

The State of Sustainable Business 2017

Results of the 9th Annual Survey of Sustainable Business Leaders

June 2017



evidence and ideas. **applied**



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The Business of a Better World

BSR/GlobeScan State of Sustainable Business 2017

Today's speakers



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Agenda

Research Background

A Future Roadmap

Today's Sustainability Agenda

- Impact of Recent Social and Political Instability

- Tracking Sustainability Priorities

- Climate Change and Impact of COP21

- Impact of SDGs

Influencers of the Sustainability Agenda and Internal Engagement

- Most Significant Internal and External Influencers

- Internal Engagement of Sustainability

Supply Chain and Human Rights

Inclusive Growth

Research Background

- This year, we received responses from at least one sustainability professional at 60 percent of BSR’s member network of 250 companies.
- In total, 272 sustainability professionals from 151 of today’s largest and most influential multinational companies provided their insights for this research.
- In an effort to identify adoption of specific sustainability practices by BSR member companies, this report examines responses on two levels: “**All Respondents**” and “**Company-Level Respondents**,” as outlined below.

Response Base	Sample Included	Response Count
All Respondents	Full sample of corporate sustainability professionals providing their perceptions and industry insight	272
Company-Level Respondents	Sample consisting of one response per company , based on main points of contact with BSR	151

- The BSR/GlobeScan State of Sustainable Business Survey 2017 was conducted between April 20 and June 6. Unless otherwise noted, figures in charts and graphs refer to percentage of all respondents.

Sample Breakdown: All Respondents

Industry Sector	Consumer Products/Retail	26%
	Information and Communications Technology	14%
	Energy and Extractives	10%
	Financial Services	10%
	Healthcare	8%
	Food, Agriculture, and Beverage	6%
	Transportation and Logistics	6%
	Media and Entertainment	3%
	Heavy Manufacturing	2%
	Travel and Tourism	2%
	Other	13%

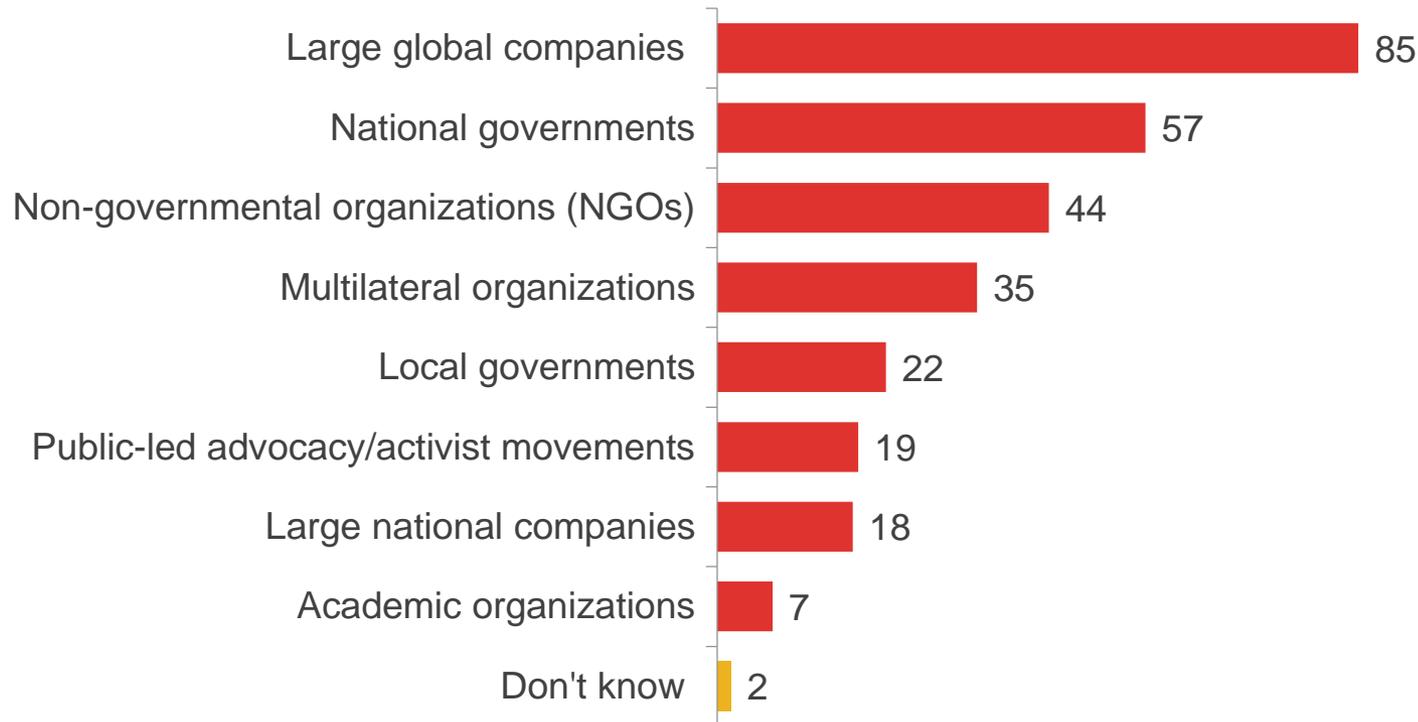
Region	North America	52%
	Europe	29%
	Other regions	19%

Job Level	Vice president or above	22%
	Director	31%
	Manager or below	40%
	Other	6%

A Future Roadmap

Professionals recognize the leading role that global business will play in making future progress on sustainability, higher than national governments and NGOs.

Types of Organizations Involved in Making the Greatest Impact on Advancing Sustainability over the Next 10 Years, 2017 (Percentage of All Respondents)

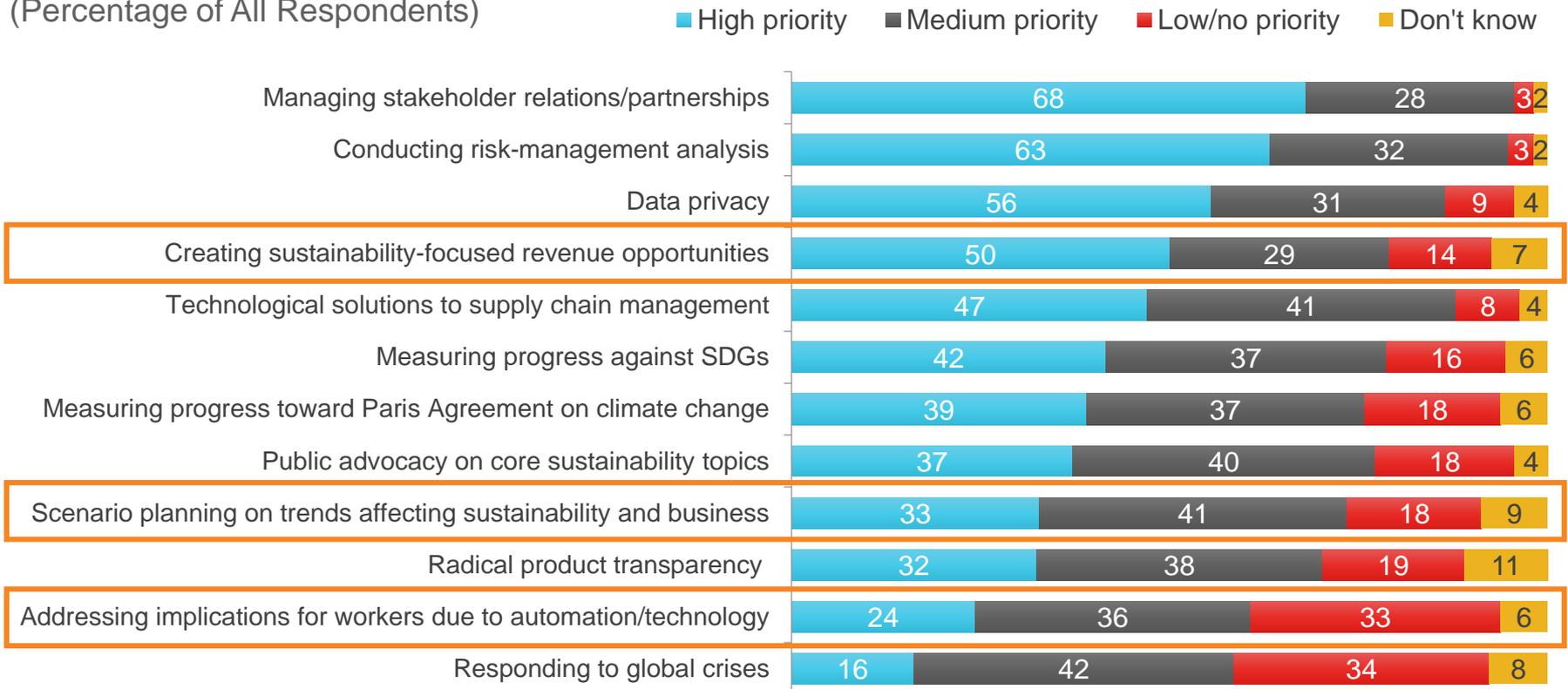


Q5. Below is a list of types of organizations involved in making progress on sustainability. Please select up to three that you feel can have the greatest positive impact on advancing sustainability over the next 10 years.

Respondents seem focused on current issues, rather than understanding how sustainability issues might change by 2025.

Corporate Sustainability Priorities in 2025, 2017

(Percentage of All Respondents)



Q4. Thinking about the future, please indicate below how much of a priority you think each of these activities will be for your sustainability function to be carrying out in 2025.

Today's Sustainability Agenda

The U.S. election has had an impact on companies' sustainability efforts, but for many it has reconfirmed that business must lead.

Q: Over the past 18 months, there have been a number of significant social and political events in countries around the world. Can you briefly describe what has had the most impact on your company's sustainability efforts and how?

"The US election and the focus / stance of the current administration has forced us to re-evaluate some of our actions / programs around Sustainability." **Malaysia**

"The Trump election and possibility of turning away from the Paris agreement has prompted us to leverage our CEO's engagement to advocate for the US to remain in the agreement." **USA**

"The impact of global social and political events have not changed the position of the company on the sustainability issues over which it stands firmly." **France**

Uncertainty about the future of sustainability

Confidence that business leads

"With [Trump's] anti Climate Change attitude there is a reluctance to take further risk on related carbon reduction strategies - electric vehicles, investments in solar, LEED certifications of facilities" **USA**

"Changes in top leader in several countries make the operational environment somehow less clear." **Japan**

"US 2016 election - now even more important for businesses to take responsibility and this is being asked by consumers, NGOs and employees." **USA**

"There have been no major impacts on our CSR strategy and goals." **USA**

Even with the current political environment, the overwhelming consensus is that business will continue to lead.

"We are **not affected by these so called significant events** as we continue to press on to pursue better social responsibility and will continue to do so without prompt."
Singapore

"Our sustainability work is **not especially influenced by short-term social and political events**. We see it as a long-term direction based on the TBL model. Social and political events can hinder or help but they **don't change our direction of travel or even the pace as we work on a business case.**"
Sweden

How Business Leads

"We are **forging ahead** with our plans including **pursuit of 2020 goals, linkage to the SDGs, compliance with Dodd-Frank, etc.** Our business is very dispersed globally and we are obviously monitoring developments, but we are **not panicking** by any means."
USA

"No direct effects. Just a **confirmation that our work is more important than ever.**"
Sweden

"Sustainability is such a longer term journey, that **changes in shorter term political environment do not change overall approach that much.**"
Finland

"Keeping up with changing expectations about the **role of business leadership and advocacy for a progressive world**"
UK

Other global trends and events have affected sustainable business...

International Agreements Promoting Sustainability

“The adoption of the **SDGs have prompted a rethink** of how we categorise and communicate on our sustainability agenda.”

“**Paris agreement and SDGs help to establish the agenda**, confirmed by the launch of our own company 10-year goals.”

“**Hard law:** UK Modern Slavery Act obligations; French Devoir de Vigilance **Soft law:** OECD due diligence guidance; SDGs; COP 21.”

Growing Polarization and Anti-Globalization

“Rise of **populism** and the election of **nationalist leaders** that have advanced legislation or killed global trade agreements.”

“Polarization has caused **intolerance** and we have spent a great deal of energy and resources **re-affirming our commitment to being an inclusive company.**”

“Increasing **social and political divisions** that create different landscapes and issues in which to manage, with growing **pressure on the company** to respond.”

Increasing Demand for Accountability and Transparency

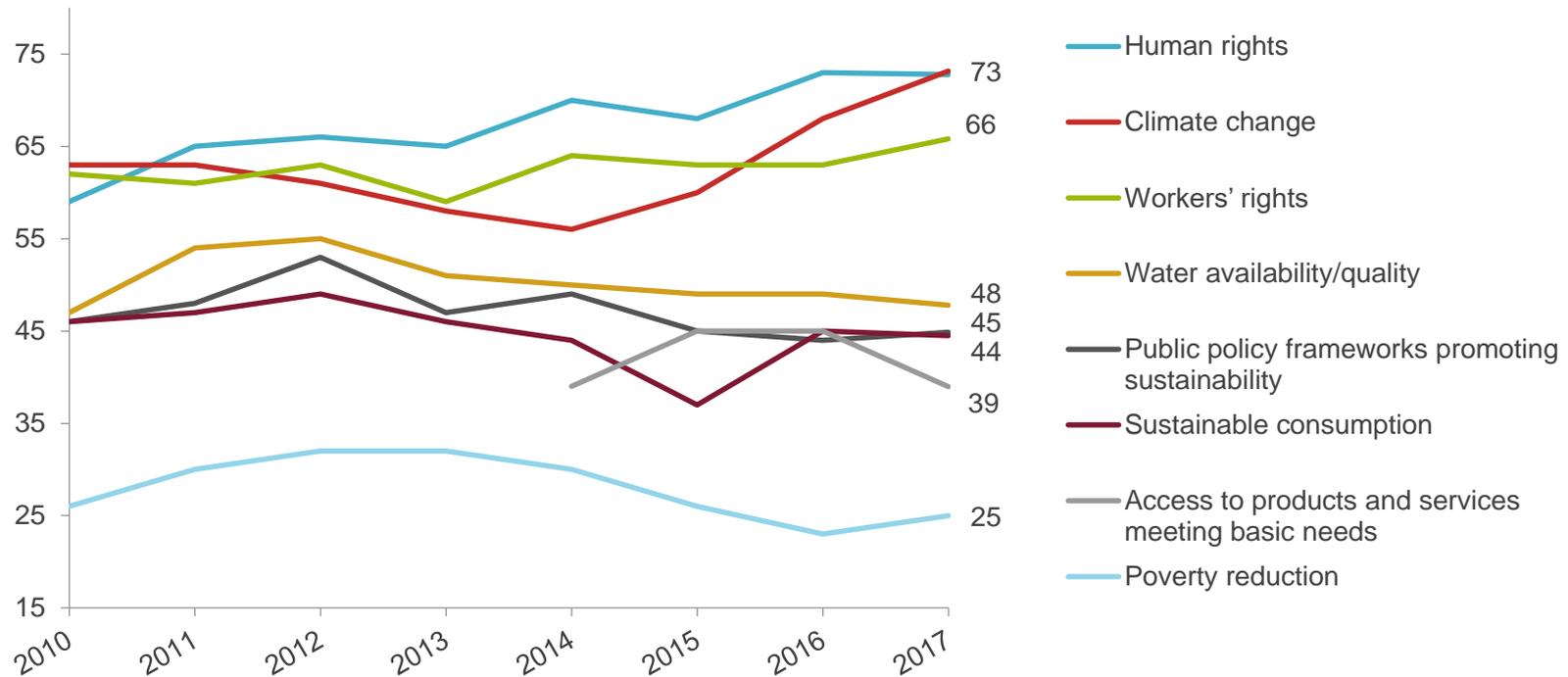
“Investor and industry push for **accountability for sustainability and traceability.**”

“**Increased activism** targeting banks - more **scrutiny of business** activities and relationships, held to a higher standard.”

“**Increased focus on supply chain labor rights**, specifically human trafficking - driven by government action (or in some cases lack of action).”

Climate change continues to increase as a focus area for business, and is now the top priority, along with human rights, for the first time since 2010.

Corporate Sustainability Priorities over the Next 12 Months, 2010–2017
 (Percentage of All Respondents Identifying an Issue as a “Significant Priority”*)



*Percentage of respondents who selected a 4 or 5 on a 5-point scale where 1 is “Not at all a priority” and 5 is “A very significant priority”

Q2. When you think about the focus of your company’s sustainability efforts in the next 12 months, how much of a priority are each of the following issues?

Reinforcing this priority, companies' commitment to the Paris Agreement is not likely to weaken as a result of the U.S. leaving.

Most Likely Effect of United States Pulling Out of Paris Agreement on Company's Commitment to Climate Change, 2017 (Percentage of Company-Level Respondents)

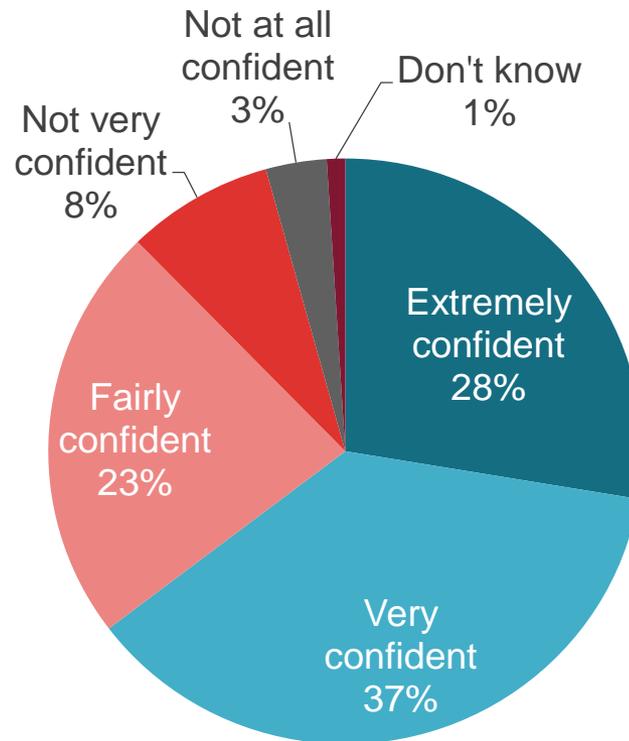


Note: All company-level responses were submitted prior to the U.S. government announcing its departure from the Paris Agreement on June 2.

Q16. If the United States were to pull out of the international climate agreement signed in Paris in 2015 (UNFCCC COP 21) how do you think this will affect your company's commitment to tackling climate change?

Moreover, a majority (65 percent) of companies are highly confident they will continue to make progress on sustainability even if government regulations that promote sustainability are removed.

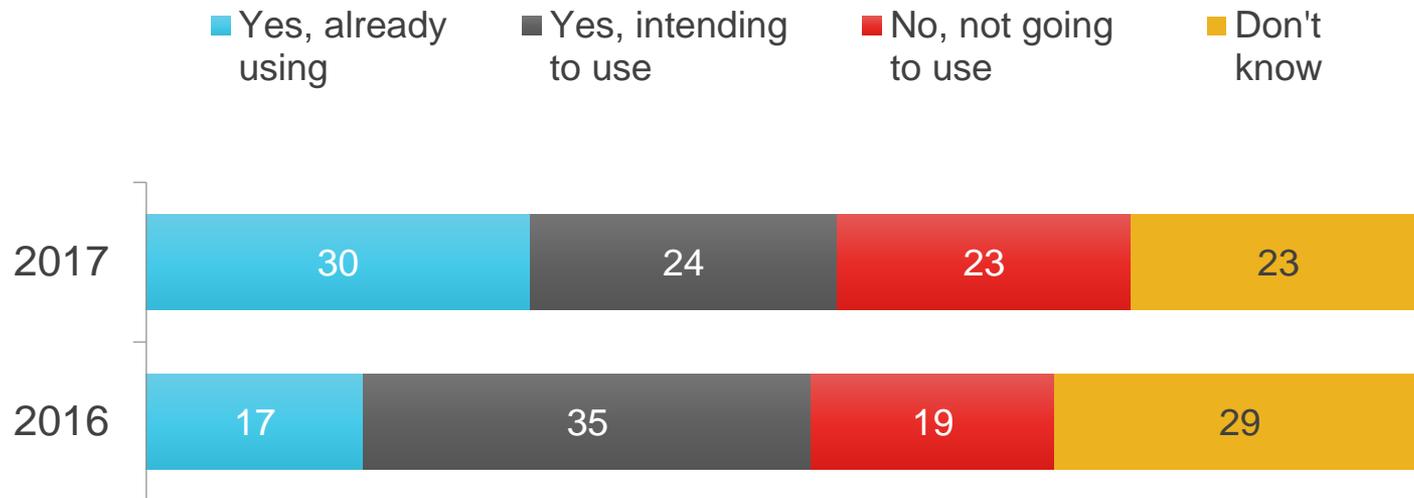
Confidence in Company to Continue to Make Progress on Sustainability Issues if Government Regulations Removed, 2017 (Percentage of Company-Level Respondents)



Q7. How confident are you that your company would continue to make progress on sustainability issues if government regulations promoting sustainable actions were removed?

Compared to 2016, almost twice as many companies report that they are using the SDGs to help set corporate performance targets. However, there are still many who will not or have not engaged.

Corporate Adoption of SDGs to Inform Target-Setting, 2016–2017
(Percentage of Company-Level Respondents)

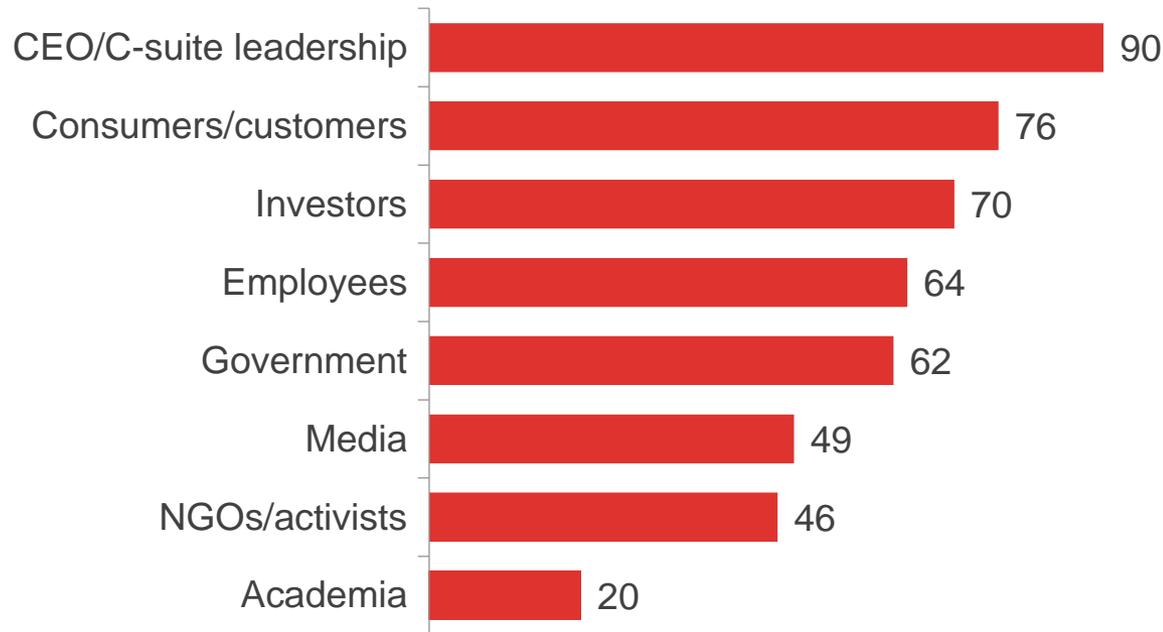


Q18. Is your company already using or intending to use the proposed UN Sustainable Development Goals to set corporate performance targets?

Influencers of the Sustainability Agenda and Internal Engagement

The CEO/C-suite has the strongest influence on companies' sustainability agendas, followed by customers/consumers and investors.

Influence on Sustainability Agenda at Company, 2017
 (Percentage of All Respondents Identifying Groups as "Influential"*)

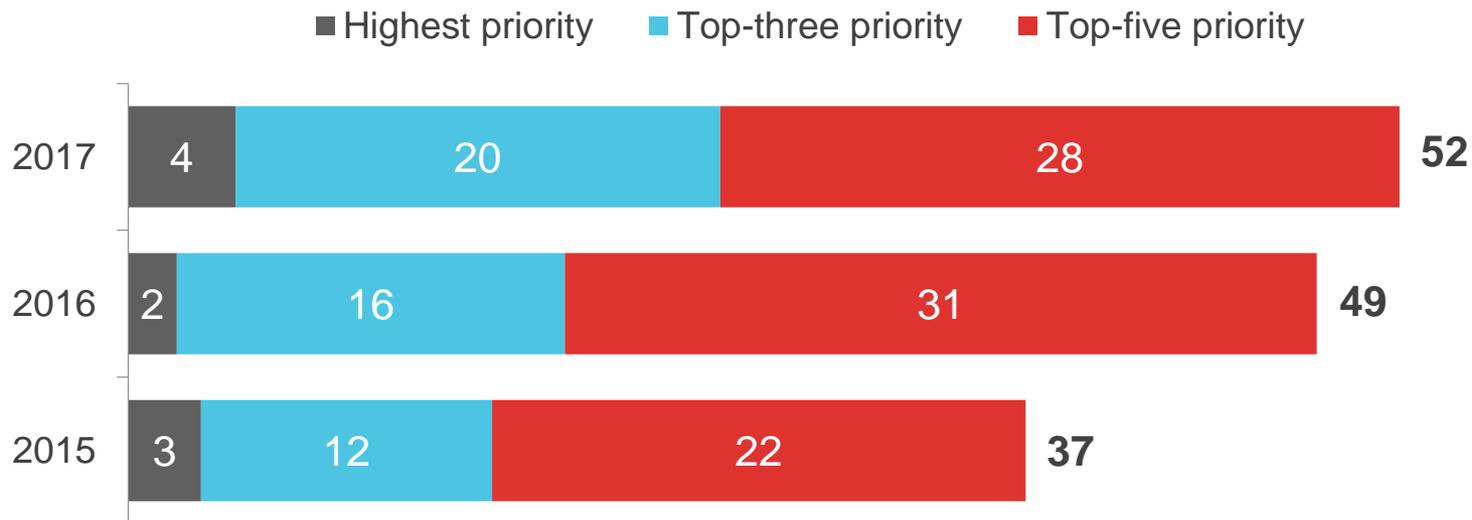


*Percentage of respondents who selected 5, 6 or 7 on a 7-point scale where 1 is "No influence at all" and 7 is "A very significant influence"

Q6. To what extent, if at all, do the following groups influence the sustainability agenda at your company?

Sustainability continues to rise in importance for BSR member companies' CEOs, and emerges as a top-five priority at more than half of companies surveyed.

CEO Corporate Agenda Priorities, 2017
(Percentage of Company-Level Respondents)



Q10. In considering your CEO's involvement with sustainability, where do you believe sustainability falls on his or her corporate agenda?
(Please select one.)

Only one function is highlighted by more than half as one of the most important for the sustainability team to engage.

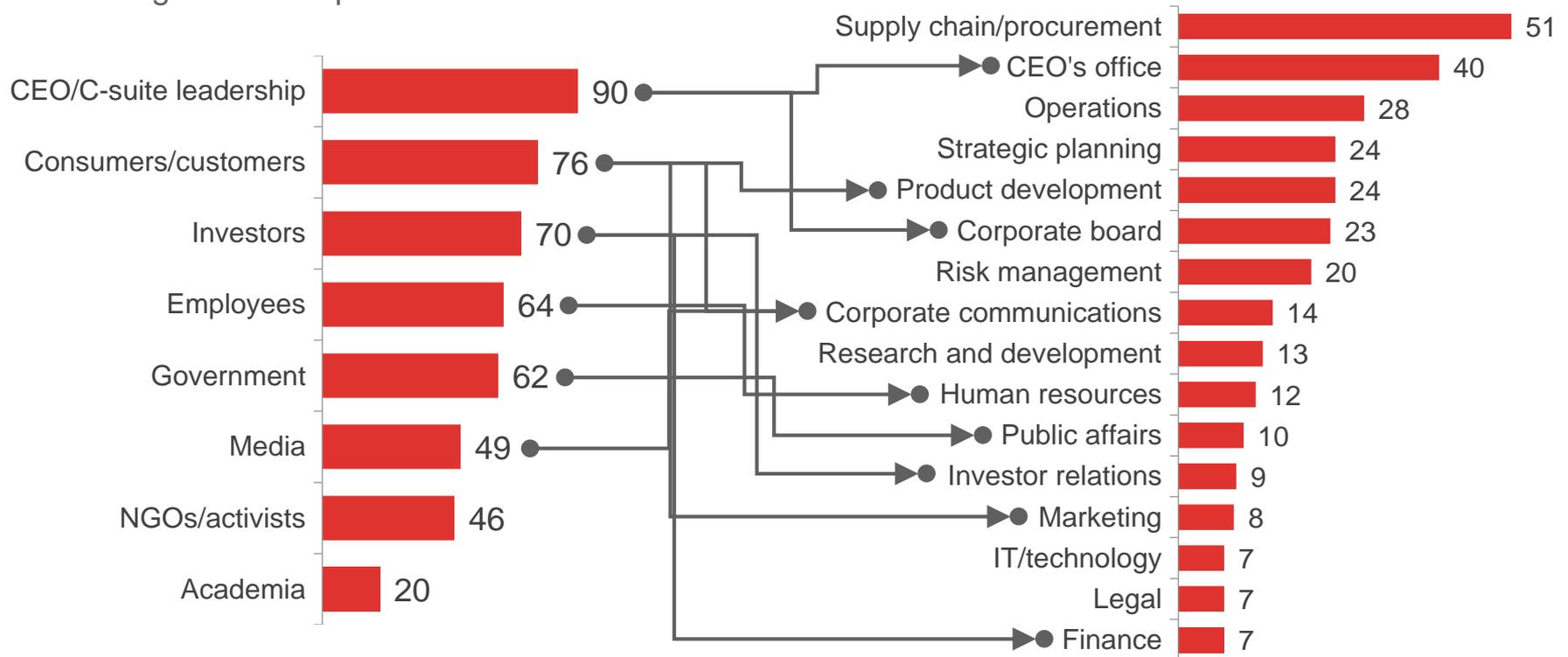
Function that Needs to Work Closest with Sustainability Function in Company to Make Substantive Progress on Sustainability, 2017 (Percentage of All Respondents)



Q8. Which three functions listed below do you believe your sustainability function needs to work closest with to make substantive progress on sustainability within your company? Please disregard how closely you currently work with any of them.

There is misalignment between stakeholders who most influence companies' sustainability agenda, and the departments that are engaged.

Percentage of All Respondents



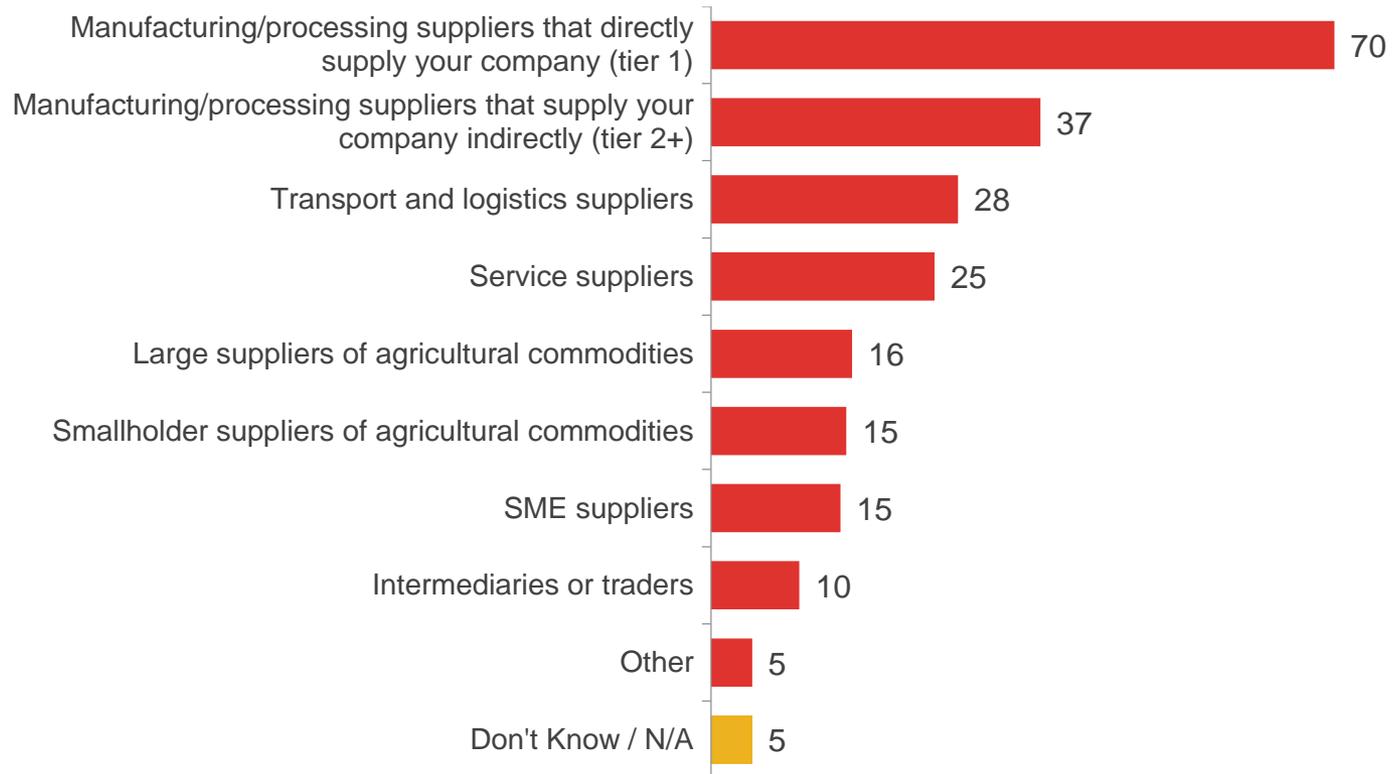
Q6. To what extent, if at all, do the following groups influence the sustainability agenda at your company?

Q8. Which three functions listed below do you believe your sustainability function needs to work closest with to make substantive progress on sustainability within your company? Please disregard how closely you currently work with any of them.

Supply Chain and Human Rights

Companies' supply chain sustainability efforts continue to focus primarily on direct Tier 1 suppliers, with less than four-in-ten addressing Tier 2+.

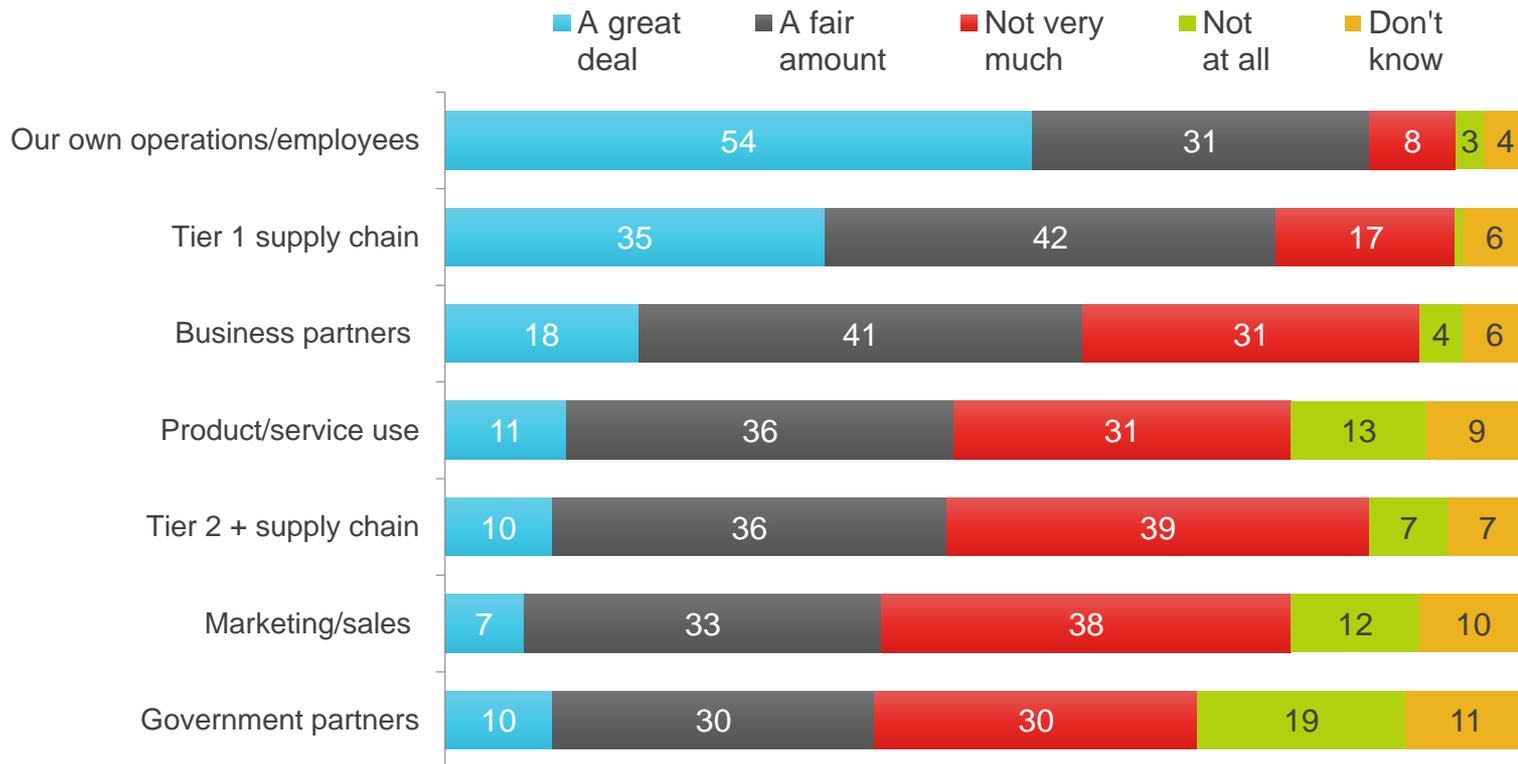
Types of Suppliers In Extended Supply Chain Most Affected by Supply Chain Sustainability Efforts, 2017 (Percentage of Company-Level Respondents)



Q12. Which types of suppliers in your extended supply chain are the most impacted by your supply chain sustainability efforts? Select the three that are most impacted.

The focus on human rights is very much on owned operations and Tier 1 supply chains, rather than other parts of the value chain.

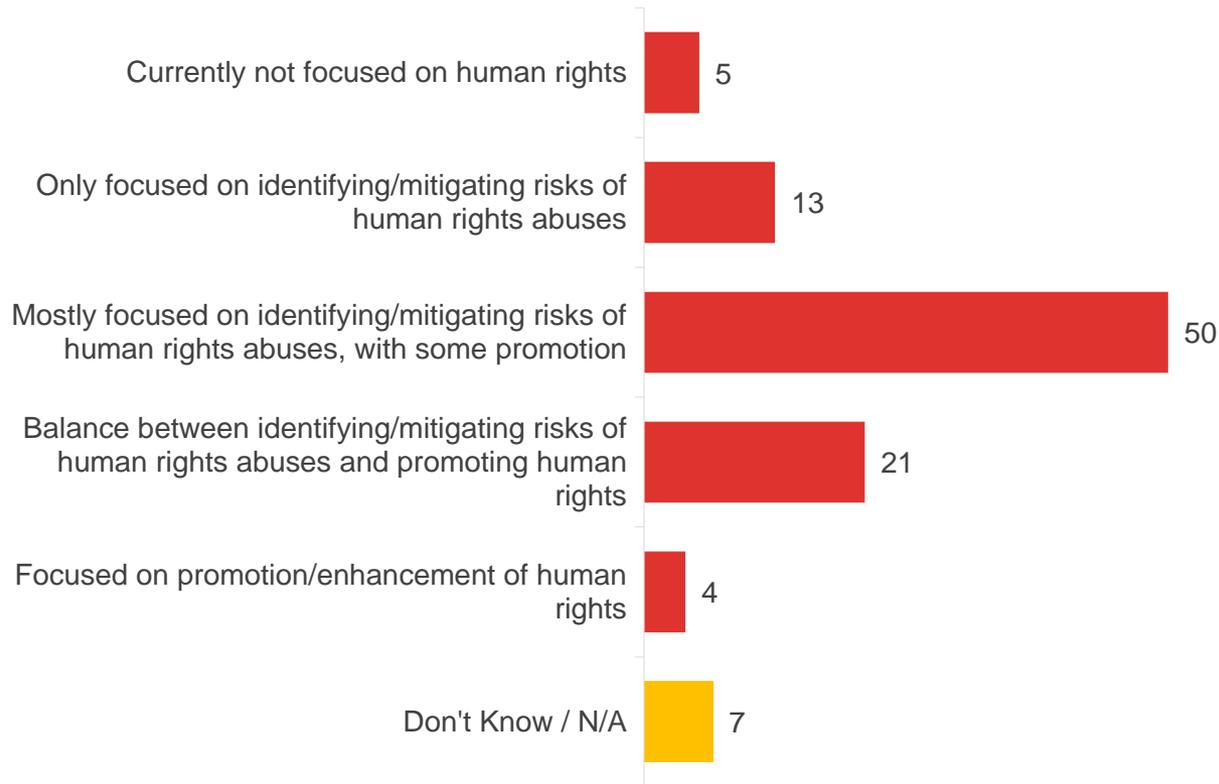
Assessment and Management of Human Rights Through Elements of Value Chain, 2017
(Percentage of Company-Level Respondents)



Q13. How much, if at all, does your company assess and manage human rights through each of the following elements of the value chain?

21 percent of companies report finding a balance between mitigating risk and promoting human rights while the rest mostly focused on risk mitigation.

Company's Approach to Human Rights, 2017 (Percentage of Company-Level Respondents)



Q14. Please place the cursor on the scale below that is closest to your company's approach to human rights.

Inclusive Growth

The priority placed on inclusive growth is slowly increasing, with two-thirds saying that their company is prioritizing it to some extent.

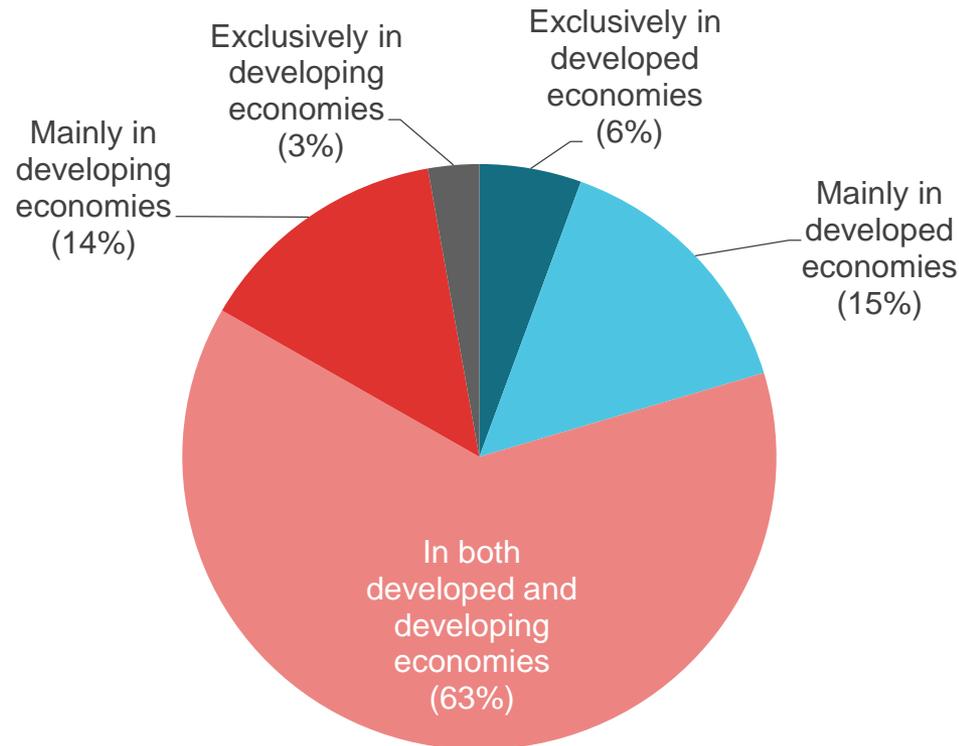
Priority Placed on Inclusive Growth in Company, 2015–2017
(Percentage of All Respondents)



Q19. How much priority, if any, does your company place on inclusive growth?

Among those companies focusing on inclusive growth, most are focusing their efforts in both developed and developing economies.

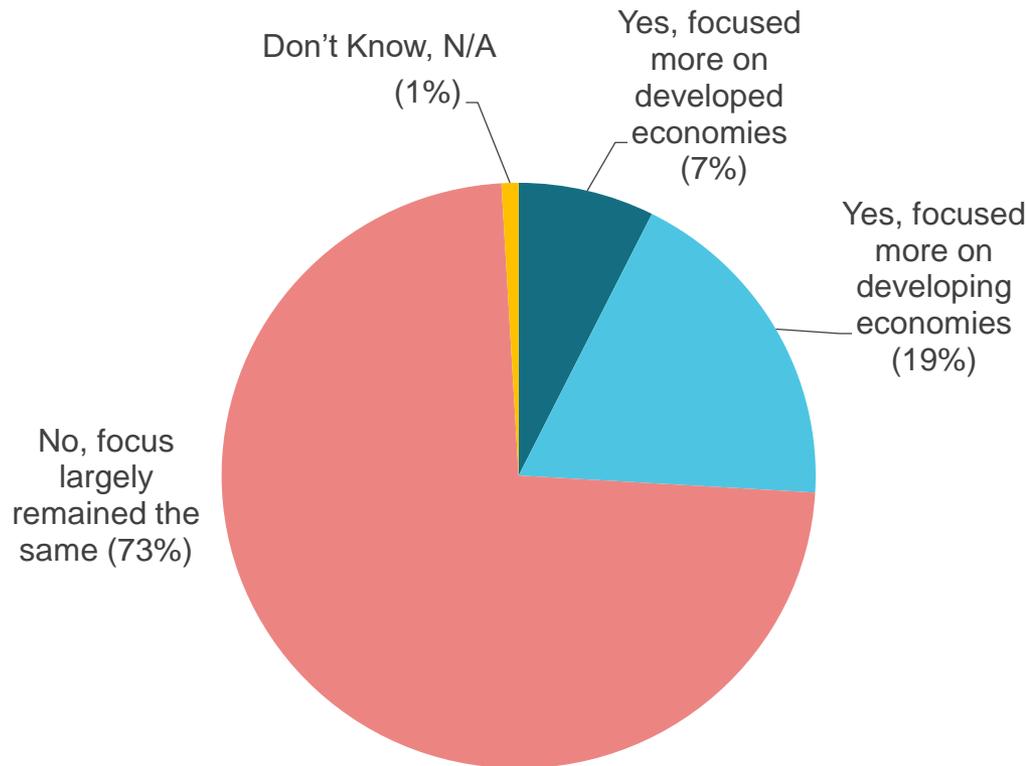
Focus of Company's Inclusive Growth Efforts, 2017
(Percentage of Company-Level Respondents)



Q20 . Where is the focus of your company's inclusive growth efforts?

And despite pressures of populist economic nationalism in many developed countries over the past 12 months, the focus of companies' inclusive growth efforts has not changed.

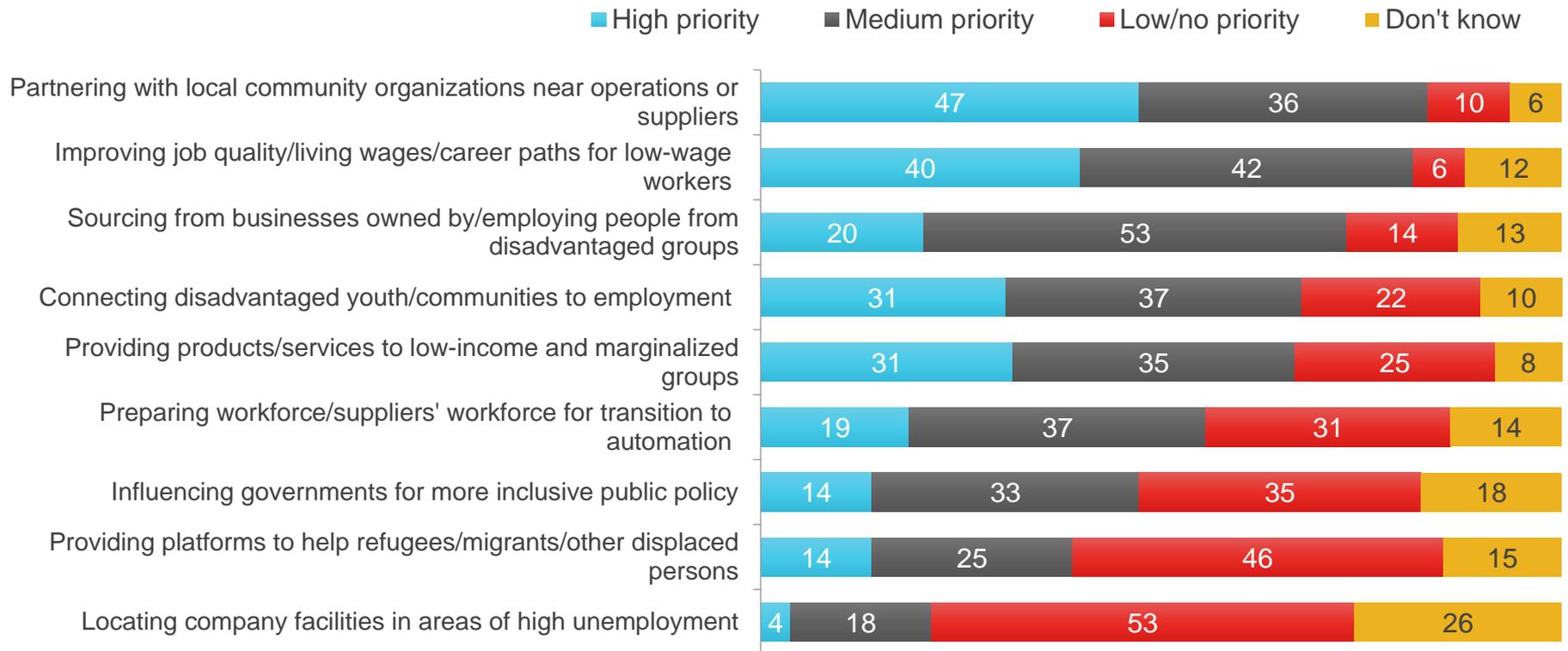
Change in Focus of Company's Inclusive Growth Efforts in the Past 12 Months, 2017
(Percentage of Company-Level Respondents)



Q21. Has the focus of your company's inclusive growth efforts changed in the past 12 months?

It is notable that, despite the political volatility from growing income inequality, inclusive growth efforts are least focused on investing in areas of higher unemployment.

Inclusive Growth Priorities, 2017 (Percentage of Company-Level Respondents)



Q22. How much of a priority, if at all, will the following issues be for your company's inclusive growth work over the coming year?

Summary Conclusions

1. It is clear that sustainability professionals believe that business needs to lead the sustainability agenda. Business is staying the course in the current political environment and it is bolstering the need for business leadership.
2. The results suggest that there is little redefinition of sustainable business. Companies are focused on common issues, but perhaps not adapting to future thinking or integrating new issues.
3. Great progress with sustainability increasing in prominence at the CEO and C-suite level, but the alignment and engagement with internal functions needs further progress (especially Investor Relations, Marketing, and Human Resources)

Questions?

The BSR Conference 2017: How Business Leads

This October, nearly 1,000 sustainable business leaders, as well as leading foundations, nonprofit organizations, and government, will gather in Huntington Beach, California, to explore "How Business Leads" and be a part of innovative solutions to the world's biggest sustainability challenges. www.bsr17.org



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