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State of Sustainable Business Survey 2013

October 2013

About BSR

BSR works with its global network of more than 250 member companies to build a just and sustainable world. From its offices in Asia, Europe, and North and South America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit www.bsr.org for more information about BSR's more than 20 years of leadership in sustainability.

About GlobeScan

For 25 years, GlobeScan has helped clients measure and build value-generating relationships with their stakeholders, and work collaboratively in delivering a sustainable and equitable future. Uniquely placed at the nexus of reputation, brand, and sustainability, GlobeScan partners with clients to build trust, drive engagement, and inspire innovation within, around, and beyond their organizations. To learn more, please visit www.globescan.com.

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Overview

- **The annual BSR/GlobeScan State of Sustainable Business Survey** (now in its fifth year) provides insights into the world of sustainable business and tracks the successes and challenges faced by corporate sustainability professionals.
- The research is released each year to coincide with the BSR Conference. This year's survey includes a number of questions around **networks and collaboration**, aligning with the BSR Conference 2013 theme, "The Power of Networks."
- This year we benefit from **the perspectives of more than 700 professionals**, among whom two-thirds have five or more years experience working in the sustainability arena. Collectively, this is **a highly informed group of corporate professionals** on the leading edge of sustainable business. Their views provide deep insight into the current state of sustainable business and future opportunities and challenges in the landscape of business and society.

Executive Summary

Executive Summary (1)

Human rights continues to be the top-rated priority for organizations in terms of their sustainability efforts over the next 12 months.

- **Workers' rights** follows as the second most important priority.
- **Climate change** remains one of the highest priorities for business, but its prioritization has declined since 2009
- **Poverty alleviation** remains the lowest priority within the surveyed organizations.

Supply chain and workers' rights-related issues have been identified as the most important events in sustainable business in 2013, while the most significant developments in 2014 are predicted to be around environmental issues.

- When asked about the most important events in sustainable business in 2013, respondents were most likely to mention the **Rana Plaza factory disaster**.
- Looking forward, practitioners believe that the most significant developments in 2014 in sustainable business will be in the areas of **climate change** and **water management**.

Executive Summary (2)

There is a significant amount of collaboration taking place between BSR member companies and stakeholders on sustainability issues.

- The types of organizations that professionals say they **most regularly collaborate** with are NGOs, business and industry organizations, and other businesses.
- The most frequently mentioned type of networks are **sustainability business networks**, followed by **multistakeholder networks**.
- When asked to highlight the organizations that are **the easiest to collaborate with**, nearly all respondents said that it is *not* government.

Challenges in collaborating with governments has implications for climate change and other public policy frameworks.

- **Climate change** is highlighted as the issue most in need of **collaboration** in order to make substantial progress over the next five years.
- **Public policy frameworks** are highlighted as equally in need of collaborative efforts to drive progress.
- It is notable that these two issues are highlighted as most in need of collaborative effort, given that **government is a key player in these issues** and that practitioners point to governments as the most difficult stakeholders to collaborate with.

Executive Summary (3)

Integration of sustainability into core business functions remains the most important leadership challenge facing business.

- The **top barrier** to integrating sustainability into the core of business is **convincing leadership of sustainability's value and changing management's mentality**.
- While many businesses do not appear to be very far down the **road to integrating sustainability** into their core business, others appear to be making strides.

Sustainability functions continue to have low levels of engagement with key functional areas within their company.

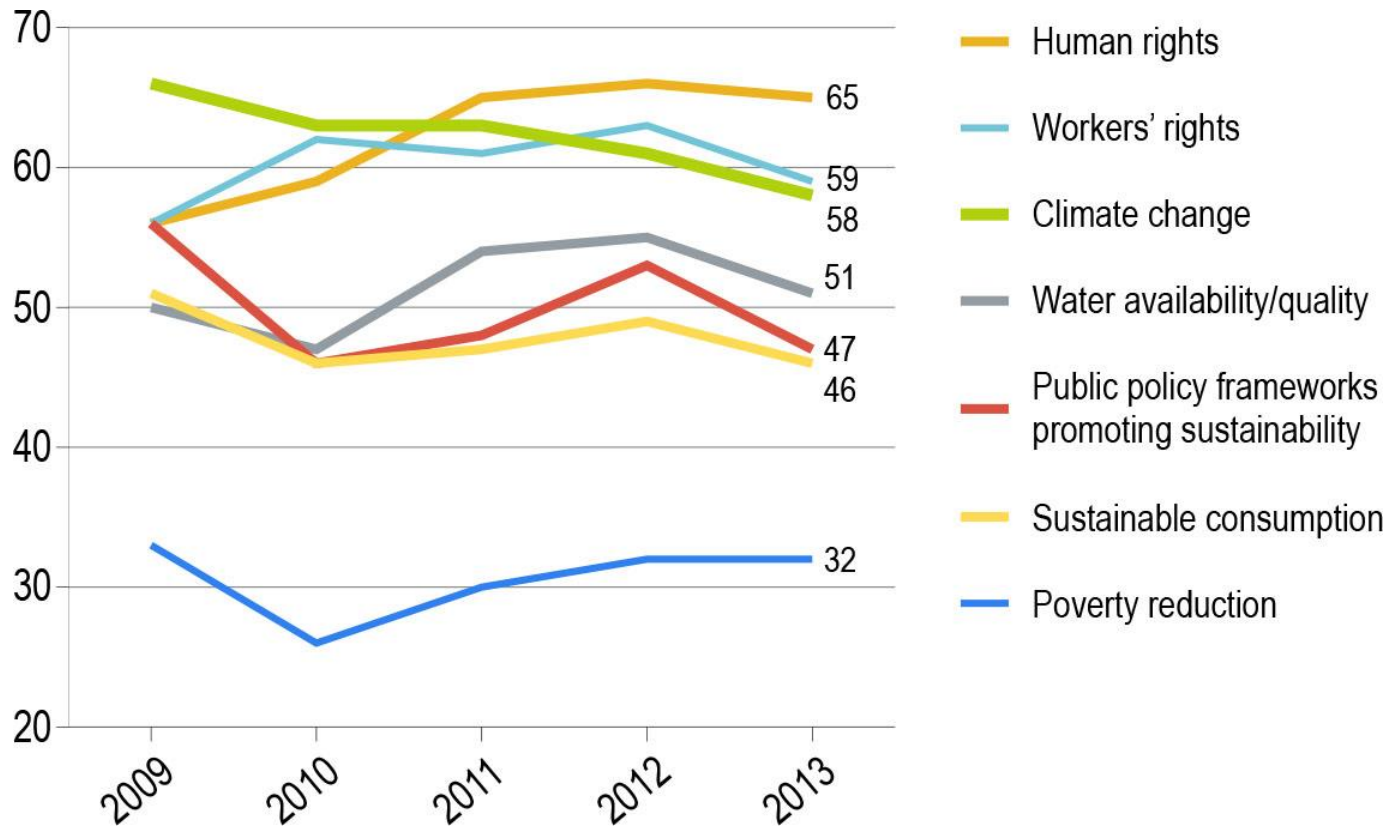
- The level of engagement between the sustainability function and three functions that have very important relationships with internal and external stakeholders—**investor relations, human resources, and marketing**—continues to be low.
- The lowest level of engagement is with **corporate finance**; only 16 percent of respondents say that their team is engaging their colleagues in this function.
- However, there continues to be a high level of engagement between sustainability functions and **corporate communications**, with 75 percent of those surveyed saying that they engage regularly with corporate communications.

Detailed Findings

Sustainability Priorities

Human rights continues to be highest priority for corporate sustainability efforts, followed by workers' rights and climate change.

Corporate Sustainability Priorities over the Next 12 Months, 2009–2013
(% of respondents identifying an issue as a “significant priority”*)



When asked specifically about their company's sustainability efforts in 2013, respondents continue to identify their highest priorities as human and workers' rights and climate change. It is important to note that prioritization of climate change has declined by eight points over the past five years, while prioritization of human rights has increased nine points over the same period.

Climate change is a comparatively lower priority for the consumer product and retail sector; for those outside of North America and Europe; and for smaller businesses (less than US\$20 billion).

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

Supply chain and workers' rights issues provided a tragic backdrop to perceptions of sustainability issues over the past 12 months.

Most Significant Sustainability Developments, 2013

Q5. Over the *past* 12 months, what has been the most significant development, event, or other news related to CSR and sustainability?

PAST 12 MONTHS

- Rana Plaza factory collapse and Bangladesh factory fire
- Workers' rights awareness and safety issues, especially in third world countries
- Climate change policy and Obama's speech on climate change
- Move toward integrated reporting and new sustainability reporting frameworks (like G4, SASB, etc.)
- Human rights developments
- Integration of CSR and sustainability into business model
- Water management
- Energy efficiency and renewable energy programs

Respondents commonly cited the Rana Plaza disaster, along with workers' rights and safety issues in the developing world, as the most significant sustainability event.

Q6. Over the *next* 12 months, what do you think will be the most significant development in CSR and sustainability?

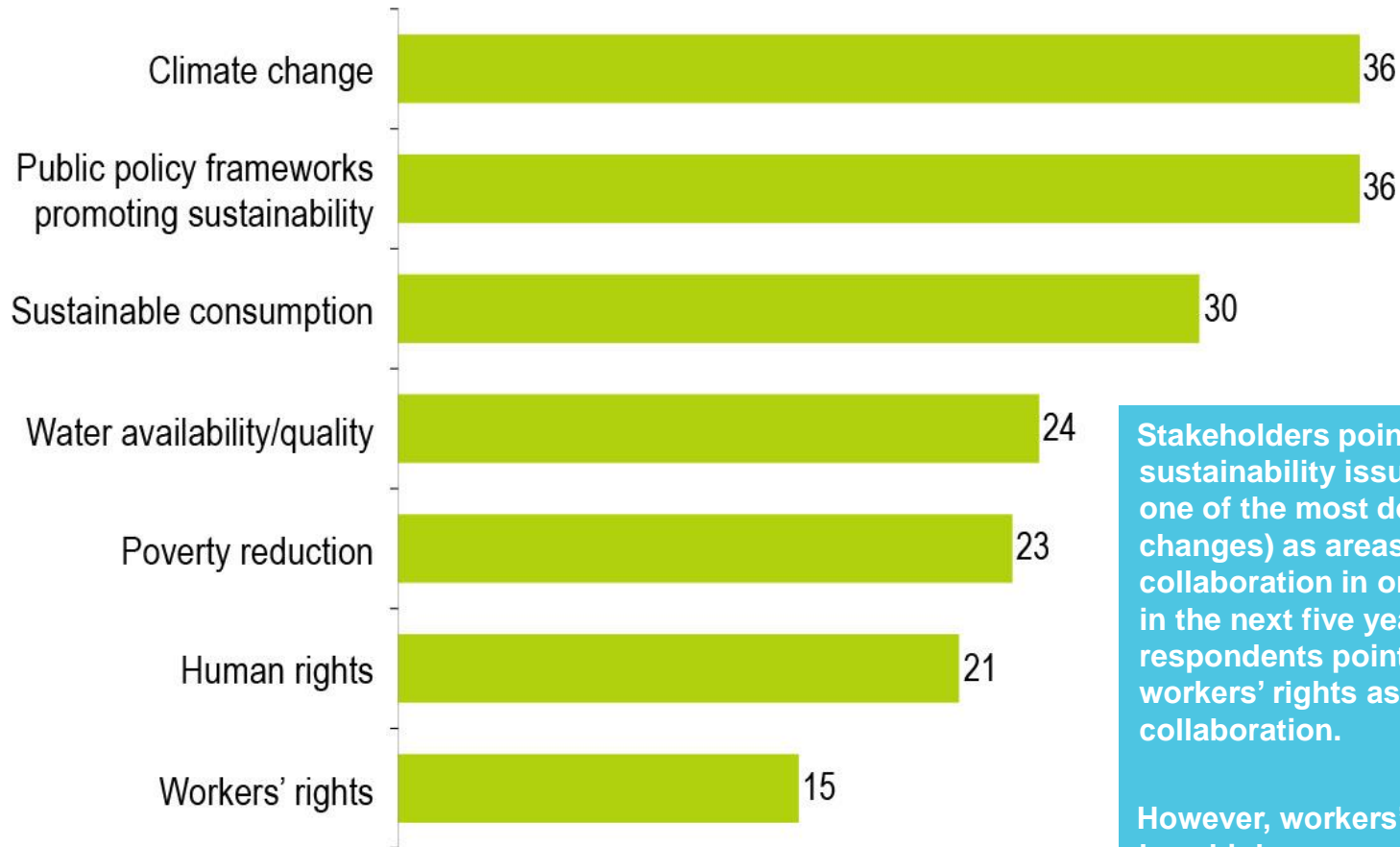
NEXT 12 MONTHS

- Climate change policy
- Water management
- Integration of CSR and sustainability into business model
- Workers' rights awareness and safety issues, especially in third world countries
- Focus on supply chain
- Environmental protection and sustainability
- Move toward integrated reporting and new sustainability reporting frameworks (like G4, SASB, etc.)
- Human rights developments

Looking ahead, experts predict that climate change and water management will be the most significant sustainability developments in 2014.

Climate change and public policy frameworks are identified as most in need of collaboration to make progress.

Issues Most in Need of Collaboration, 2013 (% of total mentions)

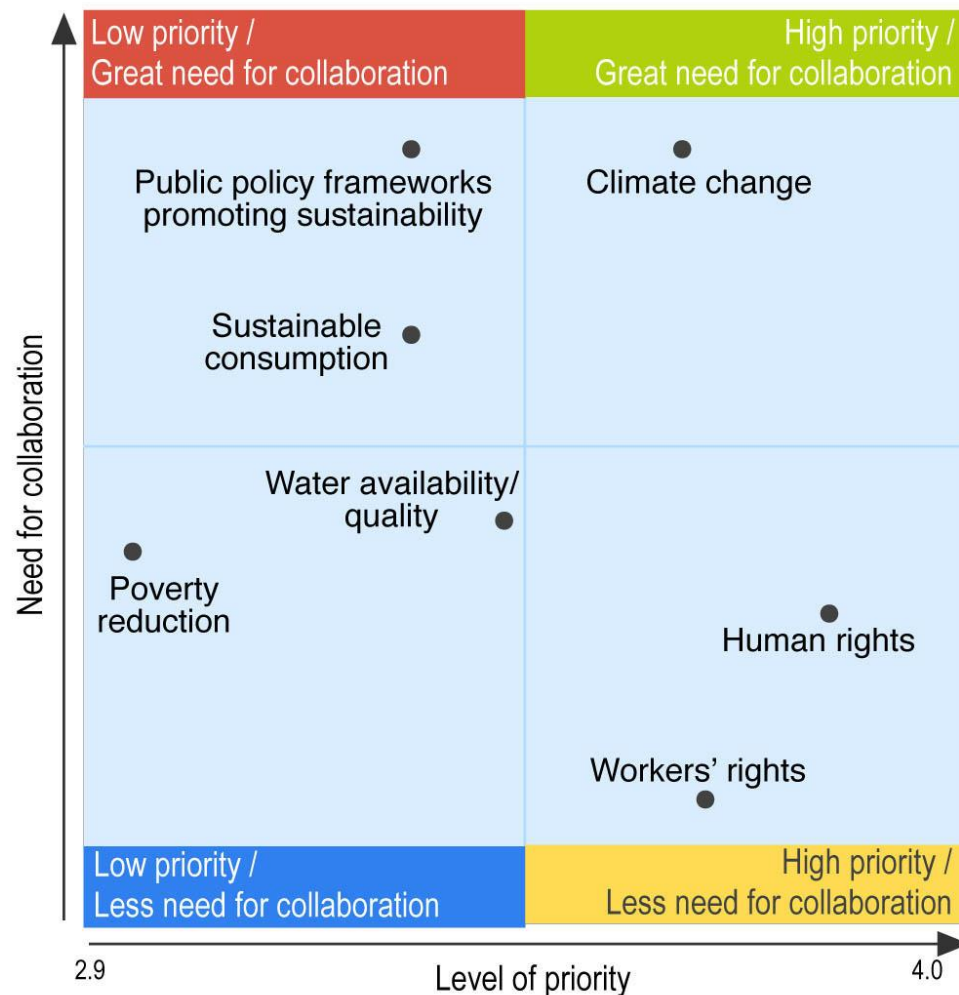


Stakeholders point to the most complex sustainability issue (climate change) and one of the most delicate (regulatory changes) as areas requiring the most collaboration in order to make progress in the next five years. Fewer respondents point to human and workers' rights as areas in need of collaboration.

However, workers' rights is highlighted by a higher proportion of the consumer products and retail sector (29 percent) vs. other sectors (9 percent).

Climate change is a high priority for businesses' sustainability efforts and has the greatest need for collaboration.

Priority of Issues vs. Collaboration Requirement, 2013



When we compare how sustainability issues will be prioritized inside companies with the perceived need for collaboration on issues, an issues agenda becomes clear.

Climate change is the only issue that is a high priority and that requires a great deal of collaboration. Other priorities like human and workers' rights are seen as needing less collaboration to make progress. This suggests that human and workers' rights will be taken on individually by companies, while progress on climate change will require partnerships and multistakeholder forums.

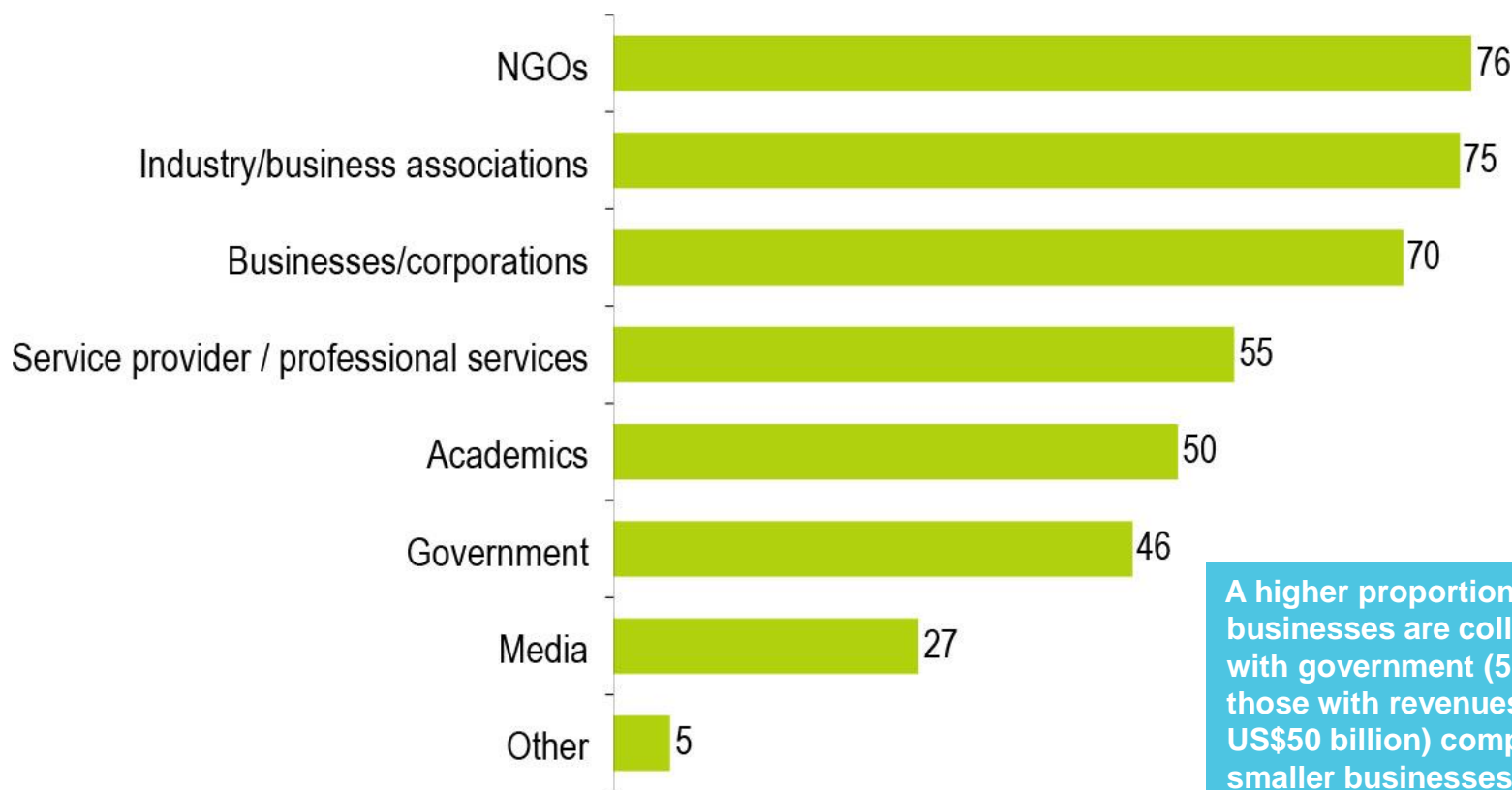
Q1 (priority). When you think about the focus of your company's [organization's] CSR and sustainability efforts in the next 12 months, how much of a priority are each of the following issues?

Q18 (collaboration). Which two of the CSR and sustainability issues below are most in need of collaborative efforts in order to make substantial progress over the next five years?

Networks and Collaboration

Businesses are collaborating with many types of organizations on sustainability issues, especially NGOs and other businesses.

Types of Organizations Collaborating with Respondents, 2013 (% of total mentions)

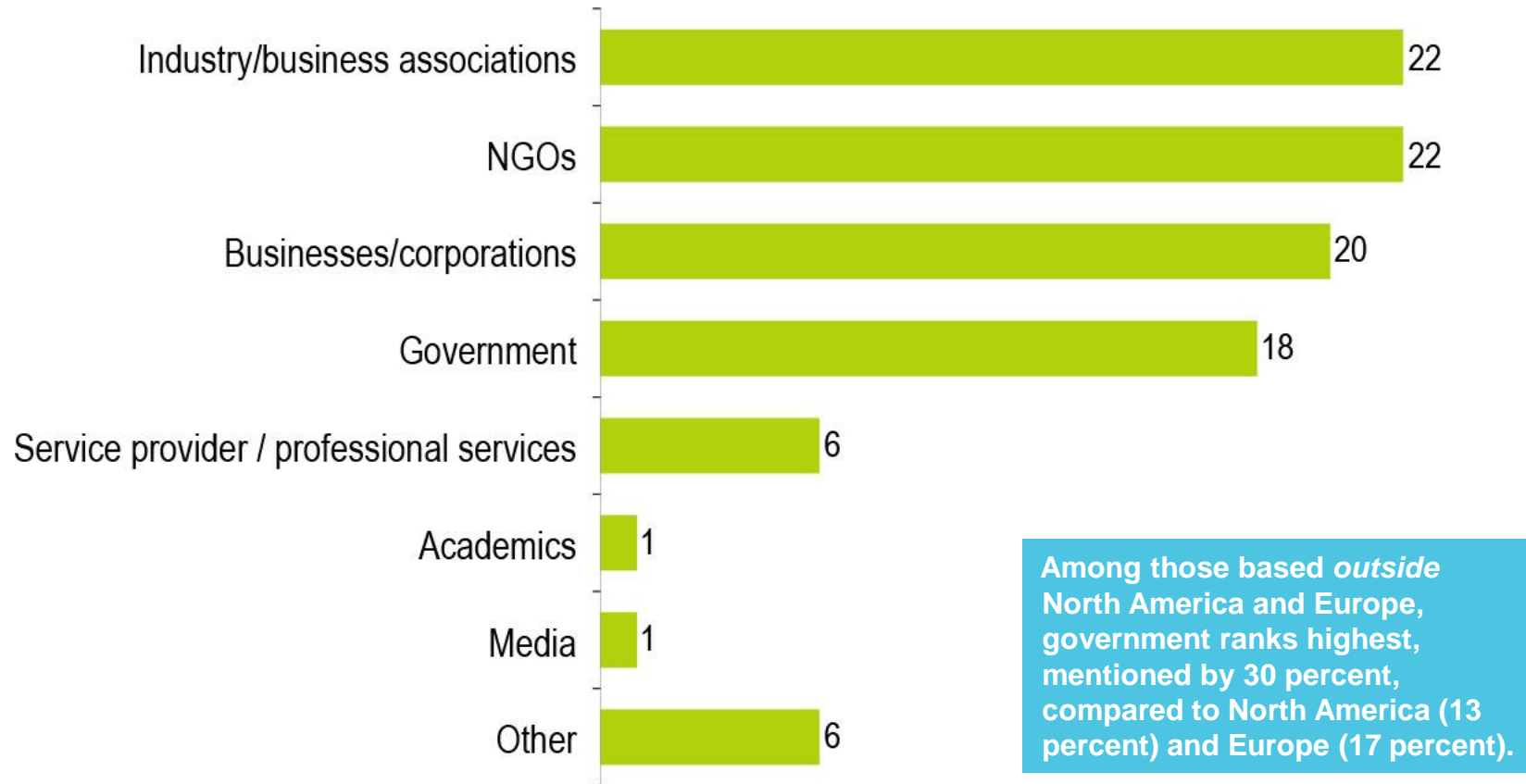


A higher proportion of the largest businesses are collaborating with government (58 percent of those with revenues of more than US\$50 billion) compared to smaller businesses (36 percent of those with less than US\$10 billion in revenue).



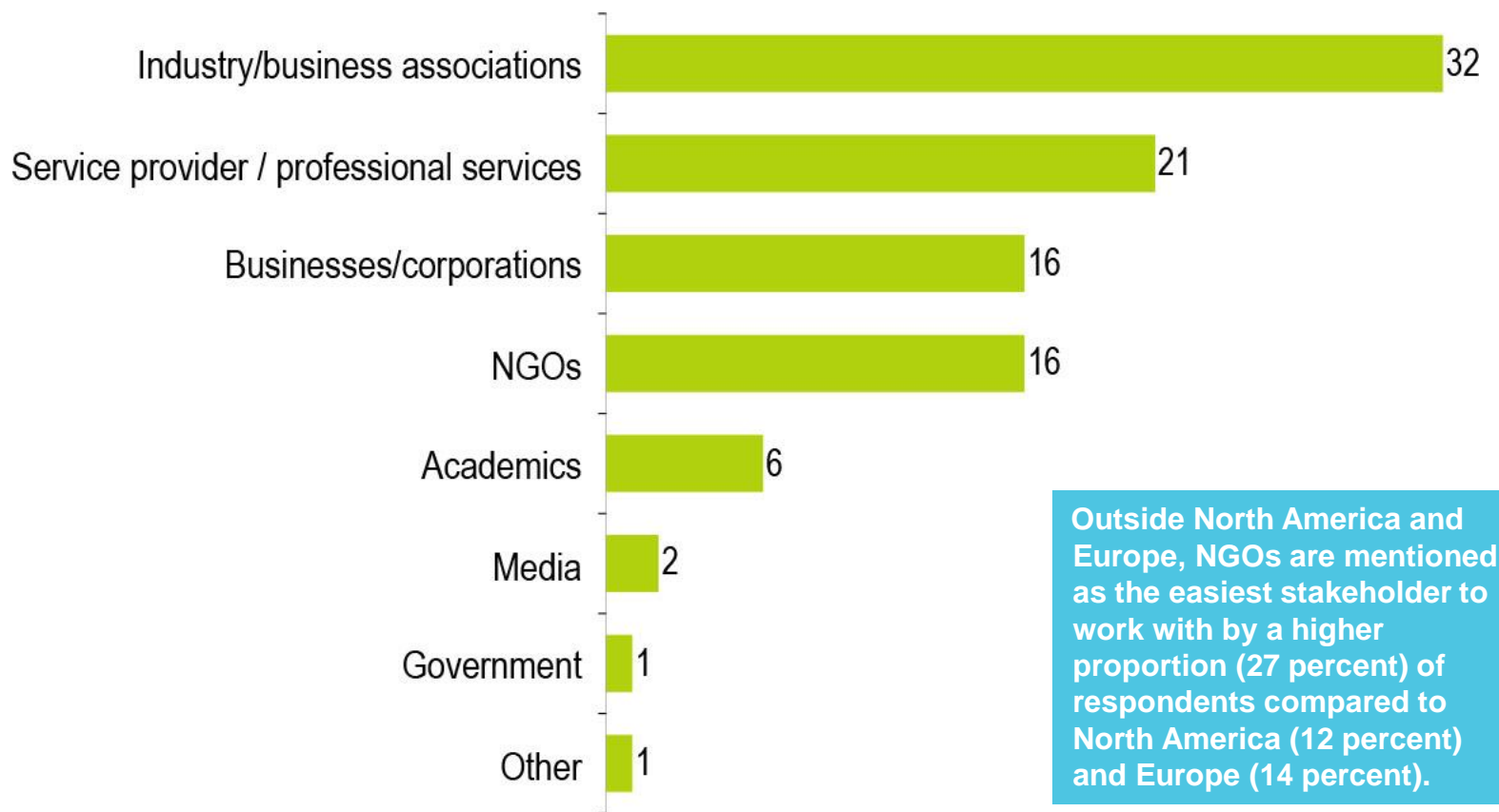
There are many different perspectives on the most important type of organization for business to collaborate with.

Important Organizations for Collaboration, 2013 (% of total mentions)



However, private sector organizations are clearly viewed as easier to collaborate with than the public sector.

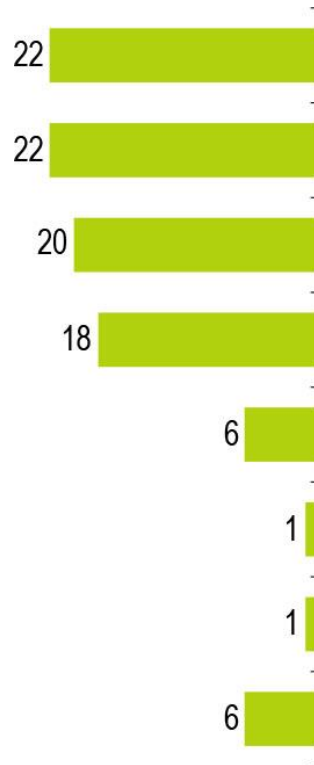
Easiest Organizations for Collaboration, 2013 (% of total mentions)



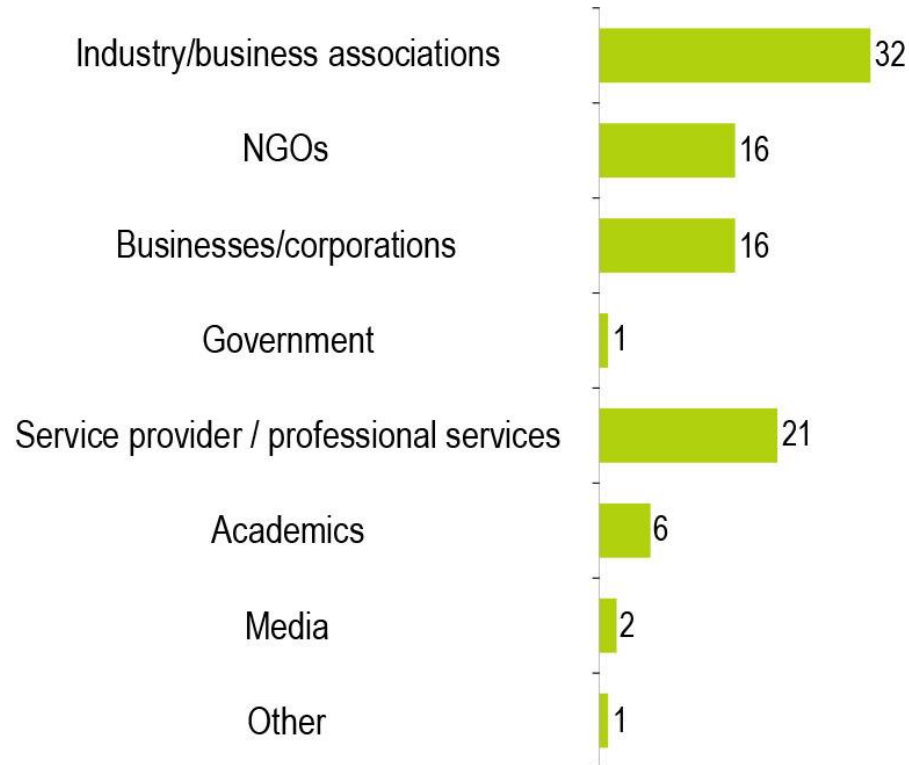
While the government is an important collaborator, almost nobody believes it is the easiest to collaborate with.

Partners Ranked by Importance vs. Ease of Collaboration, 2013 (% of total mentions)

Most important for business to collaborate with for progress on CSR and sustainability



Easiest for business to collaborate with for progress on CSR and sustainability

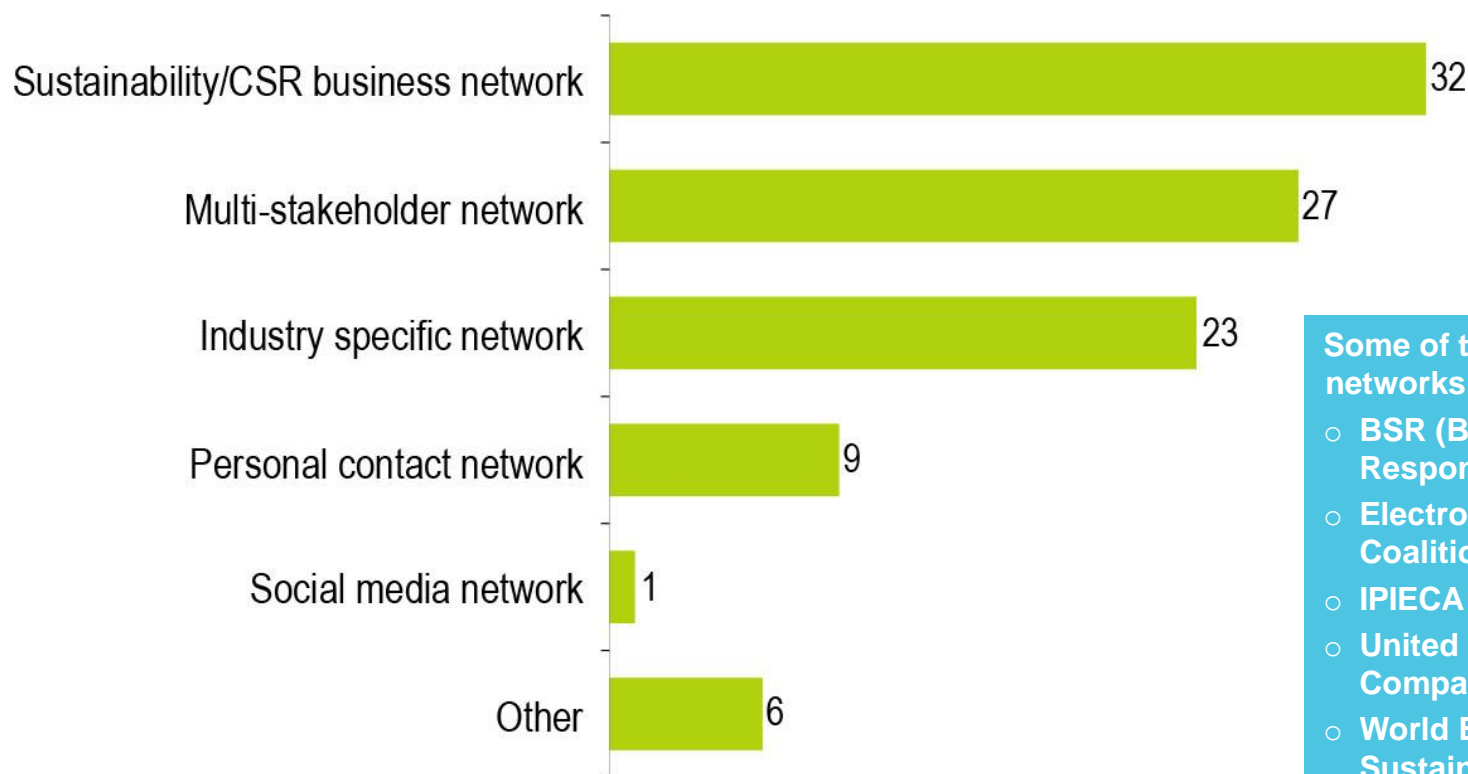


Q17b. Which one of the following do you think is generally the most important for business to collaborate with in order to make substantial progress on a CSR and sustainability issue?

Q17c. Which one of the following do you think is generally the easiest for business to collaborate with on CSR and sustainability issues?

While many types of networks are important to sustainability's progress, specific sustainability business networks are mentioned most often.

Most Important Sustainability Network,* 2013 (% of total mentions)



Some of the top mentioned networks include:

- BSR (Business for Social Responsibility)
- Electronic Industry Citizenship Coalition (EICC)
- IPIECA
- United Nations Global Compact
- World Business Council for Sustainable Development (WBCSD)
- Sustainable Apparel Coalition

*Respondents provided an open-ended response and then were asked to self-code that response into one of a number of categories, the results of which are detailed in the chart.

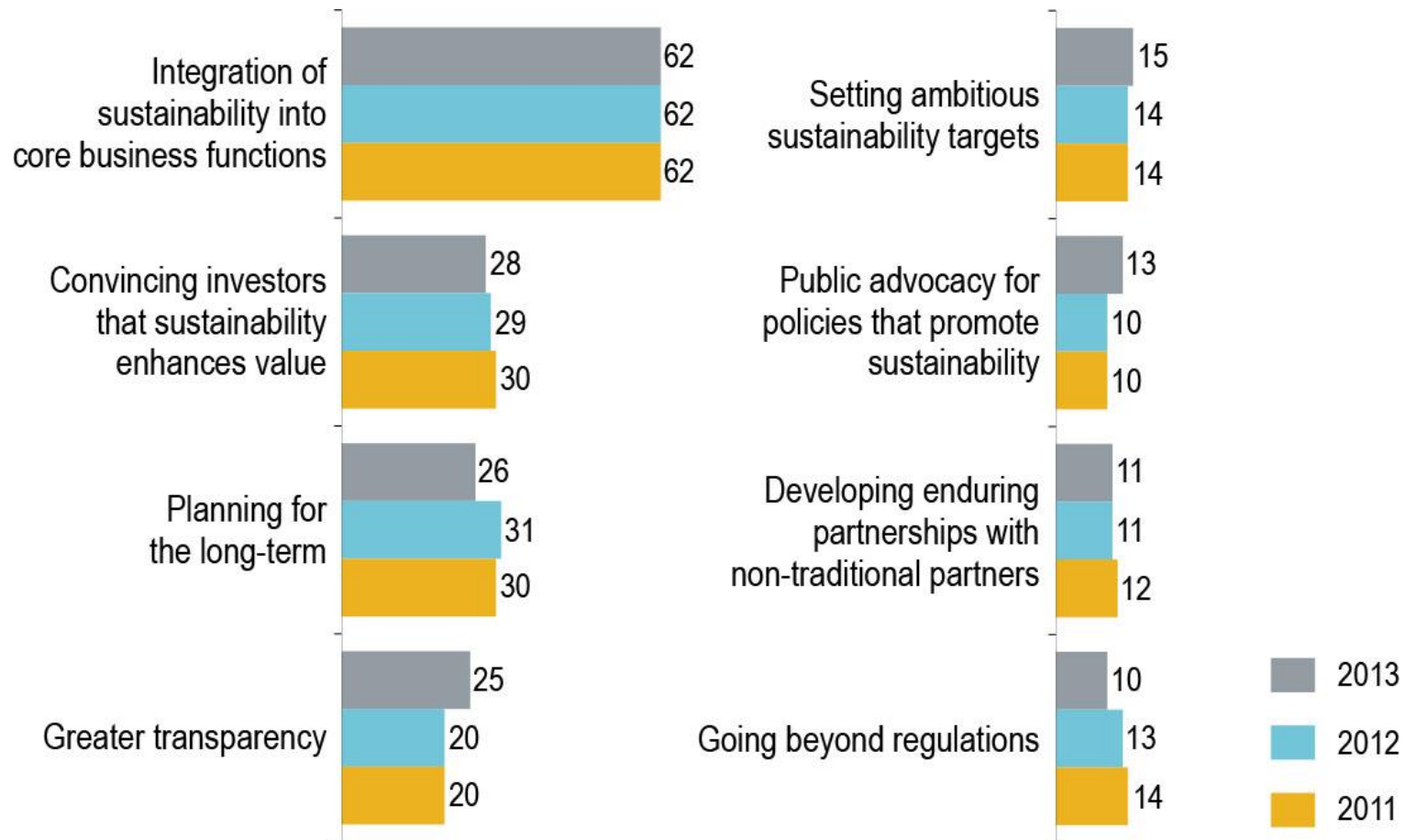
Q15. What is the most important network that helps you make progress on CSR and sustainability issues? (open-ended)

Q16. And how would you classify the network you just detailed, using the categories below?

Internal Integration of Sustainability

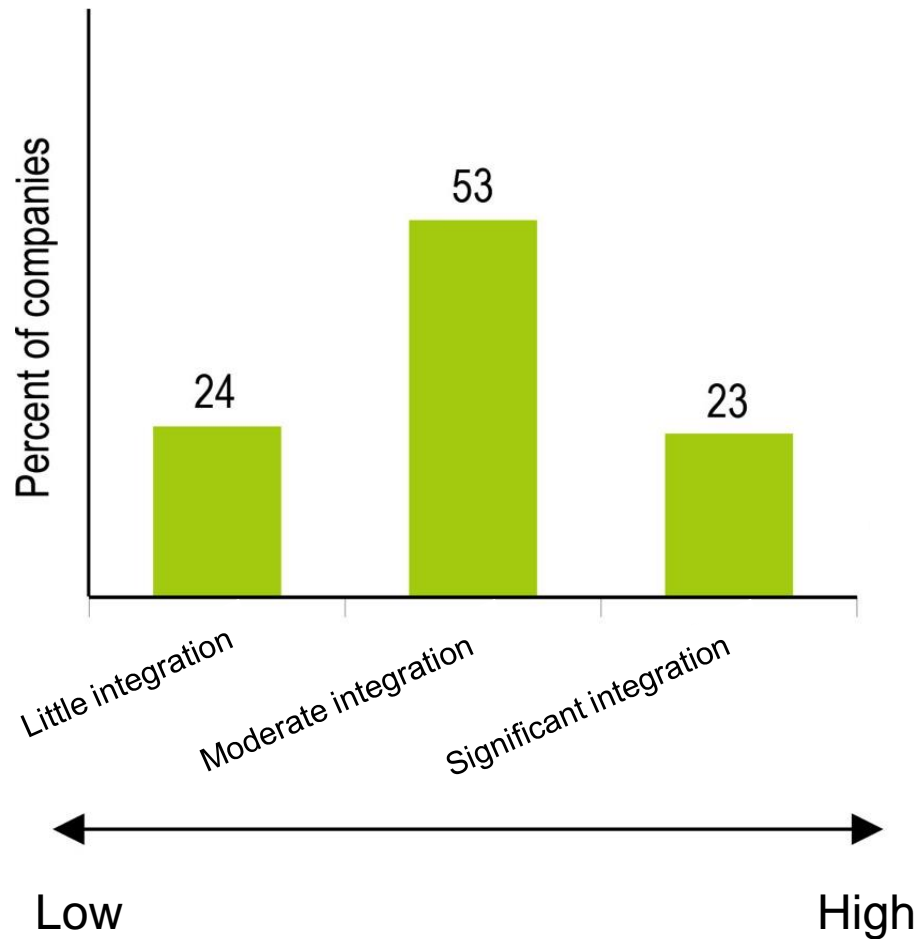
Integrating sustainability into core business functions remains the most important leadership challenge.

Most Important Leadership Challenges, 2011–2013 (% of total mentions)



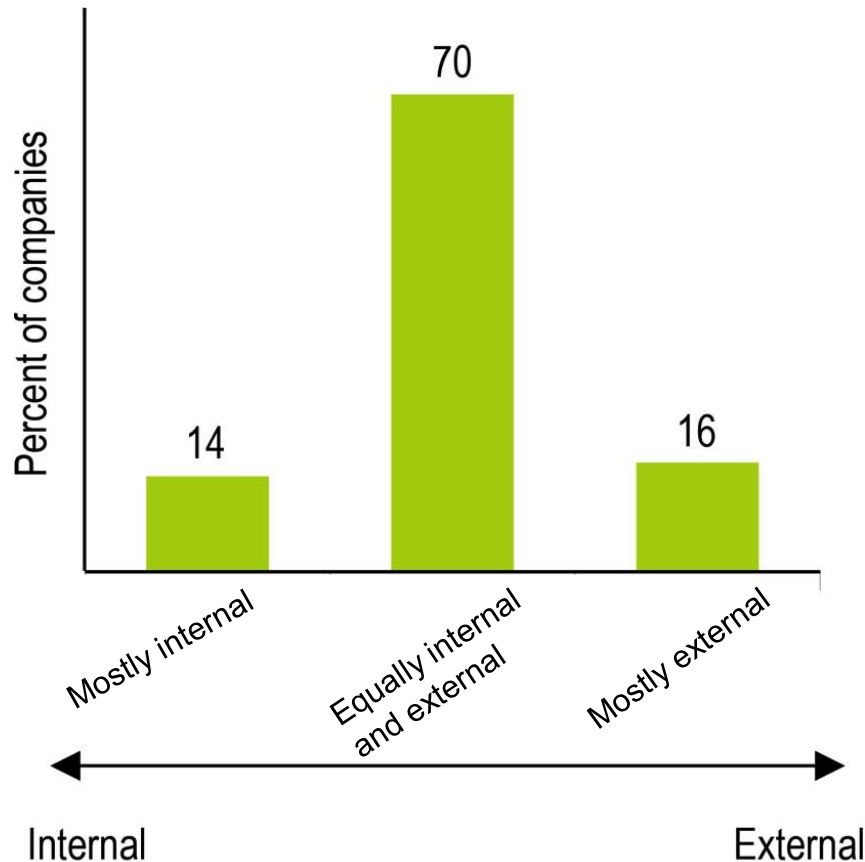
One in five companies report significant levels of sustainability integration across their business and operations.

Extent to Which Sustainability Is Integrated into Core Business and Operations, 2013
(corporate residents who provided an answer)



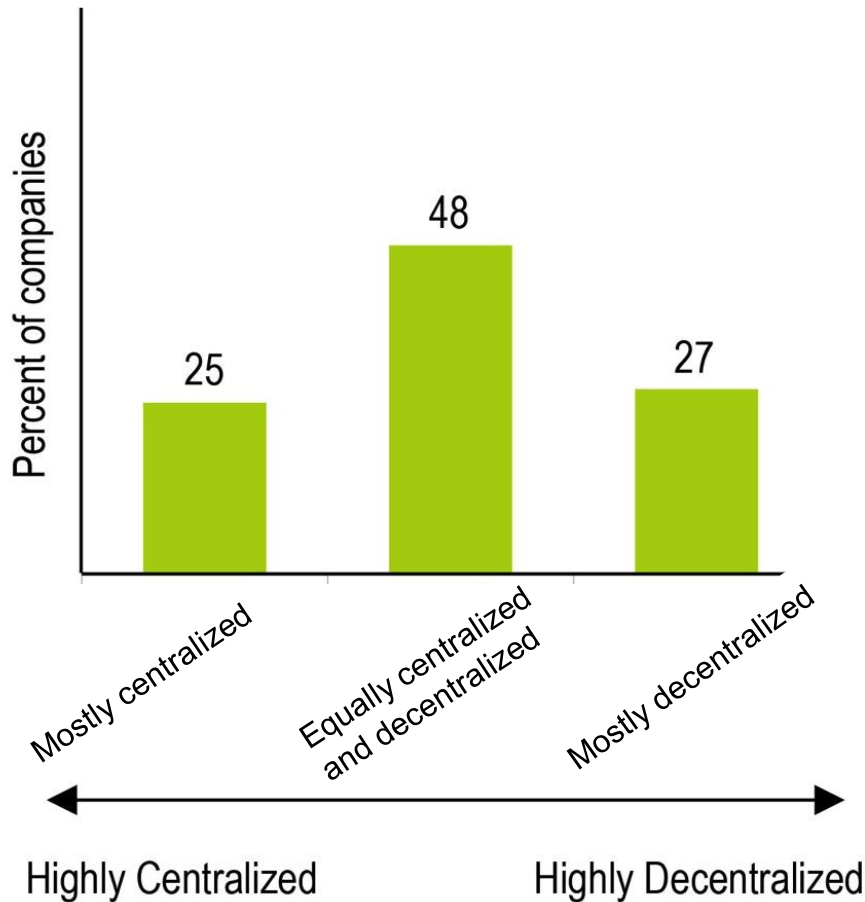
There is an equal amount of focus on internal and external CSR and sustainability communications.

Focus of CSR and Sustainability Communications: Internal vs. External, 2013
(corporate respondents who provided an answer)



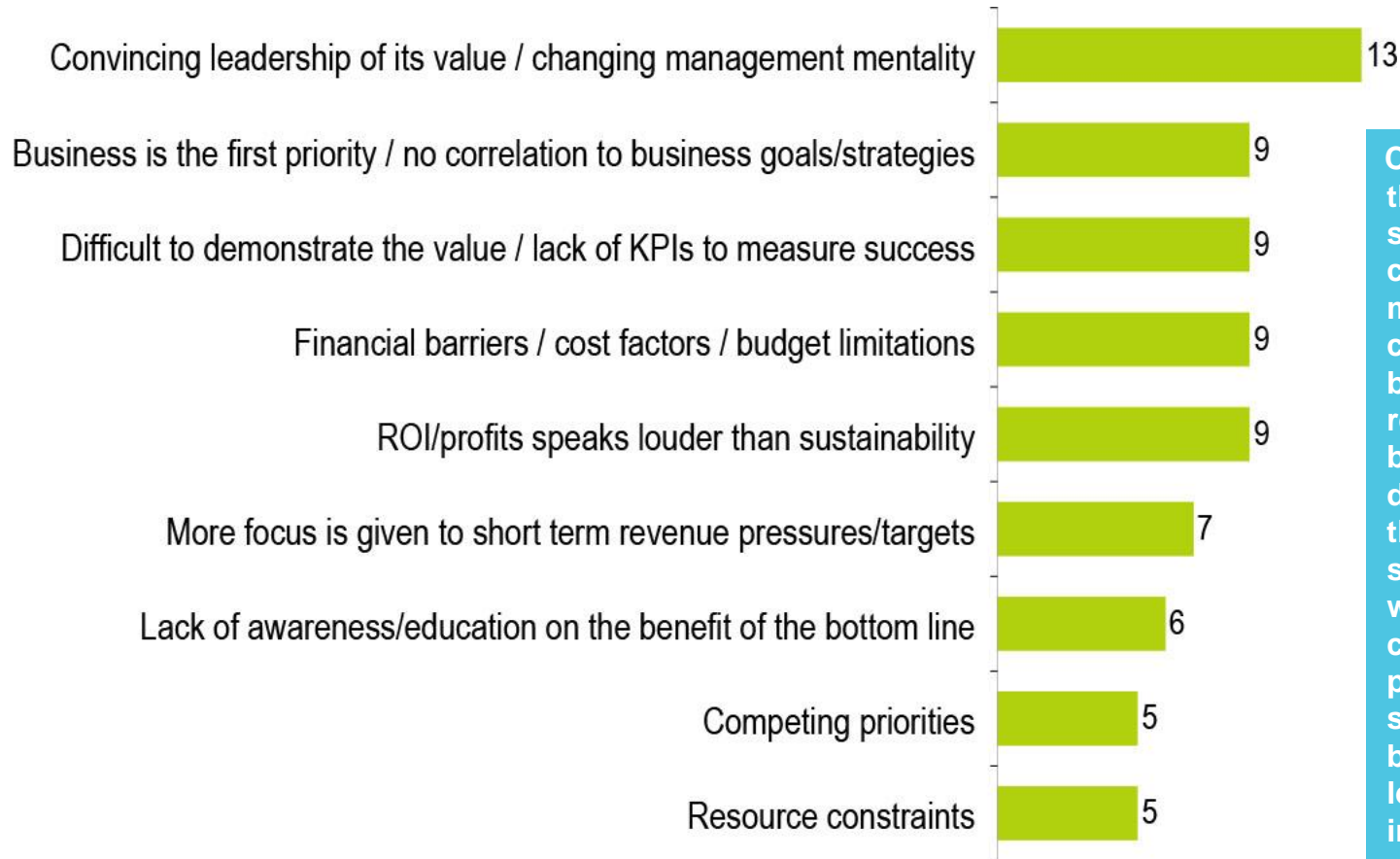
A plurality of companies have both centralized and decentralized approaches to managing sustainability across their enterprise.

Management of Sustainability: Centralized vs. Decentralized, 2013
(corporate respondents who provided an answer)



Integrating sustainability into the core of the business faces a number of challenges.

Barriers to Integrating Sustainability, 2013 (% of total mentions*)

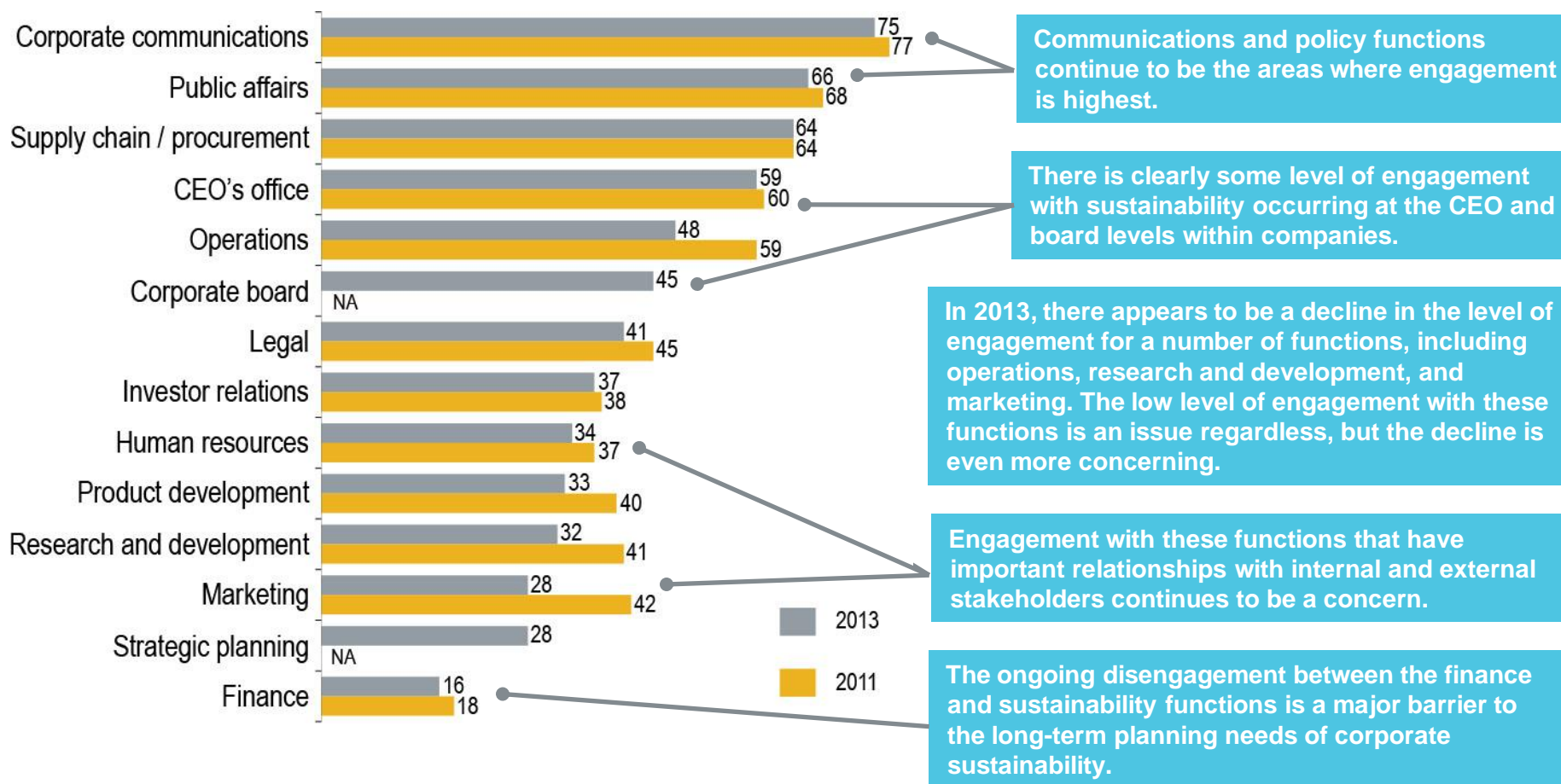


Convincing leadership of the value of integrating sustainability and changing management mentality are the most commonly mentioned barriers. This may be a result of other mentioned barriers, such as the difficulty in demonstrating the value of integrating sustainability, especially when there are financial constraints and where profit is prioritized over sustainability. These barriers echo the top two leadership challenges, integration of sustainability into core functions and demonstrating the value of CSR and sustainability.

*Responses coded from open-ended responses to the question.

External-facing corporate functions have high levels of engagement with sustainability function, but others are much less engaged.

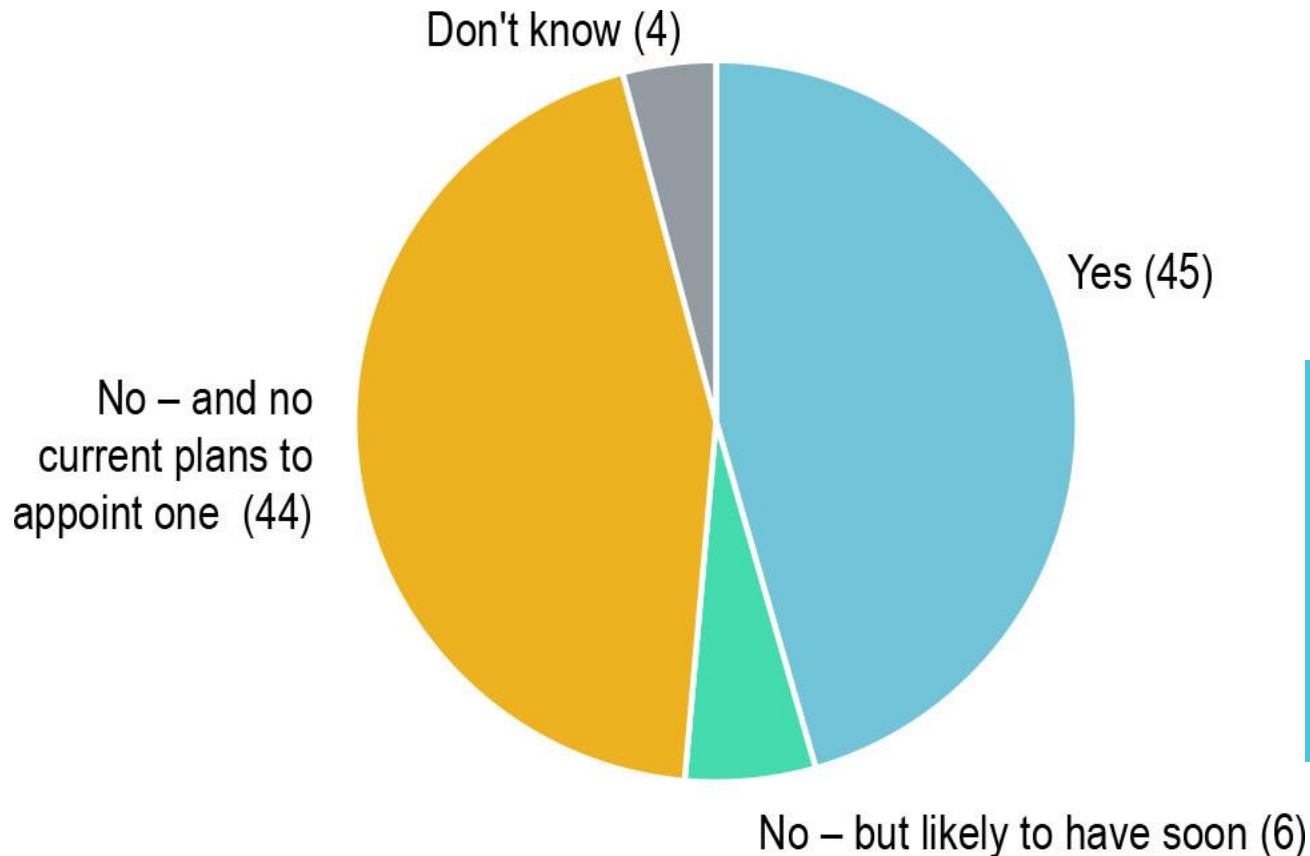
Internal Engagement with Sustainability Function, 2011–2013 (% that are “engaged”*)



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

The chief sustainability officer (CSO) is an established function in half of the corporate practitioners' businesses.

CSO Function, Corporate Respondents, 2013

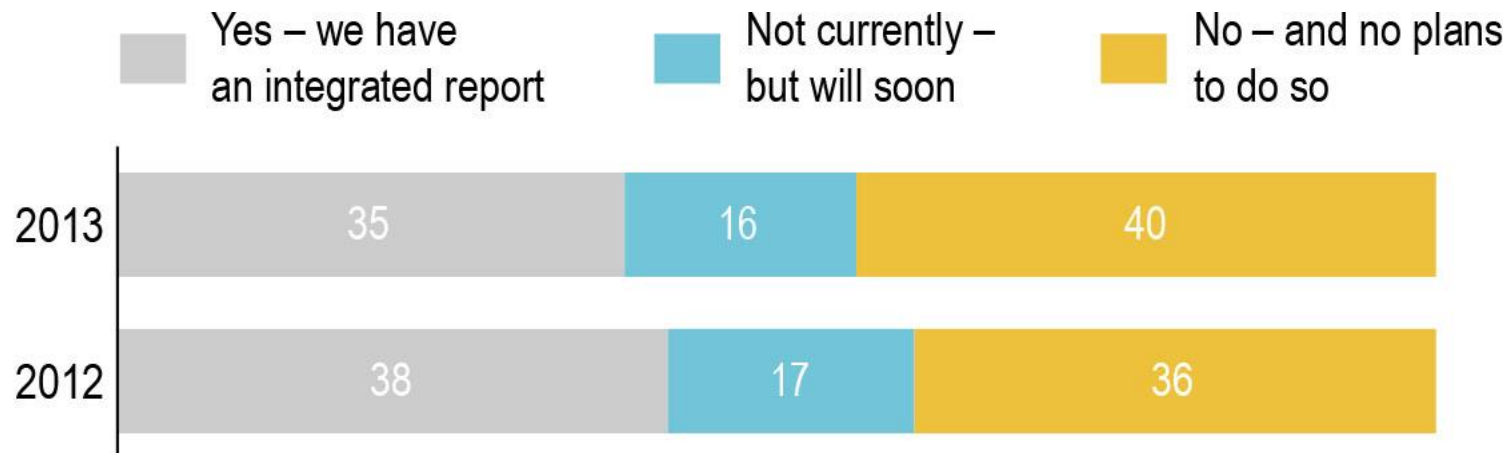


The CSO role appears to be more popular among businesses in Europe (55 percent) and other regions* (57 percent), compared to North America (36 percent).

*All other regions combined (Africa, Asia/Pacific, and Latin America).

Current and future integrated reporting have declined very slightly.

Integrated Reporting, Corporate Respondents, 2012–2013



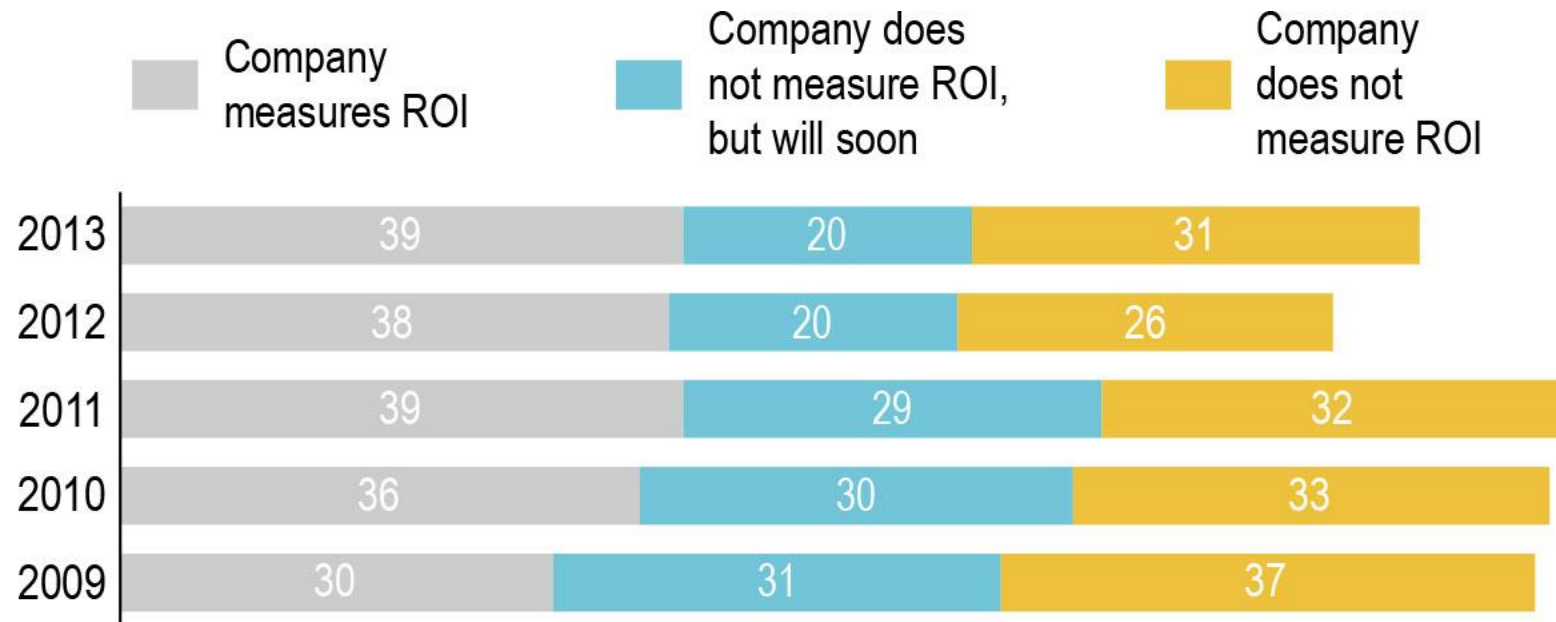
Integrated reporting is more prevalent among business in Europe (41 percent) and other regions* (51 percent), compared to North America (25 percent).

*All other regions combined (Africa, Asia/Pacific, and Latin America).

Note: Percentages do not add up to 100 because “Don’t know” responses are not shown on the chart.

Four in ten companies surveyed report that they measure the ROI of their sustainability efforts.

Measuring ROI of Sustainability, 2009–2013



The number of organizations that measure the ROI of their CSR and sustainability efforts and those who do not, but say they will soon, has remained stable since 2012.

The following reasons are frequently given for currently not measuring ROI (Q4a):

- Too complicated or difficult to measure (24 percent)
- Lack of methodology, tools, metrics, or data (20 percent)
- Not a priority or not relevant to company (14 percent)
- Limited resources (10 percent)

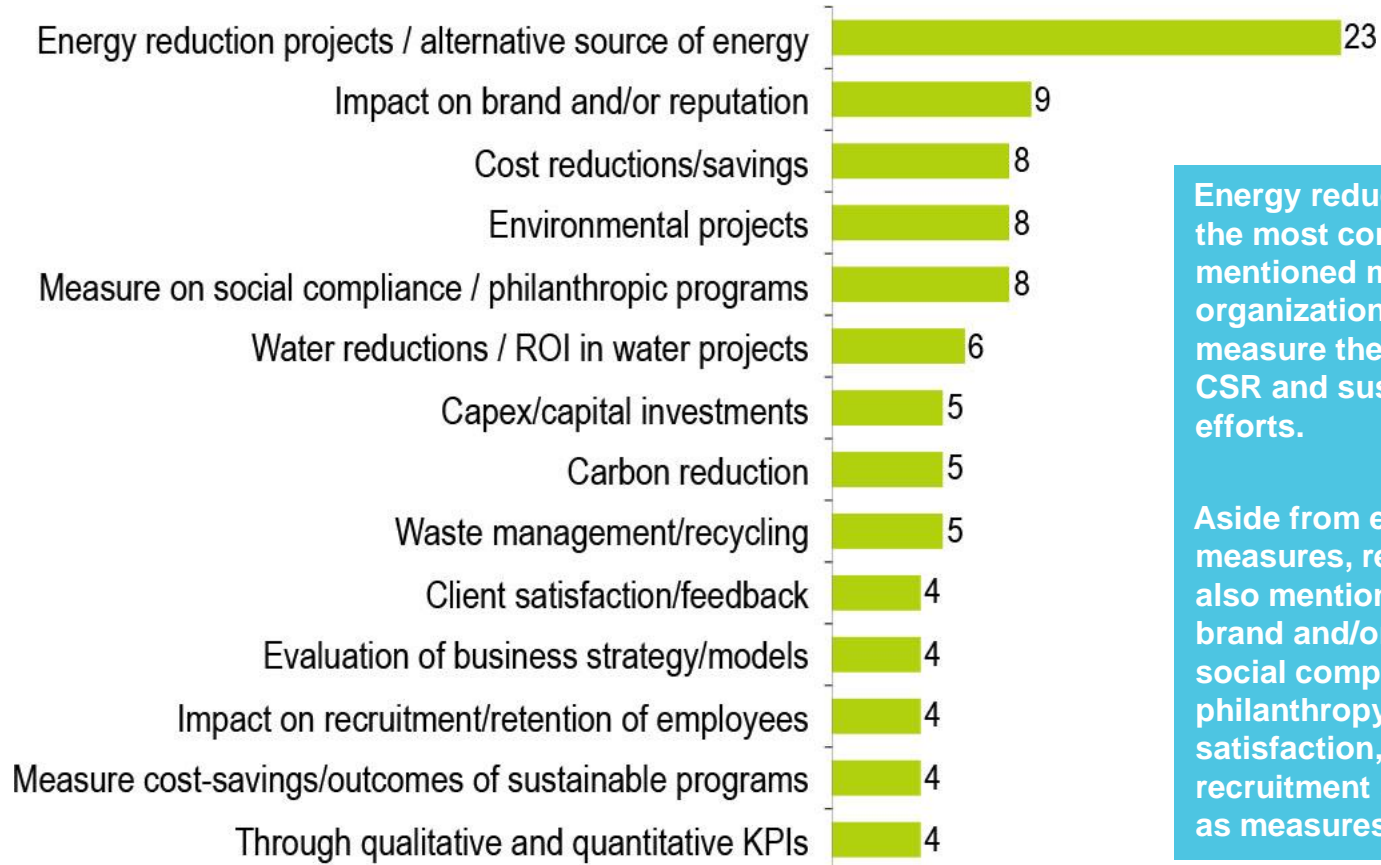
Note: Percentages do not add up to 100 because “Don’t know” responses are not shown on the chart.

Q3. Does your company [organization] currently measure the return on investment (ROI) for any of its CSR and sustainability efforts?

Q4a. Why does your company [organization] currently not measure the return on investment (ROI) for any of its CSR and sustainability efforts?

Energy reduction is the single most mentioned way that companies are measuring the ROI of their sustainability efforts.

How ROI Is Measured, All Respondents Who Measure ROI, 2013



Energy reduction is by far the most commonly mentioned metric that organizations use to measure the ROI for their CSR and sustainability efforts.

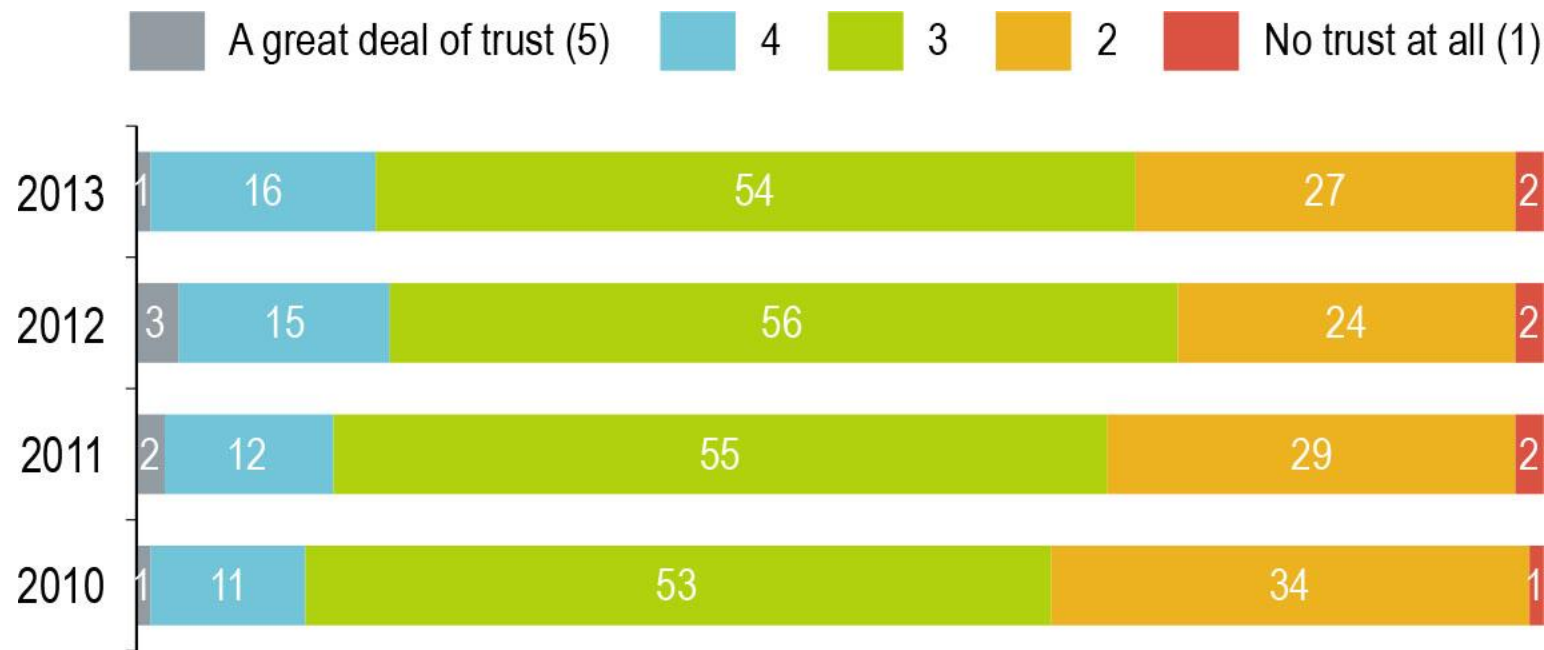
Aside from environmental measures, respondents also mention the impact on brand and/or reputation, social compliance and philanthropy, client satisfaction, and employee recruitment and retention as measures of ROI.



Perceptions of Public Trust in Business

Experts continue to believe that the public has low to moderate levels of trust in business.

Public Trust in Business, 2010–2013



Recent GlobeScan global public opinion research indicates that while trust in global companies remains low, trust levels among the public have risen over the past twelve months. The professionals surveyed here, however, remain as pessimistic about the public's trust in business as they were one year ago.

Note: Based on a 5-point scale where 1 is "No trust at all" and 5 is "A great deal of trust."

Methodology

Methodology

- The BSR/GlobeScan State of Sustainable Business Poll 2013 was conducted between August 6 and September 11, 2013.
- A total of 711 professionals from BSR member organizations completed the survey. This sample includes representation from 73 percent of BSR's member organizations.
- Unless otherwise noted, figures in charts and graphs refer to percentage of respondents.
- The sample population was comprised of representatives from business, NGOs, government, and academia, representing Africa, Asia/Pacific, Europe, Latin America, and North America.

Sample Breakdown

Region		Organization Type		Job Level	
North America	51%	Business/Corporation	89%	Vice President or above	16%
Europe	24%	NGOs	3%	Director	33%
Other regions	25%	Professional Services	3%	Manager or below	46%
		Other	5%	Other	5%