

# The State of Sustainable Business 2016

Results of the 8<sup>th</sup> Annual Survey of Sustainable Business Leaders

October 2016



evidence and ideas. **applied**



**BSR**<sup>®</sup>

The Business of a Better World

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## About the Research (1)

- **The annual BSR/GlobeScan State of Sustainable Business Survey** (now in its eighth year) provides insights into the world of sustainable business and aims to identify common perceptions and practices of corporate sustainability professionals. The 2016 survey offers unique insights on how companies are implementing sustainability goals, being bold in their strategies, and reacting to recent global developments in climate change and sustainability. In addition to capturing the views of sustainability professionals, this year's survey underscores how sustainability is being incorporated into company practices and decision-making.
- This year, we benefit from **the perspectives of nearly 300 experienced professionals representing more than 150 companies**. 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, future opportunities, and challenges in the landscape of business and society.

## About the Research (2)

- This year, we received responses from at least one sustainability professional at 61 percent of BSR’s member network of 250 companies.
- In total, 287 sustainability professionals from 152 of today’s largest and most influential multinational companies provided their insights for this research.
- In an effort to identify adoption of specific sustainability practices by BSR member companies, this report examines responses on two levels: “**All Respondents**” and “**Company-Level Respondents**,” as outlined below.

Response Base	Sample Included	Response Count
All Respondents	Full sample of <b>corporate sustainability professionals</b> providing their perceptions and industry insight	287
Company-Level Respondents	Sample consisting of <b>one response per company</b> , based on main points of contact with BSR	152

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

## Sample Breakdown: All Respondents

- Throughout this report, slides referring to “All Respondents” draw insights from the full sample of sustainability professionals.
- The sample population was comprised of representatives from businesses across Africa, Asia-Pacific, Europe, Latin America, and North America.

Industry Sector	Consumer Products/Retail	27%
	Information and Communications Technology	14%
	Energy and Extractives	13%
	Healthcare	12%
	Financial Services	9%
	Food, Beverage, and Agriculture	5%
	Heavy Manufacturing	5%
	Transportation and Logistics	4%
	Media and Entertainment	3%
	Travel and Tourism	<1%
	Other	6%

Job Level	Vice president or above	15%
	Director	35%
	Manager or below	45%
	Other	5%

Region	North America	48%
	Europe	30%
	Other regions	22%

## Sample Breakdown: Company-Level Respondents

- Throughout this report, slides referring to “Company-Level Respondents” draw insights from a smaller group of sustainability professionals: BSR’s primary points of contact, who are typically most knowledgeable about their company’s sustainability strategies.

Industry Sector	Consumer Products/Retail	26%
	Information and Communications Technology	20%
	Healthcare	12%
	Financial Services	11%
	Energy and Extractives	10%
	Food, Beverage, and Agriculture	8%
	Heavy Manufacturing	6%
	Transportation and Logistics	5%
	Media and Entertainment	1%
	Travel and Tourism	1%
	Other	1%

Job Level	Vice president or above	23%
	Director	36%
	Manager or below	37%
	Other	4%

Region	Europe	58%
	North America	27%
	Other regions	15%

## Key Findings

- **Highest priorities for corporate sustainability:** companies are continuing to prioritize **human rights** and **climate change** in their corporate sustainability efforts, and increasingly so in 2016. These trends are encouraging, following global agreements around sustainability in the past year (the UN Sustainable Development Goals (**SDGs**) and Paris Climate Agreement (**COP21**)).
- **Impact of COP21 and SDGs:** Business is already directing the focus that was placed on COP21 and the SDGs toward taking action. Our survey reports that the global commitment to decarbonization is **viewed as important to business**, and **companies are incorporating the SDGs into strategy** more than professionals anticipated last year.
- **Implementing sustainability:** However, despite this increased focus, implementation of activities that seek to address a range of issues—from human rights to supply chains and beyond—appears to be **plateauing**. The proportion of companies engaged in these activities has **not changed significantly since 2015**. With little movement, now is the time for companies to **be bold in taking global agreements forward** through a wider range of implementation activities.
- **CEOs prioritizing sustainability:** One way that bolder action can be taken is by capitalizing on the increasing priority being placed on sustainability by CEOs. This year **nearly half of companies say their CEO considers sustainability as a top-five agenda item**, marking a significant increase compared to 2015. However, engagement with different functions across the business also seems to be plateauing, presenting challenges for greater integration of sustainability into the business.

## Key Findings: Bold Leadership

Sustainability professionals were asked to define **bold leadership** in sustainability, and their responses highlighted five key elements. In summarizing the results of this year's survey, it is interesting to look at these elements alongside company responses on key activities. In doing so we underscore some of the opportunities and challenges that companies face in being bold.

- **Ambitious:** To demonstrate ambition and a long-term vision, companies need to set bold targets on key issues such as **renewable power**, **supplier performance**, and **human rights**.
- **Collaborative:** Bold sustainability leaders recognize the value of working together to overcome shared challenges. For issues highlighted in the survey where fewer companies are implementing actions, collaboration can enable more progress.
- **Transformative:** To be transformative, more companies will need to integrate sustainability into their **strategic planning**, which fewer than half of companies say is happening. This enables companies to integrate top priorities into the company's overall strategy and business models.
- **Integrated:** Companies report that sustainability is fairly well integrated into the business, especially in areas such as the company's **purpose**, which is important. However, greater integration into the core of the business relies on **internal engagement** with a broad range of business functions, which our survey suggests is currently lacking.
- **Transparent:** The survey results highlight that **customers/consumers have the most significant impact on companies' sustainability efforts**, which speaks to the need for high levels of transparency and customer/consumer engagement.

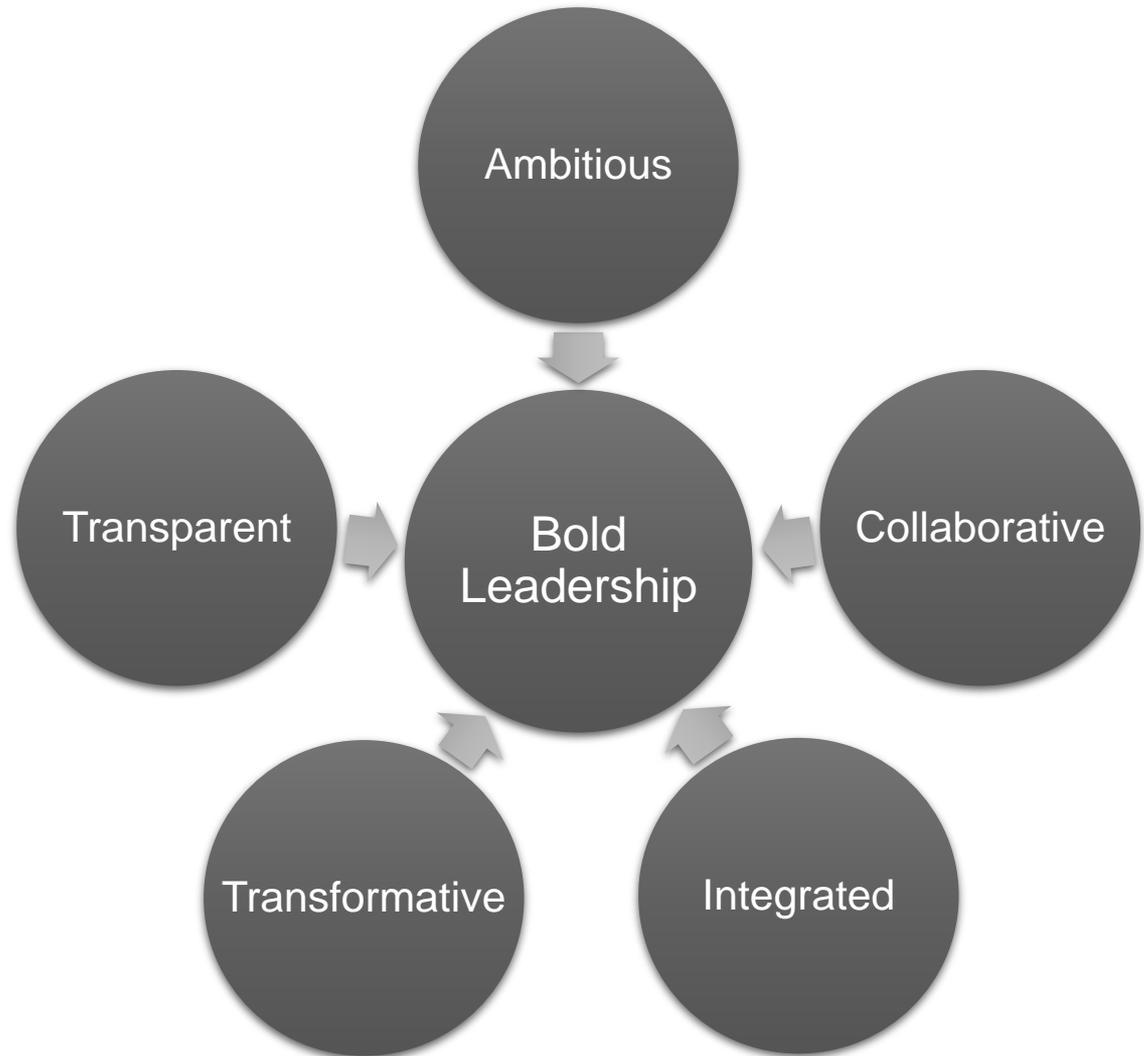
# Overall Priorities and Perceptions

This section examines key perceptions of professionals in corporate sustainability.

## Bold leadership in sustainability is ...

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

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



# Bold leadership in sustainability is ...

## Ambitious

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

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

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

## Collaborative

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

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

## Transformative

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

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

# Bold leadership in sustainability is ...

## Integrated

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

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

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

## Transparent

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

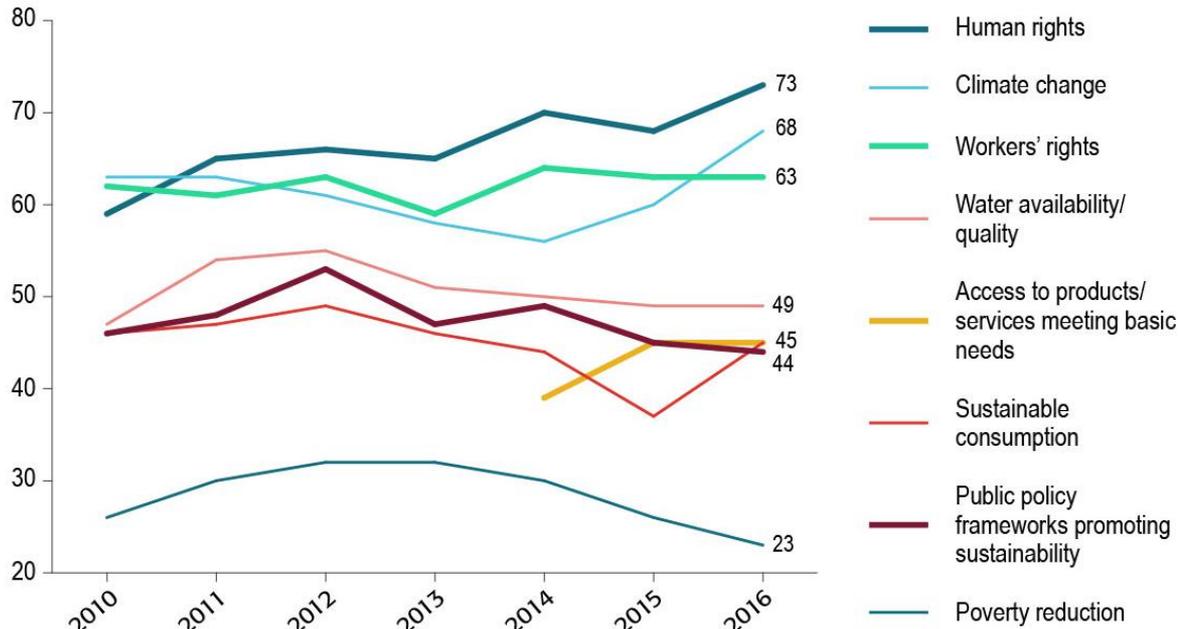
“Organizations that are **consultative and transparent**, engaging with critics to find the best solutions” —Manager, Consumer Products/Retail Company

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

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

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

Corporate Sustainability Priorities Over the Next 12 Months, 2010-2016  
(Percentage of All Respondents Identifying an Issue as a “Significant Priority”\*)



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

BSR16\_2

Professionals report that their companies are increasingly focused on human rights and climate change in 2016—more so than ever recorded.

This follows significant recent developments such as COP21 and the adoption of the SDGs.

However, given the focus of the SDGs, the decline in the proportion saying poverty reduction is a focus is an important finding.

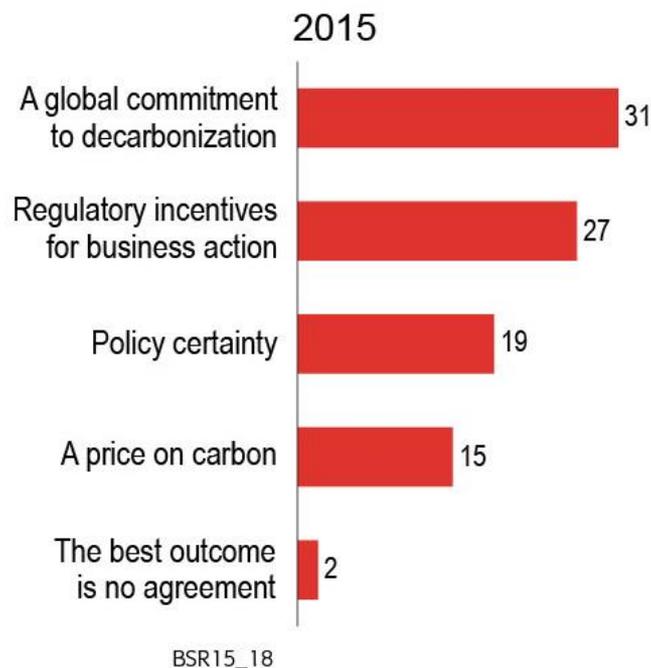
Q2. When you think about the focus of your company’s sustainability efforts in the next 12 months, how much of a priority are each of the following issues? Please use a 5-point scale where 1 is “not at all a priority” and 5 is “a very significant priority.”

# Climate Change and Impact of COP21

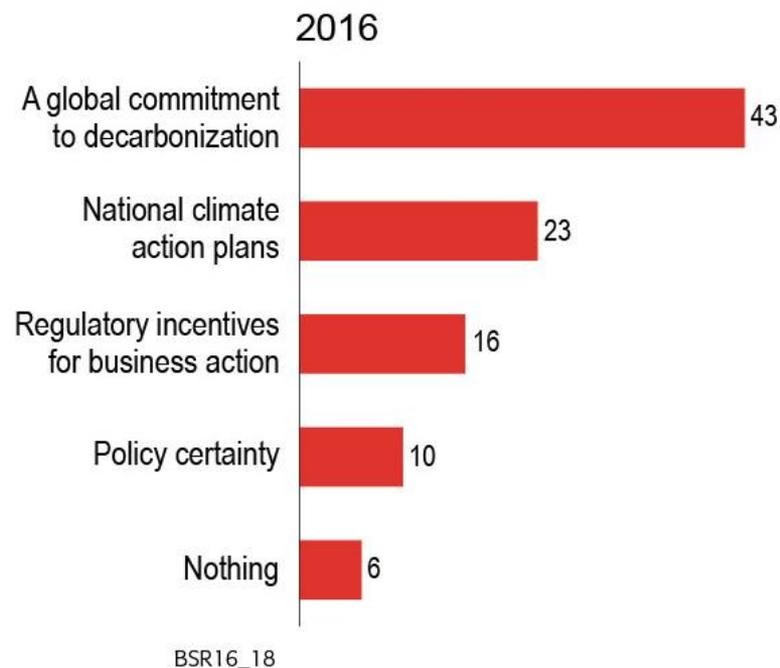
Climate change and operational environmental stewardship have continued to climb corporate agendas since 2014, suggesting that the new COP21 agreement is already having an effect on corporate sustainability. However, companies still face many of the same barriers in taking action across value chains.

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

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



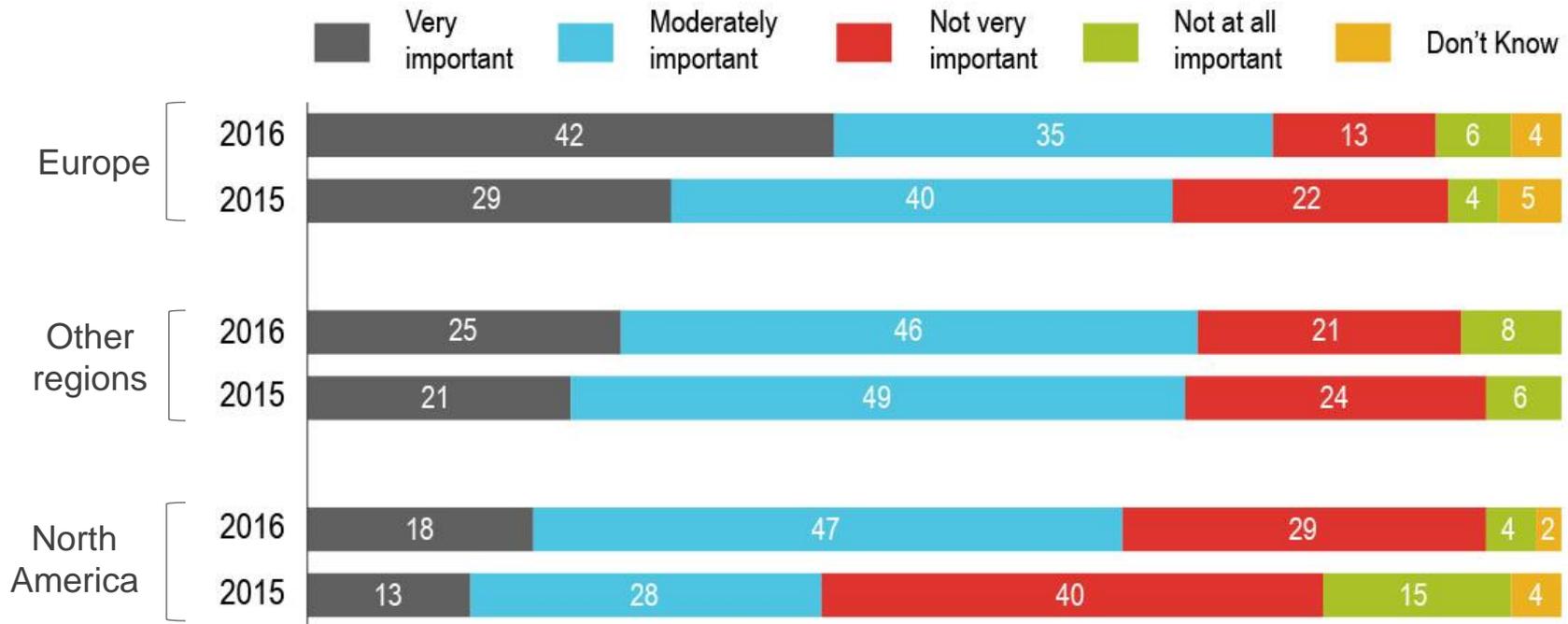
Q18. What do you feel is the most important outcome from a new international climate agreement like this? Please select only one. (2015)



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

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

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

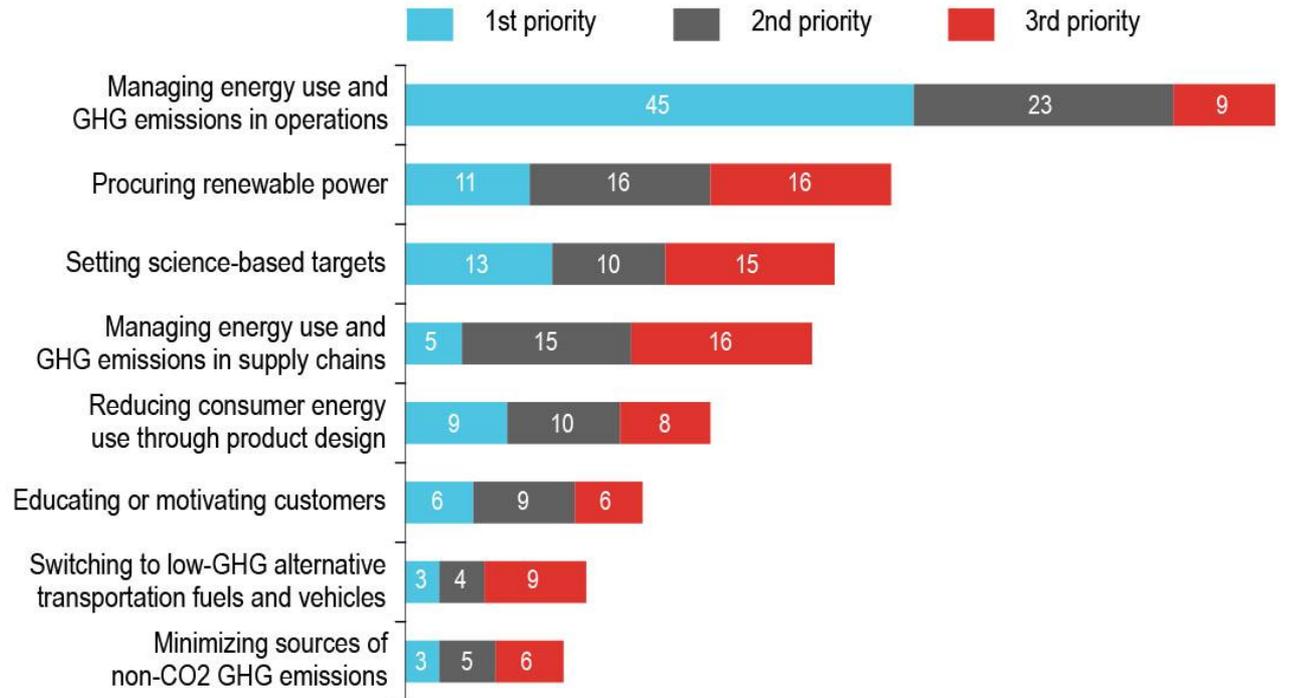


BSR16\_17

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

# Managing energy use and greenhouse gas (GHG) emissions in operations is by far the most important priority for climate mitigation efforts.

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

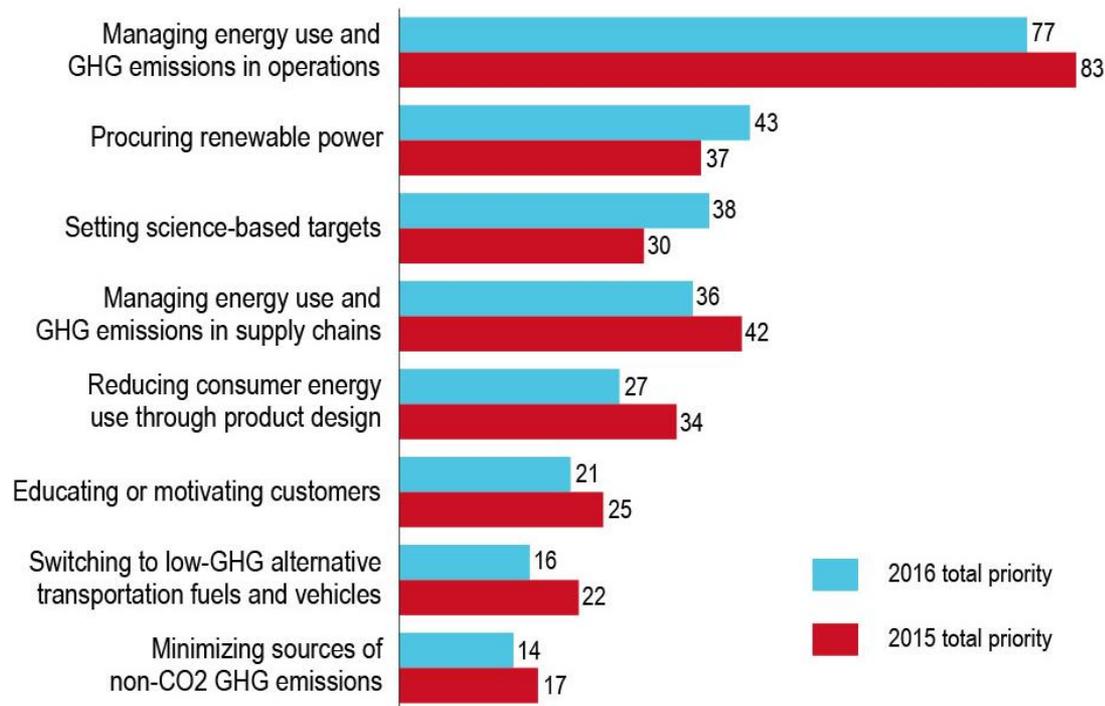


BSR16\_16

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

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

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



BSR16\_16total

The greater focus on science-based targets and renewable sourcing may be a signal of greater corporate engagement in the outcomes of COP21.

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

## Difficulties achieving changes across the value chain continue to be the most mentioned barrier to climate change action.

Top-Rated Corporate Barriers to Climate Change Action, 2016  
(Percentage of All Respondents)



There has been no significant change in the view of what the most significant barriers are to taking greater action on climate change.

It is interesting to note that the difficulty of achieving changes throughout the value chain is significantly more of an issue for consumer products/retail (33%) compared to all other sectors (20%).

Respondents in other sectors highlight weak regulatory incentives (21%) more than consumer products/retail respondents (13%).

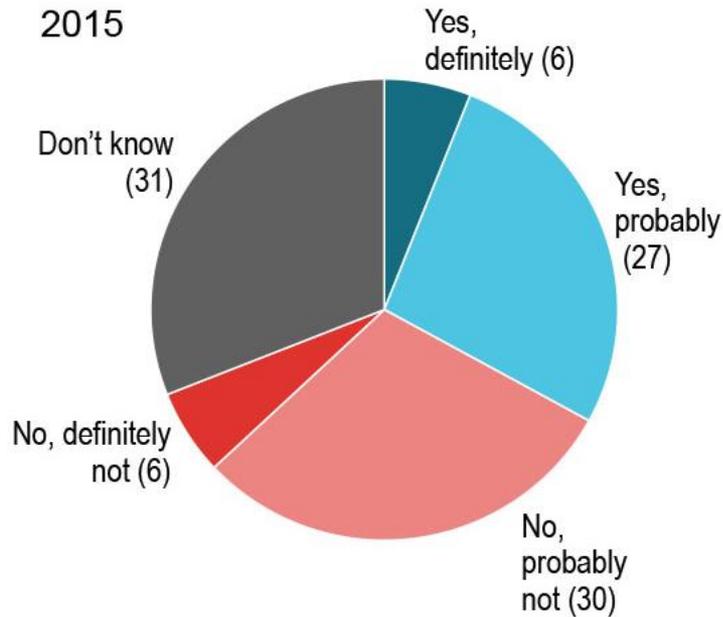
Q19. Which one of the following is the greatest barrier your company faces in taking greater action on climate change, including reducing emissions and mitigating and managing climate change impacts? (Please select only one.)

# Impact of SDGs

There is evidence that the SDGs may be affecting corporate sustainability agendas more than anticipated. Now that the SDGs are a formalized agreement, nearly one in five companies are already implementing them in their business to take the goals from agreement to action.

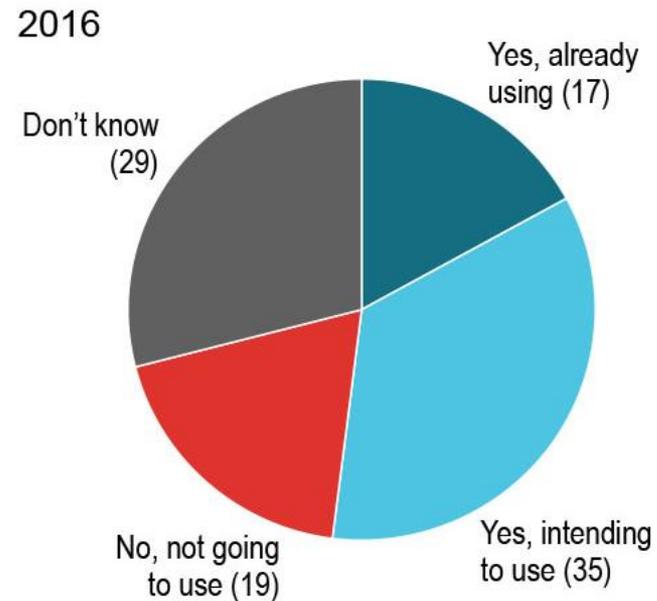
## In 2016, respondents report that the SDGs are informing their company's strategy more than they anticipated last year.

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



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



BSR16\_22

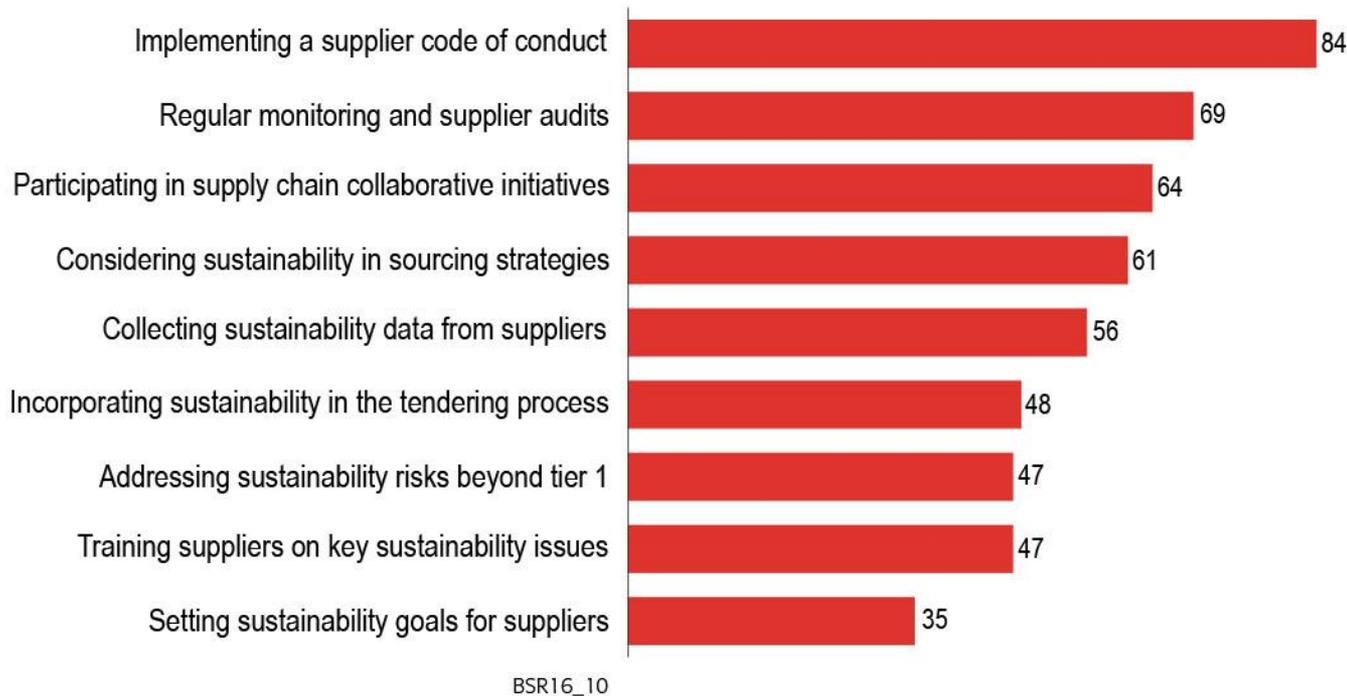
Q22. Is your company already using or intending to use the proposed UN Sustainable Development Goals to set corporate performance targets? (2016)

# Supply Chain

Professionals identify a range of activities to manage supply chains at their companies, but there has been little change over the past year in these areas.

## While implementing and auditing against a supplier code of conduct is a widespread practice, other important practices for advancing supply chain sustainability are substantially less widespread.

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



Professionals report their companies are taking a range of steps to advance sustainability in their supply chains.

However, there has been no meaningful change compared to 2015. This may suggest some stagnation in strategies to manage sustainability in supply chains.

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

# European professionals report more comprehensive approaches in managing supply chains than other markets.

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



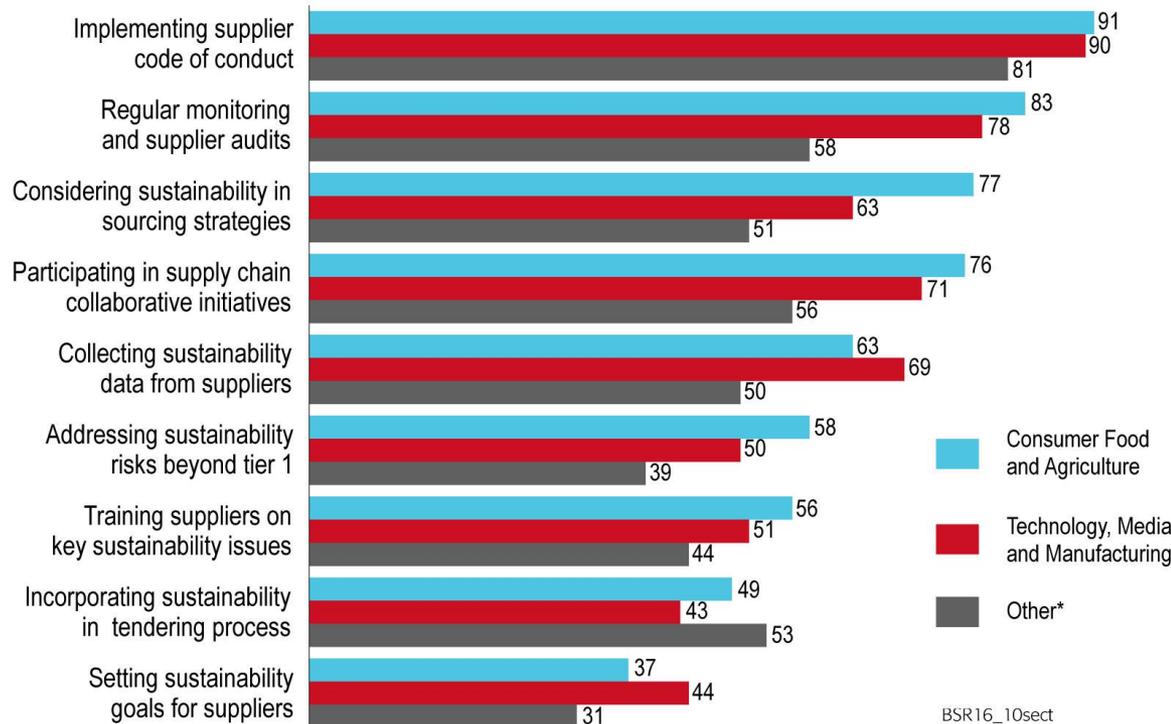
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European respondents report much wider incorporation of sustainability principles in sourcing and tendering, and are also much more likely to try and address sustainability issues beyond their tier 1 suppliers.

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

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

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



Some industry sectors are significantly more advanced than others in managing sustainability within their supply chain. This is likely due to greater reputational pressure on consumer facing industries, as well as a longer history of such activities in sectors with extensive and high-risk supply chains.

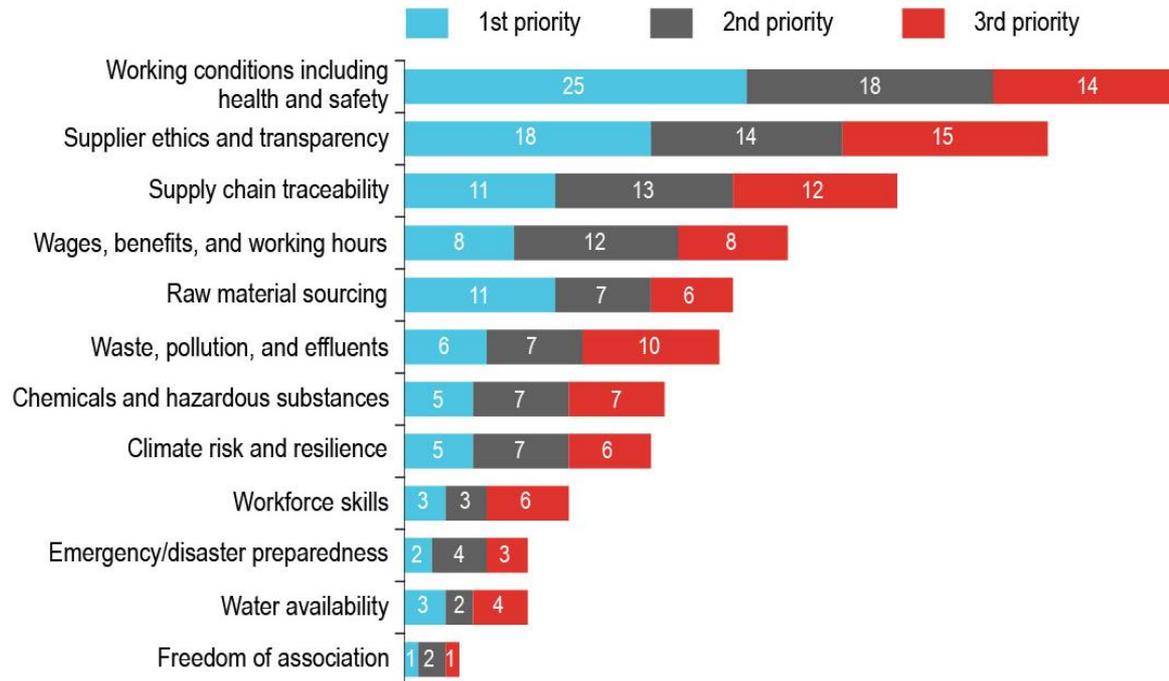
\*Includes energy and extractives, healthcare, financial services, transport and logistics, and "other"

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

## Working conditions and transparency are the most important sustainability issues in the supply chain, with less importance placed on environment-related issues.

Total Mentions, Ranked, 2016

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



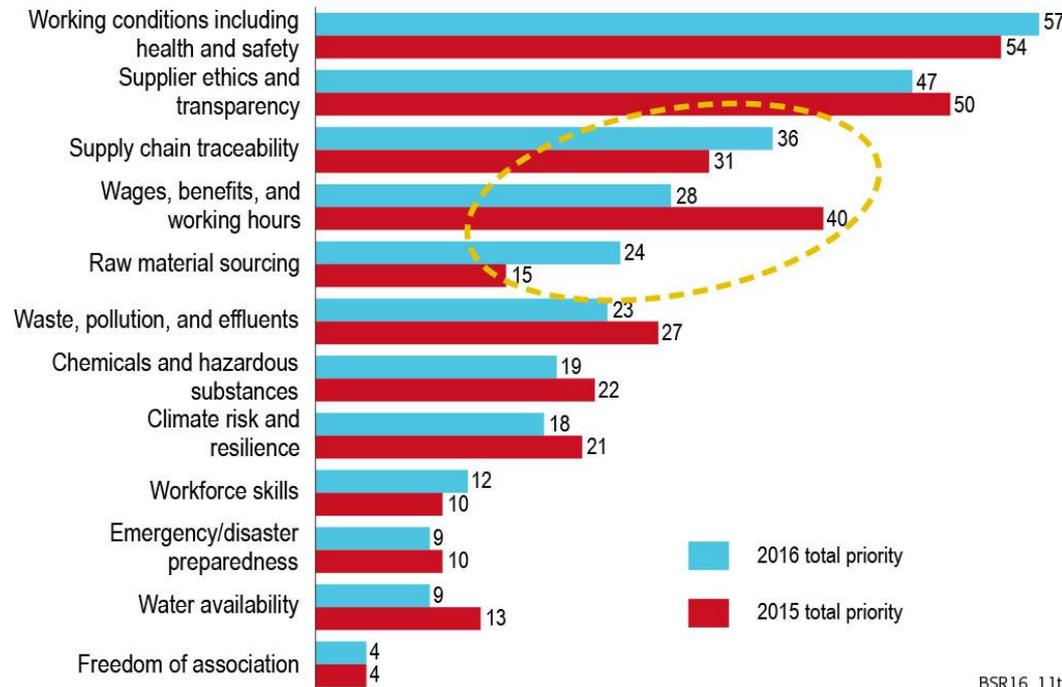
BSR16\_11

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

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

Total Mentions, Ranked, 2015-2016

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



Fewer respondents identifying an issue as one of the top-three priorities may not mean that companies are deprioritizing them; rather, it may suggest that professionals feel progress has been made or policy has been implemented in certain areas, and so are shifting their highest focus to other areas.

BSR16\_11t

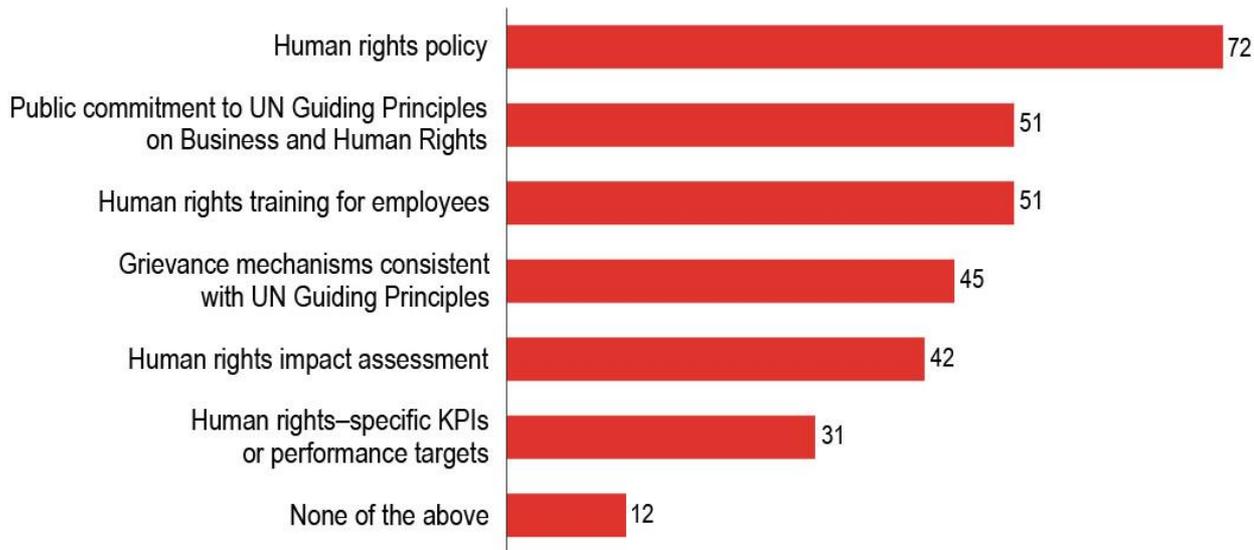
Q11. What do you believe are the three most important sustainability issues in your supply chain? (From the list below, please rank the three most important issues by entering a 1, 2, or 3 in the space provided, with 1 being “the most important.”)

# Human Rights

While human rights continues to be one of the most important focus areas for corporate sustainability efforts, there has been little movement in the range of activities being used to advance human rights.

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

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



BSR16\_15

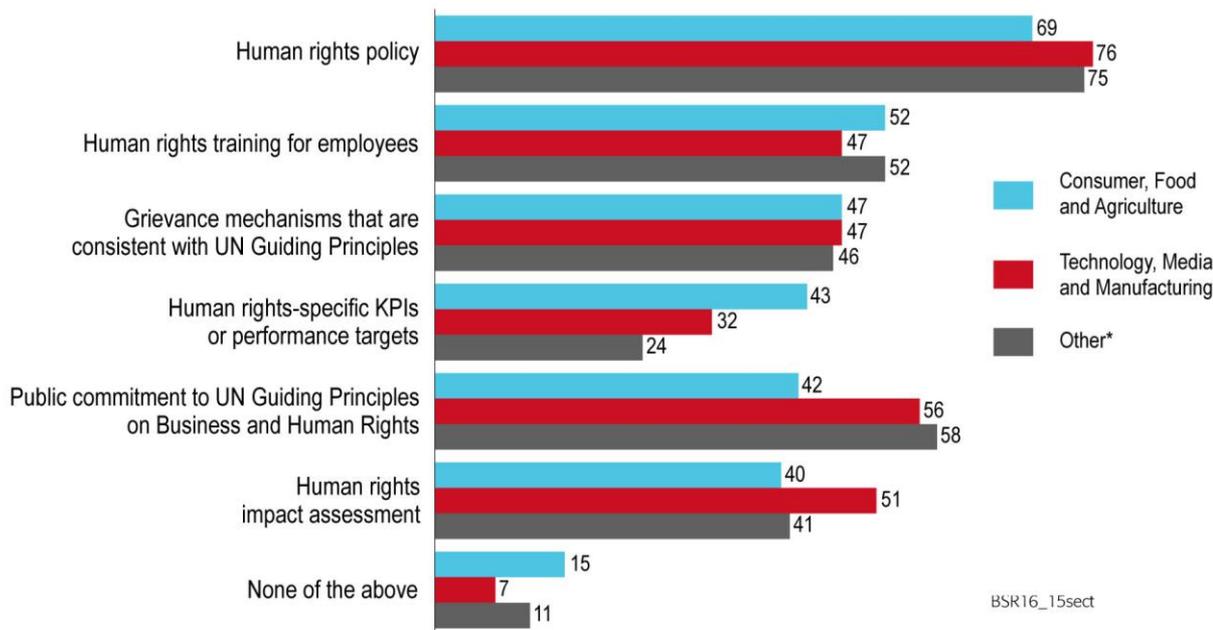
While our tracking shows that human rights continues to increase as a focus of corporate sustainability efforts (and also to record levels—see slide 13), there is little movement across the range of activities used to advance human rights.

Companies may increasingly be focused on human rights as an issue, but this focus does not appear to be reflected in the range of activities being implemented within companies.

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

# Companies in the consumer, food, and agriculture sectors are less likely than those in other sectors to have publicly committed to the UN Guiding Principles.

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



\*Includes energy and extractives, healthcare, financial services, transport and logistics, and "other"

While professionals in the consumer and food sectors are more likely to have specific key performance indicators (KPIs) or targets related to human rights, those in other sectors are more likely to have made a public commitment to the UN Guiding Principles on Business and Human Rights.

Technology, media, and manufacturing companies are more likely to conduct human rights impact assessments.

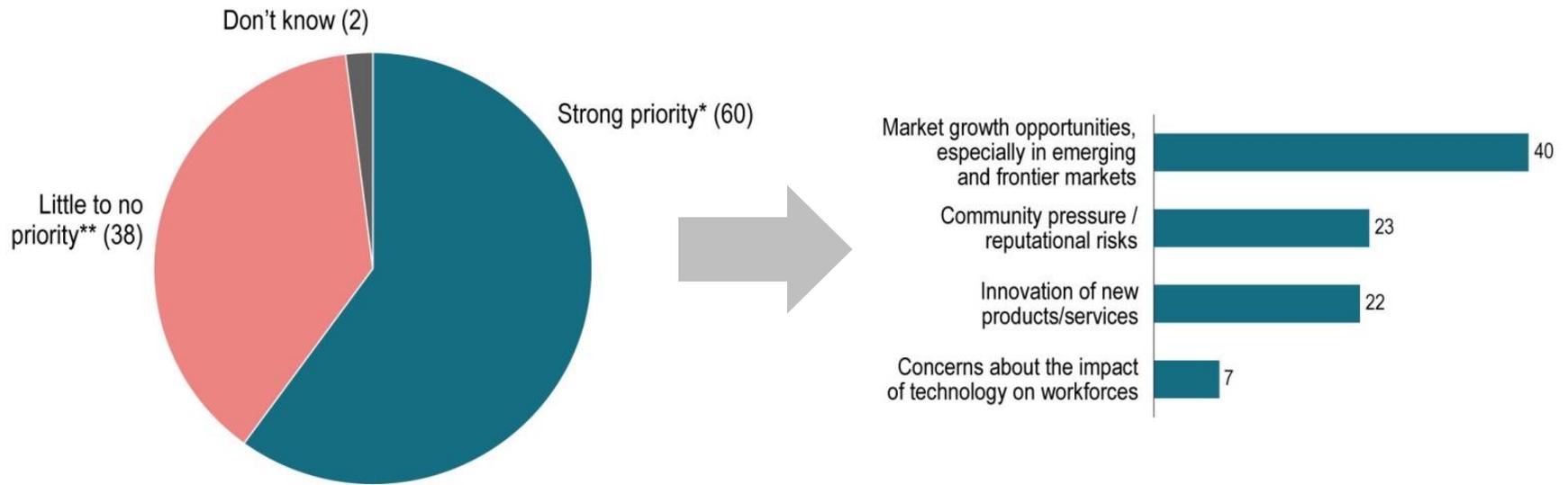
Q15. What activities are you undertaking (or have you undertaken) to advance human rights in your company?  
(Please select all that apply.)

# Inclusive Economy

Professionals report a consistent focus on inclusive growth at their companies over the last year, with little change in main drivers identified.

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

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



\*1 or 2 on a 4-point scale

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

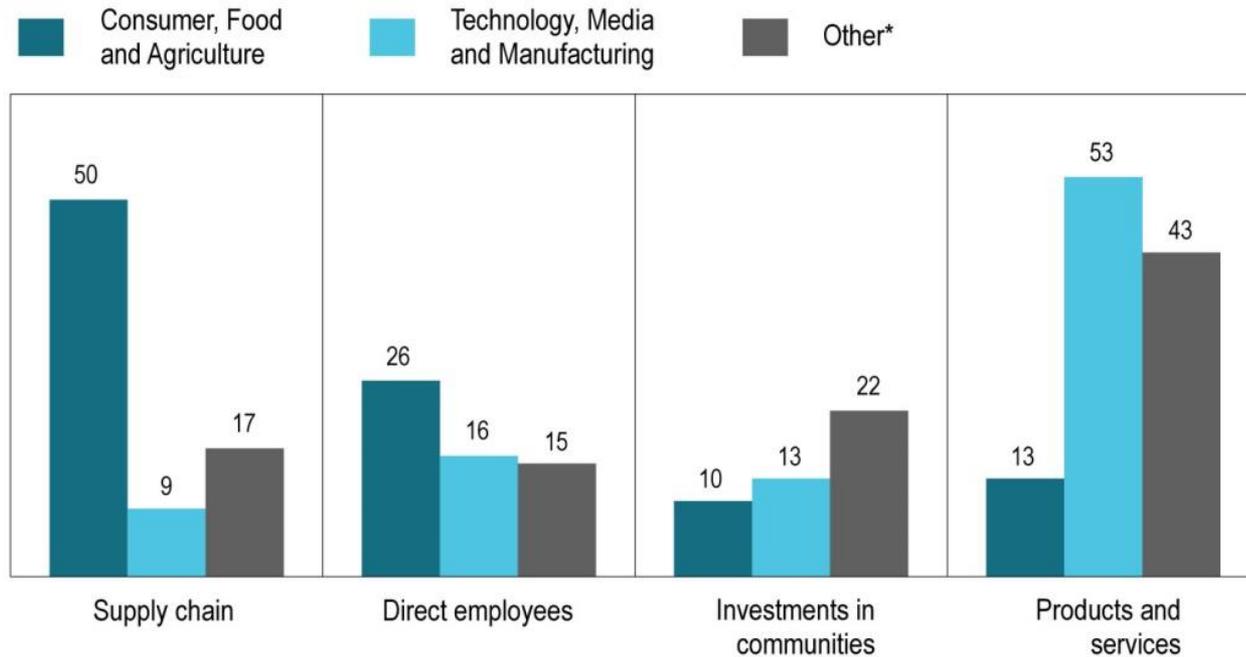
BSR16\_24-25

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

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

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

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



BSR16\_23sect

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

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

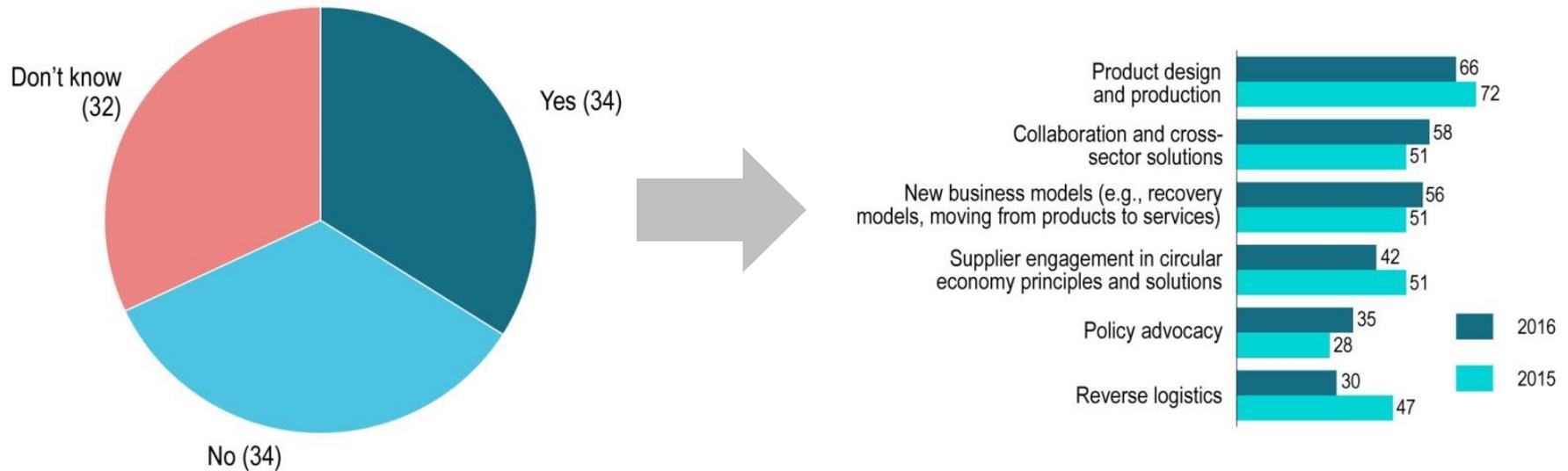
\*Includes energy and extractives, healthcare, financial services, transport and logistics, and "other"

# Circular Economy

Circular economy principles continue to influence corporate sustainability agendas in 2016, with slight changes in how they are implemented.

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

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



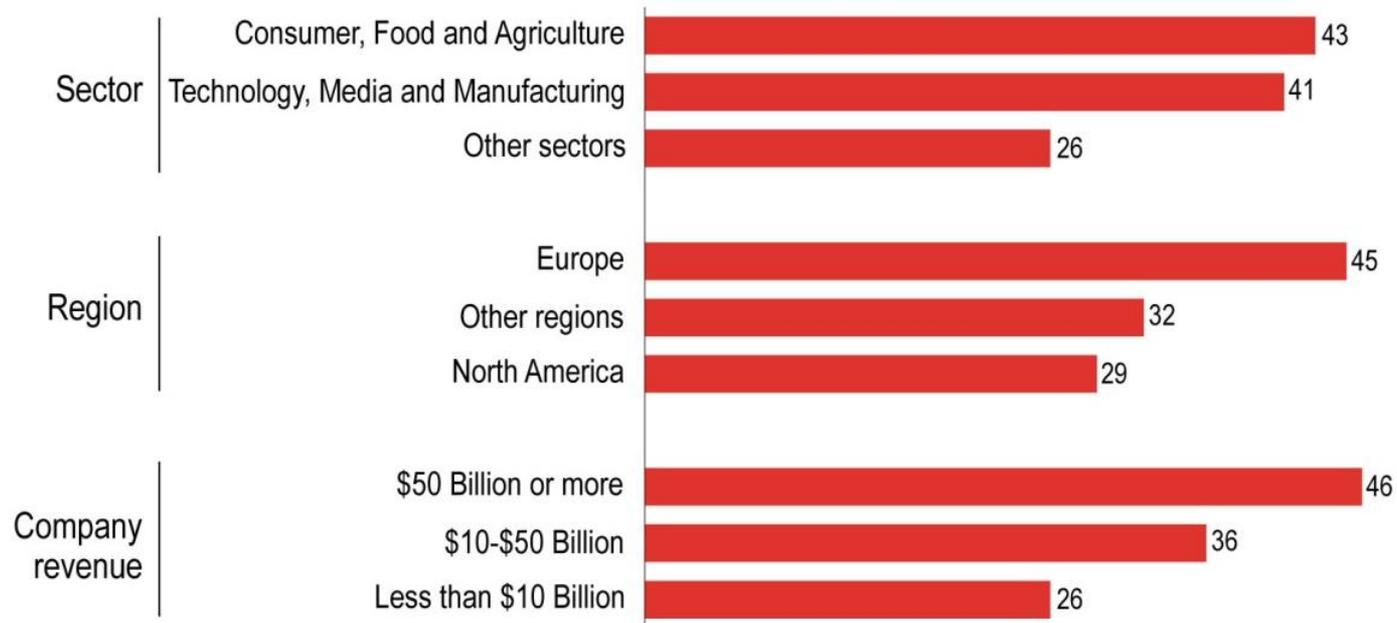
BSR16\_20-21t

Q20. Is your company implementing circular economy principles?

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

**Circular economy principles are most likely to be implemented by companies that are in the consumer, technology, or manufacturing sectors; are located in Europe; and have a high revenue.**

Corporate Implementation of Circular Economy Principles, 2016  
(Percentage of All Respondents Answering “Yes”)



\*Includes energy and extractives, healthcare, financial services, transport and logistics, and “other”

BSR16\_20

Q20. Is your company implementing circular economy principles?

# Corporate Sustainability in Practice

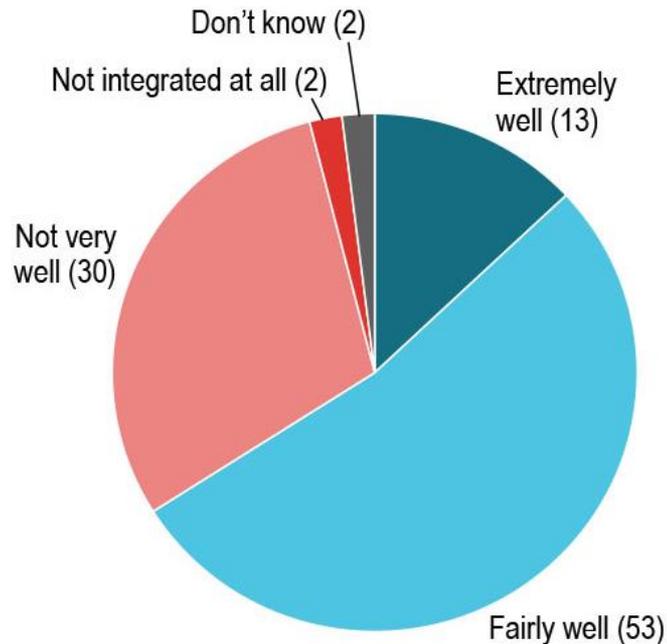
This section details how sustainability is prioritized and integrated within companies.

# Integrating Sustainability into the Business

While a majority report that sustainability is at least fairly well integrated into the business, there is still limited engagement between the sustainability team and many important business functions.

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

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



BSR16\_8

The findings for this question have not changed compared to 2015.

For nearly one-third of responding BSR member organizations, sustainability is still not seen to be well integrated into the business. Only for one-sixth is it seen to be integrated extremely well.

It is interesting to note that there are no significant differences between regions or sectors on how well sustainability is perceived to be integrated.

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

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

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



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

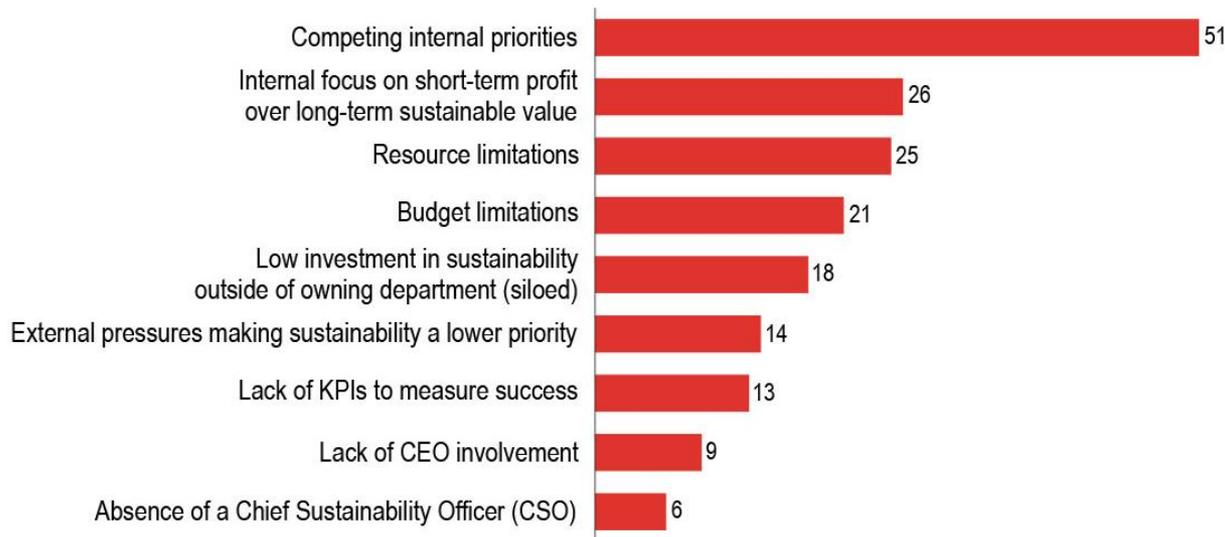
There is little change to the proportion selecting each option compared to 2015. The CSO role has not grown in importance.

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

\*New answer option in 2016

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

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



BSR16\_8c

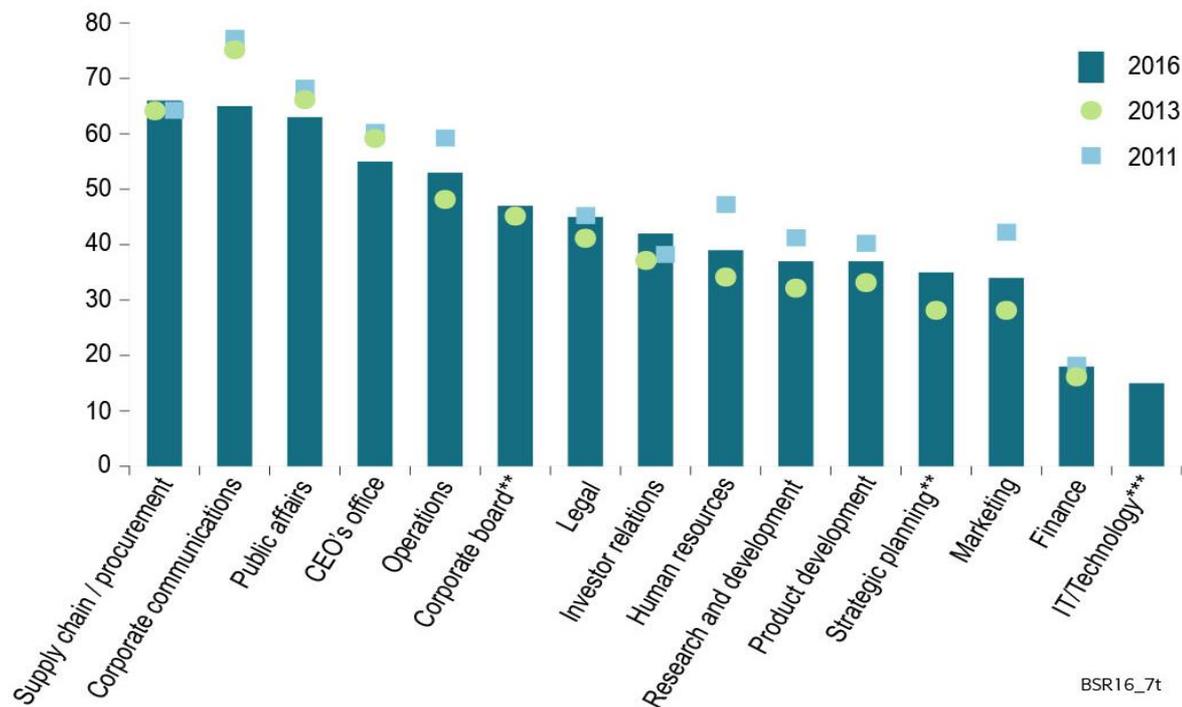
**More than budgetary or short-term financial concerns, corporate sustainability efforts are stymied by competing internal priorities. Engaging more functions in sustainability—and fostering more collaborative relationships—may help reduce these barriers.**

**Wider engagement may also help organizations set strategic priorities and ambition levels that are focused. This can help sustainability teams with the resources and positioning that they need to make their work more effective.**

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

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

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



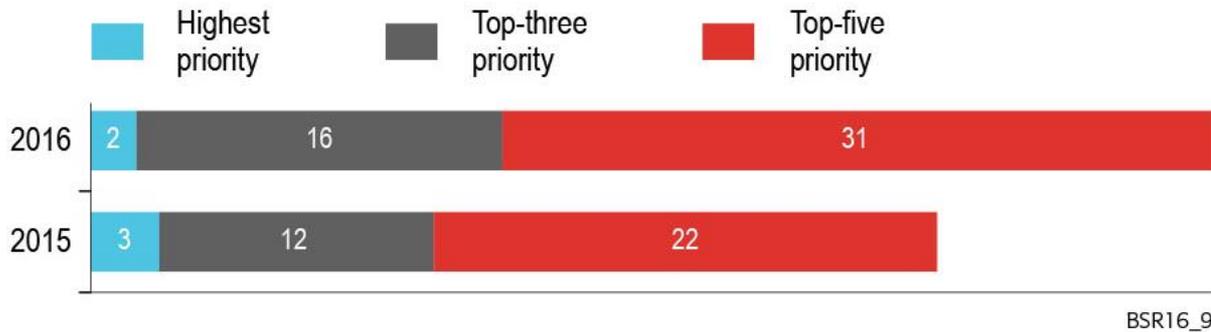
There is a continuing challenge to engage a number of internal functions that are arguably crucial to the deeper integration of sustainability into the business. Fewer than half of companies report high levels of engagement with HR, product development, strategic planning, ethics and compliance, and especially finance.

Companies are also struggling to integrate sustainability strategy with overall corporate strategy, which can lead to sustainability issues being deprioritized by senior management.

Q7. Please rate the level of engagement that each of the following functions within your company has with your company's sustainability function. \*Percentage of respondents who selected a 4 or 5 on a 5-point scale where 1 is "not engaged at all with sustainability" and 5 is "very engaged with sustainability." \*\* Added in 2013. \*\*\* Added in 2016.

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

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



Sustainability is clearly growing in importance for companies, and attracting significantly more attention from CEOs compared to last year.

Increasing CEO prioritization of sustainability can be used by the sustainability team to help drive more engagement with other internal functions, in order to help resolve the competing priorities that are the biggest barrier to deeper integration.

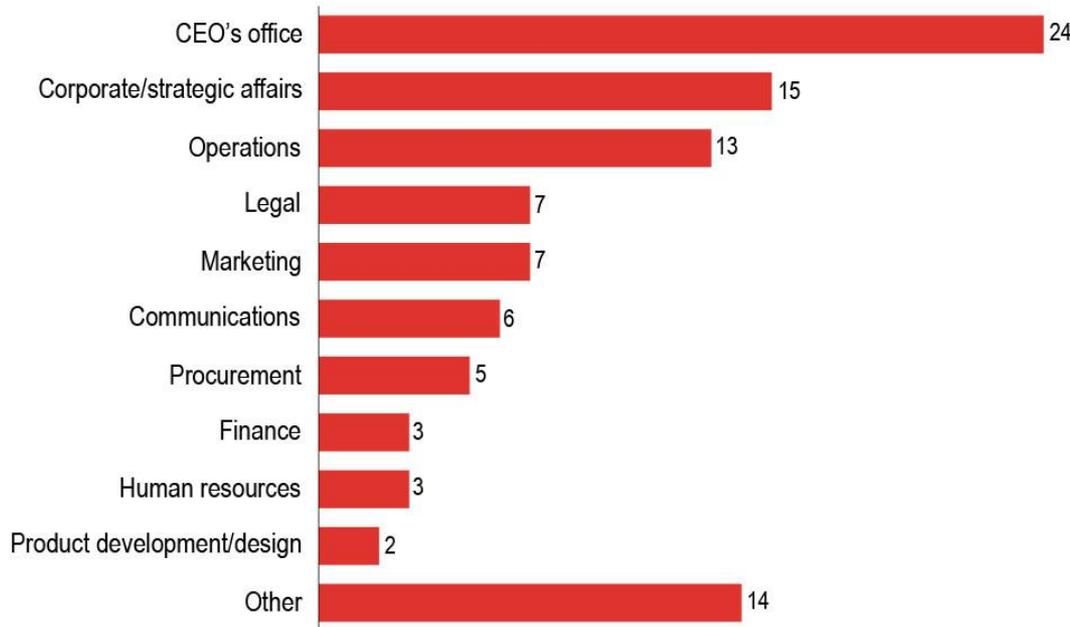
Q9. In considering your CEO's involvement with sustainability, where do you believe sustainability falls on his or her corporate agenda?  
(Please select one.)

# Managing Sustainability in the Business

As challenges persist, the number of people employed in sustainability teams remains static.

## The sustainability function most commonly reports to the CEO's office, but there is a broad range of reporting lines for sustainability within businesses.

Sustainability Function Accountability, 2016  
(Percentage of Company-Level Respondents)



BSR16\_5c

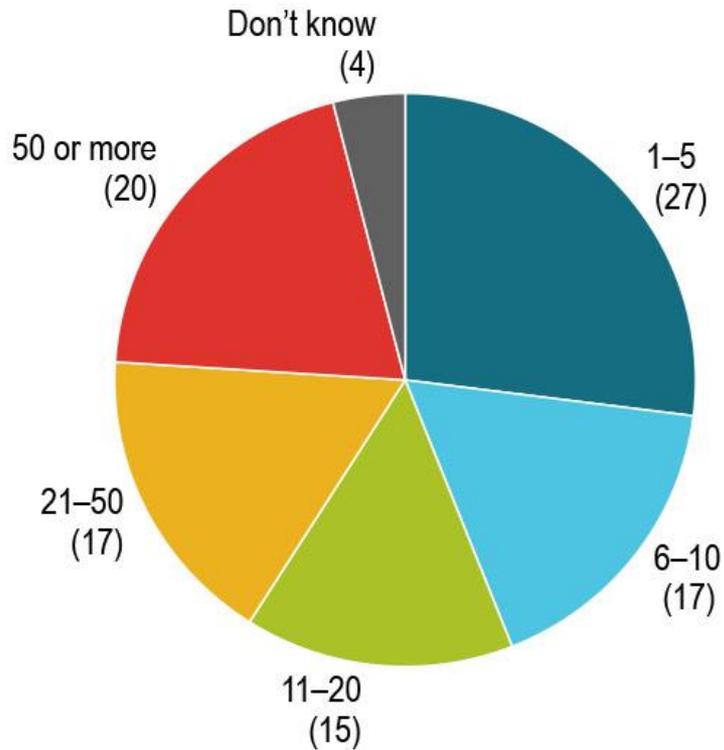
Reporting up through to the CEO's office is an important signal of the priority being placed on sustainability within the business, especially if sustainability is high on the CEO's agenda.

The challenge for deeper integration of sustainability is to ensure that the reporting line does not isolate the sustainability team and prevent it from engaging with other core functions.

Q5. Which of the following does your sustainability function directly report to?

## Many companies have a small sustainability department: Almost half (44%) employ ten or fewer people in their sustainability function.

Number of People Employed in Sustainability Function, 2016  
(Percentage, Company-Level Respondents)



BSR16\_8\_company

Qdd7. How many people are employed in the CSR/sustainability function in your business?

Overall, the size of sustainability functions has remained fairly static compared to 2015.

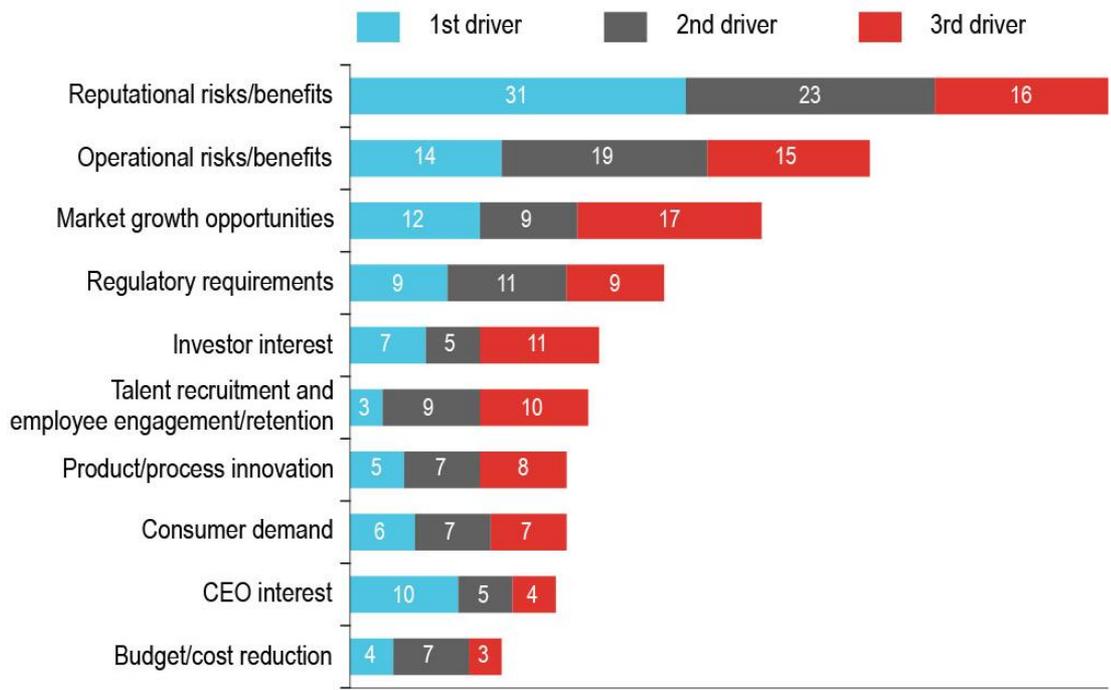
Having a small sustainability team might pose a challenge for the wider internal engagement that is needed to help mitigate competing internal priorities. Other functions must also own part of the sustainability agenda.

# Engaging on Sustainability

Reputational risks and opportunities remain as the most significant drivers of corporate sustainability efforts, and customers/consumers continue to have the most impact on how companies approach sustainability.

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

Drivers of Sustainability Efforts, Top Mentions, Ranked, 2016  
 (Percentage of Company-Level Respondents Identifying Issue as a Top-Three Driver, Combined)



The focus on reputational elements demonstrates the need for increased regulatory and fiscal incentives for sustainability.

Without proper market incentives in place, corporate sustainability may remain within the boundaries of public affairs, rather than the departments most equipped to implement activities like supply chain management.

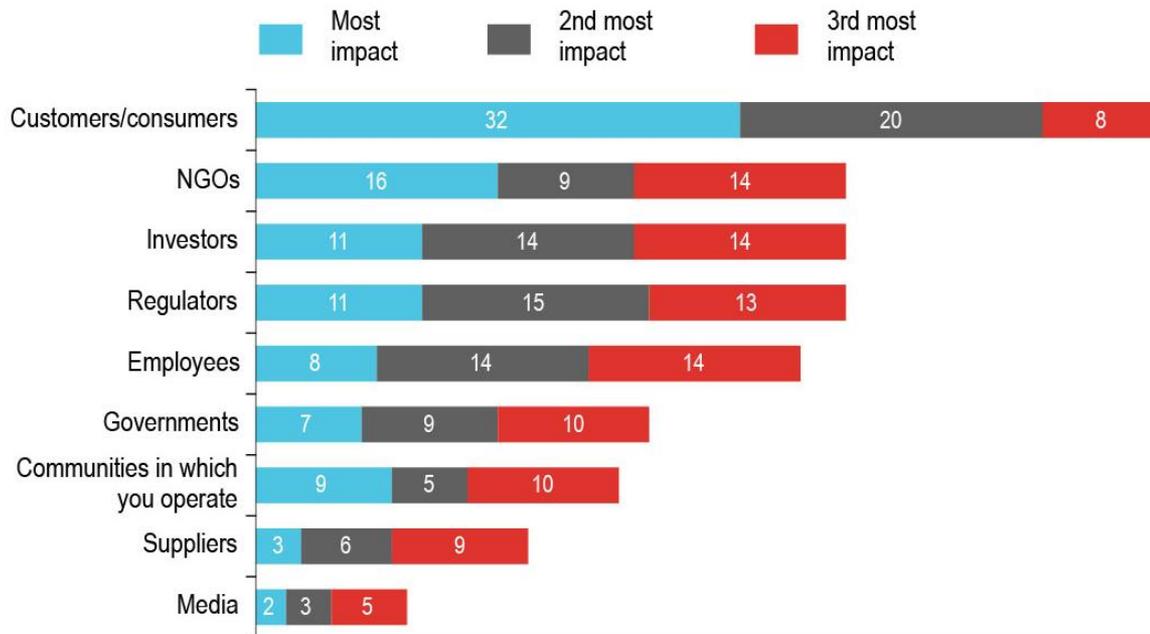
BSR16\_3

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

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

Top Three Mentions, 2016

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



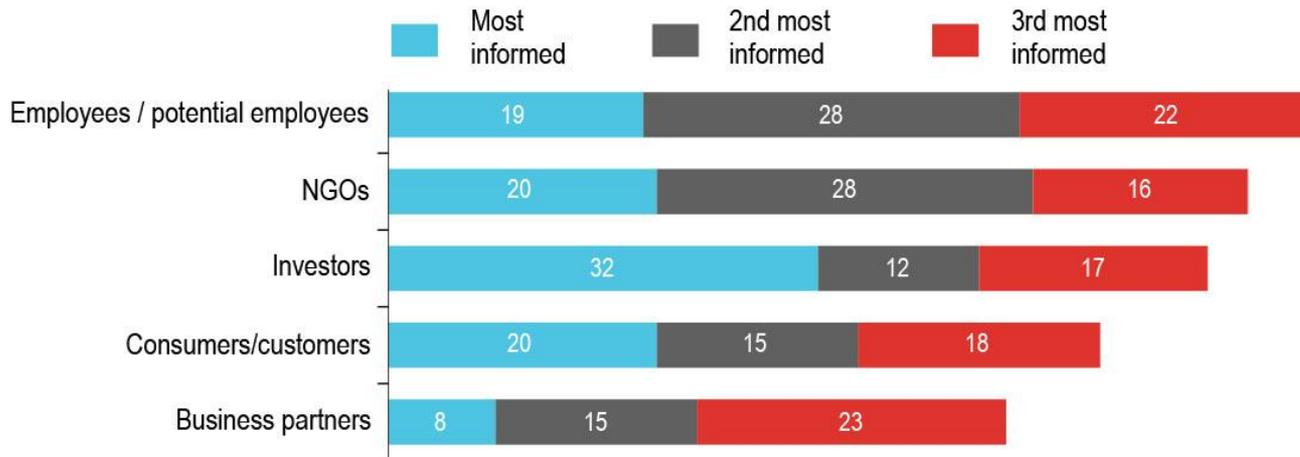
BSR16\_13c

While consumer demand for sustainability is considered a less important driver (see previous slide), companies recognize that customers and consumers have the greatest impact on the reputational risks associated with poor performance on sustainability.

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

## However, customers and consumers are among the least informed by sustainability reporting, with companies influencing employees and investors instead.

Influence of Reporting on Stakeholder Opinion, 2016  
(Percentage of Company-Level Respondents)



BSR16\_14c

Sustainability reporting is perceived to have a significant influence on employees and potential employees, highlighting the need for greater engagement with the HR function.

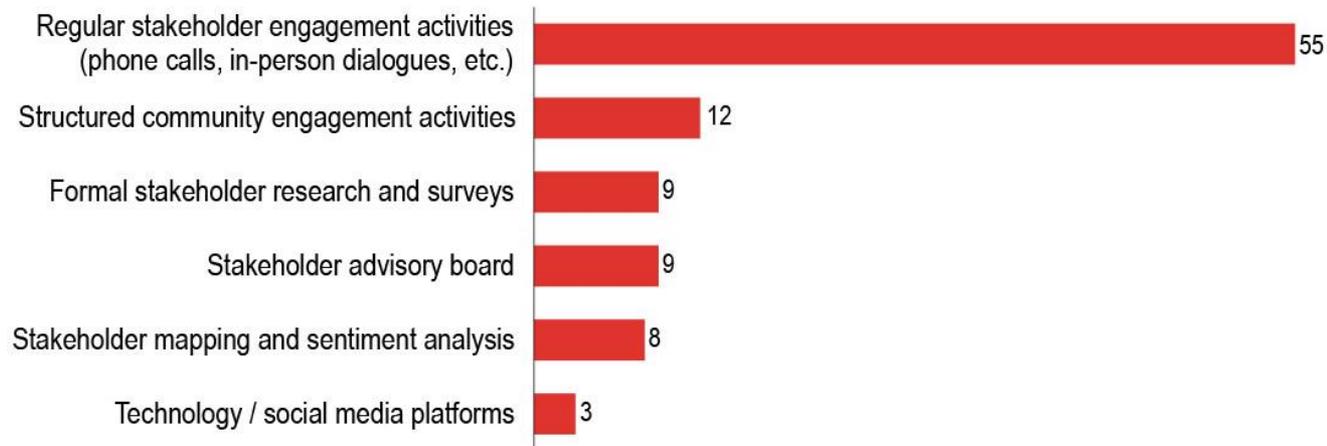
Investors are clearly ranked as the group that is most informed by sustainability reporting, demonstrating the need for close engagement with investor relations.

Consumers/customers are perceived to be less influenced by reporting, which highlights the need to express a company's sustainability story in a more engaging way.

Q14. Below is a list of stakeholders who may be informed by your sustainability reporting. Please rank them in order of how much you believe your sustainability reporting informs judgements or decisions made by them.

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

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



BSR16\_12c

**While regular stakeholder activities such as phone calls and in-person dialogues are a crucial engagement tool for the sustainability function, such activities are likely limited to the same group of highly engaged stakeholders. By adopting other means of engagement, companies can reach wider audiences and learn new methods that will be critical to help progress sustainability implementation.**

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

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