

The State of Sustainable Business 2016

Results of the 8th Annual Survey of Sustainable Business Leaders

October 2016



evidence and ideas. **applied**



BSR[®]

The Business of a Better World

BSR/GlobeScan State of Sustainable Business 2016

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Research Background

- This year, we received responses from at least one sustainability professional at 61 percent of BSR’s member network of 250 companies.
- In total, 287 sustainability professionals from 152 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	287
Company-Level Respondents	Sample consisting of one response per company , based on main points of contact with BSR	152

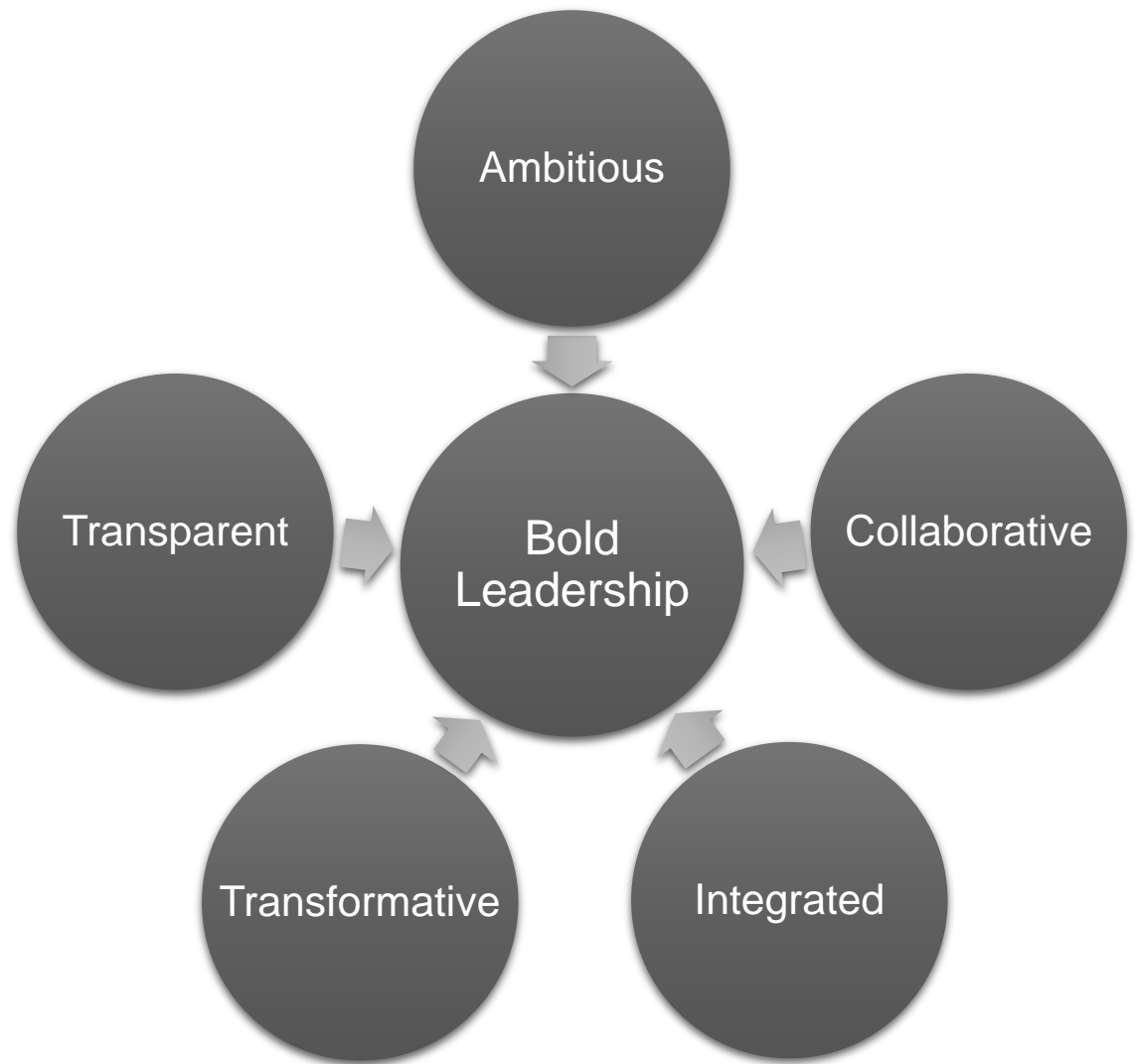
- The BSR/GlobeScan State of Sustainable Business Survey 2016 was conducted between June 7 and September 13. Unless otherwise noted, figures in charts and graphs refer to percentage of respondents.

Overall Priorities and Perceptions

Bold leadership in sustainability is ...

We asked sustainability professionals to describe how they would define bold leadership in sustainability. They responded with hundreds of different perspectives, which can be summarized into five key characteristics.

These five key building blocks of sustainable leadership constitute our collective challenge to be even bolder in the way we confront the world's most pressing problems.



Bold leadership in sustainability is ...

Ambitious

Forward-thinking leadership that is accompanied by bold, long-term goals aimed at wider benefits and reducing negative impacts

“Taking actions that do not have an obvious payback this quarter. Being bold is having a **long-term vision and actively pursuing it**. Being bold is truly **considering future generations and people far beyond today's customers**.” —Director, Chemicals/Plastics Company

“Going **beyond impact reduction** goals and targets to begin to **engage in net positive initiatives** and eventually question and **reinvent one's business model** to help restore the planet.” —Vice President, Consumer Products/Retail Company

Collaborative

Business leaders who recognize they are not alone in facing sustainability challenges and seek out partnerships to tackle issues that demand it

“Willingness to **partner and drive impacts** to recognize that in order to create systemic change, sustainability **cannot be a competitive advantage**.” —Vice President, Consumer Products/Retail Company

Transformative

Challenging conventional business models and innovating to apply sustainable solutions and effect organizational change

“**Transforming not just the operations side** of a business but its **internal policies and external business model to embrace sustainability** and then being **transparent** about your progress.” —Vice President, Financial Services Company

Bold leadership in sustainability is ...

Integrated

Included as core to the business, and factored into strategic decisions as a material consideration

“Providing **strategic direction and leadership** to one’s company to help it develop and implement a **sustainability strategy that is completely integrated** with the business strategy **rather than an optional add-on**.” —Director, Energy and Extractives Company

“**Integrating sustainability values** into the business. Eschewing the reputational competition and just doing the work. **Visible CEO leadership**.” —Director, Information and Communications Technology Company

Transparent

Being open and honest about sustainability ambitions and progress and inviting frank discussions with others about how to address challenges

“Organizations that are **consultative and transparent**, engaging with critics to find the best solutions” —Manager, Consumer Products/Retail Company

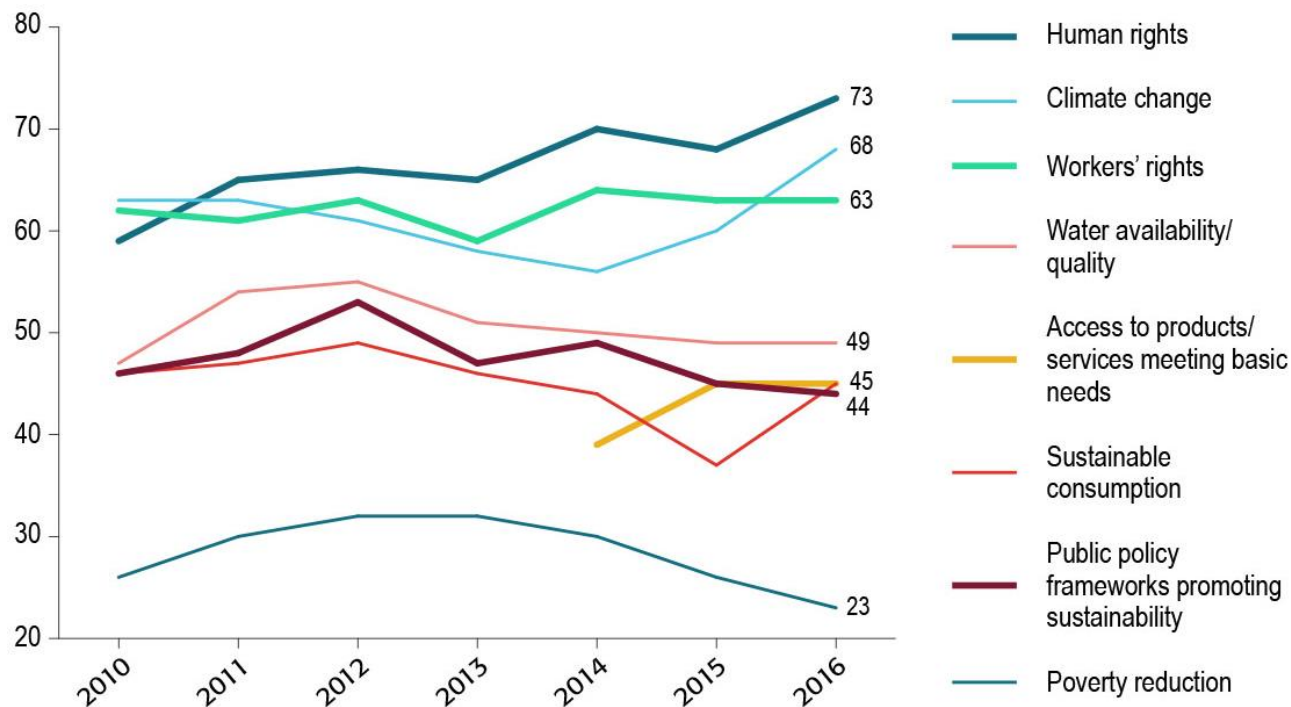
“Achieving **transparency** in goals, the paths to achieving them, and the **failures and roadblocks encountered along those paths**.” – Director, Information and Communications Technology Company

“**Embracing radical transparency** and setting stretch goals for organizations.” —Director, Information and Communications Technology Company

Climate change and human rights have both increased as top priorities for companies in 2016, likely influenced by recent global agreements.

Corporate Sustainability Priorities Over the Next 12 Months, 2010-2016

(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”.

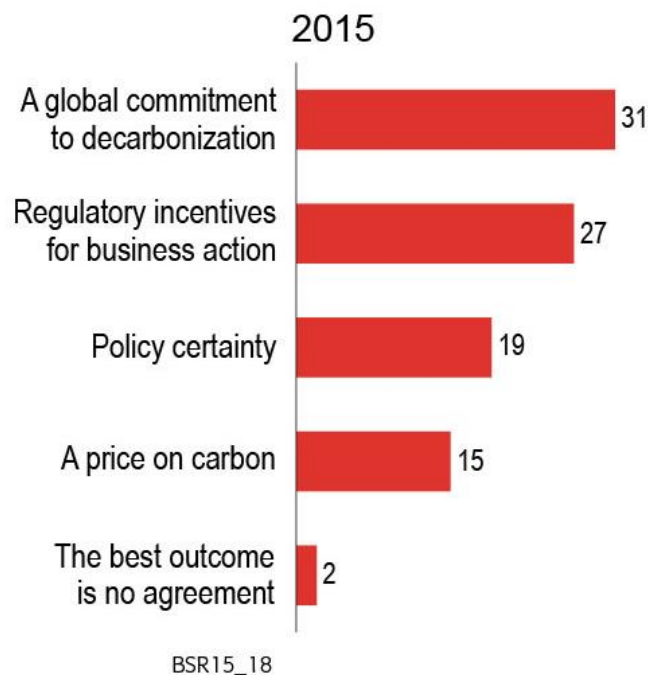
BSR16_2

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? Please use a 5-point scale where 1 is “not at all a priority” and 5 is “a very significant priority.”

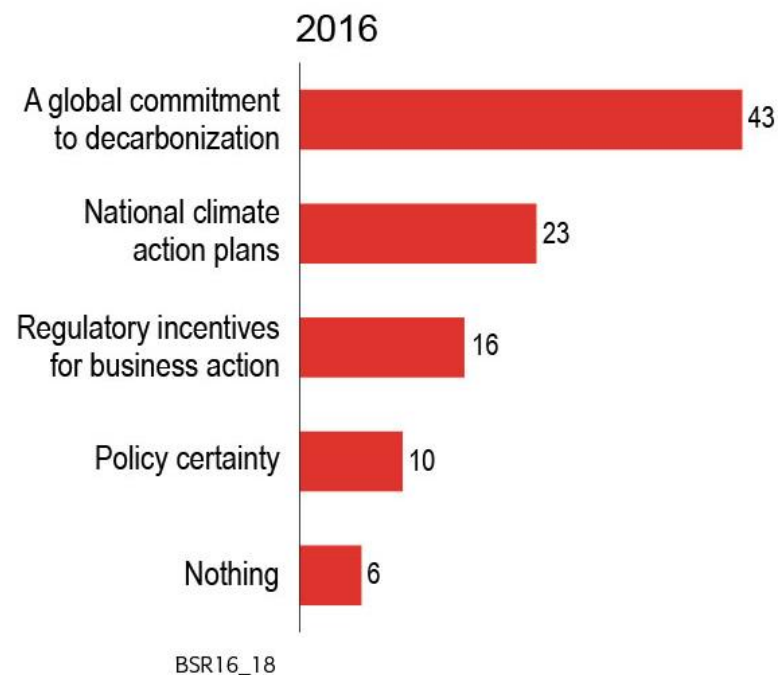
Climate Change and Impact of COP21

Professionals had their desire for a global commitment to decarbonization fulfilled at COP21, but it fell short of expectations for regulatory incentives.

Most Important Outcome of an International Agreement on Climate, 2015-2016
(Percentage of All Respondents)



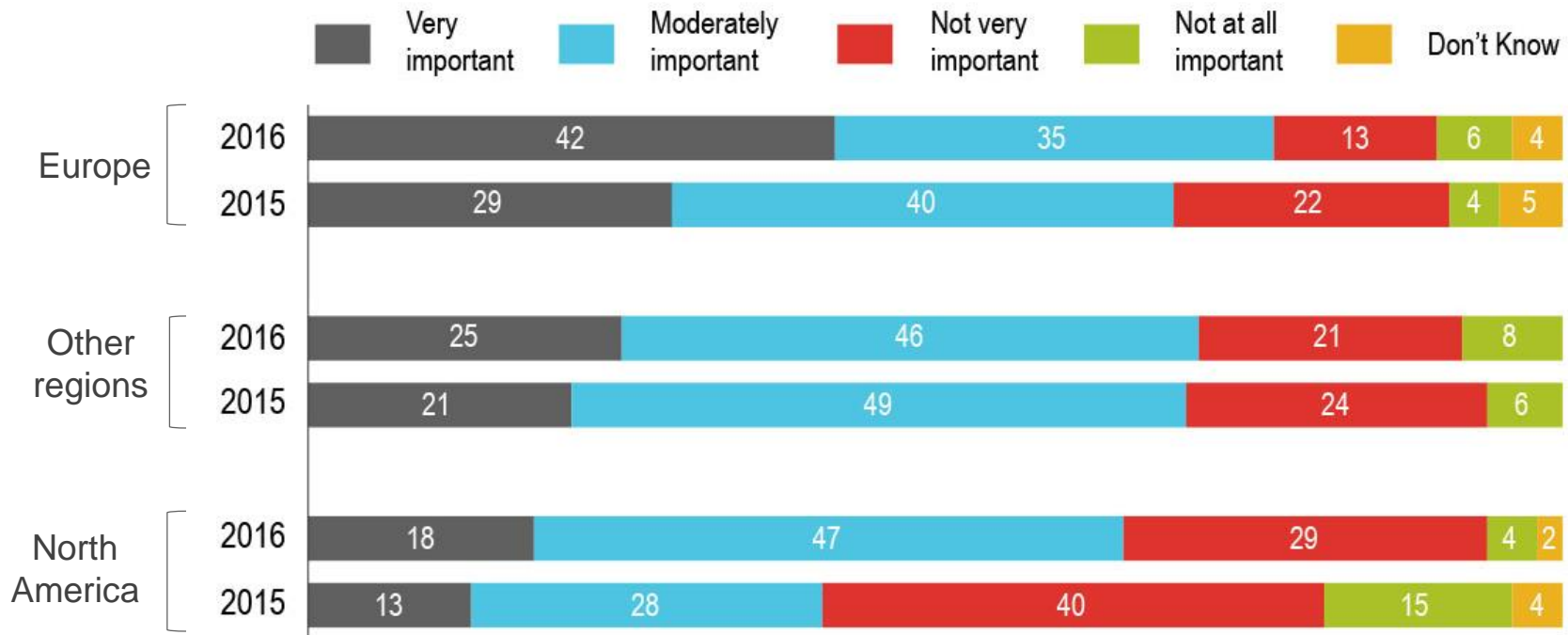
Q18. What do you feel is the most important outcome from a new international climate agreement like this? Please select only one. (2015)



Q18. What do you feel has been the most important outcome from the new international climate agreement agreed in Paris last year (UNFCC COP21)? Please select only one. (2016)

Before the agreement was signed, COP21 was anticipated to be important to business. Now that it has been agreed, professionals view it as even more important, especially in North America.

Importance of Climate Agreement to Business, 2016, By Region
(Percentage of All Respondents)

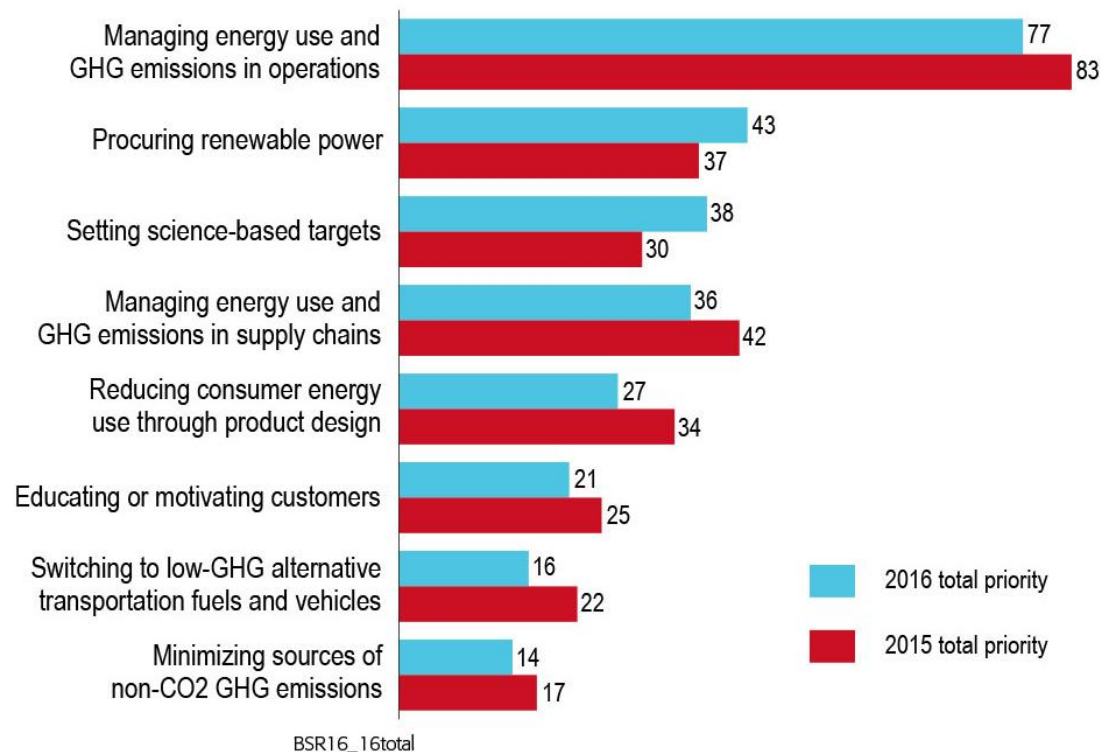


BSR16_17

(2015) Q17. How important, if at all, is a new international climate agreement (e.g., UNFCCC COP21 in Paris) to your business?
(2016) Q17. How important, if at all, is the new international climate agreement (e.g. UNFCCC COP21 in Paris) to your business?

Companies' climate mitigation efforts increasingly appear to be focusing on renewable procurement and science-based targets in 2016.

Most Important Priorities for Company Climate-Mitigation Efforts, 2016
(Percentage of All Respondents)

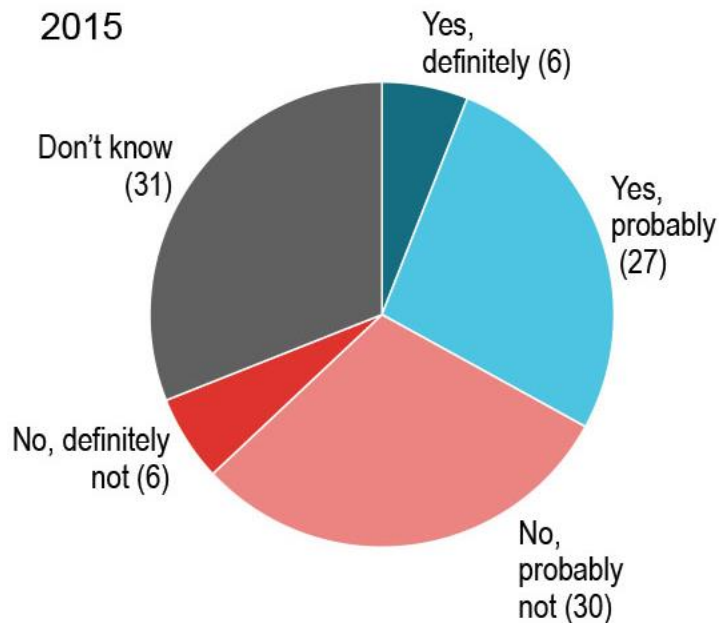


Q16. From the list below, please identify and rank the three most important priorities for your company's climate mitigation efforts.
(From the list below, please rank the three most important priorities by entering a 1, 2, or 3 in the space provided, with 1 being the "most important priority.")

Impact of SDGs

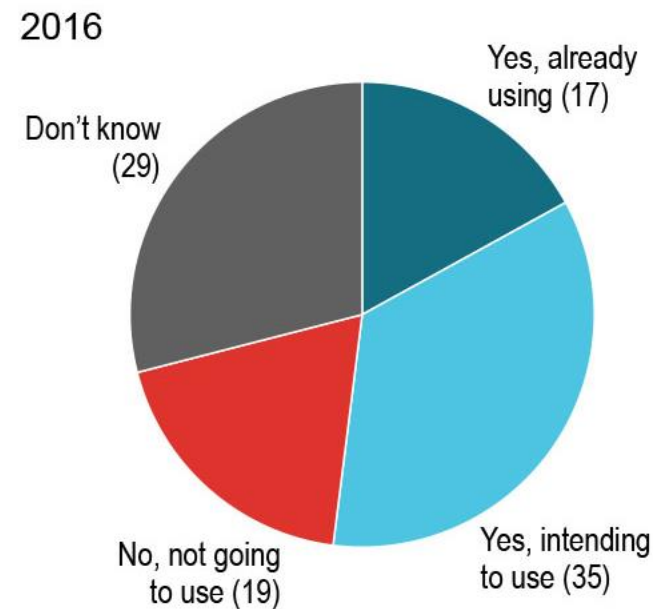
In 2016, respondents report that the SDGs are informing their company's strategy more than they anticipated last year.

Corporate Adoption of SDGs to Inform Target-Setting, 2015-2016
(Percentage of Company-Level Respondents)



BSR15_22

Q22. Assuming they are agreed upon in September, does your company intend to use the proposed UN Sustainable Development Goals to set corporate performance targets? (2015)



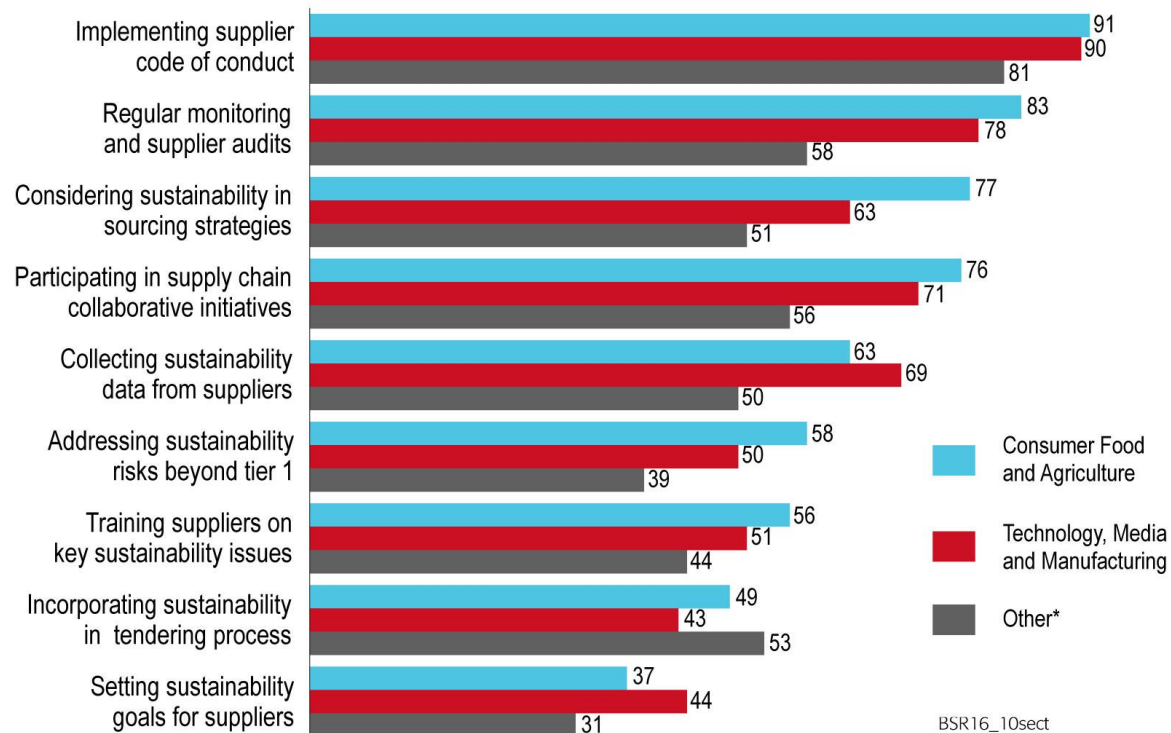
BSR16_22

Q22. Is your company already using or intending to use the proposed UN Sustainable Development Goals to set corporate performance targets? (2016)

Supply Chain

Certain industries are more advanced in the strategies they employ to drive sustainability in their supply chain.

Strategies Advancing Sustainability in Supply Chain, 2016
(Percentage of All Respondents, Total Mentions)



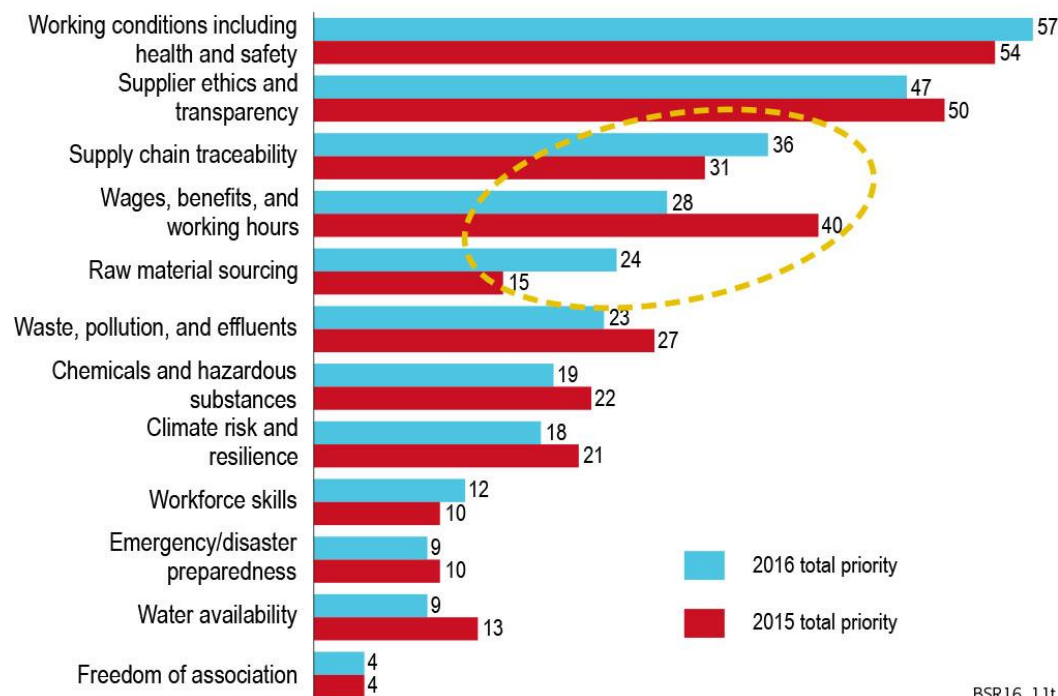
*Includes energy and extractives, health care, financial services, transport and logistics and "other"

Q10. In which of the following ways, if any, is sustainability currently advanced within your supply chain? (Please select all that apply.)

Supply chain traceability, and raw materials sourcing in particular, saw an increase in importance since 2015, with less importance placed on wages, benefits, and working hours.

Total Mentions, Ranked, 2015-2016

(Percentage of All Respondents Identifying an Issue as One of the Top-Three Most Important, Combined)



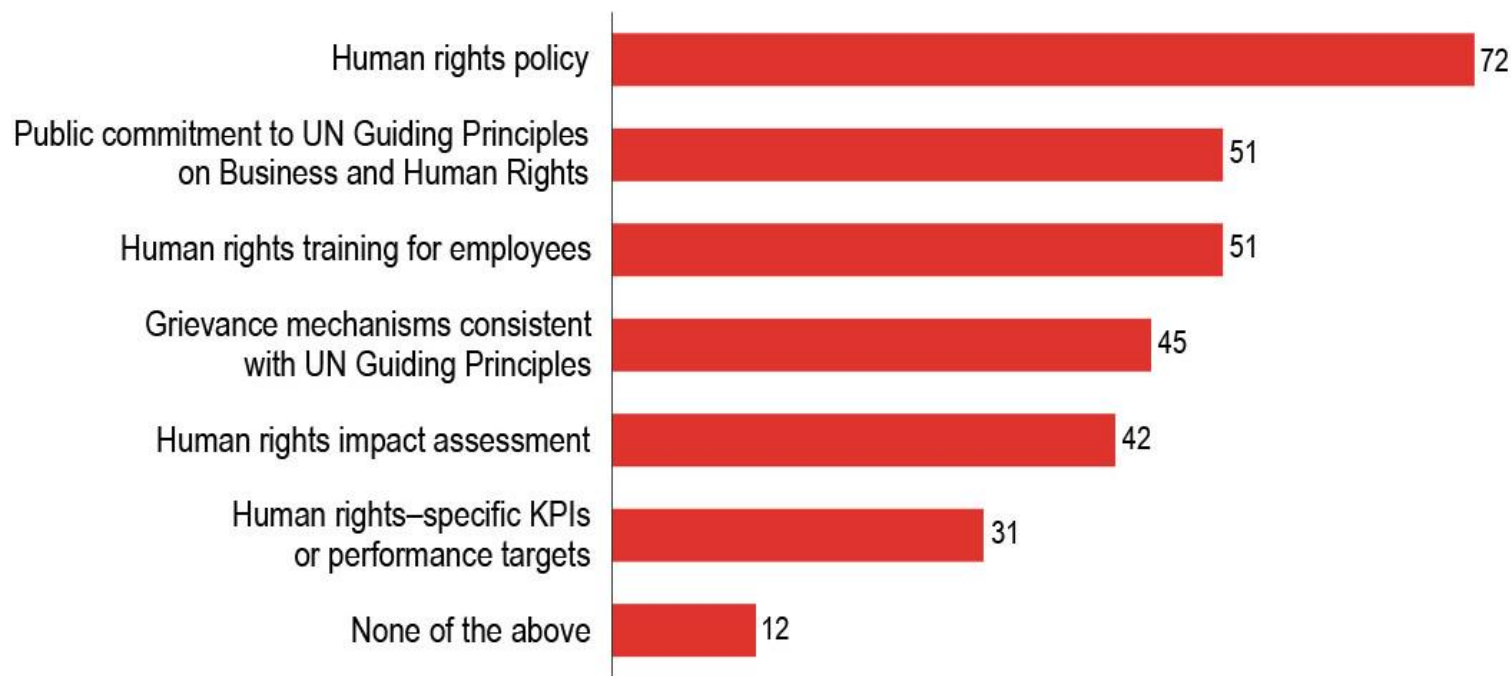
BSR16_11t

Q11. What do you believe are the three most important sustainability issues in your supply chain? (From the list below, please rank the three most important issues by entering a 1, 2, or 3 in the space provided, with 1 being “the most important.”)

Human Rights

While having a human rights policy is common, other important activities that can help advance human rights are much less widespread.

Corporate Activities Advancing Human Rights, 2016
(Percentage of All Respondents, Total Mentions)



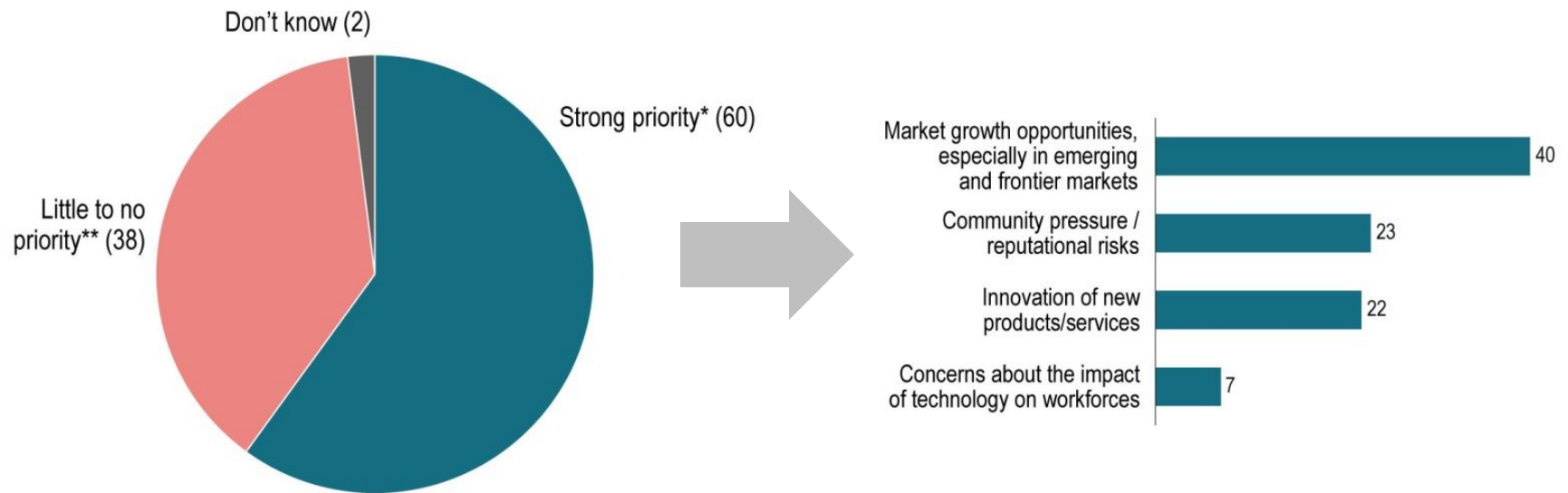
BSR16_15

Q15. What activities are you undertaking (or have you undertaken) to advance human rights in your company?
(Please select all that apply.)

Inclusive Economy

Inclusive growth continues to be a strong priority for business, largely driven by market opportunities, especially in emerging or frontier markets.

Companies Focusing on Inclusive Growth in Their Strategies, 2016
(Percentage of All Respondents)



*1 or 2 on a 4-point scale

**3 or 4 on a 4-point scale, where 1 is "A great deal" and 4 is "None at all"

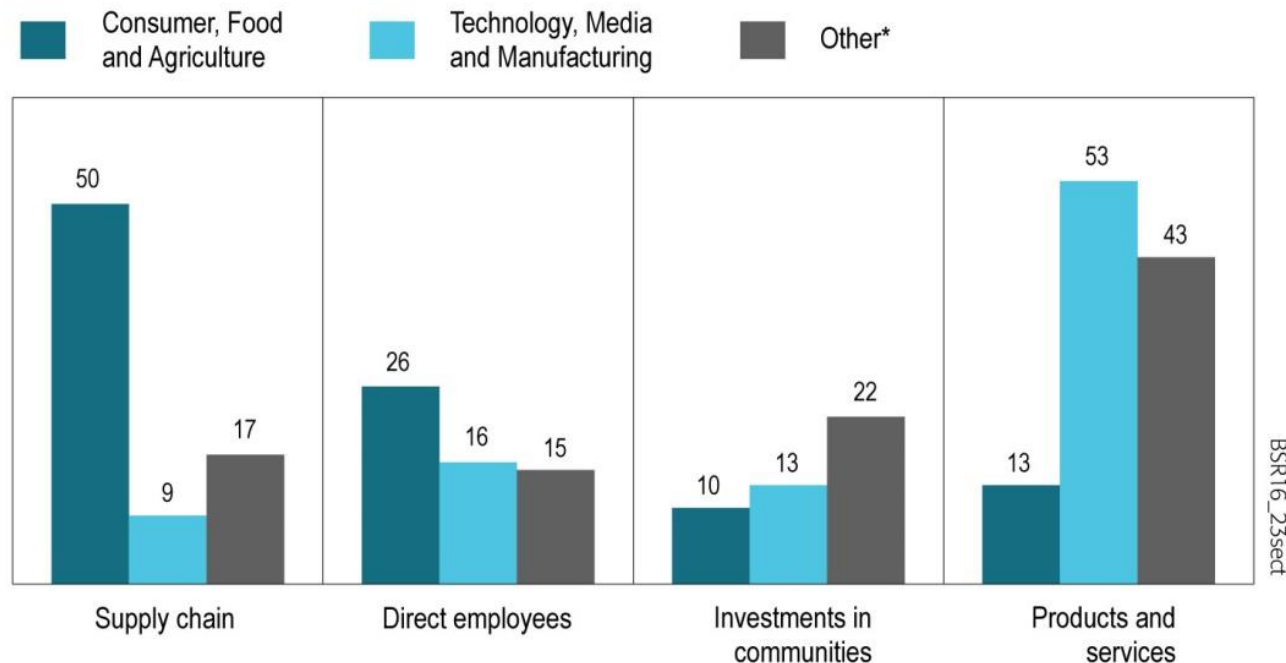
BSR16_24-25

Q24. How much priority, if any, does your company place on inclusive growth? Definition: "An inclusive economy promotes inclusive growth."

Q25. What do you feel is driving this focus on inclusive growth at your organization?

Consumer, food, and agriculture companies promote inclusive through their supply chain, while other sectors focus more on products and services.

Most Effective Ways to Contribute to Inclusive Economies, 2016
(Percentage of All Respondents)



Q23. Through which one of the following ways, if any, can your company most effectively contribute to building an inclusive economy?

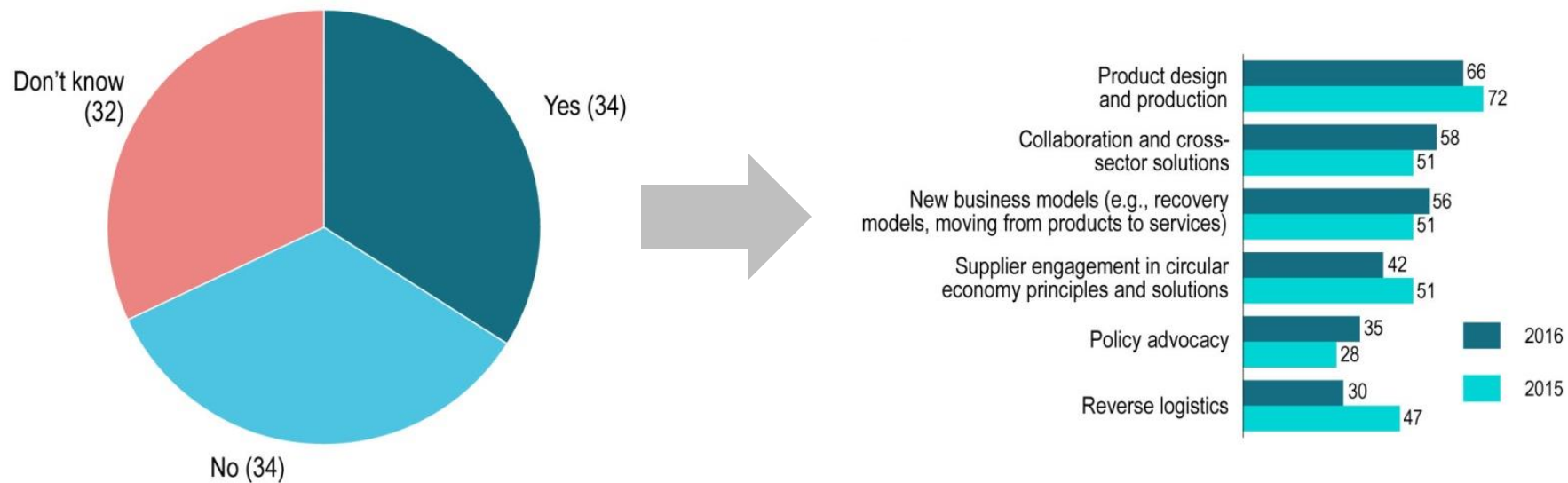
By inclusive economy, we mean an economy that enables all individuals and communities to participate in, benefit from, and contribute to the economy. (Please select only one.)

*Includes energy and extractives, health care, financial services, transport and logistics and "other"

Circular Economy

While the proportion of companies implementing circular economy principles has increased only slightly, collaboration and new business models are on the rise.

Practical Application of Circular Economy Principles, 2016
(Percentage of All Respondents)



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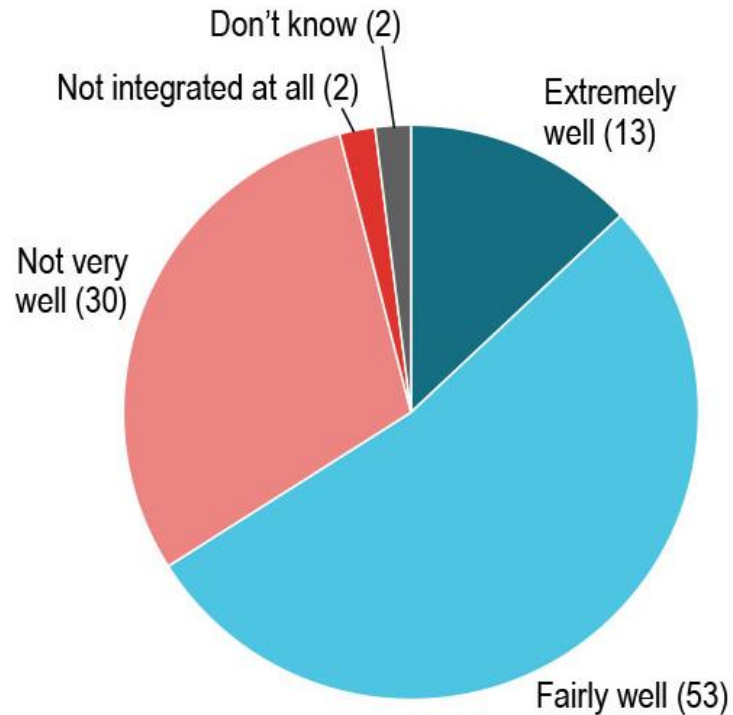
Q20. Is your company implementing circular economy principles?

Q21. How is your company applying these circular economy principles in practice? (Please select as many as apply.)

Integrating Sustainability into the Business

Sustainability is reported to be at least fairly well integrated in two-thirds of companies.

Perceptions of Sustainability Integration, 2016
(Percentage of Company-Level Respondents)



BSR16_8

Q6. How well do you believe sustainability is integrated into the core of your business?

Sustainability is widely integrated into companies' corporate purpose, but methods have changed little over the past year.

Sustainability Integration Strategies, 2016
(Percentage of Company-Level Respondents)



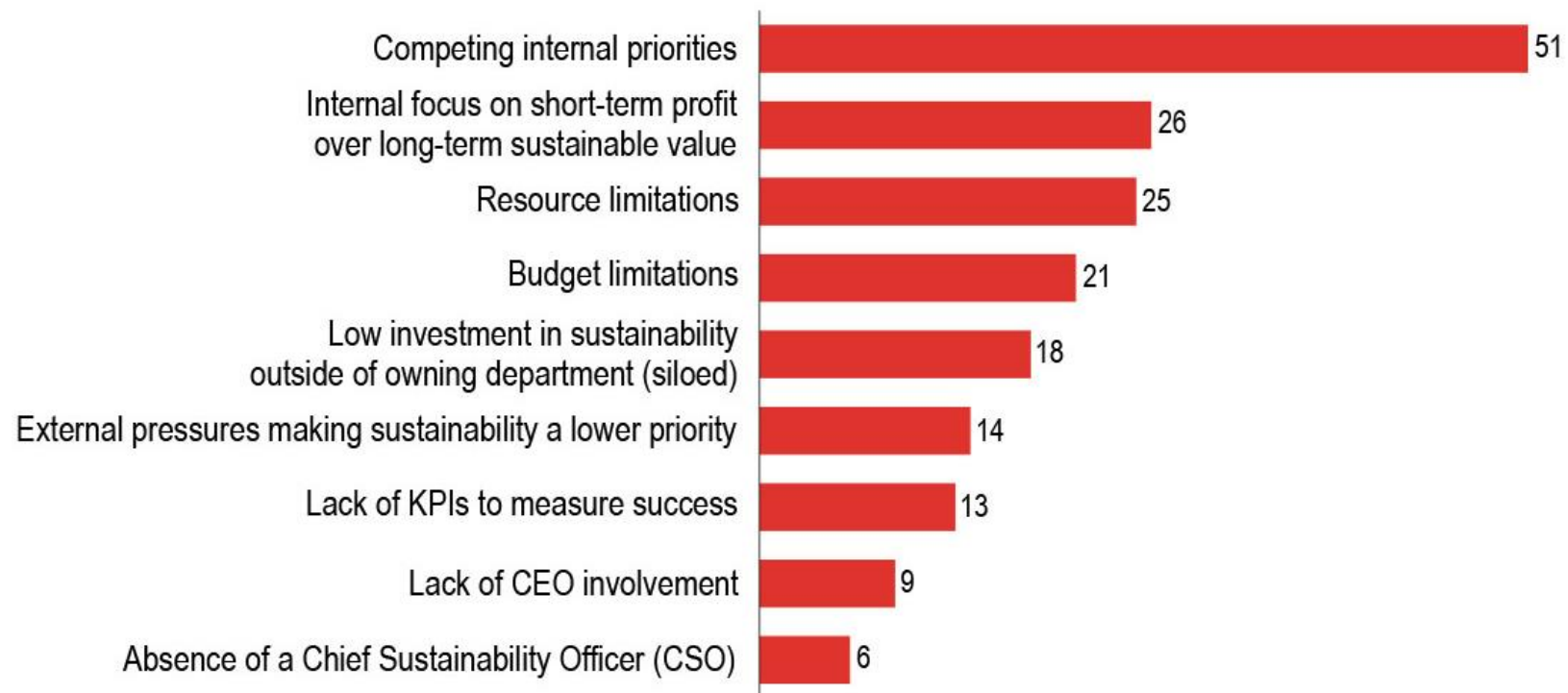
BSR16_4c

Q4. Through which of the following ways is sustainability integrated into your company? (Please select all that apply.)

*New answer option in 2016

Competing internal priorities are the biggest roadblock to internal engagement and collaboration on sustainability.

Perceived Barriers to Better Internal Engagement and Collaboration on Sustainability, 2016
(Percentage of All Respondents, Total Mentions)

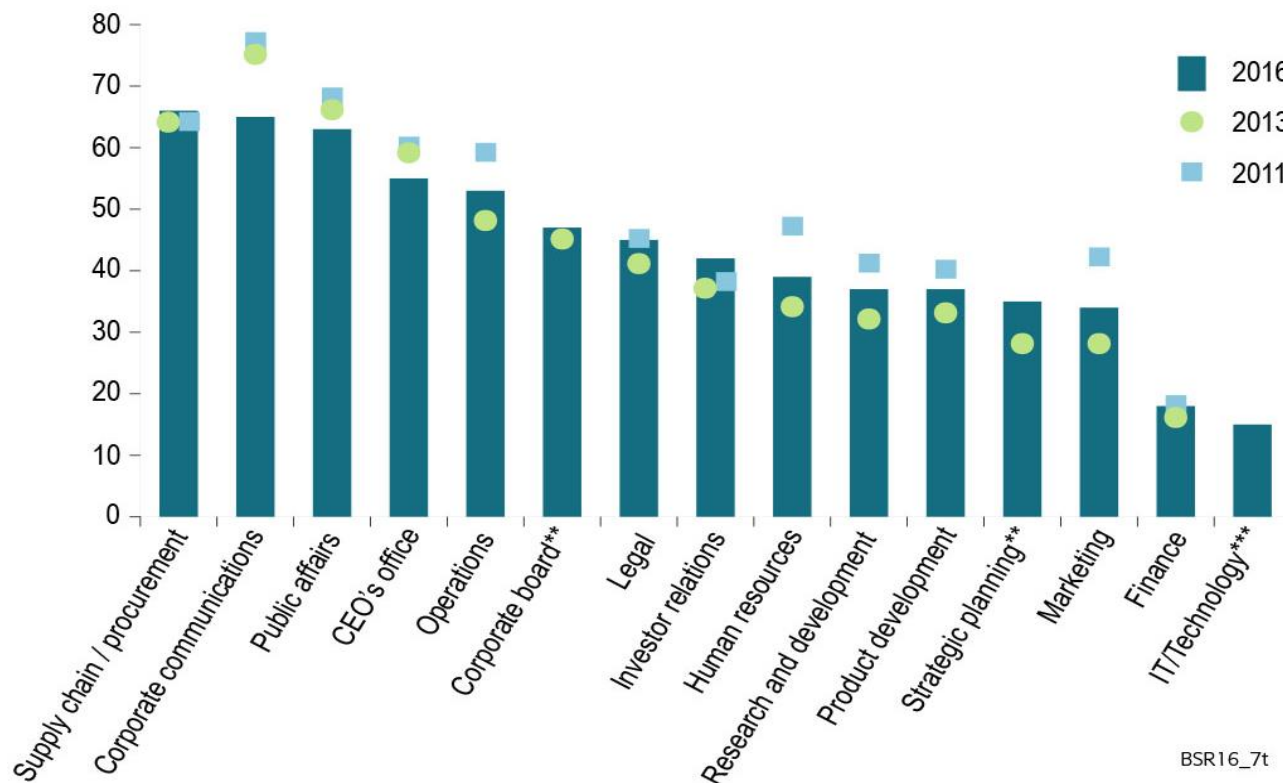


BSR16_8c

Q8. What are the greatest barriers to better internal engagement and collaboration between your company's sustainability function and other functions across the business? (Please select the top 2 greatest barriers.)

The role of competing internal priorities as a barrier to integrating sustainability is heightened by the continuing modest level of engagement with key functions.

Perceptions of Functions' Engagement with Sustainability,* 2011–2016
(Percentage of All Respondents)



Q7. Please rate the level of engagement that each of the following functions within your company has with your company's sustainability function.

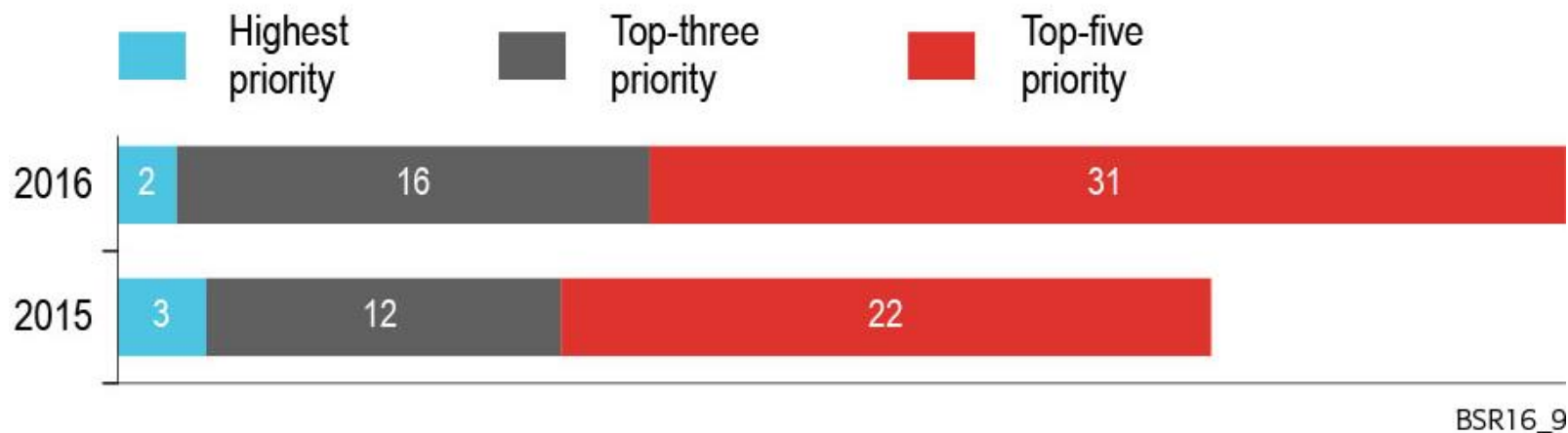
*Percentage of respondents who selected a 4 or 5 on a 5-point scale where 1 is "not engaged at all with sustainability" and 5 is "very engaged with sustainability."

** Added in 2013.

*** Added in 2016.

In nearly half of companies surveyed (49%), sustainability is at least among the CEO's top five priorities, and this has increased over the past year.

CEO Corporate Agenda Priorities, 2016
(Percentage of Company-Level Respondents)



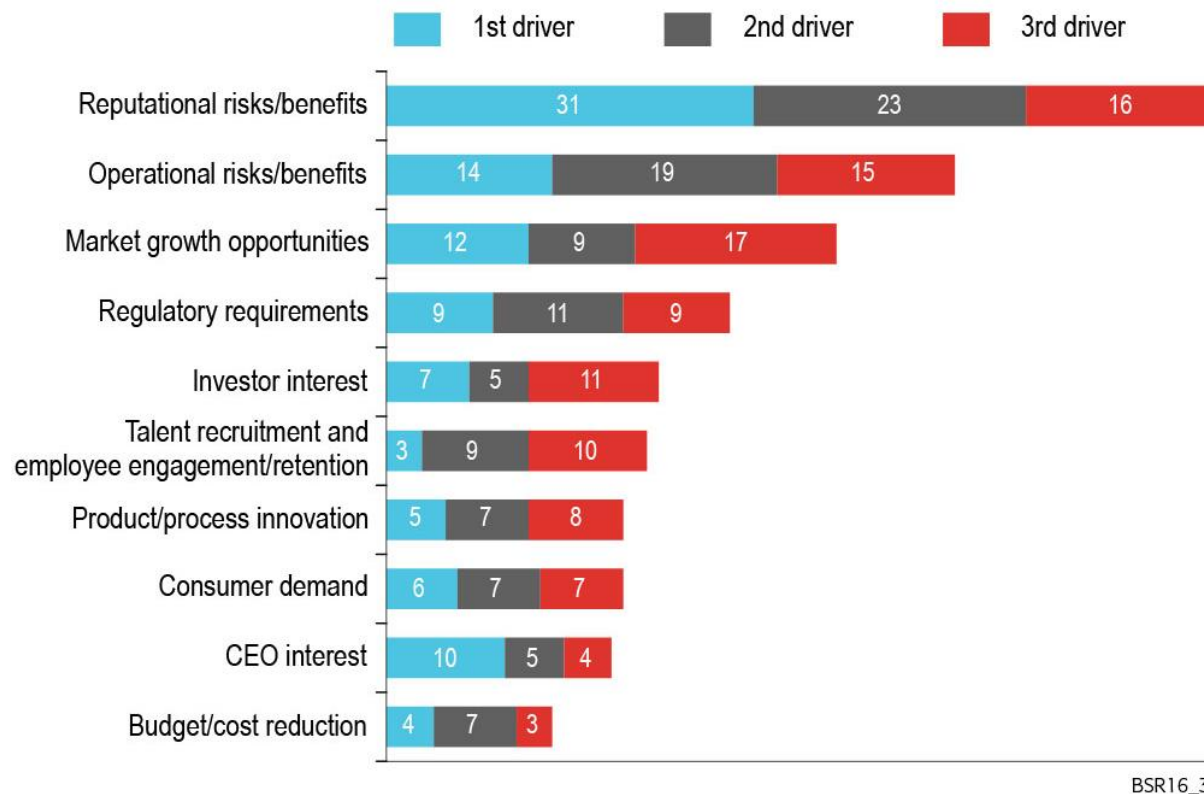
Q9. In considering your CEO's involvement with sustainability, where do you believe sustainability falls on his or her corporate agenda?
(Please select one.)

Engaging on Sustainability

Corporate sustainability efforts continue to be driven primarily by reputational risks and benefits, with little change to the drivers since 2015.

Drivers of Sustainability Efforts, Top Mentions, Ranked, 2016

(Percentage of Company-Level Respondents Identifying Issue as a Top-Three Driver, Combined)

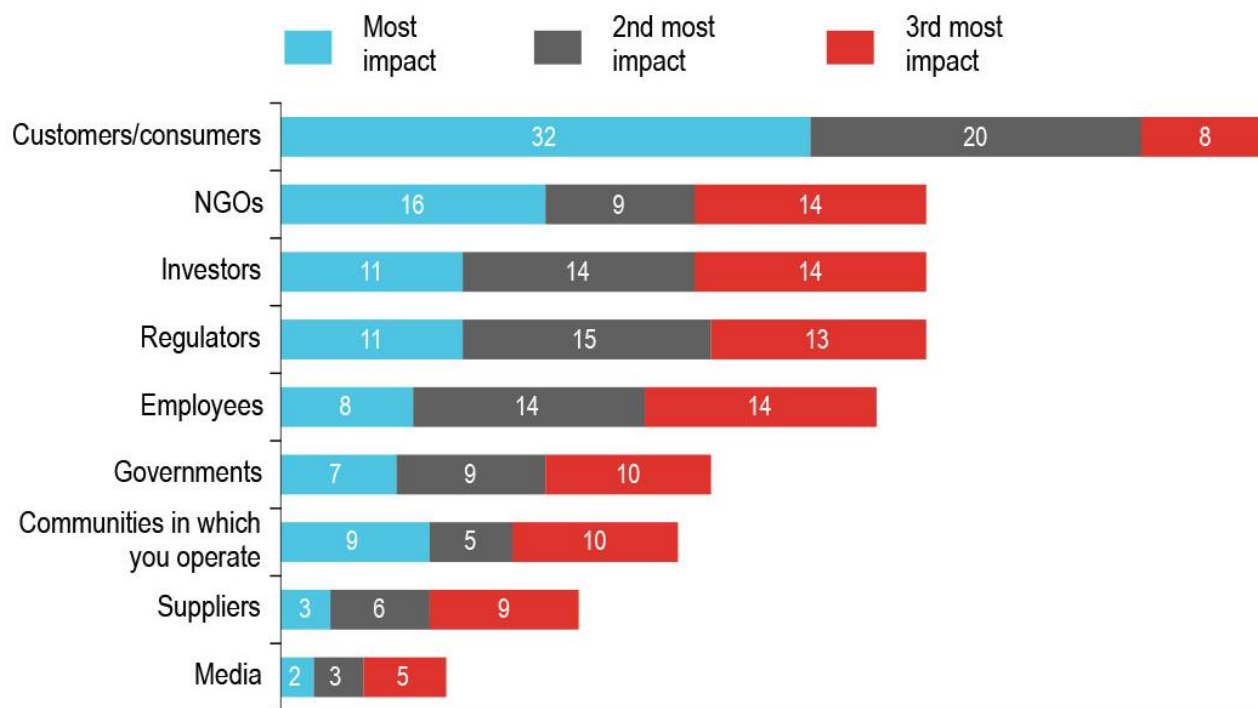


Q3. Which of the following are the most important drivers for your company's sustainability efforts? (From the list below, please rank the three most important drivers by entering a 1, 2, or 3 in the space provided, with 1 being "the most important.")

Customers and consumers continue to have the greatest impact on how companies address sustainability, with the perceived impact of these groups changing little over the past year.

Top Three Mentions, 2016

(Percentage of Company-Level Respondents Identifying as a Top-Three Group, Combined)

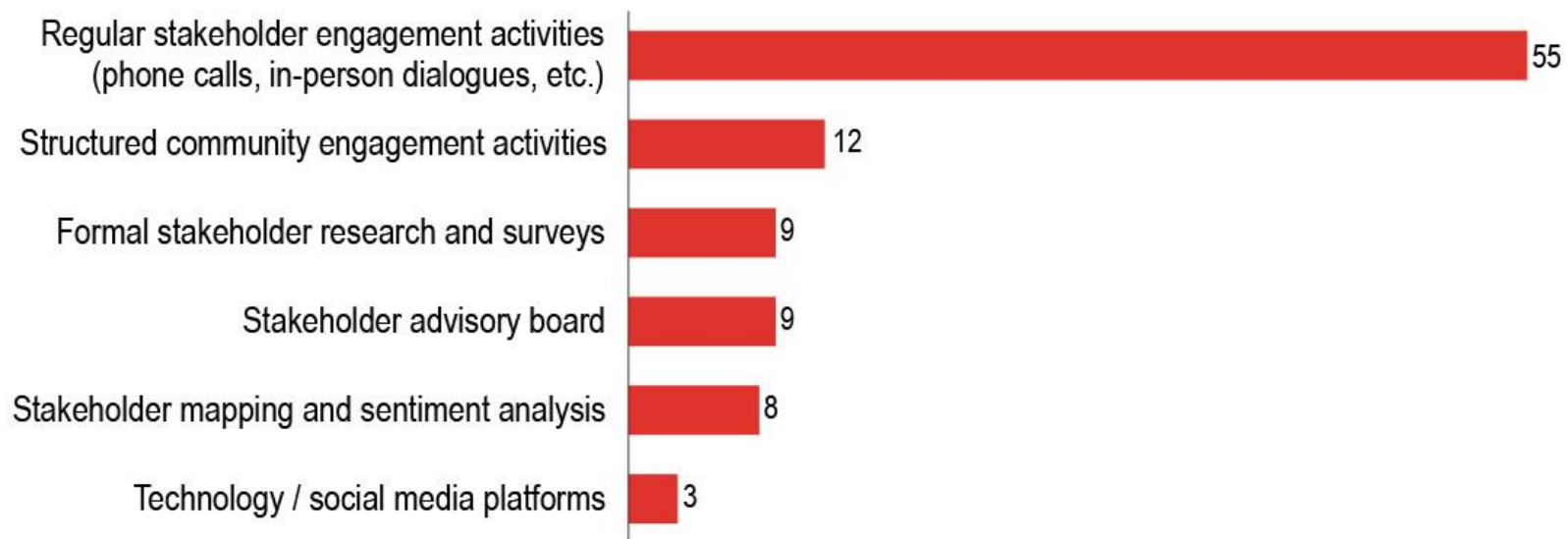


BSR16_13c

Q13 Please select and rank the three stakeholder groups who you believe have the most impact on how you approach sustainability in your business. (From the list below, please rank the top three groups by entering a 1, 2, or 3 in the space provided, with 1 being "the most impact.")

Companies place highest importance on regular stakeholder engagement activities, although few adopt more structured ways of engagement.

Methods of Engaging Stakeholders, 2016
(Percentage of Company-Level Respondents)



BSR16_12c

Q12. Which one, if any, of the following is the most important way you engage stakeholders to advance your sustainability priorities?
Please select the most important.

Questions?

The BSR Conference 2016: BE BOLD

This November, a global audience of close to 1,000 senior business executives and entrepreneurs from the public sector and civil society will gather in New York at the BSR Conference to explore emerging trends and innovative solutions to crucial sustainability questions.

www.bsr16.org

BSR Conference 2016

November 1-3, 2016 | New York



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