

The State of Sustainable Business 2019

Results of the 11th Annual Survey of Sustainable Business Leaders
2019



BSR[®]

The Business of a Better World

Table of Contents

Introduction + Key Findings	3
Sustainability Priorities	10
Sustainability Management	13
Sustainable Development Goals	24
Future Focus	27
Focus Areas	31
Climate Change	34
Human Rights	38
Inclusive Economy	42
Supply Chain	46
Women's Empowerment	50

Introduction and Key Findings

About This Research

- **The 11th Annual BSR/GlobeScan State of Sustainable Business Survey** provides insight into the world of sustainable business and identifies common perceptions and practices of corporate sustainability professionals.
- In addition to measuring shifting priorities and challenges in corporate sustainability, this year's survey takes a look at the future milestones around which companies are planning their sustainability strategies and what they'll be doing differently.
- To focus on actions of **companies** within the sustainable business community, the research draws from the responses of one sustainability practitioner at each of 125 BSR member companies who participated.
- The survey was fielded fully online among the BSR member network, with responses collected between June and September 2019. All data analysis was managed independently by GlobeScan.

Sample Breakdown: All Company Respondents

Sector	Consumer Products and Retail	27%
	Healthcare	14%
	Information and Communications Technology	14%
	Energy and Extractives	8%
	Financial Services	8%
	Food, Agriculture, and Beverage	6%
	Transportation and Logistics	5%
	Heavy Manufacturing	2%
	Power and Utilities	2%
	Professional Services	2%
	Infrastructure	1%
	Media and Entertainment	1%
	Travel and Tourism	1%
	Other	10%

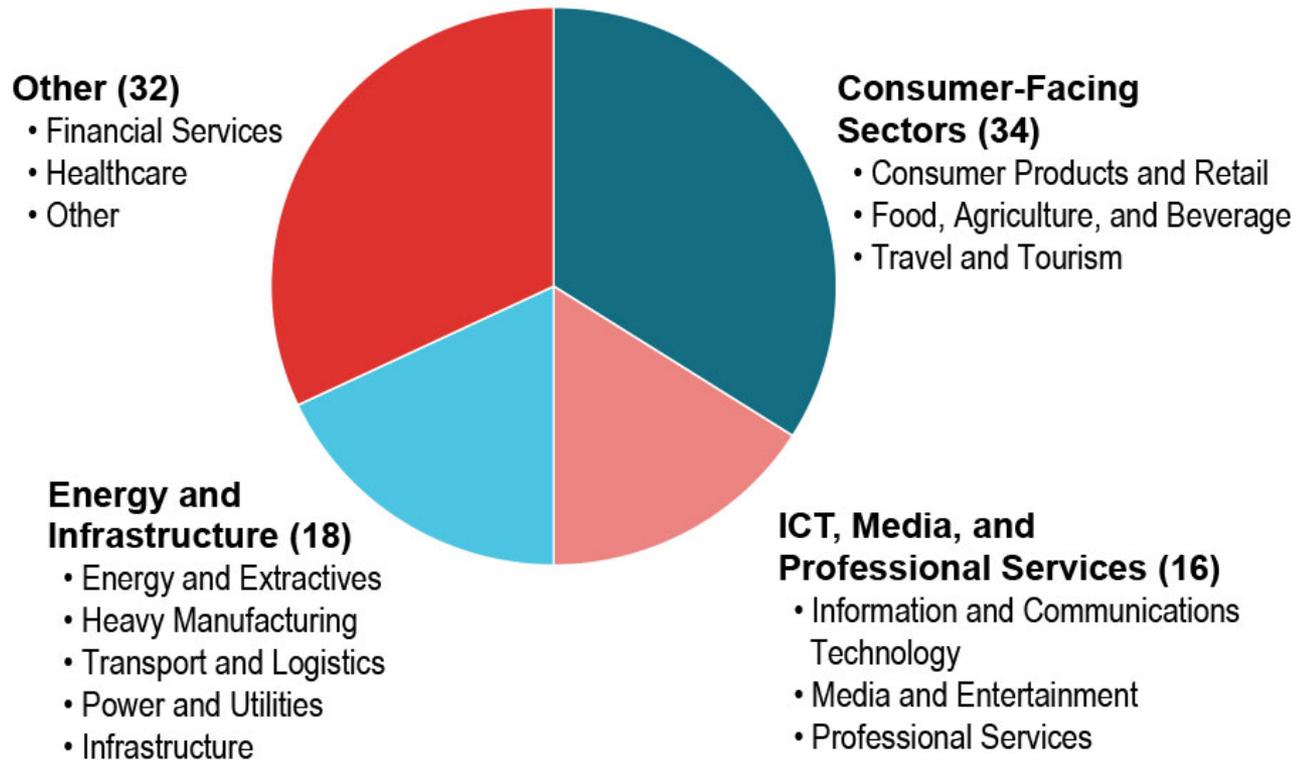
Region	North America	59%
	Europe	30%
	Other regions	11%

Job Level	Vice president or above	18%
	Director	37%
	Manager or below	43%
	Other	2%

Sample Breakdown: Sector Reporting Groups

Sector Groupings Included in This Report

All Company Respondents, 2019



BSR19_sect

Key Findings (1/3)

- **Climate emerges as a clear leading priority for companies:**
 - Companies have historically reported that climate change is one of the top three priorities for the coming year, along with issues such as ethics/integrity, diversity/inclusion, and human rights.
 - While these four issues stand out as the continued highest priorities for business, climate change emerged from the pack this year due to the degree to which respondents stated that it is a “very significant” priority for their company.
 - This is welcome, but perhaps not surprising, given the increased sense of urgency expressed by scientists and other experts, and the heightened focus of activists.
- **Investor interest rises as a key driver of sustainability efforts:**
 - Reputation risks and customer/consumer demand continue to be identified as the most important drivers of company sustainability efforts.
 - However, the proportion of professionals citing investor interest as one of the top three drivers of sustainability efforts has increased over the past year. For many, this will not be a surprise given the increasing reports of shareholder activism, questions, and resolutions, and the high-profile viewpoints of people such as BlackRock’s Larry Fink.
- **Deeper integration of sustainability is challenging:**
 - There has been little movement over the past three years in the proportion of companies saying that sustainability is at least fairly well integrated into the business.
 - Integration of sustainability into strategic planning and into products and services is being pursued by only about half of the companies surveyed.

Key Findings (2/3)

- **Sustainability and the CEO:**

- More than half of companies say that sustainability is among the top five priorities for their CEO, with a quarter reporting that it is among the top three priorities. This result continues to be encouraging for how sustainability is being prioritized within companies. However, the findings also show that CEO interest in sustainability is now a very important driver of sustainability efforts, but very few companies are incentivizing CEOs to drive sustainability by linking it to their pay or bonuses.
- Two new questions this year shed light on the role of the CEO's voice. While we find that less than a fifth of respondents state that the CEO's voice is one of the most important ways they engage stakeholders on their sustainability efforts, for those that do think it is important, they report that it is comparatively the most effective tool.

- **Communicating on Sustainability:**

- Companies report that they have been more effective in communicating their sustainability efforts to their stakeholders, compared to specifically just their customers/consumers, suggesting an ongoing need for better story-telling and internal engagement between the sustainability function and customer/consumer facing functions in brand and marketing.

- **Value Chain Approach:**

- Across a range of areas including human rights, climate, inclusive growth, and women's empowerment, company efforts have intensified within their own operations and to some extent in their Tier 1 supply chain. However, there is much room for increased efforts to create value from sustainability efforts across the value chain in product use, marketing and sales, and driving change through engaging on public policy.

Key Findings (3/3)

- **Supply Chain Sustainability:**

- When asked how effective company efforts have been in addressing sustainability issues in the supply chain, half of the respondents report that their efforts have not been effective.
- However, where they are applying new technologies or methods towards managing sustainability issues in their supply chain, companies are much more likely to see their overall efforts as being effective.

- **Beyond 2020:**

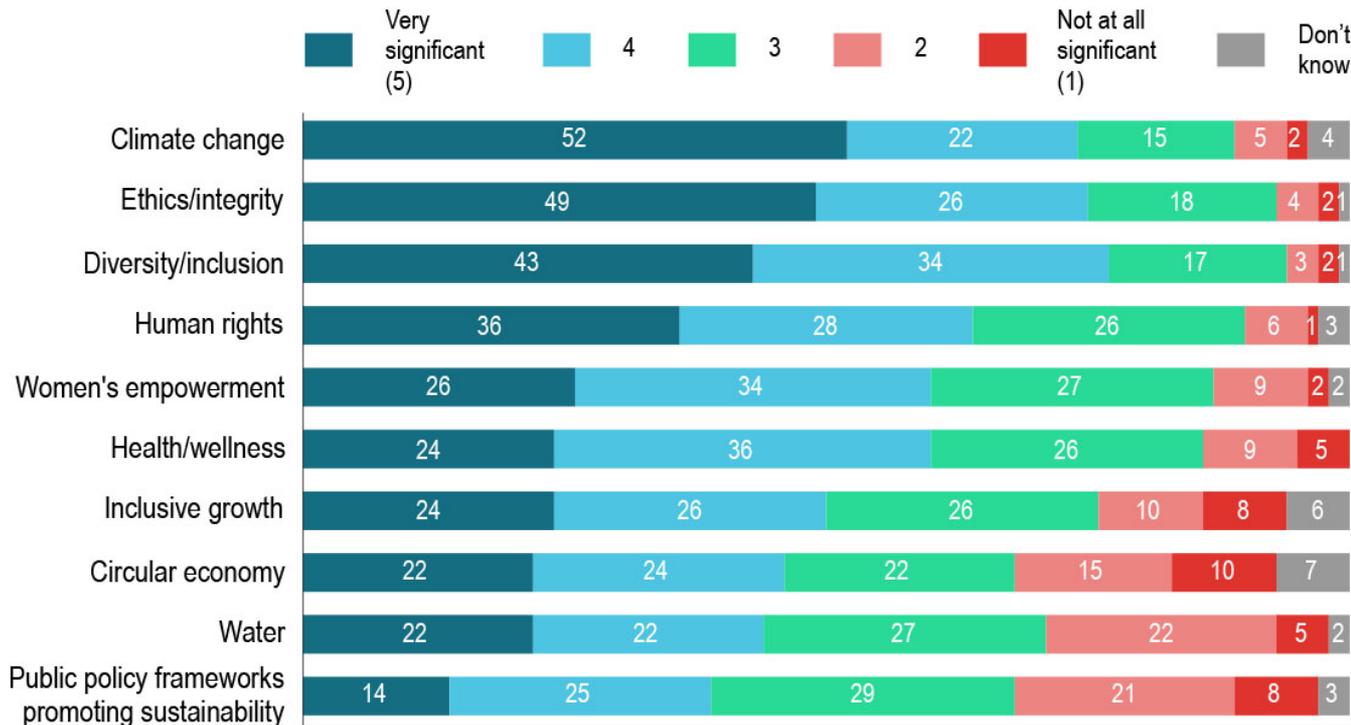
- Just over half of companies set 2020 as a key milestone for their sustainability strategy, among whom the vast majority reported that their company was at least fairly successful in achieving those 2020 objectives.
- Moving beyond 2020, we see that just over a third of companies are focusing on 2025 as their next major milestone. However, just over a quarter of companies are looking farther afield and orientating their sustainability strategy to 2030 ambitions.
- Interestingly a fifth of companies do not have a specific timeframe set for their sustainability strategy.
- Moving into the new decade, most companies indicate that their primary focus is going to be on embedding sustainability more deeply into the business and also deepening their relationship with stakeholders.
- Fewer companies say their most important focus in the future will be emphasizing long-term value creation and fewer still believe they will be trying to influence policy-making frameworks.

Sustainability Priorities

Over the next 12 months, companies indicate their sustainability efforts will be prioritized around climate change, ethics, diversity, and human rights.

Corporate Sustainability Priorities over Next 12 Months

All Company Respondents, 2019



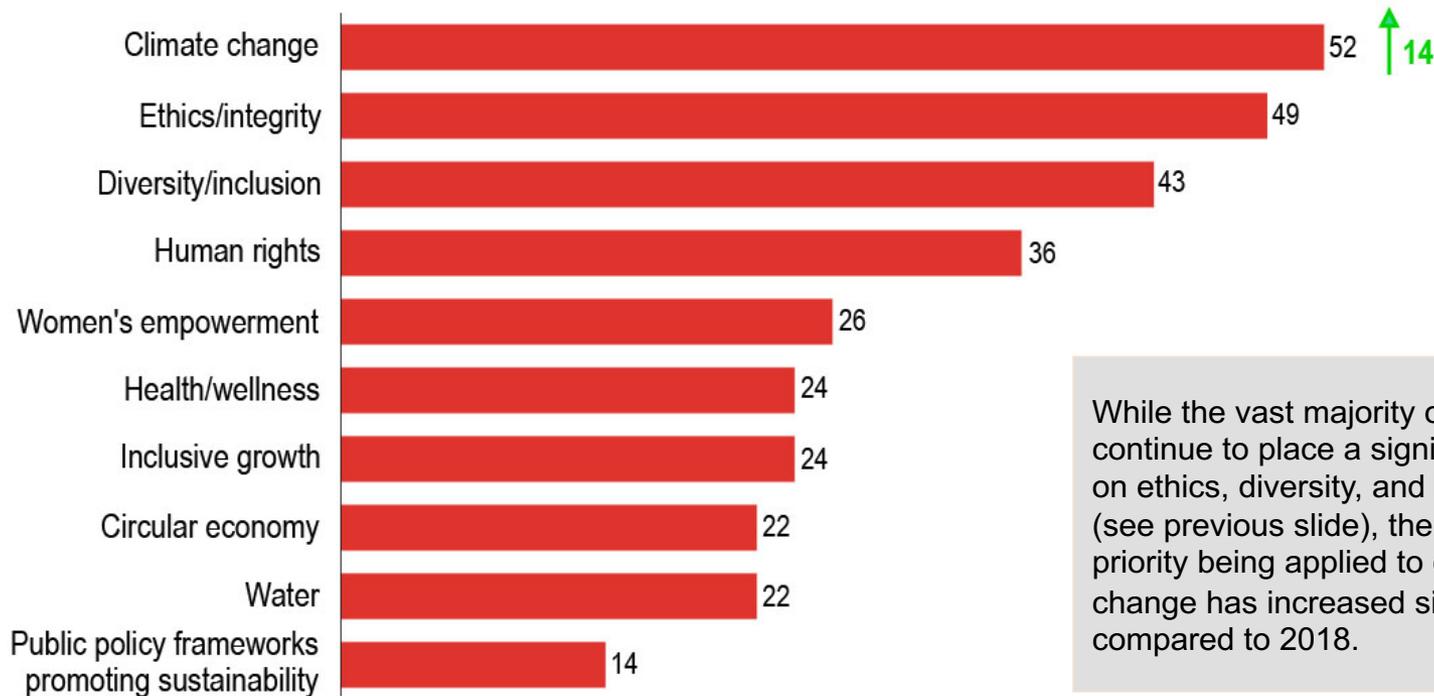
BSR19_1_likert

Q1. When you think about the focus of your company's sustainability efforts in the next 12 months, how much of a priority is 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."

While the top four priority areas remain the same, the intensity around climate change as a priority has increased.

Corporate Sustainability Priorities over Next 12 Months, “Very Significant Priority”

All Company Respondents, 2019



While the vast majority of companies continue to place a significant priority on ethics, diversity, and human rights (see previous slide), the level of priority being applied to climate change has increased significantly compared to 2018.

BSR19_1_bar

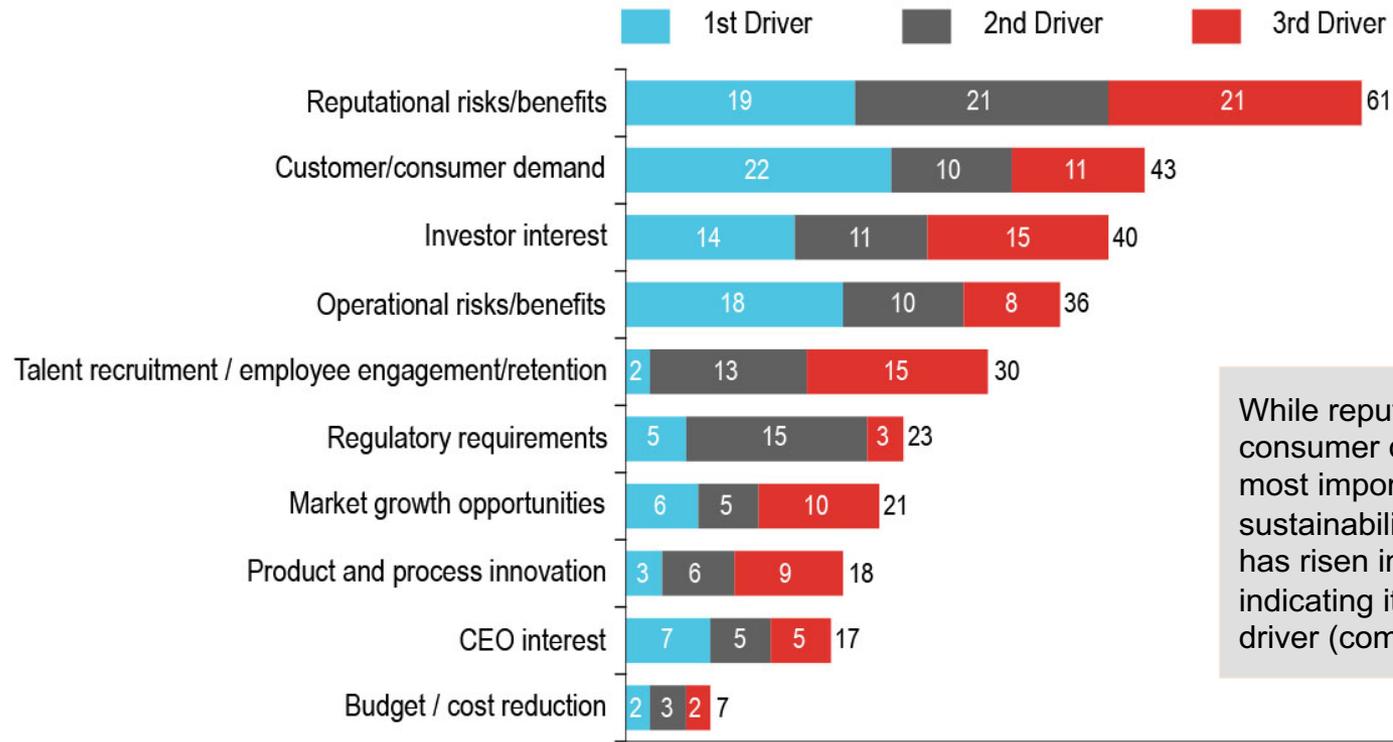
Q1. When you think about the focus of your company's sustainability efforts in the next 12 months, how much of a priority is each of the following issues? Please use a 5-point scale where 1 is "not at all a priority" and 5 is "a very significant priority."

Sustainability Management

Reputation remains the most powerful driver of sustainability efforts, followed by consumer/customer demand, while investor interest has increased.

Drives of Sustainability Efforts, Top Mentions, Ranked

All Company Respondents Identifying Issue as a Top-three Driver, Combined, 2019



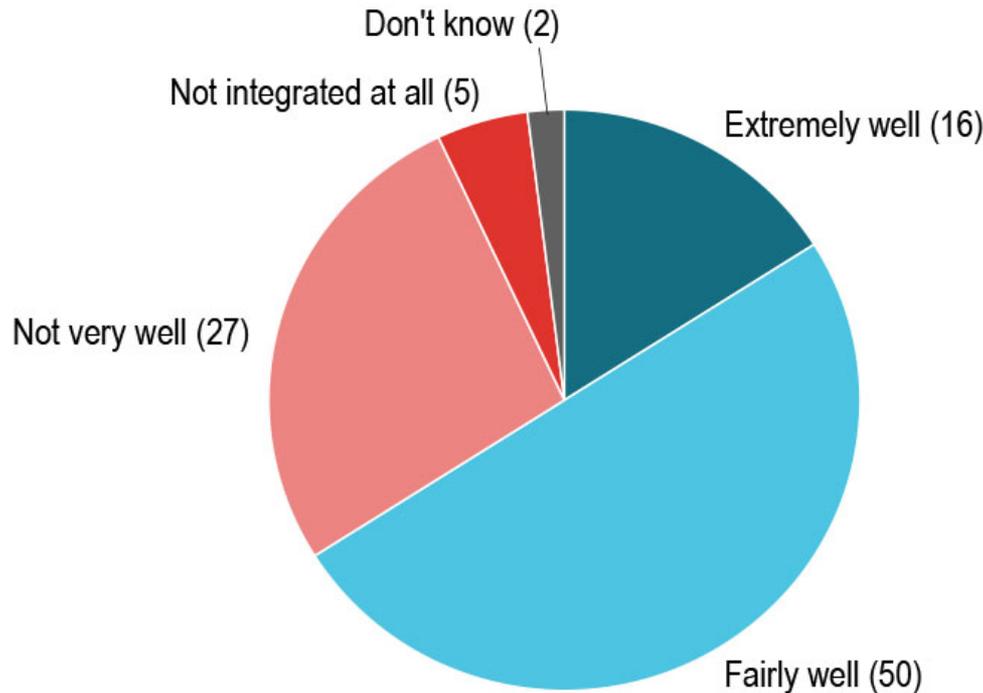
While reputational risk and customer/consumer demand remain as the most important drivers of company's sustainability efforts, investor interest has risen in importance with 40% indicating it is at least a top-three driver (compared to 25% in 2018).

BSR19_2

Q2. Which of the following are the most important drivers for your company's sustainability efforts? (From the list below, please identify the three most important drivers and then rank them by clicking on each statement according to your preference, with 1 being the "most important.")

While sustainability is reported to be at least fairly well integrated in two-thirds of companies, this has not changed since 2016.

Perceptions of Sustainability Integration, 2019
(Percentage of Company-level Respondents)



When this question was last asked in 2016, just 13% of companies said that sustainability was “extremely well” integrated.

There has been little movement in three years. Overall 66% say that sustainability is at least fairly well integrated, exactly the same as it was in 2016.

BSR19_3

Q3. How well do you believe sustainability is integrated into the core of your business?

Sustainability is widely integrated into the companies' corporate purpose, but less so into other areas of corporate planning and management.

Sustainability Integration Strategies, 2019

(Percentage of Company-level Respondents)



BSR19_4

While sustainability is perceived to be aligned and integrated with the companies' corporate purpose by most, its integration into strategic planning is less common.

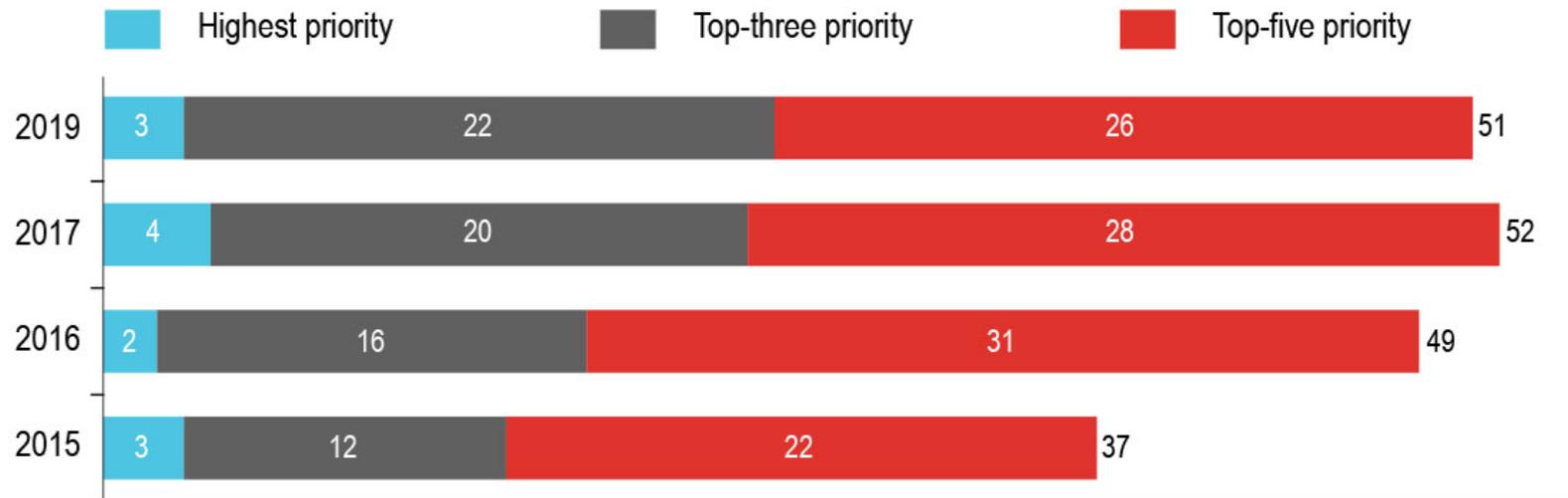
While nearly six in ten say there is a direct reporting line from the C-suite to sustainability, only four in ten companies have a Chief Sustainability Officer.

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

After steadily rising as a priority for CEOs, there appears to be a plateauing in the proportion of companies where sustainability appears as a top-five priority.

CEO Corporate Agenda Priorities, 2019

(Percentage of Company-level Respondents)



BSR19_5

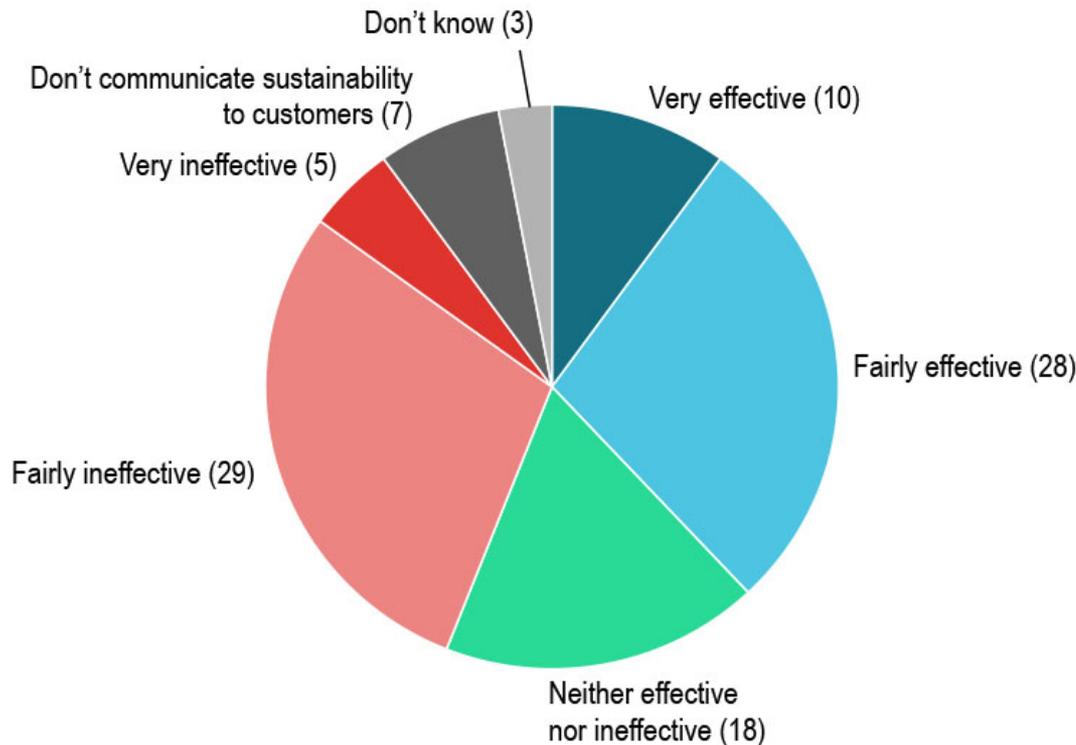
A quarter of respondents say that sustainability is among the top three priorities on his or her agenda. This is particularly encouraging given the size and scale of BSR member companies, most of whom are Global 1000 companies.

Q5. In considering your CEO's involvement with sustainability, where do you believe sustainability falls on his or her corporate agenda? (Please select one.)

While four in ten companies report success in communicating sustainability to customers/consumers, many struggle with this challenge.

Effectiveness of Communicating Sustainability to Customers/Consumers

All Company Respondents, 2019



Q6. To date, how effective, if at all, has your company been in communicating your sustainability story to your customers/consumers?

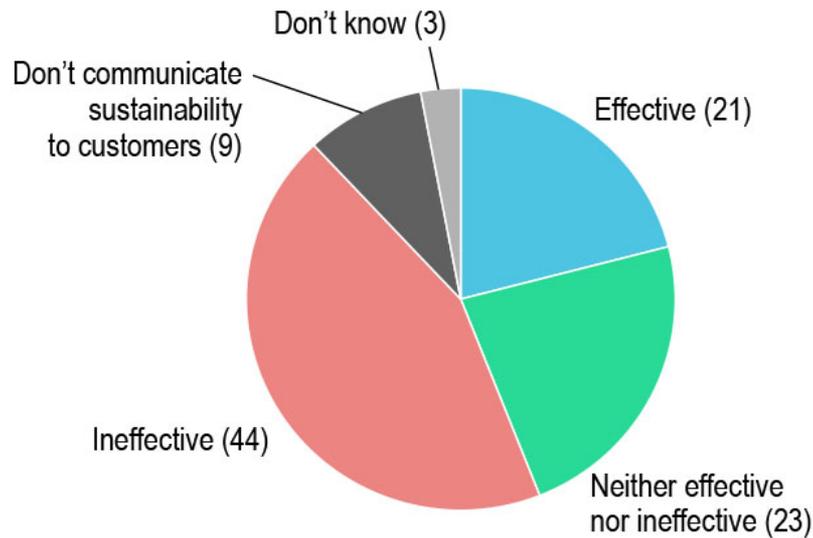
BSR19_6

The challenge of communicating appears to be most pronounced among those in consumer-facing sectors vs other customer-facing companies.

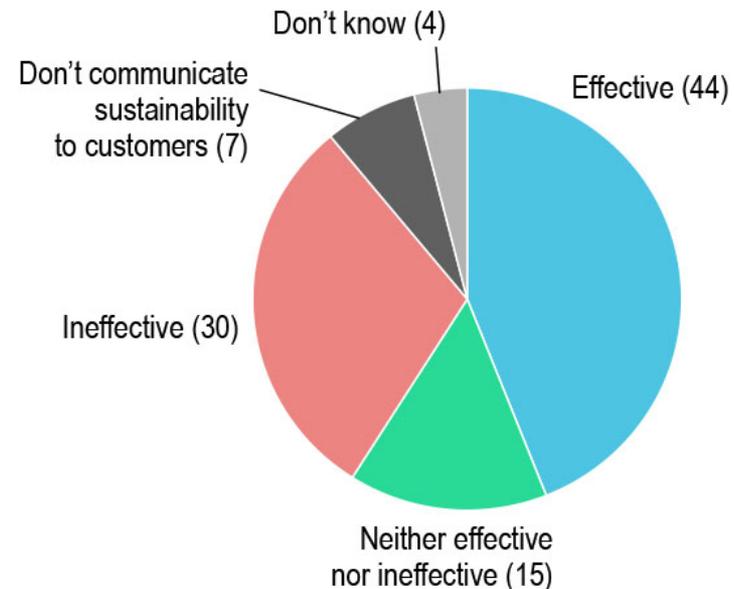
Effectiveness of Communicating Sustainability to Customers/Consumers

All Company Respondents, by Sector, 2019

Consumer-Facing Sectors



Other Sectors



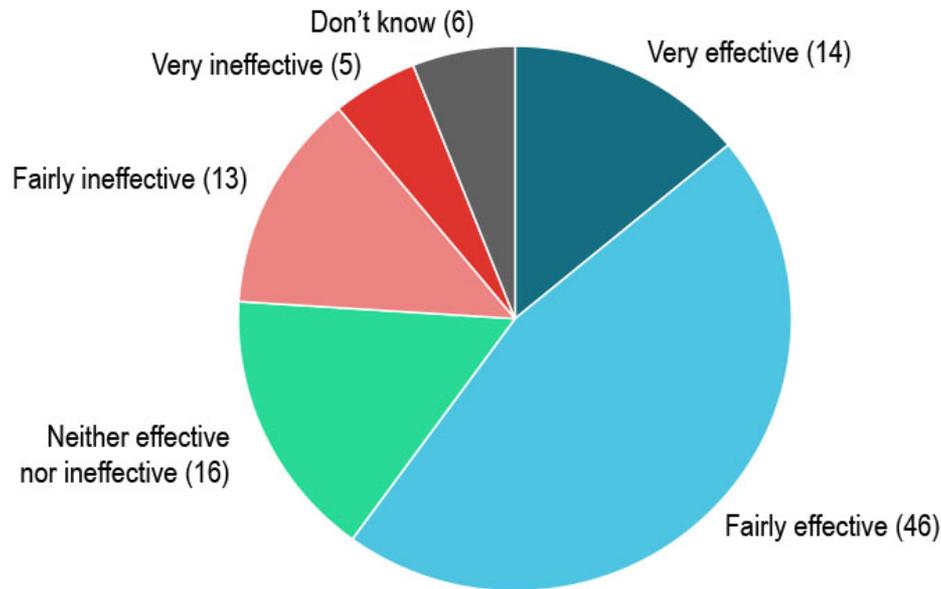
BSR19_6_sect

Q6. To date, how effective, if at all, has your company been in communicating your sustainability story to your customers/consumers?

In contrast to customer/consumer communication, six in ten believe that they have been at least fairly effective in communicating sustainability efforts to their other stakeholders.

Effectiveness of Communicating Sustainability to Stakeholders

All Company Respondents, 2019



BSR19_7

While a majority of all types of companies believe they have been at least fairly effective, large companies appear to believe they have been more effective compared to smaller companies.

While sample sizes are small, we see indications that companies with revenues of \$50B or more indicate more success than those with \$10B or less in revenue.

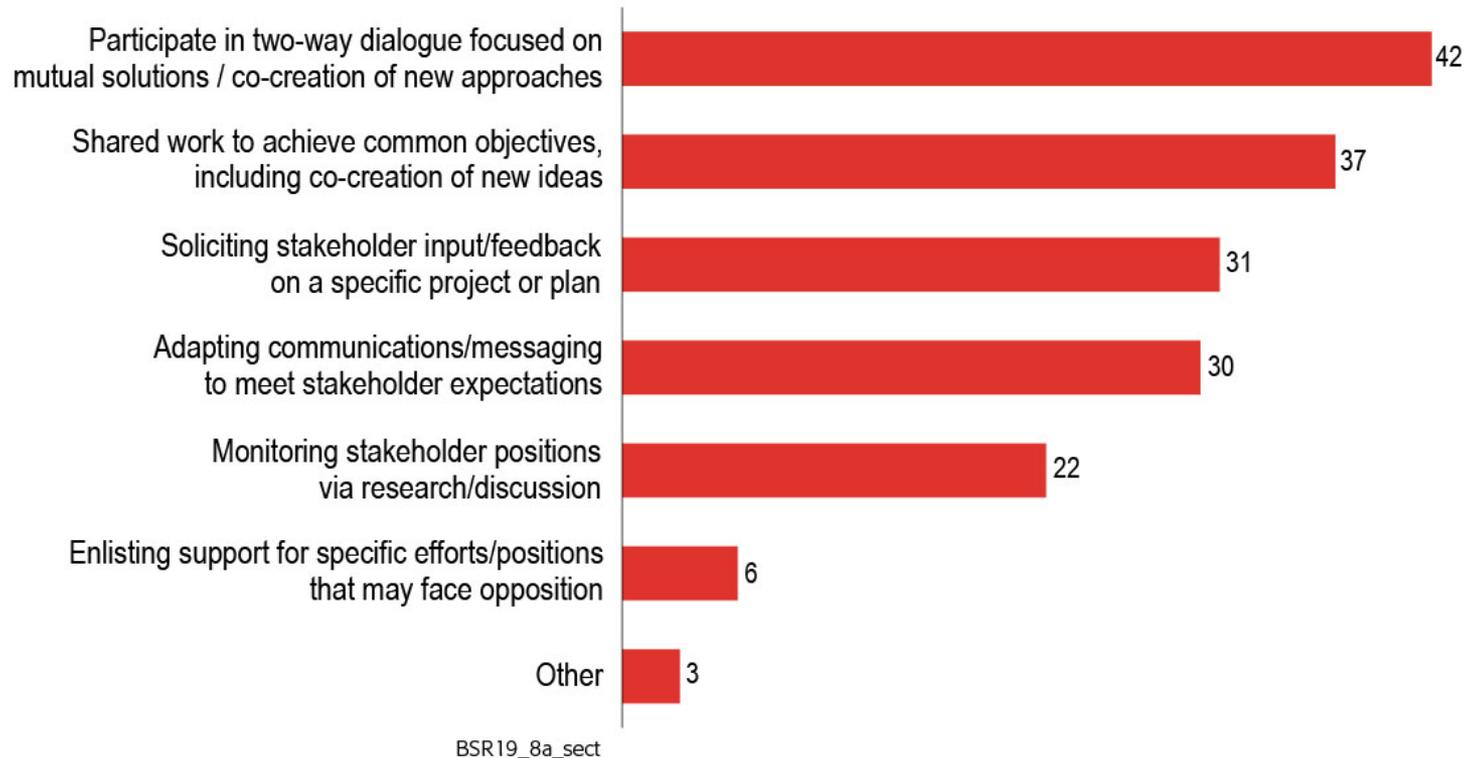
This also tracks with the size of the sustainability team. The larger the size of the sustainability team, the more successful companies say they have been in engaging stakeholders.

Q7. Over the past five years, how effective, if at all, has your company been in engaging stakeholders on your sustainability strategy and activities?

The most important way companies are engaging their stakeholders on their strategy is to engage in two-way dialogues on shared challenges.

Important Approaches for Engaging Stakeholders

All Company Respondents, 2019

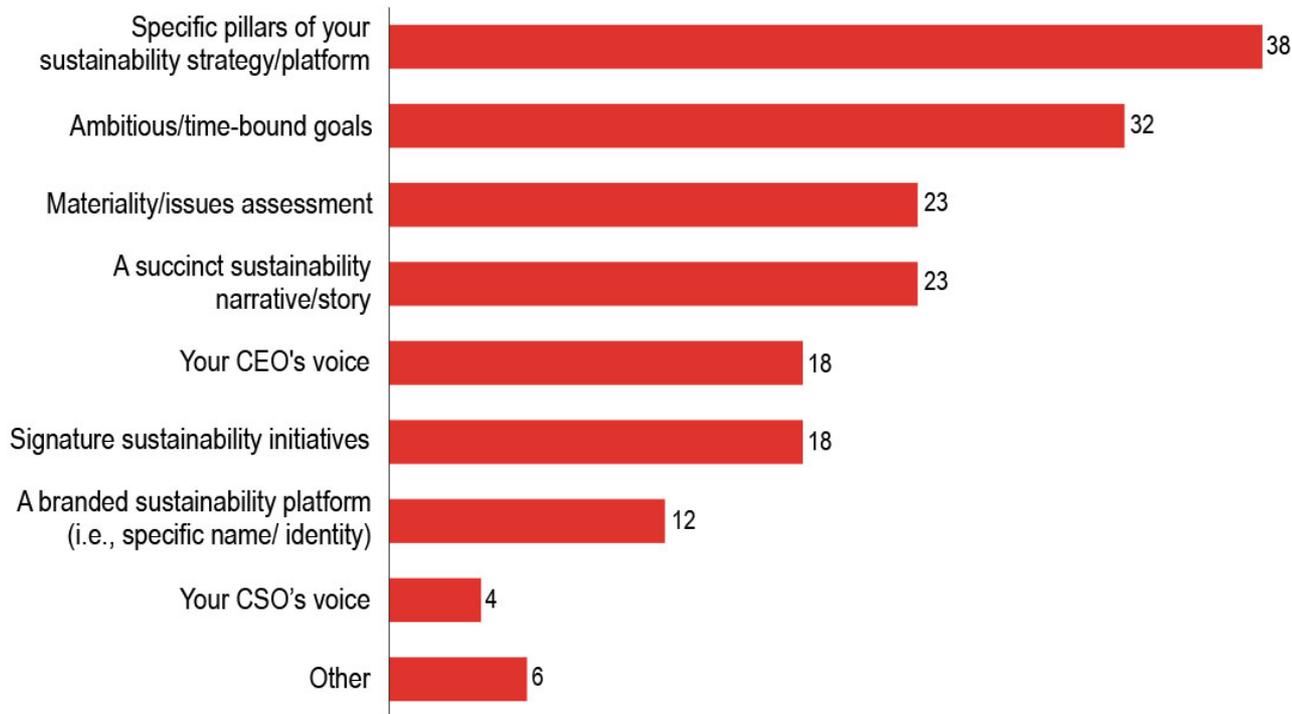


Q8a. Which, if any, of the following are most important for your company's approach to engaging stakeholders on your sustainability strategy? (Select up to two.)

Having specific pillars of a sustainability platform is the most important way for companies to communicate their strategy, followed by ambitious goals.

Important Ways for Communicating Sustainability Approach

All Company Respondents, 2019



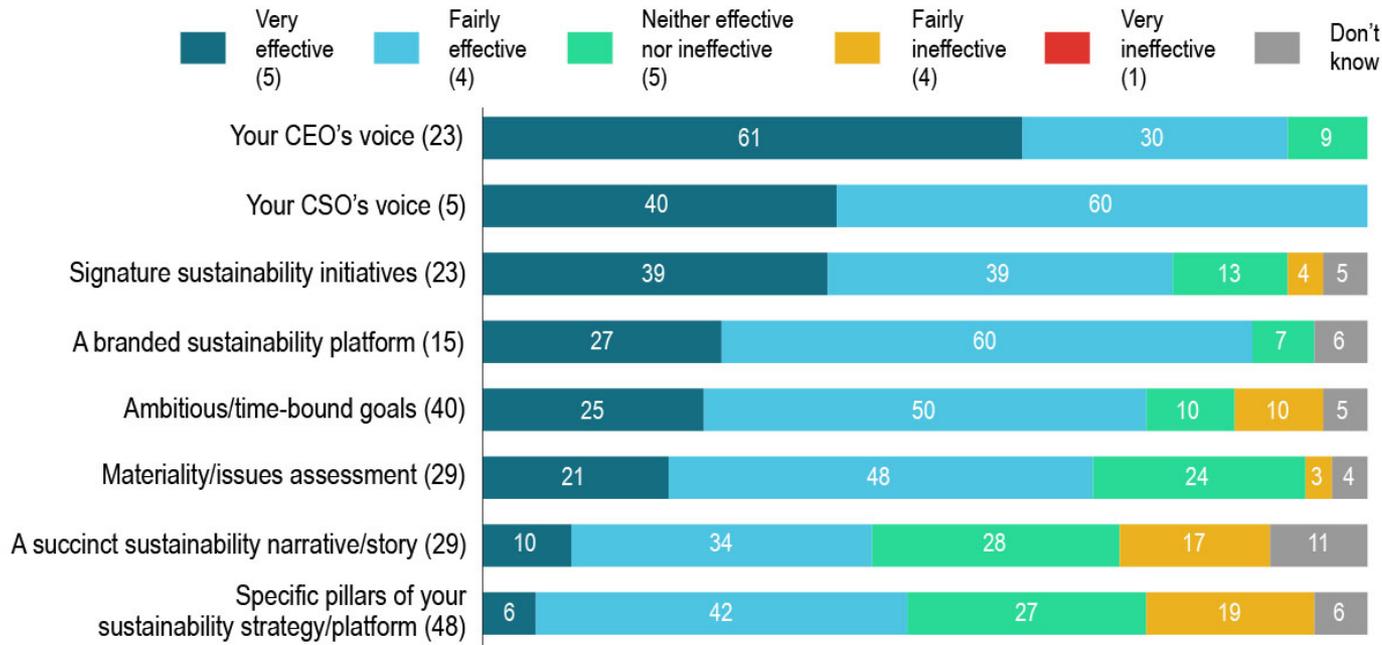
BSR19_8b_sect

Q8b. Which, if any, of the following are the most important ways in which your company communicates its sustainability approach/strategy? (Select up to two.)

While fewer selected them as important, the voice of the CEO, CSO, signature initiatives, and a branded platform are reported to be the most effective communication tools.

Effectiveness in Communicating Sustainability Approach

All Company Respondents, 2019



Base size for each item (n) shown in brackets

BSR19_9_sect

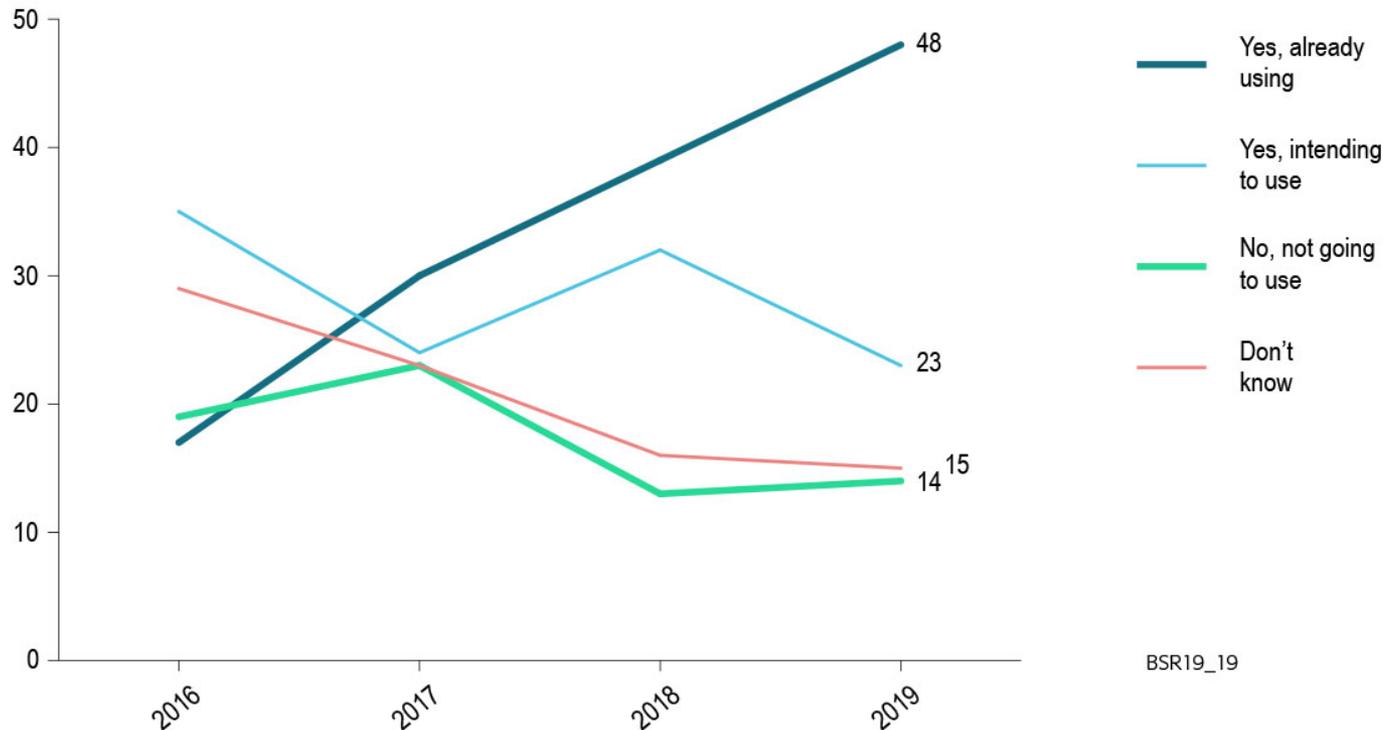
Q9. Please rate how effective your company has been over the past five years in communicating with your stakeholders through each of the following.

Sustainable Development Goals

Almost half of companies are using the SDGs to help set corporate performance targets, with around a quarter intending to use them.

Corporate Adoption of SDGs to Inform Target-setting

All Company Respondents, 2016–2019



BSR19_19

Q19. Is your company already using or intending to use the UN Sustainable Development Goals to set corporate performance targets?

Climate action, responsible consumption, decent work, gender equality, and economic growth get the most corporate attention. Significantly fewer companies are committing to reduce inequalities and ending poverty.

Commitments toward Sustainable Development Goals
All Company Respondents, Total Mentions, 2019



Q20. Toward which, if any, of the UN SDGs is your company pledging commitments?

Too early to say: 15%
Don't know: 4%
None: 0%

Future Focus

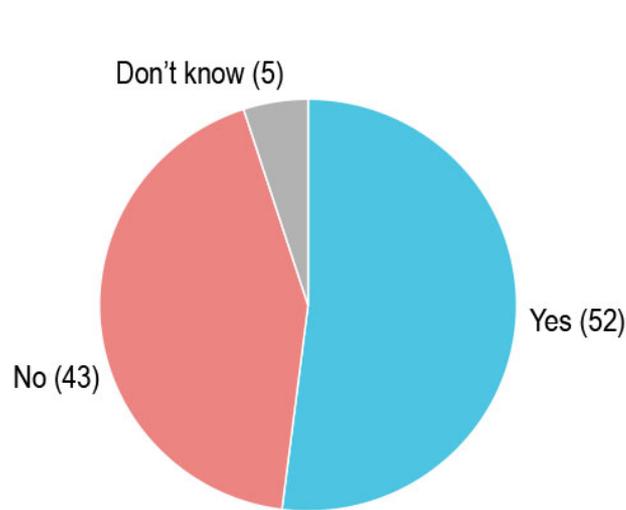


Over half of companies have 2020 as an end date or milestone for their sustainability strategy. Over eight in ten report being at least fairly successful in realizing their 2020 ambitions.

2020 Milestone and Realization of Strategy

All Company Respondents, 2019

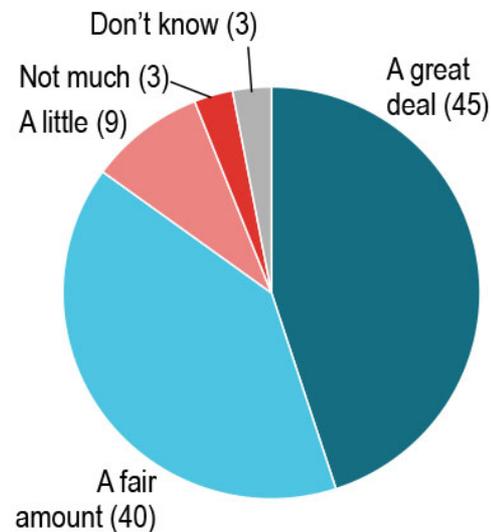
2020 as end date or milestone



BSR19_24_25_strat

Q24. Did or does your company have a sustainability strategy with 2020 as an end date or milestone?

Successful realization of ambitions of 2020 strategy

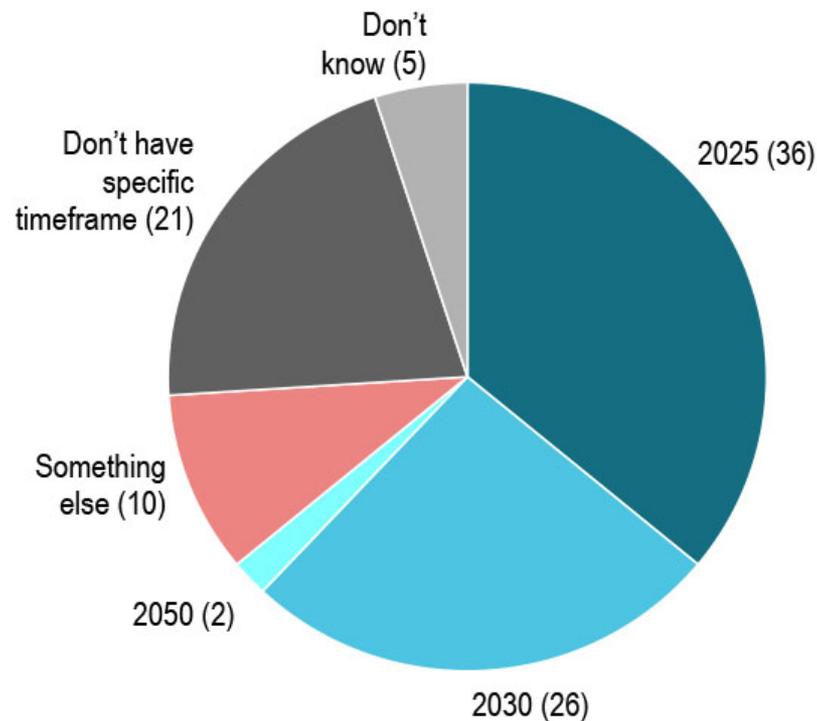


Q25. How successful, if at all, has your company been in realizing the ambitions of your 2020 strategy?

Moving beyond 2020, some companies are orientating toward 2025, while others are looking further ahead at 2030.

Next Major Milestone for Sustainability Strategy

All Company Respondents, 2019



Nearly four in ten companies are looking toward 2025 as the next milestone for their sustainability strategy and over a quarter are looking further into the future at 2030.

It is interesting to note that a fifth of companies say they do not have a specific timeframe attached to their sustainability strategy or goals.

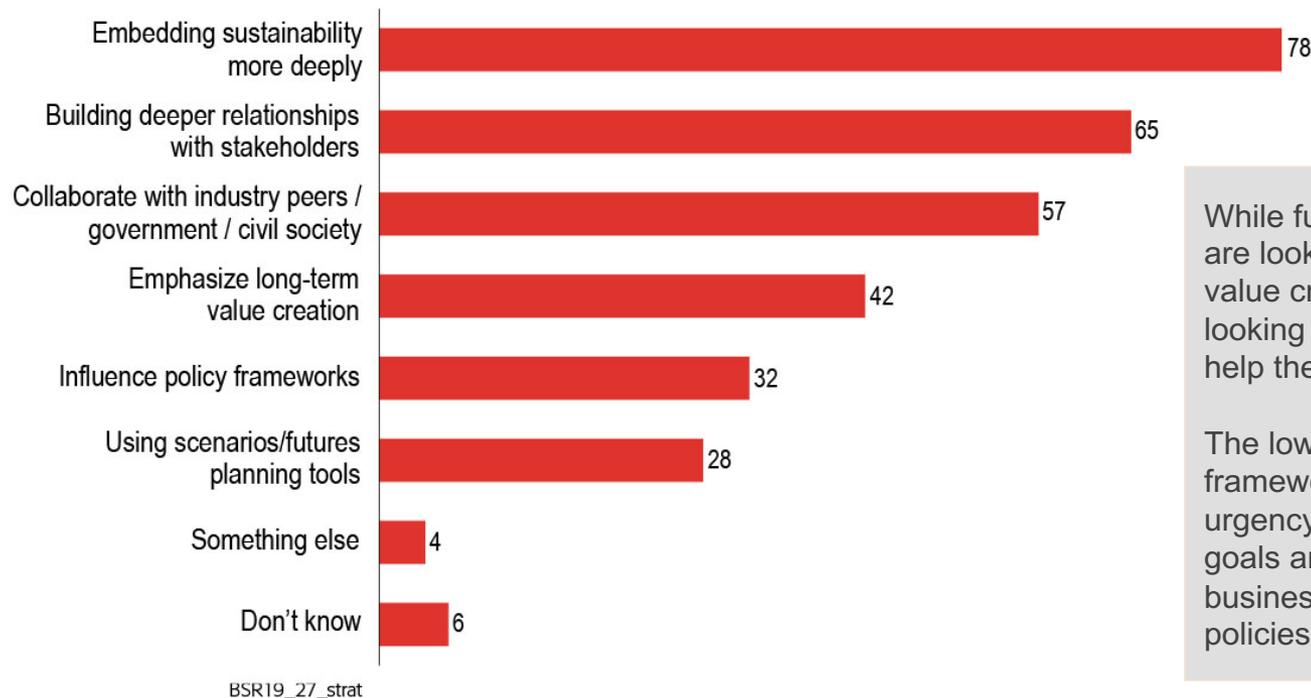
Q26. As we move beyond 2020, what is your company's next major milestone for its sustainability strategy or goals?

BSR19_26_strat

Moving beyond 2020, a majority of companies are looking to embed sustainability more deeply in the organization and drive better collaborative relationships.

Strategic Planning for Sustainability Beyond 2020

All Company Respondents, 2019



While future-focused, fewer companies are looking to emphasize long-term value creation. Likewise, few are looking to future scenario planning to help their longer-term view.

The low emphasis on influencing policy frameworks is noteworthy, given the urgency of achieving sustainability goals and the important role of business in influencing relevant policies.

Q27. As we move beyond 2020, in what ways is or will your company be doing strategic planning for sustainability differently than it did previously? (Select up to two.)

Focus Areas



How are companies addressing key sustainability issues across the value chain?

- This section of the report details the findings of questions covering five key areas of corporate sustainability:

Climate Change



Human Rights



Inclusive Economy



Supply Chain Sustainability



Women's Empowerment



- In the sections of the survey dealing with climate change, human rights, inclusive economy, and women's empowerment, we asked corporate sustainability practitioners to indicate how much focus is placed throughout the value chain on sustainability efforts in each of these key areas.
- The chart on the next slide indicates that many companies are still finding it challenging to implement sustainability efforts widely across their value chains.

Most companies focus their activities on operations/employees, but few pay broad attention to Tier 2+ suppliers, product use, or marketing.

Corporate Focus on Thematic Activities Throughout Value Chain

All Company Respondents, At Least a Fair Amount*, 2019



BSR19_19_act

*"A lot" + "A fair amount"

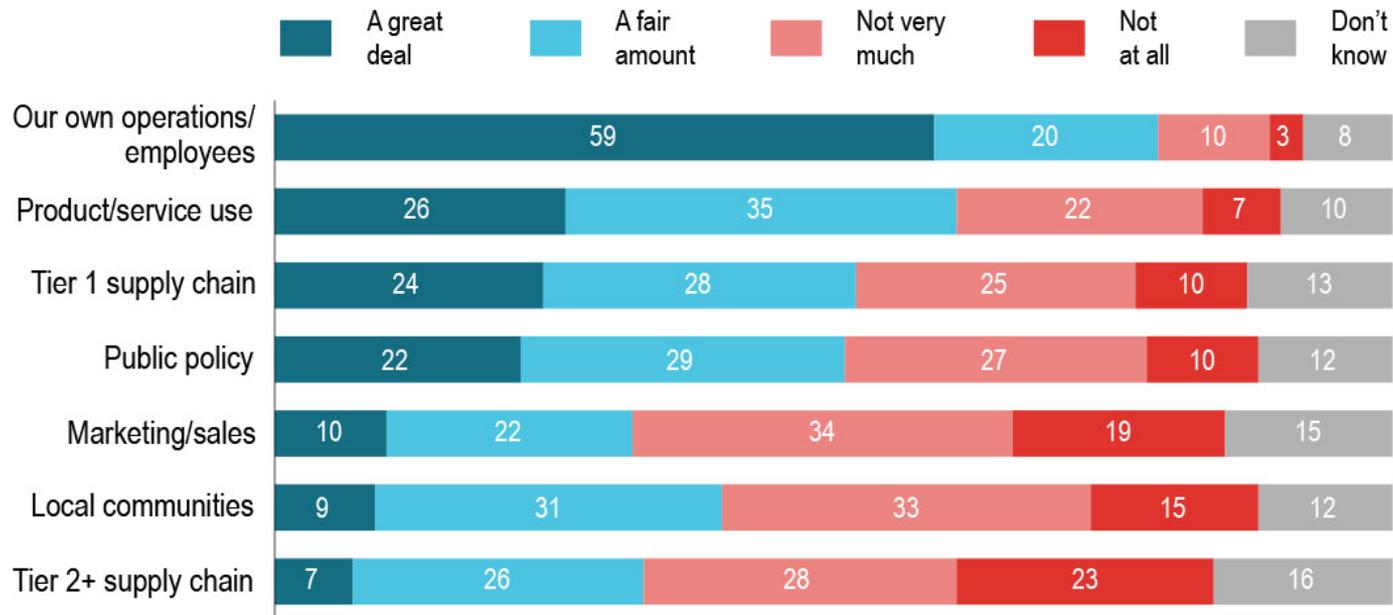
Q. How much, if at all, does your company focus on [TOPIC] through each of the following elements of the value chain?
At least a fair amount = "A lot" + "A fair amount"

Climate Change

Most companies take climate action on their operations. Action on the supply chain continues to grow.

Level of Climate Change Assessment and Management through Value Chain

All Company Respondents, 2019



BSR19_14

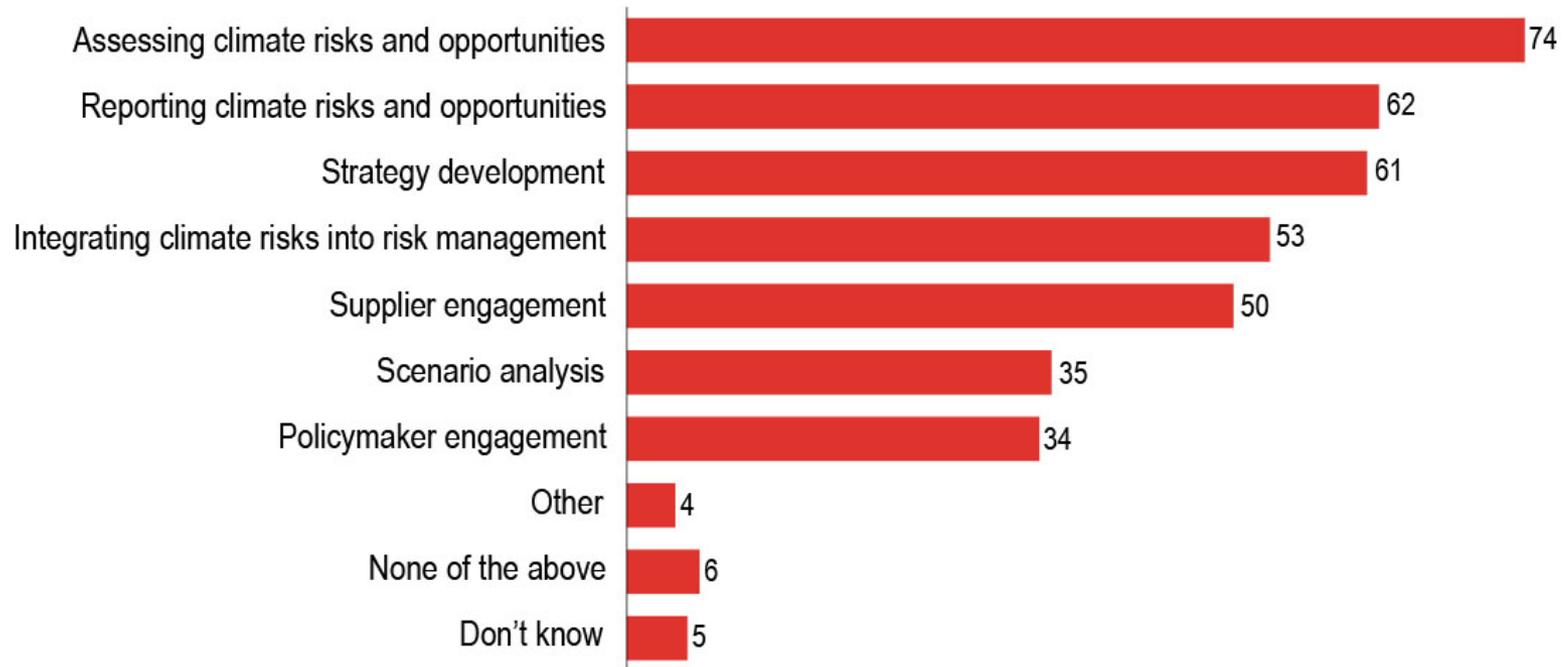
When combining “a great deal” and “a fair amount” together, there has been little change in the proportion of companies focusing on climate change across each element. However, there has been an increase in the proportion saying “a great deal” vs. “a fair amount” across most elements.

Q14. How much, if at all, does your company assess and manage climate change through each of the following elements of the value chain?

Most companies assess climate risks and opportunities. Many are addressing them through strategy, risk management, and supplier engagement processes.

Actions Completed or Currently Underway to Mitigate Climate Risks and Impacts

Percentage of All Company Respondents Identifying Each Action, Total Mentions, 2019



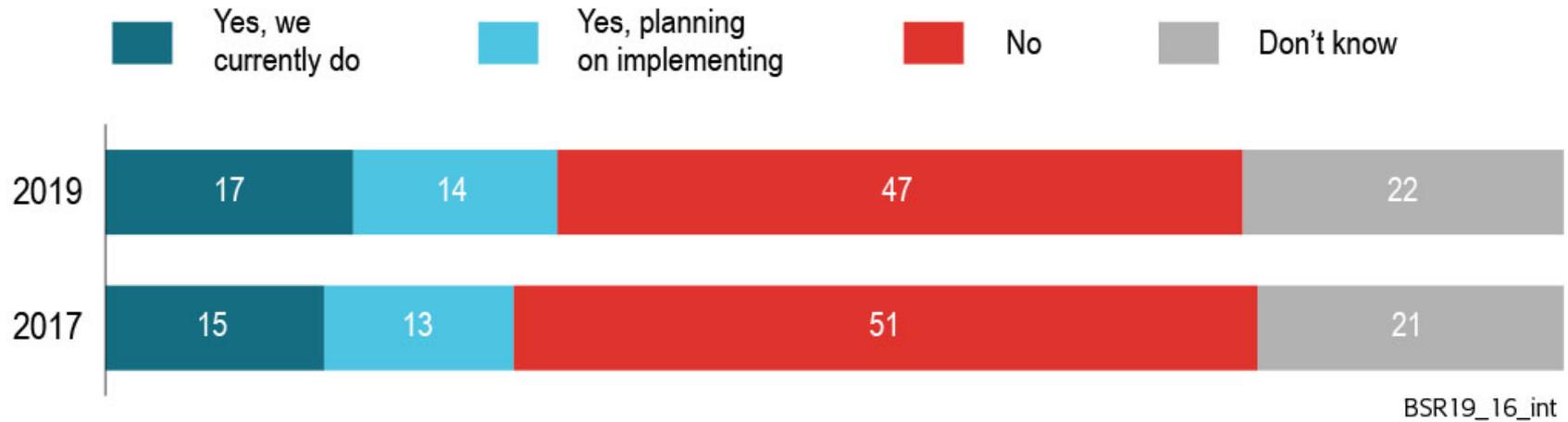
BSR19_15

Q15. What activities have your company completed, or are currently undertaking, to build resilience to climate risks and impacts?

Only a subset of companies use an internal price on carbon, with little movement since last year.

Internal Price on Carbon Adoption

All Company Respondents, 2019



Q16. Does your company currently have, or plan to have, an internal price on carbon?

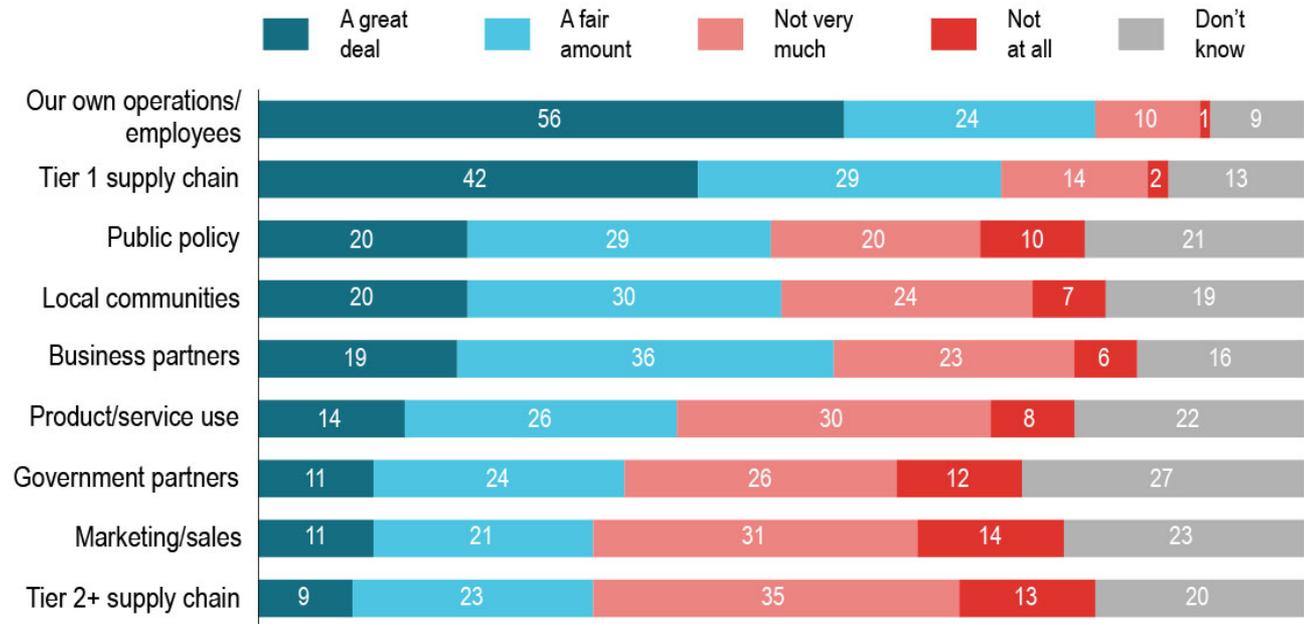
Human Rights



Around half of companies are addressing human rights beyond their own operations and Tier 1 supply chain, including in public policy, local communities, and among business partners. However, important factors, such as product and service use, are lagging behind.

Assessment and Management of Human Rights through Elements of Value Chain

All Company Respondents, 2019



When combining “a great deal” and “a fair amount” together, there has been little change in the proportion of companies focusing on human rights across each element. However, there has been an increase in the proportion saying “a great deal” vs. “a fair amount” for own operations and Tier 1 supply chain.

BSR19_12

Q12. How much, if at all, does your company assess and manage human rights through each of the following elements of the value chain?

While seven in ten companies have a human rights policy, fewer than half are undertaking human rights impact assessments or have grievance mechanisms consistent with the UNGPs.

Activities Advancing Human Rights

All Company Respondents, Total Mentions, 2019



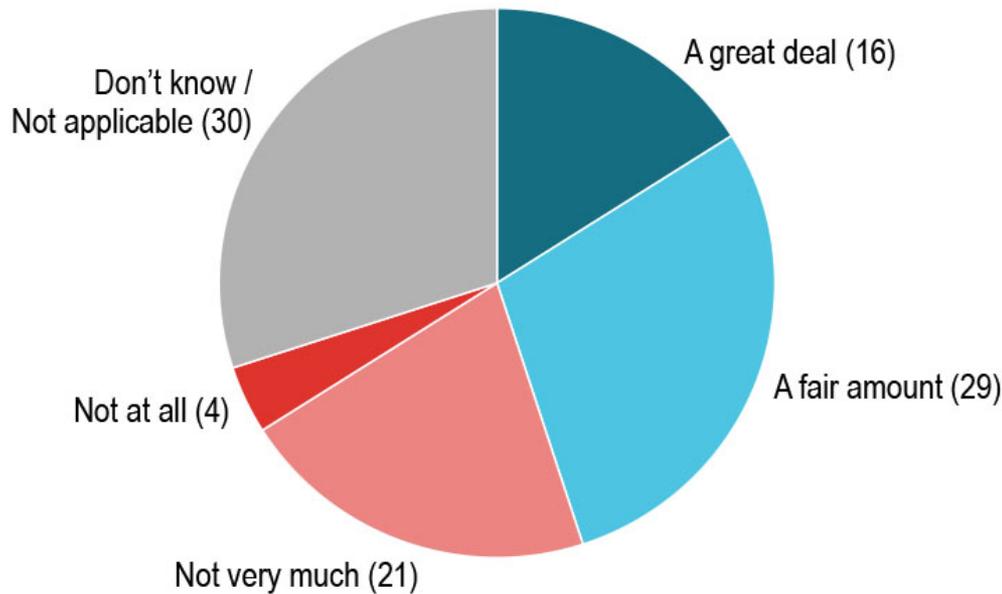
BSR19_13

Q13. What activities are you undertaking (or have you undertaken) to advance human rights in your company?
Please select all that apply.

While just over four in ten believe that disruptive technology will affect their company’s human rights impacts, almost a third do not know or do not believe that it is applicable to them.

Disruptive Technology Impact on Human Rights

All Company Respondents, Total Mentions, 2019



BSR19_12a

With a significant proportion of respondents unclear about whether disruptive technology will affect their human rights impacts, it suggests that more research and forecasting in this area is needed to help companies begin to plan.

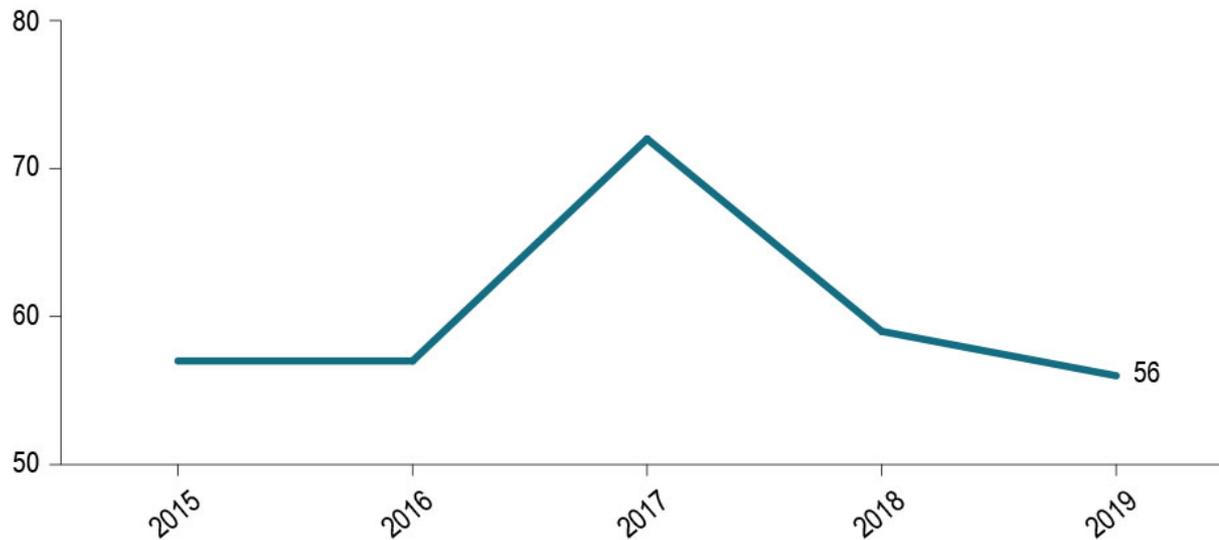
Q12a. Over the next 5 years, to what extent, if at all, will disruptive technology, such as artificial intelligence, internet of things, and blockchain change your company’s human rights impacts?

Inclusive Economy

Over half of companies continue to prioritize inclusive growth. The uptick in 2017 seems to have been an anomaly, perhaps driven by prominent social and political issues at the time.

Priority Placed on Inclusive Growth in Company

"High Priority,"* All Company Respondents, 2015–2019



It is important to note that over half of companies continue to place a high priority on an inclusive economy.

It appears that the decline after 2017 was not a de-prioritization of inclusive economy, but a more purposeful response from some companies to trends such as Brexit and the US election.

*(1+2) on a 4-point scale, where 1 is "A great deal" and 4 is "None at all"

BSR19_21_trk

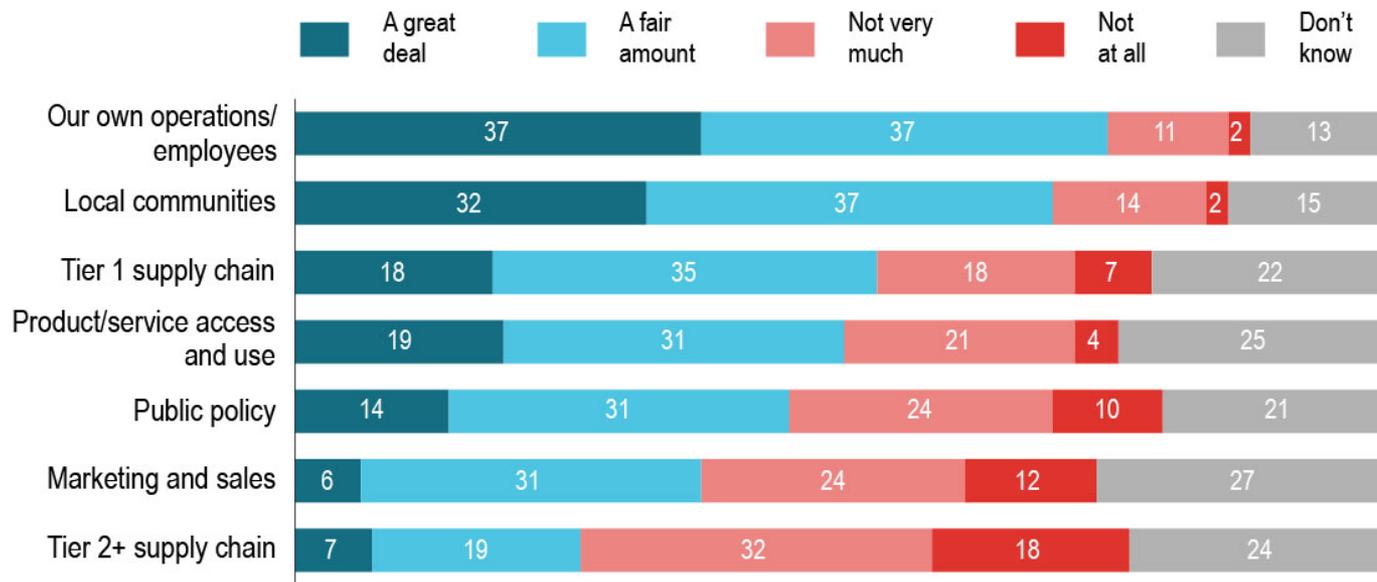
Q21. How much priority, if any, does your company place on inclusive growth?

*(1+2) on a 4-point scale, where 1 is "A great deal" and 4 is "None at all"

Half of companies are focusing on inclusive growth beyond their own operations and local communities, in areas such as Tier 1 supply chains and through their products and services.

Focus on Inclusive Growth Activities

All Company Respondents, 2019



Q22. How much, if at all, does your company focus on inclusive growth through each of the following elements of the value chain?

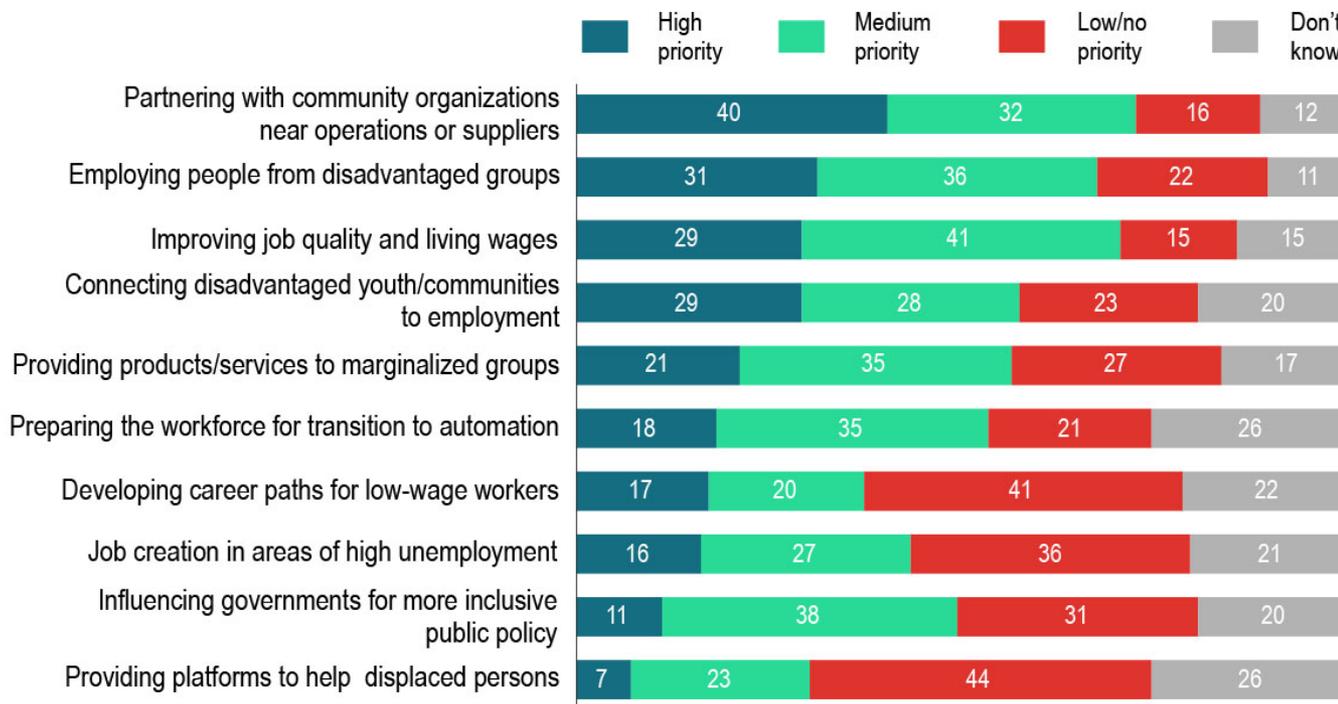
BSR19_22

When combining “a great deal” and “a fair amount” together, there has been little change in the proportion of companies focusing on inclusive growth across each element. However, there has been an increase in the proportion saying “a great deal” vs. “a fair amount” across most elements.

There is at least a medium priority being placed on employing people from disadvantaged groups, but job creation in areas of high unemployment remains a lower priority.

Inclusive Growth Priorities

All Company Respondents, 2019



BSR19_23

Q23. How much of a priority, if at all, will the following issues be for your company's inclusive growth work over the coming year?

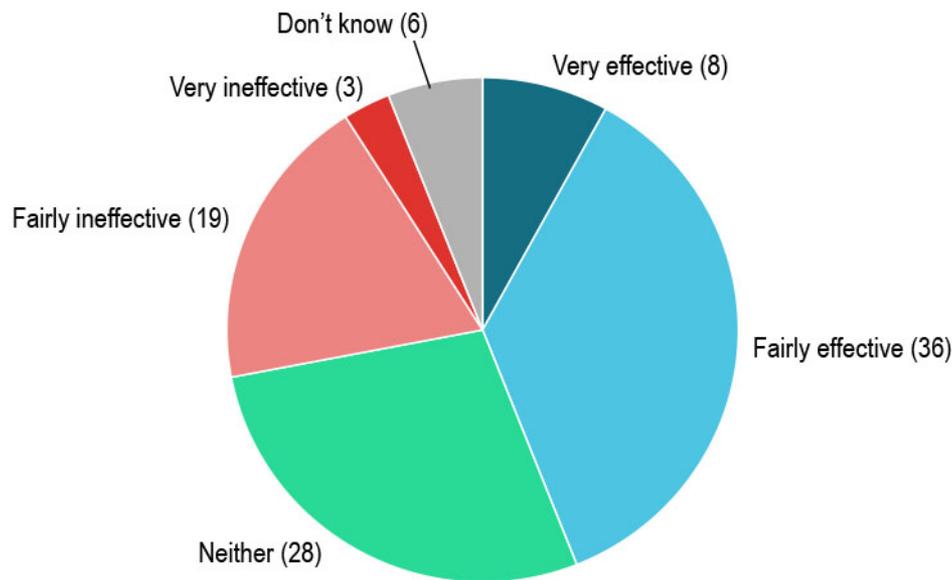
Supply Chain



Only just over four in ten believe that their supply chain efforts have been effective in addressing sustainability issues. However, half of respondents are relatively unhappy with the results of their efforts.

Effectiveness of Supply Chain Management Efforts in Addressing Sustainability Issues

All Company Respondents, 2019



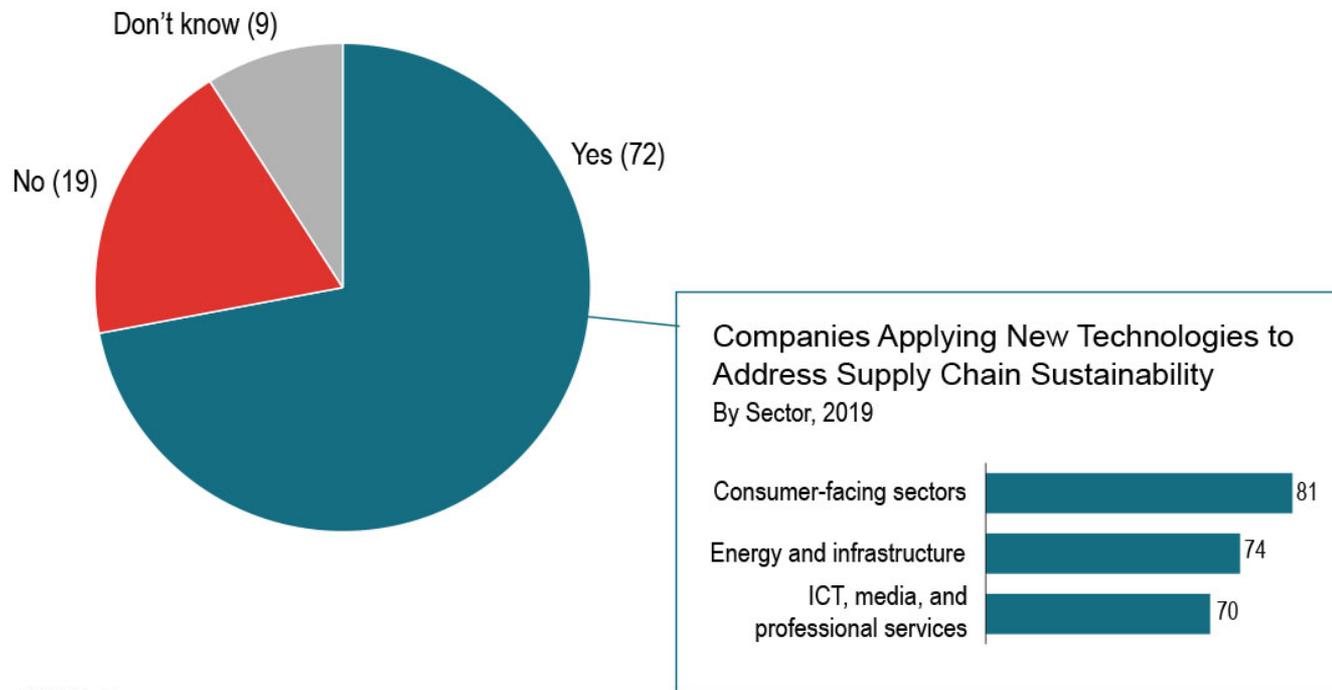
BSR19_10

Q10. How effective, if at all, do you believe your supply chain management efforts have been in addressing the most critical sustainability issues in your supply chain?

Nearly three-quarters of companies are applying new technologies or innovative approaches to address supply chain sustainability, the same level as seen in 2018.

Companies Applying New Technologies to Address Supply Chain Sustainability

All Company Respondents, 2019



BSR19_11

Q11. Compared with three years ago, is your company applying **new** technologies or approaches to address sustainability in your supply chain?

It is clear that companies that are innovating in supply chain management are much more likely to see their overall efforts as being effective.

Effectiveness of Supply Chain Management Efforts in Addressing Sustainability Issues

Companies Applying New Technologies vs Those that Are Not, 2019



BSR19_10-11

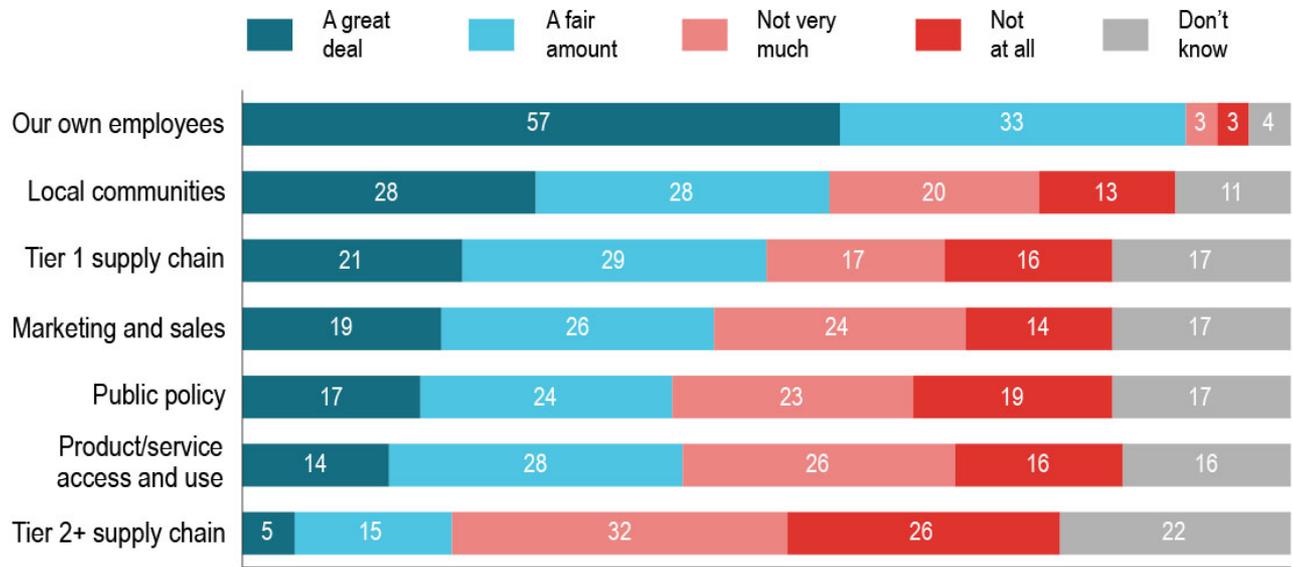
Q10. How effective, if at all, do you believe your supply chain management efforts have been in addressing the most critical sustainability issues in your supply chain?

Women's Empowerment

Expanding women’s empowerment beyond a company’s own employees is important. Women make up the majority of workers in many global supply chains and in many instances, a majority of consumers.

Focus on Women’s Empowerment through Value Chain

All Company Respondents, 2019



Q17. How much, if at all, does your company focus on women’s empowerment through each of the following elements of the value chain?

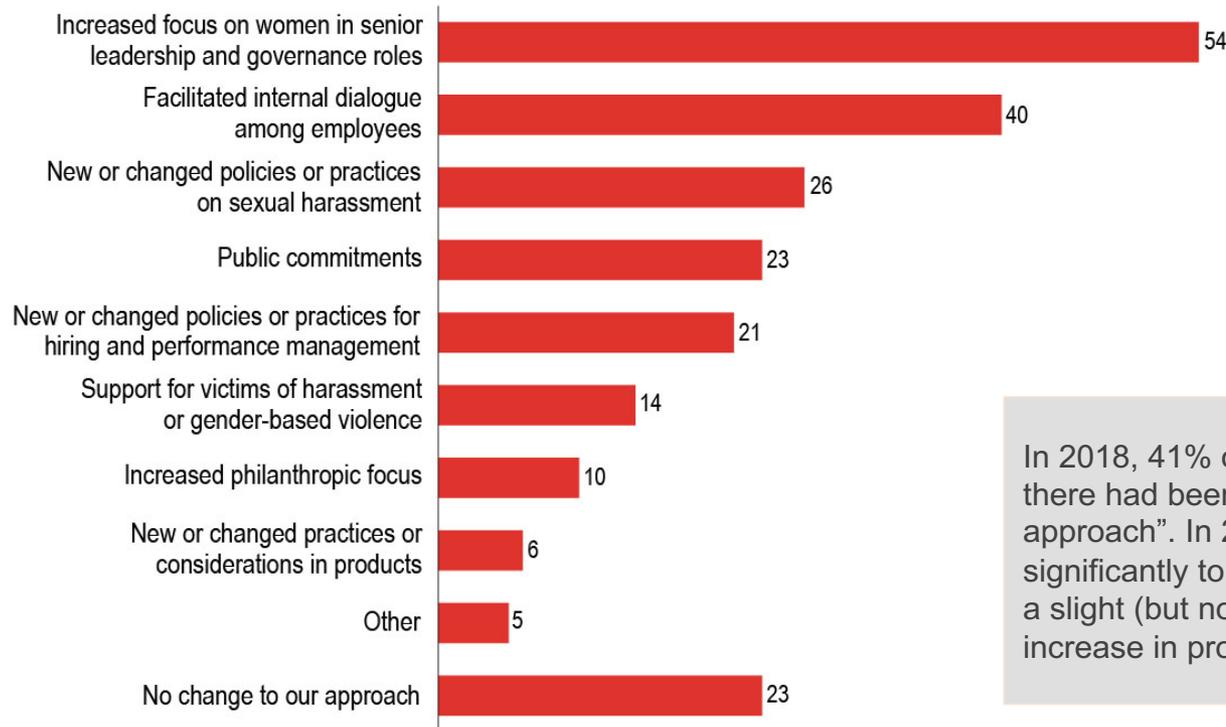
BSR19_17

When combining “a great deal” and “a fair amount” together, there has been little change in the proportion of companies focusing on women’s empowerment across each element. However, there has been an increase in the proportion saying “a great deal” vs. ”a fair amount” for most elements.

Fewer businesses are saying that there has been “no change to our approach” in 2019 and slight increases across different actions.

Actions Taken in Response to Women’s Empowerment Activism

All Company Respondents, Total Mentions, 2019



BSR19_18

In 2018, 41% of respondents indicated that there had been “no change to our approach”. In 2019, this has dropped significantly to 23%. All actions have seen a slight (but not statistically significant) increase in proportion.

Q18. In which, if any, of the following ways has the recent surge of global women’s empowerment activism (e.g., women’s marches, sexual harassment accusations, #metoo) affected change in your approach to women’s empowerment?

BSR is a global nonprofit organization that works with its network of more than 250 member companies and other partners to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit www.bsr.org to learn more about BSR's 25 years of leadership in sustainability.



BSR[®]

The Business of a Better World

www.bsr.org



GlobeScan is a strategy and insights consultancy, focused on helping our clients to build long-term trust with their stakeholders.

Offering a suite of specialist research and advisory services, GlobeScan partners with clients to meet strategic objectives across reputation, sustainability and purpose.

Visit www.globescan.com to learn more.



www.globescan.com