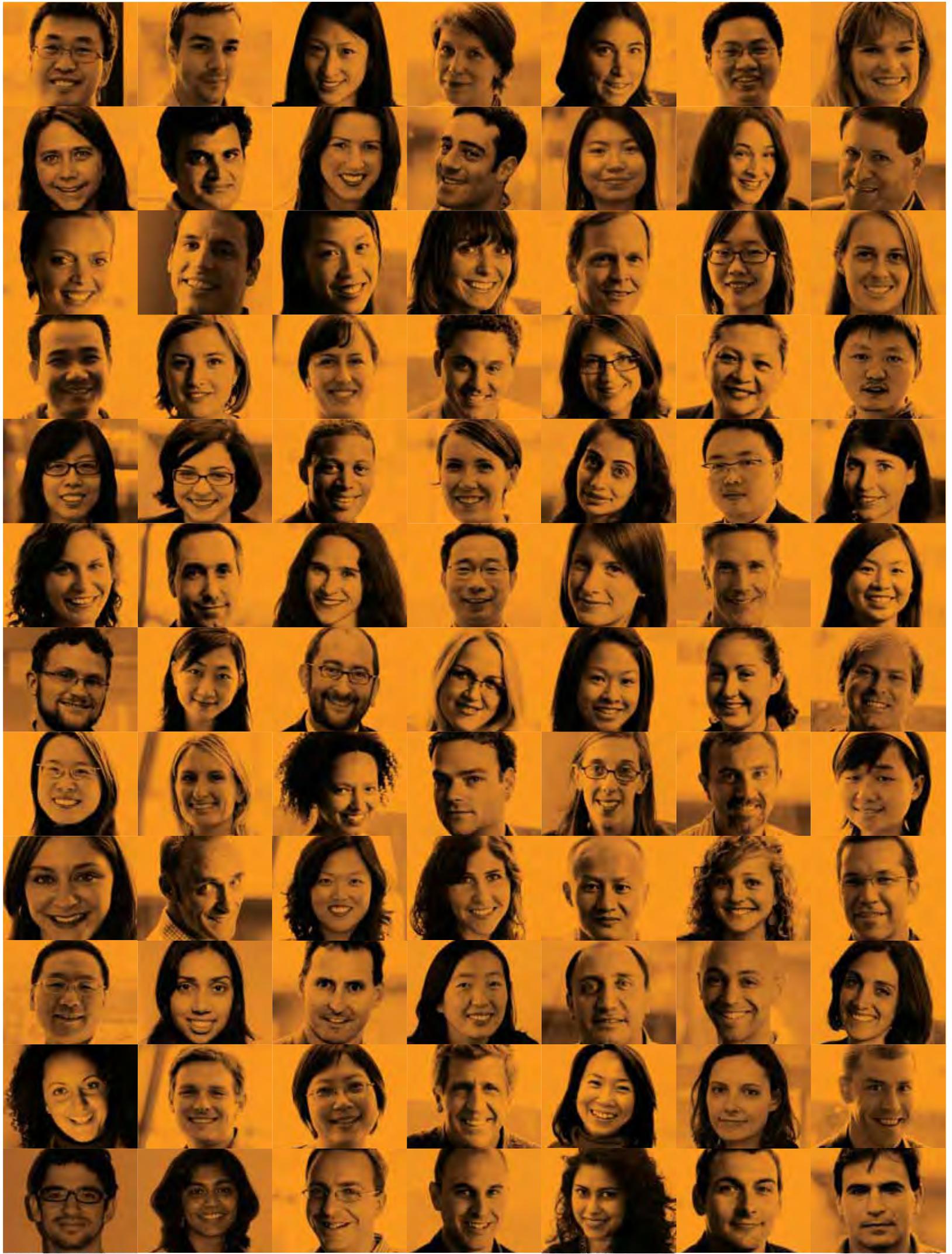
In 2008, BSR's staff count increased by 49 percent, with most of the growth focused outside of BSR's San Francisco headquarters; the number of BSR staff outside of San Francisco increased from 25 percent to 41 percent. To improve accessibility to members and other project partners, we established new offices in Beijing, Hong Kong, and New York in 2008.

We made two structural changes in 2008 to draw a wider number of staff into organizational strategy and effectiveness, with the aim of ensuring effective operations and leadership development.

We established a global management group, known as the "G8," which is comprised of the four members of the management team, the human resources director, and the three regional managing directors who oversee our offices in locations outside our San Francisco headquarters: Asia, Europe, and the eastern United States. This group is charged with broadening the input into key decisions, improving the quality and consistency of management and decision-making across key geographies, and enhancing leadership development. The G8 works as a cohesive team to develop BSR's global strategies, priorities, budgets, staff, and programmatic initiatives.

We also created the BSR Directors' Council, which comprises all global staff at the director level or higher, as a forum for structured input on the direction and activities of the organization and for the development of a strong cohort of BSR's present and future leaders. The Directors' Council ensures wide input into decision-making, as well as an opportunity to share perspectives across the organization.

In addition to these structural steps, BSR increased the frequency of staff rotations between offices, to build learning across geographies, to respond to project and member company needs more flexibly, and to enhance cross-geography communication.



## Global Talent

Our success—and our ability to contribute to the success of our member companies—requires a staff with broad experience and perspectives. We attract and retain a talented staff of globally minded professionals who are highly committed to realizing our mission. BSR is committed to developing an inclusive work environment where diversity of thought, style, culture, and skill is valued in support of individual performance and potential.

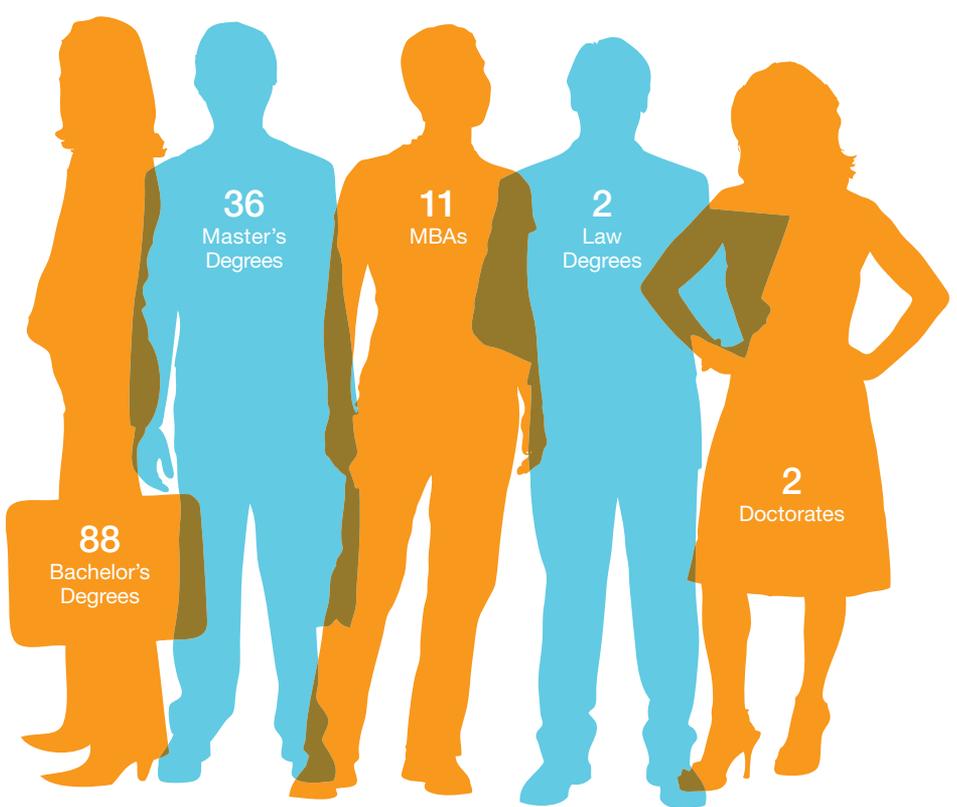
### Nationalities Represented by BSR Staff





Languages and Dialects Spoken by BSR Staff

- |           |            |            |
|-----------|------------|------------|
| Cantonese | Japanese   | Swedish    |
| Dutch     | Kannada    | Tagalog    |
| English   | Lao        | Taiwanese  |
| French    | Mandarin   | Thai       |
| German    | Portuguese | Urdu       |
| Guarani   | Russian    | Vietnamese |
| Hindi     | Shona      |            |
| Italian   | Spanish    |            |



Number of Academic Degrees Held by BSR Staff

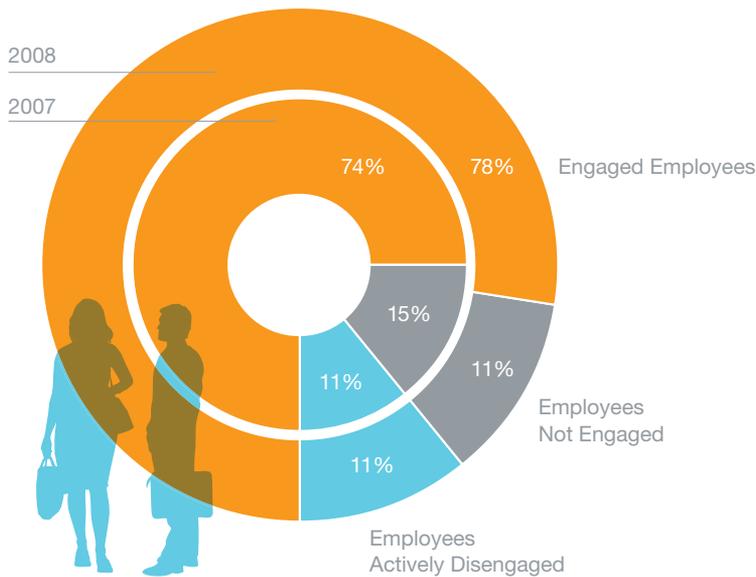
## Employee Engagement

As part of our continued efforts to enhance BSR's employee engagement, we conducted a baseline survey of staff in 2007. The survey was based on Gallup's Q12 Employee Engagement Survey, with the results measured against Gallup's 2007 midyear survey of 1.5 million employees. Gallup—which found that, across all job sectors, only 28 percent of employees are engaged, and 54 percent are not engaged—has found a correlation between high engagement scores and superior job performance.

In addition to revealing high staff engagement, BSR's employee survey demonstrated that staff members were looking for more opportunities to grow and to discuss their progress with BSR. In response, we developed plans to improve leadership training in 2009, and we have been awarded a US\$35,000 grant from the Packard Foundation to support some of these efforts.

BSR staff turnover in 2008 was 12 percent, down from more than 20 percent in previous years. In total, 11 people left; three departures were involuntary and eight were voluntary.

### Employee Engagement Survey Results\*

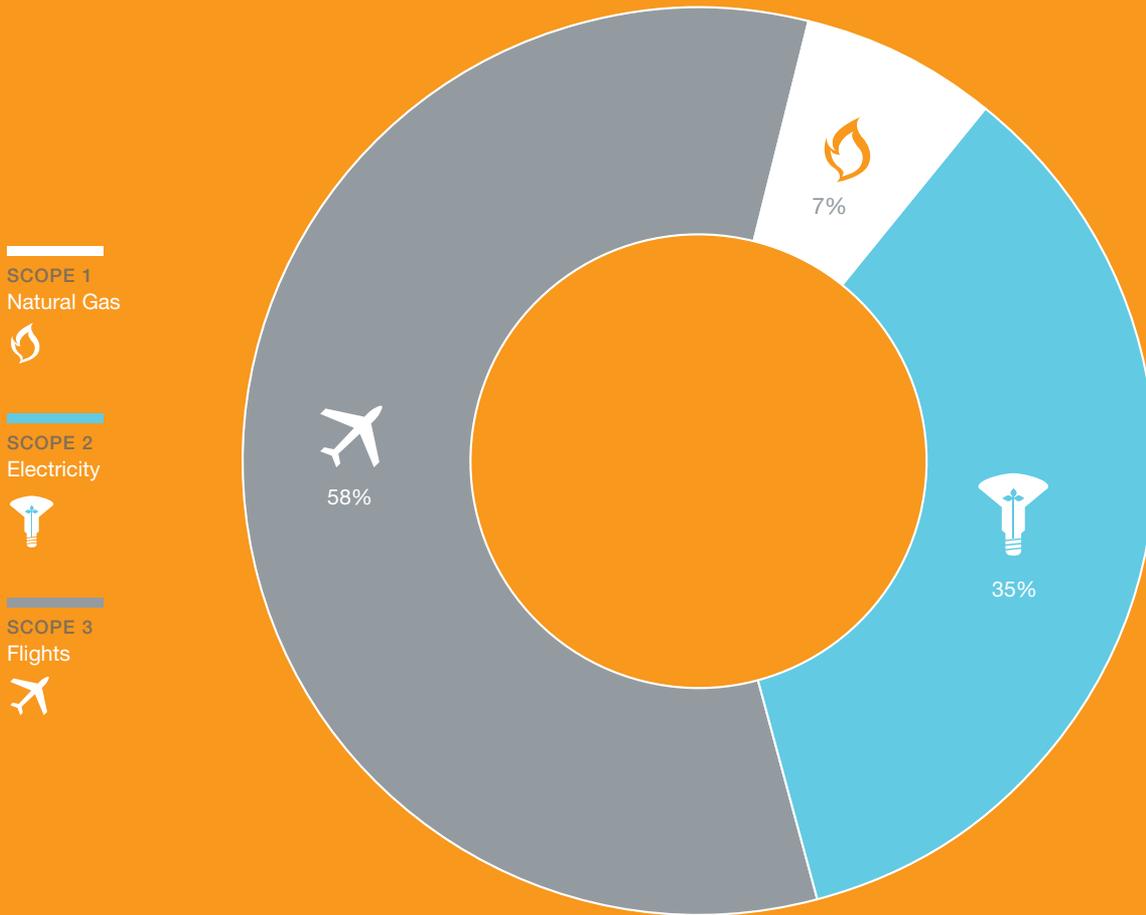


\*Seventy-eight percent of staff members participated in the survey.

## Our Environmental Footprint

As a service-based organization with leased offices comprising our facilities, BSR's direct environmental impacts derive from the work of staff on site, our travel to projects around the world, and our (and our participants') annual trip to the BSR Conference.

**FIGURE 1**  
**Total Greenhouse Gas Emissions**  
**(Absolute MTCE)**



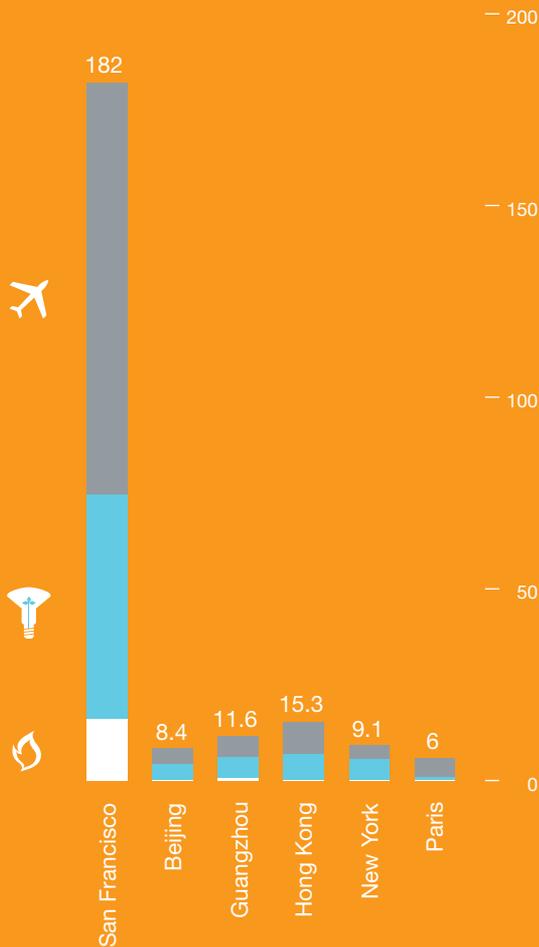
## Energy and Greenhouse Gas Emissions

BSR’s chief environmental impact is greenhouse gas (GHG) emissions, which comprise 232 metric tons of carbon equivalents (MTCE) (see Figure 1), equating to 2.8 tons per employee. This “carbon footprint” has three important traits:

### 1

It is caused almost entirely by fossil-fuel-based energy, which is, in turn, led by jet emissions from air travel and electricity from our offices. Jet emissions, which is the sole “scope 3” item included in our footprint, accounts for more than half of BSR’s carbon footprint. In 2008, BSR employees took about 1,250 flights, with approximately 20 percent of people accounting for nearly two-thirds of the emissions.

**FIGURE 2**  
Total Carbon Emissions by Office  
(Absolute MTCE)



**FIGURE 3**  
Carbon Emissions Per Capita by Office  
(MTCE per Full-Time Employee)



## 2

Among our offices, energy use generally correlates with head count, but per capita figures can be quite different among locations (see Figure 3). BSR's San Francisco headquarters is the largest GHG contributor, accounting for nearly 80 percent of our global total (see Figure 2). As BSR grows and decentralizes, those impacts spread to other locations. In 2008, the number of BSR staff outside of San Francisco grew from 25 percent to 41 percent.

Emissions per capita are highest in Hong Kong, where the staff size is small, and second highest in San Francisco, from which location our management team and many of our staff travel longer distances for project work.

## 3

In addition to office space use and travel, our carbon footprint varies across offices due to the different energy sources among different power grids. For instance, emissions are low in Paris partly because the French power grid draws significant electricity from nuclear energy. Another cause of the variance is BSR's ability to measure and control electricity use. In San Francisco and New York, the buildings lack floor electricity metering, so it is difficult to accurately observe, report on, and control energy use to improve performance. To address this, the energy use figures we included for those offices are conservative estimates based on the building's total energy use divided by our share of floor space.

### Methodologies and Assumptions

- » Approach is based on GHG Protocol Corporate Standard.
- » "Scope 1" gas use and "scope 2" electricity data are generally estimated based on square-footage share of leased office building.
- » "Scope 3," a new category for the BSR Report 2008, includes all air transportation that BSR staff use for travel to clients, for projects, and to the BSR Conference. It does not cover ground transportation or staff commuting.
- » BSR has purchased carbon offsets and renewable energy certificates (REC) to cover electricity use for our San Francisco and Paris offices, as well as all employee and guest travel to the Conference. The GHG footprint figures reported here are indicative of absolute emissions independent of such offset and REC purchases.

## Paper Products

As an office-based organization, BSR places importance on minimizing paper use, and we purchase recycled materials as local supply allows. For instance, at our San Francisco headquarters, all of the regular paper we purchase is 100 percent post-consumer recycled. (The paper used for this Report is 100 percent post-consumer recycled and Forest Stewardship Council certified. It was also produced on a mill powered by wind.) Paper used at the Conference was made from 100 percent recycled material, with 50 percent post-consumer. At most offices, BSR also has taken simple steps to encourage conservation, such as setting computers to print double-sided and placing recycling bins at each desk. Whenever possible, we aim to use electronic, as opposed to paper, communications.





## Reducing Our Footprint

We plan to continue looking for ways to reduce our footprint. One of our primary goals in this regard is to employ systems that allow us to better track our environmental impacts and increase efficiencies. In 2009 and beyond, we expect to:

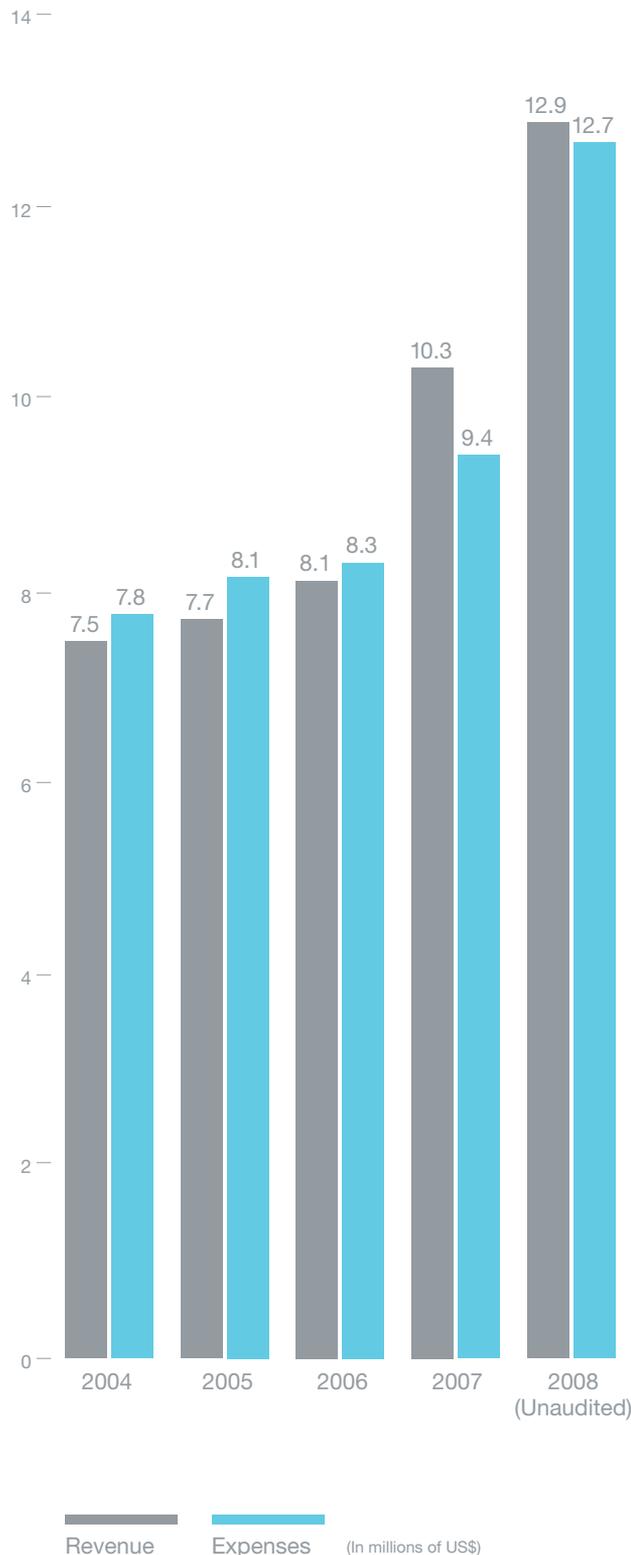
- 1 Find opportunities to reduce travel while maintaining our effectiveness.
- 2 Review opportunities to increase the impact of our procurement practices.
- 3 Strengthen our culture of conservation by continuing to raise awareness about practical things that employees can do to multiply BSR's positive impact.

## Financial Statement

2008 was a year of growth in terms of both our revenues and expenses. This reflected our aim to continue to decentralize the organization to be closer to our member companies and project partners, ensuring the ongoing globalization of perspectives, relationships, and competencies. This strategy allowed us to contribute to the acceleration of interest globally in responsible business.

### BSR Financial Performance (5 Years)

Visit [www.bsr.org/report](http://www.bsr.org/report) for full audited financial statements.



Despite the steady softening of the global economy through the first nine months of the year, and the fast-accelerating decline that marked the final quarter of 2008, our revenues increased 25 percent over 2007 and 59 percent over 2006. Revenue growth came from membership, consulting, foundation grants, and government contracts, reflecting a steady and even pattern.

In terms of our expenses, a significant amount of the increase we saw in 2008 was to boost our staffing and open three new offices (in Beijing, Hong Kong, and New York), in response to increased opportunities and our ongoing decentralization. In the fourth quarter of 2008, we also began to see returns on our investment in an expanded Europe staff and new Paris office space, through increased European membership and consulting activities.

Beginning in the fourth quarter of 2008, we saw slight evidence in our revenues of the economic slowdown, as indicated by lower than normal late registrations for the BSR Conference. As the economy cooled substantially late in 2008, we scaled back additional plans to expand through increased hiring, and deferred some investments in infrastructure.

4



Our Challenges

As we did in our inaugural Report, we close this Report with a look at the challenges we face in achieving our mission.

In retrospect, 2008 presented two very distinct periods. Through the first three quarters of the year, we saw strong continuing global interest in sustainability, even as the economy showed signs of softening. During the last quarter of the year, the rapid collapse of the global economy prompted more fundamental questions about how corporate responsibility would fare amid the deepening global recession.

## Managing Growth and Building an Effective Global Organization

BSR grew from three offices to six in 2008. In doing so, we also had to build effective systems to manage a distributed organization, maintain BSR's culture, and find ways to ensure regular and reliable communication. We made good progress on these fronts, by adding operations staff in China and San Francisco, using social networking tools much more widely, and increasing staff exchanges between offices. At the same time, we still have far to go in implementing the business process and infrastructure (especially information technology) needed to support top-flight performance. We also found that due to the demands of project delivery, we had less time than anticipated to devote to formal staff development activities. This is something we are remedying in 2009.

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## Measuring Our Impacts

We continue to see that the entire corporate responsibility field—BSR very much included—has not yet been able to measure its impacts effectively. While it is fair to note that measurement of ultimate impacts on human rights, water use, or community well-being can often be challenging, we have a collective need to focus on developing better tools for more complete measurement. In 2008, BSR did not institute case-by-case assessments of individual projects, as we had hoped. We therefore made less progress in measuring our impact than we would have liked.

We also had planned to conduct a thorough member company satisfaction survey in 2008, and did not do so. We did, however, gather considerable feedback on our effectiveness through member interviews during a brand identity process. While that feedback pointed to many successes, it also identified the present challenge of delivering high-quality services to a large and diverse membership at a time when both sustainability and economic challenges are broadening and deepening.

## Our Hybrid Model

As we reported last year, our hybrid model (which includes membership, consulting, cross-sector collaboration, and research) provides a unique offering, and, at the same time, presents a management and resource challenge. In 2008, we aimed to balance these by increasing our investment in research and membership, while continuing to strengthen recent years' investments in consulting capacity and expertise.

Our model offers opportunities for us to develop new ideas, put them into practice with individual companies through consulting, and then replicate these initiatives through collaboration with and between our member companies. At the same time, we face consistent choices about how best to allocate resources—both human and financial—to make sure we maximize value for our members, funders, and other stakeholders, while also investing in a strengthened organizational platform for even greater future impact.

We also balance the relative merits of our not-for-profit model. This provides us with a platform for collaboration with private foundations and public sources of funding to invest in innovative projects. It also gives us an added degree of credibility, and increases our ability to attract staff drawn to our mission. A drawback to this model is that it constrains our ability to capitalize the organization for additional growth and investment.

We work hard to ensure that our particular form of social enterprise is making the most significant contribution possible, and also that we contribute to learning that helps other hybrid organizations learn from our successes and shortcomings.

## Taking Solutions to Scale

It is increasingly clear that the most central sustainability challenges of our time require systemic solutions to address root causes, not just symptoms, of interlinked social, environmental, and economic dilemmas. While BSR has worked successfully with members and other partners to build effective collaborations, none of us has yet found a way to take these efforts to the level they require. Leadership in corporate responsibility tends to remain the domain of relatively few companies. Expanding this circle to include a qualitatively different level of commitment remains an important challenge.

Some of this is related to the inherent challenges of making this happen: It is difficult. Some of it relates to the level of funding needed to bring truly impactful collaborations—including some featured in this Report—to a bigger scale.

As the economic crisis unfolded in late 2008, we began to reinforce the importance of “thinking big,” and we will be looking in the year ahead to do just that—by helping companies contribute to an international agreement to combat climate change, broadening and deepening our impacts on the labor and environmental dimensions of supply chains, and expanding our work on topics such as women’s health and international labor migration.

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## Navigating the Recession

The latter part of 2008 brought a new challenge for BSR: maintaining support for sustainability in a deep global recession. BSR was founded in 1992, just as the last significant global downturn was ending, and we have experienced generally prosperous economic conditions during our lifetime. We are focusing our efforts to ensure that we maintain the resources needed to work toward achievement of our mission, and we are evolving along with the sustainability agenda.

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## BSR Board Diversity

Due to various departures, we finish 2008 with only one woman serving on the BSR board. In addition, we have not yet named directors from either China or France, where we maintain offices but have no board representation. We will be working to remedy these gaps in 2009.

# Acknowledgments

For their time and insights in putting together this Report, we would like to thank Aron Cramer, Eva Dienel, Eric Olson, Diane Osgood, Amon Rappaport, and the entire staff of BSR, as well as the external reviewers: Melissa Brown (Director, IDFC Global Alternatives, Hong Kong, Ltd.), Bennett Freeman (Senior Vice President for Social Research and Policy, Calvert), Allen White (BSR Senior Advisor and Vice President and Senior Fellow, Tellus Institute), and Wen Xuelian (Project Manager, China Mobile). We also would like to thank the designers at Tomorrow Partners for bringing this Report to life visually.

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**BSR**

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With six offices in Asia, Europe, and North America, BSR uses its expertise in environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world.

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