



Global Compact International Yearbook

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H.E. Ban Ki-moon, UN Secretary-General

“ This year we are laying the groundwork for success in 2015 on three fronts: achieving the Millennium Development Goals, adopting a meaningful new climate agreement, and establishing a new vision for a sustainable future.

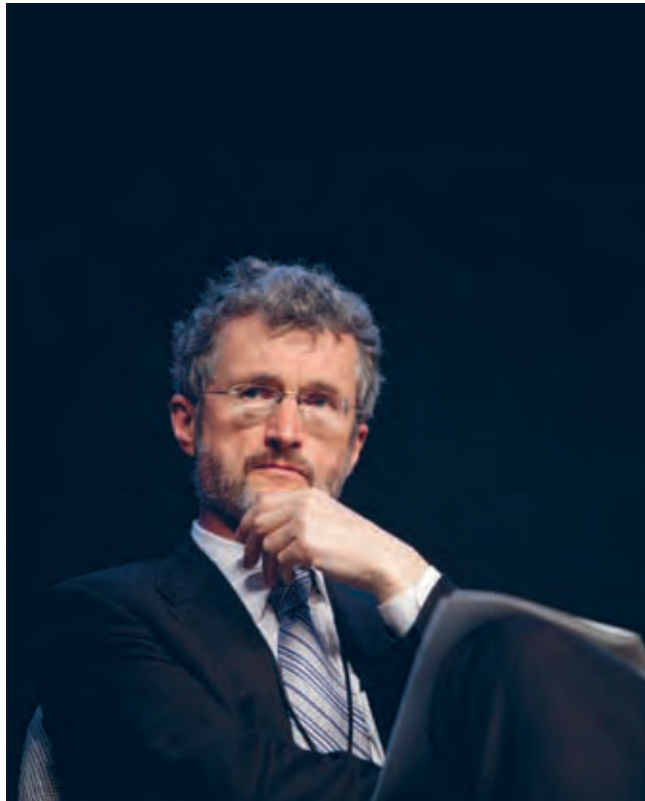
I thank the Global Compact for elevating post-2015 priorities on the agendas of business around the world.

The year 2015 also marks the 15th anniversary of the Global Compact itself. This is the first and only public-private initiative of the United Nations based on network governance. Its unique role and attributes have enabled it to grow and innovate beyond all expectations. The initiative has transitioned to a new phase defined by global strength and action.

One of my top priorities is to harness the full power of partnership across the range of UN activities and to scale up UN capacity to engage in transformative actions with the private sector as well as civil society, philanthropy, and academia.

”

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THE POST-2015 BUSINESS ENGAGEMENT ARCHITECTURE

By Georg Kell, Executive Director, UN Global Compact

The United Nations is now embarking on a project unique to its history — the design of a set of global development goals that will meet the dual challenges of overcoming poverty and protecting the planet. This process provides an opportune moment to shape how business operates and contributes to sustainability in the coming decades.

The Millennium Development Goals (MDGs) set a precedent for global priorities agreed to by all UN Member States. As MDG targets expire in 2015, two things are different: The

new goals will incorporate the broader concept of sustainable development, balancing economic, social, and environmental aspects; they will apply to all countries, rather than primarily to the developing South. Also unprecedented is the scale of advance discussions on what priorities should be incorporated into the Sustainable Development Goals (SDGs).

These talks occur at a moment of transition for much of the business community. As economic growth migrates to the South and the East, companies are increasingly evolving from

being resource-takers to market-builders, where they have a direct stake in building healthy societies. Businesses have an incentive to overcome bottlenecks — to train workers, technicians, and managers; support the health of workforces; support dependable infrastructure; maintain rather than degrade the viability of the natural environment; and reduce transaction costs brought on by corruption, illicit money flows, and other impediments to trade and investment.

There is now an expanding group of enterprises whose policies and behavior are directly linked to sustainable development. Fundamentally, they recognize that what is good for societies and the planet is also good for business over the long term.

The United Nations Global Compact is among the UN entities holding consultations on this post-2015 development agenda. Inputs from more than 40 Global Compact Local Networks formed the basis of a report to the UN Secretary-General that included a proto-set of sustainable development goals and targets. An “architecture” for engaging companies large and small to advance the post-2015 agenda was unveiled at our 2013 Leaders Summit in New York.

What will the post-2015 development agenda and a new set of SDGs mean for business and the UN Global Compact? While much is still up for debate with a September 2015 deadline for agreeing on the SDGs, already several hopeful prospects are unfolding:

- 1) Corporate engagement: Many companies have found ways to innovate and align their corporate responsibility and sustainability programs with the MDGs. With an earlier start on the SDGs, the prospects for coordination with global priorities are much better. The UN Global Compact, the World Business Council for Sustainable Development, and the Global Reporting Initiative are already at work on a toolkit for measuring, monitoring, and reporting on SDG progress — to build trust with the public and among stakeholders, and to progressively upgrade corporate performance.

- 2) Local Networks: The SDGs will likely place even greater emphasis on national implementation than the MDGs did. Multi-sector, responsible, business-led councils such as the Global Compact Local Networks have the potential to apply post-2015 elements to a country-level analysis of policies and tactics. As such, they can lend notable assistance to governmental decision-making. This local implementation of global goals will also place emphasis on engaging small- and medium-sized enterprises and upgrading their capacities.

- 3) Partnerships: Multi-sector collective action or joint business activities that allow for pooling resources, sharing risks, and overcoming systemic challenges will rise in importance. These will include global issue platforms that mobilize large

numbers of business organizations to act in concert or in collaboration on specific challenges such as climate, water, women’s empowerment, infrastructure, and jobs and education.

- 4) Finance: The SDGs will require investments of a trillion dollars or more annually. Private sustainability finance — broadly understood as private finance that contributes to sustainable development — is a new concept that is likely to gain much broader attention throughout the private investment chain, from investors, banks, and other institutions in the financial economy, to corporations, foundations, and philanthropy.

A number of notable gains in living standards have been achieved during the tenure (2001–2015) of the MDGs, in terms of poverty eradication, health, education, and access to clean water. The SDGs are likely to call for an even greater transformation in how the world collaborates on shared priorities. To ensure their success, we must work together to make responsible business a transformative force in achieving a shared, secure, and sustainable future. ■

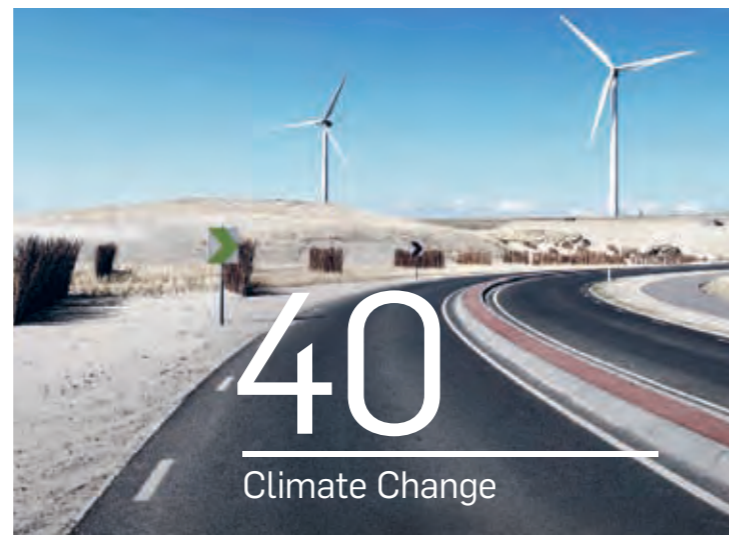


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THE POST-2015 AGENDA

From Millennium Development Goals to Sustainable Development Goals





MDGs AND SDGs: ARE THE CONCEPTS COMPATIBLE?

By Dr. Markus Loewe

For the last 20 years, the international development debate has been dominated by two trends that seem, at first, to be heading in a similar direction. However, under closer scrutiny, they differ with respect to their focus and underlying philosophies. On the one hand, there is the agenda of reducing poverty in developing countries in its various dimensions, which found its expression in the Millennium Development Goals (MDGs). On the other hand, there is the idea of sustainability that became popular at the Earth Summit in Rio de Janeiro in 1992 and that, at the Rio+20 summit in 2012, generated a parallel concept to the MDGs: the so-called Sustainable Development Goals (SDGs).

As a result, two separate processes started within the United Nations (UN) system: one of them to discuss whether there should be a new global development agenda after the term of the MDGs ends in 2015, and what such an agenda should entail; and the other to compile a list of possible SDGs. Fortunately, the UN took a decision in September 2013 that there should be only one post-2015 list of goals that has both an SDG and post-MDG agenda.

The challenge is, however, to design such an agenda that fulfils the aspirations of both the proponents of the MDG concept as well as the proponents of the SDG concept. This article suggests that the post-2015 agenda should consist of two separate but mutually referring sets of goals – one concentrating on human development, the other on global public goods.

Emergence of the MDG concept

The MDGs are the result of a process that began in the 1980s that aims at making aid more effective and focusing it more on poverty reduction. In addition, it started to look at poverty as a multi-faceted phenomenon rather than just a lack of income.

In a number of world conferences, long lists of goals in the areas of education, food, child development, and more were adopted. The most important of these goals were consolidated in the UN's Millennium Declaration, from which the MDGs were taken in 2001.

The strength of the MDGs is that they constitute a manageable number of straightforward goals that are easy to understand and measure, and they offer a clear deadline. This made it possible to rekindle the interest in development issues in the countries of the North and strengthen the willingness to put more resources into aid. Further, the MDGs have increased the accountability of all relevant actors of international development, which has contributed to greater results-orientation and effectiveness of development policy.

Limitations to the MDG concept

Critics argue, however, that there are too many limitations to the MDG concept.

First, the MDGs are an incomplete agenda. They originated in the Millennium Declaration but cover only two of its chapters (on development and the environment), completely leaving out the chapters on disarmament and good governance.

Second, the MDGs neglect distributive issues. Inequality is a severe obstacle to many aspects of development. Nevertheless, the MDG agenda contains only one indicator (under the heading of MDG 1) capturing one aspect of distribution: the share of the poorest quintile in consumption. In addition, the focus of MDG 1, at least, is on the most deprived individuals in society. In contrast, MDGs 4 and 5, for example, call for improvements in mean values of mortality rates, thereby ignoring who benefits from such progress. As a consequence, many governments may be tempted to reduce child and maternal mortality rates for social groups that already enjoy below-average rates (such as, e.g., the urban middle class). Progress for these groups may be cheaper and easier to achieve than for the most deprived



groups, who often live in squatter and rural settlements, thus making it more difficult for healthcare services to reach them.

Third, some MDGs measure outputs or inputs rather than outcomes or impacts of development. MDG 2, for example, measures only the intake of education, regardless of its quality or relevance for economic, social, and political life. Its existence has led to a significant acceleration in the rise of school enrollment rates. But in many countries this has been at the expense of the quality of education: More children went to school, but the number of teachers and the space in school buildings did not increase correspondingly.

Fourth, some MDGs cannot even be measured — either because no indicators or targets were set, or because no data is available for certain indicators.

Fifth, the MDGs cannot easily be transformed into national objectives. They were originally formulated as global goals, but without modification they were increasingly seen as national objectives in order to create national accountability. This interpretation constitutes a particular challenge to the least-developed countries, which tend to have started out in the baseline year of 1990 with much poorer performance levels than other countries with regards to most MDG indicators. Therefore, it has been especially hard for them, for instance, to achieve MDG 1c, which calls for a reduction by

half in the share of malnourished people between 1990 and 2015. Countries that start with a higher share of people with malnutrition have more difficulties in achieving the goal than other countries, because the goal implies the need for a much greater reduction in the absolute number of people with hunger.

Sixth, some goals at the global level were unrealistic right from the start (e.g., MDG 2, which demands total enrollment in primary education worldwide), whereas others demonstrate low ambitions, at least at the global level (e.g., MDG 1, which seeks to halve the share of people suffering from income poverty and hunger across the globe).

Furthermore, many criticize the MDGs as well for being too focused on the social sectors and neglecting the production sectors and economic development. This judgment, however, is unfair for two reasons: First, the MDGs do not focus on particular sectors, but on goals of human development. Achieving the health goals (MDGs 4–6) may well require investments in healthcare, but it may also (and often even more) call for investments in the education or water sector. Second, economic growth, transport infrastructure, and a functioning private sector tend to be essential as preconditions for long-term poverty reduction and the achievement of the MDGs. But they are not ends in themselves and should therefore not have a place in an MDG agenda.

Emergence of the SDG concept

Proponents of an SDG agenda further criticize three other aspects of the MDGs: (i) They are not global goals and ultimately put obligations on the developing countries; (ii) they are generally short- to medium-term, and thus run counter to policies that are oriented toward sustainability, which necessarily have to be inherently longer-term; (iii) central areas of sustainable policies — chiefly environmental objectives — are not reflected sufficiently.

These points of criticism are justified. The first one can be addressed by formulating goals in a way that takes the stages of development of individual countries into account. The other two question the MDGs more generally. However, current proposals for a future SDG agenda so far have not created an alternative to the second criticism. It, too, envisions a rather short-term horizon, and the indicators suggested so far do not include aspects of sustainability. The proposed agenda differs from the MDGs mostly in that there is a wider range of goals that matter from a sustainability perspective.

Of course, the MDGs are not a purely socio-political agenda, and neither would potential SDGs be just focused on the environment. Both approaches involve similar ideas. They differ mostly with respect to their underlying thinking: Whereas the MDGs are mostly inspired by improving the

living conditions of the poorest people, the main concern of SDGs is shaping development sustainably.

Consequences for the post-2015 agenda

There needs to be coordination when incorporating the agendas of the MDGs and SDGs into the post-2015 agenda. Indeed, it is necessary to design an integrated agenda for post 2015 that takes the poverty as well as the sustainability debates into account.

Such an agenda should have the strengths of the MDG concept while avoiding its weaknesses. Its goals should hence:

- be relevant in both objective and subjective terms like the MDGs;
- contain once again only a limited number of easy-to-understand goals;
- be goals for people, such as the MDGs, that is, final end-goals rather than instruments;
- be SMART (specific, measurable, agreed, realistic, time-limited);
- be more comprehensive than the MDGs (i.e., include additional dimensions of development/well-being such as, e.g., political, socio-cultural, and protective capabilities);
- consider distributional issues;
- avoid inconsistencies (all targets should focus on outcomes rather than inputs or outputs);
- be truly universal, that is, defined on the global level but relevant and applicable nationally for all countries;
- be binding for all countries, though;
- be ambitious but realistic and fair — globally and for every single country; and
- ensure the sustainability of development.

Selection of goals

A major issue in the negotiations on a future development agenda, which started in early 2014, is the question of which goals should be included. The discussions on this issue should be guided by the selection criteria listed in the previous section.

In any case, it is almost beyond any dispute that the issues concerning reduction of income poverty, food security, education, health, family planning, and gender equality will show up again in one way or another. In addition, it is a good idea — agreed upon by most countries — to include a goal infrastructure that will encompass the already included sub-goals of water and sanitation, as well as adequate housing and energy supply.

Further, there might possibly be agreement on a goal concerning resilience that refers to human and social security — that is, the protection of human beings against social risks; economic risks; natural and ecological risks (e.g., earthquakes, floods,



POSSIBLE STRUCTURE OF A POST-2015 INTERNATIONAL AGENDA IN TWO PARTS

Part 1:

Human development objectives (final goals of development)

5–8 goals such as, for example:

- **Reduction of income poverty**
- **Food security**
- **Education**
- **Health and family planning**
- **Infrastructure**
(energy, housing, water, and sanitation)
- **Clean environment**
(air, water, resources)
- **Resilience**
(social protection, human security)
- **Good governance**
(transparency, efficiency, political participation, human and civil rights)

Monitoring: on the local (micro) level and differentiated by gender, income, and location in order to control for the distribution of policy outcomes (equality)

Part 2:

Essential global public goods (instrumental goals/enablers of development)

5–8 goals such as, for example:

- **Limiting climate change**
- **Joint global management of resources**
(oceans, the atmosphere, space, the polar regions, fresh water resources)
- **Contention of infectious diseases**
- **Stability of financial markets**
- Open, rules-based, and fair **world trade system**
- **Clean environment**
(air, water, resources)
- **Control of international terrorism**
- **Disarmament of anti-personnel mines and weapons of mass destruction**

Monitoring: on the international level

drought); man-made ecological disasters (e.g., river pollution, deforestation, nuclear disasters); and social and political risks (e.g., theft, rioting, resettlement, war, coup d'état).

In spite of possible opposition from certain countries, it would also be desirable to introduce a framework for political and socio-cultural capabilities (e.g., human rights, good governance, peace, social inclusion).

In addition, it would be desirable to take distributive issues into consideration. This does not mean introducing an additional goal distribution but rather measuring achievements toward each goal separately for different population groups. It would

be even better to give results different weight according to the segments of the population (rich and poor, women and men, urban and rural, disadvantaged and privileged, etc.) in order to avoid that countries as a whole make sufficient progress toward goals that are due to fast progress by some population groups and stagnation by others.

Most controversial is what can be done to improve the status of environmental goals. The Rio+20 Declaration suggests a number of objectives for a prospective SDG agenda. Many are already included in the MDG agenda as sub-goals or indicators (i.e., biodiversity, protection of forests, reducing carbon emissions), but their status and the commitments



made to them could be strengthened. Others are outcomes of development, and thus could easily be included in a new agenda (such as protection against desertification or soil degradation). But the same is much more difficult to accomplish for goals that cannot be measured according to indicators at the micro-level and that, strictly speaking, are not actually final goals, but rather instruments, that is, “enablers” of development, for example climate stability. Without them, many final end goals of development cannot be achieved in the long term.

A two-part agenda

Because of this instrumental relationship, it makes sense to differentiate between them and final goals of human development (see left side). It would be conceivable to establish an international development agenda in two parts: one of which would concern itself with final goals of human development, and the other with the creation/protection of global public goods that are key enablers (preconditions) of human development. The latter would build on MDG 8 and also contain all those goals that the world community can only achieve by working together. The former would include MDGs 1-7 and some sustainability goals that are now missing in the MDG agenda. Such a division makes sense because (i) the goals on either side of the agenda are conceptually different; (ii) improvements for the former can be measured at the national and sub-national levels as well as globally, whereas for the latter in general they can only be measured globally; (iii) the goals of both parts are instrumentally linked.

Moreover, this would also take into account the concerns of proponents of a new MDG agenda as well as those in favor of SDGs. Such a division into two parts would limit the marginalization of goals for poverty reduction, while the second part would ensure that the most important criteria of sustainable development would at least be taken into account.

MDGs and SDGs would be combined to form a unified agenda, living up to the expectations of the paradigms of both poverty and sustainability.

The objectives of this agenda should be global in every sense of the word: The goals of the second part are global by definition, as they refer to global public goods and can thus only be measured globally. But those of the first part should also apply to all nations rather than just the developing countries, as is the case with the current MDGs. This will require differentiation to transform the global goals into national objectives, making them both achievable but also ambitious, according to each country's capacities. This will encourage the reduction of poverty, mortality, and school dropout rates in the rich countries as well.

Whether such an agenda will come together has yet to be seen. After all, more important than its actual manifestation is that it needs to be accepted by all governments and societies. In contrast to the inception of the MDGs in 2001, the developing countries need to be fully involved in the elaboration of the new agenda right from the beginning, and the concerns of governments and NGOs both in the North and the South need to be considered in equal measure. ■



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THE ARCHITECTURE OF A SUSTAINABLE FUTURE

By Peter Bakker

To create a sustainable future, we first have to be able to envision a future that is radically different from the world we know today. That means that the first step for any organization wanting to “become sustainable” is to have a vision of what its activities, products, or services would look like if it were, in fact, “sustainable” — not just in terms of the impacts and dependencies on the people and resources a company requires, but also with regard to the broader environmental and societal impacts of its activities.

In 2010 the World Business Council for Sustainable Development (WBCSD) published a groundbreaking piece of work: Vision 2050. It was the first time that global business publicly stated that business as usual was no longer an option. Our vision is incredibly simple, as all grand goals must be: that by 2050, 9 billion people will be able to live well, safely within planetary boundaries.

Vision 2050 outlines pathways that map a transformational change of existing systems to achieve this overarching goal. WBCSD’s Action2020 platform concentrates on addressing nine science-based priorities with business solutions that can result in measurable positive impacts at scale. The nine priority areas for action were selected and range from climate change to ecosystems and land use, and from basic needs and rights to sustainable lifestyles.

These science-based, actionable priorities, and the societal goals that were developed alongside them, form the core of WBCSD’s Action2020 work platform. With our members, we are working to develop business solutions that can have a measurable and significant impact toward achieving these 2020 societal goals — we call them “Societal Must-Haves.” They need to be scalable, replicable, beyond business as usual, and, most importantly, able to overcome barriers that will inevitably appear in their way.



“ Vision 2050 outlines pathways that map a transformational change of existing systems to achieve this overarching goal. ”

Of course, business cannot do everything by itself. It is in a unique position with unique capabilities — it has the financial resources to develop innovative products and services, and it has management and technological capabilities to bring them to scale. But to achieve ambitious and audacious societal goals, business will need the support of smart policies, capital markets, education institutions, and, above all, a collective acceptance of the need for change at all levels of all societies.

Part of this change will be redefining “value.” We need to move away from a model where shareholder value is the only criteria for measuring business performance to a model where financial, social, and natural capital are measured and managed in an integrated way.

It is for these reasons that WBCSD and the Global Reporting Initiative partnered with the UN Global Compact to develop the Post-2015 Business Engagement Architecture. At its center is a new corporate sustainability philosophy that expands the definition to include a company’s delivery of long-term value in economic, social, environmental, and ethical terms. The architecture is built on a foundation of long-term business goals that protect corporate “value.” Advancing inclusive growth, social equity and progress, and environmental protection are accepted as key factors of sustainable revenue stability, resource productivity, and the mitigation of operational, legal, and reputational risks.

The architecture is designed not only to support the ability of global business to deliver long-term strength and resilience,

but also to enhance the overlaps between public and private interests, which are essential to increasing overall engagement in taking action to scale.

The architecture is available for all. We are working to create a world where it makes perfect business sense to follow its guidelines, where more sustainable companies are recognized and rewarded, and where the world and the societies we live in also benefit.

The overlap between Action2020 and the post-2015 issue priorities emphasizes the potential of business to bring about meaningful change. Forward-looking companies see this as an essential route to securing the futures of their businesses — to their own future sustainability. Together, we have set out on a journey where business plays its part in creating a sustainable future. Join us. ■



Peter Bakker is President & CEO, World Business Council for Sustainable Development (WBCSD).



CORPORATE RESPONSIBILITIES IN THE CONTEXT OF THE POST-2015 SUSTAINABLE DEVELOPMENT AGENDA

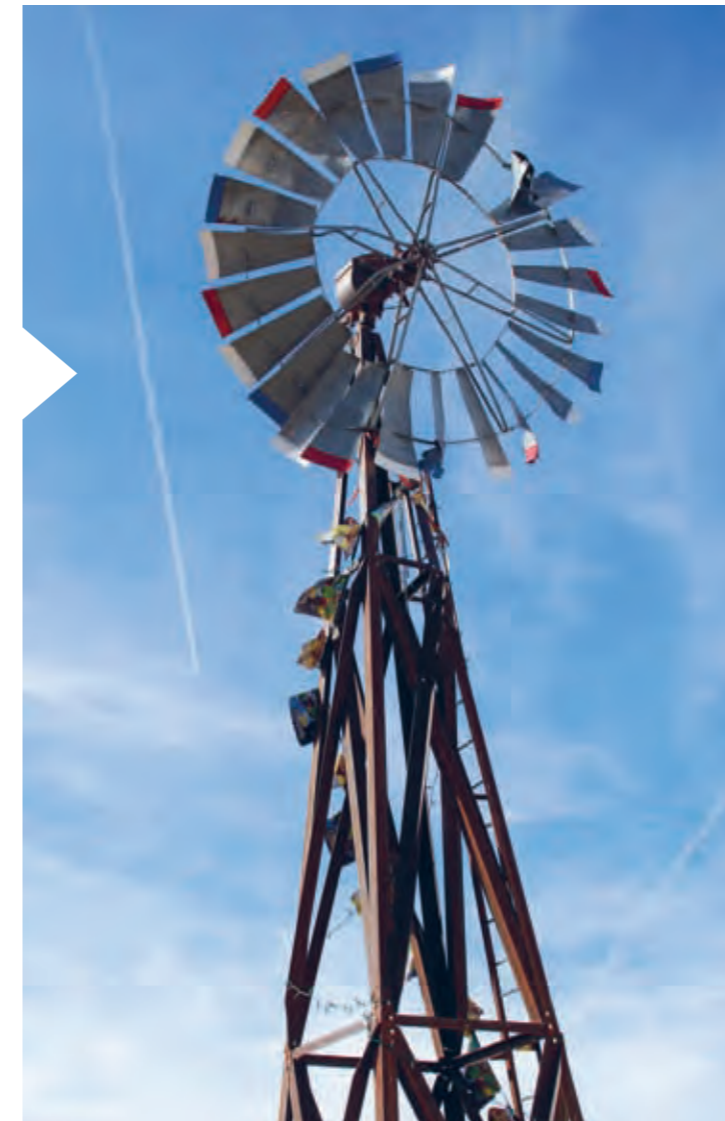
By Prof. Dr. Klaus M. Leisinger

The shared understanding of a majority of scientists, representatives of civil society, and multilateral institutions as well as of a growing number of enlightened leaders from the private sector is clear: Global economic, social, and environmental systems are on an unsustainable trajectory. Phenomena such as climate change, extreme weather events, rising sea levels, acidification of marine ecosystems, loss of biological diversity, and other environmental changes are likely to have negative impacts on the development opportunities and choices of future generations. The consumption of nonrenewable resources continues to be much higher than the substitution through renewable resources.

Extreme poverty, poor health, inadequate nutrition, and other forms of human deprivation are widespread and reduce development opportunities of the generation living today. One result is increased internal as well as international migration — depriving rural areas and poor countries of the most valuable development resource: the initiative and skills of young people. Even in rich countries, income and wealth disparities are widening, and high unemployment — particularly among young people — is becoming endemic. The world population will grow from today's 7.2 billion people to more than 9 billion by the year 2050.

On the other hand

Despite all this, there is no reason to surrender to melancholic pessimism. When resources are priced properly, resource-intensive and ecologically damaging goods will become more expensive — and hence less attractive. Competition encourages producers to make the use of such goods cost-effective — that is, to minimize their use. Companies that take their responsibility toward the environment seriously and develop better products and processes will have a competitive edge. Under such conditions, the competition inherent in open markets becomes the primary driving force for the creation of ecologically-sound technology. If markets were made to work for the environment by applying “full-cost pricing” along with the polluter pays principle, ecological innovation will be encouraged on the product and process levels.



When *The Limits to Growth* was published in 1972, it created enormous fears. Things developed differently, as the views around the first UN Conference on the Human Environment underestimated the potential of economic feedback mechanisms and human creativity to lead to improved technologies, substitution mechanisms, and modified patterns of behavior. Despite the world population having more than doubled over the last 50 years and a substantial increase in consumption, most metals, food, and other natural resources have become more available rather than scarcer over time. As most of the world's known reserves increased, the prices (adjusted for inflation) of most natural resources came down. The main pollutants have declined in most industrial countries, and air and water quality have improved — new threats, such as the accumulation of greenhouse gases, have developed. Microorganisms such as smallpox, plague, cholera, typhus, and the like, which threatened the lives and health of earlier generations in industrial countries, have been successfully conquered and are much better contained than they were 50 years ago. There has also been spectacular progress in the management of diseases such as HIV and malaria.

Will the future be so different? Those believing in human ingenuity as a powerful force make an important contribution to the sustainable development debate by pointing out that we should be interested not so much in a specific resources per se (copper, for example) but in the particular services that resources can yield (such as the capacity to conduct electricity). The same point was made long ago by Amory Lovins in arguing for the potential of energy efficiency. If the services required for sustainable development can be supplied by other resources (such as optical fibers or hydrogen-based energy), the availability of the original resource (copper or fossil resources) has no great significance. If scientists are able to assemble atoms and molecules into new materials that can be substituted for a scarce resource, that specific scarcity becomes irrelevant. There is no reason to assume that similar mechanisms will not help to deal with emission issues better.

Creating awareness about actual and potential problems associated with the “business as usual trajectory” and drawing attention to possible associated outcomes remains an important part of the sustainable development discourse: Warning voices provoke new thinking and different perspectives, and they trigger political reactions as well as changes in human behavior that, in their entirety, confute all predictions. The real world is characterized by continuous feedback mechanisms and interactions (circular interdependence), and human ingenuity holds out the promise of endless innovations. Nothing remains unchanged, since humans respond intelligently to altered circumstances, to conflicts and shortages: Intensive research yields new knowledge and significant technical innovations. For this reason, the competition for resources between current and future generations need not be a zero-sum game in which one

party can only win if the others lose. Owing to technological progress, what the present generation regards as “sustainable” may be totally irrelevant for future generations. The opportunities created by technological advances and appropriate (full-cost) pricing continue therefore to be highly significant for the sustainable development debate — they help stretch the time needed for eventual changes in human behavior with regard to their production, consumption, and waste patterns.

A precautionary approach for sustainable development...

Despite all this, there is no reason to propose an undifferentiated business-as-usual approach. What is to be developed is a “middle path” between approaches that tend to move toward the future in the spirit of Hans Jonas’s “heuristics of fear” and



those who believe that improved technologies and new research findings open up completely new possibilities for future action — that is, an unfettered business-as-usual optimism. What ought to be kept in mind is the precautionary principle accepted by the international community in 1992 with its support of the Rio Declaration on Environment and Development. So, the challenges that need to be overcome in order to design a sustainable development path are immense. There is no universal blueprint. Whatever changes, the main features of “Development with a Human Face” will continue to be

- economic prosperity, that is, higher discretionary income, and thus an increase in personal choices — but above all an end to extreme poverty and hunger;
- distributional fairness of available opportunities and social inclusion as well as fair access to social services;
- environmental stewardship, that is, respecting planetary boundaries in all investments as well as production and consumption decisions; and
- good governance at the international level, as well as in every country and by all sectors of society, including governments,

businesses, and civil society organizations. The minimum criteria are the protection of human rights, a rational, responsible, and transparent use of authority, as well as allocation of funds in the management of a country’s or institution’s economic, ecological, social, and political resources.

... and a new standard of practices for all

The goal of the sustainable development discourse — very similar to the aspiration articulated in the preamble of the Universal Declaration of Human Rights — is a new common standard of practices for all peoples and all nations, to the end that every individual and every organ of society. Given the scale and complexity of problems to be solved, individual actors or institutions by themselves cannot make a decisive



difference. Successful endeavors to change the development path necessitate a multistakeholder approach, whereby the international community, multilateral institutions, national governments, regional institutions, civil society, and the business sector as well as individual households share responsibility and commit resources, skills, and know-how to achieve sustainable solutions in a fair way. In the same way that a nation’s economic and social success is greatest when there is a fair division of labor and responsibility between different societal actors, sustainable development will benefit from shared values and common understanding over basic issues and opportunities.

The primary responsibility for human development undoubtedly continues to rest with national governments and their administrations. It is their duty to set the appropriate priorities, allocate the resources available to them accordingly, and work in the most cost-effective way. But the corporate sector — the single most efficient source of economic activity — has its share of responsibilities, too.

Corporate risks and opportunities in the context of the post-2015 development agenda

Assuming sustainable development — related responsibilities means different things in different sectors; in all cases it is likely to involve additional costs and expenses. However, these ought to be considered as strategic investments for the continuance of old — and the creation of new — business opportunities.

Rising societal sensitivity in high-income and emerging countries will result in a more pronounced awareness of the growing dangers and the positive or negative roles played by sectors and individual businesses. As public expectations grow, businesses are well-advised to look beyond short-term market signals and work closely with multilateral institutions, governments at all levels, scientific institutions, and civil society to identify sustainable development challenges and implement solutions. Business may not be able to solve all these problems, but business cannot thrive in a society that fails to solve them.

Companies that establish a reputation for problem-solving are likely to be rewarded with government and community support. They are likely to enjoy differential acknowledgment and be seen as reliable partners in addressing long-term sustainable development challenges. This again is likely to allow them to help shape public policies in support of sustainable development, improve their positioning in the present and future marketplace, and maintain their social license to operate and grow.

Companies and sectors on the wrong side of sustainable development are likely in the long term to face diminishing opportunities and increasing challenges. Such companies may, in the short term, continue to earn — and even increase — their profits, even while they despoil the environment or ignore other societal needs, but they will not thrive in the long term as societies and governments gradually revoke their (social) license to operate. Indeed, the very survival of those companies is threatened when they come to be seen as being directly opposed to the interests of society.

Probably the most important obstacle for corporate actions in line with the requirements of sustainable development is the current structure of incentives: The costs and expenses for business enterprises occur today, whereas the possible return on investment is likely to become a reality “later” — and certainly outside current accounting cycles. The widespread focus on short-term performance in the context of financial markets, quarterly corporate reporting cycles, and — for politicians — the rhythm of election cycles constitutes a potentially high hurdle for long-term returns. Enlightened corporate leaders today already agree that a business that strives to save on costs or exploit opportunities by going to the edge of what is legally

permissible instead of living up to the spirit of a UN Global Compact — based corporate responsibility philosophy may look better in the short term, but it is likely to create higher risks of accidents or perceived misconduct. Therefore, when faced with dubious legal standards, good management practices wisely exercise self-restraint and avoid morally ambivalent business practices.

Enlightened corporate leaders today also agree that economic success achieved with collateral social or ecological damages — or, even worse, human rights violations — offends human dignity (including the dignity of those responsible for such conduct) and destroys public trust. You do not have to study moral philosophy and make complex ethical analyses to come to the conclusion that corporate activities should do no harm and that international norms ought to be respected — these *minimal moralia* simply represent good management practices and mere decency.

What is needed is the application of this responsibility mindset to a long-term time frame and appropriate actions today in view what is demanded in a long-term perspective. This requires leadership profiles and value management of a different kind. Corporate leaders will have to participate in the public discourse on sustainable development; be exposed to and learn from constituencies outside the business silo; create transparency; and explain complexity as well as share dilemmas. Management of the manifold dilemmas posed in the context of corporate responsibilities for the post-2015 development agenda necessitates a values-based approach and a reference to what the High-Level Panel emphasized in its report *A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development*: namely, a global moral common sense.

Common values for sustainable development

We are faced with an incentives problem. Barely existing today are the incentives for individuals or institutions to:

- pay or invest in something now that might bring a return on investment in the long term;
- accept changes in accustomed production and consumption habits for a long-term benefit;
- endure uncomfortable alteration due to different patterns of individual mobility now for an infinitely small contribution to the prevention of problems in the future;
- change other aspects of the “*courant normale*”; or
- for politicians, inflict short-term burdens for long-term change on their constituencies.

The “costs” accrue immediately, whereas the returns become apparent only in the long run, and for different people probably at different places in the world — if at all (because deterioration of the status quo has been prevented due to the impact of the

changes). Awareness-raising through education and advocacy, tax reforms so that all costs tell the ecological and social truth, and appeals for enlightened self-interest will be necessary to motivate a small but increasing number of people worldwide.

Above all, sustainable progress for a global development path that is compatible with our planetary boundaries and the sound opportunities of future generations to satisfy their needs depends on a common ethical denominator. A “future we want for all” rests on the core values of human rights, equality of opportunity, and social as well as ecological sustainability. The identification with a global common moral ground may allow for an enlightened common interest perspective. It is only this that is likely to make it possible for individuals and institutions to “give” without immediately “taking,” to forgo superficial consumption today for the benefit of the preservation of scarce resources, or to invest now for the benefit of other people’s children living in the future elsewhere in the world. Only the internalization of a common minimum of core values such as respect for life and human dignity; mutual respect; peaceful settlement of conflicts of interest; justice and fairness; and the firm intention to honor the Golden Rule principle of reciprocity – that is, to treat others as you would wish to be treated – opens the possibility to find a common sustainable path for human development. If and when lifestyle models such as “sophisticated modesty,” “smart simplicity,” and “prosperity light” become fashionable, they are likely to become attractive as development patterns for the rising middle-class populations of the world. The evidence that “more” in terms of conspicuous consumption does not necessarily mean “more” in terms of happiness and quality of life has been shown clearly.

As stated by the World Commission on Culture and Development, another important commonality in the work just cited is that human development can no longer be perceived as “a single, uniform, linear path, for this would inevitably eliminate cultural diversity and experimentation, and dangerously limit humankind’s creative capacities in the face of a treasured past and an unpredictable future.” Last but not least, there is a pronounced need for political and corporate leadership, one “made strong by vision, sustained by ethics, and revealed by political courage that looks beyond the next elections.” The corresponding equivalent for business leaders would be moral courage that looks beyond short-term economic results.

General affirmation of normative terms versus concrete rejection in a specific context

So far, so good. But the next step – the operationalization and application of such abstract common values – is a complex task. We owe Michael Walzer for the important consideration that the basic approval of a general abstract norm among people does not necessarily mean consent in the application of such a norm to specific circumstances. As he states in his



book *Thick and Thin. Moral Argument at Home and Abroad*: “Moral terms have minimal and maximal meanings; we can standardly give thin and thick account of them, and the two accounts are appropriate to different contexts, serve different purposes.” When evaluating the Ten Principles proposed by the Global Compact or those recommended by the Sustainable Development Solutions Network, reasonable people all over the world will agree that they are right on target; no rational person can disagree with goals such as “ending poverty,” “qualitative education for all,” “good governance and realization of human rights,” “gender equality,” and “health and well-being at all ages.” Most experts in the different science categories will also agree on the targets associated with the goals. From a corporate perspective, however, this agreement and support is “thin.”

In order to operationalize them – to make the agreement and the support “thick” – the potential (general) responsibilities will have to be differentiated at least

- by industry sector (given that the pharmaceutical industry, the extractive industry, the agro industry, the textile industry, the financial industry, and any other industry have – besides the nonnegotiable duty to adhere to the law and regulations – very little in common);
- by initial condition and resource base of a company (given that small and medium enterprises in low-income countries have totally different resource bases – and thus breadths and depths of their responsibility portfolios – than high-performance multinationals from OECD countries);
- by culture context (given that valuations about “desirable” and “undesirable” vary according to different “collective programming of the mind, that distinguishes the members of one group or category of people from another... with consequences for beliefs, attitudes, and skills as well as systems of values,” as stated by G. Hofstede in *Culture’s Consequences*); and

- by the “do no harm” principles of the Global Compact and the “do good” requirements of its LEAD initiative.

Also in the context of the corporate responsibilities for the post-2015 development agenda, the top management of a company will have to go through a conscious management cycle.

Nice words are fine, but hens lay eggs

The wisdom of the African proverb about hens laying eggs puts the intuitive sentiment in one sentence: Articulating nice statements and issuing attractive brochures does not really help. On the contrary, if actual performance deviates from the messages given, there will be cynicism and frustration on the side of the employees, and if the actual performance deviates from public expectation, external criticism will arise. Companies competing with integrity have answered the basic question: They want to be “part of the solution,” not “part of the problem.”

The appropriate way for a company to proceed is to undergo a similar strategic reflection process regarding the Ten Principles of the Global Compact in general, and to reflect – and possibly consult – with specific stakeholders about what their post-2015 development agenda responsibilities could be.

- In light of the encouragement about “taking action in support of broader UN goals and issues,” what can the company do, and what is it willing to engage?
- In what areas does the company have experience, skills, resources, and networks in connection with its core competences that would be especially useful in supporting broader UN goals?
- Who are the relevant stakeholders with whom the company could cooperate in strategic social investments and philan-

thropy? What are their stakes and expectations? What are the experiences from earlier cooperation?

- How does the company proceed if the expectations of civil society conflict with those of the financial community?
- Which are the areas that could lead to a business case in the years to come?
- Is the company willing to allocate human resources and financial budgets over three to five years to allow for a sustainable program rather than short-term projects?

Sustainable development value management

Once this groundwork is done, corporate management will have choices from a structured portfolio and can set the priorities that fit best with the overall corporate strategy. And then – as usual in value management – SMART targets have to be set; internal and external communication initiated; employees and business partners committed and incentivized; performance appraisals, promotion criteria, bonus systems, and compliance management adjusted appropriately; and benchmarking done.

Allocating time for top management to reflect on such issues is, in my experience, the most important element of a successful corporate responsibility process, as it goes beyond the business-as-usual trajectory. Dialogue with internal and external stakeholders helps in reaching informed decisions about the content, scope, and limits of post-2015 development agenda responsibilities. Corporate management thereby becomes familiar with the multiple demands of different stakeholders. Managers are challenged by values, concerns, views of the world, and perceptions of corporate obligations, which can differ substantially from their own. But this learning experience – as challenging as it may sometimes be – enhances the social competence of corporate management. Such dialogues are, in the best of all worlds, a two-way street: Civil society stakeholders also have the opportunity to learn about the mindset of management and about the ways that managers make decisions on the basis of business fundamentals, and hence these stakeholders can better assess where there are limits and nonnegotiable essentials for profit-oriented corporations. ■



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MEASURING SDGs

While indicators have been developed and used in reporting progress toward the MDGs, the approach to upcoming SDGs must be systematically developed.



GOING BEYOND GDP – MEASURING SOCIAL PROGRESS

By Julia Vol

Agreement is emerging between politicians, social actors, and businesses worldwide – that economic growth alone cannot provide an accurate indication of prosperity. Relying on economic growth as the sole measurement for social progress provides an incomplete picture. But there is a new measurement that attempts to provide a better understanding of the components of a successful society and social order.

Traditional measurements such as gross domestic product (GDP) measure only how much money is generated within the system, but GDP does not measure the social, environmental, or long-term economic costs of generating these gains. Purely economic measurements also fail to represent how the money within the system is distributed, how it is used, and who gets to enjoy it. All of these factors must be taken into account when assessing social progress, equality, and quality of life throughout societies and countries.

None of the economic “bads” such as pollution and child labor are included in any GDP measurement. Absurdly enough, war spending and costs for the recovery from natural disasters have a positive effect within the GDP matrix, while obviously having a negative impact on the quality of living of the people affected. In addition, economic growth without social progress does not translate into greater well-being and stability. On the contrary, it might actually contribute to growing social gaps and discontent, which can eventually threaten the entire system. Accounting for all the factors

above, we cannot allow business as usual and the use of GDP as an acceptable measurement for progress and well-being.

Over the past years, there have been many attempts to come up with new, more holistic indicators to replace or supplement the problematic use of traditional GDP. Measurements such as gross domestic income, the GINI coefficient, and the Human Development Index have been offered as alternatives, but they are often criticized for leaving out important components such as ecological considerations, or for being socially, culturally, or contextually biased.

Alternative measures

To respond to this criticism, the Social Progress Imperative was founded in 2012. A beta version of their first research product was published a year later: the Social Progress Index (SPI). In April 2014, the first official SPI was introduced, which gathered and compared information from 132 countries around the world. The Social Progress Imperative Foundation



was created in cooperation with academia, global corporations, and civil society organizations. Chaired by Professor Michael Porter (the creator of the Shared Value concept), and with partners such as Deloitte and the Skoll Foundation, the organization established a new groundbreaking measurement, which incorporates 54 indicators that address many of the flaws of the previous measurements. It provides the most holistic and accurate representation of reality so far.

The Social Progress Index aims to meet the growing need for a well-being measurement that addresses the issues mentioned above and provides a useful tool for governments, societies, and businesses to obtain a better understanding of a country's performance, highlight challenges, and catalyze action.

The authors of the report define social progress as “the capacity of a society to meet the basic human needs of its citizens, establish the building blocks that allow citizens and communities to enhance and sustain the quality of their lives, and create the conditions for all individuals to reach their full potential.”

The remarkably innovative feature of the index, which distinguishes it from previous metrics, is that it does not take economic factors into consideration. It measures results rather than “intentions” – spending and investments. The index consist of 54 indicators, which are broken down into three main categories – basic human rights, foundation of well-being, and opportunity. It attempts to account for the features that answer the question: What does a successful country look like?

Breaking down the matrix into 54 indicators helps to highlight the positive and negative factors within the overall score. They will assist in the discussion on national and social priorities, which should be addressed in efforts toward improvement, as well as help in generating tangible results.

(Un)usual results

At first glance, the SPI scores put the “usual suspects” at the top – the countries that are known for the high quality of their living standards, such as New Zealand, Switzerland, and the Scandinavian countries – whereas sub-Saharan states are at the bottom. However, when looking closer and reading into the indicators, interesting facts are revealed.

Switzerland, which is ranked second overall, scores only 12th place in the “Opportunity” measurements, with its lowest score referring to “Tolerance and Inclusion.” Although Iceland placed third overall, the country does not lead in any of the 54 individual dimensions.

And even though Western and developed countries perform very high on wealth and social well-being indicators, their scores on ecosystem sustainability are rather poor – Canada and Australia are in 46th and 47th place, respectively.

Such insights help to point out the specific issues that should be addressed by governments, society, and business in a much more accurate way than has been offered by previous measurements.

Comparing the scores of the SPI to the GDP per capita data of countries proves that the rate of economic growth often does not reflect well-being and prosperity. Iceland and New Zealand top the SPI but have much lower GDPs per capita and are ranked 14th and 30th, respectively. Meanwhile, Russia and Croatia, with similar GDP rates, score very differently on the SPI. Croatia is positioned 36th, whereas Russia ranks 80th and exhibits very different social conditions. Such results draw a clear picture of how economic growth is not nearly sufficient to represent quality of life or point out social shortcomings.

The publication of the Social Progress Index this past April has already led to furor and headlines worldwide, sparking a debate and generating a wide range of reactions. In the United States, the index findings have reignited the sensitive public debate over the country's healthcare system. Although the overall rank of the United States is 16th place, the health and wellness score places it 70th — despite having the highest expenditure per capita in the world on healthcare.

Paraguay, Costa Rica, Brazil, Trinidad, and Tobago already announced that they will be using the Social Progress Index as a foundation for creating their own sub-national index to measure progress and well-being. The goal is to provide a holistic framework for key stakeholders such as government, aid agencies, businesses, and civil society to identify current social needs and be able to track and measure progress for change.

In the short time since its release, the SPI has enjoyed increased attention and interest worldwide. The innovative value of the SPI is its ability to reflect the actual state of well-being in a country rather than looking at economic ability to achieve certain aspects of well-being. This positions the SPI as a possible alternative or supplement to the problematic GDP measurement. It is hoped that this measurement will contribute toward a better understanding of the quality of decision-making in the future, facilitate a better utilization of resources, and improve the ability to monitor change. ■



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OVERVIEW: ECONOMIC AND WEALTH INDICATORS

Gross domestic product (GDP) has been used for decades as the most important indicator of economic performance and prosperity. But the concept of GDP is increasingly coming under fire. Are we measuring completely irrelevant numbers? Robert F. Kennedy wisely stated that GDP "measures everything except that which is worthwhile." So which economic and wealth indicators do we have? Which are sustainable?

Gross Domestic Product

GDP measures the total value of all goods and services produced by a nation during the year. Many criticize its use because it does not distinguish whether money is spent on meaningful or meaningless items. Thus, the exploitation of resources, environmental damage, and even war and destruction appear in the statistics as supposed sources for increased wealth. On the other hand, the informal sector and subsistence farming are not measured, for example, though they are critical for a large number of poor people around the world.

Gross National Product

GNP is the total income earned by the population of a country in a given period. However, GNP tells us nothing about the unequal distribution of wealth or income distribution in a society, for example.

Per Capita Income

Per capita income is derived from dividing national income by the population in a given period. For international comparisons, per capita income is converted, often using the US dollar. However, the different purchasing powers of different currencies are considered to be insufficient.

Human Development Index

The HDI has been published since 1990 by the United Nations Development Programme. In addition to GDP, it also takes into account life expectancy, literacy, and enrollment rates. From this holistic perspective, one comes to surprising results. China, for instance, is the second-largest economy in the world after the United States, in terms of GDP, but in the Human Development Index, the country ranks only 92. In 2010 the Inequality-adjusted Human Development Index (IHDI) was introduced. The IHDI can be viewed as an index of "potential" human development if there were no inequality.

Index of Sustainable Economic Welfare and the Genuine Progress Indicator

The ISEW also considers aspects such as income distribution; unpaid domestic work; public spending on health and education; pollution; resource consumption; and the costs of climate change. ISEW was developed further into the Genuine Progress Indicator.

Happy Planet Index

The Happy Planet Index combines values for life satisfaction, life expectancy, and the size of ecological footprints. Developed by the New Economics Foundation, in collaboration with Friends of the Earth UK, in July 2006, the index is weighted to give progressively higher scores to nations with smaller ecological footprints. In 2012 the best-scoring country for the second time in a row was Costa Rica, followed by Vietnam and Colombia.

Economic Diversification Index

The Economic Diversification Index shows the structural economic weaknesses of a country. It is composed of the share of manufacturing sectors in the GDP, the number of employees in the industry, electricity consumption per capita, and export concentration as a measure of the dependence of a country on the export of goods or commodities.

Big Mac Index

The Big Mac index is a simple indicator of the purchasing power of a currency. It is used because Big Macs are sold almost everywhere in the world and have a standardized size, composition, and quality. The idea was to make exchange-rate theory a bit more digestible.

Gini Coefficient

The Gini coefficient, or Gini index, is a statistical measure developed for the representation of unequal distributions. The Gini coefficient takes a value between 0 for uniform distribution and 1 at maximum inequality. The Gini coefficient was proposed by Corrado Gini as a measure of inequality of income or wealth.

Nationaler Wohlfahrtsindex (NWI)

The NWI is based on the assumption that private consumption – the consumption of goods and services by households – contributes to the welfare of the people. Therefore, extra income for a poor household offers more benefits than extra income for a rich household. Thus, the more unequal the income distribution of a society, the lower the NWI.

Compilation: Editorial Team

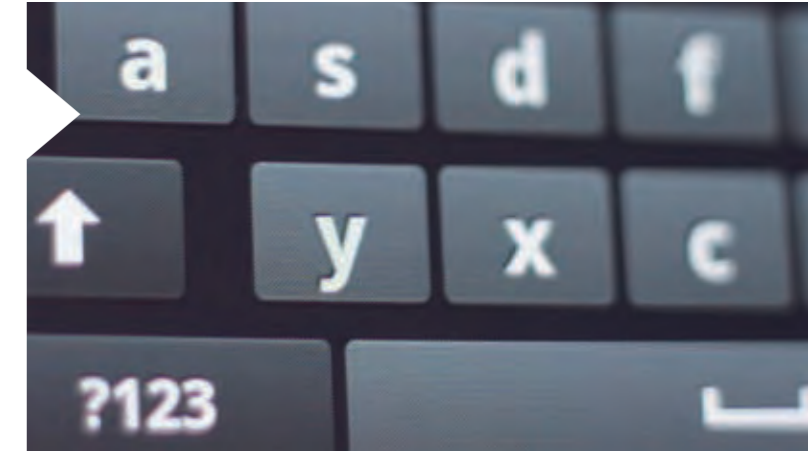
SUSTAINABLE INNOVATION MANAGEMENT: TEN LESSONS FROM INNOVATION STUDIES FOR A SUSTAINABLE PARADIGM

Sustainability goals, such as those associated with the the post-2015 development agenda of the United Nations, have to be translated into new commercial products and services as well as different ways of making and delivering them that replace less-sustainable alternatives. This is the role for firms intending to profit from innovation while meeting sustainable goals. Sometimes these innovators are small entrepreneurial firms that see sustainable products as an ideal niche in which to start a new business venture. Sometimes these innovators are large firms that have identified opportunities where customers and/or technologies are new. Successful innovation at the firm level contributes cumulatively to industrial structural change in a process known as “creative destruction.” Through this process, a new paradigm can emerge, within which sustainable economic growth flourishes in an inclusive manner consistent with the goals of the United Nations post-2015 agenda.

By Dr. Paul Dewick and Jonathan Aylen

The direction and pace of this creative destruction process is difficult to foresee. What history tells us is that we can expect a wide range of novel products, new production techniques, and imaginative services to be offered to the consumer. Given these broad choices, the market acts as a selection mechanism — some alternatives will be picked and some neglected. Competitors will watch what succeeds and adapt their offerings accordingly. It is precisely from this sort of lively variety, selection environment, and serendipity that the winning outcomes emerge that will contribute to a preferred (and potentially more sustainable) paradigm. In the following 10 lessons, we consider briefly the role of innovation dynamics in facilitating a sustainable paradigm consistent with the post-2015 agenda of the United Nations. The list is not exhaustive, but it signposts some of the challenges and opportunities for sustainable innovation management.

■ **1.** A sustainable paradigm is more likely if sustainable innovation yields a profit. This is not necessarily difficult. Green goods open new markets. Sustainable raw materials can reduce costs. Diversification to novel, sustainable sources can spread risk. Developing markets for recycled products such as plastics or beverage cans, paper, or compost encourages both collection by households and processing by emerging firms confident of their supplies. For example, the Holmen Paper of Sweden sends fresh newsprint to the United Kingdom and Germany by sea. The same vessels return with waste paper and travel direct to the mill, where it is used as feedstock alongside pulp from timber. Reversing the supply chain in this way allows them to diversify their raw materials supply and cut production costs. The challenge for firms is to stimulate creative ideas and to champion and support the ideas through to implementation.



■ **2.** Necessary technologies often evolve together. Innovation needs to be managed at the component and systems levels. Carbon capture is straightforward for many industrial processes, such as oxygen steelmaking. Yet, implementation of carbon capture and storage (CCS) is anything but straightforward, requiring, for example, the development of networks, both physical (e.g., systems of pipes, storage sites) and contractual (e.g., between steel producers and infrastructure owners), as well as supportive institutions (e.g., regulation, local planning). The challenge here is to coordinate individual innovations at different levels into a sustainable architecture. Organizations emerge nationally and regionally to support coordination, often supported by government. For example, the Chinese Ministry of Science and Technology takes a lead role in China’s CCS development, including initiating CCS research and development activities, funding, and approving CCS demonstration projects. In the United States, the Department of Energy’s network of seven Regional Carbon Sequestration Partnerships heads-up national efforts to develop the infrastructure and knowledge base of CCS. In Europe a similar role is played by the European CCS Demonstration Project Network. The Global Carbon Capture and Storage Institute, based in Australia, connects organizations internationally.

■ **3.** Technological trajectories will guide the direction of progress, but trajectories will vary. Global problems often need local solutions. Technologies prosper in localities depending on sociocultural-political characteristics and access to different sorts of capital (e.g., natural, financial, human). For example, biomass potentially provides a basis for an alternative (more sustainable) system of production and distribution for (bio-)fuel and (bio-)material products. There are many alternative biomass feedstocks and associated production and processing technologies that lock in systems of production and distribution. Contrast the evolving trajectories associated with sugar cane-to-ethanol production in Brazil with the cellulosic ethanol production in the United States. Going forward as sustainable

land-use patterns are developed that balance demands for fuel, food, ecosystem services, and carbon sequestration, we can expect opportunities for different trajectories to emerge around alternative inputs to the bio-economy.

■ **4.** Innovation is not just about technological change. Business model innovation is important, too, and there is increasing adoption among small entrepreneurial and large multinational firms of alternative business models that support a value proposition aligned with sustainable goals. For example, Delphis Eco, a UK-based startup, was conceived with a business model applying “creative capitalism” to the consumption and production of ecological cleaning products. At the other end of the size spectrum, well-known examples — including Unilever’s “Sustainable Living Plan” and Marks and Spencer’s “Plan A” — demonstrate how sustainability goals can be embedded into the core business processes of large firms. More recently, the B-Team was established by a group of high-profile business leaders with the aim of catalyzing “a better way of doing business for the wellbeing of people and the planet”; an opportunity consistent with the UN post-2015 agenda.

■ **5.** Although it often lags behind technological change, institutional innovation is always necessary to support technoeconomic changes. Indeed, the co-evolution of technologies and institutions shape the pace of progress. Institutions vary greatly across countries, and their influence on innovation processes is complex, but basically there are two types of institutional innovation: formal changes such as new rules, laws, and constitutions; and informal changes such as new sociocultural norms of behavior, conventions, and self-imposed codes of conduct. Government often plays the role of institutional entrepreneur with respect to sustainable innovation, shaping the environment in which novel ideas will prosper and diffuse. Opportunities include funding basic R&D to acquire knowledge of the options; standard-setting to help designs develop and markets flourish; subsidizing capital investment otherwise handicapped by small

scale; public procurement (brokering markets); assisting job creation; education and training in novel skills; and investing in national infrastructures to support new breakthroughs. One needs only to look at how government has engaged in the above initiatives to support the adoption and diffusion of information and communication technologies, which are often thought of as being the last paradigmatic change.

■ **6.** But one can expect resistance to innovation. For example, companies handling fossil fuels have the benefit of experience, economies of scale, and many years of learning on their side. Vested interests bolster the status quo. Escaping this kind of lock-in requires knowledge of the alternatives, strong institutional support, and the flair of entrepreneurship. For renewable sources of energy, it seems the risks and costs are all on the side of innovation. But doing nothing is often the biggest risk and can create the highest cost of all. The headline argument of the Stern Review on the Economics of Climate Change (2006), for example, was that the benefits of responding earlier to climate change far outweighed the costs. Subsequent studies have supported this position, and yet, systemic inertia means that climate change remains an intractable problem.

■ **7.** Scale matters. Efficiency gains can be offset by increased production; environmental impacts must be considered in absolute rather than relative terms. Admittedly, new ideas often start small. Green innovations may prosper in protected niches. The cumulative effect of “grassroots” innovation may be considerable. But, scalable solutions are required to achieve paradigmatic change. Herein lies an opportunity for what some call “focal” organizations, which can leverage change and stimulate sustainable innovation beyond their organizational boundaries with both upstream suppliers and downstream customers. The identities of focal organizations differ across global value chains, but they are often the preserve of large branded manufacturers and retailers. For example, consider the initiatives of the US retailer Walmart, which has worked collaboratively with its diverse supply base, notably through the Sustainability Consortium, to stimulate sustainable innovation across product categories.

■ **8./9.** Innovation is risky. Foresight tools and techniques can reduce uncertainties associated with making investments in new technologies and markets. Roadmapping of new products and processes spells out the resources required to make things happen and anticipates bottlenecks. Plausible scenarios for future development help firms and policymakers “buy in” to a change of direction. Consensus can be built through broad consultations structured as Delphi exercises. In this way, foresight methods can reduce risk and are often the stimulus of innovation. Even so, given the uncertainty of innovation, events do not always materialize as planned, and serendipity plays a role, sometimes contributing to more sustainable outcomes. For example, a foresight exercise focusing on clean

machining without cutting fluid anticipated a reduction in the cost of soluble oils, an improved work environment, and cleaner swarf for recycling. Machining without lubricant had the unforeseen benefit of cleaner work pieces, which also reduced contamination in downstream processing.

■ **10.** “Challenge prizes” have a long history that illustrates how competition can spur innovation. For example, the “Longitude Act” of 1714 was an attempt by the British government to stimulate innovation to address one of the greatest challenges of that time. Through an Act of Parliament, 20,000 GBP (more than 2 million GBP today) was offered for a solution to determine accurately a ship’s position at sea “for the safety and quickness of voyages, the preservation of ships, and the lives of men...” The winner was clockmaker John Harrison and his marine chronometer. In 2014 the Longitude Prize has been reconceived with a greater public involvement and a prize of 10 million GBP to support solutions to one of today’s most pressing social and environmental issues. The shortlist for the prize resonates with the United Nations post-2015 agenda.

In conclusion, the emergence of a more sustainable paradigm is unlikely to happen by chance: Intention matters for “creative destruction.” The post-2015 development agenda of the United Nations sets out goals that firms can translate intentionally into new products, services, and processes by engaging in and with technological, organizational, and institutional innovation. Studies of innovation provide us with a dynamic lens through which we can understand better — and respond more confidently to — the challenges and opportunities associated with meeting these goals. ■



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A BIG DATA REVOLUTION FOR SUSTAINABLE DEVELOPMENT

The UN Secretary-General Ban Ki-moon’s High Level Panel has called for a “data revolution” for sustainable development; such a revolution has already arrived in the private sector. But forward-thinking companies can now lead a revolution in corporate social responsibility (CSR) to help us address some of the world’s most pressing issues.

By Robert Kirkpatrick

When thinking of engagement with the private sector, the global development community has tended principally to concentrate on volunteer time and donated goods and services, as the Overseas Development Institute has highlighted. But there is much more we can learn from the private sector about reducing vulnerability and using real-time insights to boost resilience, mitigate risk, and respond to changing global circumstances with greater agility.

The UN is in the process of updating its roadmap and agreeing upon Sustainable Development Goals to see us through to 2030. With this comes the unique opportunity to future-proof the process by using methods that may seem cutting-edge now, but will be considered anything but in a few short years.

The truth is that the data revolution that has been underway in the private sector for more than a decade. Citizens today — in both developing economies and industrialized ones — are generating a growing ocean of digital data, every minute of every day, just by going about their daily lives. As we use mobile devices to communicate, buy and sell goods, transfer money, search for information on the internet, and share our lives publicly on social networks, we leave digital trails that

private-sector firms are mining to understand the needs of their customers, track emerging market trends, and monitor their own operations in real-time.

In healthcare, in the auto industry, and even in entertainment markets, this real-time (and occasionally predictive) intelligence has fundamentally altered how companies serve their customers, leading to the emergence of new business models.

This is good news for those seeking to harness big data for social good. The development community is not starting from scratch, but rather seeking to adapt innovative tools and methods to our own needs and learning how to stay ahead of the curve in a fast-changing world.

**Big data for development:
 A new mode of public-private collaboration**

The Global Pulse initiative is a big data innovation lab for the United Nations. We see that in analyzing big data, there is potential to generate a real-time understanding of human well-being. Since our inception in 2009, we have been researching, innovating, and advocating around many of the principal challenges

“The development community cannot tackle global 21st century problems using 20th century techniques.”

related to transforming digital data into better outcomes for the poor, discovering new approaches, building tools, and working to demonstrate ways to overcome barriers to adoption and scale.

In time this practice will be seen as a “no brainer” for the development community: using mobile data to gain insight into urban dynamics to improve transport infrastructure in Sao Paulo or Abidjan; understanding how perceptions spread via social media in order to tailor HIV prevention campaigns; correlating dengue epidemics with data on holiday travel patterns to ramp up prevention strategies; or planning where to set up support services based on granular mapping of the routes that communities previously displaced by earthquakes used.

But unlike in the private sector, this is not a case of crunching your own numbers or using your own sales data to identify trends. A great deal of the most insightful real-time digital data is held by private-sector companies. The public sector, therefore, cannot fully exploit big data without leadership from and partnerships with the private sector. What we need is action that goes beyond corporate social responsibility. We need big data to be treated as a public good.

“Data philanthropy” is already happening

This is not just blue-skies thinking — there are companies doing this already. The Global Pulse network of partners and collaborators includes forward-thinking private-sector companies willing to engage in data philanthropy. They do this by granting access to data and technology tools to the public sector, as well as industry leaders, universities, research institutes, and nonprofit networks of researchers and innovators who are ready to utilize their skills and expertise to advance the use of data science across global development and humanitarian fields. This type of collaboration has already enabled big data innovation projects across the UN system with agencies including the World Health Organization, the United Nations Development Programme, the World Food Programme, the United Nations Children’s Fund, the Joint United Nations Programme on HIV and AIDS, and many others.

Of course, protecting individual privacy is paramount when analyzing data types of passively generated data, including social data, mobile phone data, internet search data, consumer behavior sales data, and more. Putting in place mechanisms to protect privacy based on shared guidelines, regulations, and technology will help build frameworks in which data can be safely and ethically analyzed for insights that can be used to help protect populations. The private and public sectors must come together to develop these frameworks.

Benefits for the private sector too

The “Post-2015 Data Revolution” will require much more of this type of collaboration between the public and private sectors for social good, and there are many different modalities of working together. In some cases, companies interrogate their own data, using their own data scientists for information on trends that can be used to gain intelligence to solve development and humanitarian problems.

This experience can also prove to be a positive one for the corporate data scientists. Data scientists are in short supply; they come from a generation of millennials for whom ethical behavior and good corporate CSR are extremely important. By allowing these talented young men and women some latitude to use their skills to make the world a better place, companies can boost job satisfaction and retention.

Data philanthropy is also good for business. Take, for example, any given mobile phone company operating in a fragile economy — they have an interest in customers’ general well-being and also in regional economic health. Huge spikes in food prices, displacement by floods and earthquakes, or a fast-moving disease epidemic all represent risks to the phone operator’s customer base. In this case and many others, sharing data with the public sector can help NGOs, foundations, and UN agencies in mitigating risk of harm and boosting resilience — that is good for everybody.

Ultimately, we envision a world in which the private sector routinely contributes to a real-time data commons, where

information on citizens’ well-being could be aggregated and shared, as with weather data. Yet, we recognize that companies will only participate on their own terms, and doing so must also make good business sense.

The development community cannot tackle global 21st century problems using 20th century techniques. We must find a way for different types of real-time data to be shared and analyzed in ways that do not compromise market competitiveness, and that fully protect privacy in the process.

It will take courage, imagination, new regulatory frameworks, innovative policies, and fresh thinking about how public- and private-sector partnerships can be structured — but we must bring about this new reality. ■



Robert Kirkpatrick is the director of UN Global Pulse, an initiative of the Executive Office of the United Nations Secretary-General. The Global Pulse initiative explores how digital data sources and real-time analytics technologies can help policymakers understand human well-being and emerging vulnerabilities.

UNITED NATIONS LOOKS TO SCIENTISTS USING BIG DATA TO HELP TACKLE CLIMATE CHANGE



An innovative competition aimed at stimulating the use of big data to highlight the impacts of climate change has received an overwhelming response from the global scientific community, prompting

organizers of the “Big Data Climate Challenge” to announce extension of the submission deadline to June 30.

The Big Data Climate Challenge brings together the fields of Big Data and climate change for the first time in a global competition. It is being hosted by United Nations Global Pulse in support of the Secretary-General’s Climate Summit on September 23, 2014, at UN Headquarters in New York, just before the UN General Assembly.

Winners of the Challenge will get the opportunity to showcase their projects at the Climate Summit, which will be attended by heads of state, CEOs of major corporations, and civil society organizations from around the world.

The Big Data Climate Challenge seeks published or implemented projects that use Big Data to show the real-world impacts of climate change, revealing both the economic implications of climate impact and opportunities to manage climate risks.

Multidisciplinary initiatives from all relevant fields may apply, including but not limited to energy, smart cities, transportation, agriculture and food systems, recycling, material sciences, risk management, architecture and design, finance, and carbon markets.

A global Advisory Board of high-profile experts in climate science, data, and sustainable development will help evaluate submissions. The Board includes advisors from Skoll Global, African Development Bank, Indian Institute of Science, MIT Senseable Cities Lab, and World Meteorological Organization. Additional advisors from UN agencies including World Food Programme, UN Environment Programme, and UN Population Fund will provide further technical support.

“We’re confident that data-driven climate solutions exist around the globe — we just have to find them. And the Big Data Climate Challenge seeks to unearth and highlight the best examples out there,” says UN Global Pulse Chief Scientist Dr. Miguel Luengo-Oroz. “The impressive submissions that the Challenge has already received demonstrate both the relevance and importance of bringing the Big Data and climate communities together.”

The Big Data Climate Challenge represents an opportunity for scientists and researchers to share their work on an international stage, engaging world leaders, climate experts, and the general public to strengthen global resilience and drive climate action.

OPERATIONALIZING SUSTAINABILITY TARGETS: AN INTRODUCTION TO THE SUSTAINABLE VALUE APPROACH

By Prof. Dr. Frank Figge, Dr. Tobias Hahn, Dr. Ralf Barkemeyer, and Dr. Andrea Liesen

Over the last decades, sustainability has been accepted by policymakers and corporate managers alike as a relevant and legitimate goal. In this context, the current UN-level efforts to formulate sustainable development goals (SDGs) can be expected to further consolidate the sustainability agenda and to help relevant actors address today's key global sustainability challenges. From a corporate perspective, a universally acknowledged set of SDGs will provide valuable pointers regarding areas that need to be prioritized within the wide range of sustainability-related aspects. However, in order to translate these high-level SDGs into organizational practice, corporate decision-makers require tools for operationalizing sustainability performance and sustainability targets.

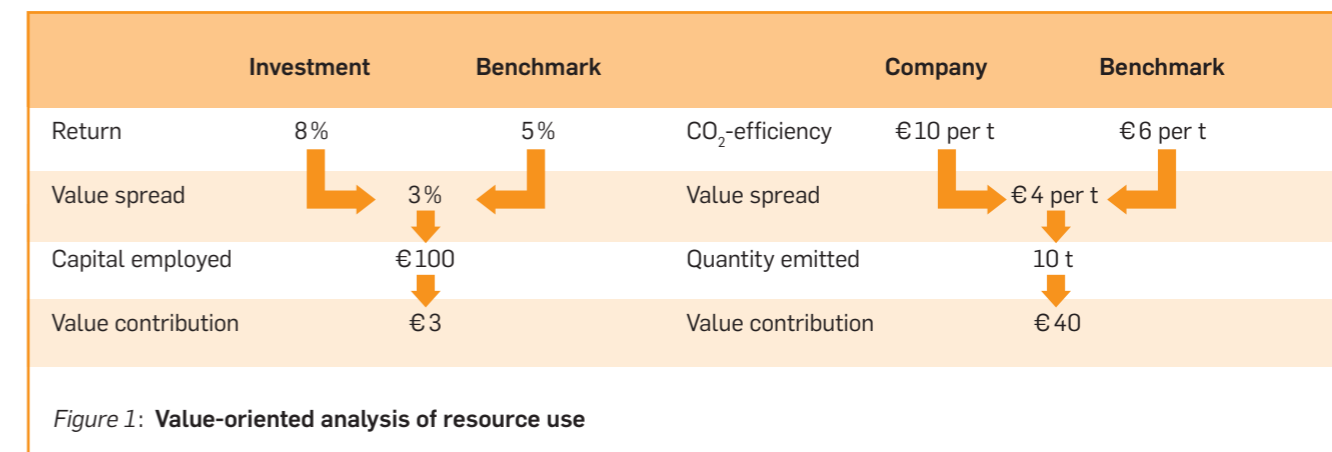
Corporate decision-making tools are dominated by a financial logic today. The Sustainable Value Approach presented here offers a tool that extends the currently dominant value-based management logic to the assessment of the use of economic, environmental, and social resources. In this way, it offers corporate decision-makers a tool to translate and operationalize sustainability performance and targets into monetary terms based on a logic that is widely used and understood in companies today. We briefly explain the logic and the application of the Sustainable Value Approach, illustrate it with a practical example from the car industry, and discuss its explanatory power.

Measuring and managing sustainability performance

The Sustainable Value Approach allows for measuring and managing corporate sustainability performance on the basis of quantifiable sustainability metrics. It does so in a way that companies are used to – it focuses on value creation.

According to the logic of the approach, a company creates sustainable value when it generates more returns with a given set of environmental, social, and economic resources than a benchmark. Depending on the angle of the analysis, this benchmark can be an industry average or a breakdown of SDGs to corporate reduction targets.

The Sustainable Value Approach is based on a fundamental principle of financial economics: Companies create value whenever they use economic resources more efficiently than a benchmark. In the financial market, this valuation methodology has long been practiced under the banner of “opportunity costs.” From a sustainability perspective, the valuation of a company's performance cannot be limited to the use of economic resources, but must also take into account environmental and social resources. Interestingly, prior to the Sustainable Value Approach, no other method had attempted to assess the use of environmental and social resources based on opportunity costs, even though this had already been suggested 120 years ago. The example illustrated in Figure 1 can explain the underlying opportunity-cost logic of the Sustainable Value Approach. Let us assume an investment, such as a share, produces an annual return of 8 percent. To assess this performance, we need to compare it with a benchmark – generally, the market average – that defines the opportunity cost, that is, the forgone return of the investment. Assuming that the market (e.g., the DAX) has only produced an annual return of 5 percent, the investment has achieved an additional return of 3 percent, also known as the value spread. To determine how much value has been generated, this value spread is multiplied by the capital employed. Assuming an investment of € 100, the value contribution comes to € 3 (see Figure 1).



The Sustainable Value Approach extends this logic to the use of environmental and social resources. To calculate sustainable value, a company's resource-efficiency is compared with that of the benchmark. A company that emits 10 tons (t) of CO₂ to generate a return of € 100 has a CO₂ efficiency of € 10 per ton of CO₂. If the benchmark only generates a € 6 return per ton of CO₂, for example, the company earns a return of € 4 more per ton of CO₂ than the benchmark. With a total emission of 10 tons of CO₂, a company therefore generates value of € 40. To achieve a more sustainable economy, environmental, social, and economic resources should be used where they create the highest value. Using the Sustainable Value Approach, it can be determined where the use of which resources creates the highest value.

Calculating sustainable value

Sustainable value is calculated in five steps. Each step provides the answer to a specific question that is relevant for the assessment of a company's sustainable performance.

- (1) How efficiently does a company use its resources?
- (2) How efficiently does the benchmark use the resources?
- (3) Does the company use its resources more efficiently than the benchmark?
- (4) Which resources are used by the company in a value-creating way?
- (5) How much sustainable value does a company create?

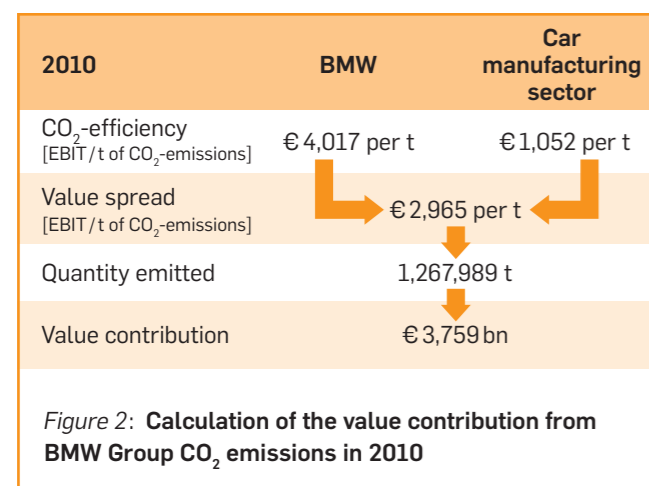
To show one possible application of the Sustainable Value Approach, we illustrate these five steps using the example of the sustainability performance of the BMW Group in 2010 and the automobile sector as a benchmark.

Step 1: How efficiently does a company use its resources?
The purpose of the first step is to establish how efficiently the company uses its various economic, environmental, and social resources. To this end, the quantity of resources used is compared with the return generated by the company. In our example, the earnings before interest and taxes (EBIT) is used as a return figure and divided by the quantity of resources used. In 2010 the BMW Group, for example, generated an EBIT of € 4,017 per ton of CO₂ emissions emitted. The CO₂ efficiency of the BMW Group in 2010 therefore came to € 4,017/t CO₂. The use of return figures other than EBIT that cover a broader economic contribution, such as gross value added, is possible.

Step 2: How efficiently does the benchmark use the resources?
The second step of the analysis calculates how efficiently the benchmark uses the relevant economic, environmental, and social resources. First of all, the benchmark has to be defined. In our example, we use the global automobile industry as the benchmark when assessing the sustainability performance of BMW. More specifically, we use the weighted average efficiency of the use of resources by all automobile manufacturers studied. The average EBIT that the carmakers earn per unit of resource used is then calculated for all resources considered. The CO₂ efficiency of the automobile industry in 2010 came to € 1,052 EBIT/t CO₂. The use of benchmarks other than industry averages, for example political targets, are possible.

Step 3: Does the company use its resources more efficiently than the benchmark?
This step compares the efficiency of the company with the efficiency of the benchmark. To this end, the benchmark efficiency is deducted from the company efficiency. The resulting value spread describes how much more (or less) return per unit of resource the company produces compared with the benchmark. The value spread is calculated for each resource examined. This establishes whether the company uses the various resources more efficiently than the bench-

mark. For our example, the comparison of the CO₂ efficiency of the BMW Group with the rest of the industry shows that the BMW Group uses this resource more efficiently. It has a positive value spread of roughly €2,965/t CO₂. In other words, the BMW Group generates €2,965 more EBIT per ton of CO₂ than the industry average (see Figure 2).



■ *Step 4: Which resources are used by the company in a value-creating way?*

The value spread calculated in the previous step identifies how much more (or less) return per unit of resource consumed the company makes compared to the benchmark. In this fourth step, the value contribution generated by the entire resource use within the company is calculated. To this end, the relevant quantity of resources used is multiplied with the appropriate value spread. The result shows how much more or less of a return the company creates with the quantity of resources used compared with the benchmark. In 2010, for example, the BMW Group emitted 1,267,989 tons of CO₂. Having calculated the value spreads in step three, we know that the BMW Group creates roughly €2,965 more EBIT per ton than the industry average. If we multiply the value spread with the total quantity of CO₂ emitted, the resulting value contribution comes to approximately €3.8 billion. This represents how much more of a return the BMW Group generated with its CO₂ emissions as compared to the average manufacturer (see Figure 2).

■ *Step 5: How much sustainable value does a company create?*

In the previous step, the value contribution of each resource was established. In this last step, we now determine how much value is being created in using the entire bundle of economic, environmental, and social resources. In previous steps, BMW's entire EBIT was attributed to the use of a single resource. Obviously, this does not reflect the real situation, since the

return is only produced once, through the use of the entire resource bundle. Simply adding up the value contributions from the different resources would incorrectly count the EBIT of the firm more than once. When calculating the sustainable value, the sum of the value contributions is thus divided by the number of resources considered. Figure 3 illustrates the five calculation steps. It also shows that the BMW Group generated a sustainable value of roughly €3.6 billion in 2010. The sustainable value expresses how much more of a return BMW has created with the bundle of resources in question in 2010, as compared to other industry peers.

Making allowances for company size

In financial analysis, larger companies are generally expected to generate higher profits, sales, and cash flows. The same problem arises when attempting to compare the sustainable value of different companies: Bigger companies generally use greater quantities of resources and therefore tend to create more (positive or negative) sustainable value. As with the financial analysis method, allowances for the company's size therefore need to be made when comparing the sustainable value of different companies.

Financial analysis compares performance parameters, such as profit or cash flow, with other indicators that reflect the size of the company. Profit, for example, is frequently assessed in relation to capital employed or sales. Following this logic, sustainable value can be related to other figures that represent the size of the company, such as sales (sustainable value margin) or the opportunity cost of resource use (return-to-cost ratio) to give an indication of sustainability performance that does not depend on company size.

Explanatory power

In our example using BMW, we can see that the company used every one of the analyzed economic, environmental, and social resources more efficiently than the benchmark, with sulfur oxide emissions being used the most efficiently and total assets the least efficiently. For other automobile companies that formed part of the analysis, sustainable value provides an indication of which economic, environmental, and social resources are used in a value-creating way, and which are not. The approach can thus pinpoint companies toward strengths and weaknesses in their sustainability performance. It can also be used to benchmark future investments or projects against a company's current sustainability performance or sustainability targets in order to identify those projects and investments that have the most positive effect on sustainability performance.

In summary, the Sustainable Value Approach provides a monetary measure of how efficiently an individual company does business compared with a benchmark. The results,

	Amount of resources used	Efficiency of BMW Group	Efficiency of car sector	Value contribution
Total assets	108,867,000,000	4.68 %	4.08 %	€ 651,555,392
CO ₂ -emissions	1,267,989 t	€ 4,017 per t	€ 1,052 per t	€ 3,759,450,938
NO _x -emissions	457 t	€ 11,146,608 per t	€ 2,037,052 per t	€ 4,163,067,423
SO _x -emissions	8 t	€ 636,750,000 per t	€ 4,492,355 per t	€ 5,058,061,163
VOC-emissions	2,047 t	€ 2,488,520 per t	€ 285,611 per t	€ 4,509,354,993
Waste generated	131,742 t	€ 38,666 per t	€ 5,646 per t	€ 4,350,153,318
Water use	3,205,191 m ³	€ 1,589 per m ³	€ 186 per m ³	€ 4,497,254,400
Work accidents	1,045	€ 4,874,641 per nb	€ 2,728,297 per nb	€ 2,242,929,349
Employees	95,453	€ 53,367 per nb	€ 23,327 per nb	€ 2,867,382,018
				€ 3,566,578,777

Figure 3: Sustainable value of the BMW Group in 2010

however, do not indicate whether the benchmark — in our example, the automobile industry on average — as a whole makes a contribution to the sustainable use of resources and promotes sustainable development. Although methodologically possible, our example of BMW does not deal with aspects outside the company. The calculation of sustainable value therefore does not take into consideration factors such as the performance of suppliers or product features. Also, applications of the Sustainable Value Approach are limited to sustainability aspects that can be reasonably quantified. In the context of the SDGs, a range of corporate impacts on global sustainability challenges can be quantified, measured, and managed directly at the level of the company. For example, many companies are already reporting on their greenhouse gas performance, water use, or waste generation. However, in other cases, it is more challenging to attribute global problems such as poverty or complex ecosystem services to the level of one individual actor, in turn making it more difficult for companies to manage and report their impacts in a meaningful way. While the formulation of SDGs is highly appreciated and a clear step forward in this context, additional guidance will be needed for companies on how to translate these macro-level goals and targets to the company level.

Furthermore, it should be noted that sustainable value does not attempt to express a company's entire commitment to sustainability in a single ratio. Qualitative sustainability

aspects, many of which are covered by SDGs, should also be managed with qualitative instruments. For those sustainability aspects that can be quantified, the Sustainable Value Approach provides a link between sustainability and the value-oriented logic that is common in management practice. Therefore, the biggest advantage of the Sustainable Value Approach is that it allows for the use of environmental and social resources to be assessed in the same way as the use of economic resources — and expresses the results in a single monetary figure. The Sustainable Value Approach is therefore a powerful tool for measuring and managing corporate sustainability performance, as it expresses sustainability performance in the language and logic of mainstream management. ■

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 Prof. Dr. Frank Figge and Dr. Tobias Hahn are both professors of Sustainable Development and Corporate Social Responsibility at KEDGE Business School, France. Both have been early developers of the Sustainable Value approach.

Dr. Ralf Barkemeyer (University of Leeds, UK) and Dr. Andrea Liesen (Umea University, Sweden) joined the Sustainable Value team to further develop the approach into a tool for strategic and operative sustainability management.



CLIMATE CHANGE

Time is short. Climate change is not a far-off problem. It is happening now with heavy costs today and even more tomorrow. But there is a sense that change is in the air. UN Secretary-General Ban Ki-moon has invited world leaders to the Climate Summit on September 23. But it is also about individual behavior. It is time to act and it is up to us.



A PATHWAY TOWARD CARBON NEUTRALITY

Interview with Ms. Christiana Figueres,
Executive Secretary of the UN Framework
Convention on Climate Change (UNFCCC)

Dear Ms. Figueres, you are from Costa Rica. People there typically use the term “Pura Vida” (pure life) as an expression of optimism. How much does the Pura Vida attitude help you when you sometimes find yourself in frustrating political negotiations?

Christiana Figueres: Well, at this point during the World Cup, we Costa Ricans are particularly optimistic. But the fact is that it is an optimistic country that is always in the market for miracles. We are actually quite risk-friendly, which is probably why Costa Rica has served as a model for other countries, in particular on climate change policy and on payments for environmental services — two items that were piloted in Costa Rica and are now being used in many other countries. But my optimism is not just because of my wonderful country; it is also because, from my vantage point, I see so much progress on climate policy. I see 500 climate change laws around the world. I see investment in renewable energy technologies and the scaling-up of energy efficiency. I see the cost of renewable-energy technologies going down. So I see many different factors that are leading both to an increased number of policy measures and also to an increase in possibilities for being able to effectively implement those policies, reduce emissions, and increase resilience.

The chances of limiting global temperature increases to 2 degrees Celsius during this century are diminishing. Experts such as Hans Joachim Schellnhuber, from the Potsdam Institute, are warning that we are rapidly approaching irreversible tipping points. How much time is left for a political solution?

Figueres: We are rapidly approaching very, very dangerous zones, so one should not be rosily optimistic nor irresponsible about the decisions that we have to make. But the Intergovernmental Panel on Climate Change (IPCC) assessment report is very clear in establishing the pathway that we need to follow in order to keep temperature increases below 2 degrees Celsius. That pathway points out very clearly that we must reach global peak emissions within the next 6 to 10 years. We must achieve global carbon neutrality in the second half of the century. The IPCC warns us that the deadline for making this change is actually very soon. But we still have a chance to do it. That is why the Lima draft agreement and the Paris Agreement are so critical.

In the latest report from the IPCC, Chris Field, from the Carnegie Institution for Science, said that he sees progress. But the progress

described has not been in mitigating carbon emissions but rather in adapting to the effects of global warming. Is this the new realpolitik of the United Nations?

Figueres: The reason why adaptation is now commanding much more attention — as it should — is because global greenhouse gas emissions continue to rise, and there is a direct relationship between the two. The more that greenhouse gas emissions rise, the more adaptation is going to become necessary, and vice versa. The quicker we can lower the levels of greenhouse gas emissions, the less adaptation required in the long run. The two of them go hand in hand. As the two fundamental pillars of action under the climate change convention, both are now very much at the center of attention — for finance as well as for technological support — for developing countries.

Climate science is so complex that it cannot be easily communicated to the general public. When you look ahead to the upcoming United Nations Climate Change Conference (COP 21) in 2015 in Paris, what would be your desired outcome, and what is your expected outcome?

Figueres: The Paris outcome needs to have several components. First, there needs to be an agreement that maximizes the possibilities for collaboration between all countries to reverse the trend of rising greenhouse gas emissions. Second, there has to be clarity as to what the initial contributions are going toward. Third, a pathway toward carbon neutrality by the second half of the century needs to be clarified and made visible in that agreement. Fourth, there needs to be a confirmation that the finance and technology that developing countries in particular are going to need for transformation will be on the table. There also needs to be confirmation that much of the infrastructure that is needed to support developing countries has already been built, and the financing for that also needs to be on the table by the start of the Paris conference.

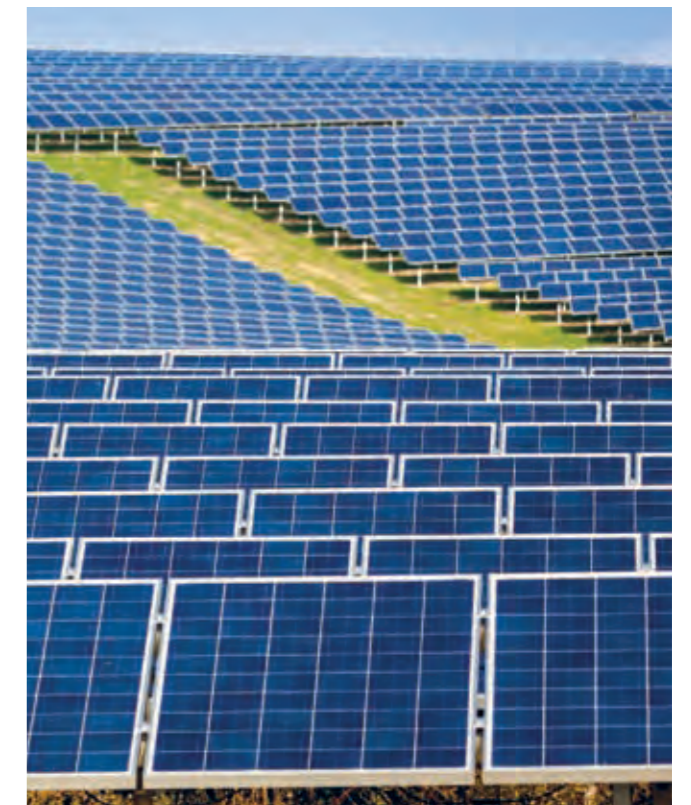
For years politics have been a barrier to climate talks. Most governments pay lip service to the goal of keeping climate change within tolerable limits, but then we see them weakening their earlier commitments, as with Australia and Japan, for example.

Figueres: I actually see increased political will from most countries, in part because countries are reading and studying. They now understand the IPCC assessment report and are really coming to grips with the urgency of the matter. More and more countries are realizing that they not only need to do it when viewing it from a global perspective; they also realize that the measures they take for global climate reasons have significant positive national impacts as well. They must do it to improve health conditions, create cleaner air, improve transportation, improve access to energy, and create more reliable and secure sources of energy. There is a fortunate coincidence here between pursuing sustainable development at the national level and addressing global climate change at

the international level — it is a win-win opportunity that this challenge affords us, and that is being recognized increasingly by more countries.

Talking about waking up: China and the United States are the biggest carbon emitters in the world. In the past, they did not contribute much to the debates. But now the Obama administration and the Chinese government have both given signals about more ambitious programs. Is this a game changer?

Figueres: China and United States are increasingly stepping up to the challenge because they understand that it is better for their own economies, for completely different factors: China for health reason and maintaining a competitive economy in a low-carbon world; the United States for energy security and for increased energy-efficiency levels. What is interesting is that, in addition to what they are doing on the national level, they are also actively collaborating on certain issues and are beginning to see that they can actually work together better if they do it in a collaborative manner. A couple of examples on that are their joined efforts on HFCs (hydrofluorocarbons), more research into the development of carbon capture and storage (CCS) technologies, and more efforts regarding energy efficiency, particularly in the building sector. So there are a host of sectors where they are exchanging information and supporting each other.



The growing level of global carbon emissions is due to our lifestyles. Industrialized countries are unwilling to abandon their material-intensive and wasteful lifestyles, whereas emerging economies are intent on avoiding any mandatory commitments that could block their chances of copying the Western consumerist model. It is the same dilemma that the Club of Rome described in "The Limits of Growth" four decades ago. It seems that mankind is not learning as fast as is needed. Or is it?

Figueres: The challenge and opportunity we face is the transformation of the growth paradigm that we have followed over the past 100 to 150 years. Our growth has been based on burning fossil fuels, but today we know that this can no longer be an option. Therefore, we need to try and transform the growth paradigm that we have used in the past. We need a new paradigm for the next decades — in particular for developing countries — that allows for sustainable growth and also helps in eradicating poverty and providing for the well-being of all citizens. But that growth must be low-carbon and high-resilience growth, which is not the model that has been used for the past 150 years. So we are looking for a new growth model and we are beginning to see it emerge in some countries.

Let us talk about instruments to mitigate and adapt to climate change. The discussion always highlights a global carbon market with an emissions trading scheme as being a good instrument. Can you briefly explain to our readers the current state of discussions?

Figueres: There are several components to this. The established markets are in developed countries under the Kyoto Protocol. Those markets are admittedly suffering from a lack of demand. When you do not have demand, then supply is irrelevant. But I am confident that as soon as we have a global agreement, the role of the markets will be recognized. Established global market mechanisms such as the Clean Development Mechanism and the European Union's Emissions Trading Scheme contrast remarkably with the growth of markets in other jurisdictions. At the end of June, China launched its seventh regional-based market. China is experimenting with seven pilot projects with a view toward entering a national carbon market within the next few years.

The same can be said for about 12 to 16 other countries, all of which are experimenting with carbon pricing or carbon markets as potentially effective tools for reducing greenhouse gas emissions. What we see is a mushrooming of markets around the world that are speaking to the very specific national circumstances of particular jurisdictions. They are increasingly exchanging information among themselves and see a future for these markets in which they receive funding, and perhaps are linked to each other. So there is a lot of work under way in these markets, but it still remains to be seen where all these activities are leading.

Another instrument brought into the discussion during your time as Executive Secretary is the Green Climate Fund (GCF). The idea is to have at least \$10 billion available for climate projects in developing countries. Will the fund be launched?

Figueres: The Green Climate Fund has actually been launched, in the sense that all the designs and decisions have been decided upon by the board in order to have an operating entity ready. What we are looking at now — particularly for September for the Climate Summit called by UN Secretary-General Ban Ki-moon — is the beginning of the capitalization phase of the GCF. That is not going to occur in one day, but with capitalization, the Green Climate Fund could begin to operate.

What time frame do you have in mind?

Figueres: That is not clear yet. The expectation is that some announcement will come in September. But whether it is 6 or 12 months is still unclear.

Recently, Ecuador asked for financial support to protect its biodiversity and its rain forests. The global community declined to help. So how realistic are REDD + (Reducing Emissions from Deforestation and Forest Degradation in Developing Countries) programs in light of this response to Ecuador?

Figueres: The Ecuadorian project was a proposal that Ecuador would be compensated for not extracting the oil that is underneath Yasuni Park. That did not yield as much as Ecuadorians had hoped, although it was a very interesting proposal. The financial instruments put together to finance REDD+ activities are fundamentally different in nature — they do not deal with the non-extraction of oil but rather with the protection of the forest cover. Different sources put out different numbers, but I think it is safe to say that somewhere between \$2 and \$3 billion has been committed to the developing countries that are working on their programs and plans to protect the forest cover. The climate convention has established a very rigid procedure and methodology to account for the tons of carbon that are protected by law. So with methodological and environmental integrity and vigor on one side, and with funding on the other side, there is a very good potential for developing countries to contribute toward the fight against climate change through the protection of forest cover.

Working on climate protection is not only a duty for governments but for all of us. What do you want from businesses? What kind of initiatives, commitments, and solutions would you like to see from them?

Figueres: Business sectors can do a couple of things. First, they can help to increase energy efficiency to a maximum. Second, there is the challenge of what kinds of products and services are offered by these companies. They can move toward lower-carbon products and services if they want to be at the forefront



of this new industrial revolution. Third, many companies lobby directly or are members of associations that lobby politically. It is the responsibility of these companies to examine which of their own lobbying policies or those of their associations are constructive. Many times, a company is actually moving in the right direction toward low-carbon activities, but sometimes they are members of associations that are lobbying against the advance of climate policies. Fourth, companies can be even more vocal. They need to hold conversations with the governments in the countries in which they operate about government policy in order to plan investments for the long term. Whether it be the price of carbon or any type of public policy, regulatory certainty and predictability are something the companies need.

A supporting voice comes from the UN Global Compact. How could the Global Compact contribute? What could and should it do?

Figueres: The Global Compact has already been very helpful, in particular from the climate perspective, in particular regarding the companies that form the Caring for Climate Initiative (C4C), which has raised its voice about the corporate benefits of climate regulation. At the same time, I challenge everyone to do more. I do not think companies at the forefront are doing as much as they can to support the governments' efforts to regulate carbon emissions within their own national boundaries. They need to contribute to the constructive conversations concerning the global regulatory framework.

Dear Ms. Figueres, thank you very much! ■

The interview was realized by Dr. Elmer Lenzen.



➤ ALIGNING FLOWS OF CAPITAL WITH TACKLING CLIMATE CHANGE

The Carbon Tracker Initiative (CTI) was set up a few years ago to investigate what levels of future carbon emissions were being financed. By comparing the stocks of carbon in the form of coal, oil, and gas in the ground with carbon budgets that equate to degrees of warming, we have demonstrated the huge overhang of carbon in our energy system – what we refer to as “unburnable carbon.”

By James Leaton

This approach has proved valuable in being able to link together the worlds of the environment, energy, and finance sectors. As a result, the implications of having an excess of fossil fuel resources and infrastructure are being addressed by a wide range of institutions, including the International Energy Agency, the World Bank, the Organisation for Economic

Co-operation and Development, and the United Nations Framework Convention on Climate Change, as well as coalitions and individual companies in the energy and finance sectors.

Behind all of this is a desire to facilitate the energy transition. We know that we will not be able to deliver a low-carbon

future without having the capital to pay for it. Unless we have a financial system that is able to address climate risk, this is unlikely to happen. It is clear that the past will not be repeated, due to both the changing climate and a changing energy system. We therefore need a financial system that can deal with sectors that do not just repeat historical performance.

CTI's macro-level analysis has made it clear that there is a journey we need to take. Everyone needs to refocus on the ultimate destination in terms of cumulative emissions. Our discussions have made it clear that this journey will not affect everyone equally – impacts will vary from region to region and depend on which fossil fuels are used. Investors will want to know who the winners and losers are going to be along the way, and how long it is going to take to get to the different stages.

It is essential that analysts be willing to challenge their assumptions in order to entertain this alternative scenario. The fundamentals of demand and price need to be reconsidered. In order to stay within a certain carbon budget, it is clear that the demand for carbon-intensive fuels will have to fall. This may then have price impacts on those commodities. Depending on the time horizon, this will affect the future revenues of companies selling those products, which feeds into valuations and credit ratings.

This has already started to happen in some markets, with the US coal sector offering a prime example. Due to cheap gas as well as air quality standards, the US domestic market for coal has declined. The largest coal-producing companies lost half of their value in the first six months of 2012, with credit downgrades following. As a result, some of those companies are looking to enter other markets – leading to oversupply in the seaborne coal market – whereas others are filing for bankruptcy.

Some analysts are starting to wake up to the fact that China's coal consumption may peak in the next couple of years. China has proven very effective at meeting the targets set in its five-year plans, and improving air quality and reducing carbon intensity are high on the political agenda. This is now the base case-scenario for some analysts – that the coal market is in structural decline. This makes the economics of new export mines very challenging, as they will not provide a return on investment if demand and prices collapse. Challenging assumptions is critical – using last year's coal price and demand to predict future revenues may no longer be valid.

It is worth noting that we are not framing these developments as a global deal or carbon price, or as pure climate regulation. There are a range of market factors at work – items labeled

“climate regulation” are just one element. What is clear is that there are a growing number of factors that are acting to constrain high-carbon activities; as this continues, alternatives will become cheaper. However, it may be something as fundamental as adjusting the economic growth rate for China, which is as significant as a specific carbon policy for reducing demand.

CTI has tried to frame its analysis in ways that fit with the market view. Our latest research – a carbon-supply cost curve for the oil sector – shows that the world's expensive oil may not be needed over the next few decades if we are serious about reducing emissions. Our analysis shows how high-cost oil projects are surplus-to-demand and will require that high oil prices be maintained to deliver returns.

It is also clear that different companies have varying degrees of exposure to the high end of the cost curve. The entire business model of some oil companies is betting on high oil prices to justify technically challenging, high-risk, high-cost projects such as ultra-deepwater, oil sands, and Arctic developments. This is where shareholders need to be more active in challenging the capital expenditure plans of the companies to ensure that they are focusing on shareholder value, rather than the endless pursuit of oil volume.

CTI believes it is better to be prepared for the energy transition than to wake up to a sudden shock. Many industries have gone through changes, and not all have survived. Most recently, we saw the CEO of a European utility acknowledge that his company invested in renewables too late. If the energy sector does not take this on board, then we will be left with more stranded assets that are no longer economical to run.

The world of energy is moving fast, and the operating environment of 2020 and beyond is likely to look very different from yesterday's markets. That is why CTI is getting investors, governments, and boards to think about how the capital investment decisions made today will play out in a future where there is a lower demand for fossil fuels than in the business-as-usual scenarios that many are banking on. ■



James Leaton is Research Director at the Carbon Tracker Initiative, and is lead author of the Unburnable Carbon series of reports. He is responsible for developing the research program and engaging with the investment community.



REDUCING CARBON EMISSIONS IN EVERYDAY LIFE



When it comes to protecting the climate, the focus is usually on business and industry. Less well-known is the fact that more than half of the total annual carbon footprint per person (11 tons) is the direct or indirect product of private households.

By Dr. Nicola Schuldt-Baumgart and Dr. Immanuel Stieß

Successful climate protection is often linked to technological innovation. Research has shown, however, that everyday behavior also plays a crucial role in carbon emissions. To this end, researchers on the “KlimaAlltag” project, led by the Institute for Social-Ecological Research (ISOE) in Frankfurt am Main, examined how to change everyday routines and encourage climate-friendly lifestyles.

“More than half of those surveyed were basically ready to make changes in their behavior,” stresses project leader Immanuel Stieß. This means more potential to protect the climate, without any sacrifice in quality of life. “Indeed, with moderate changes to everyday habits, for example by choosing green energy, buying seasonal and regional food, and using buses and trains more often, we could cut down on CO₂ by 10 to 15 percent,” says Stieß.

Most CO₂ emissions come from everyday activities

A substantial portion of CO₂ emissions are created from the daily necessities of private households. With some 15 percent of total direct emissions, private households are currently the third-largest source of global emissions: Only the energy and transportation industries emit more. If we add in the activities required to manufacture and dispose of goods and services used inside the home, the emissions percentage from private households rises even further.

In addition to consumption, the areas of heating and energy (25 percent), mobility (23 percent), and food (14 percent) contribute significantly to the total. Mobility examples that are especially CO₂-intensive include the number of long-distance trips taken, necessary flights, the distances driven in automobiles, and the

fuel consumption of cars. Where diet is concerned, the consumption of meat is a considerable factor, and the purchase of organic foods reduces the carbon footprint substantially.

Climate protection is not a question of income

The ISOE research team has identified nine distinct “climate types”: “The biggest surprise to us was the high percentage of climate-conscious actors who had below-average incomes,” notes Stieß. “Contrary to the frequently formulated assumption that protecting the climate is only for higher earners, we were able to observe that it is precisely those people who have to be careful about money who have a lower carbon footprint.” People from more elevated social strata had a stronger awareness of climate issues on the whole, as well as higher incomes that allowed them to purchase organic products or more energy-efficient household appliances. People with comparatively smaller household incomes improved their carbon footprint by neither owning their own cars, traveling by air, nor engaging in mass consumption.

Communities and citizens – Partners in protecting the climate

This behaviorist look at climate types puts the focus on the motives and morals of individuals. It is a way of developing a more personalized climate policy. At the municipal level, for example, local authorities can encourage climate-friendly behavior through an ample variety of measures, for example supporting renters, homeowners, and low-income households.



An overview of climate personality types

How much influence do different lifestyles and social strata have on everyday climate sensitivities? The KlimaAlltag research team developed a system for distinguishing nine different climate types on the basis of empirical surveys. The spectrum of behavior ranges from comprehensively climate-friendly to consistently climate-harmful.

Type 1: Comprehensively climate-friendly



The “comprehensively climate-friendly” group comprises 21 percent of those surveyed, with women being a majority in this group. The level of education in this group is higher than average, but incomes are only average. Some 40 percent of those surveyed for this climate type reported having to be frugal about their finances. The group has a pronounced climate awareness, a strong orientation toward health, and is well-informed about the effects of their own consumption on the climate. Climate-friendly behavior is comparatively pronounced in all three spheres of action. These actors exhibit the smallest carbon footprint of all climate types.

Type 2: Selectively climate-friendly in the energy sphere



Members of this group (12 percent of those surveyed) have a slightly above-average level of education and incomes that are distinctly above the comparison groups. On the whole, the group has high climate-awareness and is rather well-informed about climate-friendly daily routines. This group is especially climate-friendly in its use of energy. Energy-saving routines such as switching devices off from standby mode are implemented consistently. Half of the actors are consumers of green energy. The striking aspect of members of this group is that they spend an above-average amount of time traveling, so more improvements are possible in the mobility field.

Type 3: Selectively climate-friendly in the food sphere



When it comes to the subject of food, this group (4 percent of those surveyed) is already engaging in conscious and climate-friendly behavior every day. For example, they buy an above-average amount of regional, seasonal, and organic foods. The overwhelming majority of them eat vegetarian several days a week. People in this climate type usually belong to higher social strata: Those surveyed have the highest incomes of all groups and have more advanced degrees than the average. About half of them own their own homes. Women tend to



be overrepresented in this group, whereas those under 30 are underrepresented. But their mobility habits have a strong effect on the climate: This climate type uses a car far more than the average. Anyone wishing to change this will encounter strong resistance.

Type 4: Selectively climate-friendly in the mobility sphere



About 10 percent of those surveyed fall under this climate type. The social demographics of this group are markedly distinct from the other types: People from the lower and middle social classes are strongly and disproportionately represented. Their incomes are substantially lower than average. Many of them are unemployed or pensioners. Most of them live alone. Those surveyed considered their own opportunities for action to be strongly limited by their restrictive financial circumstances. About one out of every two people in this group reported that they had to live frugally. The members of this group are very climate-friendly in their mobility behavior. The primary reason for this is their rare use of automobiles; many have no car of their own.

Type 5: Moderately climate-friendly



The “moderately climate-friendly” group comprises 16 percent of those surveyed. People with more advanced degrees are slightly overrepresented in this group. Incomes are somewhat higher than average, and households of three or more people are slightly overrepresented. Members of this group are basically open to improving their daily routines regarding climate. An above-average number of those surveyed were prepared to buy seasonal fruits and vegetables more

often. This group also found purchasing energy-efficient appliances to be an attractive option for reducing their own carbon footprints.

Type 6: Selectively climate-harmful in the energy sphere



This group includes a markedly above-average number of women over 60 years of age, as well as single-person households. Incomes are substantially higher than average, as are homeownership and size of home. On the whole, their climate awareness and concomitant knowledge of climate protection is rather weak, with status concerns predominating instead, along with a need for exclusivity and comfort. This group was generally rather critical of local climate-protection measures. Many rejected efficient energy use and energy conservation in their own behavior, considering it too involved. This group is the most likely to be willing to buy energy-efficient appliances.

Type 7: Selectively climate-harmful in the food sphere



This group has the lowest average age and the highest percentage of individuals under 30. Overrepresented in this group are men and people with migration backgrounds, less advanced degrees, or low incomes. They have comparatively little knowledge of the effects of their food choices on the climate. Many do not know how to make choices that would be less harmful to the climate. Characteristic of the members of this group is a meat-intensive diet that is strongly anchored in the idea that “meat is just the right thing to eat.” These individuals are the most likely to be willing to alter their own

household behaviors as far as energy and home appliance use are concerned. They are also willing to take short-distance public transport more often, whereas they are relatively likely to reject more climate-friendly diets (e.g., less meat, more organic products).

Type 8: Selectively climate-harmful in the mobility sphere



This group has a comparatively high average age. Women and pensioners are strongly represented. This group is well-situated economically: They frequently own their own homes, home size is large, and incomes are good. But the level of education is below the average. The pronounced harm to the climate comes from their above-average use of their own cars: People in this group travel more than 10,000 km per year in their own vehicles. One fundamental reason for their frequent car use has to do with their living situations: Their distance from the closest bus stop is markedly higher than that of other groups. Accordingly, their willingness to curtail car use is low.

Type 9: Comprehensively climate-harmful



Two-thirds of those in this group are men. The median age of 30 to 39 years is strongly overrepresented, as are people with migration backgrounds and/or lower-level degrees. Only a few of them own their own homes, and larger households are overrepresented. These groups place a priority on exclusivity and fun. The motivation to do something to protect the climate is at its lowest in this group. The willingness to do something to change this is very low.

The research project

The KlimaAlltag project is led by the ISOE. Partners include the Verbraucherzentrale Nordrhein-Westfalen, the Institute for Ecological Economic Research, and the University of Graz. In the first half of the project, the research team carried out a field study in Cologne in which more than 80 households committed to reduce CO₂ emissions from their everyday activities. Members of the households received advice from climate consultants from the VZ NRW for six months. The course and results of the field study were carried out and evaluated under scientific supervision. The possibilities and effectiveness of municipal climate protection measures were examined through a representative survey of 1,000 interviews in Frankfurt am Main and Munich. The project, which ended in December 2013, was funded by the German Federal Ministry of Education and Research. ■

More on this subject can be found at:
The KlimaAlltag Project: www.klima-alltag.de



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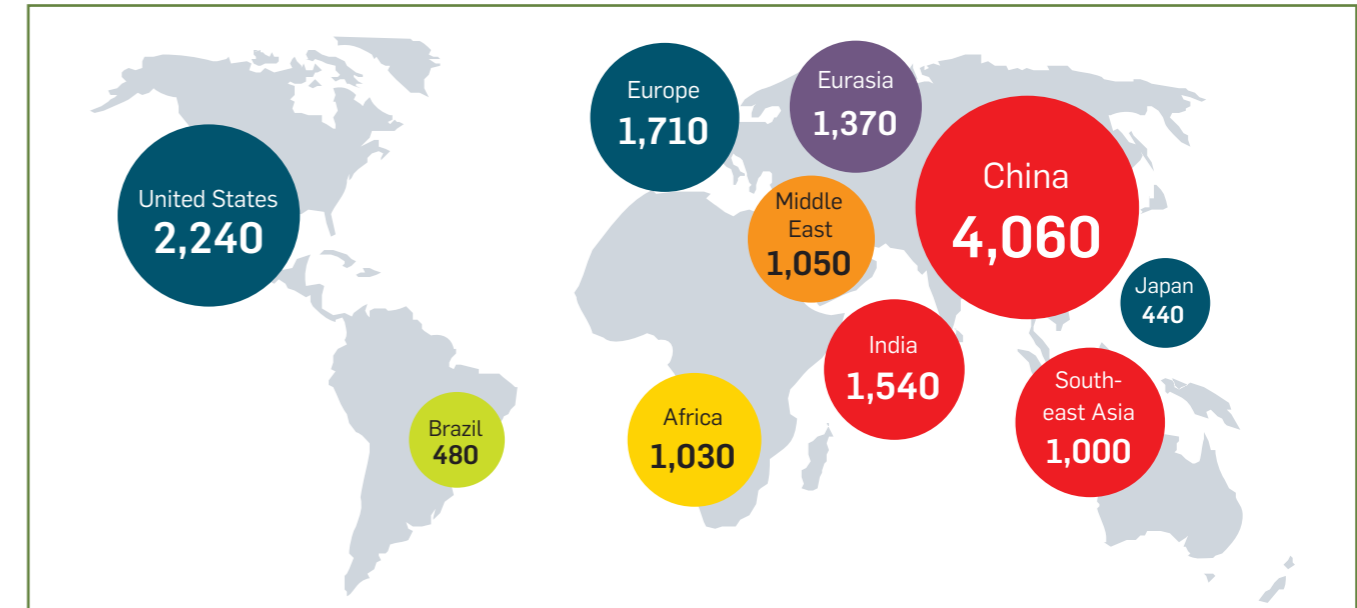


Dr. Immanuel Stiefs is senior researcher and head of the research unit Energy and Climate Protection in Everyday Life at the German ISOE – Institute for Social-Ecological Research.



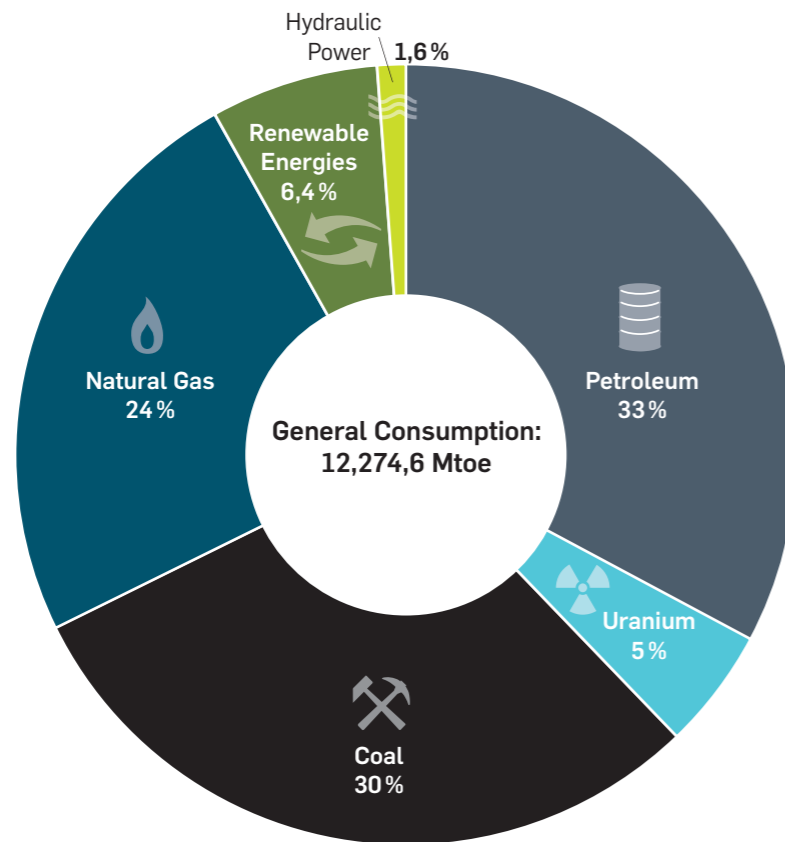
PRIMARY ENERGY CONSUMPTION

United Nations define primary energy consumption as the direct use at the source, or supply to users without transformation, of crude energy, that is, energy that has not been subjected to any conversion or transformation process. Over the past decade the global energy consumption of primary energy has grown by 30%. Most of that growth has come from outside OECD countries. In the next two decades the global demand will continue with China and India as two new mayor consumers. The importance of renewables energies will grow, too. But due to the uninhibited demand the fossile energy sources petroleum, coal, and natural gas will still be the principal energy sources.



Primary energy consumption by region in 2035 in tons of oil equivalent.

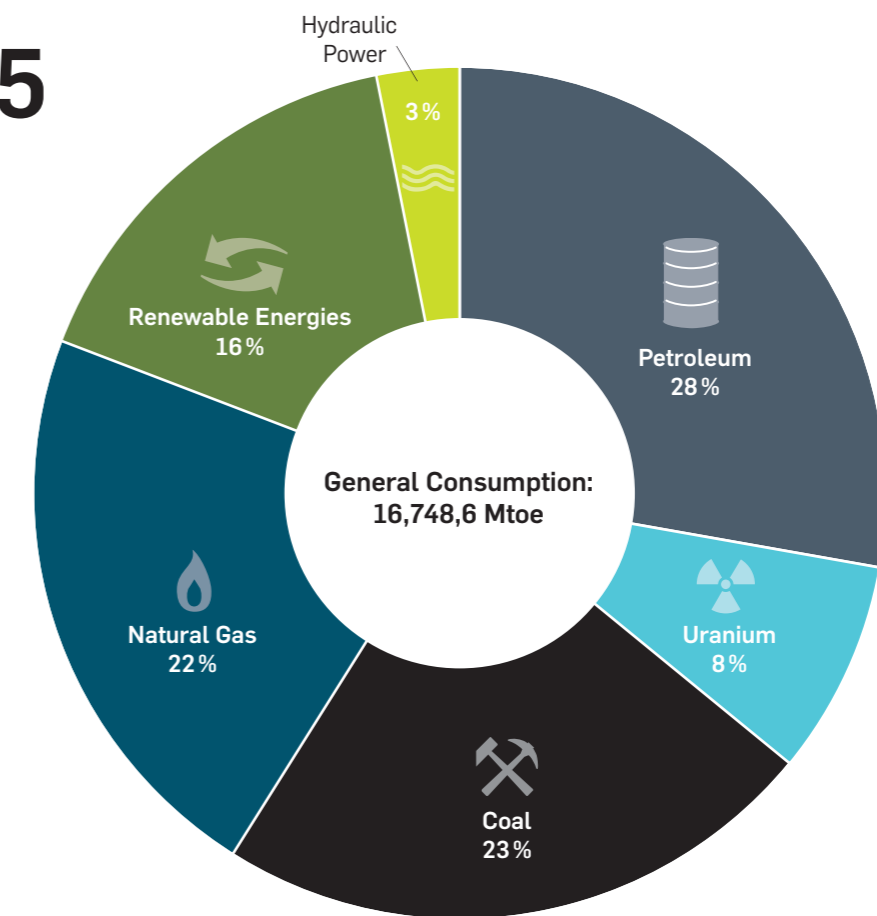
2011



Primary energy consumption by energy source in 2011.

Source: IEA

2035



Primary energy consumption by energy source in 2035.

Source: IEA



“THE GERMAN ENERGIEWENDE – OUR CONTRIBUTION TO A SUSTAINABLE ENERGY SYSTEM”

By Sigmar Gabriel

People around the world are observing the progress being made by Germany on its energy reforms (known as the “Energiewende”), which are no less than a complete overhaul of its energy supply system, entailing the phase-out of nuclear energy, a reduced reliance on fossil fuels, the promotion of energy efficiency, and the establishment of renewable energies as the main sources of energy. The reforms will make our country less dependent on fossil fuel imports, are key in allowing Germany to make an appropriate contribution to combating climate change, and will stimulate new growth in sectors that offer significant potential for new jobs. Ultimately, the Energiewende will be a true success if other countries embark on a similar path of decarbonizing their energy supplies. This is why the dialogue with our neighbors in Europe and our partner countries internationally is of greatest importance to us.

Transforming our energy system is a challenging task. Germany’s electricity system has always boasted one of the highest security-of-supply standards worldwide. German households and companies rarely – if ever – experience a blackout. It is crucial to maintain this high standard, since it forms the backbone of our success as a society that generates its prosperity to a great extent through developing, producing, and exporting high-quality goods. The cost of electricity has recently been rising due to the funding of renewables. We need to stabilize the energy costs for households and industry in order to maintain the general acceptance of

the Energiewende and the competitiveness of our economy. I believe that it is our obligation as an industrialized country to protect our manufacturing base, and at the same time decarbonize our energy system.

The good news for other industrialized countries is that they can embark on their own energy reforms at a time when a mature global renewable-energy industry is already in place. Germany and other first-movers are financing the learning curves for solar and wind technology. In the first phase of the energy reforms between 2000 and today, the average level of funding for all renewable-energy technologies was about €17 cents/kWh. This support has boosted the share of renewables in electricity production from 6 percent in 2000 to 25 percent in 2013. Now that we are entering a second phase, in which renewable energies will become the “leading systems” within the power supply, renewables have to – and can – compete with conventional generators. In 2015, the average funding level for renewables will fall to around €12 cents/kWh and will be further reduced over the coming years. It is a great achievement that we have seen the costs for renewables such as photovoltaics coming down in a much shorter time period than expected.

In my capacity as Minister for Economic Affairs and Energy, I have proposed binding corridors for the expansion of renewables, in which the support levels will be adjusted



according to the additions of the previous year. This will guarantee a steady reduction in costs and allow us to better plan the necessary adjustments in the grid and in the market design to complement renewables. By doing this, Germany is stressing its commitment to the transition toward renewable energies and to achieving our targets of 40 to 45 percent of electricity production by 2025 and 55 to 60 percent by 2035, while simultaneously enhancing cost-efficiency.

Nevertheless, the transition to renewables creates new challenges. Synchronizing power supply and demand is becoming more complicated due to the volatile nature of renewables. We need to find a new market design that fits the requirements of an energy system with a greater variety of technologies and market participants. In the long run, we also need to find ways to store electricity efficiently. In this process, we want to cooperate with other countries in order to find the most effective solutions soon.

What can other industrialized countries learn from the first phase of the German Energiewende? The key aspect of the successful establishment of a renewable-energy industry in Germany was the long-term investment security, which our feed-in tariff system provided to facilitate the market launch. With investment security in place, new entrepreneurs and established companies will innovate and bring down costs. A second key aspect is to push for innovation by exposing

renewables gradually to market conditions and to provide incentives for the integration with conventional generation.

Engaging citizens in determining the energy pathway for the future is a third key requirement: It was only possible to providing a sound political and regulatory framework for the integration of renewables because the German people strongly support the energy reforms. We believe that the renewables industry will be one of the growth industries of the future. The sector has already created around 380,000 jobs in Germany, and the potential to scale product development and production is great. Thinkers such as Jeremy Rifkin believe that renewable energies – in concert with modern information technologies – will trigger the next industrial revolution. It is my belief that the German Energiewende can indeed serve as a model for other industrialized countries, showing them how to prepare their economies for the coming era of sustainable growth. ■

Sigmar Gabriel is Vice-Chancellor of the German government and Federal Minister for Economic Affairs and Energy.



HOW HIGH IS SUSTAINABILITY ON THE EUROPEAN POLICY AGENDA?

Faced with economies still struggling to make ends meet, the European Union's take on sustainability relies heavily on fundamental industry makeovers for signs of economic recovery.

By Elena Mocanu

European policy has a long, detailed record of policy measures to support discussions on required standards to be applied by the business sector. Most measures have been focused on resource efficiency and its implementation, with the ultimate goal being to boost productivity and reduce input use (energy, water, materials) for a given level of economic output, which

would incorporate environmental sustainability into the economic growth agenda once and for all. Europe's policymakers seem to be testing the ground for the hypothesis that businesses are falling short in tapping its resource-efficiency potential, which some studies claim have a savings potential of billions of euros for European industry.



Europe 2020 Strategy at work

The Europe 2020 Strategy may be seen as the main pillar in policymaking supporting Europe's shift toward a sustainable economy — it is the to-do list of resource efficiency and offers competitiveness in the global arena. At the time of the 2020 Strategy's adoption in 2011, the EU attempted to put forward green economy development measures against the backdrop of financial turmoil and insecurity in the business sector. Policymakers are putting a stamp on criteria for competitiveness, requiring that businesses increase their use of renewable energies, reduce their greenhouse gas emissions, enhance their resource efficiency, and promote innovation. This comes as no surprise, given the fact that Europe is the largest importer of raw materials and sources of non-renewable energy.

The latest policy developments in this area suggest an increased focus on sustainability as the driver for innovation in the European region, as shown by the 7th Environment Action Program (January 2014), which clearly lists resource-efficiency management as a priority. Being challenged as it is by other regional players regarding manufacturing and extraction volumes, Europe's winning card could be its favorable climate toward innovation due to its tradition of research and development and producing a well-educated labor force. Complementing its roadmap to resource efficiency — which basically maps Europe's challenges in its efforts to decouple growth from the extensive use of resources — the European Commission has announced its drafting of a communication on the Circular Economy in 2014. The goal is not to replace the concept of resource efficiency with a more sophisticated one, but rather to highlight a transformative growth model that would radically change both producer and consumer patterns by eliminating waste. The continual flow of resources in the production cycle — as opposed to what is called for in current economic models — would require tremendous innovation efforts to restructure the value-chain systems so as to accommodate a no-waste principle.

Sustainability-driven innovations

Resource efficiency improvements can be compared to a first-tier change of business operations, for example replacing old equipment to save more energy or finding innovative ways to use less water and fewer materials and create less landfill, etc. These are incremental changes most experts would call “picking the low-hanging fruit” because, as the idiom implies, there is little work required to do it, investments are relatively low-cost, and returns on investment are achieved in a short time.

The circular economy model of business, however, is a different matter altogether: It builds upon first-tier changes in the company but implies a complete makeover. Not only will the business change its operations, but it will also change its

entire methodology and processes in order to come up with something novel, all while assessing its suppliers, employees, and entire organization to accommodate this makeover. Arguing for this business case involves taking a long-term perspective on return on investment. Success stories in this area have one thing in common: the ambition to take measures in the present to position the business as an industry leader in the future.

The European Commission is as busy as ever surveying small and medium-sized enterprises (SMEs) around Europe, checking for policy impacts on companies' strategies toward resource efficiency, or issuing policies on corporate reporting requirements. At the same time, it is dealing with the intricate job of harmonizing — or at least attempting to harmonize — its initiatives, roadmaps, action plans, etc., for the sake of cohesiveness.

A survey published in March 2014 put forward a curious finding: 175 respondents to a study done in the SME sector in Europe reported a lack of information and knowledge in implementing resource-efficiency measures, despite the fact that — according to the experts who authored the study — up to 50 percent of a company's costs come from using resources such as water, energy, and materials. Since resource-efficiency measures are meant to lower the costs of these expenditures, the findings are puzzling. It seems that the majority of European SMEs fall short of being proactive in a matter that affects their revenues, not to mention their environmental footprints.

Academia could contribute toward understanding this conundrum: Researchers have long debated the merits of policy in driving business innovations as a response to social and environmental challenges, yet policy can be a double-edged sword. Policy-making is not an easy game; it is about calibrating economic and political interests, which is challenging enough.

On the one hand, too much of a focus on environmental sustainability measures would hinder business operations through additional costs — costs that might prove to be economically unsustainable — and would undoubtedly attract unwanted lobbying against these measures. On top of that, it is no easy task to quantify the economic benefits acquired in the process of implementing resource-efficiency measures. However, as this study revealed, the information asymmetry reported here is costing the European industry €630 billion each year. No wonder policymakers would like these costs to be turned into savings. But how to avoid a situation in which the regulations become too strict?

On the other hand, too little focus will send mixed signals to the market, giving the impression that the sustainability agenda has not been promoted to the grownups' table (CFOs and CEOs), which is a common view, even in environmentally-conscious business cultures, such as the one in Denmark.



One could say these regulation attempts are better than nothing, but I say that, at the rate things are getting done, 2020 is an unrealistic target. The Commission will need to dust off its strategy of pushing things onto the governance agenda if Europe is to become a competitive economic force in due time. The changes needed are of a systemic nature, and even if the business sector is at the heart of our economic recovery, turning the European economy into a circular one takes a multistakeholder approach. Consumers and civil society need to be equally engaged to support such an industry makeover.

Big questions remain

Is policy – soft policy, that is – the right driver to push the European industry to change its ways? The answer I would give is that hard policy is certainly not the right driver, as it would never get that far. Talking money in a crisis climate could do the trick, though. This is probably why the Ellen MacArthur Foundation's project on the Circular Economy seems to be the only model embraced by all stakeholders in this discussion – because it talks about concrete economic targets.

One major aspect not to be overlooked is the fact that it is as much about changing the way businesses impact the social and environmental aspects of our society as it is about changing their mentality about making money. Sustainability does not really work as an add-on to what they are already doing, and quite soon policies will be put in place to remind them of this.

Last but not least, another factor slowing down the process is the unnecessary emphasis on denominations used in the issue of sustainability measures. Sustainability is as much the producers' responsibility as it is the consumers' when they spend their money. Until the consumer case story advances to the front page of this issue, the pace at which things improve will be up to industries and policymakers.

It is about time more people contributed toward decision-making. What is your take on this? ■

A case in point here is the latest decision on corporate reporting (Feb. 2014), in which listed companies in Europe with more than 500 staff (approximately 5,000 companies in Europe) are obliged to report specifically on, among other things, environmental issues.

Corporations need to abide by the rule of disclosing their due diligence policies (mechanisms to identify, prevent, mitigate, and account for negative impacts), and their reporting will have to include supply chain issues. Critics, however, have pointed out the loopholes that limit the effects of this reform, as corporations may exempt themselves from disclosing sensitive information. The choice of reporting standards and indicators also seems to be too flexible, making it difficult to use a benchmark. And, of course, there are no sanction mechanisms in place.



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Elena Mocanu has been a researcher on green business model innovations for Worldwatch Institute Europe since 2012. Additionally, she has worked as consultant on resource efficiency for the Copenhagen-based European Topic Center (Copenhagen Resource Institute).



UN SECRETARY-GENERAL CALLS FOR GREATER INVESTMENT AND COMMITMENT TO MEET SUSTAINABLE ENERGY FOR ALL TARGETS

Sustainable Energy for All is about driving actions and mobilizing commitments to positively transform the world's energy systems. UN Secretary-General Ban Ki-moon launched the SE4ALL initiative in 2011 with three objectives: ensuring universal access to modern energy services, and doubling the global rate of improvement in energy efficiency and the share of renewable energy in the global energy mix, all by 2030.

The world faces two urgent and interconnected challenges related to energy, he noted. One is related to energy access. Nearly one person in five on the planet still lacks access to electricity. The other challenge is global warming: Emissions of carbon dioxide and other greenhouse gases from fossil fuels are contributing to changes in the Earth's climate that are causing widespread harm to lives, communities, infrastructure, institutions, and budgets. Climate change puts us all at risk, but it hurts the poor first – and worst. The key to both challenges is to provide sustainable energy for all – energy that is accessible, cleaner, and more efficient.

High-Level Group identifies 11 Action Areas

The Secretary-General's High-Level Group on Sustainable Energy for All has created a Global Action Agenda to guide efforts undertaken in support of achieving the initiative's three objectives. It contains 11 Action Areas and provides a framework for identifying the high-impact opportunities that will catalyze change and prompt innovation. Using this framework, countries and stakeholders can create their own pathways toward Sustainable Energy for All.

The Action Areas are grouped into two categories – sectoral and enabling. The seven sectoral Action Areas address both power generation and the principle sectors of energy consumption. They include:

- modern cooking appliances and fuels
- distributed electricity solutions
- grid infrastructure and supply efficiency
- large-scale renewable power
- industrial and agricultural processes
- transportation
- buildings and appliances

The four enabling Action Areas characterize cross-cutting mechanisms designed to support effective sectoral action and address existing obstacles. They include:

- energy planning and policies
- business model and technology innovation
- finance and risk management
- capacity-building and knowledge-sharing

Ten years to transform the world's energy

Currently one out of five people lives without access to electricity, and nearly 40 per cent of the world's population rely on wood, coal, charcoal, or animal waste to cook their food, leading to over four million deaths a year, mostly women and children, from the effects of indoor smoke.

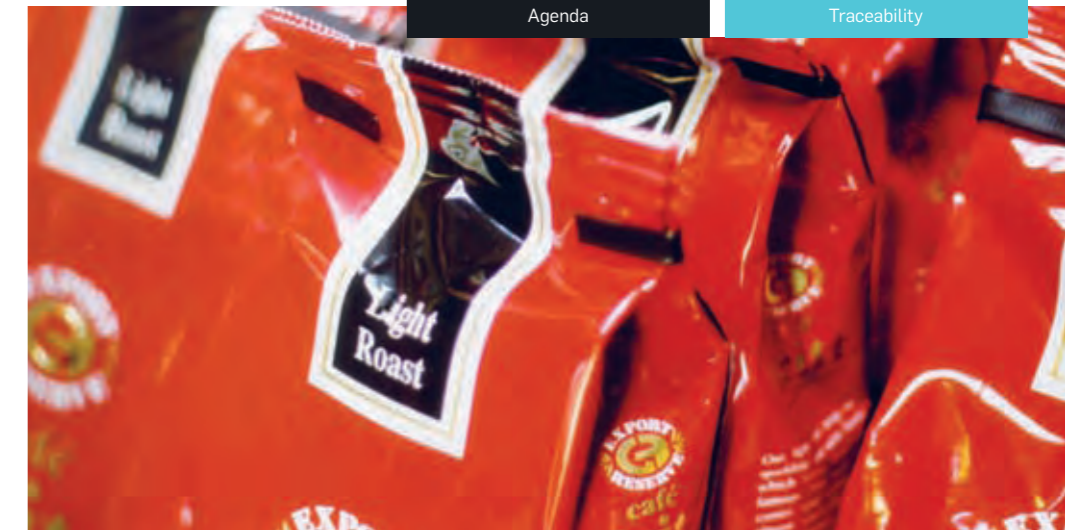
At the first annual Sustainable Energy for All Forum, the Secretary-General called on all SE4ALL partners to intensify their actions, so that the targets can be met. "Our common goal is in sight," he said. "We have seen that solutions exist and that people are implementing them. I count on all actors here today to deliver new and expanded commitments and partnerships that will transform the global energy landscape. We have the responsibility, and we have the power."



Source: SE4All.org

TRACEABILITY





CERTIFICATION BRINGS POSITIVE IMPACTS AND BETTER TRACEABILITY TO BUSINESS

Eco-labels and other sustainability marks on products are the way that most people experience certification. They are a window into production practices that might have taken place thousands of miles away – the connection between a forester in Brazil and a new piece of furniture; or a fishery in the North Atlantic and a meal of fish and chips; or a tea picker in Kenya and a morning beverage. But it is not only consumers who depend on labels to make informed decisions, it is also retailers and many other participants in the supply chain who are looking to improve their performance.

By Karin Kreider

As the sustainability landscape evolves, so too does the certification movement. Whereas “business-as-usual” activities often do more harm than good for the planet and communities, standards and certification have been identified and proven (so far through many studies and a wealth of anecdotal evidence) to be excellent tools for achieving sustainability impacts and fostering responsible business practices. As one example, in the 2014 report *Measuring Sustainability*, produced by the Committee on Sustainability Assessment, information from 18,000 surveys in Asia, Latin America, and Africa concluded that, on average, farms participating in a certification program performed better on measures for economic performance and access to training than similar farms that did not participate in such initiatives.

The UN Global Compact and ISEAL share the belief that businesses should be influenced to scale-up their use of certification to increase their positive impacts on people and the planet. Certification is reaching scale in many sectors, such as for certain food crops (tea, coffee, cocoa, bananas), as well as forestry and fishing. Earlier this year, the State of Sustainability Initiatives issued its SSI Review 2014, which showed remarkable growth in the uptake of certified goods across 16 leading certification programs in 10 commodities, now holding an estimated trade value of \$31.6 billion (as of 2012), according to the report.

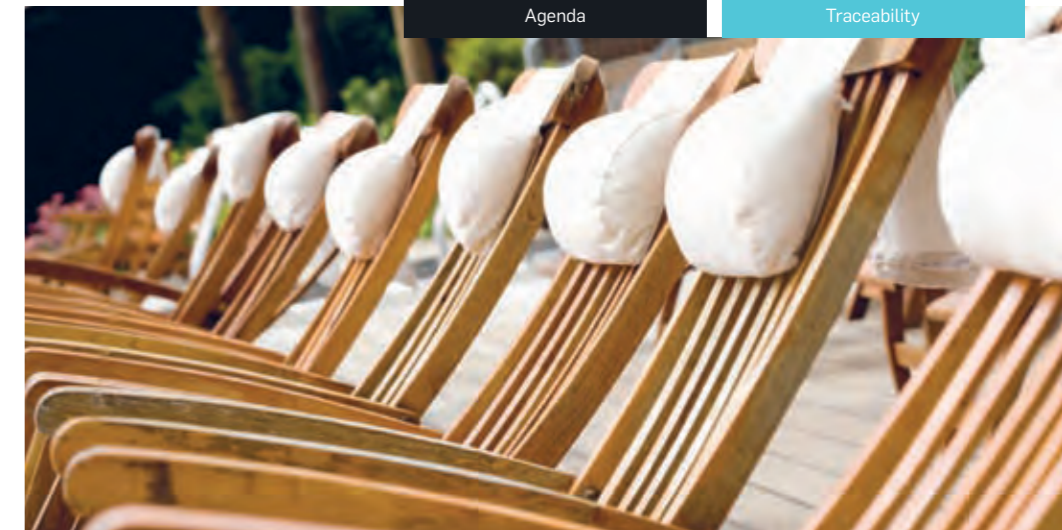
In the seafood industry, more than 20,000 products bear the Marine Stewardship Council label. Worldwide, 180 million hectares of forest meet Forest Stewardship Council (FSC)

standards for responsible forestry; FSC has secured commitments from no less than 20,000 companies. The London 2012 Olympics saw all tea, coffee, sugar, and bananas certified as Fairtrade.

Many additional business sectors that are critical for sustainability have just begun to transform their supply chains. The mining sector is seeing growth in new standards in aluminum, steel, gold, and artisanal mining. A similar movement can also be seen in the hospitality sectors, in textiles, in oil and gas, and in livestock, among other sectors with newly emerging sustainability standards and increased interest in responsible business practice. Never before has there been a more crucial time for standard-setters and certification leaders to show the impacts of their programs in order to motivate the adoption of credible sustainability standards and certification by the huge number of companies that are not yet deeply engaged in responsible practices.

Truthfulness above all else

As the global association for sustainability standards and certification, the ISEAL Alliance defines what good practice looks like in certification and labeling, with a core belief that credible processes will lead to positive impacts on the ground. The most credible standards and certification are mission-driven initiatives that monitor their outcomes and continually strive to scale-up their social and environmental impacts. Unfortunately, many sustainability labels and claims are more a product of good marketing than good practice.



To capture knowledge on what makes a certification program credible and effective, we developed the ISEAL Credibility Principles. Comprised of the input from 400 experts on five continents gathered through a one-year public consultation process, these principles represent the first-ever agreement on what distinguishes the certification programs that are most likely to deliver a real impact from those that do not.

Buyers can use the Credibility Principles to avoid certification and labels guilty of “greenwashing,” such as those developed in so-called closed door processes, or that simply require self-declarations by factory or farm owners to become certified, or even just charge a fee for label usage with no inspection at all. Mike Barry, Head of Marks & Spencer’s Plan A, stated during the launch of the principles last year, “The Credibility Principles provide structure, allowing us to take a more systematic approach to considering how we make many dozens of different raw materials more sustainable.”

Take an example in the cocoa sector. A chocolate bar might have a label indicating that the cocoa beans were sustainably grown, but a supermarket’s procurement person can dig deeper. Thanks to the language of the ISEAL Credibility Principles, the procurement person can ask a certification organization if their system embraces relevance, for example, by addressing the main challenges in cocoa production, such as child labor and the livelihoods of producers, or if they embrace the principle of improvement by having a monitoring system in place to measure whether their certification has a positive impact, such as poverty reduction or biodiversity conservation.

Not surprisingly, the principle that stakeholders ranked as being the most important one that credible certification embraces was truthfulness. For ISEAL and our members, this reinforced that honesty and transparency are what people expect most from certification and labels. This is why ISEAL is taking the next year to develop a Good Practice Guide on claims and labeling that will improve consistency in how certification programs make sustainability claims, ensuring they embrace the concept

of truthfulness, among other important steps and practices. It will mean that companies can ensure that their claims and labels are accurate, easily understood, and do not overstate their benefits. ISEAL’s members will follow the steps in the Good Practice Guide, which can be used by businesses, along with other ISEAL credibility tools, to filter what practices in claims and labels are credible and which are not.

Better traceability

Certification has evolved since its origins a few decades ago with the organic movement. Companies are no longer interested in simply hanging their hats on a sustainability label for positive publicity or increased sales. There is a larger set of reasons to use certification, including better traceability of the product through the supply chain.

Companies increasingly need to understand where their supply comes from and what potential risks they might be exposed to, such as child labor, illegal logging, or food contamination. Knowing your suppliers and your supply chain is one of the first steps in a company’s sustainability journey. Standards organizations that are members of ISEAL — including the 4C Association (coffee), Bonsucro (sugarcane), Responsible Jewellery Council (mining and minerals), and UTZ Certified (coffee, tea, and cocoa) — are helping companies reduce risk and increase transparency in their supply chains.

The Union for Ethical BioTrade, for instance, is designed to help food and cosmetics companies better manage the hundreds of biodiversity-derived products in their supply chains. One might even begin to call certification programs “traceability programs.” Well-functioning traceability systems are one of the major benefits to a business that engages with certification. Certification and its focus on sound traceability and chain-of-custody standards have become a crucial component of the sustainability movement, and their impacts and credibility are increasing. As part of ISEAL’s work on credible claims, we are also examining the link between claims and traceability systems.

Using certification for transparency

One example of a “front of the pack” company when it comes to sustainability is IKEA. Most of us know this huge retailer. At the Global Sustainability Standards Conference, an IKEA representative asked the audience if anyone had not been to an IKEA store. Only one hand was raised in the large room. In 2013 IKEA achieved some significant sustainability results, including sourcing more than 70 percent of its cotton from sustainable sources, and more than 30 percent of its wood from what it calls “more sustainable” sources, meaning it comes from FSC certified or recycled timber. In addition IKEA has developed a set of minimum standards for its leather suppliers. It is serving MSC-certified fish in its cafés, and even IKEA candles are produced with certified sustainable palm oil.

Palm oil is one of the most interesting and challenging examples in traceability and transparency. Using the IKEA example again, the vast majority of IKEA’s palm oil purchases are for its candles. As most of us know, palm oil is associated with deforestation and biodiversity loss in the tropics, and the product has a complex supply chain, with most of the sustainable oil ending up mixed in with conventional oil before sale. To improve traceability, IKEA works with ISEAL associate member Roundtable on Sustainable Palm Oil to source segregated certified palm oil, with a commitment to reach 100 percent of IKEA’s supplies by the end of 2015 (rather than 2020, as previously committed by the company). Using a specialized traceability system, IKEA and other buyers purchase palm oil through tradable GreenPalm certificates. While not offering segregation yet, this is a responsible step as IKEA moves toward a supply of wholly segregated certified palm oil.

In cocoa, companies such as Mars and Nestlé have made commitments to the UTZ Certified program to help them track the origin and flow of cocoa sourced for their Kit Kat, Mars Bars, and other brands. Traceability is one of the foundations of the UTZ program, providing a fully automated, accurate, and flexible system called their “Good Inside Portal.” As well as tracing UTZ Certified coffee, tea, and cocoa for its market partners, UTZ also provides the traceability service to other

certification programs in agriculture, including the Roundtable on Sustainable Palm Oil and the Better Cotton Initiative.

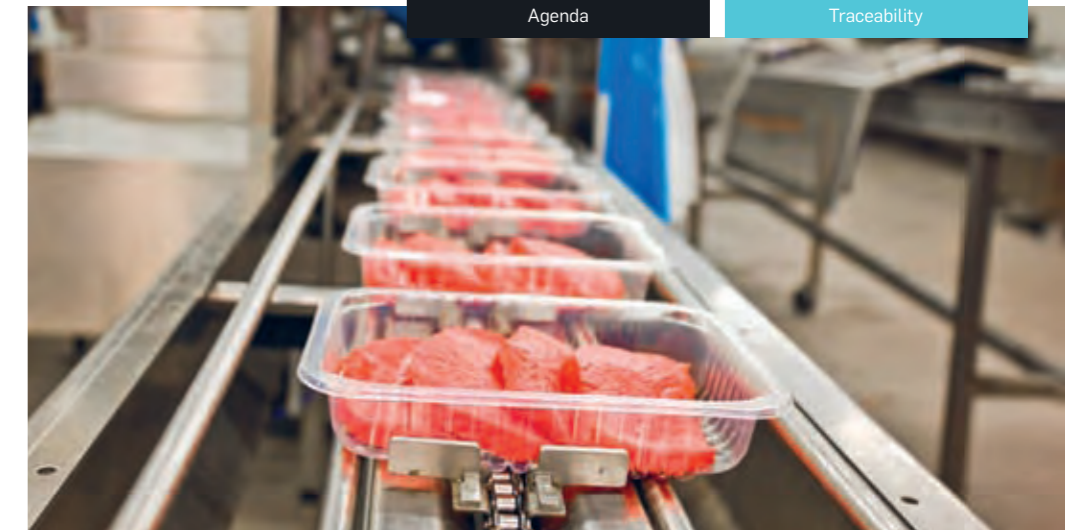
Choosing and supporting credible standards

Credibility is an important driver for any company thinking of engaging in a sustainable sourcing program and looking for certification partners to engage with. An additional method of determining credibility is to look for a certification program’s membership in the ISEAL Alliance, whose members strive to scale-up their collective and individual sustainability impacts to benefit people and the environment. ISEAL membership requires that certification programs demonstrate their effectiveness through their compliance with ISEAL’s Codes of Good Practice. The Codes include a standard-setting code, an assurance code, and an impacts monitoring code. For more information on the members of ISEAL, see www.iseal.org.

Most sustainability standards and certification have been set up and implemented to ensure that products are made sustainably. For many companies, these certification programs have become the most viable approaches to managing their supply chain’s impacts on ecosystems and livelihoods. By choosing raw materials — certified or verified as sustainable by credible certification programs — businesses might better achieve their own sustainability objectives. ■



Karin Kreider is the Executive Director of the ISEAL Alliance and one of the world’s leading experts on credible certification and eco-labeling. The ISEAL Alliance is the global association for sustainability standards, and its members include organizations such as Fairtrade International, the Forest Stewardship Council, the Marine Stewardship Council, the Rainforest Alliance, and many others.



THE GLOBAL ORGANIC COVENANT

By Markus Arbenz

The food crisis of 2008 and the burgeoning issue of climate change have given rise to a new discourse on agriculture, wherein its role in both creating and addressing global threats is being explored. The practice of agriculture and agribusiness has significant impacts on climate disruption; food insecurity; poverty and social inequity; loss of biodiversity; and the degradation of quality water supplies, soil, and air.

Challenges and solutions for agriculture

In the above context, the discourse on agriculture is moving from a singular emphasis on productivity, which, after decades, still leaves more than 2 billion people hungry, toward the view that a more holistic and multifunctional approach to farming and food is needed in order to sustain the planet. A declaration in 2008 by the International Assessment of Agricultural Science and Technology for Development, which stated that in agriculture “business as usual is not an option,” has been advanced in subsequent papers and dialogues. But the transformation of agriculture, even among smallholder farmers in developing countries, will rely on basic incentives arising from returns on investment, knowledge-transfer, risk-reduction, and modeling.

A model to support this shift lies in plain sight. Organic agriculture is rooted in an agro-ecological paradigm, which relies on natural cycles and ecological relationships to produce healthy plants and animals. Its multifunctional benefits include maintenance and restoration of ecological balance

and environmental quality (soil improvement, enhanced agrobiodiversity, and water efficiency); mitigation and adaptation for climate change (carbon sequestration; drought, pest, and disease tolerance); and contribution to food security and poverty reduction (price advantages, farm resilience). It engages the precautionary principle in the context of rapid change and environmental challenges. Organic agriculture is also a market model centered on consumer demand for healthy, sustainably produced food and products.

For more than four decades, organic markets have depended on a covenant of trust between consumers and producers. Originally, organic standards and certification schemes were grassroots initiatives of farmers associations in North America and Europe in partnership with activists who set up food co-operatives and promoted the marketing of organic produce. At the same time, partnerships called Tekkei were established in Japan between farmers and community members, who were mutually concerned about the increasing use of farm chemicals and loss of family farms in rural economies. The trust covenant was a natural product of such direct producer-consumer links in local contexts, and they remain a valuable pillar of organic commerce today.

Pioneering traceability

As organic markets grew and diversified, more organic food was mixed and transformed, and traveled long distances

through long chains of custody in the course of trade. What did not change in these extended value chains was the commitment to assure buyers that the “organic” products they purchased were indeed produced according to organic principles and standards. To this end, systems for tracing organic products were devised and further refined to exploit information technologies, and they provided models for the development of similar systems in other product supply chains.

Organic tracking systems follow the concept of product segregation, that is, all or most of the contents of a product – depending on the claim of the organic label – must come from organic sources, and the original source and related organic certification of every organic ingredient in a product must be traceable. Although the classic functions of organic traceability systems are to enable corrective actions in cases of product irregularity, or to respond to potential fraud in organic value chains, these systems are now being adapted to restore a degree of direct connectedness between producers and consumers, even over long distances. Organic companies are pioneering label codes that enable consumers to scan them with personal technology to access farm-level information, including the producer names and locations, organic certification, and descriptions of the farm and farming practices. A mother in Sweden can “meet” the Costa Rican smallholder cooperative that produced the bananas in her child’s organic baby food.

Equivalence – Room for development

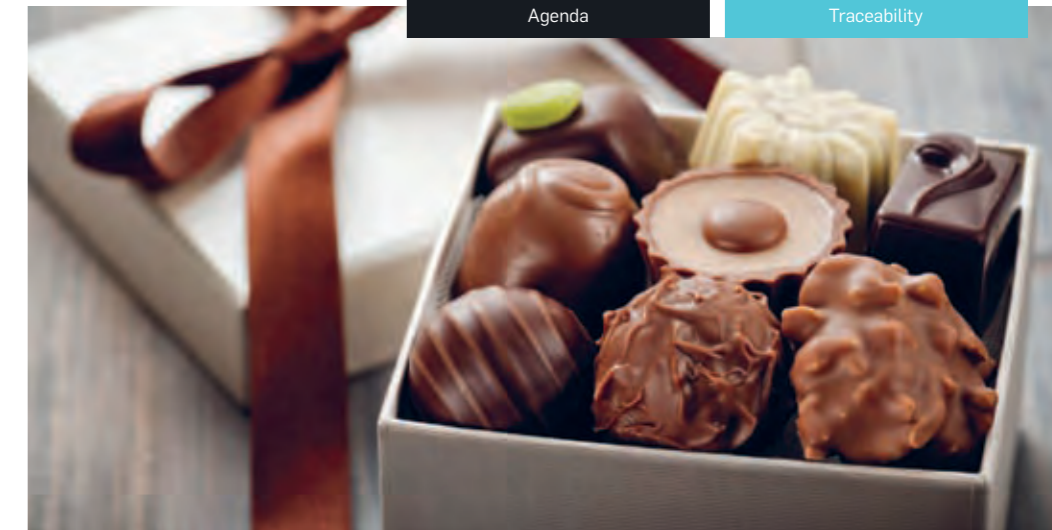
The proliferation of organic standards and regulations worldwide adds another dimension of complexity in organic supply chains, and potentially impacts consumer knowledge and confidence. Among all the major sustainability labeling schemes and labels for food and agriculture products, organic schemes are uniquely subjected to government regulation. These regulations govern not only domestic production but also the import of organic products in more than 60 countries, requiring compliance with national standards and certification requirements.

How then can the Costa Rican bananas be imported to the European Union and become organic baby food sold in Sweden? Fortunately, the answer in this case is through the EU’s formal recognition that Costa Rican organic standards and controls are equivalent to its own. But equivalence provisions between organic trading partners exist among relatively few countries, and new regulation by countries is outpacing the establishment of equivalence arrangements. There is a need to scale-up these arrangements so that there are ample and diverse organic products to supply existing and emerging markets. A second need is to maintain the organic covenant with consumers, who may question whether the products certified afar and under different standards are “organic.” Effecting both the scaling-up and transparency of these arrangements is a new frontier and offers an opportunity to contribute new models. The organic sector, led by the International Federation of Organic Agriculture Movements (IFOAM), has partnered with several UN institutions – most notably the United Nations Conference on Trade and Development and the Food and Agriculture Organization of the United Nations – to identify and facilitate equivalence solutions.

“Is this organic product truly organic?” The organic sector has made investments and innovations to always be able to answer this question within the context of increasingly complex, global market development and the proliferation of organic standards worldwide. As a guidepost for future market development, this question will persist and continue to be honored. ■



Markus Arbenz is Executive Director of the International Federation of Organic Agriculture Movements (IFOAM) e.V.



STRONG FARMER ORGANIZATIONS, STRONGER FUTURE

By Caroline Hickson

Member-based farmer organizations are key partners to deliver effective programs on farm improvements, environmental protection, social compliance and well-being, and more. Not only do these organizations have a direct relationship with individual farmers and their communities, but they are also active in difficult-to-reach areas. A growing body of research shows that when farmers and their communities are involved in decision-making and take ownership of programs, there is a much higher success rate. Farmer organizations bring scale and reduced costs and provide a structure for crop improvement and joint investment. They allow farmers to negotiate from a position that would otherwise be beyond their reach. They can be strong partners with other supply chain actors and with the public sector. “When farmers are strong and organized, when we have income and investment, we solve problems. We take action on the most important challenges our communities face,” explains Chief Adam Tampuri, cashew farmer and Chair of Fairtrade Africa. Below are just a few cases of Fairtrade farmers’ organizations tackling the most serious problems faced by industry.

Cotton farmers preserving the environment

Cotton is considered the world’s “dirtiest” crop, with heavy chemical and water use. Fairtrade-certified producer organiza-

tions already use less-intensive techniques than industrialized farming, and many are going an extra step.

Cotton farmer organizations invest a significant portion of their Fairtrade Premium (the extra funds from Fairtrade sales) toward preserving the health and sustainability of their farms. This includes investments in soil management; field-leveling and stone contour lines for erosion control and water drainage; water harvesting via farm ponds and drip irrigation systems; cotton canvas harvest bags to minimize contamination; organic fertilization such as compost pits, and more.

One Fairtrade cotton cooperative in India, Chetna Organic, has partnered with international and local government research institutes for their participatory seed multiplication and seed conservation programs. The scientists are identifying and developing natural varieties of cottonseed suitable for the local growing conditions and organic agriculture. Chetna is training their member farmers to save cotton seeds to plant for the next season, and has appointed women “seed guardians.”

“Seed is the most vital input. Almost 50 percent of farmer’s expenditure in cotton goes toward buying seeds,” says Arun Ambatipudi, Chetna Organic’s CEO. “Without seed there is no agriculture.”

Sugar farmers addressing child labor

Fairtrade works in many regions with known risks of child labor. Although Fairtrade’s Standards and rigorous auditing systems are important, they are only part of the answer to successfully eradicating child labor. Farmers can and must become key agents of change so they themselves, along with their community members, can identify and address unacceptable labor practices.

Paraguay sugarcane production appears on the Global Risks Indexes for Child Labour. Immediately following a child labor prevention discussion and training hosted by Fairtrade International, one certified sugar cooperative voted at their general assembly to establish a child labor prevention program.

Board members and technical representatives of the cooperative received training on ways to establish a self-governing “youth-inclusive, community-based monitoring and remediation system” on child labor and identify risk areas for the phased implementation. Young people will work alongside adults on this program, and a child rights agency has committed to assist in building their capacity on child protection.

Cocoa farmers tackling poor quality

After years of underinvestment in cocoa farms, the global cocoa industry is facing serious problems with supply. Fairtrade-certified cocoa organizations in West Africa spent around 36 percent of their Fairtrade Premium in 2012–2013 on projects to improve productivity and quality crop.

ECOOKIM (Entreprise Cooperative Kimbe), a Fairtrade-certified cocoa-growing cooperative in Côte d’Ivoire with 2,800 members, identified low quality as a real issue facing their farmers. Farmers had poor post-harvest techniques, so some cocoa was too humid and grew mold while it was stored.

Now around eight in ten farmer members have been trained in Good Agricultural Practices, which include correct fermen-

tation and drying processes. ECOOKIM has also constructed two storage warehouses and upgraded drying racks. As a result, around 90 percent of members can deliver cocoa that is eligible for the international market.

“The training programs allow members to feel that their cooperative is interested in their daily activities and their well-being; we are not there simply to collect the cocoa but to accompany them on their individual development pathways,” says Mamadou Savane, ECOOKIM Sustainability Manager.

Farmer voice in sustainability community

Fairtrade is committed to strengthening farmer organizations and the role they play in building solutions to global, industry-wide problems. Farmer ownership and voice in decision-making is key to long-term change and meaningful impact at the farm and community levels.

“Farmers invest in improving our farms. We invest in shared facilities for storing and processing our crops. We invest in the future generation, our children. And we invest in ourselves – in training, in building our knowledge and skills, and in boosting our income to a dignified level,” says Tampuri. “Although farmers understand sustainability challenges better than anyone, our voice is still hardly heard in all the global debates. This must change.” ■



Caroline Hickson is Director of Brand, Communications and Strategic Partnerships at Fairtrade International.

“THERE'S NO POINT IN JUST CHECKING OFF A LIST”

Interview with Maren Sartory, Fairtrade Germany

Fairtrade wants to create a new label for textiles. Clothing made from fairly produced cotton is currently available, but further processing only has to comply with core labor guidelines of the International Labour Organization that prohibit violations such as child labor or forced labor. Going forward, the whole production chain will have to comply with fair standards, including conditions for the workers in the factories. The first Fairtrade-certified shirts and trousers could be available for purchase in three years, according to Maren Sartory from Fairtrade Germany, who was interviewed by Ingo Arzt on behalf of the Council for Sustainable Development.

Ms. Sartory, does Fairtrade exert a positive influence on the textile market, or is this clothing still a largely niche product?

Maren Sartory: Unfortunately, the market share remains very small, and I cannot say for sure how high [it is]. But I wouldn't call it a niche product; there is a lot of media interest in fairly produced clothing, and consumers want more of it as well. But at the moment, anyone who wants to buy fairly traded clothing has to seek it out.

Why?

Sartory: Most companies buy their finished materials, T-shirts, and trousers from anywhere and are not well-acquainted with their supply chains. On the other side, most consumers don't want clothing made with child labor, but they're looking for a bargain. They're more likely to reach for Fairtrade coffee; when it comes to textiles, they have very different intentions: Their primary goal is to find clothing that suits them. The purchasing behavior is completely different, so here it's less a matter of consumers than of companies having the responsibility. They need to ensure that their supply chains are fair.

At the moment, only the cotton in Fairtrade clothing is fairly traded, rather than the whole supply chain.

Sartory: Exactly. Right now there is actually no standard that offers a complete guarantee from beginning to end. GOTS, the Global Organic Textile Standard, only applies to organic goods, and these make up only a small portion of the market. Cotton used in Fairtrade is fairly traded because the current standards only govern its cultivation.

What we want to do now is to guarantee the entire supply chain. By the way, Fairtrade is not organic, even if we do encourage that sort of cultivation with a bonus and have our own environmental criteria.

Why is it so difficult to certify the whole supply chain?

Sartory: We don't just want to create a new standard. We were traveling in India recently and went through factories where they had 20 different slips of paper hanging there, with various certifications and standards of conduct. But these were not being followed: Certification would be followed by stasis. We also want a company to develop in a particular direction; there's no point in just ticking off a list.

What does that mean in practice?

Sartory: One example is that factories have to prove that they're increasing revenue. We also want workers to be educated and competent. In the Fairtrade system, we generally work with a network of consultants who then help the committees in charge of deciding how the Fairtrade money should be invested, because the workers making these decisions often have no higher education. This all has to be put into place first.

How many of the large clothing chains have jumped at your idea so far?

Sartory: There's no standard yet, but there's a lot of interest. Some of them are selling at least the occasional organic piece. With Fairtrade, though, they need to establish long-term relationships with their suppliers. Few exist at the moment. We want to start developing the standard this year, and we hope that we can then get companies on board for the implementation as soon as possible.

Will the clothing get more expensive at that point?

Sartory: It doesn't have to. We've seen factories in India where cheap T-shirts and designer T-shirts were coming off of the same production line. Wage costs carry no weight for textiles as it is. At any rate, there are enough fairly traded raw materials to go around: We have farmers who sell 80 percent of their Fairtrade-certified cotton at normal prices because there is so little demand for fair production. ■

UN GLOBAL COMPACT LAUNCHES FOOD AND AGRICULTURE BUSINESS PRINCIPLES

The UN Global Compact unveiled a set of six principles that food and agriculture businesses worldwide can adopt to meet food security challenges more effectively and sustainably.

As the world's population grows to 9 billion by 2050 and demands on global food systems intensify, business will be a critical partner for governments and other stakeholders to design and deliver effective, scalable, and practical solutions for secure food systems and sustainable agriculture.

With farming and food occupying a pivotal position in sustainable development, the Food and Agriculture Business (FAB) Principles provide a holistic framework for companies to collaborate with the UN, governments, civil society, and other stakeholders to meet this challenge.

As Puvan Selvanathan, Head of Food and Agriculture at the UN Global Compact, explains to Asian media company Eco-Business: "We welcome all farmers and agribusinesses – regardless of size, crop, or location – to make this principle-

based commitment and show their overall orientation toward corporate sustainability."

The FAB Principles establish the attributes of well-functioning and sustainable global food and agriculture systems, and articulate a common understanding of the resources, ecosystem services, and socioeconomic impacts needed to build resilience into these systems and the markets that they serve. The FAB Principles are the first set of global voluntary business principles for the food and agriculture sector.

The six FAB Principles are designed to complement existing initiatives that advance sustainability in food and agriculture and encompass voluntary standards and technical compliance platforms. They provide agreed upon global language of what constitutes sustainability in food and agriculture on critical issues ranging from food security, health, and nutrition to human rights, good governance, and environmental stewardship, as well as ensuring economic viability across the entire value chain.

Source: unglobalcompact.org





WORLD'S FIRST GUIDE ON TRACEABILITY ADVANCES SUPPLY CHAIN SUSTAINABILITY

The United Nations Global Compact and BSR have released the first guide on traceability, which will help companies and consumers ensure that their materials and products are produced responsibly.

By Elga D. Reyes

Ensuring that minerals are sourced without conflict or human rights abuses is one example of what supply chain traceability can accomplish, thanks to the big push the UN Global Compact and BSR are making with their new guide on traceability for sustainability.

Supply chain traceability is increasingly becoming a key component in the business operations of palm oil, paper, minerals and diamonds, and select food commodities, say the United Nations Global Compact and BSR.

The two organizations recently launched the first worldwide guide on traceability, which aims to shed light on the importance of traceability in achieving sustainability while providing

steps on how to conduct traceability programs within companies' corporate social responsibility efforts. Called *A Guide to Traceability: A Practical Approach to Advance Sustainability in Global Supply Chains*, it also presents lessons and real-life case studies on a wide range of products that are applicable across companies and industries around the world.

According to the International Organization for Standardization, as cited by the guide, supply chain traceability is "the ability to identify and trace the history, distribution, location, and application of products, parts, and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labor (including health and safety), the environment, and anti-corruption."

Firms are becoming more aware of the significance of traceability due to growing regulatory pressures and consumer demand for responsibly-sourced and -produced goods and services, says the UN Global Compact, the largest voluntary corporate sustainability initiative in the world. Currently, only a small percentage of products can be traced based on sustainability, the organization added. The 45-page guide, which culls over a year's worth of research and interviews, noted that such traceability still has a long way to go before becoming part of supply chain management and procurement practices.

Ursula Wynhoven, general counsel and chief of governance and social sustainability for the UN Global Compact, says: "With corporate supply chains growing in scale and complexity globally in recent decades, it is critical for companies to think beyond short-term financial considerations and build capacities to deliver long-term value along the entire supply chain."

For example, the guide cited schemes that assessed whether minerals are sourced from conditions of armed conflict or not, ensuring that such conflicts are not financed and that no human rights abuses resulted from purchasing these minerals.

"Only by tracing the origin of these materials in their supply chains can companies work to build conflict-free products," says Michael Rohwer, Program Director of the Conflict-Free Sourcing Initiative, spearheaded by the Electronic Industry Citizenship Coalition and Global e-Sustainability Initiative. He adds that strong traceability practices mean tracing the metals "all the way back to the mine."

Similarly, traceability initiatives include certification programs that check the sustainability of producing commodities such as cocoa, nuts, and coffee, since the cultivation of these crops has an impact on the environment, as noted by the two organizations in the report. They explained that monitoring how these agricultural items are produced could lead to reducing carbon footprints and preventing deforestation.

Aside from minerals (including diamonds) and cocoa, the guide also specifically discusses areas of collaboration and alignment for eight other commodities that are frequently linked to traceability for sustainability goals: beef, biofuel, cotton, fish, leather, palm oil, sugar, and timber.

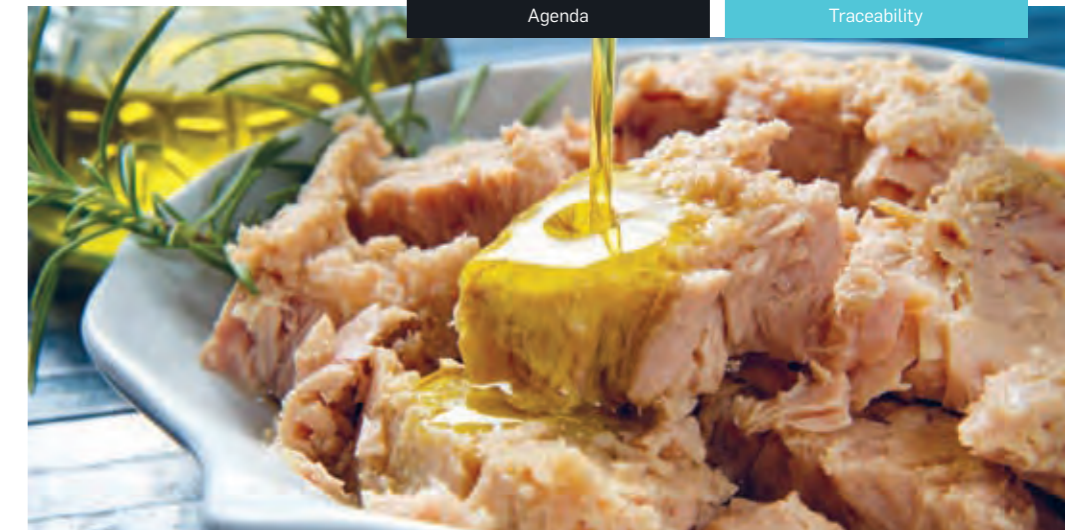
Recently, Procter and Gamble adopted a "no-deforestation" policy concerning the use of palm oil in their consumer products after the continuous campaign of Greenpeace to protect forests and the rights of local communities. The manufacturer aims to ensure that its products are free from deforestation activities by 2020, while its palm oil supply should be traceable by 2015.

Wynhoven stresses: "Traceability systems offer an unprecedented opportunity for companies to improve transparency throughout the supply chain and fulfill their wider sustainability promises."

"Customers want to know that the sustainability claim they see on a product is true. When done correctly, traceability is a powerful tool to provide reassurance to customers that companies mean what they say," explains Tara Norton, Director for Advisory Services at BSR, a consultancy and network of more than 250 international firms engaged in sustainability and collaboration. "In writing this guide," she adds, "we aim to demystify traceability, to show companies clearly what it is all about, who the key players are, and how they can approach it." ■



Elga Reyes is a correspondent at Eco-Business, the leading publication for Asia Pacific's sustainable business community. This interview was originally published in Eco-Business.



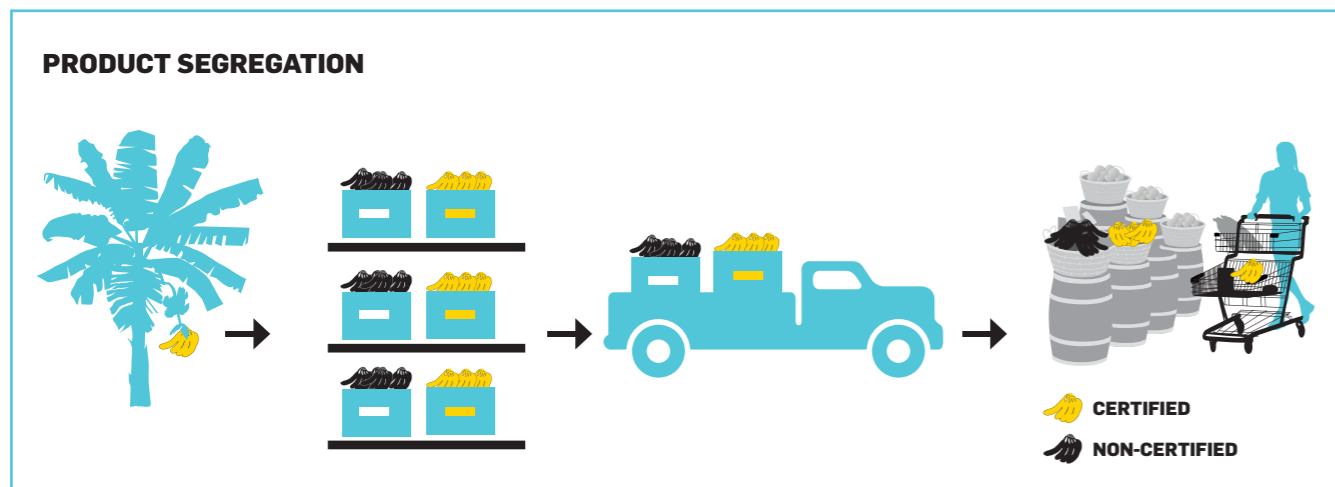
INSIDE UNGC/BSR

A GUIDE TO TRACEABILITY

There are three main models in terms of how traceability schemes trace sustainability claims. These models offer different approaches to tracking a claim and confirming it at each point in the supply chain. The three models are Product Segregation, Mass Balance, and Book and Claim. They are differentiated by the extent to which certified and non-certified materials are permitted to mix, as well as by claims that can be attached to the final product.

Product Segregation

The Product Segregation model implies that certified materials and products are physically separated from non-certified materials and products at each stage along the value chain. This ensures that certified and non-certified materials and products are not mixed together and that the end product comes from a certified source. At the end, consumers know



that 100 percent of their products consist of certified materials. There are two segregation models to traceability: Bulk Commodity and Identity Preserved (IP).

A. Bulk Commodity

The segregation model Bulk Commodity separates certified from non-certified materials but allows mixing of certified materials from different producers. All producers must comply with the certification standards.

B. Identity Preservation

The segregation model Identity Preservation (IP) requires segregation of the certified materials from the non-certified materials and does not allow mixing of certified materials in any segment of the value chain – this is done to provide traceability from a specific plantation or primary processor to the final users. The IP model enables the traceability of products back to the originating farm, forest, or production site.

Mass Balance

With the Mass Balance model, certified and non-certified materials can be mixed. However, the exact volume of certified materials entering the value chain must be controlled, and an equivalent volume of the certified product leaving the value chain can be sold as “certified.” This is common for products and commodities where segregation is very difficult or impossible to achieve, such as for cocoa, cotton, sugar, and tea. Customers may not know whether their specific share of the product contains certified or non-certified materials, or a mixture of both. Claims of “product contains x percent of certified ingredients” can be made.

Example: Cocoa

The cocoa supply chain is very complex and makes the process of complete segregation expensive to implement for most companies. UTZ Certified offers the Mass Balance system to boost sustainable production with fewer costs, allowing more farmers to benefit from it.

Book and Claim

The Book and Claim model is very different from the two models discussed above and does not seek to establish traceability at each stage in the supply chain. Instead, this model relies on the link between the volume of certified materials produced at the beginning of the supply chain and the amount of certified products purchased at the end of the value chain.

In the Book and Claim model, a company can obtain sustainability certificates for the volume of certified materials that it puts into the supply chain. Certified and non-certified materials flow freely throughout the supply chain. Sustainability certificates are bought via a trading platform and can be issued by an independent body. Companies that want to make sustainability claims can purchase such certificates. Even though it is not certain that their products contain certified materials, their production has supported sustainable sourcing. Therefore, claims of “product supports the sustainable sourcing and production of essential commodities” can be made.

Example: Renewable Energy Certificates

Companies producing power from renewable energy technologies (e.g., solar panels, windmills) can feed their green energy into the electrical grid and receive renewable energy certificates (REC) in return. Once in the grid, renewable energy is impossible to separate from conventionally generated energy. RECs can be exchanged, sold, and traded, and the owner of the REC can claim to have purchased renewable energy. RECs incentivize carbon-neutral renewable energy by supporting electricity generated from renewable sources. The purchase of RECs allows its owners to claim that their purchased energy was generated from an eligible renewable energy resource. ■

Source: A Guide to Traceability. Published by the United Nations Global Compact and BSR.

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Solely responsible for the editorial contributions under the heading "Good Practice" are the companies and their authors themselves.

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HUMAN RIGHTS

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

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

LABOUR STANDARDS

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

MORE THAN JUST A BANK

Our way of being a bank also involves our interest in the world of culture. And if “promoting culture” is an ambitious task for us, then we dedicate our resources to and make a commitment toward creating opportunities for interaction between the general public and the world of knowledge, history, and art.

By Mara Simonini, Banca Popolare di Sondrio



In addition to its main activities of offering banking and financial services, Banca Popolare di Sondrio has always promoted cultural initiatives and activities that are in line with the mission of the “popular bank.” It seeks to promote both the economic and social growth of local communities, which also means safeguarding historical, artistic, and cultural wealth as well as disseminating knowledge and creating recognition.

The cultural promotions of Banca Popolare di Sondrio have always focused on its native territory, where the bank has its “feet, heart, and head,” with the purpose

of promoting and enhancing the many aspects of nature and resources available to humans.

There has been a “dialogue” over the years that is based on a true liberal spirit. One example is an initiative in 1961, the only one of its kind, in which the bank called upon some of the major Italian artists of that time — Sassu Migneco, Morlotti, Spilimbergo, and Cantatore, to name just a few — to “paint” the Valtellina. The result was a valuable modern art gallery dedicated to the Valtellina landscape, leading to the production of the catalog 14 Painters in Valtellina and Valchiavenna.

A literary counterpart to that operation was the promotion of the novel-diary *The Adventure in Valtellina*, written by the renowned writer and director Mario Soldati. The work inspired the documentary *Cliffs of Wine* by Ermanno Olmi in 2009, which focused on winegrowing in Valtellina. The bank also supported the featured terraced vineyards in obtaining UNESCO World Heritage recognition.

Banca Popolare di Sondrio also supported another initiative that is unique in the Italian banking world: <http://www.popsoarte.it>. It is an innovative internet communication project founded in 2004 that is dedicated to all art lovers. In a new and surprising manner, it provides a series of virtual exhibitions that presents works that are already on the bank’s website — to revisit the history of art through the bank’s very own art masterpieces. Today the institute is able to ensure, thanks to modern computer technology, complete accessibility, including for the blind, for whom special cards have been designed, along with the development of the most sophisticated technological devices.

In enhancing its art gallery, Banca Popolare di Sondrio has, as always, focused on boosting the artistic heritage of the province of Sondrio. In October 2007, in the presence of the Minister of Education, the Honorable Dr. Giuseppe Fioroni, Banca Popolare di Sondrio inaugurated the Luigi Credaro Library, named after the eponymous educator born in Valtellina

who was a Member of Parliament, Senator, and Minister of Education.

It is a library “for the territory” and allows access to the substantial and valuable archive and book wealth owned by Banca Popolare di Sondrio. It includes important and coveted correspondence by the economist and sociologist Vilfredo Pareto, together with the archives and library of Battista Leoni, a learned celebrity from Sondrio. This is all thanks to a number of generous donations made by customers and shareholders.

The bank’s publishing activities, which have developed considerably alongside the institutional banking business over almost half a century, have produced a large number of publications mainly aimed at enhancing the human and environmental aspects of the province of Sondrio, and which are also accessible on the dedicated website.

The prestigious “Notiziario,” established in 1973 and distributed by the bank every four months, boasts an ongoing collaboration of some of the most prestigious names

in Italian journalism and publishing, as well as notable figures such as Pope Emeritus Joseph Ratzinger. These contributions make it a quality magazine, an observation on today’s society, its transformations, its problems, and its prospects as well as an outlook on the socioeconomic reality of the province of Sondrio. The publication, also available in the online version, helped the bank obtain the Guggenheim Award in 1999 for the “bank for culture.”

The intense “cultural activity” is also realized through conferences and meetings that are open to the public. The last 40 years have seen more than 100 speakers at the conference room in Sondrio, including some of the most authoritative national and international representatives from the worlds of politics, economy, culture, journalism, sports, and entertainment. The events are also accessible via the bank’s website.

Banca Popolare di Sondrio is also extremely active in the field of education and the dissemination of knowledge with events and projects that are dedicated to Italian students. The subsidiary of the



nonsolobanca.popso.it



www.popso.bibliotecacredaro.it

bank Pirovano Stelvio SpA — the Sky and Mountain University — at Stelvio Pass has signed a memorandum of agreement with the Italian Ministry of Education to offer Italian students courses on various topics such as nature, water, energy, and peace.

At the Stelvio Pass, the bank supported the creation of the Donegani Museum, where, with its extensively documented and illustrated images and photographs from the past, visitors are able to piece together the extraordinary puzzle of the history of the Pass, with an impressive reconstruction of the trenches of the “Great War.” To commemorate the outbreak of World War One, Banca Popolare di Sondrio is supporting the documentary film *Stelvio — Crossroads of Peace*.

On the domestic scene, Banca Popolare di Sondrio presents itself as a highly active player, not only in the economics and finance fields, but also as an intermediary encouraging the promotion of culture. ■



www.popsoarte.it



UNLOCKING POSSIBILITIES: A STEP TOWARD BUILDING RESOURCEFUL CITIZENS



By Syed Najmus Saquib and Yashna Islam, Green Delta Insurance

It is noteworthy how, in the past few years, Bangladesh has seen rapid progress in many sectors, which was unthinkable even a decade ago. Bangladesh is showing consistent growth every year. We are being viewed as “The Next Asian Tiger” worldwide. Among all the positive news, the absence of human rights in many cases is hindering our development as a nation. Women and children as well as poverty-stricken people are always the most deprived ones when it comes to human rights.

The Ten Principles set by the UN Global Compact have always been treated with importance by Green Delta Insurance (GDIC). In previous years, GDIC has emphasized environmental issues, labor rights, and safety issues through their communication tools. Many issues regarding human rights also came into the picture. In 2012, GDIC took the initiative to create awareness for human rights. The first initiatives taken by the GDIC team – with the help of its creative agency – were to use “shadow puppetry” in our desk calendar to portray elements of human rights in a symbolic manner. After that, GDIC took the initiative to make direct and positive impacts on the lives of underprivileged people.

As the Bangladesh experience shows, economic growth alone is not always enough to achieve higher levels of human development. Countries that invest in education, health, and social protection, as well as those that promote gender

equality, are moving toward success more quickly. Keeping these things in mind, a significant CSR project in recent years named “SHE” was introduced by our Managing Director and CEO, Ms. Farzana Chowdhury. “Supporting Her Empowerment” (SHE) is a Women Empowerment and Development Program by Green Delta Insurance Company Ltd. to facilitate gender equality and women empowerment in the workplace. In a male dominant society such as ours, this program proved to be effective and offered open floor discussions, counseling, mentoring, career development, and special training programs for women. Women have the ability to contribute toward our country’s development, but sadly they are always overshadowed. GDIC also works for children’s rights. As in previous years, this year we made donations to and sponsored many cultural and fundraising programs of NGOs and schools. Green Delta Insurance also joined hands with Bangladesh’s “Women

Chamber of Commerce and Industry” in 2013 to support their dignified causes. It started with the BWCCI-GDIC Progressive award in 2012, which recognized promising female entrepreneurs of Bangladesh. GDIC is trying to assist women entrepreneurs financially and has requested that they step into formal sectors more often.

The most significant project that Green Delta Insurance has been working on is based on children’s rights. We have partnered with a renowned NGO for this cause. They have a number of schools all over Bangladesh that provide state-of-the-art education for poor and underprivileged children. They are always looking for sponsors to take responsibility for the students. There are millions of children in Bangladesh who live under the poverty line. They can be seen on streets all over the capital city: tired, hungry, and more often than not, exploited. They get involved in dangerous professions just to put food in their stomachs. Instead of



going to school and playing with their friends, these children roam the streets aimlessly and lose their childhoods as their lives slowly become a nightmare.

Keeping all these things in mind, Green Delta Insurance signed a memorandum of understanding with them to take responsibility for 40 students, which is a whole class. The sponsorship started with the junior-most class and it will continue till those 40 students graduate. This sponsorship will go beyond the financial aid needed. GDIC will also provide medical support, skill training, recreation, and a guaranteed job facility if needed. GDIC will do everything required so that they grow up to be confident, independent, and resourceful citizens of our nation. These children will be celebrating all the cultural programs and festivals of our country and receive gifts on special occasions. They will be taken to amusement parks and movies to ensure their entertainment needs are met. From time to time, GDIC will bring them to the head office to give them exposure to the corporate world. Awareness will be created about working for our country’s development and they will also be taught how to be ethical, no matter how critical the circumstances are. We believe that all these things will help them with ambition so that they continue their studies as qualified and well-educated students. Our aim is to groom these 40 children so that they can

live their dreams and at the same time contribute to our country’s development and betterment. These 40 students will be known as Green Delta Kids.

Illiteracy leads to poverty and, poverty leads to crime. This creates obstacles for a country’s development. Education is also very important because it is typically the key to a better future. It is our duty to build an educated nation and do something for unprivileged children so that they can raise their standards of living and blend in with society.

We believe this small initiative will help these kids to take part in this social world

and stand shoulder-to-shoulder with the rest of the population. These children should never feel discriminated against, and the talent hidden inside them should be brought out so that they can lead healthy lives. There is no surer way out of poverty than a solid education, but that education has to be affordable and needs to be equally distributed.

Many people are being deprived of their rights – they do not complain because they are not even aware of their rights. We promise to continue to promote human rights and take the necessary initiatives. We will work for the survival of underprivileged people against all the odds. ■



HUMAN RIGHTS – SANOFI APPROACH

In line with the UN Guiding Principles on Business and Human Rights, Sanofi has adopted an ambitious and holistic approach to ensure that human rights are soundly integrated throughout all the Group's operations. For Sanofi, it is essential to ensure that respect for human rights is integrated into our business activities everywhere we operate, including in countries considered to be at risk for matters concerning human rights.



By Tatiana Campos-Rocha and Laurent Lhopitallier, Sanofi

We have to address human rights issues that are common to all types of businesses, such as labor conditions, employee safety, and the abolition of forced labor and child labor. At the same time, we must also answer to issues that are specific to our business sector, such as improving access to healthcare and respecting rules of ethics during clinical trials.

Human rights principles are addressed in our main internal reference documents, such as our Code of Ethics, our Supplier Code of Conduct, and our Social Charter. These are to be considered as the minimum applicable standards should local regulations be less stringent in any of the Group's countries of operation. However, human rights in business is a complex topic by nature and it cannot be addressed only through reference documents and a standardized methodology. It requires a strong Group ambition and a holistic vision in order to identify and implement all necessary tools aimed at raising the awareness of employees so that they progress step by step.

Some key components of this holistic approach are as follows.

1. Adopting a human rights statement

The cornerstone of our approach is to prepare and adopt a human rights statement that sets the tone of our commitment (see right page).

2. Identifying human rights impacts in our value chain

Respect for human rights forms the foundation upon which our CSR policy is built. By complying with international human rights standards and principles, Sanofi makes a formal commitment to incorporate human rights principles in the Group's operating activities.



Using a collaborative and sectorial approach targeted at human rights in the pharmaceutical industry and in the workplace, in 2013 the Group designed the guide "Human Rights in Our Activities" in order to provide a practical tool that reflects the realities of our day-to-day business activities.

Because Sanofi's core business is the development and commercialization of medicines and vaccines, we have designed this guide in order to follow the four steps in the lifecycle of a drug, with the key human rights principles expected from the stakeholders and illustrations of best practices given along the way. This document also includes a section dedicated to human rights at work across various functions – it outlines the best practices a responsible employer should put in place all along the value chain.

Sanofi has designed the Human Rights Guide with four aims:

- Inform and familiarize all Sanofi employees with the key human rights principles.
- Identify potential impacts of Sanofi activities on human rights as well as associated expectations from stakehold-



"As a multinational healthcare company that is keenly aware of our social responsibility, Sanofi is committed to integrating respect for human rights into all our business operations and public positions. We are convinced that the principles of human rights apply to people, to nations, and, by extension, to businesses. While states and governments have a duty to guarantee human rights through adequate laws and policies, we believe that businesses also have a role to play. It begins with them identifying their own impact on human rights compliance and taking measures to prevent human rights violations.

For several years now, Sanofi has expressed and reiterated our commitment to the Ten Principles of the United Nations Global Compact and other international standards in the field of human rights. In addition, we have made it one of the cornerstones of our corporate social responsibility (CSR) approach, in line with the UN Guiding Principles on Business and Human Rights. We are committed to promoting respect for human rights principles in all areas of our business – from improving access to healthcare and upholding ethical standards to respecting fundamental employee rights and taking steps to preserve our planet.

Stakeholders today put increasing pressure on businesses to provide transparent information about their human rights practices, which also have the potential to

significantly impact a company's business and reputation as well as to enhance trust between customers and corporations. We believe that responding to stakeholders' expectations and addressing these issues represents an opportunity to improve both our human rights performance and our bottom line.

One of the key success factors in promoting respect for human rights in business is ensuring that all stakeholders are fully aware of their individual and collective rights and are informed about their respective obligations toward one another."

Gilles Lhernould, Senior Vice-President CSR, Sanofi

ers to reduce negative impacts and maximize positive ones.

- Describe a selection of Sanofi good practices at every step of a drug's lifecycle and in the workplace.
- Act as a reference point for all Sanofi managers making decisions about potential issues linked to human rights in their daily activities.

In order to take into account the extent and nature of human rights issues faced by Sanofi, this document was built using a cross-functional and participative approach that included representatives from more than 12 Sanofi Directions.

In addition, this guide was offered to Sanofi employees in December 2013 within the framework of Human Rights International Day. It is supplemented by tools (slide kit, website pages, etc.) to help Sanofi managers better understand their roles and responsibilities in

applying the guide, and it will serve as an educational tool for its deployment in the different Group organizations, regions, and countries.

For more information, please visit:
http://en.sanofi.com/csr/download_center/download_center.aspx

A FOCUS ON HUMAN RIGHTS IN RESEARCH AND DEVELOPMENT

Stakeholder expectations: Ensure that all research participants, including vulnerable persons, have given individual and informed consent and that their rights to information on benefits and risks prior to consent are respected and protected.

A best practice: Sanofi Brazil developed a Free and Informed Consent form in comic-book format to improve understanding of clinical-trial procedures among participants.

Key human rights: Right to health; right to access to information; right to life, liberty, and security; right to not be subjected to medical or scientific experimentation without one's free consent; right to privacy.

3. Evaluating and mitigating risks linked to human rights

Sanofi adopts a proactive strategy to manage risks related to our business. To implement this strategy and to address all risks that we may be exposed to in connection with our activities, we rely on a dedicated risk-management organization, including a Risk Committee, which is chaired by the Senior Vice-President of CSR; a Risk Coordination Direction, which is part of the CSR Direction; and Risk Coordinators, who are responsible for risk assessments within their areas of responsibility.

In 2013, under the coordination of the Group Risk Management Direction, a working group was established in order to provide a risk profile on Social and Human Rights within Sanofi and at the level of its suppliers; to propose actions plans when relevant; and to monitor critical risks. The recommendations made by the working group will be evaluated in 2014 by the Group Risk Committee for further implementation of relevant actions.

4. Performing due diligence assessments of operations and evaluations of suppliers

As a supplement to the work done in line with the guide "Human Rights in Our Activities," we encourage and enable the Group's different functions to evaluate the impact of their own activities, with a particular focus on identifying any potential human rights concerns.

Self-assessment at the Group level: Evaluation of Sanofi's practices at the corporate level is based on the Business and Human Rights Matrix of the Business Leaders Initiative for Human Rights, which allows the Group to establish an inventory of practices and identify any areas for improvement.

Local self-assessment: The CSR Excellence Direction also performed a self-assessment of practices in a pilot country, India, selected on the basis of potential risks of human rights concerns according to

the Maplecroft methodology. This evaluation was performed using the Human Rights Assessment Tool for Pharmaceutical Companies created by the Danish Institute for Human Rights. The results of this assessment were encouraging and highlighted India as an example for other countries to follow.

We also designed and deployed a specific risk-methodology to identify and assess suppliers that should receive priority attention in terms of evaluation and monitoring for CSR risks, and Human Rights risks in particular. A combination of 34 procurement categories and 36 countries have been targeted as priorities in our suppliers' evaluation campaign: A total of 335 suppliers have been evaluated since the start of our campaigns in 2011.

5. Training senior executives and operational managers

Since 2010, a total of 84 managers and senior executives representing more than 25 functions have received one full day of training about human rights in business. In-house human rights training sessions are organized with the support of outside experts. These experts help prepare the training program, which includes "case study" workshops relating to the human rights issues that Sanofi addresses. The training sessions also provide an oppor-

tunity to regularly discuss and share best practices. The human rights program is part of the training catalog available on the dedicated training platform accessible to all Sanofi employees in France.

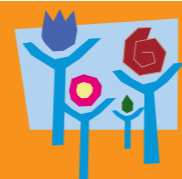
6. Our focus on children's rights

Our commitment to respect children's rights and to integrate this dimension into our operations is part of our human rights approach and complies with the Children's Rights and Business Principles developed by UNICEF in March 2012 alongside the UN Global Compact and Save the Children project. It represents the first time comprehensive guidance has been offered to companies on how to integrate children's rights into their policies and business processes.

As a healthcare company, we have a particular duty to both ensure that our products and services are safe for children and to support children's rights through them. Today, Sanofi is the only pharmaceutical company to offer a vast portfolio of pediatric products that covers 41 percent of the molecules and vaccines on the World Health Organization's Essential Medicines List for Children.

In Africa, since the launch of the pediatric initiative, we have made 36 pediatric products available on the market that

SANOFI PEDIATRIC HEALTHCARE INITIATIVE



Healthy children,
happy children

A Sanofi pediatric healthcare initiative has been created to acknowledge our company-wide commitment to children's health and to unify our pediatric resources across all division and brands to better answer children's health needs.

This initiative, called "Healthy Children, Happy Children," focuses on pediatric care in emerging markets (e.g., Africa, Latin America). We are already the leading pharmaceutical company in these markets, the one with the longest, most dependable presence in providing medications and services as well as in developing productive relationships. Our goal, now more than ever, is to provide every child the opportunity to lead a healthier and happier life.



cover six major therapeutic areas; trained or given access to medical information for better treatment to more than 50,000 healthcare professionals; raised the general public's awareness about children's healthcare; and improved the health education of 15,000 children through different events (e.g., diabetes camps, fun centers in hospitals, etc.).

Sanofi participates in numerous additional projects in close cooperation with local governments and institutions in order to protect and fulfill children's rights.

6.1 Fighting childhood cancer

To fight childhood cancer and improve survival rates in low- and middle-income countries, in 2006 the Sanofi Espoir Foundation created My Child Matters as a sustainable cooperation with its partners, the Union for International Cancer Control, the St. Jude Children's Research Hospital, and other international childhood cancer organizations.

The program focuses on:

- decentralization to bring childhood cancer care closer to patients' homes;
- early diagnosis through family awareness and caregiver training for timely detection of signs and symptoms of cancer;
- palliative care to improve quality of life by reducing suffering for the large number of children with cancers too advanced to cure;
- population-based childhood cancer registries to understand regional disease burdens and guide future health policies.

Since 2006, 45 projects have received support in 33 countries thanks to the Sanofi Espoir Foundation's investment of €7.2 million to date. A total of 14 projects were ongoing in 22 countries in Asia, Africa, and Latin America in 2013, and more than 40,000 children were supported.

6.2 Raising awareness about Diabetes in School

1. In Turkish schools, Sanofi organized an ambitious project to raise awareness among children and teachers about type 1 diabetes, childhood obesity, and healthy eating habits. The aim is to go beyond building awareness and actually improve diabetes management in collaboration with teachers.

This program is part of the National Diabetes Program led by the Turkish Ministry of Health, the Ministry of Education, and the Pediatric Endocrinology and Diabetes Association. In 2013, as an outcome of the Diabetes in School program, the Ministry of Education published a revised "Circular on Diabetic Children" to extend its scope to school administrators, teachers, parents, and school bus drivers so that they work in close cooperation in order to protect the health of diabetic pupils. Since 2010, the program has reached more than 7.5 million children and 580,000 teachers.

2. The Kids and Diabetes in Schools (KiDS) program was launched in India by our CEO, Christopher A. Viehbacher, and Sir Michael Hirst, President of the International Diabetes Federation (IDF), during a 2013 visit to Mumbai. This joint public health initiative is based on a partnership between Sanofi, IDF, and the Public Health Foundation of India. According to an International Diabetes Federation study, diabetes is a major public health challenge in India, which is ranked number two globally in terms of the spread and impact of diabetes. An estimated one out of five children with type 1 diabetes is an Indian.

For children with diabetes type 1, KiDS aims to foster a safe and supportive school environment to manage their diabetes and fight discrimination. It also teaches children about healthy eating habits and the importance of exercise to curb the increasing burden of type 2 diabetes. ■

For more information on Children's Rights and Business Principles, please visit:
<http://www.unicef.org/csr/88.htm>

For more information on Fighting childhood cancer, please visit:
<http://fondation-sanofi-espoir.com/en/>
<http://fondation-sanofi-espoir.com/en/news-2014-02-15-childhood-cancer-day-2014.php>





Since its independence in 1956 – and thanks to the wisdom of the former leader President Habib Bourguiba – Tunisia has focused its recovery strategy on the implementation of an education that can generate a solid base of human capital that is able to meet the changing needs of a developing nation. In just a few years, the education of children aged 6 to 16 years has become compulsory and free – this small North African country allocates more than 25 percent of its state budget to education and teaching. In the years after independence until the late 1980s, the development of a socio-economic balance brought integration and employment through a professional training of rare trades – even for those who did not have access to higher education.



By Rachid Zarrad, Sartex

During the past three decades – and in the absence of a clear strategic vision – the Tunisian education system went through several structural reforms. These were often poorly studied and did not taking into account the new social and economic conditions of the country. Today, Tunisia is confronted with a serious social phenomenon: namely, the school dropout rate of youth without any professional qualifications and with low academic levels. The 2012–2013 school year illustrates this failure: the premature dropping out of about 100,000 students, including 10,000 in primary schools – figures that have never been seen in Tunisia since its independence.

The number of school dropouts is increasing every year. These disadvantaged young people are deprived of a chance to have a proper life and risk being pushed to the margins of society. With no qualifications and no expertise, these young people will have very low chances to participate in an active life in a society that is still seeking to expand its lifestyle, especially after a revolution that deposed a corrupt dictatorship. What will be the fate of these thousands of young people? What is our responsibility as industrialists? What can we do to save and protect the youth against poverty, ignorance, and crime?

Each year, dozens of unemployed young Tunisians go looking for jobs in the clothing industry. There is a strong demand for skilled labor here, despite the fragility of the sector and strong competition. These young people, mostly devoid of all qualifications and diplomas, find themselves unable to start a career and are often doomed to failure due to lack of experience and life skills.

SARTEX is a textile company based in the central region of Tunisia in the town of Ksar Hallal, which was proclaimed the Tunisian capital for textiles by former leader Bourguiba. Offering more than 3,300 direct jobs in the export industry,

the SARTEX company is now among the leaders specialized in jeans and sportswear for reputable international brands in Europe, the United States, and Asia. Since its creation in 1983, SARTEX has been true to its values of citizenship and social responsibility. It is especially the youth and those condemned by the social and economic conditions of the country that SARTEX has been trying to help – by giving them a chance and new hope for an honorable life.

Believing in the capacity of youth and conscious of its responsibilities, SARTEX managed to monitor some of these young people by inviting them to register for free in its integrated training center, STC: Sartex Training Center. This helps them to learn a profession by developing their skills and knowledge about the basics regarding textiles, allowing them to earn a diploma that is recognized throughout Tunisia. The development of this expertise by SARTEX helps build a long-term labor pool. It encourages these young employees to become active and positive members of its organization who share its corporate culture and civic responsibilities as well as act positively in order to realize its strategic mission:

“To contribute to the sustainable development of the country, providing our customers with innovative, safe, and attractive products and services, in a healthy environment and a motivating and empowering framework.”
(Extract from the strategic mission of SARTEX)

The STC was established in July 2012 as part of a Tunisian-German cooperation – under a partnership agreement with the German organization Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) – and has aimed to strengthen its system and further enrich its educational programs. This investment of approximately €1 million in human capital provides a program certified by international German and French experts that focuses

on the development of technical skills and the continuous improvement of education. The training program is crowned with a Professional Competence Certificate (PCC), notarized by the ministry for employment, with whom SARTEX has an agreement for technical assistance in the regional center of textile and clothing, Ksar Hallal. The laureates of the PCC will continue their studies to obtain the Professional Technician Certificate.

After finishing their training program, all apprentices enrolled in the center are immediately hired and integrated into the production lines of SARTEX. Each year, the STC is committed to provide training and employment for 250 young people. Since its partnership with GIZ began, 280 school dropouts have been able to finish this training program and be integrated directly into the production lines at SARTEX. This project can also meet the needs of other industrial textile companies interested in and searching for qualified workers. During the training and employment of young people, SARTEX vouches for their rights and duties

within a compliant and legal framework that is inspired by universal labor standards and codes of conduct with respect to the rules of health, hygiene, and environment, in compliance with universal standards of human rights. Since 2005 SARTEX has been a pioneer in Tunisia in supporting the Ten Principles of the United Nations Global Compact. A great focus is given to these Principles in the training program. Our goal remains to change youth who are considered by society to be worthless and unskilled into qualified, creative, and innovative people. Training, Evaluation, and Continuous Improvement are the three strategic axes of our integrated center, and on which its pedagogic program is based – all developed by national and international experts as well as the managers of SARTEX. The originality of the center also lies in the involvement of young men in a profession that was historically meant for women. So now, boys and girls have equal opportunities to learn a trade, acquire the knowledge that was missed at school, and earn a job in a company that is a leader in the sector. ■

ABOUT SARTEX-USAID PARTENERSHIP

The top management of SARTEX decided with the USAID team based in Tunisia to work on a different and somewhat innovative approach through an experienced “industrial psychology” Tunisian consultant. The aim was to improve the morale of the troops at all levels and the inter-personal competencies, to create a professional “train the trainer” program and a new level of true, international level, in house trainers and finally to develop new competencies in terms of training young with no previous experience in a high level Training Center.



“This innocent smile gives meaning to our existence.”
(Mr. Kamel Zarrad, CEO SARTEX)

ADDRESSING THE GLOBAL HEALTH ISSUE OF ZINC DEFICIENCY

Zinc & Health | Teck

By Alannah Cervenko, Teck

As one of the world's largest producers of zinc, Teck is committed to helping solve the global health issue of zinc deficiency. Zinc is an essential micronutrient for human health and crucial for normal growth and brain development. Each year, nearly 450,000 children die as a result of not having enough zinc in their diets. Millions more suffer from complications associated with zinc deficiency, including stunted growth and a weakened immune system that leaves them unable to fight illnesses.

At the Copenhagen Consensus in 2008, a group of leading global economists ranked micronutrient supplements — specifically zinc and vitamin A — as the top international development priority out of more than 40 interventions considered. The group determined that every dollar spent on increased access to zinc supplementation results in \$17 in economic benefits. In the countries with the highest burdens, the economic benefits of zinc supplementation can be up to 100 times higher than the cost.

In 2011, Teck launched its Zinc & Health program to raise awareness and contribute to short- and long-term solutions to zinc deficiency worldwide. To date, more than 40 million people have been reached as a result of Teck's programs and partnerships, and millions more will benefit from efforts to improve education and training.

Therapeutic zinc

Each day, diarrhea kills more than 1,500 children under the age of five. Ninety percent of these child deaths happen in developing countries in Asia and Africa, where clean drinking water, sanitation, and access to urgent medical care is limited. Therapeutic zinc, combined with oral rehydration salts (ORS), is a simple, inexpensive treatment for diarrhea and can prevent future episodes for up to three months.



Teck is a founding member of the Zinc Alliance for Child Health (ZACH), a public-private civil society alliance created to develop and sustain zinc treatment programs that will help save children's lives. The first partnership under ZACH is a C\$20 million commitment by Teck, the Micronutrient Initiative, and the Government of Canada to scale-up zinc treatments in sub-Saharan Africa. In April 2013, Teck announced a \$5 million five-year partnership with UNICEF Canada under ZACH in India to save the lives of more than 150,000 children by 2017 — and 50,000 lives annually going forward — by improving access to and use of zinc to treat diarrhea, one of the leading causes of child mortality in the country.

To date, 5 million children have benefited from ZACH programs. ZACH has also worked with governments to secure over-the-counter status for zinc, reduced the price of the treatment, and educated thousands of mothers and caregivers to effectively treat childhood diarrhea with zinc and ORS.

Zinc supplementation

Today, one in four children are malnourished, increasing the risk of stunted growth and impaired development. Micronutrient powders are single-dose packets of zinc and other vitamins and minerals to increase the micronutrient content in a child's diet to ensure healthy development.

Teck led the creation of Zinc Saves Kids in 2009, an initiative of the International Zinc Association, to improve the survival, growth, and development of undernourished children with micronutrient deficiencies by funding UNICEF's zinc supplementation programs in Nepal and Peru.

UNICEF is reporting substantial progress in both countries. More than 600,000 children under the age of three have received zinc supplementation, and levels of stunted growth have decreased by 9 percent in both countries since 2010.

Awareness and advocacy

A major objective of the Zinc & Health program is to educate Teck employees and the public about zinc deficiency and the devastating effects of diarrhea. Teck has developed employee-driven initiatives, a Zinc & Health quarterly newsletter, and is active on social media networks such as Twitter and Facebook.

Since 2011, Teck has partnered with Free The Children as a proud sponsor of We Day, a national event that encourages young people to take action on local and global issues to make the world a better place. In 2012, Teck launched One Tweet, One Life, a Twitter campaign that saw the company donate \$0.50 to Zinc Saves Kids for every retweet of its We Day message. The campaign reached more than 5 million Twitter users and received 22,640 retweets. In 2013, Teck launched a Send One, Save One e-postcard campaign. For every e-postcard sent, Teck donated \$0.50 to UNICEF — the cost of a life-saving zinc treatment. To date, nearly 3,000 e-postcards have been sent to recipients in 94 countries around the world.

Food fortification

Fortifying staple foods such as flour, rice, and milk with zinc and other essential micronutrients is a highly cost-effective measure for reducing widespread micronutrient deficiencies. At the World Economic Forum in January 2012, Teck announced a three-year agreement with the chemical company BASF to jointly develop affordable zinc fortification solutions, with the goal of reducing zinc deficiency in developing countries.

To date, the Teck BASF partnership has provided some 35 million people at risk of zinc deficiency with access to zinc-fortified staple foods. Additionally, the partners have developed a zinc test kit, "iCheck," to determine the zinc levels in staple foods and premixes. The portable, easy-to-use zinc test kit allows local producers to prove the nutritional con-

ABOUT TECK

Teck is a diversified resource company committed to responsible mining and mineral development with major business units focused on zinc, copper, steelmaking coal, and energy. The pursuit of sustainability guides Teck's approach to business. Based in Vancouver, Canada, the company is building partnerships and capacity to address sustainability challenges within the regions in which it operates and at the global level.

tent of their food, increasing program sustainability and reliability.

Crop nutrition

Zinc deficiency affects more than half of the world's agricultural soils. It has a significant impact on crop productivity and may contribute to zinc deficiency among humans. Adding zinc to fertilizers has been demonstrated to increase crop yields, food security, and nutritional quality.

In 2012, Teck signed a two-year sponsorship agreement with the National Agricultural Technology Extension Service Center of the Ministry of Agriculture of China (NATESC) to expand the use of zinc fertilizers. NATESC has been working with the International Zinc Association to conduct more than 40 field trials in China as well as promotional and education programs, including national workshops and training courses. The trials have resulted in increased crop yields, ranging from 3 percent to 40 percent and a value-cost ratio as high as 5 to 15 times for farmers. ■

To learn more about Teck's Zinc & Health program, please visit: www.zincsavestives.com

FREEDOM OF EXPRESSION

By Patrik Hiselius, TeliaSonera

Freedom of expression is a fundamental human right derived from the inherent dignity of all persons.



Freedom of expression and privacy are the most material human rights risks in telecommunications. The main risks include complicity in human rights violations following excessive governmental requests, which are to the detriment of freedom of expression and privacy. International standards on human rights go beyond identifying and managing material risks to TeliaSonera itself – they relate to the risks to individuals.

TeliaSonera's Board of Directors adopted a Group Policy on Freedom of Expression

in Telecommunications in December 2013. The primary purposes of this policy are to reduce human rights risks and to ensure that our customers feel confident that TeliaSonera will, whenever possible, respect and safeguard their freedom of expression when we receive requests or demands from governments in relation to requests or demands that have potentially serious impacts on freedom of expression in telecommunications. The policy is – to the best of our knowledge – the most far-reaching policy of its kind in the industry.



Surveillance

Government monitoring or blocking or take-down requests often serve a legitimate purpose, including protecting human rights. However, there are also major government requests that are “problematic” and might conflict with freedom of expression and privacy. TeliaSonera may be legally required to comply with such requests and, like other telecommunications companies, only have limited leverage with which to investigate, challenge, or reject such requests. In some countries, this dilemma places TeliaSonera at a heightened risk of being linked to severe human rights abuses. These risks are further heightened in relationships with state entities and the fact that major requests often are strictly confidential.

Useful information on surveillance of communications

Governments and authorities (e.g., police, security authorities, customs officials, etc.) conduct various types of communications surveillance (e.g., calls, SMS, e-mail, web surfing) by imposing obligations on telecommunications companies in connection with criminal investigations and national security issues.

Government surveillance of communications can be classified into general categories, such as:

1. requests from law enforcement authorities:
 - real-time access to the content of communications (e.g., listening in to voice calls) and access to historical content (e.g., checking what was written in an SMS);

- real-time access to traffic data (e.g., checking who is calling whom, when, and for how long);
 - access to historical traffic data that the provider has stored or retained (e.g., checking who has called whom, when, and for how long);
 - access to subscription data that the provider has stored or retained (e.g., checking who is the subscriber of a certain telephone number);
 - access to location information, that is, access to information on the location of mobile terminals / phones (e.g., from which block in the city is a call made).
2. signals intelligence, that is, intelligence-gathering through analysis and processing of communication signals (e.g., the National Defence Radio Establishment in Sweden);
 3. real-time access without requests; technical systems for more extensive monitoring of telecommunications (e.g., mass surveillance by national security authorities);
 4. shutting down, blocking, or restricting access (e.g., shutdown of SMS communications; blocking access to the internet or to certain websites).

“Major requests or demands”

The policy defines TeliaSonera's commitments in relation to requests or demands with potentially serious impacts on free-

dom of expression in telecommunications. Such requests or demands are distinct from normal “uncontroversial” routine requests for lawful, targeted surveillance. Lawful, targeted surveillance includes requests for TeliaSonera to provide details of specific customers' communications, usually historic communications meta-data, traffic data, location data, and/or content. Those requests form part of many investigations made by law enforcement authorities in criminal cases.

“Major requests or demands” addressed to TeliaSonera, covered by the policy, may relate to:

- targeted surveillance in exceptional cases;
- mass surveillance, in which the authorities demand unrestricted real-time network access;
- shutdown of an entire network, or parts thereof;
- blocking or restricting access to specific services, internet websites, or content;
- blocking or restricting individual customers' access to services or networks;
- obligations to transmit mandatory communications issued by government authorities;
- proposals for new laws or imposition of significant operational changes.

Important elements in the TeliaSonera policy

All companies in TeliaSonera shall adopt a “point of challenge” and make careful

assessments of all major requests and demands that may impact the freedom of expression. The assessments include, to the extent relevant:

- a legal assessment;
- an assessment to determine if the request or demand could have serious impacts on freedom of expression;
- an assessment on how to interpret the demand as specifically (narrowly) as possible;
- a business-impact assessment (e.g., risk of license, company assets, reputation);
- an assessment of any risks to the safety and liberty of company personnel.

A strict escalation procedure for decision making is put in place to follow the policy. Formal decisions on the extent of compliance or refusal to comply with problematic requests or demands shall not be made at the local company level, unless there are exceptional reasons.

We are aware of the fact that our power to ensure freedom of expression in markets where we operate is limited. We can make a long-lasting difference only by working together with our industry peers. In 2011 TeliaSonera helped form an initiative, the “Telecommunications Industry Dialogue on Freedom of Expression and Privacy,” in which a number of the industry's leading companies have taken part. The freedom of expression policy TeliaSonera has adopted is largely the result of learnings in context of this initiative.

The latest version of the TeliaSonera Group Policy on Freedom of Expression in Telecommunications is available at www.teliaSonera.com.

We have the same interests as our users

With the new policy in place, we are better equipped to promote freedom of expression in all markets where we operate. We believe this is in and of itself a good thing for our customers, and for us as a company. After all, we are in the business of providing the means for people to express themselves. ■



As a leading provider of telecommunication services, TeliaSonera is a vital part of the social and economic infrastructure in the markets where we operate. TeliaSonera provides tools and services that can significantly promote freedom of expression, even in countries where such freedoms are so far limited.

However, these tools and services are subjects to legislative, administrative, license, or law enforcement requirements, to which we are obliged to adhere, but which may impact an individual's freedom of expression. This is why we adopted this policy. *Johan Dannelind, CEO and President, TeliaSonera*

IMPROVING THE QUALITY OF LIFE FOR DISABLED PEOPLE

Disabled passengers want to travel and wish to do it on their own. “Our objective is to guarantee them their respective right and to do our best to ensure their safety and convenience when using air transport. This is a comprehensive objective. It is important to combine the efforts of business, the state, and the non-commercial sector to create a barrier-free environment for disabled passengers, for whom it is of crucial importance,” says Olga Pleshakova, Chief Executive Officer, Transaero Airlines.

By Elena Zhuravleva, Transaero Airlines



According to the Ministry of Health and Social Development of the Russian Federation, there are almost 14.5 million disabled people in Russia, equaling a tenth of the country's population. That means that the problems of disabled people concern every fourth family.

In the Russian capital alone, there are 1.2 million disabled people, and most of them are young with active lives. The low level of accessibility to transport for disabled people is a serious problem that relates not only to the issue of limited mobility, but also to the ability of people to live full lives. The development of products and services for disabled people allows the airline to expand this service offering to other passenger categories with special needs, for example the elderly and parents with children.

Transaero Airlines considers tackling the issues that relate to the mobility of disabled people as its priority, both in terms of service quality and its social policies.

Since 2008, Transaero has been implementing a comprehensive social program, the key purposes of which are to contribute toward improving the quality



of life of disabled people, enhancing accessibility to transport, and creating barrier-free environments for disabled passengers.

Objectives

When implementing the program, Transaero Airlines set the following objectives:

- create the maximum level of comfort for independent travelers with disabilities;

- establish close partnerships with public associations for disabled people to appraise and improve the standards of service;
- establish a system of monitoring and feedback by engaging disabled passengers who have used the company's services;
- arrange an information campaign to draw public attention to disabled people's problems;
- facilitate independent traveling and tourism for disabled clients.

Key measures

When implementing this program, Transaero takes a comprehensive approach that includes the following principles.

1. Transport accessibility

This area is directly related to services provided by airlines for disabled passengers. In order to improve the services provided for passengers with disabilities, Transaero has purchased expensive equipment, for example unique aviation beds for transporting bedridden patients with severe conditions. To maintain this equipment, Transaero sends its technicians along on the flight, with all expenses covered by the airline. In addition, the company provides disabled passengers with special wheelchairs, enabling them to move about in the cabin on all types of company aircraft.

Transaero actively implements advanced technologies to facilitate traveling for disabled people (mobile check-in, self-service check-in, etc.). Transaero also engages its business partners in tackling the transport accessibility problems of disabled people. In 2011, Transaero and Moscow Domodedovo airport developed a corporate standard of service for disabled people. The standard sets forth general principles of service that are offered to disabled people and describes the travel technology for this special category of air passenger. The standard envisages a mandatory program for training and upgrading the skills of the airline's and the airport's staff when servicing disabled people.

2. Employee training

All aviation specialists have to attend the trainings in customer service and the technologies of transportation used for people with disabilities. The training courses meet international standards; they use special methodology and training software.

With the support of experts from Perspektiva, a disabled people's organization, the company holds special trainings and seminars for the staff to establish proper communication with clients with various disabilities. These trainings are attended not only by Transaero staff but by the staff of the airport and partner companies as well.

Trainings are usually arranged in the Transaero Aviation Training Center. However, on occasion they are conducted off-site.

- In anticipation of the Paralympic Games, Transaero organized trainings at Sochi International Airport for the airport staff and the company's local employees.
- In April 2014, Transaero organized the trainings for Pulkovo International Airport staff in the brand new Pulkovo Terminal, which has a dedicated space for Special Assistance, where travelers with special needs can comfortably wait for their flights.

3. Information campaign

The information campaign includes distributing information booklets on services for disabled people — the target audience being both the staff and passengers traveling with Transaero. Transaero seeks to provide disabled people with information and the best ways to use it through websites, sale offices, and recommendations for disabled travelers.

Cooperation with Perspektiva focuses on still another important area — operation of the Business Advisory Board on Disability, which is a unique institution for Russia. The Board includes Russian and international companies. The Board is supported by Perspektiva and works on matters relating to the adaptation of services provided by various companies for disabled clients, the employment of disabled persons, and other important social aspects. The participation of Transaero in the Business Advisory Board on Disability enables it to draw on experiences of civil aviation partners



and colleagues. The cooperation with Perspektiva is also very instrumental for Transaero in terms of expert appraisal.

4. Charity programs

Transaero regularly supports social, cultural, and sports events for disabled people. As a part of its support for sports involving disabled persons, Transaero provides transportation during some sporting events, including for the Special Olympic Games, Paralympic Games, the wheelchair dance sportsmen, and the annual Dance-a-thon event (organized by Best Buddies Russia).

Moreover, since 2007, Transaero has been implementing a global Back to the Future program dedicated to healthcare assistance for seriously ill children (treatment and rehabilitation of disabled children with cancer). Since the launch of the Back to the Future program, more than 2,000 disabled children have been transported for medical care purposes, and 1,000 children have undergone rehabilitation programs.

Company overview

Transaero Airlines is the second-largest passenger airline in Russia. Transaero launched its services in November, 1991. Its fleet consists of 99 aircrafts and it has the largest long-haul aircraft fleet in Russia, the CIS, and Eastern Europe. Transaero serves more than 200 routes in Russia, Europe, Asia, Africa, and the Americas. The team of Transaero consists of over 11,500 employees. ■

CORPORATE PHILANTHROPY

By Deniz Sazak, Yüksel



Athletics is not as popular as soccer or basketball in Turkey. Therefore, even though there are many promising Turkish young athletes, finding sponsorships for athletics is not easy. The Yılmaz Sazak International Athletics Meetings (YSIAM) have been organized now for 18 years under the main sponsorship of Yüksel. In parallel with Yüksel's environmental sustainability strategy, the YSIAM is the first carbon-neutral track-and-field organization in Europe. The organization of the Meetings by Yüksel includes the integration of philanthropy into management processes and business activities. Corporate volunteering is achieved by the employees of Yüksel, who work for the Meetings to contribute to athletics in Turkey.



Yüksel attaches great importance to creating a reputation that focuses on corporate responsibility. This is proven by being the leading — and the first — company in the construction sector to participate in the UN Global Compact, publishing a Global Reporting Initiative (GRI)-based sustainability report, having an ethical code of conduct, and measuring its carbon footprint.

Apart from strategic social investments, Yüksel also engages with philanthropic organizations. As a contractor company, Yüksel mostly prefers to make contributions for projects that are related to its

core business. However, as a contractor, it is not easy to find core business-related projects. For this reason, Yüksel prefers to support the fields that are important to national assets and that are not supported sufficiently by the government or other private companies. Athletics is one of them.

Yılmaz Sazak International Athletics Meetings

It is commonly known that athletics is not as popular as soccer or basketball in most countries. This is no different in Turkey. As a result of the low level

of popularity of athletics, private sector companies usually do not choose to provide financial support for track and field.

Yılmaz Sazak, one of the founding partners of Yüksel Holding, made the decision to popularize this sport with the Turkish public and to support athletes with personal contributions. Sazak, who personally provided sponsorship for athletes, started to organize Yılmaz Sazak Age Groups Indoors Meetings in 1996 to provide wide-ranging support for athletics in Turkey. The athletes in the age groups of 12–13, 14–15, and 16–17 need to feel worthy and know that there are valid



reasons for continuing to participate in track and field. They need motivation as well as financial and moral support.

The meetings became international in 1999. In three years, there were nine participating countries and the meetings started to be held outdoors, allowing the organization to reach more people. The YSIAM have been organized now for 18 years under the main sponsorship of Yüksel.

Beyond donations

The organization of the Meetings by Yüksel includes the integration of philanthropy into management processes and business activities. The Corporate Communications Department (CCD) of Yüksel is involved in each phase. The ultimate goal of this extra support is to make the Meetings as attractive as possible for the foreign participants. Having more foreign participants leads to a better chance of young Turkish athletes competing on an international platform. Additionally, if foreign participants increase, press interest also increases.

Yüksel is aware of the media's crucial role in increasing the popularity of athletics. In order to motivate the press to support athletics, Yüksel conducted an awards project for five years called the Kenan Onuk Special Athletics Award. The award was

provided by Yüksel, the awards ceremony was organized by Yüksel's CCD, and it took place in Yüksel's Recreation Center.

Another project has emerged from Yüksel's efforts to increase the popularity of athletics in Turkey — a project that brings arts and sports together. During the Meetings, a professional photography team takes snapshots of the athletes and the spectators during the most interesting moments, capturing their expressions of excitement, ambition, pride, as well as disappointment and exhaustion. Yüksel organizes an annual exhibition with these photographs called the Yılmaz Sazak Photography Exhibition. The exhibition takes place in Yüksel's Recreation Center and is free of charge. For Yüksel's 50th Year Celebrations in 2013, CCD held exhibitions of these photos in Turkey's most crowded airports: İstanbul Atatürk, Ankara Esenboğa, and İzmir Adnan Menderes. The exhibitions contribute toward increasing the motivation of young athletes who attend the Meetings. When athletes view themselves in these photos at the exhibitions, the Meetings become more meaningful for them.

Yüksel achieves corporate volunteering through the YSIAM. In terms of corporate citizenship, Yüksel has provided a personal sponsorship program since 2007, called Rising Stars, for athletes and their

coaches who have attracted attention with their successes during the YSIAM. Currently, three young athletes — Emel Dereli, Pınar Aday, and Nimet Karakuş — are involved in the Rising Stars project. Besides financial help, they also receive support from the corporation, which increases their self-esteem and motivation. Their record-breaking achievements are the concrete results of this support.

Reflection of sustainability strategy

The environmental sustainability strategy of the company directly affects the YSIAM, which has been carbon neutral since 2012. In this sense, the YSIAM is the first carbon-neutral athletics organization in Europe. The carbon emissions released are balanced with carbon credits taken from the Gold Standard projects. ■

FACTS OF YÜKSEL

- Yüksel was founded in 1963 in Ankara. Since 1983, Yüksel has continued with its international activities, and since 2007, it has earned a place among "The World's 225 Largest International Contractors."
- Yüksel has been a participant of the UN Global Compact since 2006.
- Yüksel took an active role by joining the UN Global Compact Network Turkey Board of Directors in 2013.
- Yüksel is the first contractor company in the Turkish construction sector that measures its carbon footprint.
- Yüksel is the first contractor company in the Turkish construction sector that has been publishing a GRI-based sustainability report since 2011.

TAKING OUR 'WAY TO WORK' ONTO THE STREETS

As global attention intensifies on the rising tide of unemployment – and above all on youth unemployment – Adecco, the world's leading provider of HR solutions, took decisive action. On April 30, 2013, more than 10,000 employees in 50 countries mobilized and offered their expertise as part of the multifaceted Adecco Way to Work™ program. It is designed to provide practical and inspirational support to a generation at risk of exclusion from the world of work. Street Days, an online career center, coaching events, and an innovative work experience contest reached more than 500,000 young people.

By Lilian Furrer, Adecco Group



Adecco Group CEO Patrick De Maeseneire in action during the Street Day in Belgium.

According to the International Labour Organization, some 74.5 million of the almost 202 million unemployed in 2013 were young people aged between 15 and 24. That is almost one million more than in the previous year. There is a growing consensus that the causes go beyond the economic crisis and are due in part to a skills mismatch – hard and soft skills of young people are not attuned to the demands of the new global knowledge economy. Adecco research suggests that 54 percent of unemployed young people

feel they need more support and help in their efforts to find a job.

A global issue needs global action

Launching the initiative, Adecco Group CEO Patrick De Maeseneire said: “We believe the current youth unemployment situation is economically and morally unacceptable. Through the Adecco Way to Work™ program, we want to make Adecco's leading recruitment expertise more accessible to young job seekers and

provide real-life insights into the world of work and its requirements. We must help unlock their potential and give them a perspective. We cannot risk losing a whole generation.”

The Street Day strategy

The centerpiece of the Adecco Way to Work™ program was the Street Day on April 30, 2013. Adecco employees were involved in more than 1,000 activities in high-traffic public areas and visited schools and universities. In addition, more than 2,000 branches opened their doors to offer career advice. In total, more than 20,000 coaching sessions were held and the Adecco Way to Work™ website registered a million visitors to its coaching resources.

The synergistic approach made a big impact, exemplified by the reaction of Adecco Greece's Country Manager, Konstantinos Milonas: “In Adecco Greece we opened our branches and approached our candidates to help them make their next career steps successful in any way we can. We have the know-how and want to offer it to all these young people who are trying to



Adecco Greece employees on the streets, explaining the purpose of the Adecco Way to Work™ Street Day.

start up their careers. The labor market in Greece is currently one of the toughest and people looking for a job really need to acquire skills to become competitive in this environment. We are honored to have the opportunity to lend a hand.”

The long-term value of such actions has reverberated to local and national business communities. For example, in Australia, the New South Wales Business Chamber CEO, Stephen Cartwright, remarked: “Too little is being done to support students entering the workforce. It is well known that prolonged disengagement from the labor market at an early age has very negative consequences for individuals through the course of their working lives.”

The Street Day is a symbolic act that can only inspire concerted action from governments, businesses, and individuals alike. More flexible labor markets, reform of education systems, and young people's willingness to accept temporary job assignments or job opportunities abroad are essential requisites to overcome the current job crisis.

Coaching as a catalyst

Although nothing beats face-to-face advice, online access and support to the digital generation has been available through the Adecco Way to Work™ online ‘Career Center’ and its Facebook

pages. These resources are visited by thousands of young job seekers, eager to learn how to improve their employability. It is a one-stop-shop that includes: tips and tools for a compelling CV and how to use it as a marketing tool; how to write cover letters or e-mails; job interview preparation; as well as advice on how to create a professional social media profile. The resources are accessible in various languages and adapted to the varying requirements in different countries that job markets demand from applicants.

The work experience contest – job journeys across five continents

Dreams are what futures are made of. As part of the Adecco Way to Work™ program, a competition was launched to fire the work spirit and motivation of young people aspiring to build better futures for themselves. The nine winners, selected from more than 23,500 contestants, received a unique opportunity to experience the world of work in a diverse, international way. Adecco designed “job journeys” across five continents that provided the winners from France, the United States, Japan, Germany, Spain, Italy, Australia, and New Zealand with a taste of a wide variety of jobs and companies. The nine youngsters were encouraged to share their experiences and journeys via a blog with family, friends, Adecco employees, and the broader public.

Patrick De Maeseneire concluded: “Young people must be willing to learn languages, work abroad, and show a can-do attitude – all are crucial to seizing opportunities on today's job market. My sincere thanks to our clients around the globe who supported this initiative by providing such a varied and enriching range of jobs for our winners.”

In total 46 Adecco clients in 49 countries bought in to the Adecco Way to Work™ program and were willing and eager to give these young job seekers a unique experience and an insight into their businesses. Andri Bodmer, HR Director of the five star hotel Dolder Grand in Zurich, said: “It is of utmost importance to acquire work experience as early as possible, especially in order to develop the soft skills crucial in any business in which personal or client relations are essential.”

As they traveled around the world, the job experience winners had much to share with their peers. Federico Sattanino from Italy offered this advice: “Don't believe anyone who tells you that there are no jobs out there. There are, but we need to broaden our horizons and look a bit further afield.” Imane Krirat from Germany wrote: “I've learned that there are doors that could be opened... And one thing I know for sure is that this trip not only expanded my horizon but also added an important message to my CV!”

There is a whole generation at risk of exclusion from the world of work. Adecco took action by reaching out to more than half a million young people all over the world. The purpose was to give them back their dreams and to let them know that they are not a lost but a loved generation. With the scale and intensity of engagement that Way to Work reached in 2013, Adecco aims to help more than one million young people find their way to work in 2014. ■

www.adeccowaytowork.com
www.facebook.com/AdeccoWayToWork

ACHIEVING SUSTAINABLE EDUCATION



By Dr.-Ing. Peter F. Tropschuh, Dr. Antonia Wadé, and Martina Biendl, AUDI AG

The UN Decade of Education for Sustainable Development that is currently underway aims to offer all people the opportunity to achieve a worthwhile future while also integrating knowledge about sustainability into the education environment. Education also plays an important role for businesses, since their success is based on having well-trained, highly qualified, and skilled employees. As part of its corporate responsibility strategy, AUDI AG therefore invests at all levels in the training and advancement of its employees, expands the range of education in the regions surrounding its corporate sites, and works to help underperforming and socially disadvantaged students. To put the strategic mission “We live responsibility” into practice, Audi also trains its employees specifically on the issue of sustainability.

Sustainability is anchored as a fundamental goal in Audi’s corporate strategy. In order to make employees aware of this issue as early as possible, the company begins with the apprentices and fosters their understanding of corporate responsibility by taking an integrated approach. Work, social, and self-learning skills are strengthened at a personal level so that apprentices are capable of lifelong learning. At the specialist level, essential aspects of sustainability are added: Apprentices are given information about the most important CO₂ leverage effects within the car and in production; the possibilities of alternative drive technologies; and the requirements that result from climate change, the urbanization of living spaces, and the age structure of the society. In a pilot project that begins in the 2014 training year, the company wants to integrate theoretical knowledge of sustainability into its training as a fixed component, and along with this, to systematically prepare young employees for the economic, ecological, and social challenges facing the company.



Successful dual training model

“Dual” vocational training, in which students simultaneously receive training within a company and at a public vocational school, is common in Germany.

Audi also offers the option of combining additional degrees with practical training that are officially recognized, including the acquisition of a technical school-leaving diploma (Fachabitur) or a Bachelor of Engineering, for instance.

The success of the dual training model has motivated Audi to establish this model at its international sites as well. For example, Audi México in San José Chiapa has already begun providing dual training to young, skilled employees, three years before the opening of the new plant in 2016. There are currently 110 Mexican apprentices who are trained to become mechanics or mechatronics engineers based on the time-tested German vocational training system. For more than 10 years now, Audi Hungaria has been training employees in Győr, Hungary, in what now amount to 13 different vocations; dual training has been offered here since 2011. Audi was also the first German manufacturer to bring the dual training system to China. Today the company cooperates with nine vocational schools and other German car manufacturers. Dual training is currently in the pilot phase at the Brussels site. Audi is the very first industrial company there to offer this form of vocational training. For apprentices at the international Audi sites, the combination of sound practical training with a strong theoretical framework opens up completely new job prospects.

Cooperation with universities

Audi also places a high priority on linking theory and practice in university education. This is why Audi offers the possibility for dual studies at its sites in Ingolstadt and Neckarsulm. The company has been cooperating since 1998 in the “StEP” (Studies and Experience in Practice) program with the Ingolstadt University of Applied Sciences, and since 1999 with the Baden-Württemberg Cooperative State University. The content of the courses is continuously updated and adapted to new developments. As a result, changes in the German energy landscape in 2012 led to a course of studies in “Technologies for renewable energies,” which was added to the course offerings in the StEP program. The goal of the “Entrepreneurial activity, global responsibility and sustainability” chair, endowed by Audi, is to firmly embed sustainability within university education, going beyond the automo-



tive core competence. Audi founded the chair in 2013 at Zeppelin University in Friedrichshafen, Germany, at the European Center for Sustainability Research.

Audi is also entering into strategic partnerships with universities in order to accelerate knowledge-transfer between research institutions and industry. Currently, Audi is cooperating with 13 partner universities. About 140 doctoral candidates are now working toward their degrees in research projects financed by Audi, and more than 120 Audi employees are involved in university education.

Supporting disadvantaged children and youth

Audi is giving a chance to job-seeking young people who have not found apprenticeships and helping them make up their academic deficits and boost their social skills. With its job-entry qualification program (EQ) and a support year, Audi and the employment agency offer these young people prospects for the future. In one year, the young participants acquire basic technical skills, are integrated into the working world, and develop personally. This increases their chances of getting a job with Audi or in another company.

In addition, Audi wants to give children and youth with difficult starting conditions equal opportunities and is therefore supporting Germany’s first public “Profile

School” in Ingolstadt. The model project, which is the first of its kind in Germany, will help gifted children and youth who have had a difficult start in life – but who are eager to learn – to attain their German high-school leaving certificate (Abitur). The school offers ideal learning conditions: Learning and break periods are alternated during the full-day instruction; in the afternoons, the students work in small groups to go through what they have learned in lessons in greater depth. In addition, an individual plan for supporting each child is created in consultation with the teachers. This plan is tailored precisely to the talents and needs of each individual child and is made up of 10 learning segments. Social education workers and voluntary mentors supervise the special classes at a college preparatory high school and an elementary school in Ingolstadt. The cooperative project involving Audi, the state government of Bavaria, the city of Ingolstadt, and the Roland Berger Foundation was launched for the 2014/2015 school year with two “forerunner” classes of up to 18 students. Audi will support the Profile School long term with up to € 1 million per year.

With its job-entry qualification program, the support year, and the Profile School, Audi is working to promote educational equality in Germany. The Audi Group has also made the promotion of education within the company environment a global focus of its social support guidelines. ■

PARTICIPATORY COMMUNICATION WITH EMPLOYEES

By Pierina Amayo, Copeinca



CFG Investment and COPEINCA are Peruvian fishing companies that belong to the Pacific Andes Group. They are engaged in the extraction, processing, and production of fishmeal and fish oil for indirect human consumption. Also, they aim for direct human consumption through the production of canned mackerel and anchovy. Since september 2013 the integration process of these companies started and in the near future we expect to conclude this fusion process. Both companies are committed to sustainable development as a smart way to do business, considering that to ensure sustainability is an essential requirement to ensure that ethical principles, respect for people and the environment meet the challenges of acting on social responsibility and environmental, the Millennium Development Goals and Global Compact principles.

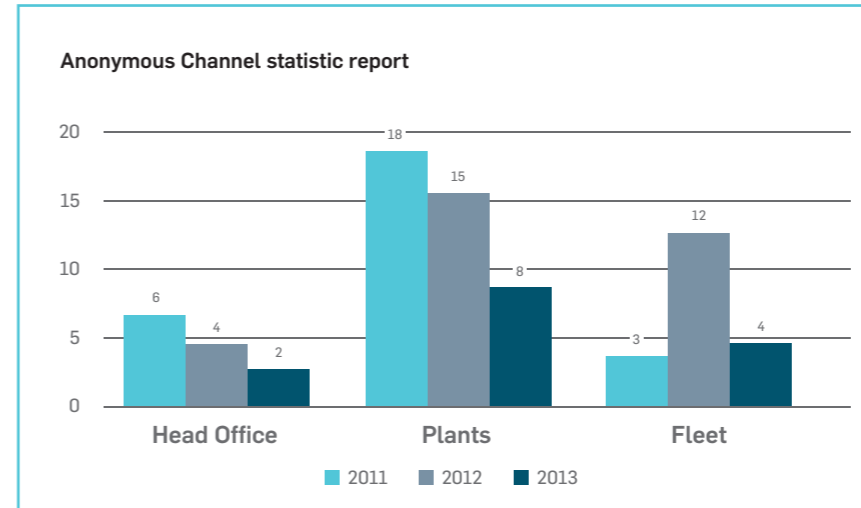
Communication is a critical and powerful factor for generating a good work environment, which can be decisive for the development of an organization. Acting on this conviction, COPEINCA and CFG Investment have implemented policies and programs that allow for the establishment of effective communication with their employees. The results so far have been satisfactory.

Anonymous Communication Line

In 2011, the company created the Anonymous Communication Line in order to develop a communication channel through which employees, clients, and suppliers could express themselves, thereby promoting a good work environment and controlling and preventing bad practices.

This communication line is one of the practices that has been implemented

within the company's communication and good corporate governance guidelines. Since its creation, good results have been reported regarding the control of practices that are not in line with the corporate culture.



This communication line originated from the company's code of conduct, which defines the behavior that is expected from all members of the organization and includes the following topics: behavior based on mutual respect; equal opportunity; diligence duty; prohibition of toxic substance use; respect and protection of confidential information; prevention of conflicts of interest; the good use and safeguarding of files; legal compliance; behavior with respect to bribes, gifts, and favors; occupational safety and health; environment; social responsibility; and fulfillment of obligations.

It is available 24/7 and is accessed through the internet. Every complaint received is analyzed confidentially by management and Internal Audit employees, who define which steps are to be taken, in accordance with the seriousness of the situation.

Fishing Ideas

Employees are an important source of good ideas, since they are working every day to identify opportunities for improvement. In order to gather all their suggestions in an orderly manner, the company created the Fishing Ideas program.

With this program, employees' improvement suggestions are listened to, assessed, and implemented when necessary, which generates savings, process efficiencies, and accident and environmental-impact prevention.

Objectives of the program

- Motivate employees to look for improvements in their processes.
- Channel and implement improvement suggestions in the interest of employees and the company.
- Commit employees to continuous improvement.
- Have personnel trained in the use of quality tools.

Statistics (indicator of received and implemented suggestions):

- Received suggestions: 449
- Implemented suggestions: 18
- Under implementation: 127
- Under feasibility assessment: 7

To develop this program, the company uses all of its communication channels so that the message reaches all levels of the organization, thereby motivating employees to believe in themselves, trust in their abilities, and contribute toward continuous improvement. ■



IMPROVE QUALITY OF WORK AND LIFE DESPITE THE HEAT

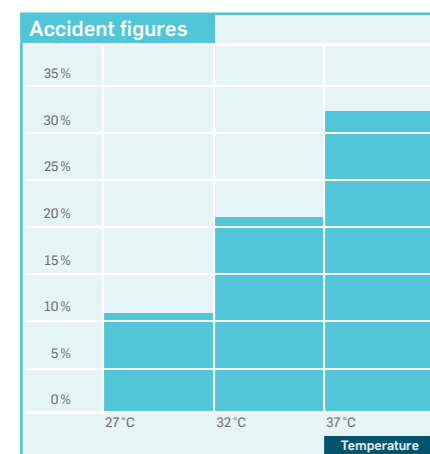
E.COOLINE protects workers from heat, improves quality of life for people, and even enhances performance in sports. The need for active heat protection is growing because forecasts predict more heat waves because of climate change. This not only affects the environment but also millions of people around the world who suffer from heat at work, while playing sports, and in their daily lives.

By Gabriele Renner, pervormance international



In 2008 the report of the German national workers association (BauA) showed that 10 percent of the working population suffers from heat. Most of the questions addressed to the association were about solutions for climate problems. In the heat wave of 2003, more than 35,000 people died and many people had severe problems with their health.

From a medical point of view, this is not surprising. Human beings have a core body temperature of 37°C (98.6°F), whereby all processes of the body run perfectly. With 38°C (100.4°F), the problems occur: People do not feel well



anymore, they lose concentration, and performance deteriorates. With 39°C (102.2°F), people suffer from fevers. More than 40°C (104.4°F) and lives are endangered.

Furthermore, people with higher core body temperatures – even if only sweating – have much higher pulse rates. High temperatures represent a high risk factor for developing cardiac disease. Older people and people who suffer more from heat because of their extreme working conditions are affected by cardiac problems.

With hot temperatures, the productivity of people – and therefore the productivity of companies – is also affected. The Kiel Institute for the World Economy reports that 12 percent of productivity is lost on hot days, meaning climate change is also responsible for economic losses.

The performance of sports players declines in heat. There is discussion on whether the FIFA World Cup can be held in Qatar in 2022 because of the heat – everybody knows that playing sports in the heat creates problems.

Knowing this, many people, states, and companies install air conditioning systems to reduce temperatures – mostly

in buildings. The problem is that air conditioning systems need lots of energy. According to scientific explanations on the reasons for climate change, this means that CO₂ production increases dramatically, which leads to a vicious cycle. Consequently, the world beats the heat with larger emission amounts, which leads to more dramatic negative impacts on the environment.

To stop this disastrous development, new and innovative cooling systems are required. One innovative possibility for cooling human beings in hot conditions is cooling apparel – leading to more effectiveness and lower energy consumption. By using cooling apparel instead of air conditioning systems, there are fewer greenhouse gases emissions.

Cooling apparel is not only climate-friendly but highly effective. It works on the natural physical principle of evaporation of water and uses the high temperatures in the surroundings to cool the body. The reduction of heat on the skin can be up to 12°C, which makes life and work much more comfortable. In studies of patients suffering from heat stress, even the core body temperature was reduced by up to 1°C. In a study by the University of Munster, it was discovered that people



playing sports in 30°C weather improved their performance up to 10 percent using cooling vests. This means cooling apparel is highly effective and represents a big breakthrough in fighting heat.

The marginal volume of tap water that is needed to activate the product means it is highly ecological. With climate-neutral production, pervormance international GmbH, a participant in the UN Global Compact, is closing the circle when it comes to sustainability and climate protection.

E.COOLINE is now operating a climate-neutral production and business. This means E.COOLINE is taking on a pioneering role, not only in the marketing

of cooling apparel but also in the textile industry. In collaboration with the consultancy ClimatePartner, the carbon emissions have been calculated for all work, sports, and medicine apparel and compensated through a certified carbon-offset project. Based on this information, detailed carbon footprints of products were computed for all E.COOLINE models, including cooling vests, T-shirts, and cooling headgear.

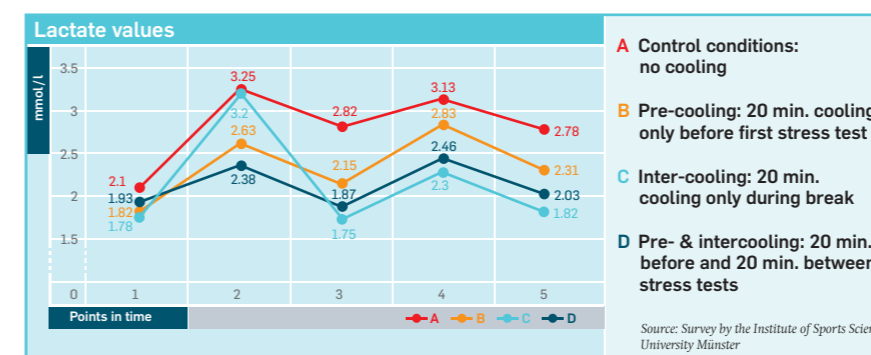
The calculations include all carbon emissions produced throughout the products' supply chain as well as the car park, the building, and everything from sourcing raw materials to processing, production, and transportation, including marketing and sales. pervormance international

GmbH is using this to identify the largest emission-drivers and implement reduction measures in the interest of optimizing processes even further. To attain a climate-neutral business, E.COOLINE fully compensates for the emissions released using a carbon-offset project for reforestation conservation in Mozambique. In addition to promoting reforestation, this also improves local social conditions and protects existing forest areas.

Furthermore, the COOLINE® SX3-Technology is "Made in Germany." There are no production facilities in countries where human rights are violated. The brand E.COOLINE from pervormance international GmbH respects the principle of women's empowerment and more than 50 percent of its employees are women. Improving the lives of workers in hot conditions further supports these principles.

pervormance international GmbH, with its E.COOLINE product range, shows that it is possible to improve quality of life and work for people; reduce greenhouse gases; realize the vision to be an architect of a better world with innovative ideas; and to have innovative technological and sustainable values. ■

www.e-cooline.com



MOBILITY POSTNL HELPS 7,650 EMPLOYEES TOWARD A NEW FUTURE



By Ingrid Stuurman, PostNL

PostNL is the national postal company in the Netherlands and currently employs more than 59,000 people. Since 2009, the postal market in the Netherlands has been entirely free. In 2013, PostNL's share in this market was 79 percent and its revenue was €4.3 billion. In the period between 2006 and 2013, the letter volume handled by PostNL decreased by 40 percent. One of the measures PostNL is being required to take to adjust its operations to this volume decline is changing from being a delivery company with full-time postmen and postwomen to a company with part-time deliverers.

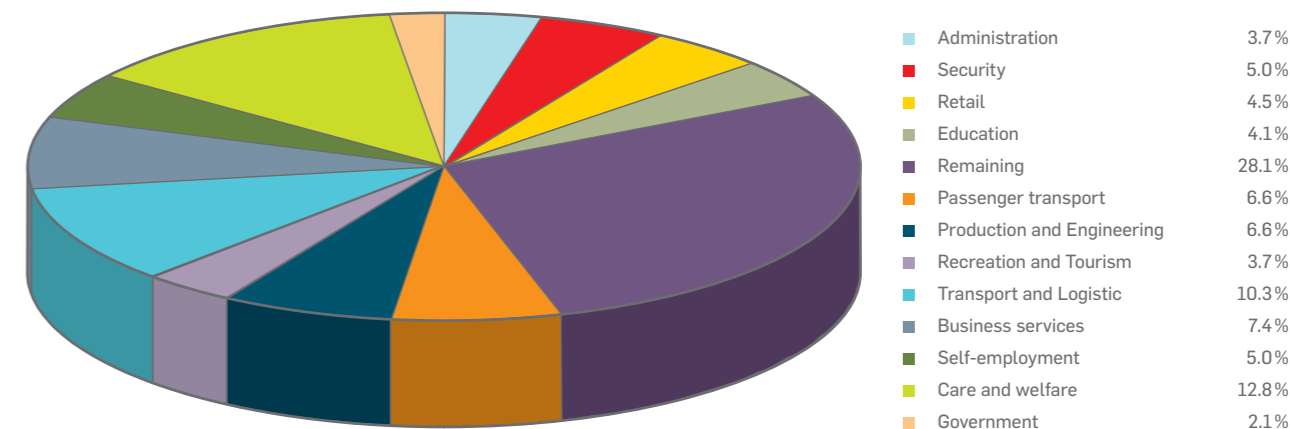


PostNL is the market leader in the Benelux in parcel distribution to consumers. The number of parcels delivered in the Netherlands is growing fast due to increased online shopping. Outside the Netherlands, PostNL is concentrating its international activities in European countries with growth opportunities for new players. These countries are the United Kingdom, Germany, and Italy.

Mobility PostNL: Successful redeployment for mailmen and executive employees

As a result of the rapidly developing digitization of communication and the decline of mail volume, PostNL has developed multiple master plans to reduce costs through various restructuring measures. One measure is a step-by-step replacement of the current full-time staff with newly appointed part-time employees in mail delivery. This aims at considerably reducing personnel costs and enabling the company to adjust its

Branches where mobility replaced mailmen and mailwomen



operations to the declining mail volume. In addition, PostNL has plans to reduce staff jobs by almost half.

PostNL agreed to a socially responsible workforce reduction in 2007. The applicable collective labor agreement provides for early retirement schemes for employees. For other employees, PostNL installed its own redeployment unit, PostNL Mobility, which aims at supporting employees moving from their existing jobs to new jobs on a voluntary basis.

Mobility program

With this mobility program, the company aims at preparing employees for other job opportunities and supporting them in employment outside the company via consultations, workshops, coaching, and achieving qualifications. Besides individual coaching, the program includes "Job-seeks-Worker" projects, in which project managers can build a network of interesting and reputable employers with multiple vacancies. Also, presentations and guided tours at potential employers are part of the program. Typical branches that PostNL looks at are transport and logistics, public transport, security (private and public), and technique / production.

The program for professional staff that was developed in 2012 to support them in finding new jobs was further expanded in 2013. This program, called "Mobility|PRO," plays a prominent role in counseling highly educated people in their search for a new job. For the Mobility|PRO population, specific events are held with topics such as "Your own startup company." But people can also choose to participate in various workshops with topics such as "Moving on in a professional way," social media, and future perspectives. In addition, there are opportunities for assessments, vocational testing, interview training, and receiving financial advice.

Results and impact

Between 2006 and 2013, more than 7,500 employees left PostNL with the help of its mobility program. Compared to previous years, the number of employees that are leaving the company is decreasing. This is due to the fact that the pool of full-time employees in production has become smaller.

In 2013 more than 950 of our highly educated professional staff have used one of the services of Mobility|PRO. ■



Hans Smit, security officer at Amsterdam Airport Schiphol, with help from Mobility: "I had enjoyed working at PostNL for 22 years but when I realized that thousands of people would have to leave the company, I decided to look for new work. Mobility funded my training and now I have a wonderful job here at Schiphol."

BETTERCOAL: TACKLING SUSTAINABILITY ISSUES IN COAL PURCHASING

By Marga Edens, RWE

VORWEG GEHEN

The energy transition has many facets. Not only is the structure of electricity generation shifting, but the procurement of fossil fuels is changing as well. In ever more places in the world, natural gas and coal are now being traded on commodity markets, somehow comparable to petroleum. It has not always been this way, especially with coal, which was previously obtained mainly from domestic mines. But this is changing now. In Germany for example, 2018 will mark the end of domestic extraction. Germany is already supplying a huge amount of its demand for coal from other continents. This leads to new challenges with regard to sustainability issues.

The markets have become a great deal more liquid. Most of the coal on offer comes from mines in South Africa, Colombia, and Russia; their geological features allow coal to be extracted at significantly lower costs than in Western-European countries like Germany. However, there is a lack of knowledge concerning the conditions under which such mining takes place and allegations have been made that the mining in these countries has a negative impact on workers, the local people and the environment. Many of these countries do not have the detailed environmental impact assessments, socially acceptable resettlements, and rules for workers' representation in decision-making that we take for granted in OECD-countries. Often the statements issued by mining companies contradict reports from environmental associations, human rights organizations, and trade unions.

So energy suppliers face a quandary: How can they maintain supply from com-

modity markets and ensure sustainable mining conditions at the same time? The "Bettercoal" industry initiative is one approach to cope with this challenge. The aim of Bettercoal is to use independent auditing to generate more knowledge about the environmental and labor standards in coal mining. Such auditing should also provide more information about the involvement of local populations and the rights of employees; these will be audited at selected mining locations.

Energy suppliers can use this information to understand how coal is extracted in these countries. Analyzing conditions at these mines should not only provide more information, but also have an indirect effect on improving the local environmental and labor conditions. Participants in the Bettercoal initiative include RWE, Dong Energy, EDF, E.ON, Fortum, GDF Suez, Vattenfall, and Gas Natural Fenosa. The Port of Rotterdam, where a large amount of coal ends up, has also been admitted to the group as an associated member.

Last summer, Bettercoal developed its own Code. The Bettercoal Code demonstrates the ethical, social and environmental principles that organization members expect from their business partners throughout the coal supply chain. One example from the Code is that employees must be granted freedom of association and the right to organize. The Code follows international standards and principles such as the guidelines of the International Labour Organization, the Performance Standards of the International Finance Corporation and those of the Initiative for Responsible Mining Assurance. Local considerations are included in addition to international norms. Detailed consultations about such considerations took place in the mining countries of Colombia, Russia, South Africa and Indonesia before the Code was adopted, with local trade unions, human rights groups and environmental supporters contributing feedback during the process as well.



The first audits based on the Code have started in 2014. The results of these audits will be made available to Bettercoal members to allow companies to decide for themselves whether, and under what conditions, they will engage in future business with the operators of the audited mines.

This will also lead corporations to revise their own thinking: Rather than limiting their risk assessments to considerations such as credit ratings and legal integrity, companies can adopt additional criteria. This new challenge will chiefly affect the trading desks at energy suppliers. With the results of the trial assessment audits, Bettercoal has already explored ways to

trigger new learning processes inside companies and among stakeholders. For example, the consultation process has laid bare the specific challenges that the implementation of such a standard entails; these vary according to the region of the actors and the respective steps in the value chain.

Membership in the Bettercoal initiative is open to coal users from anywhere in the world, which means that companies such as cement and steel manufacturers are welcome to join along with energy suppliers. The initiative will first concentrate on mining operations that supply the international markets, but the Code, its standards, and its experi-

ences will be made available globally to all interested and affected parties.

The prognosis from the International Energy Agency shows that these questions will be no less important in the future: Despite the development of renewable energies, the agency predicts that demand for coal will rise by more than 50 percent in the next 25 years. This growth will mainly take place in countries that do not belong to the Organisation for Economic Co-operation and Development (OECD). Ensuring sustainable mining conditions is an important task — one that also helps to safeguard the acceptance of coal in Europe and to tie a secure coal supply to the principles of sustainable development. ■

GOOD PRACTICE



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ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

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

EXPLORING SUSTAINABLE BIOFUELS FOR AVIATION

AIRFRANCE KLM

By Pauline Lacroix, Air France and Jacqueline Houweling, KLM

Air France-KLM considers the transition from fossil fuels to renewables as a priority to ensure the future of commercial aviation. The Group's strategy is to explore the entire value chain, from research to commercialization, and to set an example for the rest of the industry. Partnerships are important to accelerate the development of a market for sustainable biofuels.

As an airline group, Air France-KLM connects people, economies, and cultures. The aviation industry currently generates approximately 2 percent of man-made greenhouse gas emissions, and this figure is expected to rise over the coming decades due to the increasing number of people traveling by plane.

In order to reduce its environmental footprint, Air France-KLM adopted its Climate Action Plan in 2007, which focuses on improving operational efficiency, pursuing fleet modernization,

offsetting emissions, and creating sustainable alternative fuels. In six years, the Group has reduced fuel consumption by nearly 7 percent per passenger (3.5 liters/passenger/100 km).

Corporate BioFuel Program

Launched in June 2012, KLM's Corporate BioFuel Program is one of the innovations that has been brought forth by the partnership with WWF-Netherlands. Together with WWF-NL, KLM is working on making the airline industry more

sustainable, with a focus on biofuels. Sustainable biofuel is a so-called second generation biofuel, such as used cooking oil, which has no impact on food production and the environment.

Participants pay a premium — the price difference between biofuel and traditional kerosene. This allows staff of the contracted companies to fly specific routes for company travel on sustainable biofuel. The surcharge is used to purchase biofuel, which is added to the fuel system at Amsterdam Airport Schiphol. As is

the case with green energy, the biofuel is distributed across the entire network, which means other airlines also get a mixture. Therefore, the efforts of KLM and its partners not only help to reduce their ecological footprint but also benefit the industry as a whole. The program aims to stimulate the development and production of biofuels, thereby reducing the aviation industry's carbon footprint. In one year, the number of program partners has more than doubled to 14.

Biofuel Initiative France

At the Paris Air Show in June 2013, Airbus, Air France, Safran, French civil aviation authorities (DGAC), and Total organized the "Joining Our Energies — Biofuel Initiative France" flight to illustrate the French industry's technical capacity to integrate aviation biofuels and to underscore the need to improve research on the development of sustainable biofuels with a view to creating a French biofuel industry. Because the aviation industry has no alternative to liquid fuels of fossil origin, the use of biofuels is essential for drastically reducing CO₂ emissions.

An Airbus A321 equipped with Sharklets and powered by CFM56s made this demonstration flight between Toulouse and Le Bourget using a Bio-jet A-1 Total/Amyris,

which is a biofuel produced through an innovative sugar-transformation technology.

For several years, Total, Safran, Airbus, and Air France have been researching, innovating, and reflecting on future aviation fuels at the national and international levels. This is an innovative industrial approach to guarantee that the aeronautical industry has a sustainable future.

JFK Biofuel flight series

After several demonstration and commercial flights, including the first transatlantic "Bio2Rio" flight on sustainable biofuel, KLM — in partnership with the Schiphol Group, Delta Air Lines, and the Port Authority of New York and New Jersey — initiated a joint project that resulted in a series of weekly biofuel-powered flights between New York and Amsterdam for a period of six months, starting March 8, 2013. The sustainable jet fuel used during these flights was 100 percent US-produced fuel made from used cooking oil and camelina oil, sourced and supplied by SkyNRG.

This flight series also marked the beginning of the Optimal Flight Program. In this pilot, KLM — together with Boeing, Amsterdam Airport Schiphol, Air Traf-

fic Control in the Netherlands, as well as research partners (TU Delft, NLR) — combined the use of biofuel with other efficiency measures to reduce fuel consumption and CO₂ emissions. Some of the methods demonstrated for reducing fuel consumption and CO₂ emissions were: shorter taxiing routes; gradual climbs; optimized routes; speed and altitude adjustments; weight reductions on board; and electrical power supplied from the airport instead of aircraft. The ultimate goal is to implement process changes that are operationally feasible. This integrated approach resulted in a fuel savings of almost 5 percent compared to regular flight schemes.

Monitoring the atmosphere

Air France volunteered to participate in the IAGOS (In-Service Aircraft for a Global Observing System) program, which monitors climate and atmospheric pollution around the world. Since mid-June 2013, the airline has been fitted with atmospheric measuring equipment to record the concentrations of greenhouse gases, cloud particles, and so on.

Unlike traditional means of observation (probe balloons, satellites, etc.), commercial aircraft fly at cruising altitude for many hours, making frequent and diverse data collection possible. These measurements are then automatically transferred to the National Center for Scientific Research via a cell phone built into the system before this data is made available to international weather centers and scientists around the world. The Air France A340s equipped with these instruments will carry the slogan "Monitoring for Climate Research" and will serve the Caribbean and West Africa, among other destinations — areas of the world that are not widely covered by the other airlines supporting this project.

By volunteering to participate in this program, Air France demonstrates its commitment to increase knowledge about the environmental effects of air transport. ■



AAIB: THE FIRST BANK IN EGYPT TO MEASURE ITS CARBON FOOTPRINT



By Maha Hasebou and Perihan Abdel Ghaly, Arab African International Bank

Despite the fact that Egypt is not among the top carbon dioxide emitters in the world, the notion of “the earlier... the better” has always been a key driving force for Arab African International Bank (AAIB), which is creating awareness in the banking industry about tackling climate change by measuring its carbon footprint and publishing its first Carbon Footprint Report. From Kyoto to the Rio+20 Summit the interest in global warming and climate change has grown exponentially over the past 10 years. The Kyoto Protocol was introduced in 1997 in Japan and entered into force in 2005. The Protocol’s main goal was to reduce the carbon footprint of some countries compared to the level of emissions they had in 1990.

During the 18th and 19th centuries, the focus of the industrial revolution was on production, technological advancement, chemical manufacturing, and the use of coal for energy. Consequently, in the 20th century there were alarming levels of environmental degradation, such as scarcity of resources, water and air pollution, climate change, and rising sea levels.

The negative impacts of human practices, leaving what is known as a “carbon footprint,” has had several consequences on the earth since the industrial revolution. Large amounts of carbon dioxide and other greenhouse gases have been released into the atmosphere, causing small changes in the average temperature, which can translate into large and potentially dangerous shifts in climate and weather.

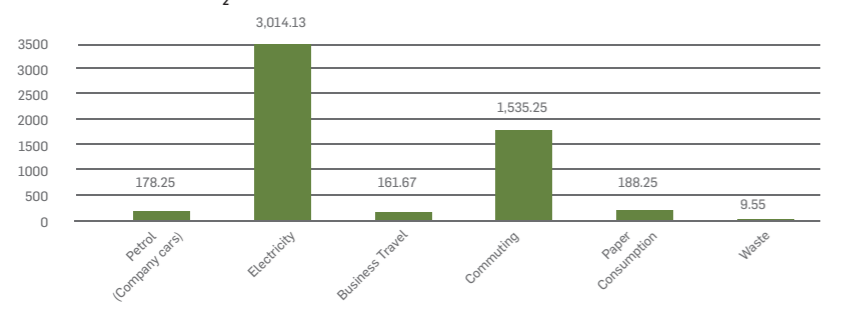
The links between climate change and sustainable development are strong. Climate change knows no boundaries. Poor and developing countries, particularly the low-income developing countries, will be among those most adversely affected and least able to cope with the anticipated shocks to their social, economic, and natural systems.

AAIB’S Carbon Footprint

In 2013, AAIB conducted its first measurement and assessment of its environmental performance and published its first Carbon Footprint Report within the Egyptian banking sector.

The report covered the duration from 2012 to 2013. A carbon footprint serves to identify the environmental performance of a specific corporation’s greenhouse gases emissions. Thus, the report assesses the corporation’s performance impact on climate change.

AAIB Emission in tCO₂e



- The report summarized the following:
- AAIB’s current Energy Consumption;
 - methods for AAIB to save its operational costs;
 - techniques that AAIB needs in order to reduce GHG emissions and indirectly;
 - how to respond to changing consumer expectations.

The report paved the way for AAIB to brainstorm initiatives for reducing energy consumption and create awareness among employees about engagement and making contributions toward reducing energy consumption.

The report is a tool to show employees what a difference they can make in the organization’s emissions and the progress they are making toward sustaining the environment. Moreover, saving energy is another way to reduce costs.

AAIB: An Environmentally Aware Workforce

Reporting is a key step toward benchmarking and measuring the progress in reducing AAIB’s carbon footprint. Communicating the report results internally to the employees is another way to ask them to adopt new behaviors and take steps to save energy and to carpool and commute more often. Aligning the workforce with the initiatives for reducing the bank’s carbon footprint is a central challenge, since the actions taken should be fun and sustained over time, as well as tangible. Creativity is a key in getting everyone’s attention, and believing in the measures makes a big difference. The campaign was designed by the Sustainability Unit as an integrated approach to bring about cultural change through awareness while adopting practices for energy management within the organization.

The campaign aims at the following:

- raising awareness about CO₂ emissions and causes;
- educating the employees about methods for reducing the carbon footprint;
- engaging employees as the main stakeholders to “walk the talk.”

Realizing that the concept is new and could be difficult to comprehend, a comic strip was established to create awareness among the employees in a fun yet informative way. The message is “Reduce your carbon footprint” (in Arabic **قلل بصمتك الكربونية**). This is in addition to other educational videos and links to articles about sharing common individual carbon practices to reduce energy waste and save natural resources. These efforts were created to develop an understanding about environmental sustainability and encourage employees to play a role in reducing the bank’s carbon footprint.

This communication campaign runs parallel with the annual Earth Day. The Sustainability Unit introduced the campaign Earth Day last year in celebration with all of the bank’s workforce to raise awareness about the planet and remind everyone of its significance to humans. ■



“Despite the fact that Egypt’s contributions to global greenhouse gas emissions is comparatively small, the impact of climate change on Egypt is very strong. This is due to its Nile and Delta rivers. Egypt will suffer the most (after Bangladesh) from the rising sea levels as a results of climate change.”

Rio+20 Summit

CCC'S SOLAR POWER ADVENTURES



By Tony Awad, Consolidated Contractors Company

As a pioneer in the construction industry, and with a vision to lead in promoting green awareness, CCC believes in providing future generations with a healthy and safe environment as well as social and economic prosperity. As a result, CCC started examining the implementation of solar energy applications on construction camps in the Middle East early on. At the moment, solar technology is put to successful use in various CCC units and projects. The rationale behind these schemes is to reduce the electrical energy consumed by camps by utilizing environmentally-friendly technologies.



Simaisma Camp – Qatar

It started with a pilot project at the Simaisma Camp in Qatar. Upon completion, it provided solar-heated water to various units on site – including the laundry and kitchen – as well as photovoltaic lighting. Following this pilot project at Simaisma Camp, CCC has successfully been utilizing solar technology at various CCC locations for different projects (Greece, UAE), with the most important being at the Qusahwira Camp (UAE).

Qusahwira Camp – UAE

This was the first off-grid solar installation in the United Arab Emirates. The rooftop photovoltaic system with an output of 368 kilowatt-peak was one of the largest solar installations in the country. It powered a camp with more than 5,000 people working for an oil field development project in the desert.

This solar installation generated approximately 610 MWh per year, which was



Left to right: Simaisma Camp, Qatar; Qusahwira Camp, UAE; PNBAR, Saudi Arabia; 13MW PV Solar Power Plant, Dubai - UAE

used for air conditioning, kitchen installations, and other daytime power activities. Most importantly, it contributed to reducing CCC's carbon footprint by offsetting 420 tons of CO₂ emissions annually.



Princess Noura bint AbdulRahman University for Women – Riyadh - Saudi Arabia

Recognized as one of the world's mega projects, the green building campus at Princess Noura bint AbdulRahman University (PNBAR) is the first of its kind in Saudi Arabia and uses the world's largest district solar water heater.

With an installed capacity of 17 MW, it provides hot water for all 40,000 students in the 8 sq km campus through its 36,000 sq meter solar collector area. CCC was responsible for the construction and acted as a procurement partner.

13 MW PV Solar Power Plant – Dubai - UAE

Dubai's first move toward using renewable energy was the inauguration of the largest operating Solar Photovoltaic (PV) Plant in the Middle East and North Africa in October 2013.

The Solar Plant is Dubai's largest, capable of displacing 15,000 tons of CO₂ a year – the equivalent of removing 2,000 cars from the road. It is also the largest Photovoltaic Plant in the region. It is the first stage of the planned Mohammed bin Rashid Al Maktoum Solar Park – a vast complex with a planned output capacity of 1,000 MW by 2030.

The new Photovoltaic Plant in Dubai was built by the American solar panel manufacturer First Solar, which will operate it on behalf of Dewa (Dubai Electricity & Water Authority). First Solar won this engineering, procurement, and construction (EPC) project amidst fierce competition, including from aggressive Chinese companies.

First Solar won it based on an advanced technology called "thin-film PV." The company's thin-film modules have lower levels of power loss than any other photovoltaic technology. In general, all renewable energy technologies (solar, wind, waste-to-energy, etc.) are in the development stage. What is critical is the yield, the performance, and the durability after years of operation, but this is difficult to determine. The company also developed a water-less method to clean the panels to counteract the high amounts of dust. CCC successfully approached First Solar from among many local companies, demonstrating our strengths in logistics for remote areas, backup, local knowledge, and construction capabilities with our commitment to Safety and Quality. Although our price was not the lowest, First Solar made the right choice and did not "risk a delay." The project was labeled a high-profile project by the UAE with an eye toward boosting Dubai as a destination to promote green energy and to reduce its carbon footprint, which will help Dubai for the upcoming Expo 2020.

Although the construction value of the project is small (only US \$13 million), the difficult part was coordinating the mobilization and construction in a very short period. Total duration was six months (May to September 2013), but this short period included rock finding, summer heat, sand storms, Ramadan leave, holidays, and Eid.

The project ushers in the beginning of CCC's pursuit to start the "Construction of Renewable Energy Projects."

Facts and figures:

- The generating capacity is 13 MW of clean energy.
- The project will generate 24 million kWh of electricity per year.
- The project required more than 800 man-days and 1.4 million man-hours to complete, all of which were accident-free.
- The project will eliminate 15,000 metric tons of CO₂ per year.
- Performance ratio is more than 83 percent.
- The project is powered by 152,880 PV modules, 32,000 rails, 18,000 beams, 8,700 posts, 3,000 meters of fencing, 13 inverter buildings, and 1 control 33 kV substation.
- The project covers an area of 280,000 sq meters.
- Operating date: 4th Quarter of 2013. ■

COOP NATURAPLAN – 20 YEARS OF COMMITMENT TO ORGANIC AGRICULTURE



By Conradin Bolliger, Alexandra Sauer, Michael Scheidegger, and Christian Waffenschmidt, Coop

The cultivation of agricultural crops and the production of food are resource-intensive activities that negatively impact the environment and society. About one-third of the Swiss population's ecological footprint is due to food consumption. Coop is the second-largest retailer in Switzerland. The cooperative has lived up to its responsibility by promoting organic and fair agriculture for more than 20 years.

Coop Naturaplan – Success story of an organic brand

In the beginning, a couple of people at Coop had a vision of providing affordable organic products for “everyone.”

What started with fresh products such as yoghurt, bread, meat, and eggs 20 years ago has now grown into a range of more than 1,700 products, including innovative organic convenience products such as pizza and sushi. In Switzerland today,

every second organic product is sold at a Coop point of sale. Coop's turnover with organic food amounts to CHF 1,001 million (\$ 1.11 billion) and accounts for 10 percent of Coop's total food offering.

This success story started in 1993 with the launch of Coop's own organic brand, “Coop Naturaplan” – it was the first time a retailer in Switzerland had done so. At the outset, Coop established, and has maintained, a strong partnership with Bio Suisse in order to promote a breakthrough in high-standard organic farming in Switzerland (see box), and hence to change industrial agricultural practices. In doing so, Coop has played a pioneering role in fostering organic farming in Switzerland and abroad.

However, Coop also faced major challenges along the way:

- In the beginning, organic products had a “tree hugger” image, which required both communication efforts and considerable management commitment to emerge from this niche. Nowadays, Coop Naturaplan has a recognition rate of more

than 90 percent and is the best-known household organic brand in Switzerland. The song composed for its 20th anniversary campaign even made it to number one on the Swiss single charts.

- The quality and availability of organic products have often been unsatisfactory, and Coop had to develop its own production and sourcing projects.

Organic research and innovation

Given the scarcity of organic products in the 1990s, Coop decided to promote research in organic agriculture together with another well-established partner. For the past 17 years, Coop has engaged in an intensive cooperation with Switzerland's Research Institute of Organic Agriculture (FiBL) in order to support basic research in organic farming practices (e.g., reduction of concentrated feed in milk production and the potential of organic farming in the tropics) and to implement concrete sourcing projects. The results of the basic research are available to the public and designed to promote organic farming worldwide. Since 2003, the Coop Sustainability Fund has financed the research and development of sustainability projects with a current annual budget of CHF 15 million (\$16.8 million). It supports innovative ecological solutions and pioneering practices to make organic farming more sustainable, enables the formation of ecological and fair supply chains, and sensitizes the population to sustainable consumption. Whereas the focus was initially placed on basic challenges such as the cultivation of organic apples that are of satisfactory quality, the projects today are often more complex.

Example 1: In a procurement project for sustainable cocoa from Honduras, Coop, its production site Chocolats Halba, and partner NGO Helvetas helped restore cocoa plantations that were hit by a typhoon. This organic agroforestry project is aimed at protecting the rainforest and improving the living conditions of the local cocoa farmers. It includes training, the development of infrastructure, the diversification

of crops (cocoa and wood), water management, as well as building up long-term and fair partnerships. With this engagement, Coop was able to introduce a high-quality Honduras Chocolate certified by Bio Suisse and Fairtrade Max Havelaar (FLO) into the Naturaplan range. Furthermore, thanks to the agroforestry approach, the entire production process is carbon neutral.

Example 2: With its “Fair&Good Project,” the Coop rice mill Reismühle Brunnen, together with several partners, promotes organic fair-trade rice cultivation in India and Thailand. The project builds on cooperative research and development, together with local farmers and universities, to develop adapted cultivation methods that go beyond organic standards in terms of water management and greenhouse gas emissions. In addition, it focuses on raising the living standards of small-scale farmers, increasing their independence from creditors and seed producers, and promoting self-determination. As of the end of 2013, there were 1,500 farmers who already belonged to the producer cooperatives involved, which deliver

850 metric tons of rice, certified to the Bio Suisse and Fairtrade Max Havelaar (FLO) level of standard.

Outlook

By the 20th anniversary campaign of “Naturaplan,” Coop had reaffirmed its commitment to promoting organic farming. As the first retailer worldwide, it managed to launch dual-branded products, together with renowned brand manufacturers such as Nestlé and Unilever, and hence prompted them to develop their first organic products according to the Bio Suisse standard. The worldwide promotion of organic farming by Coop has had positive effects on producers, consumers, the environment, and thus on society in general. Many agricultural and manufacturing companies in Switzerland and abroad have been able to build an economically viable – and environmentally and socially sustainable – business model. This commitment is now firmly anchored in Coop's core business, is financially successful, and will be continued in the next 20 years. ■



PARTNERSHIP WITH BIO SUISSE



Bio Suisse is the organization of Swiss organic farmers, and the cachet of its products is the bud logo. Already in 1993 Coop undertook to sell only products with the bud logo under its own brand, Coop Naturaplan. These products have to comply with the strict standards of Bio Suisse, which are much more stringent than those contained in Swiss and EU organic legislation. This entails agricultural production as well as food processing and transport. The most important requirements of the Bio Suisse guidelines are:

- closed natural cycle – the entire farm is run organically
- prohibition of heated greenhouses
- prohibition of air transport; preference for close provenances
- special measures for the promotion of biodiversity
- careful processing, for example no added colors or artificial flavorings

In addition to the Bio Suisse guidelines, Coop combines organic farming with the Fairtrade (FLO) standard wherever possible.

AN INDUSTRIAL FIRM THAT CONCERNS ITSELF WITH NATURE AND BIODIVERSITY

The EDF Group's industrial activities sometimes take place in remarkable natural settings. The activities interact with an area's biodiversity and benefit from the ecosystem services it provides. Biodiversity is an important economic consideration for the Group — failure to respect regulations may lead to sites or plants being brought to a halt. A lack of in-depth dialogue with environmental NGOs or other stakeholders using local resources can result in a ban on new industrial programs.

By EDF Group Sustainable Development Division



The Group's commitment is structured by its biodiversity policy. Introduced in 2009, the policy is built on three objectives, in line with the Global Reporting Initiative's G4 Sustainability Reporting Guidelines:

- develop knowledge of natural environments and the potential impacts of Group activities on ecosystems (G4 indicators EN 11, EN 12 and EN 14);
- conserve biodiversity by protecting or restoring natural spaces (G4 indicators EN 13, EN 15 and EU 13);
- inform, train, and raise awareness of employees and local residents, and enter into dialogue with scientific communities and non-profit organizations.

This policy is adjusted by the EDF Group's companies and business lines, which implement strategies appropriate to their own activities and local regulations. It is included in the Group's ISO 14001-certified Environmental Management System. In addition, the corporate Sustainable Development Department — in direct liaison with EDF's business lines and the Group's subsidiaries — pursues and guides a policy of biodiversity partnerships to encourage the exchange of technical knowledge, support projects led by non-profits, and implement concrete programs. Examples include work with the French Bird Protection League to

put in place plans for managing natural spaces; and with French Nature Reserves (Réserves Naturelles de France) to create training courses in inventory methods. EDF is also working with the French committee of the International Union for Conservation of Nature, which is helping it to take its biodiversity policy further. Along with France's National Natural History Museum, the Group's R&D teams are developing ecological quality indicators.

Recent developments

With its work to conserve biodiversity, the EDF Group is becoming a manager of natural areas, for the most part in partnership with local non-profit organizations. This can happen either as part of offsetting mechanisms or as proactive measures taken on its own.

Through its action, the EDF Group is supporting the rollout of public policies to promote biodiversity:

- EDF and distributor ERDF have made a commitment to several National Action Plans for the Pyrenean desman,

the Cinereous vulture, the Bearded vulture, the European otter, the Zingel asper, and Bonelli's eagle;

- the contribution of certain EDF Group sites to the Natura 2000 conservation objectives;
- the structuring of an internal program to integrate the recommendations concerning the fight against invasive exotic species and limit the territorial expansion of such species. ■

Claude Nahon, Senior Vice President, Sustainable Development, EDF Group, says: "In the work that we're doing with environmental protection networks, we've taken a decisive step forward by moving from sponsorship to partnership. We're no longer supporting these networks by financial means in return for showing our logo, we're working with them with a focus on several subject areas: knowledge, information, and awareness-raising on biodiversity issues.

MOVING FROM SPONSORSHIP TO PARTNERSHIP

We're working, for example, with the Bird Protection League on protecting the Bearded vulture in the Pyrenees. That's led us to adjust the maintenance programs for our high-altitude hydro installations, so as to avoid in particular helicopters flying over the sites during nesting and incubation periods.

At EDF, my priority is to make people aware of the issues involved in biodiversity as early as possible in the preparation phases of our industrial projects. And that includes projects that make use of renewables. One of the points I'm hammering home at the moment is to take into account bats in wind and solar projects. The earlier we take this into account for a project, the less we delay putting off action."

WHEN BIODIVERSITY PROTECTION MEETS REGIONAL ECONOMIC DEVELOPMENT



That is the thinking behind the program led by EDF Norte Fluminense in Brazil in the area around the city of Macaé, where it has a gas-fired electricity-generation plant. For several years now, this EDF Group subsidiary has been voluntarily supporting the Mico Leao Dourado (literally "golden lion tamarin") association to study the behavior of this small monkey, which came close to extinction in the 1970s, and to create forest corridors that allow the animal to expand its living areas. An essential aspect of the program's approach is that local communities (mostly small farmers) are encouraged not to destroy the primary Atlantic rainforest, which has lost 93 percent of its surface area in just a few centuries. This is done by halting the use of pesticides and, better still, restoring new forest areas through regular reforestation operations. The work is paying off — in the REBIO Poço das Antas Biological Reserve alone, where EDF Norte Fluminense and its partner association have focused their efforts, there are today more than 1,600 tamarins.

In these valleys, located about 50 km from the EDF Norte Fluminense plant, the forest is vital to the quantity and quality of the water. The company is supporting economic development here, which focuses on rainforest preservation and promoting green tourism. Small farmers are being encouraged to develop organic farming and tourism: produce fewer items that are of better quality and sell them for a higher price. It was a long process to reassure the farmers and explain the benefits of attracting a new kind of clientele that is more demanding: foreigners from around the world, but also people living in Rio de Janeiro who are increasingly interested in spending their weekends in the mountains, which are just three hours away. These tourists are willing to pay more for healthy products. Support for the programs from the Rio State government also extends to the development of small local companies, whether they are hotels (approved ones); sporting organizations such as for canyoning, paragliding, and cycling; or producers of natural products such as clothes woven from fiber reeds, environmentally-friendly soaps, or production of a very rare honey from the black bee, which is another endemic species and the only bee in the world that does not sting. It produces a liquid honey that cannot be stored, so it must be eaten right away. The ultimate objective of all these actions is to maintain a healthy ecosystem and develop an economic structure that allows residents and their children to stay in the valleys.

WORKING TOGETHER FOR ANIMAL WELFARE: CONTROLLING THE DOWN FLOW FROM FARM TO READY-MADE PRODUCT



By Kerstin Wolf and Aiko Bode, Fjällräven

As part of the Fenix Outdoor group, Fjällräven became a participant to the UN Global Compact Principles in 2012. As an outdoor company, we strive to focus in particular on the environmental principles of the Global Compact and to address our current impacts as well as look for innovative solutions to certain issues. The precautionary principle is a guiding principle in our environmental strategy because our products are often made with materials derived from natural sources. We have been making down products for more than 40 years.

An important question that arises in this endeavor is how to make high-quality down products with respect to animal welfare? We continuously ask ourselves this question in our business conduct and are in the process of finding an answer. We have managed to establish a production chain with consistent and strict controls and believe we have come close to achieving sustainability in this respect. Fruitful partnerships are part of our approach. We are convinced that a holistic approach and being a pioneer – leaving the beaten path – are key to coping with today's challenges and finding working solutions. This is what we are striving for at Fjällräven.

Down remains one of the most efficient insulators available for cold-weather outdoor garments and sleeping bags. According to the International Down and Feather Testing Laboratory (IDFL): "Down and feathers have the lowest carbon footprint of any other fill material, both natural and synthetic." However, down can be problematic to source due to the fact that suppliers often buy from diverse – and sometimes even unknown – sources. Thus, the feathers and down may stem from live-plucked or force-fed animals – goose or ducks. Fjällräven has avoided these practices and begun to build a process whereby down is gathered from slaughtered animals as a byproduct of the food industry, ensuring that no live-plucking or force-feeding takes place. To ensure that the insulation used is environmentally sound and of the highest possible standard for animal protection, Fjällräven did not wait for the food or outdoor industries to change their practices. We did it our way, the Fjällräven Way. Today, we know that our approach was right, and we are now joined by numerous reputable brands that are striving to achieve a similar sourcing process.

Feedback from our stakeholders

We remain in constant dialogue with our stakeholders. Fruitful and critical communication helps us to develop. Fjällräven values the feedback and suggestions given by some of our stakeholders and has responded to critical remarks by optimizing and controlling the processes regarding aspects relating to animal welfare.

Our response: A controlled down flow

Fjällräven only uses goose down and works exclusively with one down supplier, which, in turn, works with selected farms and one slaughterhouse. All Fjällräven goose down is purchased from this slaughterhouse and represents a byproduct of the food industry with no force-feeding. We purchase the down all year round to make sure we get the estimated volume and to guarantee that the down comes from the designated source. However, there are seasonal peaks, during which intensified controls take place. During the entire process, down for Fjällräven products is transported in specially marked and sealed bags to avoid it being mixed with down from other producers.

Fjällräven's audit team oversees the process by conducting both announced and unannounced audits regularly. We visit the farms, we know how the eggs are laid, how the fledglings hatch, how the goslings are raised, and we control how the birds are kept and what they are fed. The down's quality and cleanliness is controlled by the IDFL. Our down flow is also regularly reviewed by a third party veterinarian from Sweden who has accredited the Fjällräven down flow. Logistics-wise, the distances between farm and slaughterhouse are kept to a minimum so that birds are never transported for longer than necessary.

Every party involved has to sign and act in accordance with the standards set in the Fjällräven Code of Conduct.



Focus areas are:

- well-being of geese when farmed
- no live plucking
- no force-feeding
- transportation
- loading and unloading the geese
- well-being and handling of geese on site before slaughtering
- stunning
- control of the process of finishing the down

In 2010, Fjällräven received an honorable mention from Animal Welfare Sweden for its down handling practices.

The impact: Cooperation with China

The process, the partnership, and the approach chosen by Fjällräven was highly appreciated by Chinese provincial governments, and hence became part of local and regional animal welfare regulations. We strive for such partnerships because only by cooperating with all those responsible are positive outcomes possible. Fjällräven acts beyond its own down process to "leave the base camp

better than we found it." Making a contribution toward the ethical treatment of animals is what we want to achieve. We recognized that it was only possible through ongoing communication with our supplier and experts from NGOs as well as with the involvement of governmental organizations. We strive for such working collaborations using transparent and open dialogues in order to make further improvements.

The future: Working together in partnerships

As a participant of the UN Global Compact, we act in accordance with its Ten Principles and its values. In the future, we want to continue making business in this way. With the help of our stakeholders, we will engage in a continuous learning experience that will guide us in this process. We will continue to speak to experts and suppliers. We will listen, learn, and share our findings in order to ensure that every step in the production chain is of the highest possible standard from an animal welfare perspective. ■

WATER AND ENERGY: AN IMPORTANT ISSUE FOR GDF SUEZ



By GDF SUEZ Group

By 2030, the world will face a water shortage in the amount of 40 percent of its needs. The energy sector, which is the second major user of water behind agriculture, will have to face this challenge. Hence, it is important for GDF SUEZ to be prepared for potential impacts on its business and identify risks and opportunities related to the problem of lack of water.

Due to the nature of its industrial processes, GDF SUEZ pays particular attention to water management in its energy production and wastewater treatment processes. Since water is an essential resource for life, the availability and quality of water resources are two key priorities for the planet. GDF SUEZ works on these issues by implementing operational measures and by lending ideas to international discussions on this issue (CEO Water Mandate, OECD, and World Business Council for Sustainable Development).

Over the last few years – and in parallel with climate change – sustainable water use has been receiving more attention. In particular, water use in energy production has become an important issue. Therefore, utility companies need to measure their water footprints and identify hotspots where water scarcity is a potential issue and intervention may be required (reduction in water consumption, improvement of discharges quality, etc.).

The commitments of GDF SUEZ

In 2013, the Group defined rules and commitments regarding water management. They are based on four axes: the

evolution of environmental reporting; the analysis of the water risk; measurement of the water footprint; and the visions of key actors, whether investors or international initiatives.

The Group is committed to seven actions, in keeping with the requirements set out by the CEO Water Mandate initiative (a UN Global Compact initiative):

- To identify which sites are exposed to water risk and draw up local action plans for each one;
- To draw up an action plan on water withdrawal and discharges for all the sites identified as being exposed to water stress;
- To measure the water footprint of all activities;
- To comply with local legislation;
- To improve disclosure and transparency on the subject;
- To help the improvement on water management and governance;
- To respond to supplier-related water issues.

The water footprint

The water footprint is the starting point in understanding the impact of activi-

ties on water resources. It represents the quantity of water consumed by a site, its suppliers and infrastructure, weighted according to the site's location and the water quality. Integrated with the lifecycle assessment, the results are provided in liter equivalents, due to the application on the volume of water, characteristic factors for water quality and localization. Several methods exist today, and GDF SUEZ seeks to find the best one suited for energy activities.

In 2012 and 2013, the first step consisted of taking into account the water footprint in the lifecycle assessment of 1 kWh of electricity.

The water risk

Identification of industrial facilities located in water-stressed areas and determining the quantities of water withdrawn by source type are the first steps in defining the water risk. Once these two issues are identified for each site, it is possible to develop and implement adequate action plans where necessary.

For GDF SUEZ, just over 50 sites are located in areas of extreme water stress.



Good practice

The Water Resources Conservation in Brazil – Tractebel Energia

Aware of the importance of water conservation for sustainable development, Tractebel Energia launched a program for the Conservation of Water Sources in July 2011. The initiative brings together projects that have already been developed by plants operated by the company, as well as similar actions systematized in other regions where Tractebel Energia operates.

The objectives of the program are as follows:

- take effective action in water resource conservation;
- maintain the quality and quantity of water in watersheds operated by Tractebel Energia plants;
- encourage conservation practices in areas where the company operates;
- encourage and educate the public about the rational use of water; and
- engage the community to take action to preserve the environment in the regions where plants are operated.

To develop the project, Tractebel Energia signed an agreement with the public sector and the municipality of Chopinzinho in the state of Paraná in Brazil, located in the region of the Salto Santiago plant, which is rehabilitating about 300 existing sources of water in rural lands where children and adolescents live. The initiative aims to contribute toward an improvement in the quality of the water consumed by the community and thereby reduce the incidences of disease in children and adolescents caused by pathogens. To ensure the protection of water sources used by the farms, the areas near sources are isolated with concrete for protection and to prevent contamination of the water. Tractebel Energia has also donated about 2,000 plants species native to the project to help reforest the area. Families in the community are trained to participate in the rehabilitation process and the maintenance of resources. They also receive training about water quality and reforestation to implement these activities on their properties. In 2013, about 280 sources in the region were protected by the project.

In the area where the thermoelectric complex Jorge Lacerda is located, Tractebel Energia has been developing a project of source protection in the area of Capivari de Baixo since 2009. This has been achieved in partnership with the Watershed Committee of the Tubarão River and the lagoon complex of Santa Catarina in Brazil. The aim is to preserve the water quality of the Tubarão River, which provides the water supply for a population of about 360,000 people and is being degraded by different sources of pollution. Since the launch of the project, 21 sources have been protected through the construction of 4,000 meters of fencing and by planting 7,000 forest trees in 21 farms.

The Conservation of Water Sources project, developed by Tractebel Energia, won the Environmental Award from the Chamber of Commerce of France in 2013. Brazil is expanding their implementation to all facilities operated by Tractebel Energia in Brazil. A total of about 720 sources will be protected by the end of the deployment period in 2015. ■

MAN LIVES ITS COMMITMENT TO CLIMATE PROTECTION



By Yvonne Benkert, MAN

As a global player in the transportation and energy sectors, MAN has a special responsibility to contribute to the reduction of the global carbon footprint. MAN lives up to this responsibility – in its Climate Strategy, it has set a clear objective: a 25 percent reduction in CO₂ emissions from the company's production sites by 2020 (baseline: 2008). The MAN Group has already cut CO₂ emissions by 77,000 tons since 2008 – primarily due to the dedication and creativity of its employees, who initiate and carry out climate-protection projects at its sites.



MAN's Climate Strategy



Acknowledge responsibility

The transportation and energy sectors are contributing to climate change to an evergreater extent.



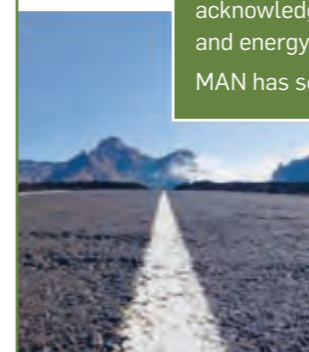
Dilemma and approach

The interaction between our own product development, our suppliers, legislation, and our customers and their customers is complex.

MAN'S CLIMATE STRATEGY

Climate Change is among the greatest challenges to humanity. MAN is fully aware of and acknowledges its responsibility to reducing the global carbon footprint of the transportation and energy sector.

MAN has set itself the target of reducing its own CO₂ emissions by 25% by 2020. (baseline: 2008)



Commitment

Our target: reduce our own CO₂ emissions by 25% by 2020 (baseline: 2008)



Vision

By 2020, our aim is to be recognized as one of the industry players to have dealt with the challenges of climate change the best.

Resource scarcity, climate change, globalization, and urbanization are global challenges. MAN actively addresses these issues through its comprehensive corporate responsibility (CR) strategy. At MAN, CR finds concrete expression in four fields of action: integration, economy, environment, and people. Integrating economic, environmental, and social responsibility into its business practices is central to MAN's success. MAN's employees are essential to this process – they are its CR ambassadors. Only with their participation can MAN find fitting answers to the most urgent questions of our time.

Left side: At the MAN Truck & Bus plant in Nuremberg, Germany, employees developed an innovative cold test that reduces the negative environmental impacts of engine testing.

Fighting climate change

Climate change is one of the greatest challenges facing humankind – and MAN. As one of Europe's leading manufacturers of commercial vehicles and mechanical engineering equipment, MAN has a special responsibility when it comes to protecting the climate. According to the Organisation for Economic Co-operation and Development, the transportation sector is responsible for some 15 percent of global CO₂ emissions – a percentage that is rising. The energy sector presents a similar picture, with experts predicting that, by 2030, global demand will exceed current levels by more than 30 percent. MAN has a duty to contribute to a global reduction in CO₂ emissions – and a business interest as well. In light of all these factors, at the end of 2011, the Management Board signed off on MAN's Climate Strategy, a key component of the Company's CR strategy.

Clear objectives for climate protection

MAN has more than 30 production sites in 14 countries. These facilities consume raw materials and electricity and use resources to generate energy, causing CO₂ emissions. At the same time, MAN is working to continuously reduce the carbon footprints of its production sites. At the heart of MAN's Climate Strategy is a commitment to cutting its CO₂ emissions by 25 percent worldwide by 2020 (baseline: 2008). This represents an annual decrease of 125,000 tons of carbon dioxide – equivalent to the annual emissions of a small German town with 14,000 inhabitants.

“MAN can only meet its ambitious climate target with the full support of its employees,” underscores Jochen Schumm, Chief Human Resources Officer, who is responsible for CR at MAN. “The company has to empower them to take on responsibility



in their daily activities.” That is why MAN has prioritized raising awareness of the need for climate protection among its employees. MAN aims to work together to reduce the carbon footprint of each

THE MAN GROUP

The MAN Group, headquartered in Munich, Germany, is one of Europe's top commercial vehicle, engine, and mechanical engineering companies. As a producer of trucks, buses, diesel engines, turbomachinery, and special gear units, MAN holds leading market positions in all its divisions. MAN's core business activities shape pioneering transportation and energy solutions that are both ecological and economical and meet the needs of customers and society.

The MAN Group employs some 53,500 employees in more than 150 countries and includes the companies MAN Truck & Bus, MAN Latin America, MAN Diesel & Turbo, and Renk. In 2013 the Company reported revenue of approximately €15.7 billion.

facility and find ways to use energy more efficiently. MAN has already launched a number of initiatives at its sites around the world to cut CO₂ emissions and boost energy efficiency. The projects all have one thing in common: They actively involve MAN's employees and thrive on their commitment.

Resource efficiency in Nuremberg

The MAN Truck & Bus plant in Nuremberg, Germany, must cut CO₂ emissions by almost 28,000 tons in order to meet the Group's climate target. Employees at the site are applying the full force of their creativity to mastering this challenge. For instance, they developed a method for cold testing engines — MAN was the first commercial vehicle manufacturer to successfully apply the method. Not only is cold testing quick and safe, it is also better for the environment than the hot testing method that was previously used — it cuts diesel consumption by approximately one million liters per year and reduces CO₂ emissions by 3,000 tons. In addition, modern test benches have allowed test runs to be shifted off the roads and into the workshop. All traffic, weather, and load conditions can be simulated without negative environmental impacts.

Cold testing is just one of the many measures that are making the Nuremberg production site more energy efficient. The

Walk of Energy sums up and illustrates the potential for production-related carbon savings at different stations. It shows employees and visitors how efficient compressed-air generation, machining centers that switch off automatically, and split-level ventilation can cut energy consumption in the production and assembly shops. Every station in the Walk of Energy has made a significant contribution toward cutting CO₂ emissions, and the plant's carbon footprint has been reduced by 10,800 tons since 2008. This means the facility is already a third of the way toward reaching its goal.

Green Office in Shanghai

At MAN Diesel & Turbo in Shanghai, China, all energy-saving measures have been bundled in the Green Office initiative. Solar panels now cover large portions of the administration building's roof, providing some of the energy used in the offices. In addition, all light bulbs have been replaced with energy-saving bulbs. And the employees are also making an important contribution: When the office closes for the evening, one staff member on each floor goes through and makes sure all electric equipment has been switched off. A different employee is responsible each week. Not only has the Green Office initiative increased employee awareness of the responsible use of resources — it has also boosted their team spirit.



Energy Efficiency Network Changzhou

In Changzhou, China, 200 kilometers further west, MAN Diesel & Turbo is also playing its part in meeting the Group-wide climate goal. Not only has the site invested in efficient production equipment, but the employees also receive regular training in energy efficiency. An energy-saving-awareness bulletin board in the break rooms keeps employees informed about the plant's current energy consumption. And awarding an Energy Efficiency Star to particularly successful energy savers provides additional motivation. MAN Diesel & Turbo is sharing the best practices from this site with others; in 2010 it joined forces with 12 other companies in the region to form the Energy Efficiency Network Changzhou. This corporate network offers a unique platform for exchanging information, learning from one another, and developing efficiency-boosting ideas. The Energy Efficiency Network Changzhou has already identified a remarkable 98 ideas for saving energy.

Climate-friendly training center in Holeby

In Denmark, MAN Diesel & Turbo's PrimeServ Academy in Holeby serves as a shining example of climate-friendly facility design. In 2013 the insulation, heating, and lighting at the Holeby train-

ing center were optimized for energy efficiency. The goal was to minimize heating and electricity costs. The savings are not just a win for the climate, but for the company's bottom line as well.

“Manage responsibly” in Munich

Managers are important multipliers who raise awareness about corporate responsibility and climate protection within the company. To this end MAN Truck & Bus launched its “Manage responsibly” program in 2012, providing managers with comprehensive training on climate and sustainability issues. This puts the managers in a position to understand all aspects of corporate responsibility, to set themselves goals, and to motivate their teams to work to improve climate protection. Almost 300 employees have already attended the training course. But managers are not the only key target group when it comes to raising CR awareness at MAN — young talents are important too. With this in mind, in 2013 the “Manage responsibly” program was integrated into the MAN Truck & Bus trainee program as well.

CO₂ cut by 77,000 tons

“The wide range of efficiency-boosting projects in MAN sites around the world makes it clear that the employees are committed to MAN's Climate Strategy,” notes Schumm. “All the measures have

Left side: Solar panels on the roof of the MAN Diesel & Turbo site in Shanghai, China, generate clean energy.

Mid: An energy-saving awareness bulletin board keeps MAN Diesel & Turbo employees in Changzhou, China, informed about the plant's current energy consumption.

Right side: MAN Truck & Bus trainees attend half-day workshops, which provide concrete examples of what corporate responsibility and climate protection mean for MAN.

had an impact, already allowing MAN to cut CO₂ emissions by 77,000 tons compared to the baseline year of 2008.” This represents a 14 percent reduction in MAN's carbon footprint, meaning that the company is already halfway toward reaching its climate target. By 2020, MAN is aiming not only to reduce CO₂ emissions by 25 percent, but also to gain recognition as one of the industrial companies that is handling the challenges of climate change most effectively. And together with its employees, MAN is now much closer to achieving these goals. ■

FROM WASTE TO ENERGY – SUCCESSFULLY AND SAFELY

By Paula Niemistö



The Riverside Resource Recovery Energy from Waste Facility, the largest such facility in the United Kingdom, is located on the bank of the River Thames in London. Metso's automation solutions play a significant role in managing the waste-to-energy plant successfully and safely. The plant produces around 478,000 MWh of electricity a year, which is the equivalent produced by burning 191,000 tons of coal.



“METSO DNA OFFERS ADVANCED OPTIMIZATION, MECHANICAL CONDITION MONITORING, AND PROCESS PERFORMANCE MONITORING.”

Municipal household waste from six London boroughs is taken to Riverside, usually by barge. The amount of the waste is massive, but so is the capacity of the plant: It is expected to manage an average of 585,000 tons of waste per year, but it has a capacity of 670,000 tons.

Waste throughput up to 90 tons per hour

On arrival at the Riverside facility, the waste is taken to the main plant building and tipped into a storage bunker. Each of the three boilers is charged with waste, each with a throughput of up to 30 tons per hour. The waste then enters the combustion chamber via a vertical feed chute.

Steam is generated through heat-transfer from the combustion process into water-filled boiler tubes. Superheated steam from the boilers is used to operate the 72 MW turbo generating unit, which is connected to the national grid.

Waste does not have a standard heating value like most carbon-based liquid, solid, or gas fuels, which means the heat value of the waste can vary considerably. Controlling the combustion process therefore requires many variable inputs to ensure a stable output as well as a combustion process that continuously operates safely and within acceptable environmental limits.

Advanced optimization and monitoring

The process control at the Riverside Energy from Waste Plant is achieved by using a Metso DNA automation system. Metso DNA is a single integrated automa-

tion and information platform for process control, high-speed machine control, batch control, and SIL-certified safety controls. It offers advanced optimization, mechanical condition monitoring, and process performance monitoring.

At the Riverside Energy from Waste Plant, Metso DNA gathers information from a large number of sensors – everything from the initial waste-handling process to the composition of the emission gasses at the stack to the pressure of the steam at the turbine and the conditions in the various auxiliary systems.

The sheer quantity of information available could be overwhelming, but Metso DNA displays it in such a way that only those areas requiring attention are highlighted while still making all information visible.

Operators can easily view both live and previous data simultaneously, thus enabling them to identify trends and to take any necessary remedial action as soon as possible. Likewise, this information can be displayed and easily accessed in read-only format by managers or engineers, and it is used to provide user-friendly management and operational reports.

Not only can the operators see what is happening as it is happening, they can also do something about it: A wide range of adjustments can be made and parameters monitored electronically from the operator's position. Traditionally, this would, in many cases, have involved someone physically adjusting a valve or checking a reading. This facet of the system is important with a small operating team on shift. Online changes to equipment have also been carried out success-

fully and safely, minimizing disruption to the routine operation of the plant.

With detailed historical information stored in a database, comparison and forecast reports can be produced quickly and easily.

Increasing opportunities for energy-from-waste solutions

In a world where the amount of municipal waste continues to mount, Metso sees significant potential for growth for the use of recycled waste. The focus of the company's research and development activities is on environmental technology solutions that represent new technologies, such as waste utilization.

The way Metso sees it, a company aiming to solve global social and environmental challenges will succeed in the long term and will create value and well-being for all the company's stakeholders as well as society.

Metso believes that one of the best ways to promote sustainable development is to innovate in technologies and to change current ways of operating to align with principles of sustainability. This is how Metso wants to take part in creating a more sustainable future. ■

ABOUT METSO

Metso is a leading process performance provider, with customers in the mining, construction, and oil and gas industries. Our focus is on the continuous development of intelligent solutions that improve sustainability and profitability. Metso employs around 16,000 professionals in 50 countries.

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GETTING TO THE BOTTOM LINE OF ENVIRONMENTAL IMPACTS

Companies depend on services provided by nature, such as fresh water, clean air, healthy biodiversity, and productive land, and their impact on the environment stretches far beyond what goes in and out of a production site. However, the total environmental cost of doing business is not fully accounted for in today's financial disclosures.

Novo Nordisk has looked beyond its own business operations to track the true cost of its environmental impacts.



By Camilla Crone Jensen and Scott Dille, Novo Nordisk

Novo Nordisk's business philosophy is one of balancing financial, social, and environmental considerations – also known as “The Triple Bottom Line.” For more than two decades, Novo Nordisk has continued to explore new ways to better understand, manage, and account for its environmental impacts. The company published its first environmental report in 1994, and in 2014 it reached a new milestone when it became the first pharmaceutical company in the world to publish an environmental profit and loss (E P&L) account.

Environmental “track and trace”

An E P&L is like an environmental “track and trace” that places a monetary value on the environmental impacts of an organization and its supply chain. It puts an estimated price on a service that nature provides but for which a market price may not exist, or where the market price does not reflect the full cost. The result is an account that shows how profitability would be affected if the company had to pay for its full impacts.

“Of course it is a difficult task to place a monetary value on services such as fresh water, clean air, biodiversity, and land. However, a monetary value allows for direct comparison between the E P&L account and the regular profit and loss account of a company,” says Anne Gadegaard, Programme Director, Corporate Sustainability at Novo Nordisk.

In the E P&L, the “profit” refers to any company activity that benefits the environment, whereas the “loss” refers to activities that impact the environment negatively. Currently, only some of these costs are borne by the company, such as fees to local governments for water treat-

ment. Companies are not held accountable for the remaining environmental losses, known as external costs or externalities. This could, for example, be the cost of replacing a scarce resource or the associated health costs related to air pollutants.

Beyond your own business operations

Performing an E P&L can be a daunting task, as it requires digging deep into the organization to obtain the needed data – but this is only a small part of the equation. The idea behind an E P&L is to also include the environmental costs generated by suppliers and their respective supply chains throughout the world. Where data is not available, environmental costs are derived from using life-cycle assessment modeling.

Novo Nordisk's E P&L has been built on the work of PUMA, who was the first global corporation to publish a pioneering E P&L back in 2011. The work has been carried out in collaboration with the Danish Ministry of Environment, NIRAS, 2.-0 LCA Consultants as well as Trucost, who also assisted PUMA with their environmental valuation.



The account is based on 2011 performance data and includes Novo Nordisk's own operations as well as all tiers in the company's supply chain, from the finished products and services that the company sources (tier 1), to processed raw materials (tier 2), all the way down to the extraction of raw materials or the

cultivation of farm crops (tier 3). Environmental indicators cover greenhouse gas emissions, other air pollutants, and water consumption.

The E P&L showed that in 2011 Novo Nordisk was responsible for €29 million worth of services delivered by nature

for operational activities alone. Looking further down the supply chain, the costs increase substantially. Environmental costs across tiers 1, 2, and 3 amounted to € 194 million, or 87 percent of the total cost. Novo Nordisk's own operations constitute only 13 percent of the total environmental impact, and the main environmental impacts occur in tiers 1 and 3 of the supply chain. Greenhouse gas emissions contribute the most to the total cost (77 percent).

The value of tracking environmental costs

With the E P&L, Novo Nordisk is now one step closer to placing a real price on its environmental costs. But where does the value in this lie, and what will the results be used for? One insight from the E P&L is that the majority of Novo Nordisk's environmental impacts lie outside the company's direct control, and therefore can be more difficult to influence. Here, the opportunity to reduce impacts lies in direct engagement with suppliers, and thereby also support the existing supplier strategy.

Although Novo Nordisk continuously works to improve the transparency of its environmental performance reporting, E P&L accounting will not become part of Novo Nordisk's standard reporting in the near future. Instead, the key strength of the E P&L lies in its ability to map impacts and manage risks.

“The E P&L provides knowledge that will enable us to focus our efforts on the areas of our business with the largest environmental impacts and where there is potential for reductions,” says Anne Gadegaard. “One step could be to develop an environmental balance sheet to ensure that long-term costs of our environmental impact can be included in investment decisions. And by taking a proactive approach, we will strengthen company resilience in the long run.” ■

To read Novo Nordisk's E P&L, go to www.novonordisk.com/sustainability

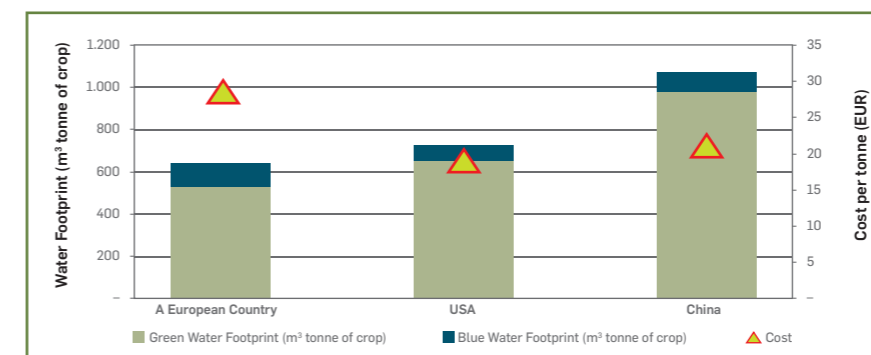
COMPARING WATER FOOTPRINTS ACROSS COUNTRIES

An E P&L can be a useful tool to identify environmental hotspots in the supply chain and manage risks – for example, when it comes to the company's water footprint.

A key ingredient in the production of insulin – Novo Nordisk's main product offering – is glucose, which comes from milled and processed corn. Glucose is purchased by Novo Nordisk in large quantities and relies heavily on agricultural land during the farming of corn, which has a significant water footprint. Using water data that measures water footprints of crops by country, Novo Nordisk can gain a better understanding of how the sourcing location and regional water scarcity might influence risk in the production of glucose.

Novo Nordisk sources its crop inputs primarily from Europe. The chart below shows a comparison of water footprints (cubic meters /tonne) and water cost (EUR/tonne) between a European reference country, the United States, and China (two of the world's largest corn producers). Per tonne of product, China requires the most water, at 1,073 m³/t of crop, and the European reference country requires the least, at 643 m³/t of crop.

However, the picture changes slightly when valuations are applied to the water quantities. The European country requires the least water per tonne of corn produced, but has the highest environmental cost, at €29. The United States, on the other hand, has a much lower environmental cost of €19. In the context of Novo Nordisk's environmental impacts, moving production of glucose from Europe, which has a relatively high water cost, to a country like the United States, which has a lower water cost, might be something to consider when mitigating risk for raw material inputs.



SALMON EDUCATION ON THE FISH-SHAPED ISLAND



By Anna Lygina and Natalia Gonchar, Sakhalin Energy

Sakhalin Energy Investment Company Ltd. was founded in 1994 to develop the Piltun-Astokhskoye and Lunskoye oil and gas fields off the shore of Sakhalin Island. The company was the first in Russia to start offshore hydrocarbon production from ice-resistant platforms and liquefied natural gas production. It can be justifiably proud of its achievements in the field of environmental protection and social responsibility.

Sakhalin Energy performs its operations on the territory of Sakhalin Oblast, the only insular region in Russia. Life of Sakhalin is directly or indirectly connected to the sea and fish, and even the island itself resembles a giant fish. There is a very special place in the islanders' hearts and diet that belongs to all the dif-

ferent kinds of salmon: pink, red, cherry, dog, king, among others. According to estimates, salmon accounts for nearly half of the jobs of the Sakhalin rural population. Intensive forest operations, the rapid development of Sakhalin's offshore development, and especially poaching all have an impact on environment.



Recognizing its responsibility to the society and fulfilling its commitment to develop business in a sustainable and ethical manner, Sakhalin Energy has implemented programs for environmental control, monitoring, and biodiversity conservation, which are among the best practices and aimed at minimizing its impacts on the unique ecosystems of Sakhalin Island. In addition, the company has been implementing projects targeted at the conservation of salmon species and their habitats and has given special attention to educational activities.

The Sakhalin Salmon Education project has combined the efforts of two partner-

ships initiated by Sakhalin Energy: the Sakhalin Salmon Initiative and Save the Salmon Together, in addition to other environmental initiatives of the company concerning salmon species conservation.

The main objective of the Sakhalin Salmon Initiative is to contribute to the preservation and rational use of wild salmon and its ecosystem by securing the sustainable economic and social development of Sakhalin. The project of environmental education of younger generations has been successfully implemented through the Sakhalin Salmon Initiative. The project is focused on salmon – the most unique element of Sakhalin nature – and demonstrates how it is important to save salmon-spawning rivers. Since 2008, more than 7,000 young people have attended summer ecological camps, festivals, and educational events related to the program.

In 2013, field eco-workshops were introduced in some Sakhalin districts. The programs were developed by teachers and volunteers of the Boomerang NGO. A School of Volunteers for teenagers and young people was developed and is focusing on salmon species. Volunteers acquire knowledge on salmon biology and behavior, conservation approaches to salmon habitats, as well as field camp training techniques.

One of the most popular programs of the project is Salmon Watch for students aged 12 to 17 and Kapelka (the Droplet) for children aged 4 to 6. The programs present the life of salmon to children. In addition, the best international practices and local community knowledge are used in the programs.

The Salmon Watch program is an adaptation of a similarly-named program in the United States developed by Oregon Trout and has been customized for the Russian educational system. The idea of the program is to acquaint students with the cultural and economic importance of the fish and to develop a responsi-

ble attitude toward the conservation of salmon biodiversity. The program includes a theoretical course, practical field work, and is designed within a supplementary education program or as a special course. Some components can also be used in local biology and ecology classes.

Within the Kapelka program, a small drop of water named Kapelka speaks about the specifics of each type of salmon, their appearance and biology, the relations between animate and inanimate nature, and human impact on the salmon population. The story is presented as a fairytale so as to make it interesting for children and easier to remember. The Class Guidelines for the teaching staff contain information on salmon as well as theory for a more detailed study of Kapelka's story. More details and information on salmon can be obtained from the multimedia album Life of Salmon.

In 2013, both programs were examined by the Sakhalin Institute for Education Development. Based on the results, the programs were recommended for use in kindergartens and schools. Educational programs, including guidance papers and visual materials, are available at: www.sakhsalmoninitiative.org.

The Sakhalin Institute for Education Development, supported by the company, also conducted a workshop for the teaching staff of schools and supplementary education centers. Learning about aquatic ecosystems and riparian ecology research methods, as well as teaching through games, took place outdoors.

How Ivan Saved the Wonder Fish by the Sakhalin Puppet Theatre is a new show aimed at raising environmental awareness. The fairytale about the adventures of Wonder Fish the Salmon and a young man Ivan has become a part of the theater's repertoire. For those who cannot visit the theater, a video version of the show will be made and distributed among the schools.



A new website www.salmon-friend.ru has been launched. It offers children interactive games, quizzes, and other materials. The site is used by teaching staff for salmon study classes. The materials can also be studied jointly by children and their parents.

- Salmon Watch and the Kapelka educational eco-programs are implemented in 63 Sakhalin schools and used in other regions of Russia.
- More than 90 teachers attended Salmon Watch and the Kapelka program workshops.
- More than 1,500 children participated in three Children's Art Contests Live, Salmon.
- Nine Live, Salmon ecological and educational festivals were held.
- Three-day ecological and educational field workshops took place in four Sakhalin districts. The workshops were attended by 211 children aged 7 to 16.
- There were 12 showings of How Ivan Saved the Wonder Fish in 2013.
- <http://salmon-friend.ru> website is launched.

A concerned attitude about nature is a global challenge. However, Sakhalin Energy believes that a partnership approach and education efforts with active community involvement can make a difference. Save the Salmon Together! ■



FIGHTING CLIMATE CHANGE

Thales is responding to the major issue of climate change by implementing a strategy of at-source reduction of CO₂ emissions, helping to raise awareness of climate-related issues through a number of programs and partnerships, and promoting products and services that support the emission-reduction initiatives of its customers and society at large.

By Sandrine Bouttier-Stref, Thales

THALES

For a number of years, Thales has been taking steps to reduce its carbon footprint. Since the Group began measuring its emissions on the basis of the Greenhouse Gas Protocol and set emission-reduction targets, awareness of the impacts of its activities on climate change has grown and a number of new opportunities have been identified.

To reduce its CO₂ emissions, the Group has launched ambitious programs to reduce its energy consumption, particularly fossil fuels, renovated buildings to more stringent ecological standards, and changed consumption habits.

Efforts have continued to encourage the use of the latest information technologies and promote transport audits and

communication campaigns to show employees the benefits of using alternative modes of transport.

The Group is also paying particular attention to its industrial processes, particularly those that use fluids with a high global-warming potential.

Using technology to fight climate change

Throughout the world, customers of Thales are facing a range of environmental challenges. As a major player on the security market and in air, rail, and road transportation, the Group is using its technical expertise and capacity for innovation to help its customers address these challenges.

Transport and environmental challenges

In today's increasingly urbanized world, creating sustainable conditions for urban mobility and inter-city travel is an important way of reducing CO₂ emissions. For more than 30 years, Thales has been helping city authorities and large-scale transport network operators to meet the increasing demand for more-efficient means to travel. The challenge is clear: convince commuters to switch modes of transport by offering them multimodal options that are cheaper, quicker, and more convenient. Thales systems help to make infrastructure operators more efficient while improving the service provided to customers. The fare collection systems deployed by Thales allow

The CDP

Since 2005, Thales has disclosed full details of its climate change strategy on the Carbon Disclosure Project (CDP) website. The CDP aims to assist investment decisions taken by its members by informing them of the effects of climate change on companies.



passengers to use a single ticket to travel on different modes of transport in a given region or even across an entire country.

Solutions provided by Thales also allow rail operators to cut their energy consumption by modifying speed profiles according to operational requirements or reducing energy-intensive stop-and-start cycles, for example. Thales leads the field in automated train control systems based on CBTC (Communications-Based Train Control) technology, which significantly increases the number of trains that can operate on a given line, and thus helps make urban rail systems more efficient.

Road-charging systems for trucks, such as those introduced in Germany, Switzerland, and Austria, help regulate road traffic flows and provide revenues for vital infrastructure upgrades. Thales is also a recognized expert in highway supervision and information systems designed to improve the driving experience.

With air transport volumes set to expand significantly in the coming years, there is a clear need for the air transport sector to reduce its environmental footprint. Thales is a market leader in avionics and air traffic management solutions and manages research and technical development projects with a view to enhancing aircraft operations.



Thales is a founding member of the Clean Sky European program, which aims to reduce CO₂, nitric oxide, and noise emissions of aircraft between now and 2020. Thales is coordinating one of the program's main research topics, "Systems for Green Operations," which aims to reduce aircraft energy consumption through trajectory management, notably during the takeoff and landing approach phases of flights.



Thales is also a key player in the European program SESAR (Single European Sky ATM Research), which is addressing the challenges associated with the growing demand for air travel and aims to improve flight safety while reducing the energy consumption of commercial aircraft.

Smarter cities

Globalization is intensifying competition between cities as well as other economic players. At the same time, with a broader understanding of climate change and the risks associated with depleting natural resources, cities are reassessing their growth models and development strategies.

Thales has been working with some of the world's largest cities for several decades now, playing a central role in the transformation processes and helping to build the smarter urban communities of tomorrow. The Group designs and develops interoperable supervision and hypervision solutions that provide operators of transport systems, energy networks, and major urban infrastructure with a real-time overview of key events and parameters. Operators are able to optimize flows and configurations, manage equipment status, and allocate resources to enhance security, boost operational efficiency, save energy, and speed decision-making processes, thereby improving the quality of life of local residents.

Monitoring the climate

Thales is a key player in space-based Earth observation programs, providing high-resolution optical and radar imaging systems that promote a better understanding of climate change and more-effective environmental monitoring. Its systems monitor patterns of ocean circulation, provide images of the planet and its oceans, and also collect essential information for predicting climate change and monitoring vegetation.

Thales systems provide unprecedented quantities of information based on imagery of the globe and hyperspectral sounding of the atmosphere, helping climatologists better understand how the climate evolves over time.

Promoting engagement

In addition to reducing greenhouse gas emissions from its own activities, Thales encourages its partners to take a responsible attitude toward climate issues. For example, Thales chairs, or is a member of, several national and international working groups related to the issue of greenhouse gases.

Thales is also one of several industry partners that supports the university chair in greenhouse gas emissions monitoring, inaugurated in France in December 2011. ■

THE PRODUCTION HALL AS A PASSIVE-ENERGY BUILDING

By Klaus Hübscher, Weidmüller

Weidmüller 

It is not only in the area of products and solutions that Weidmüller strives to maximize energy efficiency and conserve resources. The electronics specialist from Detmold also focuses on sustainability in its own production processes, its building infrastructure, and in cross-sector technologies. The reason for this is that energy efficiency begins long before the electricity socket.

In doing this, Weidmüller is not just trying to keep up with the spirit of the times – it has been actively practicing energy and resource efficiency for four decades: “We are conscious of our obligation and responsibility toward future generations,” says the CEO, Dr. Peter Köhler. “This has influenced our business activities for many years on all levels, from the family of owners, the Executive Board and management through to our colleagues in administration and production.”

Weidmüller also sets high standards for sustainability in its own production. What began in the 1970s with noise protection measures in the stamping and assembly lines has since been systematically refined: heat recovery systems; integrated compressed air control systems; electronic ballasts; sophisticated environmental management, including structured waste separation; and much more have been standard at Weidmüller for many years. As early as the late 1990s, for example, Weidmüller installed a comprehensive building management system (BMS) in all production sites in Detmold, enabling needs-based and energy-efficient control of building facilities such as heating and ventilation systems. The company also established a technical energy management system (EnMS) for documenting energy flows and consumption (e.g., electricity,

heat, cooling, and compressed air) at a very early stage – in 2009 – and has been systematically expanding it ever since. After all, consumption can only be optimized and minimized if accurate figures are available. This effort has proven to be very worthwhile: “Every step we take in the direction of energy efficiency in production has taught us a valuable lesson,” explains Köhler. “This knowledge and experience was taken into account when planning and constructing the new ‘Niemeierstraße’ production hall.”

The new production hall was designed without an independent heating system. “Waste heat from the production

machines, compressors, and cooling systems is used to heat the building,” explains Helene Derksen-Riesen, Head of International Facility and Energy Management at Weidmüller. “In certain cases, for example when no production is taking place, the hall can be supplied by a neighboring building’s heating system.” The construction of the new production hall was planned on the basis of the latest version of the German Energy Conservation Ordinance (EnEV-2007) and completed in the spring of 2011. “Under the Energy Conservation Ordinance, the hall may consume 403 kWh of power per square meter per year. According to the energy certificate we were issued, it



uses only 187 kWh/m² per year,” says Derksen-Riesen. This is made possible by using additional modern construction materials, carefully coordinating the floor insulation and employing efficient lighting strips and insulated windows. In 2012, the additional use of waste water from the production machines, the compressor system and the cooling machine reduced the hall’s energy consumption to only 22 kWh/m². “This means that it was more than 94 percent below the legally permissible level specified in the Energy Conservation Ordinance, which already sets very high efficiency standards. This measure alone saves 838 metric tons of CO₂ every year,” explains Derksen-Riesen proudly. To put that in context: An average mid-range car emits some 2.6 metric tons of CO₂ per year. The reduction in the production hall’s annual emissions is therefore equivalent to the amount of CO₂ produced by some 320 mid-range cars in a year. “In addition, every autumn and spring an adjacent production and administration building is supplied with waste heat from the production machines,” Derksen-Riesen adds.

As well as using waste heat from the production machines, compressors, and cooling system, further steps have been taken to increase the production hall’s energy efficiency. In winter, the outdoor ramps for the forklift trucks and lorries are kept ice-free by using warm water from the heat recovery system – in

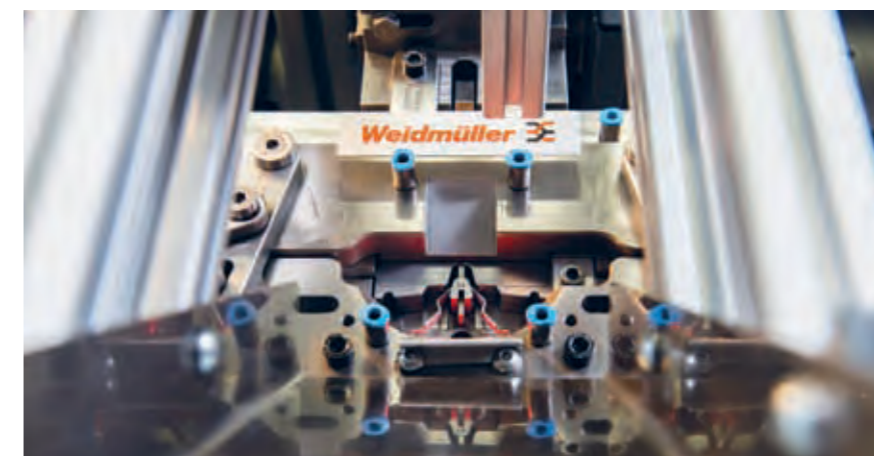
the past, these systems ran on electricity, and consequently produced almost twice as much CO₂ as today’s solution. To reduce losses in transformers and power lines, high-efficiency transformers were installed in direct proximity to the machines using the electricity. This allows the length of high-loss, low-voltage cables used to be shortened, in favor of more efficient medium-voltage cables, thus reducing consumption by a further three to five percent. As Derksen-Riesen says: “Modern, energy-efficient parts were used in all technical components we installed, including motors, pumps, ventilators, and lighting. Taken as a whole, the building’s electricity consumption is some 730,000 kWh – equivalent to 365 metric tons of CO₂ – per year, which is less than that of a conventional structure with conventional installations.” The staff at Weidmüller are not the only ones to be proud of the company’s achievements. In the spring of 2013, the company was awarded the title of “Climate Protection Company” by the German Minister of Economics and Technology, Philipp Rösler, and the Minister for the Environment, Peter Altmaier. When it comes to energy efficiency, Weidmüller plans to stick to the course it has set: “At present, we are working on enhancing our ability to record the energy consumption of our production machines, right down to the tiniest level,” says Derksen-Riesen. “Our goal is to find out the consumption levels of individual machines, in order to make



For Dr. Peter Köhler, CEO Weidmüller, the production hall is part of Weidmüller’s CSR strategy.

our processes even more energy-efficient in the future.” With this aim in mind, Weidmüller has developed and marketed its own measuring device, known as the Power Monitor, a tool that has already been used in the company’s own production lines with considerable success.

With a view to fostering sustainable dialogue, Weidmüller shares its knowledge, experience, and solutions with other companies, and has been active in various networks for many years. Weidmüller’s passive-energy production hall is the biggest individual energy-efficiency/climate-protection project generating the highest annual CO₂ savings that the company has implemented so far. And yet, even this project is only one building block in the overriding sustainability strategy. “Weidmüller states explicitly that it does not view the hall as a flagship project; it is simply a part of the overall package of our sustainability strategy,” explains Köhler. “Although we used only high-efficiency components, these have already become standard technology. During the planning and implementation stages, we took care to ensure that all steps can be reproduced immediately.” In doing so, Weidmüller has created solutions that also help other companies to establish energy-efficient production systems, thus doubling its contribution to sustainability. ■



BUSINESS SECURITY WORLD-WIDE: THE NEW COMPLIANCE RISK ATLAS OF DEUTSCHE BAHN



By Nicole Knapp, Deutsche Bahn

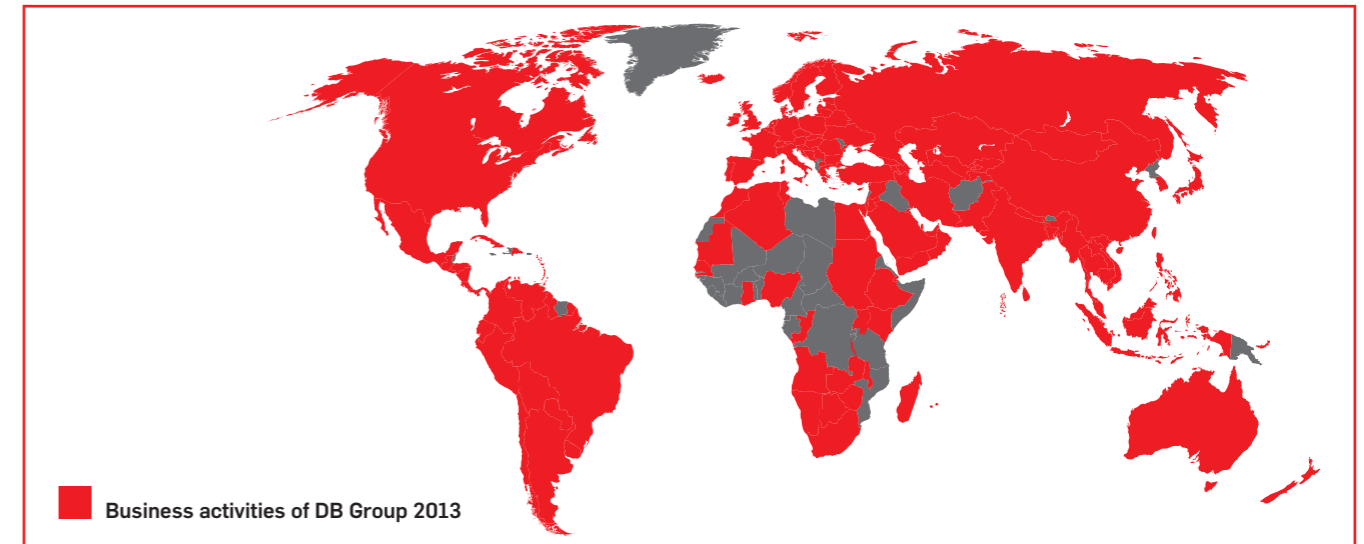
Deutsche Bahn (DB) is an international group active in more than 130 countries that offers mobility and logistics services worldwide. This gives rise to complex challenges in its conduct toward business partners and employees. The DB Compliance Risk Atlas is designed to create a clear framework for compliant action in this regard.



DB is active at some 2,200 sites in more than 130 countries. DB Schenker Logistics, with its 15 subsidiaries alone, is present in 100 locations and is now the second-largest transport and logistics service provider in the world. DB Arriva, which runs all of DB's regional transport services outside of Germany, offers bus and rail transport in 12 European countries. DB International has successfully carried out several thousand projects for transport and infrastructure companies, governments, and financial institutions in 107 countries since 1966. Other business units have also long been operating beyond German borders. They include DB Sales, with offices in India and Australia, and DB Systemtechnik, whose employees are sought after as experts for rolling stock technology in China and Ukraine.

The world is green, yellow, orange, and red — with a few gray spaces in between. Or at least this is how it looks on the maps of Deutsche Bahn's new Compliance Risk Atlas. The colors do not indicate political orientations or the average temperatures in countries around the world. Instead, they provide information on corruption, the role of economic crime in each country, and the status of human rights there. Red indicates an extremely high risk exposure; green a low one.

"The maps, which are accompanied by an individual report on each country, are based on statistical data collected by nine well-respected independent institutions," says Werner Grebe, Chief Compliance Officer of DB. These institutions include Transparency International, the World Bank, Amnesty International, the United Nations, and the International Labour Organization. Deutsche Bahn collected the data, analyzed it, and compiled it in the DB Compliance Risk Atlas thereby reflecting its own risk-based approach to compliance work.



The Atlas covers corruption, economic crime, legal certainty, fair competition, regulatory environments, reliability of financial reporting and auditing, and human rights. The list of risks is accompanied by a depiction of countermeasures, which include adequate compliance regulations, training courses, and whistle-blowing management.

"From a compliance point of view, the DB Compliance Risk Atlas offers the Group a well-structured decision-making aid when it is considering whether to do business in a country," Grebe says. "For instance, if a business unit receives a request for cooperation from a rail operator in a country in which the business unit is not yet present, it can use the Atlas to more quickly and precisely assess opportunities and risks."

In concrete terms, that means that if there is a high level of corruption in the country or a considerable risk that contractual claims cannot be enforced, the corresponding color in the DB Compliance Risk Atlas will be red and the risks of engaging in business operations in this country must be thoroughly evaluated. In addition, the heads of the business units and service centers receive detailed analyses for their areas that are designed to assist them in their

day-to-day business decisions. These detailed reports enable the managers in helping to make their employees aware of these risks and to ultimately protect them from potential dangers. "Our employees' own prior experiences in the countries are incorporated here as well," says Grebe. "In other words, if all the warning signs in regard to corruption in Country X are in 'red,' the business unit awarding contracts there will meticulously examine all the bids submitted to make sure that everything

is correct. And if Country Y does not offer a high degree of legal certainty, DB will be all the more careful to incorporate appropriate protective mechanisms in contracts there."

The Compliance Risk Atlas provides DB Group management with a well-founded decision-making basis for carrying out international business transactions in a legally certain manner. As a "dynamic product," the Atlas is revised as needed and updated annually. ■

The goal of DB Compliance is to prevent the violation of rules both in Germany and abroad and to ensure that DB continues to be a fair and trustworthy business partner. The focus of the DB Group's compliance work is to further develop business-oriented compliance risk analyses, customer-oriented information, targeted prevention, as well as Group-wide, risk-based compliance management with a preventative approach. The Chief Compliance Officer, who bears company-wide responsibility, is supported in this process by the corporate compliance team and locally established compliance coordinators and compliance managers worldwide, who rely on organizational tools such as compliance regulations and training courses.

The DB Group offers employees, business partners, and customers various international channels for calling attention to the infringement of regulations. For example, the online "BKMS" tool (Business Keeper Monitoring System) offers anonymous web-based access for reporting infringements and is available in seven languages (German, English, French, Spanish, Italian, Polish, and Russian).

COMMUNICATING INTEGRITY

VOLKSWAGEN

AKTIENGESELLSCHAFT

By Dr. Frank Fabian und Dr. Thomas Steg, Volkswagen

Internal and external communication features prominently in risk management and compliance activities at Volkswagen – the company is convinced that communication is just as essential for the successful implementation of the code of conduct and anti-corruption rules as it is for corporate success in general.

The Volkswagen Group has set its sights on becoming the economic and ecological leader among automobile manufacturers by 2018. To achieve that, the company must harness opportunities to increase efficiency and grow further as they present themselves along the way, but at the same time also manage numerous risks. For Volkswagen, sustainable success depends to a large extent on a responsible and forward-looking approach to leveraging its own potential, while at the same time handling possible risks. As far as the latter are concerned, attention is focused in particular on the violation of rules, such as incidents of corruption or the infringement of human rights, environmental protection laws, or labor rights. To protect these values and respond effectively to these risks, the Volkswagen Group pursues a holistic, integrative Governance, Risk & Compliance (GRC) approach. This approach combines the risk-management system, the internal control system, and the compliance management system, thus covering possible areas of risk in a systematic and comprehensive manner. The objective is not only to identify possible risks at an early stage, but also to initiate adequate measures to exclude any damage to third parties or to the Group.

Compliance plays a special role in this context. At Volkswagen, the term “compliance” is understood to mean that all



Volkswagen. Compliance includes.

The message of the billboard campaign for the 2013 International Anti-Corruption Day was short and sweet: “Say no – it’s worth it.”

employees act in accordance with rules. Consequently, the most effective way to prevent compliance risks is for values to be internalized and to become second nature for employees. The company aims to create an awareness of compli-

ance issues and to encourage values such as fairness, integrity, and honesty. This is achieved through communication with employees – for example, by strengthening the role-model function of management.



A compliance app for smartphones gives employees on the move tips on how to behave in accordance with rules.

Integrity must therefore be communicated both internally and externally – using different channels, senders, and forms. The “tone from the top,” for example, is of elementary importance. Employees will not treat the issue with the attention it requires if the company’s leadership does not regularly send a clear message about acting according to rules and behaving with integrity. And at the same time, the workforce must understand exactly what Volkswagen means when it calls on its employees to observe the code of conduct drawn up by the company. Protecting the Group brands, their good reputation, and thus their past and present success is a central task of compliance communication. Volkswagen Group employees have reason to be proud of their part in this success and of the Group’s popular brands.

To highlight the interaction between high-value products, sustainable corporate success, and behaving with integrity on the part of every individual employee, Volkswagen launched an awareness campaign in 2012 featuring a well-known German actor, who took a humorous, slightly tongue-in-cheek look at compliance. This relaxed and informal style came across well: Instead of fueling fears and spreading uncertainty,

the campaign not only brought a smile to employees’ faces, but also gave them food for thought. And it fulfilled its mission in all respects by encouraging employees to find out more.

Volkswagen sets great store by ease of comprehension and a target-group focus in its compliance communication. Concrete examples and an intensive interactive dialog are used to present the issue in publications, training sessions, and the compliance app for smartphones – always easy to understand and transparent, and always expressed in simple language. “Simpleshows” on various compliance topics are currently being produced. These animated short films consist of mini-clips presented in the form of amusing illustrations to explain complex content in clear, everyday language.

Further facets of compliance communication at Volkswagen include close communication with the governing bodies, the Group-wide compliance organization, and the public.

Communication with – and information for – the executive management and the governing bodies is vitally important, since both have clearly defined legal obligations. They are furnished on a regular basis with everything that is required to gain an overview of the risk situation of the Group – including compliance risks. A regularly issued report documents the status and activities of the integrated GRC organization.

Both traditional and innovative communication channels are used to maintain an effective network for the members of the GRC organization and their issues within a large group such as Volkswagen and to foster exchange, for example among the brands, with a view to establishing a common understanding of risk. An internal award for particularly successful GRC measures will be presented for the first time this year. The invitation to participate in the competition for this award triggered friendly rivalry among

colleagues, especially in the 12 brands belonging to the Volkswagen Group. The best ideas will be communicated throughout the Group and reviewed for their application potential in a Group context.

Volkswagen also communicates with third parties on GRC topics: Detailed information on measures, activities, and the organization can be found on the internet as well as in the Sustainability Report and the Annual Report published by Volkswagen AG.

Integrity in all relations between the Volkswagen Group and its stakeholders lies at the heart of a corporate culture that is characterized by a pronounced awareness of the interaction between commercial success, sustainable development, and the observation of core values. In this process, communication in the form of information and dialog is the key to success. The goal of all GRC communication activities must be to convince employees and managers that acting in accordance with rules and developing a risk-aware mindset bring benefits for every individual and for the company as a whole – and to encourage them to play a proactive role.

Moreover, the public respects a company that sets itself apart from the rest through compliant behavior, and interprets such conduct as an element of fair competition.

The company can only attain its stated goals by practicing comprehensive risk management that factors in communicative aspects at every stage. To achieve that, communication is a common thread that weaves its way through the work of the GRC organization in the Volkswagen Group. That is as it should be, because if compliance and risk issues were to be viewed solely in terms of legal or mathematical logic, one key, success-critical aspect would be missing – namely how to anchor the principles in the corporate culture and thereby translate them into day-to-day interaction. ■

GOOD PRACTICE



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OVERALL, THE GLOBAL COMPACT PURSUES TWO COMPLEMENTARY OBJECTIVES:

- 1| Mainstream the Ten Principles in business activities around the world
- 2| Catalyze actions in support of broader UN goals, including the Millennium Development Goals (MDGs)

COOPERATION BETWEEN BASF AND EUROPEAN WATER PARTNERSHIP ON SUSTAINABLE WATER MANAGEMENT

Water is a vital resource – for both humanity and for the chemical industry. BASF uses water as a coolant, solvent, and cleaning agent, as well as in its products. At the same time, BASF offers its customers solutions that help to purify water, use it more efficiently, and reduce contamination. In order to further develop these solutions, BASF works closely with experts from various fields, while ensuring that the sustainable use of water remains a key priority here.

By Dr. Brigitte Dittrich-Krämer and Dr. Andrea Stögbauer, BASF

New opportunities can arise through the exchange of information and partnerships between companies and private organizations, which will also create advances in water management with regard to sustainability.

BASF takes an active role in the European Water Partnership

BASF has been cooperating with the European Water Partnership since 2008. This independent organization was founded at the initiative of the European Commission in 2006 and promotes sustainable water management. Working as partners, water experts from BASF as well as other representatives from industry, governments, and non-governmental organizations developed a European-wide standard that sets out the fundamental principles and criteria for sustainable water management. The result is the European Water Stewardship (EWS) Standard, which enables companies from various sectors as well as agricultural operations to examine how sustainably they use water resources.

With this standard, businesses and agricultural operations can assess and improve their water management based on the criteria of water abstraction volumes, water quality, conservation of biodiversity, and water governance. BASF tested the EWS Standard in 2010 in a six-month pilot experiment at its largest site in Ludwigshafen and made recommendations on how the standard could be improved. The official launch of the EWS Standard took place in Brussels in November 2011 at a ceremony attended by Janez Potočnik, European Commissioner for the Environment.

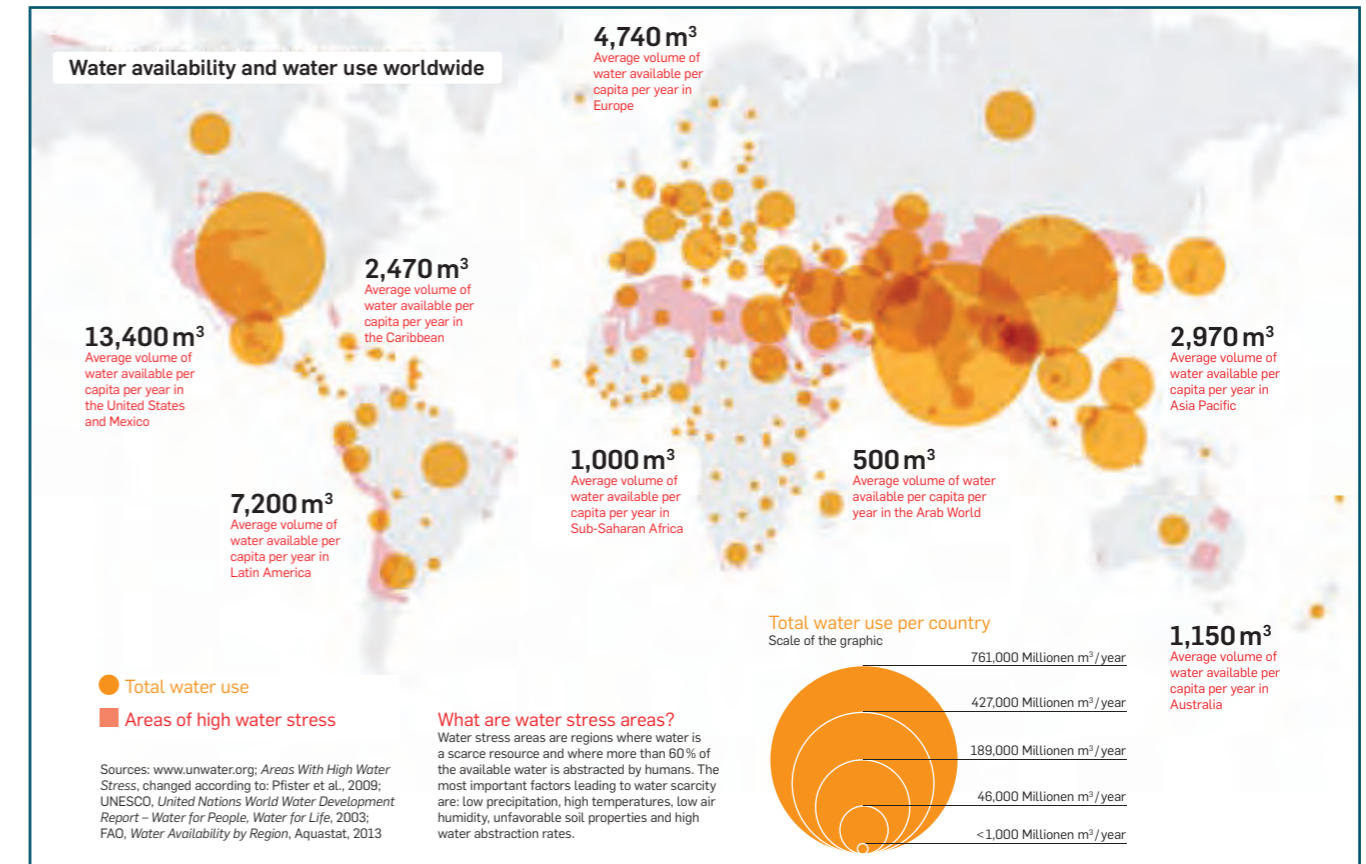
The application of the EWS Standard has many benefits for companies. They receive a clear picture of their water management because risks – for example, dependency on a single limited water source – and areas for potential improvement are identified. The EWS Standard includes 50 indicators, addressing the four principles of sustainable water abstraction, ensuring good water status, protection of high conservation areas, and equitable water governance. A key aspect of the EWS



Standard involves looking beyond the gates of the individual site. By including other users and expanding sustainable water management, the effectiveness of the water stewardship activities is increased.

The goal of sustainable water management

BASF has set itself the goal of introducing sustainable water management at its production sites located in water stress areas by 2020. These are regions where more than 60 percent of the available water is abstracted by humans. One in five BASF production sites is located in a water stress area. The EWS Standard provides the basis for the assessment and contains



specific guidance for situations where the existing water management system needs to be adapted. BASF introduced this voluntary industrial standard at nearly all of its European sites in water stress areas.

Other BASF goals related to water include reducing the supply of drinking water and reducing emissions to water at production sites worldwide. Compared to the baseline year 2010, BASF has lowered the supply of drinking water by 25.3 percent. Between 2002 and 2013, BASF reduced emissions of organic substances by 78.5 percent, of nitrogen by 86.8 percent, and of heavy metals by 64.2 percent.

Certification for first chemical site

BASF's production site in Tarragona, Spain, demonstrates how sustainable water management can be put into practice. Due to the site's location in a water stress area, Tarragona decided to become the first

site to apply the EWS Standard. Experts collected data on water abstraction and release as well as water quality at the site and in the surrounding area. Several questions had to be answered: What is the source of the water? How much water is needed for production? Where does the water flow after being treated in the site's own wastewater treatment facility? Are there any negative effects on the groundwater table or nearby protected areas?

The Tarragona site also uses water treated in the municipal wastewater treatment plant for its production. This reuse of water reduces the amount of water that has to be abstracted from the river, groundwater, and the sea. Investments in closed-circuit cooling systems and the reuse of steam condensate lower the site's water demand. Furthermore, Tarragona has a comprehensive system to monitor water quality in the discharge from its wastewater treatment plant.

In recognition of this sustainable approach to water, in May 2013, BASF became the first chemical company to achieve gold-level certification according to the European Water Stewardship Standard for the Tarragona site. In order to attain this certificate, auditors from the third-party certification body TÜV Nord Integra assessed the entire water management performance of the site, from extraction of water at its source to its reintroduction in downstream water bodies.

The cooperatively developed EWS Standard demonstrates how water – a vital resource – can be managed in a way that is socially, economically, and environmentally responsible. With the introduction of sustainable water management, BASF is also making an important contribution to fulfilling its purpose: "We create chemistry for a sustainable future." ■

www.basf.com / www.ewp.eu

PRINCIPLES OF LEGAL COMPLIANCE



By Bernhard Schwager and Remigiusz Skiba, Bosch

Companies invest a great deal of effort in putting written principles and value systems into practice. This might be in relation to customer orientation, openness, respect, or honesty, for example. If they are to become orientation points in everyday practice, they must be implemented and made routine by means of guidelines, processes, incentive systems, and other organizational measures. But this is only the first step. Leadership behavior, the example set by top management, and clear communication of the culture of values are of the essence.

From its modest beginnings as the “Workshop for Precision Mechanics and Electrical Engineering” established by Robert Bosch in 1886, the Bosch Group has de-



Dr. Volkmar Denner, Chairman of the Board of Management of Robert Bosch GmbH, says: “Legality is one of the fundamental values of our company, and extremely important for us as members of the board of management.”

veloped into a leading global supplier of technology and services. Throughout its history, the company has been guided by the values and ethics of its founder. These values and ethics include the principle of legality in particular. Robert Bosch himself wrote in 1921: “In the long term, an honest and fair approach to doing business will always be the most profitable one. And the business world holds such an approach in much higher esteem than is generally imagined.” These words express a conviction to which we still feel committed today: the conviction that reliability, credibility, and legality are indispensable elements of our business success.

This firm commitment unites all Bosch associates worldwide, irrespective of national or cultural boundaries. Legality is one of those fundamental values of our company, and of paramount importance for the members of the board of management. All associates are expected to strictly adhere to legal requirements at all times. Violations of the law are not tolerated at Bosch, and this applies without exceptions.

To emphasize the importance of this principle, the company’s attitude toward legal requirements and ethical issues is summed up in the Bosch Code of Business

Conduct. The Code of Business Conduct is available to all associates as guidance for their conduct, and outlines the basic standards we seek to adhere to in our work. The Code of Business Conduct and the Bosch values provide an excellent foundation for creating the trust that plays a key role in our business success.

Compliance at Bosch

Bosch is a participant in the UN Global Compact and its Ten Principles and has thereby committed to avert and combat corruption. Compliance at Bosch means that all business activities of the Bosch Group and its associates must comply with legal requirements, the Code of Business Conduct, and any further internal guidelines (“Compliance Requirement”). All associates are responsible for ensuring that they adhere to the Compliance Requirement. Managers are obliged to take organizational measures to ensure the Compliance Requirement is respected within their areas of responsibility. In particular, they must ensure that the associates are familiar and in compliance with the regulations. Infringements are not tolerated and will incur disciplinary measures irrespective of the associate’s status in the company hierarchy.



As well as ensuring compliance with the legality principle, Bosch has also set itself the task of eliminating dangers to people and the environment, limiting its influences on the environment, and making economical use of resources. Processes, manufacturing facilities, and operating resources must comply with the applicable legal and internal requirements in respect of regulations concerning occupational health and safety, fire, and environmental protection. In addition, the protection of our own associates plays a very important role. We respect and protect the personal dignity of every individual and do not tolerate inadmissible discrimination. We categorically reject child labor within the Bosch organization and among our business partners.

Reporting compliance cases

It is up to every Bosch associate and every Bosch business partner to report any possible violations of the Compliance Requirement, in this way helping to limit the consequences of such violations and

preventing similar misconduct from happening in the future. Such reports can be made to:

- a superior
- local compliance officers
- the Bosch compliance hotline
- directly to the compliance department

Reports can be made to the compliance officer or the Bosch compliance hotline whenever the associate wishes to avoid the involvement of a superior. The compliance officers in the respective regions and countries offer a neutral point of contact. Persons who report possible compliance issues to the best of their knowledge and in good faith do not have to fear any disadvantageous actions on the part of the company as a result of the report. If the person reporting still wishes to remain anonymous for fear of incurring a personal disadvantage as a result of the report, they may preserve their anonymity by reporting a possible violation of the Compliance Requirement via the Bosch compliance hotline, for example.

When a report is received, it is immediately forwarded to the attention of the responsible compliance officer in the region or country concerned. The compliance officer may involve other specialist departments at Bosch in the investigations. Once the investigations are completed, appropriate measures are taken, as necessary, to remedy the violation.

Training

Associates are offered a broad portfolio of internal training courses in the form of web-based and face-to-face training sessions. The training courses offered are compulsory for certain groups of associates and must be repeated on a regular basis. Compulsory web-based training courses that address the concept of compliance include the following kinds of topics:

- cartel law
- product liability
- export controls
- Code of Business Conduct

Verification and supervisory mechanisms

Another key component of the Bosch risk-management system is the internal auditing department. It encourages risk-awareness and helps to minimize risks. The internal auditing department provides worldwide support to the board of management as an independent auditor of the board’s performance of its managerial and monitoring functions, in particular with regard to the legality, compliance, and economic efficiency of business processes. This involves applying globally valid standards in consideration of regional, legal, cultural, and Bosch-specific requirements to internal audit processes, and constantly improving them.

The following are some of the supervisory mechanisms that have been put in place to oversee operations:

- principle of dual control
- personnel rotation in sensitive areas
- separation of operational and supervisory functions. ■

SUSTAINABILITY IN THE SUPPLY CHAIN: A CRUCIAL COMPONENT OF CORPORATE RESPONSIBILITY



By Antonio Luz-Veloso and Vera Heyes, Deutsche Telekom

Deutsche Telekom conducts business in more than 50 countries. This presents opportunities for companies, particularly in supplier management, but it also poses risks. To ensure that its supply chain has a sustainable focus, Deutsche Telekom has established a systematic supplier management system. As a founding member of the Joint Audit Cooperation (JAC), Deutsche Telekom is committed to shaping sustainable relationships with suppliers. Based on a standardized methodology, JAC examines shared suppliers worldwide, with a particular focus on Asia, South Korea, Eastern Europe, and South America.

In 2010, Deutsche Telekom hired external auditors to further professionalize its social audit processes. As a result, it became possible to improve the quality of the assessments and audit a much larger number of suppliers. In addition, a newly developed risk-matrix standardized the selection process for particularly at-risk suppliers. The primary components of a social audit include:

- a general risk-assessment for suppliers
- an assessment of the supplier's self-disclosure
- direct interchange to develop the suppliers
- ongoing review of the local situation

To promote the international implementation of Corporate Responsibility (CR) at all levels of the supply chain, Deutsche Telekom founded JAC together with France Telecom and Telecom Italia. The overarching goal was to help shape all supplier relationships to be long-term,



trusting, and uniform. The cooperation is open to all companies in the industry and launched its first campaigns as early as June 2010. The concept has since spread: As a result of its successful work over the past five years, JAC has now grown to include ten telecommunications providers.

Monitoring and dialog

The key to the approach taken by Deutsche Telekom and the other JAC members is a close combination of monitoring and dialog. "We follow a cooperative approach in the integration of our suppliers," says Birgit Klesper, Senior Vice President Group Transformational Change and Corporate Responsibility at Deutsche Telekom AG. "For us at Telekom, it is important to know that our business partners are supporting new ways of achieving sustainable business practices. We need this information to be able to effectively improve the supply chain." To make the process transparent and results-oriented, external NGOs, business initiatives, and research insti-

tutions are also included. The common objective is the ongoing improvement of the supply chains toward more responsibility and sustainability.

A general aim is to simplify the selection process for suppliers. This applies both to the telecommunications companies — which benefit from improved structures for the monitoring and assessment process as the result of uniform standards and synergy effects — and to the suppliers. The latter often produce for a number of different consumers in Europe and North America and were previously subject to a number of different audit processes. In contrast, if they work together with the JAC, one assessment is enough for ten of the largest telecommunications companies in the world. This standardized approach saves time and also helps to spread solution approaches among the individual supplier groups.

The approach of the Joint Audit Cooperation

The foundations for JAC's work are defined by a central steering committee, which meets twice per year and defines guidelines for further procedures. As early as the initial meetings, it was very important to Deutsche Telekom for all involved companies to appoint representatives from upper management of the respective CSR and sourcing departments to the committee.

In its current form, the initiative's work consists largely of a local audit program, including tracking of planned corrective measures. All members are individually responsible for conducting the complete audit process for a supplier, in the name of the Cooperation. Each JAC member is assigned the same number of suppliers. The local audits are carried out according to the following, jointly defined criteria:

- The audits are carried out by international auditing firms that are specialized in the specific social and environmental aspects in the respective country.
- Confidentiality agreements are signed with the suppliers, ensuring that the

audit results are disclosed only to the JAC members.

- The checklist defined by the JAC members is based on the SA 8000 and ISO 14001 standards, along with site audits.
- The documented results are presented in the final report.
- Cooperation with the suppliers is based on the common awareness that CSR risk-management is a decisive factor for sustainable development.
- When the audit results are available, corrective measures to rectify the vulnerabilities addressed in the audit report are agreed upon with the suppliers and their compliance is tracked.

Successful development

A total of 112 audits were carried out worldwide by the end of 2013. The questionnaires used for the audits contained more than 4,000 questions in total and had an impact on more than 400,000 employees at the audited companies. The most significant findings were in the areas of working hours, occupational safety, and pay. Should the auditors identify grievances at a supplier, the correction procedure applies. Deutsche Telekom and JAC do not aim to shut out the suppliers, but instead to accompany them on their path toward sustainable business management. To this end, measures are defined jointly and progress is reviewed at regular intervals. Individual problems can often be corrected in a matter of days, whereas suppliers are given more time for larger interventions — such as corrections to working time models. "When it comes to working hours, in particular, we expect the involved companies to be compliant with local laws and international standards," explains Antonio Luz Veloso, Senior Expert for Sustainable Supply Chain Management at Deutsche Telekom. He continues, "We want tangible results that are effective in the long term. We acknowledge that the changeover process can take several months. Accordingly, we define clear targets and milestones for this process, which we review regularly." ■

BENEFITS OF JAC MEMBERSHIP

The activities of JAC help both suppliers and telecommunications companies to optimize their processes and costs.

1. Each supplier only receives one request for a CSR audit, whose results are consolidated and shared among all the telecommunications providers.
2. Suppliers also benefit from the application of a common, standardized methodology for the entire audit process.
3. The telecommunications companies optimize their CSR assessments and the follow-up process by exchanging best practices.

CAMBODIA AND VIETNAM: LINKING STAKEHOLDER ENGAGEMENT TO CSR-PROGRAMS



By Jeffrey Revels, The TMS Group

For nearly three decades, the TMS Group has been at the forefront of the fashion industry as a globally-based fashion and apparel innovator, with core competencies in research and development, product design, fashion-trend analysis, and production sourcing/quality management. With operational offices in seven countries, the TMS Group customer-base spans every continent. In the first quarter of 2013, the TMS Group expanded its global presence and operations to Cambodia and Vietnam. For more than a decade, sustainability and ethical sourcing have been integral parts of the TMS Group's business strategy, shaping policies and procedures that extend throughout the supply chain.

CSR as a dynamic business element

It was paramount to incorporate all aspects of a framework for corporate social responsibility (CSR) into business development plans for Cambodia and Vietnam. This aspect began during the concept and feasibility phases and extended through to the operational startup phase. This also included major tactical (daily) and strategic (long-term) planning and execution. Understanding and identifying (current and potential) stakeholder contributions, desires, and rationales with respect to CSR was a key component in establishing the working CSR doctrine and framework that was extended to Cambodia and Vietnam.

This framework is also aligned with strategic and business objectives and is consistent with the TMS Group's core

values. Furthermore, the framework is unique, in that it resides within the realm of moral obligations, or a "higher authority" of standardized principles, going beyond adherence to the respective international and local laws.

Involving stakeholders in decision-making processes is not confined to CSR development. This methodology is a tool used by private and public organizations to develop a thorough understanding and mutual agreements to solutions on complex issues or matters of broad concern. The TMS Group employs this process internally for similarly related issues to include strategy development.

The concept of stakeholder engagement is part of the continuous dialogue for

stakeholder inclusion in the development of the TMS regions of Cambodia and Vietnam. This was done with the understanding that there is no one-size-fits-all with respect to CSR. Furthermore, it was of supreme importance to identify all major stakeholders within the sphere of influence. The late English poet John Donne wrote "No man is an island," and hence the same is true for the TMS Group or any corporation. There is a natural connection between the idea of CSR and an organization's stakeholders. The TMS Group has affirmed that the concept of stakeholders personalizes the social responsibilities for a company. This is achieved by clearly defining the specific groups and individuals that the TMS Group must consider in its CSR orientation, namely new countries and new players.

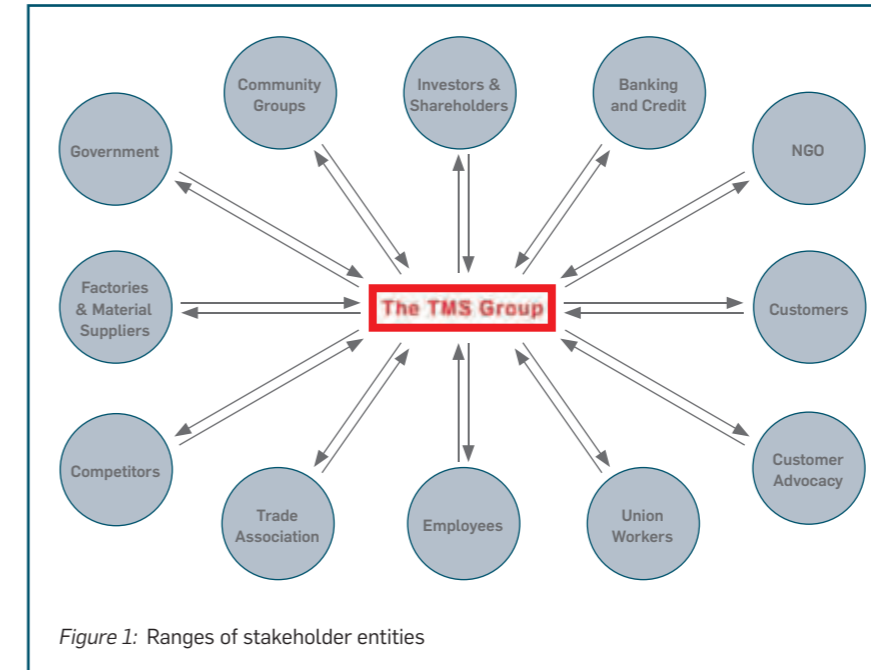


Figure 1: Ranges of stakeholder entities

Figure 1 sets forth 12 major and comprehensive stakeholder categories that were identified as key elements to both CSR and business development processes. Of noteworthy consideration, production suppliers comprised nearly 40 percent of stakeholder participants. However, total membership spans nine separate and distinct business and operational categories. As a result, a healthy balance is maintained.

Methods of stakeholder engagement and feedback

There is a wide range of methods for engaging with different stakeholder groups, and this varies within the operational/country regions, too. For example, one method that TMS uses to communicate with suppliers and the local communities — in both existing and new regions of sourcing — includes our CSR social compliance self-evaluation process. This is the process in which suppliers identify their CSR and business strengths, weaknesses, and key opportunities to boost their CSR certifications. In order to be successful, the process requires openness and transparency from stakeholders.

It is also important to note that there are significant differences between suppliers, businesses, and their stakeholders. This is evident even within individual stakeholder groups. This process of stakeholder engagement is further complicated when dealing with two separate countries such as Cambodia and Vietnam. Despite being neighboring countries, each is different with respect to cultural norms, demographics, and governmental and socioeconomic conditions. Even within each country's regional business landscape, a wide range of views and inputs are present within stakeholder groups.

Utilizing guiding principles

In order to create effective stakeholder engagement, a set of five Guiding Principles were identified and used to galvanize the process. These principles are closely linked to our core values and corporate culture.

Principle 1: Identify and know your stakeholders

The garment industry is one in which different suppliers may be making similar or identical products; methods of engagement required might be completely

different. Developing a comprehensive understanding of our stakeholders in the two countries was paramount in shaping CSR, its links to business objectives, and in creating specific regional initiatives.

Principle 2: Initiate the process as early as possible and develop a sustainable implementation plan

Including stakeholders in the decision-making process during the early stages of our launch into Cambodia and Vietnam provided an opportunity to forge a sustainable CSR plan, not only in terms of philosophy, but also in terms of scope, objectives, and effectiveness.

Principle 3: Reactive and open

Regardless of the circumstances, a "reactive and open" approach is needed. Engagement is a two-way process that respects the input of the stakeholders and allows for mutual learning by both parties. Stakeholder contributions benefit the performance of CSR, the business objectives of TMS, as well as the new regions.

Principle 4: Be inclusive

It is critical to be inclusive in stakeholder engagement. This would include suppliers or other groups that may have had poor performance records, used confrontational approaches, or even had limited communication capabilities for such endeavors — such as businesses that lack employees with English or local language skills. This is particularly true in Cambodia, where many factories of foreign investors have been transplanted from mainland China.

Principle 5: Transparent and trusting

Transparency and trust are interrelated and constitute the building blocks of a successful stakeholder engagement process. They are the basis for understanding, generating confidence in the process and promoting a positive outcome. They are fostered by mutually agreed-upon rules and mechanisms. With respect to our TMS Group CSR program, this is particularly important, since suppliers are often asked to provide access to certain sensitive aspects about their financial and production performance. ■

ACCIONA EXPORTS SUSTAINABILITY



By Juan Ramón Silva Ferrada, ACCIONA



ACCIONA's business model is tightly linked to sustainability. ACCIONA's 2015 Sustainability Master Plan states that each new international project must be backed up by a social impact assessment. The point is to ensure respectful and efficient interaction with local communities, mitigate risks, and improve the company's relationships with the communities where it operates. As a flagship of ACCIONA's commitment to the local residents of project areas, one could do no better than to look to the Mexican state of Oaxaca, where the company has four wind farms, and to Brisbane, Australia, where ACCIONA is participating in the construction and operation of the Legacy Way Tunnel.

ACCIONA's social initiatives are adapted to local needs, but they all shared a common denominator: Everything was done based on a thorough knowledge of the communities in question and on the search for ongoing dialogue with local residents in order to contribute to community development.

ACCIONA México: A model of involvement with local communities

Oaxaca is one of the least-developed states in Mexico. However, the region of the Isthmus of Tehuantepec, in Oaxaca, has terrific wind potential. ACCIONA Energía has four wind farms in the region (a total of 556 MW, enough power to satisfy the needs of 1,300,000 homes), and has more renewable energy capacity installed than any other company in Mexico.

As part of its Sustainability Master Plan, when ACCIONA set up shop in Oaxaca, it shouldered a commitment with local

communities to manage the social impacts of its business responsibly. But how could it apply that philosophy effectively to real life in Oaxaca?

The first thing that sets ACCIONA's social responsibility initiatives apart is that they are based on regular studies of target populations' needs. Using the findings from consultations, the company has undertaken a series of actions organized according to a scheme called the Social Action Plan, which aims to align ACCIONA's social contribution with local needs.

For instance, in the health area, ACCIONA is cooperating with the Mexican Foundation for Family Planning and the Secretary of Health for the State of Oaxaca in campaigns to prevent and detect cervical and uterine cancer in women, and prostate cancer in men and to avoid unwanted pregnancies and HIV transmission in teens and young adults.

A landmark in ACCIONA's social contribution in the Isthmus of Tehuantepec is the Eco-efficient Community Centre. The center was built according to the principles of bioclimatic architecture, so it is energetically sustainable. It serves as a multiple use venue for health talks and workshops that ACCIONA organizes in cooperation with the Mexican Foundation for Family Planning.

ACCIONA's environmental commitment was also embodied in reforestation campaigns, through which more than 150 hectares of lowland forest were replanted in cooperation with the National Commission for Protected Natural Areas.

ACCIONA is also working to promote education as a basic right. The company provides scholarships at various levels of the educational system for budding engineers and specialists in wind energy. It also equips local women with tools



for self-employment, as with the Huipil Clothes Embroidery Workshop; after the workshop, the company advises participants on how to market their handiwork.

ACCIONA is helping to refurbish several rural schools and provide them with the latest technologies, as well as educating kids in ecosystems and biodiversity awareness and behavioural best practices through its Sustainability Workshop, which this year provided sustainability education support for 2,000 students, who also visited the substations and wind farms ACCIONA has in their region.

Australia: Spanish company sets an example in the Antipodes

As part of the Transcity consortium in 2010, ACCIONA was selected to build the Legacy Way Tunnel in the Australian city of Brisbane. The project consisted of designing and building the tunnel and operating it for 10 years. This is a twin-bore tunnel with two lanes in each tube, running beneath the surface at a depth of up to 40 meters. Each tube is 4.3 kilometers long and approximately 12 meters in diameter.

Right from the start, the people who drew up the project and its attendant

job-planning work factored in the need to respect the mobility needs of public transport, private vehicles, and pedestrians, and to blend the project into the city with a design that would conserve and highlight the importance of the neighboring Mount Coot-tha Botanic Gardens.

The tunnel is a major piece of infrastructure, so ACCIONA also incorporated an action plan that not only is minimizing the dreaded nuisances usually inherent in construction work, but is also actually turning the impact into something positive that benefits local residents.

The basis for succeeding at this kind of challenge is to keep up extremely fluid dialogue, organized in the form of regular meetings with the representatives of the nearly three thousand inhabitants of the area nearby and one-off information campaigns run door to door, by personal phone calls, and by letters. In addition, residents have a 24-hour hotline to call in their questions, and a Visitors' Centre with personal service representatives, where local people can use interactive systems to see works progress, 3-D models of what the final result will look like, a simulator showing what working in a tunnel-boring machine is like, amongst others. A number of entertainment activi-

ties have been established as well, such as outdoor cinema shows, community barbeques, and open-house opportunities, in the effort to thank residents for their patience in the face of possible inconveniences.

But informing local residents and listening to their concerns is not enough. The company's commitment to local communities requires it to make a real effort to minimize environmental impacts and the inconveniences construction creates, such as noise and vibrations. To do this, the company has made its R&D structure available to the project. This has enabled some innovative solutions to be introduced, such as an in-tunnel transport system that reduces the amount of truck traffic on the surface, thus creating less noise and dust and avoiding 190,946 metric tons of CO₂ emissions. A special acoustic shed has been set up, too, to reduce noise at the tunnel mouths, and a new mix of cement has been used that minimizes transport of goods and reduces environmental impacts.

In addition, the consortium is building a 4-hectare expansion of Mount Coot-tha Botanic Gardens; it will replant the forested areas affected by the project, and it will plant more than 2,000 trees of native woods in the Simpsons Falls area. ■

THE BANK EVERYONE CAN TRUST AND RELY ON



By May Myat Thu, AYA Bank

AYA Bank has strived to become a “trusted partner” for everyone in the community and all its stakeholders, as its slogan indicates. To effectively become a partner that everyone trusts, AYA Bank believes in committing to the Ten Principles of the United Nations Global Compact as part of its strategy and practice, focusing on fulfilling its corporate social responsibilities to the community it serves.



At AYA Bank, the slogan “Your Trusted Partner” is a value that everyone at the Bank holds. Since its inception in 2010, the Bank has strived to be a trusted partner that everyone in the community can rely on – not only to fulfill their banking needs, but also to be a positive force in the community it serves.

To help enforce its commitments to the community as a whole, AYA Bank became a participant of the UNGC in 2012 and has been incorporating the Ten Principles of the UNGC into its operations and strategies since then. AYA Bank, working together with Ayeyarwady Foundation, which fronts the Bank’s corporate social responsibility (CSR) activities, initially focused mainly on the healthcare and education sectors. Moving forward, the Bank plans to achieve and fulfill as many of the Ten Principles as possible.

Encouraging the youths

The youths of today are the future leaders of tomorrow. AYA Bank believes it is important to educate them about the importance of utilizing banking and financial services in this stage of their lives.

To encourage this, AYA Bank started a campaign to reach out to university students. AYA Bank works with several universities across the country and sponsors university student cards, which are also used as ATM cards. This promotes cashless transactions and also allows the



students to contribute to the economy as a whole, since the banking sector is fundamental to a country’s economy.

AYA Bank has worked with five universities in 2013/2014, producing a total of 1,944 student cards, which cost more than 6 million Myanmar kyats in total. The Bank plans to continue to reach out to more universities. In addition to promoting the use of banking and financial services, AYA Bank sets up booths in the respective universities to allow students to apply for other services.

Enhancing lives – Improving the education sector

Education has always been important. AYA Bank, in its own capacity, attempts to fulfill one aspect of the UNGC Principles on Human Rights by ensuring that people have the opportunity to learn. The Bank’s CSR activities – supported by the Ayeyarwady Foundation – in the education sector include building and donating to schools across the country; offering educational scholarships; and building and donating libraries to encourage reading.



Health is wealth – CSR activities in the healthcare sector

In March 2011, Ayeyarwady Bank – together with its parent company, Max (Myanmar) Group of Companies, and the Ayeyarwady Foundation – donated a 550-bed pediatric hospital in Yangon. To ensure that the cleanliness of the hospital is well-maintained, members of AYA Bank’s workforce volunteer at the hospital grounds and engage in weekly cleaning activity. AYA Bank also works

with the Foundation to reach out to the needy in the healthcare sector, such as with financial contributions.

Ayeyarwady Foundation

Apart from contributing to the activities of Ayeyarwady Foundation, AYA Bank also places Foundation donation boxes in all of its branches nationwide. This allows our customers to contribute to the activities of the Foundation that reach out to the needy. This activity

was started in July 2013 and, to date, more than 3 million Myanmar kyats have been received in donations. In the years to come, AYA Bank will further improve the channels for donations by giving customers who wish to donate to the Foundation the ability to use the Bank’s ATMs.

As part of our initiative to improve the healthcare sector, Ayeyarwady Foundation has also donated a total of MMK 300 Mil (up to date) for medical treat-



Job creation

The Bank has been expanding rapidly. In just over three years of operation, the Bank has a 65-branch network across the country as of March 2014. Many jobs are created nationwide as a result – from entry to managerial level – and the number of employees has risen tremendously, from 1,700 in 2012 to 2,600 in 2013.

AYA Bank is becoming environmentally-friendly

We at AYA Bank feel that it is not enough to just contribute to the education and healthcare sectors. We are also planning to become more environmentally-friendly. Apart from using energy-saving lights and reducing paper usage by relying more on electronic communication, we feel that we need to do more. Our planned initiatives include setting up more environmentally-friendly branches, which will also encourage our customers to become part of the initiative. The CSR team of the Bank is currently in negotiations with the respective City Development Councils about waste-management initiatives. ■

ments for the under-privileged patients at the Cardiology Ward. Costly surgeries and operations for more than 50 patients have been carried out with the support of Ayeyarwady Foundation since the opening of the new Cardiology Ward.

Caring beyond the healthcare and education sectors

Many internal conflicts in the country pose threats to the many who have lost their homes and loved ones in the midst

of these conflicts. One such situation is the conflict in Rakhine State, which has killed many and left many homeless. AYA Bank has stepped forward and provided funds to help them rebuild their homes and their lives. Similarly, AYA Bank is also reaching out to other conflict-affected areas, such as Kachin State.

Additionally, AYA Bank is also supporting those who are affected by natural disasters such as floods and fires.

AYA BANK'S BLOOD DONATION DRIVE

Give Blood, Give Life – AYA Bank actively participates in annual blood donation drives and organized the Third Blood Donation Drive in Yangon, in conjunction with the Bank’s third anniversary.

At the Third Blood Donation Drive, there were 120 successful staff donors who donated their blood to the Yangon National Blood Bank. As the event unfolded at the National Blood Bank, many passers-

by stepped forward and expressed their interest in being part of the event and donating their blood. Many joined together to share the joy of giving at the Third Blood Donation Drive. To better cater to

the need for blood across the country, AYA Bank plans to not only hold and organize such donation drives in Yangon, but also in other regions where blood banks are available.



“AYA BANK IS INVALUABLE TO US”

AYA Bank spoke to Dr. Thida Aung (in charge of the National Blood Center) on AYA Bank’s Blood Donation activities:

“The National Blood Bank provides between 40,000 – 45,000 units of blood every year, with about 83.5 percent coming from donors. For cases where the patients require a blood type that is not available immediately, the blood bank keeps a list of previous donors with their respective blood types and source for donors.

AYA Bank has actively carried out blood donation drives, and this is invaluable to us – their activities not only help to provide blood to those who are in need, but their enthusiasm also acts as a source of motivation to the others.

I’d like to sincerely request to all those who are gifted with good health to help – in any way possible – those who are less fortunate. I also hope that AYA Bank continues such activities in the future.”

Daw Thida Aung, M.B.B.S, M.Med.Sc, PhD Patho. Associate Professor, National Blood Center, Yangon

BUILDING BRIDGES TO A BRIGHTER FUTURE

Deutsche Post DHL

By Ralf Dürrwang and Christoph Selig, Deutsche Post DHL

Deutsche Post DHL has been partnering with SOS Children's Villages since 2011 in an initiative to help disadvantaged young people bridge the gap to the world of employment. In Brazil, one of the original four pilot countries, the program has flourished by employing a unique approach in which local DHL employees from all levels volunteer their time in hands-on workshops to tutor and mentor youth from the favelas. This not only provides inspiration and role models for the kids, but is also a valuable and eye-opening experience for the employees. The initiative has been so successful that it has spread to 14 countries, with another 10 to be added during 2014, and more on the horizon.



Ariel, 15, nervously tells the group of her dreams of one day becoming a biologist. She is one of two dozen young people gathered in the DHL meeting room in São Paulo, all of whom come from disadvantaged or broken families in the surrounding favelas, or slums. Anyone who grows up on the periphery of São Paulo tends to learn early in life that dreams are quickly shattered. Two-thirds of all children in the favelas quit school before they graduate, often because the pressure to support the family is high. So, too, is the probability that the lack of a high school diploma will lead to a vicious cycle of unemployment, violence, and criminality.

After moving from a broken home to the SOS Children's Village of Rio Bonito and joining the program it runs in partnership with DHL's GoTeach initiative, Ariel has gained the courage to dream about a promising future. Thanks to the DHL employees who volunteer their time to teach and mentor young people like Ariel, she has the spirit to defy the odds and is working hard to break free from the clutches of poverty and pursue her dreams.

Partnership of hope

Deutsche Post DHL entered into a partnership with SOS Children's Villages in order to build bridges to the world of professional employment for young people like Ariel. Every young person in that room in São Paulo made the choice to be there each Saturday morning — just like the DHL employees who volunteer to mentor and teach these teens.

Over a period of 12 weeks, the DHL volunteers help to prepare these young people for professional life. Career planning is on the agenda, along with an overview of DHL and its three business units, as well as such fundamentals as mathematics and Portuguese. These are people such as Cindy Haring, CEO of the Global Forwarding Division in Brazil, who has been on site every Saturday for the last three years to help these kids, teaching them life skills and being there to support them.

This commitment is a reflection of her conviction that it takes more than just talk to make a difference — you have to take action and do something about it.

Domingos Ramos is another example of the DHL volunteers spending their Saturday mornings here. He is familiar with the difficulties that the participants are facing — from personal experience. Like many other Brazilians, he came to São Paulo with his family in the 1960s as an economic refugee from the drought-stricken northeastern part of the country and has had to work hard to rise up out of poverty. He feels strongly that, through GoTeach, he can

make a difference in the lives of these young people, admonishing them to "Study and try as hard as you can! It's up to you!"

Maximizing impact

At DHL, our corporate citizenship activities are designed for effective, long-term impact and are an integral part of our corporate strategy. Through our GoTeach program, we strive to achieve long-term improvements in educational opportunities and employability for young people worldwide. With GoHelp, we help advance disaster management practices at airports in disaster-prone regions. And, through GoGreen, we help to reduce CO₂ levels and protect the environment. We also provide support to local environmental protection and community service projects initiated by our employees.

Recently, we embarked on a process to streamline and redefine our corporate citizenship activities, to give them a more strategic framework, as well as to boost employee involvement. We rely on our employees and on partner organizations to be able to carry out these programs and maximize their impact. Our employees are the ones who dedicate their



SOS CHILDREN'S VILLAGES



SOS Children's Villages is an independent, non-governmental, social development organization that provides family-based care for children and young people in 133 countries and territories. It advocates for the concerns, rights, and needs of children, especially those without parental care. More than 82,000 children and young people live in about 550 SOS Children's Villages and more than 600 youth facilities around the world.

SOS Children's Villages adheres to the principle that every child grows best in a family environment, with caring parents or caregivers, living together with their siblings, in a place they can call home. SOS Children's Villages works with communities, local partners, and authorities to support disadvantaged families across the world, thus preventing family breakdown.

For more information, please visit: www.sos-childrensvillages.org



GoTeach – IMPROVING EDUCATIONAL OPPORTUNITY AND EMPLOYABILITY

GoTeach reflects our commitment to improving educational opportunities for young people and preparing them for the working world. Our goal is to support children and young people from all socioeconomic backgrounds to develop their potential and access new opportunities for their career development. Working in close cooperation with our partners, SOS Children's Villages and Teach For All, our employees volunteer their experience, knowledge, and time to provide young people with support and insights into the working world.

GoTeach BRAZIL

GoTeach Brazil was launched as a pilot project in São Paulo, Brazil, in 2011. More than 60 young people have "graduated" from the program so far – some of them even found their first job at DHL when the program ended. The others received assistance with their job search. Not one of the participants quit school. At the moment, the selection process for the fourth year has been completed and the program will get underway in May 2014.

time, experience, and enthusiasm to actually implement the activities. And we always need to have an experienced partner in these activities – normally a specialized nongovernmental organization – because we are not the experts in specific social cases, they are.

Our corporate citizenship activities also help create sustainable business success for our company. This is because we always make sure that, whatever we do in corporate citizenship, it involves a social case and a business case. This is more than just about charity and giving money – we try to leverage the assets we have as a company, including, first and foremost, our people.

As part of our new approach, we will also start measuring our corporate citizenship activities this year in order to make them more transparent. The aim is to gauge the impact of all our corporate citizenship activities across the globe.

Personal involvement

From the start of our partnership with SOS Children's Villages, we wanted to take a different approach than the typical corporate citizenship program by interacting directly with the beneficiaries of the scheme. This was something new for SOS Children's Villages – at first, they were hesitant to give us direct access to these vulnerable young people.

However, we were able to demonstrate to SOS Children's Villages how the opportunity to interact directly with DHL volunteers, see their working environments, and learn from their different experiences would benefit the youth in the program. The example of Brazil demonstrates the beauty of this concept. We employ a workshop environment in which the young people, aged 15–20, meet with DHL employees from different job profiles, levels, and backgrounds at DHL sites, working together every Saturday morning for some 12 weeks on issues that will help them become more employable. They learn social skills

such as appropriate behavior and dress in a company environment, as well as practical skills such as using computers and other office machinery, along with business Portuguese, and even basic math proficiency.

But even more important than these skills – and what makes this program so powerful – is the direct interaction with the DHL people. Just based on their experiences, our employees are natural mentors when it comes to the process of entering professional life. They themselves have applied for jobs, they hire young people, and they are familiar with the systems of education and career development in their respective countries. Our people on the ground in Brazil are almost 100 percent Brazilian nationals, many of whom have managed to overcome the same challenges that these young people are now facing, and to build a career at DHL.

Our people are authentic role models for these youth when it comes to employability in Brazil. As soon as they start sharing their experiences – of how they got there, who helped them, what mistakes they made, and what they learned – the kids in the room listen intently, because that is their most valuable learning experience. The young participants learn that they can break the cycle of poverty, get a full-time job that allows them to support their families, and one day be able to send their own kids to school, giving them the best possible chance at a better future.

This is why it is vital to involve people from different levels in the company. We have learned that every employee at DHL – from top managers to middle management, to delivery drivers and warehouse technicians – has something valuable to contribute.

This also provides a unique opportunity for our employees, as well, giving them the opportunity to expand their own horizons and improve their own social skills in the process. In Brazil, for

instance, there is normally very little contact between the social classes, and we are building a bridge across this social divide. Our people in Brazil tell us that this is very eye-opening for them.

Taking root, spreading far and wide

SOS Children's Villages, one of the key partners of the DHL GoTeach program, is active in more than 130 countries and is almost as global as Deutsche Post DHL. When the partnership was launched in 2010, we started in four countries – Brazil, Madagascar, South Africa, and Vietnam – and developed a collaborative model, working on the issue of employability for young people aged 15–25. We then added Mexico, Kenya, and Ghana to the partnerships.

Constantly looking to grow the program and increase its impact, we doubled the number of countries to 14 in 2013. More than 700 employees devoted more than 10,000 hours of their time to our partnership with SOS Children's Villages. As a result, approximately 1,200 young people in the 14 partner countries received support through 120 different activities. This rate of expansion was only possible because people from the business units have stepped in to launch these programs – we simply wouldn't be able to run so many programs from headquarters.

In 2014, after four years, we have a pretty good feel for this – what the levers and the dos and don'ts of the partnership are – and plan to add up to 10 more countries this year. In fact, we will encourage our employees in all countries where SOS Children's Villages is active to think about starting a relationship on a national or local level. We will provide the concept and business model of the partnership, and encourage our people to join in and support the overall mission of the partnership, which is fostering employability of young people coming from disadvantaged backgrounds.

How the local teams tackle the issue of employability in each country is left completely up to them, resulting in a huge variety of different programs and activities. But they are consistently tailored to the needs of the youth and the opportunities available to them in the individual countries, and are designed to involve as many DHL people as possible from all levels. They also all address the same key issues: soft skills, wider job-profile orientation, and first-hand experience in a professional working environment.

We are very proud about how this has taken root and is growing, as well as of the commitment shown by our employees in Brazil and in so many other countries. We hope to see many more follow their lead in future. ■



CORPORATE CITIZENSHIP AT DEUTSCHE POST DHL

For us, "Living Responsibility" means assuming an active role in society. It means putting our strengths and core competencies to work – not only to further our own business success as a mail and logistics services group, but to address the social challenges we face around the world today.

Our corporate citizenship activities are designed for effective, long-term impact, and are an integral part of our corporate responsibility strategy. Through our GoTeach program, we help achieve long-term improvements in educational opportunity and employability for young people worldwide. With GoHelp, we help advance disaster management practices at airports in disaster-prone regions. We also provide support to local environmental protection and community service projects initiated by our employees.

Deutsche Post DHL
Living Responsibility:
www.dpdhl.com/responsibility



WOMEN'S EMPOWERMENT AT NESTLÉ



Creating Shared Value
Nutrition | Water | Rural Development

By Bineta Mbacke, Nestlé

In May 2013, Nestlé signed up to the Women's Empowerment Principles: a partnership initiative between UN Women and the UN Global Compact comprising a set of seven steps that business can take to advance gender equality and empower women.

These Principles will serve as a guide for actions we can take to empower women to participate fully in economic life across all sectors and throughout all levels of economic activity, from the boardroom, to the workplace, and across the supply chain to the community.

"Gender equality and women's empowerment are very important," says Paul Bulcke, Nestlé's Chief Executive Officer. "We address this because it makes business-sense and we are determined to strengthen our business-related activities and programs to promote gender equality, capacity-building, and education for women and girls."

Supporting women

In the marketplace, Nestlé has been able to provide 600,000 women with fundamental business and entrepreneurial skills in Asia, Africa, and the Americas.

In rural communities, Nestlé has empowered more than 130,000 women with technical assistance and best practices in dairy farming and food safety by providing cocoa and coffee farmers with high-yield and disease-resistant plantlets. As part of the Nestlé Cocoa Plan, the "Nestlé Action Plan on Women in the Cocoa Supply Chain" is the company's

first commodity-specific initiative to strengthen our support for women in the supply chain. It was launched last year to focus on gender issues, increase the number of women farmers supplying to our company, and boost agricultural

practices. The action plan is active in Côte d'Ivoire and will be extended to Ghana, Indonesia, and Ecuador. It will be updated later this year after the Fair Labor Association publishes its assessment on our cocoa supply chain in Côte d'Ivoire.



Left: Agatha Vanie is clearly satisfied with the way these plantlets are growing.
Centre: Dona Penha, 74, works selling products door-to-door through the Nestlé até Você programme in São Paulo, Brazil.
Right: Kiran Zulfiqar took part in the Nestlé dairy development programme in Pakistan and learned how to vaccinate animals.



Training benefits

In Vietnam, the Nescafé Plan was launched with the support of the Vietnamese Ministry of Agriculture and Rural Development. More than 37,000 coffee farmers – primarily women – were trained from 2012 to 2013. Nestlé aims to engage with about 20,000 Vietnamese coffee households by 2016.

Tran Thi Mai, a coffee farmer in Vietnam, is already profiting from her Nescafé Plan training. The mother of two children has repaired the roof of her house, bought a new water pump, and installed a new electrically powered system to irrigate her coffee farm.

Gender balance

In Pakistan, the "Women Livestock Extension Workers" (WLEW) scheme is offering theoretical and practical lessons on basic animal health management. Livestock extension worker Naila Amanat had to put her master's degree on hold and take over the family's dairy farm after her fa-

ther had an accident. She enrolled herself in the WLEW training and, in turn, has boosted productivity at her farm. Amanat is now head of the village representing 22 other female livestock extension workers. "I have vowed to fulfill all my responsibilities and will not let gender be used as a tool for discrimination," says Amanat.

"Success and prosperity"

In the marketplace, Nestlé helps women learn commercial and entrepreneurial skills. Our initiatives include Nestlé Professional's "My Own Business," which was launched in Central and West Africa to create opportunities for unemployed young people. It also provides operators with the tools and expertise to run their own enterprises. Alimatu Mohammed moved from the upper east region of Ghana to Accra to support her family after her parents died. She joined the scheme to become a micro operator and is now able to rent an apartment, fund her siblings' education, and hopes to establish her own business venture one day. In Brazil, the "Nestlé até Você" initiative

is providing women with business skills and nutritional training to sell Nestlé products door-to-door. Antonia Ilza Do Carmo Santos, a door-to-door vendor in São Pedro da Aldeia in Rio de Janeiro, started working as a reseller before Nestlé offered her an opportunity to own a micro distributor operation. Thanks to the scheme, she now owns two houses and ten cars to help distribute products in the area. "Success and prosperity came in the form of Nestlé and hard work," she says.

All these initiatives were integrated into our operations well before we signed up to the Women's Empowerment Principles. We undertook them because they made solid business sense for the relevant Nestlé category business managers. Based on this initial assessment, we realize that we will need to share and learn more if we want to move our women's agenda forward, which is why we are determined to strengthen our business-related activities and programs to promote gender equality, capacity-building, and education for women along our value chain. ■

A PURPOSE BEYOND PROFIT



شركة سيقا للإستثمار المحدودة
SAYGA INVESTMENT COMPANY LIMITED

By Shima Abdefadeel, Sayga

Since its founding in 1996, Sayga has fundamentally changed the landscape of the milling and baking industry in Sudan. It has transformed a sector that relied on hand-ground, low-quality wheat imported in limited quantities into a revolutionized arena led by a responsible business committed to creating shared value for all its stakeholders. Along with producing healthy, affordable, and accessible staple foods, this approach has resulted in an improved quality of life for industry workers and consumers, and solidified Sayga's position as a leader in the baking industry.

As a business, we appreciate that investments of time and resources are not only about improving the bottom line, but also improving the social, economic, and natural environments in which our business operates. Our Baking Industry Development initiative is built on improving local circumstances in food industry practice and aligns with the local community's priorities and needs. Through it, we have initiated a number of ongoing programs directed at adding sustainable value to our society.

Our popular Baking Development Center (BDC) is a modern facility based in Khartoum that offers free, certified classes year-round to baking professionals and the general public. Our courses are most popular with the local women from our target segment. They register for one of the five-day classes through our company call center, leading many of them to expand on the experience and become entrepreneurs. The curriculum also incorporates management classes for bakery owners, distribution agents, and partners.

We forged partnerships with civil society organizations to facilitate vocational training for the socially, economically, and physically disadvantaged — including customized classes for the blind and hard of hearing — and donate half of all products from the classroom to local charities through our Food Sharing Programme.

Eager to reach the largest number of people all across Sudan, the BDC instituted a traveling trainer center. The five customized mobile bakery schools are designed to reach communities in remote rural areas, so as to service the majority segment of the population that does not have access to our Khartoum-based classes. As with the BDC, they offer classes that empower households and bakers with new skills and nutritional education, as well as offer technical support and equipment distribution for bakeries. The mobile schools are vital in allowing us to reach communities all over Sudan and train the majority of our beneficiaries.

To date, more than 160,000 bakers and community members have been trained by the resident center and the mobile bakery schools.



In 2013, Sayga Investment Company officially merged with DAL Agricultural Services Company, DAL Dairy Factory, and DAL Food Industries to form DAL Food. DAL Food is committed to providing affordable, high-quality staple food and drink products to local and regional markets. Armed with strategic clarity, operational effectiveness, and a tradition of excellence, we will strive to further develop our capabilities and continue to raise standards with the highest consideration for our consumers, our communities, and our environment. We believe our sustainability depends on realizing the right balance of all three.

By engaging in responsible and sustainable business practices across our organization, we aim to enhance the livelihoods of people across our value chain with integrity and responsibility. Built on the strength of our capabilities, DAL Food aims to be a leading food business in the region.



In 2012, the BDC signed on to a formal partnership with the United Nations Industrial Development Organization to provide trainings and technical assistance to improve income-generation opportunities among underprivileged groups in South Kordofan. Outside of the classroom, a technical service team provides bakeries access to otherwise unattainable equipment at a subsidized cost, with free related services. The BDC has been committed from its conception to building up the baking industry and broader society along with our business.

Sayga's engagement with bakeries also seeks to change harmful practices. We constantly educate stakeholders on the need for hygienic operations, which is stressed in our trainings, and we provide them with the tools to implement what they learn.

The Green Bakery initiative was launched in direct response to the environmentally harmful, often dangerous and unhygienic conditions that were observed in bakeries across Sudan. Sayga intervened to shift the industry away from certain harmful practices: using wood-burning ovens, ice for chilling dough, and potassium bromide. In return, bakeries gained better productivity and temperature control, reduced their carbon footprint, and required less maintenance. By creating alternatives to harmful practices, coupled with education, the Green Bakery initiative

has enabled stakeholders to upgrade the baking industry's operations to be more safe, hygienic, and environmentally friendly. The initiative also helped address deforestation, which is a rapidly worsening and critical concern in Sudan.

Through these activities and others, Sayga implements our ambitious Baking Industry Development initiative through three main channels: business support, technical support, and capacity-building. Our business support is directed toward Sudanese bakeries across the country and involves valuable services. We supply industrial baking equipment and work tools to bakeries, and cooperate with bakery owners to develop a working environment that is accommodating to modern equipment and techniques. Our staff also helps bakeries with feasibility studies and management consulting to develop their businesses.

Central to all of our efforts is our technical service team, which builds relationships with our customers in order to offer the support they need and help shape the industry. They make daily field visits, offer advice, provide services, and otherwise work hard to consistently raise standards. Through our technical support activities, we improve baking processes by educating industry workers on how to use different products, on avoiding production problems, and methods to increasing production. These activities

also encompass the free maintenance we provide for industrial baking equipment and the subsidized machinery we provide bakeries. This arrangement enables us to help modernize bakeries and improve their productivity.

Capacity-building is the heart of our initiative and is focused on training baking industry workers as well as conducting management courses for bakery owners and our distribution agents.

Our employees constantly develop new initiatives to improve the baking industry; whether it is hygiene-awareness campaigns or a national baking competition, the activities remain relevant and dynamic despite the difficult economic situation and business environment in Sudan.

Recognized for its remarkable impact, the BDC was awarded the CSR Arabia Award in 2010 for Best Project, making Sayga the first Sudanese company to receive an international CSR award. Sayga also won the 2013 Social Investment Pioneer Award in the Shared Value category, recognizing the extensive work the company has done to develop Sudan's baking industry through social investment. Sayga's Baking Industry Development initiative has truly created shared value in the baking industry in ways that are good for business, good for the community, and good for development. ■

HARNESSING THE POWER OF SOCIAL ENTERPRISE



By the Social Enterprise Team, SK SUPEX Council

Social enterprises are organizations that apply commercial strategies toward resolving societal issues with sustainable business models. This new group of change agents can provide a meaningful alternative to existing approaches for achieving inclusive growth and sustainable development. Social enterprise – with the appropriate support based on effective policies and cross-sectoral collaboration – can further contribute toward addressing many of the complex social issues that we face.

Social enterprise has emerged as a key term in SK's corporate sustainability practice. SK's social enterprise initiatives are based on a holistic approach that aims to create a nourishing and encouraging ecosystem for amplifying the potential impact delivered by social enterprises. SK's engagement with social enterprises consists of a balanced combination of intellectual knowledge-building and hands-on field experience to help improve the business practices of social entrepreneurs and to inspire future social innovators.

Helping social enterprises grow to the next level

SK supports and incubates social enterprises in such ways as to unlock their unrealized potential. Happynarae, for example, is one of 16 social enterprises in which SK has made a direct investment. Transformed into a social enterprise from a for-profit MRO business with an annual turnover of \$150 million, Happynarae is one of the largest social enterprises in the world. Happynarae currently hires more than 10 percent of its employees from the underprivileged, such as senior citizens, North Korean defectors, and low-income families. Moreover, as it is implementing

structured support programs designed to enhance the capabilities of social enterprise suppliers, Happynarae is now being recognized as a "social enterprise helping other social enterprises."

SK recognizes the importance of building a strong pipeline for talents with passion and new ideas for social innovation. SK is now working with a top university in Korea, the Korea Advanced Institute of Science and Technology, in offering a full-degree MBA program focusing on social entrepreneurship. All students admitted to the program are eligible for full-tuition support on one condition: They must launch a social enterprise or find a job in the social enterprise sector upon graduation. In addition to rigorous academic training in the areas of management skills and business startups, the curriculum features special lectures and mentoring programs by experts from various disciplines that are designed to equip students with professional capabilities as well as social consciousness. Students are also required to work on multiple field projects to engage closely with local communities. SK expects this social enterprise MBA program to contribute toward shaping and producing a new

breed of leaders with empathy and compassion for social progress.

Catalyzing a cross-sectoral collaboration for social entrepreneurship

SK believes in the importance of collaboration across different sectors – public and private, industry and academia, among others. Integrating the best capabilities of different sectors is essential to create an enabling environment for social enterprises to flourish and attract new, innovative ideas while encouraging investments for positive social change.

Recently, SK supported a research project conducted through the combined efforts of industry, government, and academia. Recognizing an imminent need for a comprehensive policy framework, the Schwab Foundation, Harvard University, and SK teamed up to survey policy examples on nurturing social entrepreneurship around the world. The results of this research were published as a report, *The Policy Guide to Scaling Social Innovation*. The report highlights various models of social innovation that tackle pervasive challenges in our society, and it demonstrates policy examples that help social enterprises to produce greater social impacts.



Social Entrepreneurship MBA Students at KAIST are in discussion on potential business models.

Organizing and fostering social entrepreneurship on a global scale

Actors in a social enterprise ecosystem have different skill sets aimed at resolving targeted social issues. The sky is the limit if we can have a platform for organizing the global best practices of social entrepreneurship while inviting supporters such as corporations, investors, governments, and NGOs to provide resources and take collective action to create positive social impacts.

Since 2011, SK has been working with the UN Global Compact and its partners to establish an online platform that facilitates cross-sectoral collaborations to organize ideas for social innovation under the framework of the UN's post-2015 development goals. As a system for catalyzing cross-sectoral learnings, testing and experimenting new ideas, and creating significant social impacts at both the local and global levels, the Social Enterprise Action Hub is designed to inspire, connect, and enable participants to share and col-

laborate. The Hub showcases innovative business models that can have an impact; inspires stakeholders to engage in collaborative action to create and advance market-based responses to sustainability challenges; and catalyzes partnerships for projects that create mutual benefits for supporters and beneficiaries.

During the UN Global Compact Leaders Summit 2013, the beta version of the Social Enterprise Action Hub was launched. As of December 2013, there were 34 projects from 57 companies and organizations posted on the Hub. The Social Enterprise Action Hub was also presented in a series of Global Compact Local Network meetings as a key outcome of the 2013 Leaders Summit.

At the local level, regional Collaboration Labs are being organized to implement online collaborations that are committed to the Social Enterprise Action Hub and being turned into actionable initiatives. Participants are provided with opportunities to learn more about innovations

that can address sustainability challenges and given access to resources to create achievements on a bigger scale. During the India Collaboration Lab meeting held in 2013, businesses and social entrepreneurs were paired to articulate better approaches on water and sanitation issues. This resulted in partnerships between social enterprises and corporations that will deploy new solutions for water transportation and purification in the most water-stressed regions in India.

Harnessing the power of change agents

Sustainable development can be achieved if there are combined and concerted efforts from different sectors that share a common goal of supporting social entrepreneurs for positive social progress. SK is committed to harnessing the power of these change agents and building an ecosystem with capabilities that can provide opportunities for innovative social entrepreneurs to help turn their ideas into solutions. ■

BRADESCO INVESTS IN MOBILITY THROUGH ITS DIGITAL CHANNELS

As the first company to launch mobile banking in Brazil, the Bank strengthens its strategy of expanding mobility services.

By Rúbia Piancastelli



Today, Brazil has the fourth largest number of mobile phone users in the world. But back in 1999, when Brazil did not yet have 240 million mobile phones in use, Bradesco had already launched the first national mobile banking service. In 2008, when smartphones started to become more popular, the number of customers using mobile banking services grew rapidly, contributing to the sustainability of the business and ensuring convenience and safety for users.

The most recent investment was to offer free mobile phone access to bank accounts. Due to partnerships with telecommunication companies, clients using banking applications and the mobile website have not had to pay for data traffic since March 2014. This significantly increased the number of people who were willing to use the service, with the freedom to choose and execute their financial transactions through accessible technology and transparent information.

It goes even further: The free access, combined with innovation, has fostered the development of local economies, as customers and entrepreneurs can now benefit from digital channels to meet different demands that support business growth.

The digital channels available are Internet Banking, Bradesco Celular, Self-service, and Fone Fácil. The operations carried out independently by clients total 88 percent of all monthly transactions.

By offering people greater mobility to access their accounts and make transactions, the Bank combines customer satisfaction and sustainability with the practicality of operations and support for the development of local economies.

A world on your phone

Bradesco offers 22 iPhone apps, 16 apps for iPad, 13 for Android, and other apps for Windows Phone and BlackBerry. Other types of equipment are also capable of accessing the services via browsers, increasing the number of clients served by Bradesco Celular.

Bradesco Celular allows customers to easily perform 80 percent of the operations offered by the Bank. Network access numbers also do not stop growing, as

GROWTH OF THE DIGITAL CHANNELS

Bradesco Celular: a daily transaction average of R\$ 3.1 million, 101% increase on 2012.

Internet Banking: a daily transaction average of R\$ 12.7 million, 17% over the previous year.

well as the volume of transactions. In 2013, the service totaled 868 million transactions – 128 percent more than in the previous year – and financial volume was R\$ 5.5 billion, equivalent to an increase of 250 percent over 2012. Good for the customer, good for the Bank.

In addition to regular banking operations, applications were designed to offer services of interest that focus on the needs of each client. For example, those who invest in shares can monitor prices, indexes, and currencies via Bradesco Trading. College students, on the other hand, can check and use their accounts in addition to viewing college grades and managing absences online.

Applications, including game-related apps, cultural information, and access to the Bank's reports, reached the milestone of 8 million downloads. This whole scenario shows the huge success of digital channels, which have gone from an alternative to a preferred means of communication and are being used more frequently by Bradesco's clients, not only to carry out transactions but also to enhance their knowledge.

More variety with quality

Fundamental to the mobility promoted by the Bank, SMS services and the network with more than 70,000 service points in Brazil have improved in terms of variety and quality. As a crucial part of the service,

the security of transactions is guaranteed by the integration of a user security key and the usability offered by the barcode reader when dealing with invoices.

In addition to the online option, there is also an offline mode option using only SMS. Clients only need to register free-of-charge to gain access to various services, of which the most important are:

- paying payment slips through ADD (authorized direct debit)
- paying utility bills (water, electricity, telephone, and others)
- checking balances and latest transactions in bank account
- recharging mobile phones (Claro, Oi, TIM, and Vivo)
- receiving messages related to debit card purchases and other transactions (InfoCelular)
- monitoring transfers (between Bradesco and other banks).

Self-service terminals continue to be the easiest and most-efficient way to withdraw money, while bank branches are the place for customers and managers to keep in touch and discuss their issues. Contact Center services are indispensable for queries, guidelines, and more complex banking operations that cannot be carried out in other channels. With this

variety, Bradesco intends to continue to evolve and offer – in addition to comfort and safety – better products and services that are inclusive and ensure fast access.

Partnerships that generate benefits

In 2013, in partnership with the telecommunications company Claro, Bradesco launched an “m-payment” product that enables customers to carry out purchases, transfers, and withdrawals directly through their phones: Meu Dinheiro Claro. Joining the service is free and there are no charges for data usage – a great deal for both consumers and sellers.

In the Conta Bônus Celular program, on the other hand, clients have access to various financial services and receive the entire amount paid for the service as a bonus on their prepaid cell phone or control plan with the companies Claro, Oi, and Vivo, and on Claro's postpaid plans.

We expect the number of clients accessing Bradesco via mobile phone to reach 6 million in 2014. The objective is linked to Bradesco's philosophy of promoting banking inclusion and contributing toward people's ability to gain access to the financial and credit systems. ■

BRADESCO CELULAR IN 2013

Active clients	3.0 million
Transactions	868 million
Loans	R\$195.9 million
Payments	R\$1.2 billion
Transfers	R\$2.3 billion
Home Broker	R\$852.6 million
Card statement consultations	accessed 18 million times

TRENDS IN CSR

When CSR discussions started in the late 1960s, early 1970s ethical and moral arguments were the drivers. Since then CSR activities have become more holistic and professional. This becomes a principle-based approach in which business seeks to identify smarter business models, products, and services.



“ The term is a brilliant one; it means something, but not always the same thing to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in an ethical sense; to still others, the meaning transmitted is that of ‘responsible for,’ in a causal mode; many simply equate it with a charitable contribution. ”

Dow Votaw, 1973



BETWEEN VOLUNTARY AND MANDATORY CSR

Corporate social responsibility (CSR) has become firmly established in the business lexicon. Although some conversation partners still need to be reminded of what CSR really is and why it is important, most of them understand its value by now. Indeed, this leads to many different expectations for CSR, such that discussions around it today are shifting toward putting limits on the term and creating rules around it. Where does CSR begin? Where does it end?

By Dr. Elmer Lenzen

Any discussion of the ethics and morality of day-to-day business — environmental protection, human rights, or labor laws — has to include the concepts of CSR and sustainability. Understandably, this tends to lead to exaggerations: Only recently, Robert Engelman rightly complained of inflationary use of the sustainability concept, calling it “sustainababble.” Well-known Harvard professor Michael Porter has also criticized how CSR has been thrown around as a term, since everyone has a different understanding of what it means. Engelman and Porter both have a point: We are experiencing the inflationary use of terms such as “sustainability” and “CSR” in the most varied — and sometimes ridiculous — contexts. But is this really a weakness?

When the “CSR movement” began — if we may label it so — this lack of precision was actually its greatest strength: Those pronouncing their expectations ranged from critical stakeholders, who viewed it as a lever to implement quasi legal conditions, to companies that simply wanted to rebrand their philanthropic commitments without giving the slightest thought to changing the management approach associated with them. CSR has thus become a flexible surface on which to project any number of interests. When put into practice, this can lead to arbitrariness — the aforementioned sustainababble — but it can also be a route to positive engagement with the subject.

12. century

Concept of the “Honorable Merchant” emerges in Venice.

Innovative models

For a long time, the main question has been: What is CSR really? I would like to highlight three definitions that remain just as valid today. One of these is Archie Carroll's four-level pyramid, which was the first to differentiate corporate responsibility into four dimensions, opening the door for systematization and structure. Carroll distinguished between four areas of responsibility: economic, legal, ethical, and philanthropic.

The second substantial impetus for CSR comes from John Elkington's "triple bottom line," which puts the same emphasis on environmental and social responsibility goals as pure economic success and employs the Computable General Equilibrium model popular among economists. All three pillars are meant to be weighted equally. Prioritizing one area comes at the expense of the others: In the long term, pursuing the lopsided maximization of profit while disregarding environmental and labor standards will lead to failure. We see evidence of this in the media every day.

The third definition comes from Michael Porter, one of the most influential economists of our time; some even consider his "creating shared value" (CSV) approach to be a better label than CSR. Porter's definitive contribution is the proof that the competitiveness of a corporation depends on its surroundings, and vice versa. "The fact is that no company can survive in a failing society," says CSV expert and Nestlé consultant Marc Pfitzer. "If nothing else, a company's selfish will to survive suggests that the enterprise will look after its environment."

How mature is your CSR?

It is rarely necessary anymore to justify CSR for its own sake. Nowadays, the more important question is what CSR activities should look like. Daniel Zirinig has written that "management is less concerned today with whether CSR activities should take place than with how they should be carried out." This begs the question of how we are to distinguish among the discernibly different levels of activities.

Andreas Schneider of Austria has made a well-considered contribution to this field with his "maturity model," which outlines a series of incremental levels from CSR 0.0 to CSR 3.0 with varying amounts of corporate responsibility. Schneider's model is a sensible way to differentiate the countless CSR activities, which range from modest to phenomenal.

The basic assumption is that the higher the quality and greater the extent of a company's integration of CSR, the greater its benefit for the society, the environment, and the company itself. At the end of the day, then, this is about creating value for everyone, where "value" means more than just revenue, and "everyone" means more than just direct stakeholders. CSR is not the fine art of writing checks but of creating value.

What are the limits of CSR?

Much more interesting than evaluating CSR activities is the question of how far they go: What needs to happen for an activity to be upgraded to a higher level? And, by implication, what kind of CSR mistakes would trigger a downgrade? The first threshold is easy: The moment an accidental campaign becomes a concept or a plan that is being consciously driven and managed, we are talking about corporate social responsibility.

This supports the idea that corporate responsibility is always more than what is stipulated under the law. The boundary is clearly recognizable: It consists of voluntarily going beyond legal compliance. Most organizations — ISO 26000, the UN Global Compact, and the EU Commission, just to name a few — consider the decision to voluntarily go beyond the limits of what is necessary to be an essential feature of CSR. As Schneider says, "CSR is thus at the discretion of the entrepreneur or the corporation rather than the legislature, which would make a legal CSR requirement paradoxical."

Yet it is exactly these sorts of requirements that we are now seeing in many areas. They come in various guises, whether it be an EU reporting obligation or a 2 percent tax in India. The measures may be correct and well-founded, but they are



actually bringing us up against the limits of CSR. More specifically, when actions cease to be voluntary and are instead required — the moment we go from "beyond legal compliance" to "within legal compliance" — we reach the end of CSR and the beginning of compliance.

We can argue over the details of this distinction. At a conference in India not long ago, for example, Michael Porter stressed that voluntarism was "the only way to create impact. Meeting the needs and meeting those needs at a profit is crucial." It is certainly true that legal obligations do not encourage creative and individual speculation beyond these boundaries. On the other hand, a legal regulation can be a sensible bottom line, above which CSR can be reinvented and reassessed. Forcing companies

in India to spend 2 percent on CSR through legislation is not CSR. But if more than 2 percent is spent, however, CSR begins anew.

CSR 0.0 and 1.0 – The roots of engagement

Let us first look at Schneider's maturity model to shed some light on the lower levels of CSR. CSR 0.0 describes the simplest level. Social activities are performed, but these are neither systematic, planned, nor otherwise premeditated. The laws are followed. Apart from that, the focus is on economic success. When social engagement occurs, if at all, it is impulsive and coincidental. It may consist of donations after a natural catastrophe or in response to requests from an association. We can also refer to CSR 0.0 as "cosmetic CSR."

1713

Hans Carl von Carlowitz coins the concept of sustainability using the example of forest management.

1776

Adam Smith mentions corporate responsibility in *The Wealth of Nations*.

1950s

Stakeholder Theory is developed, Corporate Social Responsibility (CSR) appears in discussions.

1972

Club of Rome: "Limits of Growth" rocks the predominant belief in eternal growth. United Nations Conference on the Human Environment in Stockholm is the first UN event on environmental issues.



If such activities are better planned, for example in the form of long-term contributions to the aforementioned association, this becomes CSR 1.0, which involves actions such as philanthropic engagement through donations, sponsorships, or corporate citizenship. Common to all of these activities is that they have nothing to do with the core business, nor do they have any effect upon it: CSR 1.0 is a “nice to have.” From an operational point of view, this is purely a cost factor; action comes from the ethical motivation to give something back to society. Often enough, this happens because the company has caused damage and now has a bad reputation it wishes to improve. Michael Porter talks about “responsive CSR,” which is more of a retrospective understanding of corporate responsibility.

CSR 2.0 – Today’s best-in-class

CSR 2.0 goes one step further because it relates to the core business and is part of the business case. CSR influences corporate strategy, business products and portfolios, and the question of how money is earned. It ranges from production processes to product responsibility and supply chains. CSR 2.0 is part of the brand promise and is made possible through the systematic planning and management of corporate responsibility. Other priorities include a willingness to engage in dialogue and an

emphasis on quality. The aim of CSR 2.0 is to deal with the company as a whole. Tools for this purpose frequently draw on Elkington’s triple bottom line and the equilibrium models associated with it. Schneider calls CSR 2.0 “active, reflective, and strategic CSR ... If CSR is implanted in the ‘DNA’ of a company in this way, the company gains social relevance and acceptance, stability, and effectiveness. In short: It becomes more competitive.”

What separates CSR 2.0 from the lower levels is an underlying system of management that is complex and ambitious. As for what is involved, the specific structure of sustainability management always depends on the individual company, but some of the inevitable building blocks are stakeholder management, supply chain management, environmental protection, and worker protection, as well as compliance and sustainability reporting.

So that no actor involved can make proprietary rules, and in order to avoid repetition, actors tend to create their own standards at the CSR 2.0 level and above. Such initiatives – be they industry-wide mergers or cross-sector partnerships – create quasi national self-regulation, or so-called soft laws. The most well-known example of this is the UN Global Compact, with its voluntary but binding commitment to follow the Ten Principles.

At the same time, however, management and regulation procedures of this type lead to higher bureaucratic hurdles. There is a perception that every day brings more guidelines, surveys, audits, certificates, and assessments that those in charge of CSR must respond to. CSR management becomes a bureaucracy machine. Michael Porter gave the Guardian an apt quote on this: “In the CSR formulation, there’s a ‘check the box.’ You have to have a recycling program, you have to do carbon inventory, you have to save water, you have to save packaging. There’s a ... generic set of sustainability [checkboxes] that everybody has to do. When companies are dealing with those, that’s not where the excitement comes. That’s not where they really ‘get it.’”

CSR 3.0 – A controversial idea

If CSR 1.0 is the past, and 2.0 is the present, then 3.0 is the future. CSR 3.0 describes one possible – and desirable – future: a sustainable change in the underlying conditions, a new understanding of economy, and value creation. It also represents a new understanding of social responsibility and participation. CSR 3.0 would require a redefinition and rethinking of the relationship of the state, the economic system, and civil society.

More specifically, this means that when companies take on social responsibility, they will not only have obligations but also the right to carry them out. Instead of companies simply being subject to regulations, they will be creating the regulations themselves. In Schneider’s words, firms will be proactively framing policy: “CSR 3.0 is concerned with themes in society that influence business activities in a broader and indirect sense, such as human rights and education inside and outside the company.”

The underlying idea of CSR 3.0 has academic heft: Instead of social development being the sole domain of politicians, it is steered by a group of actors who share responsibility. The day-to-day meaning of such an approach, however, is incredible fodder for conflict. If companies begin to have an influence on tasks of the state such as education policy, health policy, and immigration – even if this happens in tandem with other stakeholders – it is easy to imagine the kinds of debate this would set off. In sum, CSR 3.0 deals with subjects that are highly topical, complex, and often controversial.

Great challenges call for great efforts

The political explosiveness of a debate over changes in society and new stewardship of social issues is obvious. Here is why this discussion needs to happen.

First, the 19th-century model of the nation-state as enforcer of societal governance has neither the power to assert itself

politically nor the financial means to overcome challenges – with multilateralism obviously in crisis, it is irresponsible to wait for global political agreements on climate change.

Second, we need a sustainable change of course; anything else is self-destructive. Politics alone cannot solve the problem, nor can money. The solution lies in globally conceived, locally networked CSR, where companies create forward-looking, binding rules for economic activity through candid dialogues with their stakeholders, with each stakeholder allocated specific tasks for the implementation of these rules and the mandate to carry them out.

They should do this because Marc Pfitzer is right: Over the long term, no company can focus on reaping profits in a failed society. Corporate responsibility is the sensible thing to do for survival.

The subjects at stake are: climate protection and energy-policy transformation; food security and consumer policy; species conservation; environmental protection in all its forms; demographic change; and the Millennium Development Goals. The limited resources and biodiversity of this planet leave us no time for delay: We need a debate on CSR 3.0. Now. ■



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Dr. Elmer Lenzen is founder of macondo publishing GmbH, publishing house of the Global Compact Yearbooks and the CSR Manager Platform.

1987

Brundtland Report: Our common future forms a definition of sustainability valid until today.

1992

Rio Declaration on Environment and Development includes the “Agenda 21” – a multistakeholder approach toward sustainable development.

2000

The UN Global Compact and the Global Reporting Initiative are launched.

2002

The World Summit for Sustainable Development in Johannesburg stresses the role of business in solving global challenges.

2009

ISO 26000 CSR Guidance Document

2012

Rio+20 conference: Business sector for the first time is willing to make more concessions than politicians.

GLOBAL TRENDS TOWARD MANDATORY CSR

Disclosure efforts by governments around the world

Argentina: Since 2008 local and international companies in Buenos Aires with more than 300 employees are required to present an annual sustainability report.

Australia introduced ethical disclosure requirements in 2010 under the Financial Services Reform Act.

Belgium: In 2006 the Federal Action Plan for CSR was developed to promote CSR in Belgium and encourage companies to integrate it into their management structures.

Canada: The government of Canada has adopted a national position that encourages Canadian corporations to practice CSR.

China: An influential directive from 2008 encourages state-owned enterprises to comply with sound CSR practices.

In **Denmark**, beginning in 2010, the 1,100 largest companies in the country began reporting on their CSR efforts.

Ecuador: Mining companies are to record consumption of materials and resources and to present an annual environmental audit.

Finland: The government introduced a mandatory reporting requirement for state-owned companies in 2011.

France: Since 2002 all listed companies have had to divulge information about social and environmental conditions in their annual reports.

In **India** under Companies Act, 2013, any company with a net worth of Rs 500 crore (ca. \$80 million) or more must spend 2 percent of their net profits on CSR activities.

The **Indonesian** government has signed a law that requires listed companies to report on their activities in society and for the environment.

Ireland: State-owned banks have to publish CSR reports at least biannually.

Malaysia: Listed companies are required to publish CSR information on a "comply or explain" basis.

Netherlands: Listed companies are required to publish annual environmental reports.

Since 2013 **Norwegian** law requires large companies to disclose information on how they are integrating social responsibility into their business strategies.

Saudi Arabia: Companies are required to pay amounts equal to 2.5 percent of their income to the revenue department, which then distributes the amount to the needy.

Singapore: The Code on Corporate Governance regulates corporate governance disclosures.

South Africa: The Code of Corporate Governance (King III) requires integrated sustainability reporting and third-party assurance from all South African companies as a listing requirement for the Johannesburg Stock Exchange.

Spain: Government-sponsored companies must publish corporate governance and CSR reports.

Sweden: All state-owned companies must report using GRI G3 standards.

Taiwan: Financial market regulators require all public and listed companies to disclose their CSR performance.

United Kingdom: The Financial Reporting Council is finalizing rules for corporate disclosures on environmental, social, and diversity issues. The new guidelines are intended to replace the existing "business review" section of annual reports.

In the **United States**, the EPA Mandatory Reporting of Greenhouse Gases requires large emitters of greenhouse gases to report GHG data. ■

Sources:
Harvard University Initiative for Responsible Investment;
Abhinav Prakash / Designing Corporate Citizenship Initiative;
Jeannet Lingan / Stakeholder Forum,
Wikipedia

INDIA'S CSR STORY

The Indian Companies Bill is a remarkable piece of legislation. With one stroke, it has mandated CSR spending across a multitude of companies. It is the result of months of discussions with NGOs, companies, politicians, and bureaucrats, and it is estimated that \$3 billion in capital will be generated annually through the money spent by 16,000 companies on CSR (2% of net profits).

By Dr. Utkarsh Majmudar and Namrata Rana

This has happened amidst energetic debate in the Western world arguing against the need for legislating CSR. But India operates in a unique context. Our health, water, sanitation, illiteracy, and poverty problems are immense. Scalable, high-impact, innovative solutions – driven in part by legislation, enterprise, and personal action – are the only way out.

The task now is to convert the opportunity that this legislation provides into tangible outcomes that not only comply with the law but also highlight the larger vision of the organizations they impact. The unique culture, skills, and intrinsic abilities of Indian companies to innovate can establish new ways to support society and build their brands. CSR solutions can take the form of collective funds for greater impact, financial innovation, and new social impact models.

Targeted CSR spends

A study of the Global Reporting Initiative on Indian companies reveals CSR investments in a multitude of areas. However, the new bill gives legitimacy only to select areas where these funds need to be invested. Some of the areas covered include poverty, education, gender equality, health, and environmental sustainability. Under the new rules, companies would need to clearly distinguish those activities that are undertaken specifically in

pursuit of the normal course of business and those that are done incrementally as part of their CSR initiatives. Expenses incurred during the normal course of business cannot be classified as CSR expenses – even though the expenditure is for CSR-related purposes.

Pooling together resources to reach scale

Before the new rules were mandated, an important question arose: Rather than simple charity, can corporate India collectively fund efforts to solve common problems? For example, large food and drink companies can together target the waste that their product packaging generates. Automotive companies can pool resources to address road deaths and unsafe driving. Steel companies, which are large consumers of water, can work with local communities to recharge underground wells and help provide safe water solutions. Together, these corporations can leverage the kind of scale and longevity needed to solve these deep-rooted problems.

The rules have given legitimacy to the idea of pooling of resources, thereby enabling companies to enhance their spending capacity on bigger CSR projects. Companies belonging to the same group can set up a nonprofit trust and can join hands with other companies to undertake CSR projects jointly.



Financial innovation

To ensure that the mandated money is spent well, innovative financial products such as social impact bonds are critical. Experimenting with such instruments will allow for formal relationships to be formed that are based on outcomes and follow stringent audit rules. Achievement of outcomes will ensure that the money is spent wisely and that social benefits are achieved. The broader impact will be to help in channeling financial resources toward areas that have social or environmental benefits. The creative use of funds will definitely help improve the lives of all people, not just those in proximity of a company's plants, but also broader society. Using financial tools innovatively can potentially raise social levels dramatically.

Scarcity of talent

For many corporations, this strategic shift is difficult, and it is compounded by the scarcity of CSR talent to create scalable long-term strategies and implement them. Although several thousand jobs will be created because of this Bill, several CSR jobs at all levels lie vacant. The big questions in these nascent CSR departments include: What causes should be supported? How can efforts be scaled? How can these efforts be implemented without losing focus?

Rise of the CSR agency

With CSR expenditures expected to be large and with scarce trained resources, growing the CSR department will be a slow process at most companies initially. Many are predicting the rise of the CSR agency – an intermediary firm – which will serve as the go-between. They will take the funds and distribute them to NGOs, ensuring that efforts are consistent, accounted for, and scalable. The agency could also help companies with other aspects such as training, verification, impact assessment, and ongoing audits.

Reporting and disclosure

The realization that CSR projects can no longer be charitable contributions and that they need to be accountable for impact is slowly hitting home. It is worrying for many that they can have a significant impact on brand and corporate reputations. Our study of sustainability reports indicates that the quality of reporting leaves much to be desired. With information flowing from both internal as well as external sources (e.g., CSR agencies), ensuring high-quality reportage will be complex. This may lead to the growth of specialized agencies (e.g., CSR auditors) to ensure high-quality reporting and minimize the information asymmetry that currently exists – much like the American ecosystem, which has mushroomed a marketplace of organizations and agencies to support corporations' efforts in CSR reporting, verification, etc.

This is an exciting time for India and CSR. The future is uncertain, but there is also hope – that corporations will finally do more of the right things and tell more about it! ■



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SUSTAINABILITY STANDARDS FOR US CORPORATE 10-K REPORTING

Source: sasb.org

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the United States when disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the 10-K and 20-F forms. SASB is an independent non-profit organization and is accredited to set standards by the American National Standards Institute (ANSI).

The need for SASB

The US financial accounting system, which requires transparent disclosure of material issues to investors, plays a fundamental role in making its markets the most efficient, liquid, and resilient in the world. However, the construct for standardized financial reporting to investors was developed at a time when a company's ability to create value was constrained largely by the ability to access financial capital.

We live in a different world now, one that has greater uncertainty, a broader range of risks and opportunities, and significant resource constraints beyond access to capital. A new standardized language is needed to articulate the material non-financial risks and opportunities facing companies today. These non-financial risks and opportunities that affect corporations' ability to create long-term value are characterized as "sustainability" issues. Sustainability issues vary by industry because they are closely aligned with business models, the way companies compete, their use of resources, and their impact on society.

For this reason, SASB is immersed in understanding, interpreting, and measuring relevant sustainability issues at the industry level in order that they can be measured, managed, and disclosed.

What makes SASB different?

Existing sustainability reporting entities provide guidelines or frameworks. They do not follow a standard process for determining the materiality of issues within each industry, nor do they provide industry-specific performance metrics. They are not designed for concise nor integrated disclosure in 10-K or 20-F forms, which are appropriate disclosure channels to provide investors with a complete view of material financial and sustainability information.

SASB's sustainability accounting standards are the first that truly enable comparisons of peer performance and benchmarking within an industry. SASB's unique focus on US public equities, approaches to industry-specific issues, and disclosure of minimum performance standards differentiates it from existing sustainability frameworks.

Board of Directors

SASB's Board of Directors is responsible for articulating and upholding the vision, values, and mission of SASB. Among its members are Michael R. Bloomberg (Founder of Bloomberg LP, and the 108th Mayor of New York City), Dr. Bob Eccles (Professor of Management Practice, Harvard Business School), Jack Ehnes (CEO, CalSTRS), and Mary Schapiro (Former Chairman, SEC). ■

Sector	Industries	Release	Status
Healthcare	Biotechnology, Pharmaceuticals, Medical Equipment & Supplies, Healthcare Delivery, Healthcare Distributors, Managed Care	July 31, 2013	Issued
Financials	Commercial Banks, Investment Banking & Brokerage, Asset Management & Custody Activities, Consumer Finance, Mortgage Finance, Security & Commodity Exchanges, Insurance	February 25, 2014	Issued
Technology & Communications	Electronic Manufacturing Services & Original Design Manufacturing, Software & IT Services, Hardware, Semiconductors, Telecommunications, Internet Media & Services	April 2, 2014	Issued
Non-Renewable Resources	Oil & Gas – Exploration & Production, Oil & Gas – Midstream, Oil & Gas – Refining & Marketing, Oil & Gas – Services, Coal Operations, Iron & Steel Producers, Metals & Mining, Construction Materials	June 25, 2014	Issued
Transportation	Automobiles, Auto Parts, Car Rental & Leasing, Airlines, Air Freight & Logistics, Marine Transportation, Rail Transportation, Road Transportation	September 2014	Public Comment
Services	Education, Professional Services, Hotels & Lodging, Casinos & Gambling, Restaurants, Leisure Facilities, Cruise Lines, Advertising & Marketing, Media Production & Distribution, Cable & Satellite	December 2014	Incorporating IWG Feedback
Resource Transformation	Chemicals, Aerospace & Defense, Electrical/Electronic Equipment, Industrial Machinery & Goods, Containers & Packaging	February 2015	Not started
Consumption I	Agricultural Products, Meat, Poultry, Dairy & Fishing, Processed Foods, Non-Alcoholic Beverages, Alcoholic Beverages, Tobacco, Household & Personal Products	June 2015	Not started
Consumption II	Mass Merchants, Food Retailers (& Distributors), Drug Retailers & Convenience Stores, Specialty Retailers (& Distributors), E-Commerce, Apparel, Accessories & Footwear, Home & Office Products, Leisure Products	August 2015	Not started
Renewable Resources & Alternative Energy	Biofuels, Solar Energy, Wind Energy, Geothermal Energy, Nuclear Energy, Renewable Energy Project Developers, Independent Power Producers & Energy Traders, Forestry & Paper	November 2015	Not started
Infrastructure	Water Utilities, Integrated Utilities, Electric Utilities, Gas Utilities, Waste Management, Infrastructure Construction, Architecture, Engineering & Construction, Home Builders, Real Estate Owners & Developers, Real Estate Investment Trusts	April 2016	Not started

EUROPEAN UNION INTRODUCES MANDATORY REPORTING

In April 2014 the European Parliament adopted the long-awaited directive on the disclosure of nonfinancial and diversity information by certain large companies, amending the 2013 Accounting Directive. The directive, which adopts a report-or-explain approach, introduces measures that will strengthen the transparency and accountability of an estimated 6,000 companies in the EU.

A last-minute compromise deal between EU Member States and European Parliament negotiators means that listed companies will, for the first time, be required to report on key human rights and environmental issues, including within the supply chain, if the law is adopted later by the Parliament's plenary and the Council.

"This vote is a victory for transparency and this is a great day for the future of sustainability reporting," says Teresa Fogelberg, Deputy Director of the Global Reporting Initiative (GRI). "This agreement demonstrates the EU's strong commitment to corporate transparency and sustainability — supporting smart, sustainable, and inclusive growth, and paving the way for a sustainable global economy."

The new rules will only apply to certain large companies with more than 500 employees. In particular, large public-interest entities with more than 500 employees will be required to disclose certain nonfinancial information in their management reports. This includes listed companies as well as some unlisted companies, such as banks, insurance companies, and other companies that are so designated by Member States because of their activities, size, or number of employees.

"It is estimated that some 6,000 companies will fall under the scope of the directive. To put this in perspective, there are currently approximately 2,500 global organization sustainability reports in the GRI Global Database, which represents one of the most comprehensive databases of sustainability reporting," explains Louis D Coppola from the G&A Institute.

Scope and range were weakened during the preparation

The compromise has been welcomed as a timid step forward by the European Coalition for Corporate Justice (ECCJ) — a broad coalition representing NGOs, consumer groups, trade unions, and academics who have been urging legislative reform. But a spokesperson for ECCJ said they were disappointed that some Member States had weakened the proposal. The European Parliament's legal affairs committee had asked for clearer and more demanding reporting by all large companies.

ECCJ coordinator Jerome Chaplier says: "This is an important step forward, as it means citizens and investors will have access to meaningful information from companies — rather than the selective and often misleading data currently provided. They will have to release details of important risks to people and to



the environment. This means a listed large oil company will have to report on its oil spills and the health risks from gas flaring, for example, or a listed clothing retailer will have to consider risks in its supply chain."

Original proposals to extend the law to all large companies were blocked by some national governments, who also inserted a number of loopholes, which could mean some companies will be able to avoid reporting.

Jerome Chaplier added: "Some Member States have sought to water down this legislation, weakening its scope and power. Some of the clauses introduced could be used by companies to limit what they report, effectively undermining the intentions of this reform. The European Commission must be ambitious in the way this reform is implemented and ensure that misleading information provided by companies can be challenged."

Flexibility by choosing the adequate standard

The directive leaves significant flexibility for companies to disclose relevant information in the way that they consider most useful, or in a separate report. Companies may use inter-

national, European, or national guidelines that they consider appropriate (for instance, the UN Global Compact, ISO 26000, or the German Sustainability Code). Fogelberg from GRI added: "This is a truly historic moment, and I am confident that this is just the beginning of a new era for transparency and sustainable and inclusive growth in the EU."

Guidelines for companies on how to report under the new reform, including on water use, land use, greenhouse gas emissions, and use of materials, are expected from the European Commission within the next two years. The legislation is expected to be reviewed after four years.

"The demand by investors and civil society for greater transparency and accountability of undertakings is growing," says MEP Raffaele Baldassarre. "The new rules will enable forward-looking business leaders to address this demand and to fully make use of the huge potential of CSR in order to increase their competitiveness while contributing to smart and sustainable growth in Europe." ■

Sources: European Union, European Coalition for Corporate Justice, Global Reporting Initiative, G&A Institute

Key Global Compact Resources



Blueprint for Corporate Sustainability Leadership within the Global Compact



UN Global Compact Management Model



Global Corporate Sustainability Report 2013



UN Global Compact – Corporate Sustainability in the World Economy



Architects of a Better World: Building the Post-2015 Business Engagement Architecture

Human Rights



Guiding Principles for Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework



Guide on How to Develop a Human Rights Policy



Human Rights and Business Dilemmas Forum <http://human-rights.unglobalcompact.org/>



Some Key Business and Human Rights Guidance Materials and How to Use Them



Business and Human Rights Learning Tool <http://human-rights-and-business-learning-tool.unglobalcompact.org/>

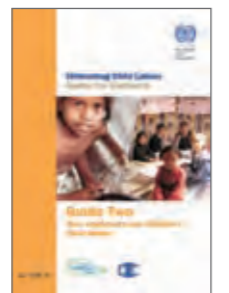
Labour



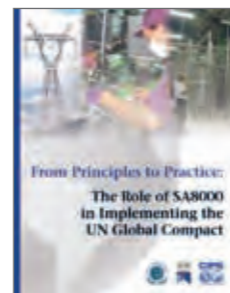
The Labour Principles of the UN Global Compact – A Guide for Business



ILO Helpdesk



Eliminating Child Labour – Guides for Employers



From Principles to Practice: The Role of SA8000 in Implementing the UN Global Compact



Disability in the Workplace – Company Practices

These and more resources on: <http://www.unglobalcompact.org/resources>

Environment



Caring for Climate – Brochure



The CEO Water Mandate Brochure



Sustainable Energy for All: The Business Opportunity



The Guide for Responsible Corporate Engagement in Climate Policy



A Framework for Corporate Action on Biodiversity and Ecosystem

Anti-Corruption



Business Against Corruption – A Framework for Action



Reporting Guidance on the 10th Principle Against Corruption



The Fight Against Corruption: E-Learning Tool <http://thefightagainstcorruption.org/certificate/>



A Guide for Anti-Corruption Risk Assessment



Fighting Corruption in Sport Sponsorship and Hospitality: A Practical Guide for Companies

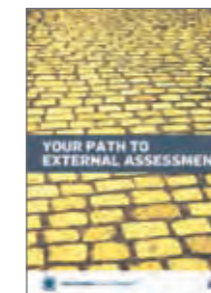
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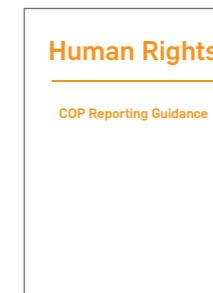
Basic Guide to the Communication on Progress



Making the Connection – Using GRI's Guidelines to Create a COP



Your Path to External Assessment



Human Rights COP Reporting Guidance



Reporting Guidance on the 10th Principle Against Corruption

These and more resources on: <http://www.unglobalcompact.org/resources>

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Main Issues:

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- Biodiversity
- Corporate Citizenship
- MDGs



Main Issues:

- Blueprint for Corporate Sustainability
- Standards and Labels
- Rio+20
- Inside... MENA Region



Main Issues:

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Main Issues:

- The Post-2015 Agenda
- Climate Change
- Traceability
- Trends in CSR

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Starting on 25 February, 2011, all business participants that have submitted a Communication on Progress (COP) will be classified in one of two categories, based on the Global Compact Differentiation Programme. The Differentiation Programme reinforces the Global Compact's objective of changing business practices through transparency, dialogue, and stakeholder vetting. So all companies classified as "GC Active level" or "GC Advanced level" are supposed to have created a meaningful vetting process of the accuracy of their disclosure and performance. In this process companies also pass an application and approval process to participate in the Global Compact International Yearbook.

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THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

At the core of the Global Compact initiative are 10 principles for human rights, labour standards, the environment and eliminating corruption.

The Global Compact calls upon all companies to recognise these principles and to take steps to put them into effect.

HUMAN RIGHTS

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

LABOUR STANDARDS

- 3 *Principle 3:* Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 *Principle 4:* the elimination of all forms of forced and compulsory labour;
- 5 *Principle 5:* the effective abolition of child labour; and
- 6 *Principle 6:* the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- 7 *Principle 7:* Businesses should support a precautionary approach to environmental challenges;
- 8 *Principle 8:* undertake initiatives to promote greater environmental responsibility; and
- 9 *Principle 9:* encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION


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

“ Transforming the global economy and changing the course of our future is an imposing task. But if we all contribute, the work will be easier. ”


Ban Ki-moon, UN Secretary-General

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