REPORT

BUSINESS VALUE OF SUSTAINABILITY
TRAJECTORY AND STRATEGIES

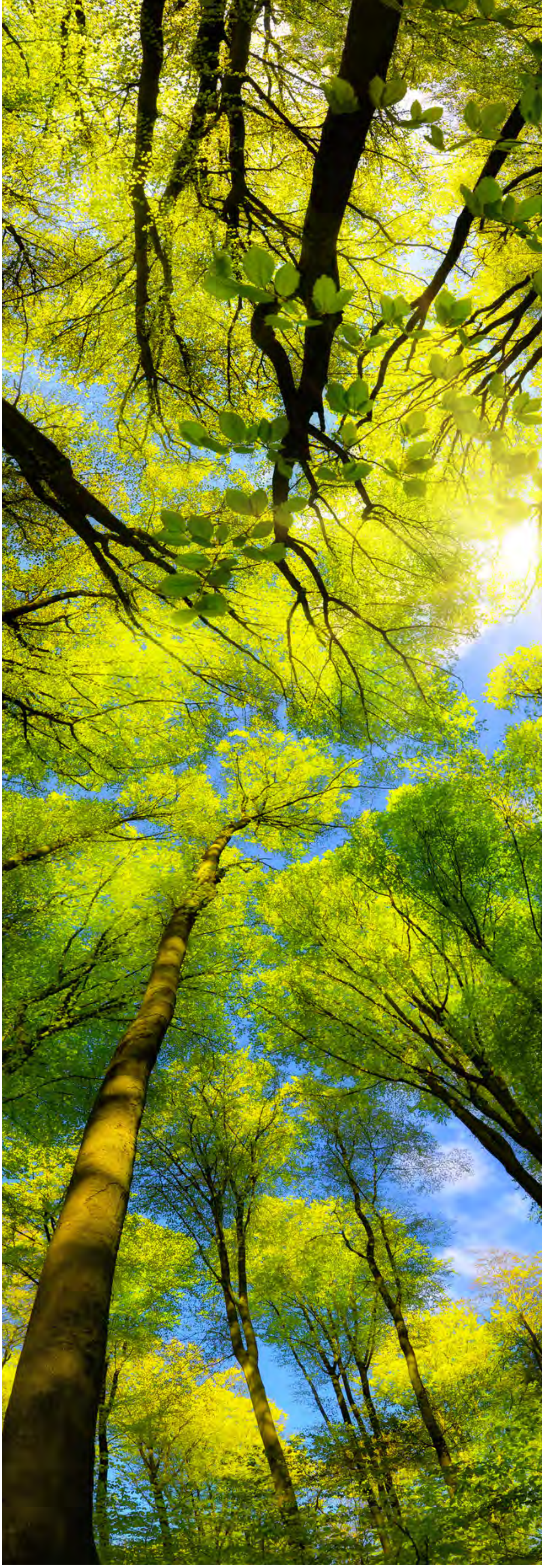
DEVELOPED BY BSR AND GLOBESCAN
February 2026

PREFACE

Sustainability has been a facet of business, public policy, and civil society since 1987 when *Our Common Future* was published. Over the last four decades, the expectations for the role of business in sustainability have evolved because of shifting economic, political, social, technological, and environmental dynamics. Many believe that we are at a new inflection point in the sustainable business agenda and that the current context demands a fresh look at how to demonstrate the value of sustainability.

This report, developed by BSR and GlobeScan, with input from several companies, considers the changing dimensions of the business value of sustainability. It provides practical strategies to help sustainable business leaders and teams achieve and communicate the value of sustainability inside and outside their companies and can also serve as a guide for executives in other capacities. The strategies we present serve as a structured approach to framing the business value of sustainability in ways that resonate across functions and leadership priorities, demonstrating how sustainability directly supports efficiency, resilience, innovation, and long-term profitability.

BSR and GlobeScan are global organizations dedicated to furthering sustainable business. BSR is a sustainable business network that provides global insights, strategic advisory services, and collaborations. GlobeScan is an evidence-based insights and advisory firm specializing in trust, sustainability, and engagement. Having partnered with companies on their sustainability journeys over many years, BSR and GlobeScan have observed and analyzed the significant changes shaping business today: economic volatility, political instability, sustainability backlash, and technological change, and are eager to support companies to achieve continued progress amidst these changes.



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EXECUTIVE SUMMARY

1. **The core principles of the business value of sustainability remain robust, foundational, and largely unchanged.** Increasing operational efficiency, enhancing supply chain resilience and risk mitigation, improving employee attraction and retention, aligning with stakeholder expectations and social license to operate, and discovering innovation opportunities are all among the business benefits of sustainability that have been demonstrated for decades, backed up by data, and continue to be as critical as ever. As such, the question of the "business case for sustainability" is not one of uncovering new routes to value, but more of how to realize this value. The next frontier lies in integration, innovation, and commercialization: embedding sustainability across business functions to drive growth, manage risk, and inform strategic decisions.

2. **That said, the external regulatory, geopolitical, and market contexts are shifting rapidly, requiring new approaches to articulating and demonstrating sustainable business benefits.** Shifting contexts have resulted in new efforts to challenge the business value of sustainability. Sustainable business leaders and teams should meet this situation by addressing head-on the current context, risks and opportunities, adapting to new questions, and also calling out inaccurate assumptions that sometimes underpin questions about business value.

3. **Strong relationships and strategic integration are the keys to unlocking business value.** Achieving this depends on the deliberate work of building constructive relationships with "core" business functions and leaders, generating trust, shared purpose, and collaboration. This outcome is also strengthened by framing sustainability in terms that align with the priorities, frameworks, and metrics of corporate functions and business units within the enterprise. This means that business value from sustainability can be understood simply as business value in general.

4. **Business value encompasses a diverse range of time scales, proof points, and strategic benefits.** Sustainable business leaders and teams are often called upon to quantify the value of their efforts. In reality, not all forms of value can or should be reduced to numbers. Many of the most meaningful benefits are qualitative, such as stronger stakeholder trust, greater employee engagement, or enhanced brand reputation. Many benefits accrue over time and are instrumental in driving innovation, such as preparing for natural resource constraints or more stable supply chains as protection against operational or political risk. Equally important are the avoided costs of inaction – what would happen if we *do not* do it – and the strategic flexibility that sustainability investments can create, helping companies stay resilient in the face of an uncertain future. The absence of a clear, quantifiable metric with immediate impact does not make these outcomes less valuable – it simply calls for a broader understanding of the range of ways sustainability delivers business value.

5. **Call to action: Be boldly confident in asserting business value.** We are in a moment when commitments to sustainability are facing more questions; a battle for mindshare and, in some cases, outright attacks, many of which have nothing to do with the business case but instead are driven by vested business and political interests. When faced with skepticism or short-term pressures, it is essential to remain focused on the fact that sustainability is a crucial foundation of long-term business success. The evidence of its value is clear, enduring, and aligned with societal expectations and aspirations. This is a time when leadership, creativity, and conviction are needed to continue to create the long-term value that is inherent to sustainable business.

PURPOSE AND METHODOLOGY

THE CONTEXT

In the last few years, sustainability objectives and activities have faced increasing questions and challenges inside companies. In the face of shifting economic, political, social, and environmental dynamics, sustainable business leaders are being asked to demonstrate the business value of sustainability in terms that can be understood and appreciated by diverse internal audiences.

THE NEED

Questions about the value of sustainable business that had seemed to be settled are facing renewed attention and skepticism, and sustainable business leaders are facing sharpened demand from colleagues in other functions to articulate the business value of sustainability in demonstrable, quantifiable, and commercial terms. This is a challenge, but also an opportunity to pivot away from regulatory, compliance-driven discussions to the more strategic questions of how sustainable business creates value, contributes to business resilience, promotes innovation, and mitigates risk.

THE EXPECTATION

Sustainable business leaders and teams are seeking practical tools to collaborate with their functional counterparts to achieve and demonstrate greater commercial and societal value. This collaboration includes identifying critical sustainability risks and opportunities for the business; addressing the real and perceived tension between short-term financial pressures and long-term value creation; and embedding assumptions, processes, and ways of working that will withstand cultural, political, and economic fluctuations.

THE PROPOSITION

BSR and GlobeScan engaged 17 companies in a shared research program to explore the shifting dimensions of how sustainability delivers business value. This document shares practical tools and proof points for demonstrating the business value of sustainability.

- **Section 1** outlines the current context, examines the six fundamental value drivers of a sustainable business, and reasserts the importance of integration across the enterprise for business success and impact
- **Section 2** provides a framework for demonstrating the business value proposition at a general level. It presents five strategies to foster the cross-functional dialogue and collaboration essential for supporting operations, risk management, and growth, helping to integrate sustainability into decision-making across the enterprise.
- As a **companion to this document, *Toolkits for Engaging Business Functions*** have been developed to help prepare for engagements with five critical functions that are directly connected to value creation: Finance, Procurement, Marketing, Innovation and Research & Development, and Corporate Affairs. The *Toolkits for Engaging Business Functions* provide practical insight into how each function operates, the language they use, and the priorities that guide their decisions.
- In the **Appendix**, we share the results of a comprehensive literature review of the business value of sustainability, providing a bibliography with a set of recommended readings for those who may wish to go further. In addition, we have collated a series of proof points that may be referenced to showcase the business value of sustainability across the six dimensions outlined in Section 1 (Financial Capital, Social License to Operate, Operational Benefits, Marketing, Supply Chain, and Human Capital).

RESEARCH METHODOLOGY

BSR and GlobeScan followed a five-step methodology, ensuring a structured and comprehensive approach, from initial research and dialogue to finalization of a deliverable aimed at helping sustainability business leaders and teams demonstrate and communicate the business value of sustainability internally.

Company Engagement

In-depth interviews with participating companies to understand the challenges with respect to business value creation from sustainability and to uncover examples of leading practice

Literature Review

Review of recent existing literature on the business value of sustainability and proof points of success

Learning Sessions

Virtual and in-person sharing and networking sessions moderated to foster peer learning across the group and fine-tune program objectives and deliverables

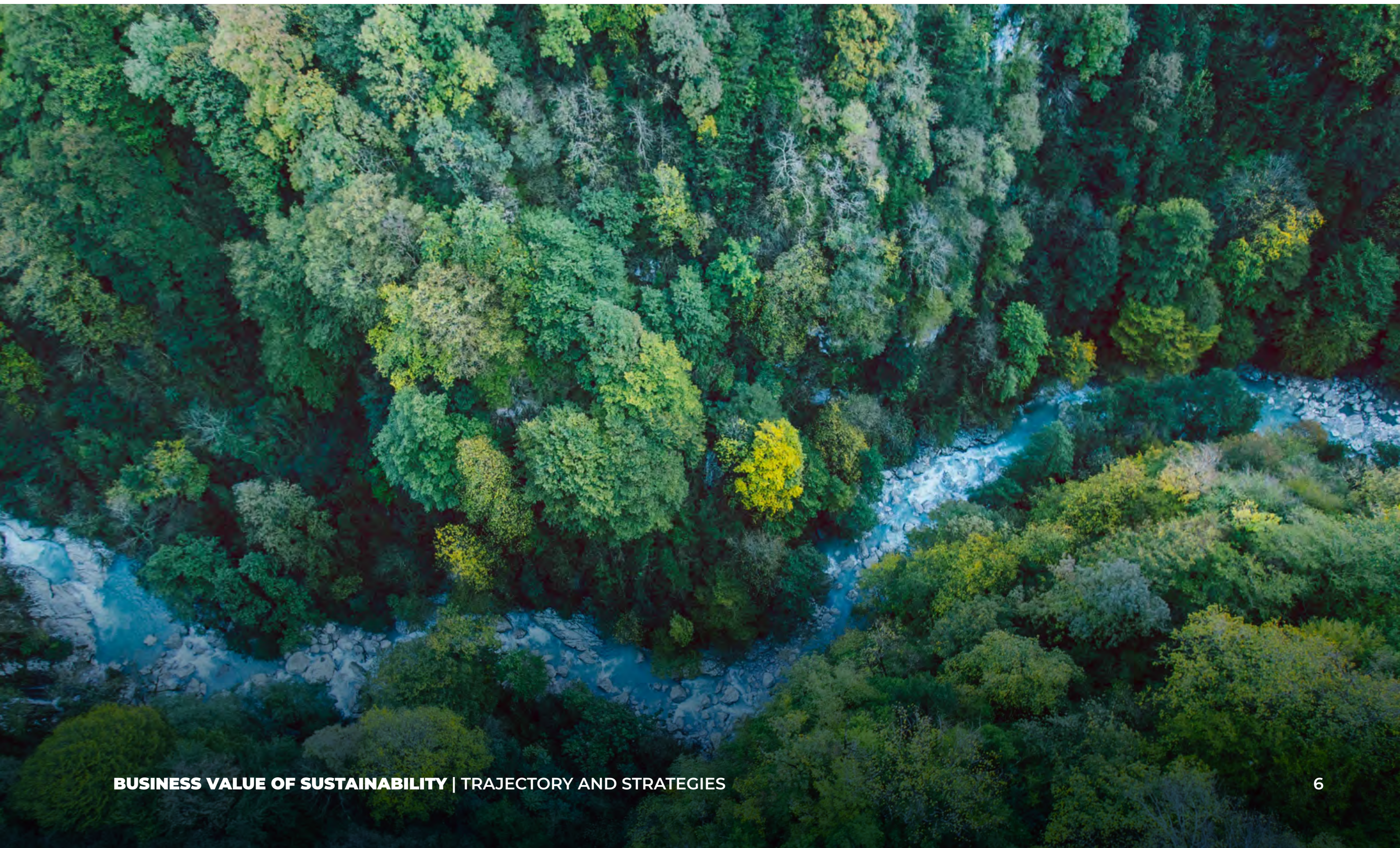
Expert Feedback

Expert interviews to uncover trends that can have a potential impact on the business case for sustainability and gather feedback on Toolkits for engaging business functions

Reporting and Briefing

Report and briefing on the deliverables:

- The value drivers of sustainable business
- Five key strategies for integration
- Toolkits for engaging business functions



SECTION ONE

CONTEXT AND THE VALUE DRIVERS OF SUSTAINABLE BUSINESS

Evolution of the Sustainable Business Agenda

From ethical imperative to strategic advantage, sustainability has been expressed in the business environment in a multitude of ways, continually evolving to meet societal expectations.

In 1987, the publication of the Brundtland Report (*Our Common Future*, World Commission on Environment and Development) helped put sustainability on the business radar, mainly as a moral and societal responsibility. After the Rio Earth Summit in 1992, which was largely a governmental conference with little business involvement, many governments launched environmental plans based on scientific recommendations and societal expectations.

In the mid-1990s, business became more engaged on the sustainability agenda, with the rise of corporate social responsibility and sustainability functions within companies. Much of the focus of these early days was on risk management, incremental progress, and "codes of conduct," with sustainability teams often siloed and disconnected from the core of the business.

In the ensuing years, sustainable business evolved and matured dramatically. Sustainability has become mainstream, with investments in internal expertise inside companies, widespread public commitments, heightened interest from investors, systematic engagement with stakeholders, policy makers, suppliers, and customers, as well as an explosion of sustainability-related disclosures. To shape and implement these efforts, the role of the Chief Sustainability Officer (CSO) has risen in the corporate hierarchy. C-suite officers have, in many cases, embraced sustainability, and Boards of Directors have assumed oversight for sustainability as a driver of strategy. Business sustainability today would be unrecognizable to many early practitioners.

Today, sustainability is once again facing a shifting context with both headwinds and tailwinds. After a period when internal goals, new regulatory requirements, and external expectations spurred elevated demand for credible, measurable results, we now see geopolitical factors, economic uncertainties, and populism generate an ESG backlash and/or recalibration. In many parts of the world, particularly North America and Europe, some regulatory frameworks are being scaled back, greenhushing is on the rise, language and communications around ESG topics are shifting, and commitments are being reframed in order to reduce political exposure.

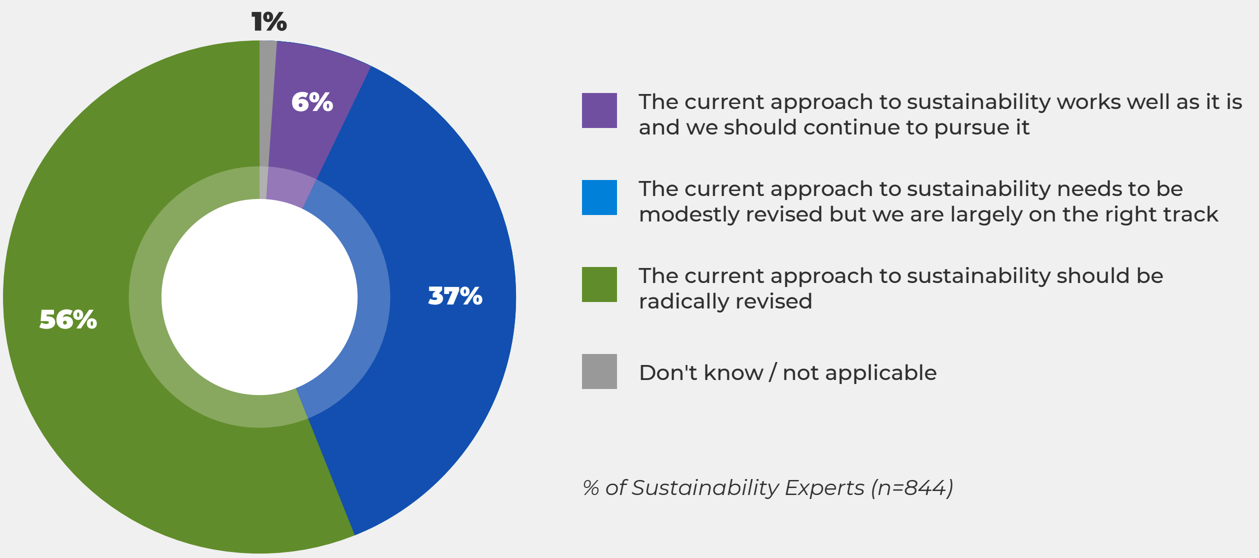
At the same time, the dynamics of sustainability within companies have changed in the last several years. In addition to the costs and challenges of mandated disclosure, there has been increased volatility in the global economy, affecting the cost of capital, energy markets, public policy, geopolitics, and culture, along with disruption from the rise of AI. All of this flux creates new barriers and opportunities for business sustainability functions and has led to a widespread view that the "sustainability narrative" needs to change if it is to resonate both inside and outside business.

Indeed, for many, sustainability is at a critical turning point. The recent *Sustainability at a Crossroads* study[1] found that over nine in ten experts say the sustainability agenda requires revision, with more than half of experts calling for a radical overhaul. While the sustainability field has matured, expanded, and mainstreamed over the decades, experts say that the current practices are simply not working.

[1] The *Sustainability at a Crossroads* study was based on a survey of 844 sustainability experts across 72 countries by ERM, GlobeScan, and Volans in May 2025.

Most Experts Believe Current Approaches to Sustainability Need Radical Revision

QUESTION: How do you personally feel about the current state of the sustainability agenda?



% of Sustainability Experts (n=844)

Source: *Sustainability at a Crossroads* study, GlobeScan-ERM Sustainability Institute-Volans, 2025

A review of today's sustainability practices sheds an interesting light on how actions are evolving. When examining the potential impact of current sustainability efforts, many of the tried-and-true methods for demonstrating commitment to sustainability, such as commitments to frameworks, principles, standards, and certifications (e.g., B Corp certification, UNGC principles for responsible business), voluntary sustainability reporting, ratings, and rankings of business sustainability performance, are seen as less impactful by sustainability experts.

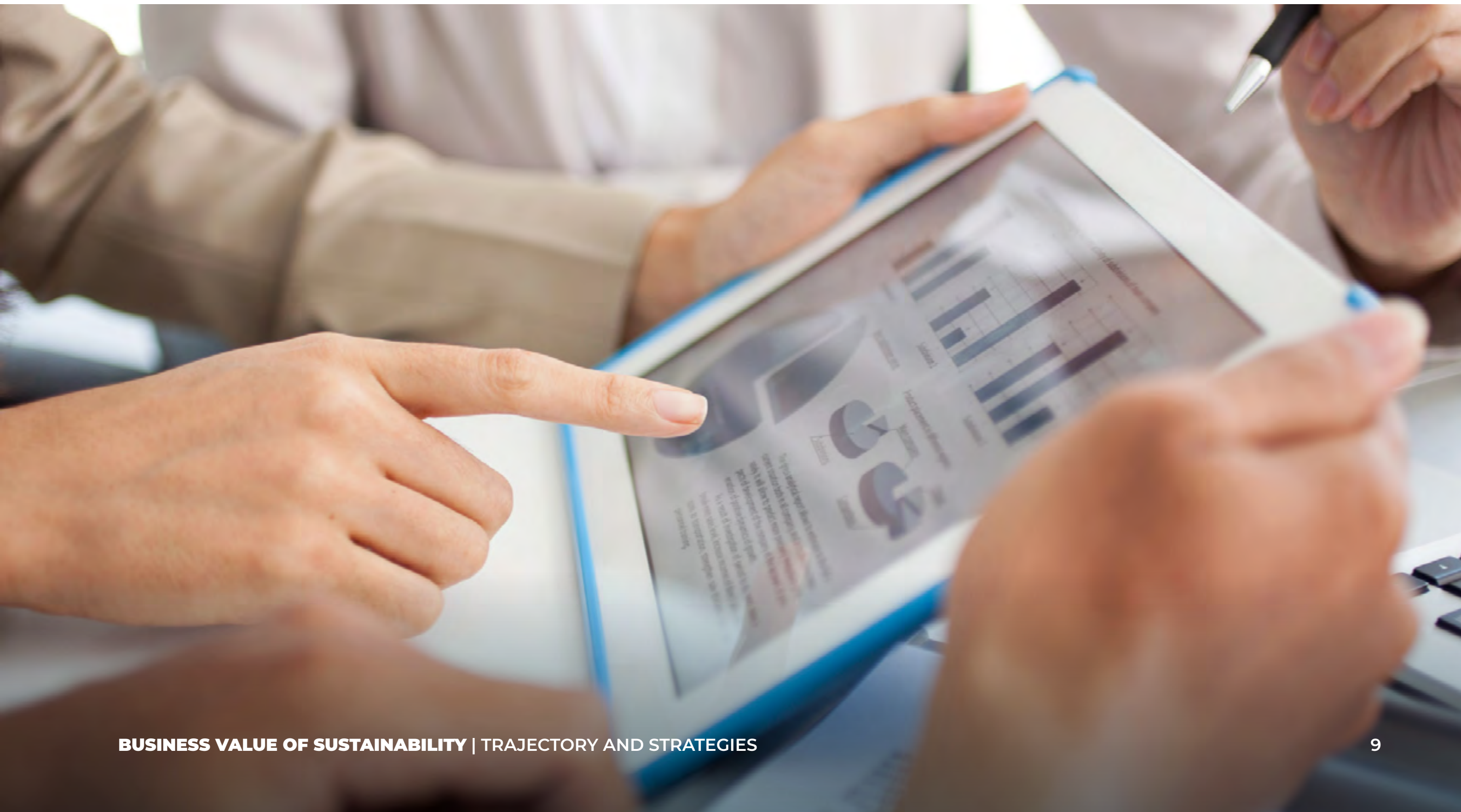
Instead, there is growing focus in three key areas: 1) market mechanisms and commercializing sustainability through more responsible products and services; 2) tech innovations and R&D for sustainability solutions, and 3) deeper integration of sustainability within companies (including supply chain engagement, employees prioritizing sustainability in their day-to-day work, and integrating ESG into investment decisions).

Top Levers of Change according to Sustainability Experts

% of experts saying action could lead to significant positive sustainability outcomes over the next five years, 2025

Source: *Sustainability at a Crossroads* study, GlobeScan-ERM Sustainability Institute-Volans, 2025

This shift speaks to the need for a more business-centric approach to sustainability that leverages the entire enterprise to drive stronger economic, environmental, and social outcomes. This approach also responds to the changed political, economic, and cultural context and is very timely.



From "Business Case" to "Business Value"

The sharpened demand from senior leadership and leaders of other business functions to articulate the "business case" for sustainability is perhaps unsurprising in today's political and economic context. The questions, however, are sometimes based on misconceptions and incomplete understandings, and can narrow the conversation, forcing sustainable business leaders and teams into a defensive position, and obscuring or disregarding the real value of sustainable business.

Several important points are available to counter the challenges that many sustainable business leaders are facing today, including:

1. **There is no single "business case."** Initiatives that advance sustainability objectives have different features, time scales, and impacts. Reducing energy use, for example, can deliver quantifiable cost reductions. The goodwill that comes from strong community relations may be measured as much by the avoidance of costs or shutdowns as by revenue generation. Business value of sustainability should embrace the reality of these different facets and not try to pretend that they do not exist. This makes a uniform formulaic approach untenable.

2. **Reducing sustainability to a traditional Return on Investment (ROI) assessment can overlook other contributions to value.** Many strategies that deliver positive sustainability outcomes often do not conform to traditional ROI analysis. They deliver non-monetary business value, mitigate risk, produce benefits over time, create optionality, and more. Highlighting these broader benefits is an important contributor to the conversation.

3. **Short-term bias obscures strategic opportunities.** Disruptive, immediate changes in the operating environment can sharpen management focus on the urgent at the expense of the strategic. Currently, business leaders are aiming to make sense of the changing features of the global trading system, and it is imperative that they do so. But responding *only* to immediate shocks to the trading system may obscure the importance of a long-term sourcing strategy that considers a wide range of factors, including many related to sustainability. The classic risk of focusing on the urgent rather than the important risks setting companies up for underperformance[2]. Moreover, research shows that in times of stress, short-term thinking is exacerbated[3], prompting risk aversion, impulsivity, and a narrowing of intellectual focus that may exclude the consideration of critical information. For example, failure to invest in sustainable supply chains may save money in the short term, but expose operations to disruption later.

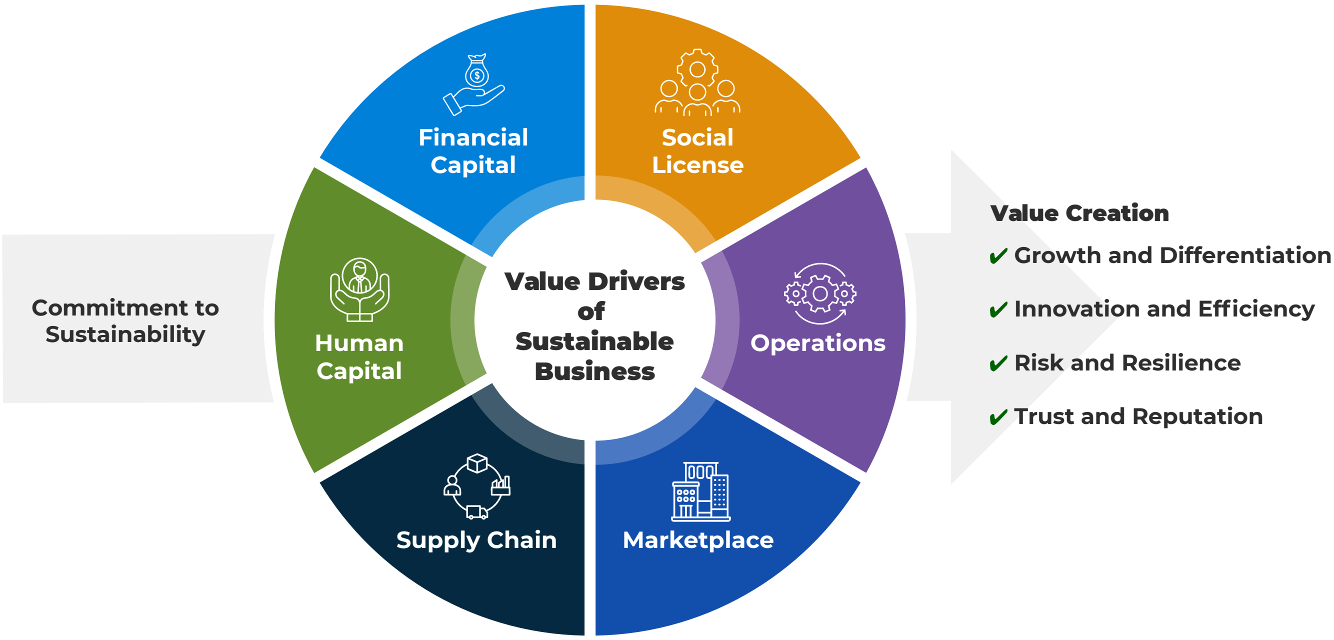
The first step to moving beyond many questions familiar to "the business case," which is often based on incomplete or inaccurate assumptions, means a pivot from business case to business value, understood as value generated or preserved by a business.

[2] "Why Corporate Directors Must Keep Their Company's Long-Term Mission in Focus." Harvard Law School Forum on Corporate Governance. https://corpgov.law.harvard.edu/2025/08/28/why-corporate-directors-must-keep-their-companys-long-term-mission-in-focus/
[3] "Stress and Decision-Making: How Pressure Affects Our Choices." NeuroLaunch. https://neurolaunch.com/under-stress-decision-makers-are-more-likely-to/

Value Drivers of Sustainable Business

Sustainability is a core driver of business resilience, growth, and trust. Companies can only aspire to be successful in the future if they create solutions to the most critical environmental, social, and economic challenges.

How Sustainability Leads to Business Success: The Value Drivers of Sustainable Business



1. **Financial Capital:** Treating environmental, social, and governance (ESG) issues as highly material can:
   1.1. Attract and secure capital;
   1.2. Lead to higher valuation and acquisition potential;
   1.3. Lower cost of equity/debt.

2. **Social License:** A proposition of shared value with external stakeholders can help companies secure a social license to operate and deepen stakeholder relations with various groups, including government, civil society, and communities. Trust in business is enhanced if one can:
   2.1. Avoid harmful stakeholder activism/ criticism;
   2.2. Strengthen stakeholder relationships.

3. **Operations:** Sustainability-related practices, strategies, and decision-making are found to:
   3.1. Increase operational efficiency / lower costs;
   3.2. Mitigate operational risks.

4. **Marketplace:** Focusing on sustainable product/service innovation can respond to demand shifts in the marketplace, resulting in competitive advantage and enhanced revenue through:
   4.1. Keeping pace with shifting consumer tastes/demands;
   4.2. Better product margins / price premiums;
   4.3. Responsiveness to supply chain requirements from enterprise customers.

5. **Supply Chain**: Investing in and ensuring visibility over sustainability in own supply chain leads to:
   5.1. Supply chain resiliency / risk mitigation.
   5.2. Product and process innovation.

6. **Human Capital:** Costs associated with employee turnover and recruitment can be reduced through sustainability, which is found to:
   6.1. Enhance employee retention/motivation.
   6.2. Enhance employee attraction.

BSR and GlobeScan conducted a systemic review of recent literature on the business value of sustainability to explore the current understanding of the benefits of sustainable business. Through this analysis, we have identified six fundamental value drivers of a sustainable approach to business, ones that can mitigate risks and optimize opportunities, enhance reputation and trust, increase endurance and resilience for the company, and foster greater innovation and efficiency. While this framework is inherently generic for all companies, it outlines the breadth of the opportunities for value creation and protection via sustainability.

The value drivers of a sustainable approach to business include:

1. **Financial capital** in terms of valuations, securing capital, and cost of debt;
2. Securing a **social license to operate** and deepening stakeholder relationships with key audiences (e.g., government, civil society, communities, etc.);
3. **Operational performance** through increased efficiencies and lower costs;
4. **Marketplace benefits**, with sustainability providing a lens for innovation that meets customer needs/demands;
5. **Supply chain** resiliency and risk mitigation;
6. **Human capital**, ensuring talent attraction and retention.

The full review and bibliography of source materials can be found in Appendices I and II. The analysis synthesizes quantitative “proof points” (e.g., ROI metrics, consumer surveys, market share data) and qualitative case studies relating to the six value drivers of sustainable business we have identified, sourced from global surveys, sector-specific studies, and real-world examples from leading organizations. For those who wish to go further, the Appendix also contains recommended readings, with recent articles sourced for their relevance, credibility, and diversity.

As evidenced by the six fundamental value drivers, sustainability-based value creation may be tangible or intangible and measured in monetary or non-monetary terms.

Tangible vs Intangible Business Drivers

Tangible business drivers are measurable physical or financial factors that directly impact a company’s performance. They are often quantifiable, tracked through financial statements or operational data, and form the basis for short- to medium-term decision-making. Examples of tangible sustainable business drivers include efficiency gains (e.g., reduced energy or water consumption) or revenue growth from products with sustainable features.

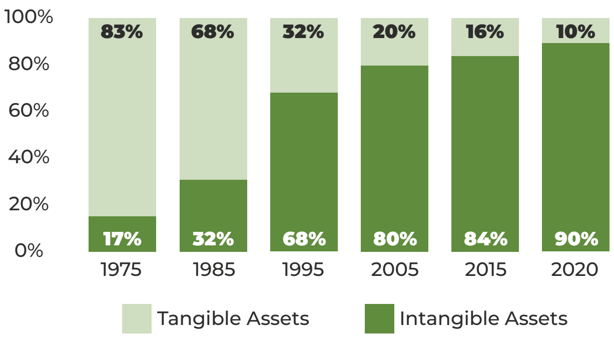
Intangible business drivers are non-physical, harder-to-measure elements that nonetheless strongly influence long-term success. Unlike tangibles, intangibles often manifest over time, contributing to operational and market resilience. Examples of intangible sustainable business drivers include enhanced brand reputation and increased trust, investments in a diverse and inclusive corporate culture leading to higher staff retention, productivity, and innovation, and investment in responsible value chain partnerships that create enduring goodwill and competitive differentiation.

While tangibles show up in P&L statements, intangibles are represented by evidence such as continuity of operations and talent. Both types of business drivers are essential to long-term cost control and agility.

For an audience of senior business leaders not steeped in sustainability, recognizing this reality is critical: it broadens the conversation from a single ROI metric to a more realistic view of how sustainability affects efficiency, resilience, and competitiveness across the enterprise over time.

While capturing the intangible value of sustainability in monetary terms can be challenging, deprioritizing it would be a mistake. For one, financial markets increasingly rely on intangible value drivers to estimate a company's net worth. The accompanying figure reflects the steep rise of intangible assets becoming the key determinants of the valuation of companies in the S&P 500 over the period from 1975 to 2020.

Components of S&P 500 Market Value: Tangible vs Intangible Assets



Source: Ocean Tomo, Intangible Asset Market Value Study, 2020

In addition, a 2023 McKinsey study of more than 2,200 public companies revealed that companies achieving superior growth and profitability while improving sustainability demonstrably outperformed their peers in total shareholder returns (TSR). "Triple outperformers" delivered 2 percent higher annual TSR than companies that only outperformed on financial metrics, and 7 percent higher than the rest of the dataset. Morgan Stanley found that sustainable funds outperformed traditional funds in the first half of 2025 by a comparative median return of 12.5 percent to 9.2 percent, the strongest differential since its tracking began in 2019. And chief executives are also on board: a 2025 Bain & Company study found that 54 percent of CEOs linked sustainability to business value in 2024, up from 34 percent in 2018.

Considering the wide range of tangible and intangible business drivers, and the ultimate desire to achieve the "triple play" of growth, profitability, and sustainability, it is clear that this cannot be undertaken by sustainability teams alone. As referenced earlier, the consensus strategy is to embed sustainability more effectively across the enterprise, structurally and functionally, to capture its full value.

Integration as the Pathway to Value Creation

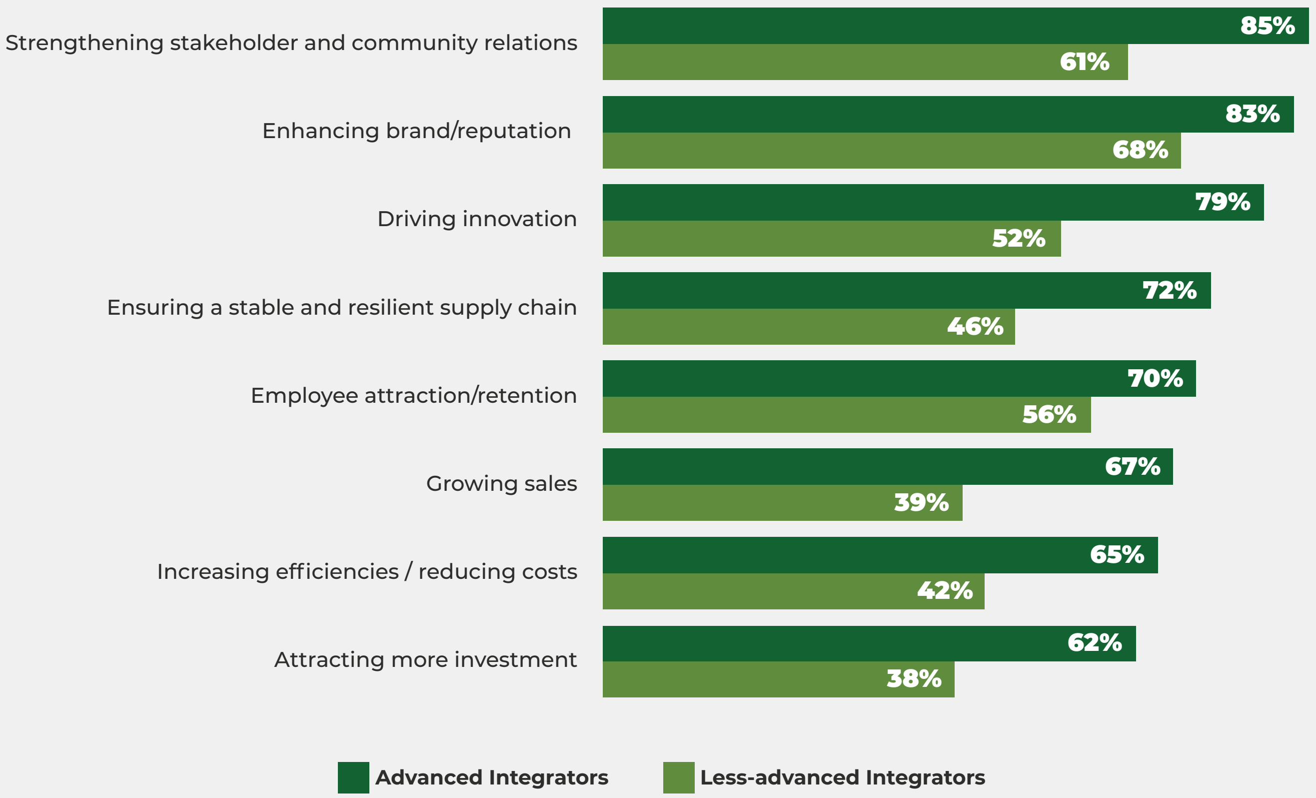
Moving beyond the narrow lens of the traditional articulation of the "business case," sustainability should be understood as an important creator of business value. It is not simply a matter of cost reduction or compliance but is best understood and practiced as a strategic driver that fuels growth, innovation, resilience, and trust.

By embedding sustainability into a wide range of business functions and decision-making, companies can create new revenue streams, improve operational efficiency, mitigate risks, and strengthen their reputation with stakeholders.

Further research reinforces the importance of integrating sustainability effectively across the enterprise in order to realize its value. As indicated in the *Sustainability Value Triangle*[4] study, companies that have deeply integrated sustainability demonstrate significantly higher levels of value creation compared to peers who have not, including bottom-line value such as growth, cost savings, and attracting capital investment.

Integrating Sustainability across the Enterprise Leads to Stronger Value Creation

Perceived value from sustainability by companies that have deeply integrated sustainability vs peers who have not, "High value" and "Very high value," 2025



Source: The *Sustainability Value Triangle*, a survey of 320 companies by A4S, ERM, GlobeScan, Salesforce, and SustainableITorg, 2025

[4] The *Sustainability Value Triangle* report was based on research with 320 companies conducted in 2025 by A4S, ERM, GlobeScan, Salesforce, and SustainableIT.org.

But how can leaders across all functions of the business be convinced of the value of sustainability? The message house below illustrates how sustainability translates into tangible business value across multiple dimensions, supported by evidence that demonstrates its role as a foundation for long-term business success. These messages can help demonstrate to colleagues the importance of sustainability in a comprehensive and holistic way.

Sustainability as a Value Driver: Message House

Sustainability is not a cost;
it is a **value driver**. It is an enterprise strategy for growth, innovation, resilience, and trust in a fast-changing world.

Areas where sustainability can create value:

Growth and Differentiation	Innovation and Efficiency	Risk and Resilience	Trust and Reputation
Aligning sustainability with financial performance, brand strength, customer demand, and investor expectations drives competitive advantage and unlocks new revenue streams, access to capital, and long-term growth.	Cross-functional integration of sustainability into product/service innovation, sourcing, and operational decision-making leads to resource optimization, cost savings, and novel, scalable sustainable solutions.	Embedding sustainability into decision-making across all functions ensures resilience and business continuity by reducing exposure to regulatory, reputational, and operational risks.	Sustainable approaches and commitments build stronger relations with customers, investors, current and potential employees, suppliers, government partners, and other stakeholders, protecting license to operate and building long-term brand equity.

Sample Proof Points and Data

Please refer to Appendix II for a detailed set of proof points that may be used in communications.

Examples include:

- Companies with strong sustainability practices outperform peers on long-term financial returns.
- Investors direct trillions into ESG-linked funds and financing, rewarding credible performers.
- Consumers/customers interested in sustainable products.
- Regulatory momentum (EU, ISSB, SEC, etc.) requires disclosure and climate/nature risk management.
- Purpose-driven companies attract and retain top talent, especially among younger generations.
- Companies that embed sustainability into supply chains are more resilient to shocks and disruptions.

Sustainable business leaders and teams are uniquely positioned to support the achievement of goals tied to the business priorities of market expansion, supply chain resilience, digital transformation, product-market fit, and other objectives. Indeed, sustainable business leaders inside companies possess unique skills and networks that enhance business decisions and performance, as they are well-positioned to incorporate different stakeholder perspectives, map the interconnectivity between diverse issues and trends, and project impacts over longer time scales. Sustainability teams can deliver unique value by bringing organizational and interpersonal sensibilities that differ from what “traditional” business functions might feature, including the ability to see across different perspectives, prioritize collaboration, and bridge contrasting needs.

In the next section, we outline five key strategies that can be employed by sustainable business leaders and teams to foster the cross-functional dialogue and collaboration required for the success of a business initiative – efforts that are deeply rooted in sustainability principles.

SECTION TWO

DEMONSTRATING BUSINESS VALUE: FIVE KEY STRATEGIES FOR INTEGRATION

Demonstrating Sustainable Business Value: Five Key Strategies for Integration

This section introduces a practical framework for showing how sustainability creates and strengthens business value. It presents five strategies to foster collaboration across functions, helping business and sustainability leaders work together to identify, create, and communicate shared value. The framework can be applied to individual projects or investments, as well as broader decisions about sustainable business 'initiatives' and strategies that are more deeply integrated into the business. The approaches provided can be applied in sequence or in parallel, in whole or selectively, as needed.

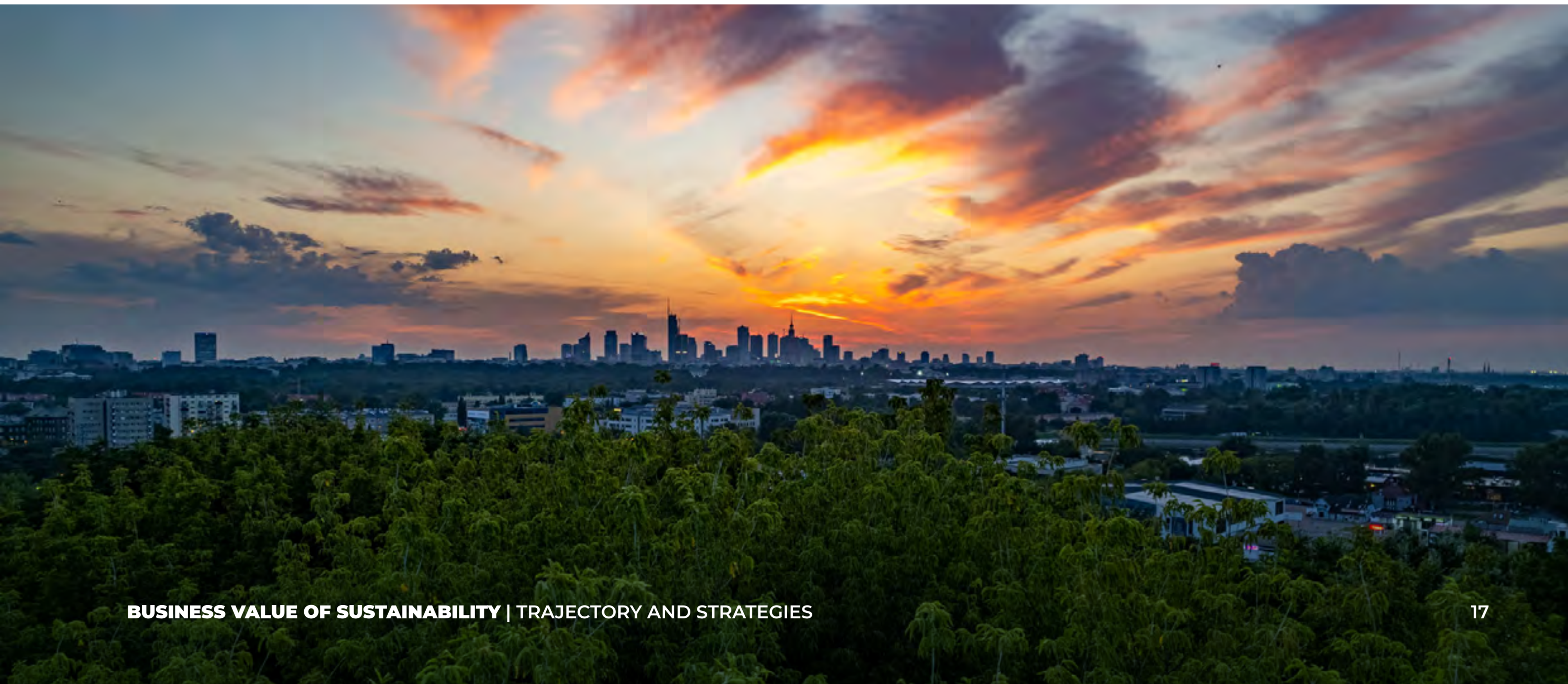
Integrating sustainability into core business strategy is often an exercise in change management. This section offers a structure and practical approaches to facilitate shifting mindsets and habits at the individual, functional, and leadership levels. Sustainable business leaders and teams acting as change agents can strengthen business and sustainability alignment by developing two complementary capabilities: functional aptitude (addressing the needs of key functions, their drivers, metrics, and language), and interpersonal acumen (establishing trust, common purpose, and collaboration with peers). Equally important is self-awareness, recognizing when an approach is not resonating and adapting until a more effective path is found.

The strategies[5] are:

- **I. Identify Key Players and Priorities**
- **II. Define the Opportunity**
- **III. Analyze Tangible and Intangible Value Drivers**
- **IV. Stress Test the Value**
- **V. Strengthen the Enabling Environment**

[5] Detailed guidance for using the five strategies can be found in the Appendix

Strategy	Insight	Actions
1 Identify Key Players and Priorities	Incorporating colleagues' perspectives can forge stronger partnerships and soften barriers to collaboration.	Identify the relevant function, individual owner, and key stakeholders. Understand the functional owner's position and priorities. Suggest a plan to advance the business goal, informed by the functional owner's priorities.
2 Define the Opportunity	Upfront partnership to define an initiative's scope, impacts, and assumptions facilitates uptake.	Articulate the "why." Understand the full initiative lifecycle. Frame and test key questions collaboratively. Determine appropriate metrics.
3 Analyze Tangible and Intangible Value Drivers	Systematically incorporating both tangible and intangible value drivers into decision-making offers leaders decision-useful information for operational and financial planning.	Understand the tangible and intangible drivers. Connect intangible benefits with tangible outcomes. Incorporate monetary and non-monetary variables into decision-making.
4 Stress Test the Value	Stress testing decisions helps leadership evaluate strategies across a range of plausible futures, identify trade-offs, and build resilience amid uncertainty.	Leverage strategic foresight for stress testing. Understand the cost of inaction to reveal the price of not addressing a risk, seizing an opportunity, or responding to a changing business environment. Consider opportunities through optionality: decisions or investments made today that afford multiple options for action in the future.
5 Strengthen the Enabling Environment	A supportive operating environment illuminates the links between sustainability and business success.	Identify where collaboration creates business value. Articulate and amplify the business value of collaboration.



I. Identify Key Players and Priorities

Integrated sustainability within business strategy begins with understanding who in the company is integral to approving or executing the initiative, and how their priorities connect to the goals of the initiative. The objective of *Identifying Key Players and Priorities* is to enable productive partnerships that align sustainability and business objectives from the beginning.

Start by mapping the functions, individual owners, and any other internal stakeholders, and identify whether they influence, make, or execute decisions. Confer with these colleagues to understand their position, priorities, and challenges.

Use these insights to frame sustainability objectives in ways that connect directly to familiar business terms, showing how sustainability advances their goals.

Clarifying roles, their incentives, and the interdependencies across functions helps to uncover shared goals, build trust and credibility, and anticipate potential points of friction. Ultimately, this strategy lays the foundation for positioning sustainability as an integral source of business value rather than a competing or adjacent agenda – establishing constructive dialogue, alignment, and collective ownership.

The Sustainability Challenge	The Insight
Sustainability teams can have great ideas to drive impact and value, but fail to win peer support due to perceived misalignment with incentives, accountability, culture, and priorities.	Understanding peers' priorities, constraints, and individual perspectives can help sustainability teams forge partnerships that gain more traction toward shared objectives.

II. Define the Opportunity

Defining an opportunity related to sustainable business is essential to defining and demonstrating its business value. This means systematically defining the opportunity's scope, boundaries, and objectives, and importantly, building these parameters with relevant colleagues to ensure alignment. The objective of *Defining the Opportunity* is to build a shared understanding of purpose early and to avoid friction later in the process.

Defining the opportunity includes multiple elements. First and foremost is articulating a shared rationale that advances important business goals. That might mean starting with a key business goal/priority and exploring how sustainability initiatives advance that objective (rather than starting with an isolated sustainability goal and trying to show its importance in isolation). That can help ensure that what is being proposed resonates with existing priorities, decision frameworks, and incentives.

Further, it is important to identify the value chain stages and partners with relevant impacts, dependencies, risks, and opportunities. Finally, working collaboratively to test key assumptions and agree on relevant metrics builds ownership and transparency and anchors sustainability in tangible operational results and business outcomes. In practice, this strategy builds the cross-functional ownership of sustainability objectives in a structured process that continues to link to business value.

It is crucial to understand that this is not meant to imply that sustainable business leaders and teams should simply conform entirely to colleagues' *a priori* interests and beliefs. The definition process is an important opportunity to illuminate and explore relationships, value drivers, and systems insights that might prove valuable in the service of shared business objectives. This process encourages mutual learning and hypothesis development.

The Sustainability Challenge	The Insight
Demonstrating the business value of sustainability is difficult when key internal stakeholders lack a shared understanding and definition of the relevant business objectives, boundaries, value chain impacts, metrics, and assumptions.	Sustainable business leaders and teams benefit from structured partnership with colleagues to define an effort or initiative in relation to core business and functional priorities, and to set a scope that will facilitate uptake and value creation.

III. Analyze Tangible and Intangible Value Drivers

Properly showing how sustainability supports company success requires examining both tangible and intangible drivers of performance. Tangible outcomes of a sustainability initiative, such as cost savings, efficiency gains, and risk reduction, often provide a clear starting point for discussion because they are straightforward and familiar. Intangible outcomes, such as brand equity, innovation capacity, and employee engagement are not as easily quantified but are equally critical to how sustainability drives long-term business success. Taken together, both types of outcomes are critical to the full value proposition of a sustainability objective or initiative.

The objective of *Analyzing Tangible and Intangible Value Drivers* is to capture and articulate the comprehensive business value of sustainability initiatives in language that will resonate across the business.

The first step is to identify a full list of the tangible and intangible benefits of a sustainability initiative. To more readily communicate the intangible benefits, connecting them to measurable business benefits helps colleagues understand how they are integral to achieving their own objectives (e.g., an intangible benefit of stronger investor perception can result in changes in the cost of debt and equity). This integrated analysis strengthens the business value of sustainability initiatives and further helps to ensure that sustainability performance is viewed as a driver of overall business success, and not a parallel track.

The Sustainability Challenge	The Insight
Sustainability activities influence many aspects of business value, some of which are not easily quantified, and some of which may present "hidden" dependencies or enablers. Decision-makers need an enhanced understanding of these factors.	Systematically incorporating both tangible and intangible value drivers into decision-making helps leaders see the full business picture and offer useful information for operational and financial planning.

IV. Stress Test the Value

In a rapidly changing business environment, the links between sustainability and business success can change just as quickly. The objective of *Stress-testing the Value* is to evaluate how a sustainability initiative delivers business value across a range of uncertain future conditions. These exercises anticipate disruptions, test resilience, and help to understand trade-offs before they arise. This approach positions sustainability as a forward-looking capability for strategic foresight, helping the business make informed, confident decisions that bolster long-term resilience, competitiveness, and innovation. It builds confidence in decisions about sustainable business initiatives, especially in times of uncertainty or rapid change. Involving colleagues from across functions creates a shared understanding of uncertainty and opportunity, fostering more agile and coordinated responses.

Stress-testing exercises can be thought of through two frameworks: the cost of inaction and optionality. The cost of inaction highlights what is lost to a company, both financially and strategically, when sustainability issues are ignored. Put simply, sustainability efforts are often evaluated by asking, "What happens if we do this?" without meaningful consideration of "What happens if we don't?" For instance, the "do-nothing" scenario for water management might reveal escalating operational costs or regulatory penalties. Optionality, on the other hand, captures the value of investing in sustainability solutions today to create flexibility and choice for the future. For example, investing early in low-carbon materials can position a company to meet future market or regulatory shifts more competitively.

The Sustainability Challenge	The Insight
Business value is often assessed with a focus on the ROI for action, and with a continuation of (or linear shifts to) underlying assumptions about the global context of business strategies. This can obscure the costs of inaction and value of optionality, and the potential for sustainability to deliver value and resilience amid changing conditions.	Stress testing helps companies go beyond static planning by evaluating strategies, processes, or projects across a range of plausible futures. Partnering with internal stakeholders to conduct stress testing can show the value of sustainability and position sustainability as a tool to anticipate disruptions, reveal vulnerabilities, clarify trade-offs, and build resilience during times of uncertainty.

V. Strengthen the Enabling Environment

In many cases, companies can drive and assess the value of sustainability initiatives on their own and in relation to their business activities. However, amid widespread shocks, transformations, and uncertainty, business success is increasingly linked to the broader systems in which they operate. These systems – which might include policies, standards, science and technology developments, societal norms, market dynamics, and more – are closely linked to the social and environmental factors at the heart of sustainable business. The objective of *Strengthen the Enabling Environment* is to recognize these links as increasingly important to identifying and realizing the value of sustainable business.

Companies can strengthen the achievement of business value by looking to influence the incentives present in various systems. Companies can make the case to policymakers that long-term economic value, including jobs, is enhanced through various policy efforts. This will then have the benefit of creating more momentum behind value creation linked to sustainability.

Companies often engage with investors to demonstrate why and how investments ranging from biodiversity to clean energy to positive labor conditions in supply chains lead to resilient enterprises. These efforts to influence the external environment make commitments to and investments in sustainability objectives easier to achieve and also help to relieve what can often be intense pressure to be reactive and engage in short-term thinking.

This makes collaboration a valuable tool for sustainable business leaders and teams aiming to advance business value. By working with peers, policymakers, investors, and civil society in an aligned and coordinated way, companies can help build the enabling societal, human, and environmental conditions that support business success. This might include promoting a "level playing field" for business by influencing regulatory frameworks, incentives, and infrastructure; establishing common understanding, knowledge, and capacity; aligning standards; sharing costs; coordinating investment in and accelerating innovation; and more. Crucially, any such activities should be conducted in appropriate, legal, and responsible ways.

The Sustainability Challenge	The Insight
The operating environment significantly affects business, but is often difficult to consider in the context of short-term ROI. Where the enabling environment is not aligned with sustainability objectives, articulating the business value internally becomes significantly more challenging.	Sustainable business leaders and teams can illuminate the links between sustainability and business success when the operating environment supports the assumptions the company depends on to thrive. Through collaborative initiatives and partnerships with peers, governments, and civil society, companies can seek to improve those enabling conditions to help deliver and measure responsible business performance.

CLOSING AND TOOLKITS FOR ENGAGING BUSINESS FUNCTIONS

While the context for sustainable business has evolved and will continue to do so, the core elements of internal business value remain consistent. That said, the approach by which they are communicated needs to change. Sustainable business leaders and teams must invest in interpersonal relationships, articulate value beyond the quantifiable elements, and remain confident in the value of sustainability to long-term business success.

Sustainable business leaders and teams can use the strategies outlined in this report not only to sharpen their thinking but also to anticipate and respond effectively to the diverse perspectives and priorities of internal stakeholders.

This will help ensure that the embedding and integration of sustainability is done effectively. By grounding discussions in a structured approach that links sustainability to efficiency, resilience, innovation, and long-term profitability, they can demonstrate tangible business value in ways that resonate across functions and leadership priorities. At a time of immense change and increased scrutiny of the value of sustainability, this is exceptionally important.

Toolkits for Engaging Business Functions

This report provides a framework for demonstrating the internal business value proposition at a general level. Ultimately, sustainable business leaders and teams will need to engage with the core business functions that create substantial value. To this end, BSR and GlobeScan have created a companion document to this report which is a series of *Toolkits for Engaging Business Functions* to help sustainable business teams prepare for engagements with five critical functions identified as most compelling by the companies involved in this project: Finance, Procurement, Marketing and Communications, Innovation and Research & Development, and Corporate Affairs.

These Toolkits were designed as a result of BSR and GlobeScan's research and engagement with the participating companies and have been vetted by external experts who are active in the functions. The *Toolkits for Engaging Business Functions* provide practical insight into how each function operates, the language they use, and the priorities that guide their decisions. By taking the time to understand each function's mindset and needs, sustainability business leaders and teams will be better equipped to build common ground, foster collaboration, and advance sustainability as a driver of business success across the enterprise.

APPENDICES

APPENDIX I

Demonstrating Business Value: Five Key Strategies – Detailed Guidance

I. Identify Key Players and Priorities

Understanding who in the company is integral to approving or executing an initiative, and **how** to speak to their interests, is the first step in a productive partnership.

The Sustainability Challenge	The Insight
Sustainability teams can have great ideas to drive impact and value, but fail to win peer support due to perceived misalignment with incentives, accountability, culture, and priorities.	Understanding peers' priorities, constraints, and individual perspectives can help sustainability teams forge partnerships that gain more traction toward shared objectives.

Identify relevant function(s). Identify which function has formal accountability and governance for the initiative, and which functions have supporting roles. Investigate the roles each has in decision-making and execution.

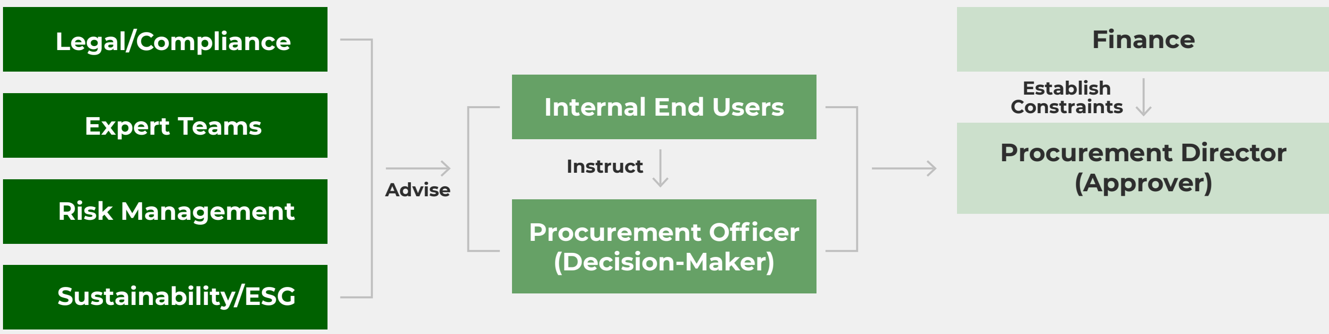
Identify the individual owner(s) and key stakeholders. Identify individual peers responsible for the initiative, including its operations, cost control, risk management, and reporting. Consider each person's role, priorities, and KPIs.

Leverage power maps to understand expectations and dependencies, anticipate who might have concerns that could slow or block the initiative, and identify potential allies.

Power Maps

A power map is a visual tool organizations use to identify and analyze the key stakeholders, decision-makers, and influencers involved in a specific issue, project, or process. It can help to:

- Identify potential stakeholders to engage;
- Assess stakeholders' levels of knowledge and influence, as well as the links and relationships between them;
- Prioritize actors that have the greatest influence or are particularly critical to involve.



Confer with the relevant peers to gain insight into their position and priorities. Posit questions to understand how the sustainability initiative might help or hinder their success:

- What are they hoping to achieve in their role in both the near term and in the long run? Consider how the project might advance those objectives.
- What do they need to report? How might sustainability data and outcomes strengthen their operational performance metrics?
- What barriers do they face? Are these barriers systemic, and are they impeding progress against other business objectives as well? Consider how the project can mitigate or remove these barriers.

Supplement these insights with discussions from a broader range of colleagues as needed.

Develop messaging using business language. Use these learnings to develop messaging that will resonate with key internal stakeholders. When engaging with business functions, avoid sustainability jargon and communicate in operational terms. The *Toolkits for Engaging with Business Functions* can help identify how to frame messages for teams with specific functions and adopt their language. Using business language, sustainability objectives have more relevance and impact.

Suggest a plan for collaborating that advances the business goal and reflects the relevant business lead's priorities. Showing awareness of organizational and interpersonal dynamics builds trust and signals a readiness to address the often-invisible barriers to progress.

CASE STUDY

Opportunity	Action	Business Value
Applied Materials sits at a key inflection point of the energy-climate nexus. It makes equipment used to manufacture semiconductors which power AI and a multitude of smart technologies, but which is also an energy-intensive process. Applied Materials saw an opportunity to help its chip-manufacturing customers drive the digital transformation while reducing their carbon emissions.	Applied Materials proposed the *Net Zero 2040 Playbook*™, a suite of actions focused on reducing 99 percent of emissions emanating from the use of its products and its supply chain (scope 3). A cross-functional Net Zero Leadership Council was created to validate the plan and provide ongoing governance. Cross-functional rigor earned C-suite support and enabled the company's adoption of the Playbook.	The Playbook spurred a spate of innovation, including a growing suite of Eco-Advantaged products and services that enable energy reduction in chip manufacturing. Applied Materials is gaining business value from multiple vantage points: new revenue, reputational capital, enhanced customer relationships, and employee motivation to work in an engaging, purposeful environment.

Guiding questions:

1. Where do individual and functional interests converge, and where do they conflict? How might resulting tensions affect the project's scope, resources, and outcomes?
2. Is there alignment between the relevant business lead and other teams, including the sustainability team, on the project's goals and importance?
3. How might the project be framed to garner the support needed to perform a fulsome sustainability analysis?

II. Define the Opportunity

Systematically defining an opportunity's scope and boundaries and discussing these parameters with relevant internal owners and stakeholders helps ensure alignment and avoid contention due to differing perspectives later in the process.

The Sustainability Challenge	The Insight
Demonstrating the business value of sustainability is difficult when key internal stakeholders lack a shared understanding and definition of the relevant business objectives, boundaries, value chain impacts, metrics, and assumptions.	Sustainable business leaders and teams benefit from structured partnership with colleagues to define an effort or initiative in relation to core business and functional priorities, and to set a scope that will facilitate uptake and value creation.

Articulate the "why." When defining the "why" behind sustainability efforts, companies often start from their list of material issues and then identify how these connect to core business priorities. While this remains a relevant exercise for sustainability teams, it can be equally powerful to reverse the thinking and begin instead with the company's most important business functions' goals, particularly those communicated by senior management to shareholders and other stakeholders, and explore how sustainability can help achieve them. Grounding in business objectives gives peers across functions a familiar frame of reference and creates a shared language for discussion.

Use sustainability analysis to understand the full initiative lifecycle.
A value chain map can help to think through an initiative's stakeholders, timeframes, and impacts. The visualization can help leads and teams understand how actions at each stage of the value chain can affect operational outcomes like costs, risks, and customer satisfaction. The goal is to capture the greatest impacts, dependencies, risks, and opportunities of the initiative.

Illustrative Example: Smartphone

Note: This is a simplified, illustrative example for discussion purposes only. Actual product impacts, dependencies, and innovation opportunities will vary by company, supply chain, and context.

	Business input or process	Raw Materials Extraction	Processing	Manufacturing	Sales and Distribution	Product Use	End of Life
Impacts on people and the environment	*Mining of cobalt/lithium*	*Potential for child or forced labor*	*Energy and water use; water pollution*	*Carbon emissions from assembly plant; unsafe working conditions*	*Transport emissions; low wages*	*Energy consumption when charging*	*E-waste*
Dependencies (e.g., workforce, policy, communities, natural resources)	*Supply chain workers and communities*	*Reliance on locations at risk from political instability or extreme weather*	*Access to renewable energy / clean water*	*Labor law compliance (e.g., working hours)*	*Energy and emissions from warehousing and transport; fuel price volatility*	*Reliable electricity access*	*Availability of recycling infrastructure*
Innovation potential	*Material use*	*Recycled materials*	*Cleaner extraction/ refining methods*	*Automation for efficiency*	*Biodegradable packaging*	*Energy-efficient chips*	*100% recyclable phone models*

Frame and test key questions collaboratively. Identify the main environmental, social, governance, and policy impacts and dependencies of the initiative. Create simple "what if" questions to explore critical risks and opportunities (e.g., What if energy costs double? What if supplier disruption halts production?). Collaborate with relevant internal owners and stakeholders to test these hypotheses, explore scenarios, and prioritize responses. Conducting this analysis together builds shared understanding and turns the process into a collaboration.

Determine appropriate metrics. Identify metrics that capture the most material current and potential impacts revealed through the analysis. These metrics should connect with core business priorities, such as cost efficiency, supply chain reliability, compliance, productivity, and customer satisfaction. Confirm that the data needed to measure these impacts are accessible and can be tracked over time.

For example, research shows that paying value chain workers a living wage can deliver tangible business benefits such as lower turnover, higher productivity, better product quality, and stronger supply chain resilience. The table below includes a set of supplier performance and cost-related metrics that can help quantify the business value of closing the living wage gap.

Selected Metrics to Demonstrate the Business Case of Paying Living Wages

Supplier production performance metrics	Productivity and operational improvements from stable workforce
Productivity measures	- Outputs per worker hour (units/hour)
Operational efficiency	- On-time delivery rate (%) - Order fulfillment accuracy (%)
Innovation and improvement	- Cost savings from operational improvements (€/month)

Supplier cost reduction metrics	Direct cost savings from human rights improvements
Turnover and recruitment costs	- Monthly turnover rate (%) - Cost per hire (€/person)
Overtime and coverage costs	- Monthly overtime hours (hours) - Overtime premium paid (€/month)
Quality and rework costs	- Defect rate (%) - Returns/replacements (€/month)

Guiding questions:

1. What is the initiative's purpose and how does it align with core business priorities?
2. Where does the initiative create the biggest impacts, risks, and opportunities across its value chain?
3. What are the potential risks and opportunities of the initiative, and how can those be explored with relevant internal owners and stakeholders?
4. What metrics can be used to demonstrate the initiative's alignment with business priorities?

III. Analyze Tangible and Intangible Value Drivers

Because some business benefits of sustainability may be difficult to quantify with immediacy and certainty, it is important to analyze **both tangible and intangible** value drivers as both help to capture short- and medium-term financial impacts and longer-term opportunities to safeguard operational continuity, reduce volatility, and build capacity for growth.

The Sustainability Challenge	The Insight
Sustainability activities influence many aspects of business value, some of which are not easily quantified, and some of which may present "hidden" dependencies or enablers. Decision-makers need an enhanced understanding of these factors.	Systematically incorporating both tangible and intangible value drivers into decision-making helps leaders see the full business picture and offer useful information for operational and financial planning.

Understand the tangible and intangible drivers. Decision-makers should recognize and address both tangible and intangible drivers of business value. For a given effort, start with identifying all relevant drivers such as those that can be quantified (e.g., energy cost savings), estimated (e.g., productivity gains), or are harder to quantify (e.g., trust or brand reputation).

How Tangible and Intangible Factors Drive Business Value

Why Tangible Drivers Matter

- Objective measurement: Tangible drivers provide hard data (revenue, assets, costs, return on investment) that stakeholders, investors, and regulators can quantify and compare over time.
- Short-term decision-making: Measurable drivers are essential for operational resiliency, resource allocation, and immediate financial stability.
- Transparency and accountability: Lenders, auditors, and investors rely on these metrics to assess liquidity and profitability.

Why Intangible Drivers Matter

- Future orientation: Intangibles such as brand, innovation, and culture predict long-term growth and resilience more accurately than physical assets alone.
- Competitive edge: The combination of customer loyalty and an engaged workforce can create difficult-to-replicate innovation capacity as well as measurable advantages in retention, productivity, and market share.
- Risk protection: A culture of openness and trust protects reputation during normal times and shields the company during periods of volatility, reducing the costs of disruption and crisis.

The two charts below describe common tangible and intangible business drivers.

Tangible Drivers

Tangible or financial metrics are more easily quantifiable since their benefits are clearer and more measurable.

Tangible Drivers	Description
Revenue	*The total income a company generates from sales over a given period.*
Cost of goods sold	*The direct costs of producing goods or services, including labor, materials, and sourcing inputs.*
Operational expenditures	*The recurring and regular expenses required to run the business, such as energy, water, human resources, and sales and marketing activities.*
Interest expenses	*The cost of borrowing, including interest payments on loans or bonds.*
Tax expenses	*Taxes paid or rebates received as a result of financial performance, regulatory compliance, or incentive schemes.*
Equity	*The ownership value held by shareholders in a company, representing their claim on assets and earnings.*
Capital expenditures	*Investments in long-term physical assets that contribute to the future productive capacity of the business, such as property, buildings, technology, or equipment.*
Non-current assets	*Intangible assets such as brand equity, reputation, or goodwill that hold long-term value for the company (beyond one year or one operating cycle).*
Current assets	*Assets expected to be realized, sold, or consumed within one year or the company's normal operating cycle (e.g., inventory, receivables, cash).*
Liabilities	*Financial obligations such as accounts payable or legal fees, representing the company's short-term commitments.*
Goodwill	*Intangible asset that captures the value of non-physical elements such as brand reputation, customer loyalty, employee expertise, intellectual property, and synergies.*
Depreciation	*Systematic allocation of the cost of a tangible fixed asset over its useful life which reflects the wear and tear, usage, or obsolescence of the asset over time, as defined by national tax schedules.*
Impairment	*A reduction in the value of an asset due to external risks, damage, or changing market conditions.*

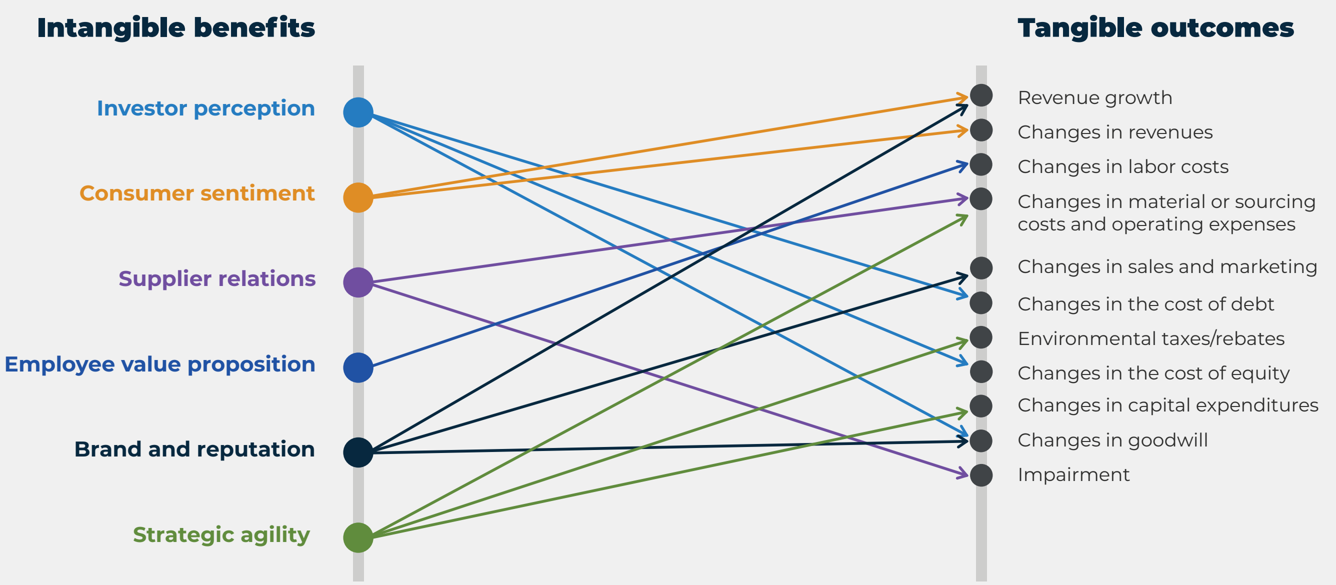
Intangible Drivers

Intangible metrics may be difficult to quantify and monetize, but influence company performance, reputation, and/or trust.

Intangible Drivers	Description
Investor perception	*How investors view a company's stability, growth potential, and risk profile. It influences access to capital, valuation, and overall market confidence.*
Consumer sentiment	*The attitudes, opinions, and emotions that consumers hold toward a company, brand, or product. It reflects satisfaction, trust, and loyalty, and can drive demand and reputation. Customer sentiment can also be influenced by how well a company innovates in its products, services, and business models to meet evolving customer needs and expectations.*
Supplier relations	*The quality and resilience of a company's relationships with suppliers, built on trust, reliability, and collaboration. Strong supplier relations can improve efficiency, reduce risks, and enhance value creation across the value chain.*
Employee value proposition	*The overall benefits employees derive from working at a company, including compensation, benefits, career growth and development, workplace culture, and alignment with personal values. It influences a firm's ability to attract, retain, and motivate talent.*
Brand and reputation	*The collective perception of a company held by stakeholders, including customers, employees, investors, and the public. It encompasses credibility, trust, and distinctiveness in the marketplace.*
Strategic agility	*The organization's ability to make effective strategic and operational decisions, anticipate risks, and adapt to changing conditions, thereby enhancing resilience and performance.*

Connect intangible benefits with tangible outcomes. Business drivers do not operate in a vacuum. Rather, they intersect, reinforcing or sometimes reducing each other's impacts. For example, positive brand perception can drive revenue growth, while weak employee engagement can lead to higher turnover and reduced productivity. The chart below illustrates these links.

Connecting Intangible Benefits to Tangible Outcomes



Note: This mapping is research-based and indicative rather than comprehensive. Actual connections may vary across companies depending on maturity, sector dynamics, and business context.

Intangible driver	Tangible outcome	Rationale
Investor perception	**Changes in cost of equity**	Strong ESG performance is associated with a lower reported cost of equity, as investors perceive reduced default and reputational risks and demonstrate greater confidence in the firm's long-term resilience. Top ESG-rated companies have been shown to experience a significantly lower cost of equity even after accounting for home-market factors (MSCI, 2024).
	Changes in cost of debt	Similar results held for the reported cost of debt and credit spread (MSCI, 2024).
	Overall cost of capital	The lowest-rated companies had the highest financing costs (7.9%, on average over the study period), while the top-rated companies, on average, financed themselves at the lowest rate (6.8%) over the study period (MSCI, 2024).
	Changes in goodwilll	Positive investor perception tied to ESG can increase acquisition premiums and valuation multiples, reflected in higher goodwill on balance sheets. KPMG notes that 55% of investor respondents are willing to pay a premium for a target that demonstrated a high level of ESG maturity (KPMG, 2024).
Consumer sentiment	**Revenue growth**	Consumers are increasingly rewarding brands that are aligned with their values. McKinsey & NielsenIQ found that products making ESG-related claims averaged 28% cumulative growth over a five-year period, versus 20% for products that made no such claims (McKinsey & NielsenIQ, 2023).
	Changes in revenue	Consumers are increasingly willing to pay a price premium for sustainable products. PwC found that on average, consumers are willing to spend 9.7% more on sustainably sourced or sourced goods, and that 80% are willing to pay more (PwC, 2024).
Supplier relations	**Changes in material or sourcing costs and operating expenses**	Trusted supplier partnerships enable stable pricing, reduced disruptions, and collaborative innovation for efficiency. Companies engaging in regular collaboration with suppliers experienced higher growth, lower operating costs, and greater profitability compared to their industry peers (McKinsey, 2020).
	Impairment	Poor supplier practices (e.g., labor or environmental violations) can lead to stranded assets or sudden write-downs.
Employee value proposition	**Changes in labor costs**	An engaged workforce has lower turnover and absenteeism, reducing hiring and training costs. Gallup found that companies in the top quartile for employee engagement see 21% higher profitability and 59% lower employee turnover (Gallup, 2023). Workforce diversity and inclusion can improve financial performance. Companies in the top quartile in gender equity (> 30% representation of women) are significantly more likely to financially outperform those with 30% or fewer. Similarly, companies in the top quartile for ethnic diversity show an average 27% financial advantage over others (McKinsey, 2023).
Brand and reputation	**Revenue growth**	Sustainability perceptions can positively influence brand value, which can contribute to revenue growth. A Bain study on brand differentiation found brands scoring the highest on ESG Elements of Value (Ethical, Humane, Caring for the Earth and for the People) achieved five times the revenue of those scoring the lowest (Bain & Co, 2023).
	Changes in sales and marketing	Customers are more likely to stay loyal to brands aligned with their values, reducing customer acquisition costs and total marketing spending.
	Changes in goodwill	Sustainability perceptions can positively influence brand value. The Brand Finance Sustainability Perceptions Index 2023 revealed that on average, sustainability perceptions account for 3% of a brand's equity among the top 100 global brands, totaling around USD $193Bn (Brand Finance, 2023). Moreover, 33% of Gen Z consumers surveyed by Bain & Co in the US indicated they would boycott a brand with bad labor practices (Bain & Co, 2023). 44% of organizations surveyed by Capgemini stated that they suffered reputational damage to sustainability inaction (Capgemini, 2025).
Strategic agility	**Changes in operating expenses**	Improved sustainability management practices can often lead to reduced operating expenses, particularly through energy efficiency, waste reduction, and resource optimization. Organizations surveyed in a Capgemini study achieved cost savings from 8% to 20% (Capgemini, 2025).
	Environmental taxes/rebates	By proactively managing environmental risks and aligning with regulatory goals, companies can avoid penalties and benefit from tax incentives or other incentives.
	Changes in capital expenditures	Embedding sustainability into capital allocation decisions increases preference for resilient, low-carbon assets.

Evaluate and incorporate monetary and non-monetary variables into decision-making. Once the relevant drivers are identified, evaluate them further by attempting to measure monetary value. Some will be easily quantifiable with simple ROI analyses, while others will need to be linked to business-relevant outcomes (e.g., employee retention means lower hiring and training costs, and strong supplier relationships can translate to reduced downtime).

Note that the list of factors that can be quantified is growing as the field of **impact valuation** matures. Impact valuation is the process of measuring and assigning a monetary or quantitative value to a company's social and environmental impacts, both positive and negative, so they can be compared alongside financial performance. The appendix provides an overview of select impact valuation methodologies that are under development or currently in use that may be of interest to internal stakeholders.

Guiding questions:

1. How might the intangible drivers for an initiative be framed or communicated to improve decision making?
2. Can intangible value be translated into proxy metrics or measurable outcomes to strengthen understanding of how they support business priorities like operational expenditure and workforce productivity?
3. How might both tangible and intangible drivers be optimized to support key business priorities in a manner that allows for agility over time?

IV. Stress Test the Value

Stress testing can be used to assess the viability of existing or new initiatives. A stress test is a structured evaluation of how a company's strategies, operations, or financials would perform under divergent but plausible scenarios, to assess resilience and guide risk-informed decisions. In a sustainability context, stress testing examines how environmental, social, or governance shocks such as climate change, resource scarcity, or regulatory shifts could affect business resilience, helping leaders plan for long-term stability and opportunity.

The Sustainability Challenge	The Insight
Business value is often assessed with a focus on the ROI for action, and with a continuation of (or linear shifts to) underlying assumptions about the global context of business strategies. This can obscure the costs of inaction and value of optionality, and the potential for sustainability to deliver value and resilience amid changing conditions.	Stress testing helps companies go beyond static planning by evaluating strategies, processes, or projects across a range of plausible futures. Partnering with internal stakeholders to conduct stress testing can show the value of sustainability and position sustainability as a tool to anticipate disruptions, reveal vulnerabilities, clarify trade-offs, and build resilience during times of uncertainty.

Many C-Suite leaders already use stress tests to evaluate the potential for supply chain disruptions, cost volatility, or price shocks. Sustainability stress testing fits naturally into these processes. Two frameworks that can be leveraged are the cost of inaction and optionality. The cost of inaction highlights what is lost to the company when sustainability issues are ignored (i.e., it focuses on the *risks* of not addressing sustainability challenges). Optionality, on the other hand, captures the value of investing in sustainability solutions today to create flexibility and choice for the future (i.e., it focuses on the development of solutions to mitigate those risks and seize new opportunities).

Leverage strategic foresight for stress testing. The context for sustainable business is constantly reshaped by accelerating changes that are increasingly volatile, complex, and non-linear. Before applying cost of inaction or optionality frameworks, companies can use strategic foresight to anticipate emerging risks, evaluate trends, and consider plausible future scenarios, setting the context for stress testing exercises.

Indeed, many of the changes reshaping the business environment have direct impacts on sustainability-related matters, even if they reflect broader political, technological, or other changes. Recent trends such as developments in AI, the spread of misinformation on social media, and rapid changes in regulation all have a substantial impact on how sustainable business is conceptualized and delivered. This highlights the importance of testing scenarios for significant strategic impacts on compliance, cost, and resilience. For example, a "sustainability" initiative to use more recycled content in a product may have a weak short-term payback period, but could be very favorable for the business over time in the case of strengthened regulations on extended producer responsibility or increased material importation costs from tariffs. These broader contextual changes are important aspects of analyzing an initiative.

Understand the cost of inaction. The cost of inaction is the hidden price an organization pays by not addressing a risk, seizing an opportunity, or responding to a changing business environment. That "price" can be direct financial costs, but can also be reputational, operational, and strategic consequences. Calculating the cost of inaction involves estimating the negative impacts, both financial and non-financial, that may result if a proposed action is not taken.

- Start by **defining a baseline scenario** to be the reference point for measuring losses, then multiplying the loss by the likelihood of occurrence. Examples of losses include:
    - Financial: Loss of revenue, higher operating costs, lost funding;
    - Operational: Inefficiency or downtime leading to lost productivity or revenue;
    - Strategic: Lost market share, competitive disadvantage;
    - Environmental: Increased emissions, waste, or pollution, or lack of access to ecosystem services;
    - Reputational: brand damage, stakeholder mistrust, negative media, lost partnerships.
- Next, **compare the cost of inaction to alternative scenarios.** This should provide a clearer view of the hidden costs of ignoring sustainability, such as operational inefficiencies or reputational harm, that may not show up in traditional ROI analyses.

A recent international business survey from Capgemini demonstrates that business leaders already recognize the impact of sustainability inaction on their finances, competitive positioning, ability to meet regulatory expectations, and innovation potential. Ninety-one percent recognize that sustainability action, or inaction, impacts their company's financial performance. From a business leader perspective, this makes the value clear: inaction today often leads to higher costs, weaker competitiveness, and greater disruption later.

Consider the opportunities through the lens of optionality. Optionality[6] refers to decisions or investments made today that afford a company choice, or options, in the future. It reflects a strategic mindset that emphasizes preparedness for multiple possible future developments. When a financial return is difficult to quantify, optionality emphasizes how an initiative buys other qualitative returns, such as future flexibility, faster response to disruption, learning, and innovation. From an operations perspective, optionality is about ensuring flexibility in supply chains, workforce capacity, and compliance strategy – all critical levers for protecting operational performance under uncertainty.

[6] Optionality is a derivative of real options, which originated in Black-Scholes pricing models in the 1970s. It was extended to real (non-financial) investments by Stewart Meyers, who created the term "real options," and then was further applied to strategy in the 1990s.

Examples of value creation through optionality include:

- Investments in circular products: Provide alternate material flows and business models that are less or differently affected by changing market dynamics and resource availability.
- Investments in workforce skills and culture that prize diverse skills and ongoing learning: These create a company with the skillset and mindset to adapt to changing technology and other demands.
- Building diverse, relational supplier networks: Avoids over-reliance and increases resilience in supply chains. Builds relationship capital with value in times of collaboration (e.g., in reaching emissions reduction goals) or crisis (e.g., pandemic or disaster response).

CASE STUDY

Opportunity	Action	Business Value
Critical minerals mining company Vale Base Metals recognizes that its license to operate depends heavily on external stakeholders, and wanted to understand the value at stake.	The Vale Base Metals' Sustainability team stress-tested and prioritized its sustainable business practices by quantifying: • Growth pipeline: On average, external benchmark data indicate that new projects in Brazil experience delays linked to stakeholder opposition that add an average of four years to project schedules. Vale Base Metals calculated a conservative cost of a two-year delay in terms of Net Present Value (NPV) to demonstrate the business case building and maintaining external stakeholder relations. • Operational excellence: For operations, Vale Base Metals has calculated the cost of failing to meet its standards in terms of the cost of potential regulatory fines, optimizing carbon tax and lost production due to operational disruption. • Certification: Many of Vale Base Metals' strategic customers seek sustainability certification (including Towards Sustainable Mining, Responsible Mineral Initiative, and The Copper Mark). The company calculated the potential value at stake in terms of losing access to price premiums associated with these demands. • Transparency and reporting: The EU's Corporate Sustainability Reporting Directive requires companies to report sustainability impacts, risks, and opportunities. Neglecting to fully disclose could result in penalties of up to 5 percent of annual revenue. Vale Base Metals has estimated a conservative value at stake of 2.5 percent.	Vale Base Metals' leadership has a clear value case for each of these sustainable business practices, as well as visibility to how the company is building mutual value with important external stakeholders and maintaining a license to grow.

Guiding questions:

1. What key drivers of change, both sudden shocks and long-term transformations, are most likely to reshape our business context? Where are the greatest potential vulnerabilities these changes present to our business model, value chain, markets, or stakeholder relationships?
2. What are the risks to the business of not incorporating sustainability elements, and what is a possible range of interventions to address these risks?
3. How might the business make decisions and investments in the near term to build optionality in terms of increased choice, agility, innovation, or resilience in the medium to long term?
4. Which stress test scenarios most directly address C-Suite priorities (e.g., supply disruption, cost spikes, regulatory shocks)?

V. Collaborate for an Enabling Market Environment

Business success rooted in responsible business practices is more likely in the context of a supportive and enabling environment. The laws, institutions, infrastructure, social structures, and environmental protection create the conditions for sustainable business to thrive. Yet no single company can secure these conditions alone. Collaboration with peers, policymakers, investors, and civil society enables companies to shape the external conditions that make sustainable business possible.

The Sustainability Challenge	The Insight
The operating environment significantly affects business, but is often difficult to consider in the context of short-term ROI. Where the enabling environment is not aligned with sustainability objectives, articulating the business value internally becomes significantly more challenging.	Sustainable business leaders and teams can illuminate the links between sustainability and business success when the operating environment supports the assumptions the company depends on to thrive. Through collaborative initiatives and partnerships with peers, governments, and civil society, companies can seek to improve those enabling conditions to help deliver and measure responsible business performance.

Identify where collaboration creates business value. Begin by assessing where collaboration can expand the boundaries of what the business can achieve on its own. Effective collaborations, built around shared interests, can be a strategic lever for resilience, innovation, and long-term value creation. They generally fall within one of three categories:

- **Organizational Capacity Building:** Strengthening industry-wide awareness, skills, and voluntary standards that improve how companies manage sustainability opportunities and risks. An example is BSR's Future of Reporting collaboration, which convenes companies to improve sustainability performance and better inform business decision making related to a changing context for reporting and disclosure.
- **Market Improvement**: Advancing common approaches to sustainability challenges through joint voluntary standards, tools, or frameworks. For example, the Sustainable Markets Initiative Agribusiness Task Force establishes the framework to accelerate the adoption of regenerative agricultural practices within the food and beverage industry.
- **Systems Change:** Mobilizing coalitions across sectors to shift the underlying policies, incentives, and norms that shape market behavior. For example, We Mean Business is a global coalition of business-facing non-profit organizations working to catalyze business and policy action to accelerate the energy transition.

Each of these three types of collaboration expands the frontier of what individual companies can achieve and can contribute to systemic outcomes that enable sustainable business to grow.

Articulate and amplify the business value of collaboration. Make the value of the collaboration visible internally.

Collaboration sometimes delivers direct and tangible benefits to the company, such as shared cost savings or operational efficiencies. For example, working with a supplier to implement energy efficiency programs could lead to measurable cost savings. These can be measured and communicated in familiar business terms.

Other times, collaboration might deliver broader, shared, systemic benefits such as improved regulatory stability, better public health in supply chain communities, and stronger talent pipelines. In these cases, sustainable business leaders and teams may need to connect the dots between these external gains and improved operating environment with the company's long-term resilience, competitiveness, or other such benefits.

It can be easy to take certain features of the operating context for granted. Showing how they underpin business success, and how collaboration strengthens that foundation that the business depends on, can help sustainable business leaders and teams position collaboration as a strategic investment in future business success.

Commonly Cited Motivations for Corporate Participation in Collaborations[7]

Strategic Opportunity Creation/Problem	Leveraging Financial Resources	Influencing Others	Gaining Access to Partner Assets	Improving Legitimacy, Credibility, or Visibility
• Co-investing in new market opportunities • Building resilient, sustainable supply chains • Overcoming regulatory barriers • Sharing the risk of new approaches with peer organizations	• Assessing donor funding • Mobilizing and optimizing pooled resources toward a common purpose	• Shaping industry standards • Influencing policy and garnering political support • Encouraging behavior change	• Accessing new networks • Accessing technical support and complementary skills • Accessing new technologies • Accessing information and knowledge	• Enhancing brand value and reputation • Inspiring, attracting, and retaining top talent • Building legitimacy and support for a preferred approach

Guiding questions:

1. How does the external environment enable or hinder sustainability objectives?
2. How can collaborative work impact the external environment and encourage more enabling conditions for sustainability objectives?
3. What policy changes would facilitate more sustainable business value creation? What are the barriers to these policies and how can these best be overcome?
4. How does the collaboration support objectives of key business functions?

[7]Such activities must be conducted in appropriate, legal, and responsible ways in accordance with regulations.

APPENDIX II

Literature Review: Proof Points on the Six Value Drivers of Sustainable Business

Methodology

BSR and GlobeScan conducted a comprehensive meta-analysis of recent literature to strengthen the articulation of the business value of sustainability. This work aims to equip sustainable business leaders and teams with compelling examples and evidence to support internal discussions with colleagues.

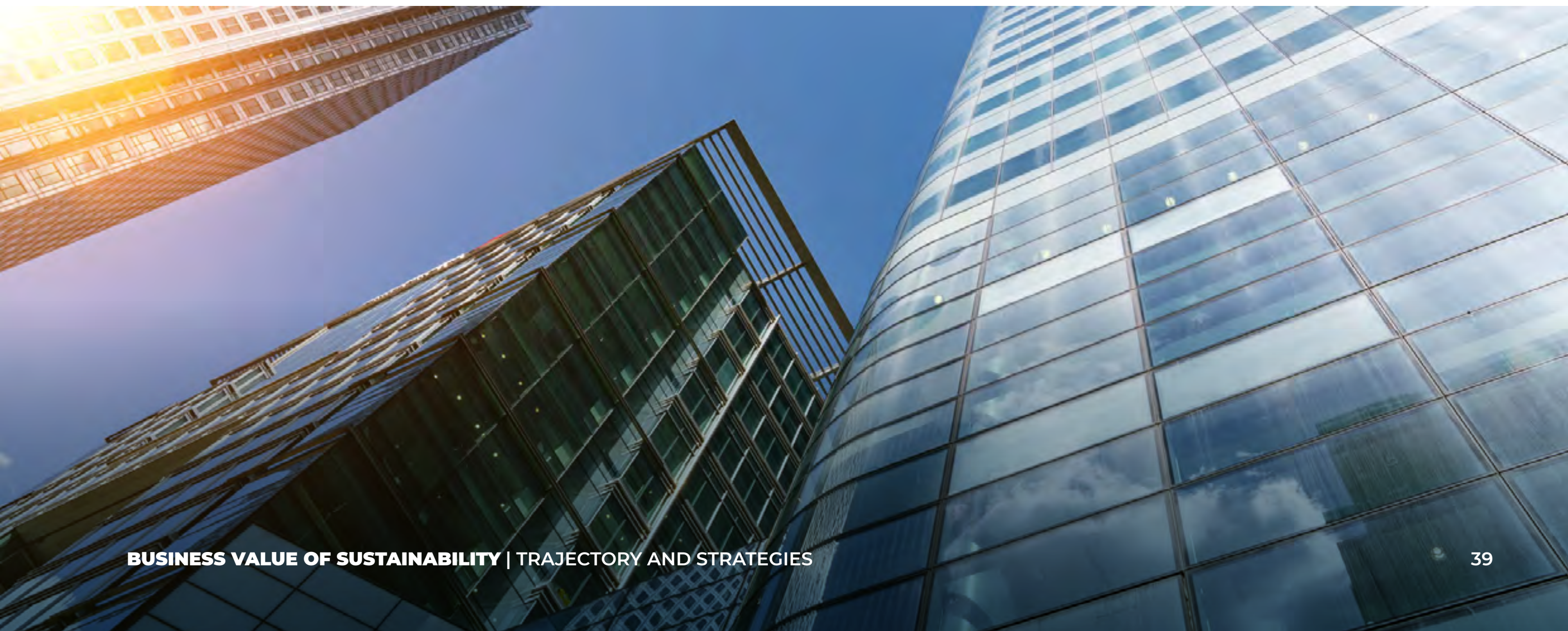
The literature review followed a structured desk research methodology. Key sources were identified through targeted searches across academic journals, consultancy and industry reports, and reputable news outlets. The focus was on recent analyses (2023–2025) that explore the business impacts of sustainability. In total, over 70 publications were reviewed.

The analysis synthesizes both quantitative data, such as return on investment (ROI) metrics, consumer surveys, and market share figures and qualitative case studies. Particular attention was given to six fundamental drivers of business value. Sources were selected based on relevance, credibility, and diversity, encompassing global surveys, sector-specific research, and real-world examples from leading organizations. A full list of references is available at the end of this section, with additional reading available in the Bibliography (Appendix III).

The analysis confirmed six fundamental value drivers of a sustainable approach to business, ones that can mitigate risks and optimize opportunities, engendering greater growth and differentiation, enhancing reputation and trust, increasing endurance and resilience for the company, and fostering greater innovation and efficiency. Specifically, these include:

- **Financial capital** benefits in terms of valuations, securing capital, and cost of debt;
- **Securing a social license to operate** and deepening stakeholder relationships;
- **Operational benefits** through increased efficiencies and lower costs;
- **Talent attraction and retention**, including purposeful work and employee advocacy;
- **Supply chain** resiliency and risk mitigation;
- **Marketplace benefits**, with sustainability providing a lens for innovation that meets customer needs.

Each of these six fundamental drivers encompasses tangible outcomes that collectively reinforce the strategic value of sustainability for business.



1. Financial Capital

Attracting capital: Companies are lowering interest expenses by meeting ESG targets. For instance, Maple Leaf Foods' carbon-neutral certification enabled a sustainability-linked loan [6], while Frasers Properties received a $700 million sustainability-linked loan, pegged to the Group's GRESB performance [7].

Revenue growth: A global CFO survey found 69 percent expect higher ROI from sustainability projects than from traditional investments [2]. In addition, a 2023 McKinsey study of more than 2,200 public companies revealed that companies achieving superior growth and profitability while improving sustainability demonstrably outperformed their peers in total shareholder returns (TSR). "Triple outperformers" delivered 2 percent higher annual TSR than companies that only outperformed on financial metrics, and 7 percent higher than the rest of the dataset. [21]

Investor confidence: About 85 percent of chief investment officers say that ESG is an important factor in their investment decisions [23]. Between 2023 and 2024, 88 percent of institutional investors reported that their organizations had increased their use of ESG information over the last year [3]. Morgan Stanley found that sustainable funds outperformed traditional funds in the first half of 2025 by a comparative median return of 12.5 percent to 9.2 percent, the strongest differential since its tracking began in 2019 [20].

2. Social License to Operate

Avoid harmful stakeholder activism/ criticism: Companies that fall short of community and stakeholder expectations face boycotts, protest campaigns, or brand damage (e.g., fossil fuel divestments), which academic analysis links to small but measurable stock losses (e.g., ~–0.26% price impact for public ESG controversies) [10].

Regulatory and community approval: Proactive ESG engagement is essential to securing regulatory and public support.

In the mining sector, for example, the federal government of Australia blocked Regis Resources' McPhillamys gold project after granting an Aboriginal protection order over culturally significant land, citing irreversible heritage loss. Serbia's Jadar lithium project was cancelled following sustained NGO opposition and mass protests. First Quantum's Cobre Panama mine, once a flagship copper development, was shut down in late 2023 amid widespread protests over environmental and governance concerns [11]. Similar challenges have emerged beyond mining. In the UK, wind farm projects like Sanquhar II have faced delays due to strong local opposition and policy uncertainty [12].

3. Operational Benefits

Increase operational efficiency and lower costs: Sustainable business model innovations have been shown to positively affect competitiveness, leading to improved operational efficiency [22]. Firms in IEA countries matching the energy use of the best performers in their subsectors could reduce energy costs by about USD 600 billion [13].

Mitigate operational risks: Incorporating sustainability (e.g., climate adaptation) lowers disruption risk. The World Economic Forum and Accenture found that businesses that fail to adapt to climate risks could lose up to 7 percent of earnings every year by 2035 [14]. For example, companies that upgrade infrastructure or diversify energy sources are far less likely to suffer outages from extreme weather which helps to preserve production continuity.

4. Marketplace (Revenue and Growth)

Sales and market share gains: According to NYU Stern, products marketed as sustainable drove 41 percent of CPG growth between 2013 and 2024 despite comprising less than a quarter of the market [16].

Consumer willingness to pay a premium: In terms of a price premium, some consumers are willing to pay on average 9.7 percent more for goods that meet specific environmental criteria, including locally sourced, made from recycled or eco-friendly materials, produced in a supply chain with a lower carbon footprint, and more [15].

Brand and campaign lift: Purpose-driven branding boosts revenue. In multiple case studies, integrating cause-driven messaging increased customer engagement and sales. For instance, Unilever's plant-based Dove shampoo collection (marketed as sustainable) has grown three to four times faster than its conventional range (per Unilever reports). In one specific example, a regional Unilever campaign linking purchases to mangrove planting achieved a 12 percent sales increase [9].

5. Supply Chain

Improved supplier resilience: Sustainable supply strategies enhance continuity. By mapping fixed asset risk to fixed asset value at the company level, The World Economic Forum projects that climate hazards will result in between $560 billion and $610 billion of yearly losses by 2035 for listed companies, depending on the emissions scenario. WEF's Business on the Edge report highlights 25 examples of companies with concrete adaptation strategies alongside seven industry deep-dives for agribusiness, food and beverage, infrastructure and transportation, life sciences, telecommunications, and travel, with tailored supply chain implications and recommendations [17].

Quality and yield improvements: Sustainable practices can directly boost output. A US farm survey found that growers using cover crops and soil conservation techniques saw about 3 percent higher crop yields and a 2 percent price premium for their harvest (also raising land values by ~3%). By investing in supplier sustainability (e.g., regenerative agriculture training and fair prices), companies can secure higher-quality inputs and better long-term availability [18].

6. Human Capital

Attracting top talent: Sustainability is a major draw for employees, especially for younger generations. Seven out of ten Gen Z and Millennials (70%) consider a company's environmental credentials or policies to be very and somewhat important when evaluating a potential employer [19].

Employee advocacy: Employees often put pressure on companies. Forty-seven percent of Gen Z and 48 percent of Millennials say that they and their colleagues have put pressure on their employers to take action on protecting the environment [19].

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APPENDIX III

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APPENDIX IV

Impact Valuation Methodologies

Methodology	Focus	Best Used For	Typical Users / Sectors
Return on Sustainability Investment (ROSI)	Translating sustainability initiatives into financial performance	Building the business case for ESG, aligning sustainability with operations	Retail, consumer goods, industrials
Value Balancing Alliance (VBA) accounting methodologies	Monetizing ESG externalities into accounting-compatible formats	Impact accounting, investor reporting, management control systems	Manufacturing, pharma, chemicals, tech
Integrated Profit & Loss (P&L)	Monetized environmental and social impacts	Supply chain comparisons, sustainability dashboards	Luxury, apparel (e.g., Kering, Puma)
True Cost Accounting	Full-spectrum sustainability accounting	Agriculture, food systems, and packaging strategies	Food and beverage, retail, agriculture
Social Return on Investment (SROI)	Monetizing social impact from investments/projects	Community engagement, philanthropic or CSR projects	NGOs, foundations, local governments
Natural Capital Protocol and related tools	Valuing ecosystem services and environmental dependencies	Biodiversity, land/water use planning, nature-related risks	Utilities, extractives, agribusiness
Impact-weighted Accounts (IWA)	Financial valuation of ESG impacts for comparability	Investor-grade disclosures, benchmarking ESG performance	Investors, publicly listed companies
ESG-Adjusted RAROC	Integrating ESG into financial risk-return metrics	Capital allocation, credit risk assessment	Banks, insurers, institutional investors
WBCSD Align / Future-fit Benchmarks	Alignment of corporate actions with sustainability goals	Cross-industry alignment with SDGs and planetary boundaries	Sustainability leaders, cross-sector platforms
Avoided Cost Models	Estimating long-term financial risk of unsustainable practices	Climate adaptation, resilience planning, disaster preparedness	Municipalities, insurers, infrastructure planners

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