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State of Sustainable Business Survey 2014

October 2014

***The sixth annual study explores the views of
corporate sustainability practitioners***

About BSR

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

About GlobeScan

GlobeScan helps companies, multilateral organizations and NGOs measure and build valuable relationships with their stakeholders. 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.

For more information, contact:

James Morris
Director
GlobeScan
Tel: +1 415 445 4657
james.morris@globescan.com

Eva Dienel
Associate Director, Communications
BSR
Tel: +1 415 984 3233
edienel@bsr.org

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Overview

- **The annual BSR/GlobeScan State of Sustainable Business Survey** (now in its sixth 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 **transparency in business and sustainability**, aligning with the BSR Conference 2014 theme, "Transparency and Transformation."
- This year we benefit from **the perspectives of more than 700 experienced professionals**. 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: 7 Key Findings

1. Integration Remains Central Leadership Challenge

According to sustainability professionals, integrating sustainability into the core of the business remains the most significant leadership challenge facing companies, while greater transparency continues to increase in importance.

- **Integrating sustainability** continues to be rated as the greatest challenge by almost two-thirds (63%) of all respondents, significantly more than any other challenges in the area of sustainability.
- Although not rated as highly as integrating sustainability, **greater transparency** has steadily increased in significance over the past three years of this survey.

2. Transparency a Driver of Public Trust

Transparency is identified as the most effective way to improve low public trust in business.

- When asked to spontaneously mention the best ways in which public trust can be improved, the overwhelming majority of respondents (61%) named **increased transparency** as the best way.
- However, respondents currently rate business **as only moderately transparent**, with just over one-quarter (26%) qualifying it as “transparent.” North Americans are less likely to rate business as transparent (18%) than respondents in Europe (26%) and other geographies (39%).
- Since 2010, perceptions of the public’s **trust in business have not improved**, with less than one-fifth (19%) of respondents in 2014 believing that the public has anything more than a moderate level of trust in business.

3. CSOs Are Having an Impact

The presence of a Chief Sustainability Officer (CSO) can have a significant positive impact on companies' sustainability performance.

- While the proportion of respondents indicating that their company has a CSO in place has not changed over the past 12 months (46%), an overwhelming majority (78%) of those with a CSO say that the role has had a **significant impact** on their company's sustainability performance. **European companies are more likely to have a CSO** (68%) than counterparts in North America (30%) and other markets (54%).
- There is a sense that a successful CSO must have the skills to marry the business to sustainability and needs a **strong business sense and credibility** in order to advocate for **integrating sustainability** across the enterprise. This sentiment is especially strong among respondents in the C-suite, with nearly half of respondents at **vice president-levels and above** (46%) identifying good business sense and credibility as the top characteristic for a CSO success.

4. Business' Priorities Remain Consistent

For the sixth year running, practitioners identify human rights, workers' rights and climate change as the top three sustainability priorities for their companies over the next year.

- While there is some volatility in these rankings year over year, respondents have **consistently ranked these three issues as top priorities since 2009.**
- **Human rights** (70% rating it as a significant business priority) and **workers' rights** (64%) have increased in priority since 2013, while poverty reduction and sustainable consumption continue to rank as low priorities for businesses over the next year.
- These top priorities also align with respondents' individual perceptions on significant current and future events in sustainability, where top mentions concern **climate events and supply chain issues.**

5. External Demand Will Drive Action on Climate

For companies to commit to a more ambitious approach to addressing climate change, corporate sustainability practitioners identify two effective levers of change: demand from investors and consumers, and greater governmental certainty and legislation.

- In considering significant events over the next year, respondents are most anticipating upcoming **UN policy decisions on climate and sustainable development.**
- The majority of practitioners say that their company will either **maintain or increase their focus on both climate adaptation and mitigation** over the next 12 months.

6. Mega-Trends: Tech, Economic Shifts & Transparency

Technology, economic changes and transparency are the three mega-trends that will have the most impact on business over the next 24 months.

- Almost seven in ten (69%) state that **technological changes** will have a significant impact on their business in the coming months, followed closely by **economic changes** (68%).
- Nearly two-thirds (65%) say that **transparency and accountability** will have a significant impact. North American respondents are less likely to anticipate a significant impact from transparency (59%) than their counterparts in Europe and other geographies (72% and 70%, respectively).

7. Economic Concerns Driven by Social Factors

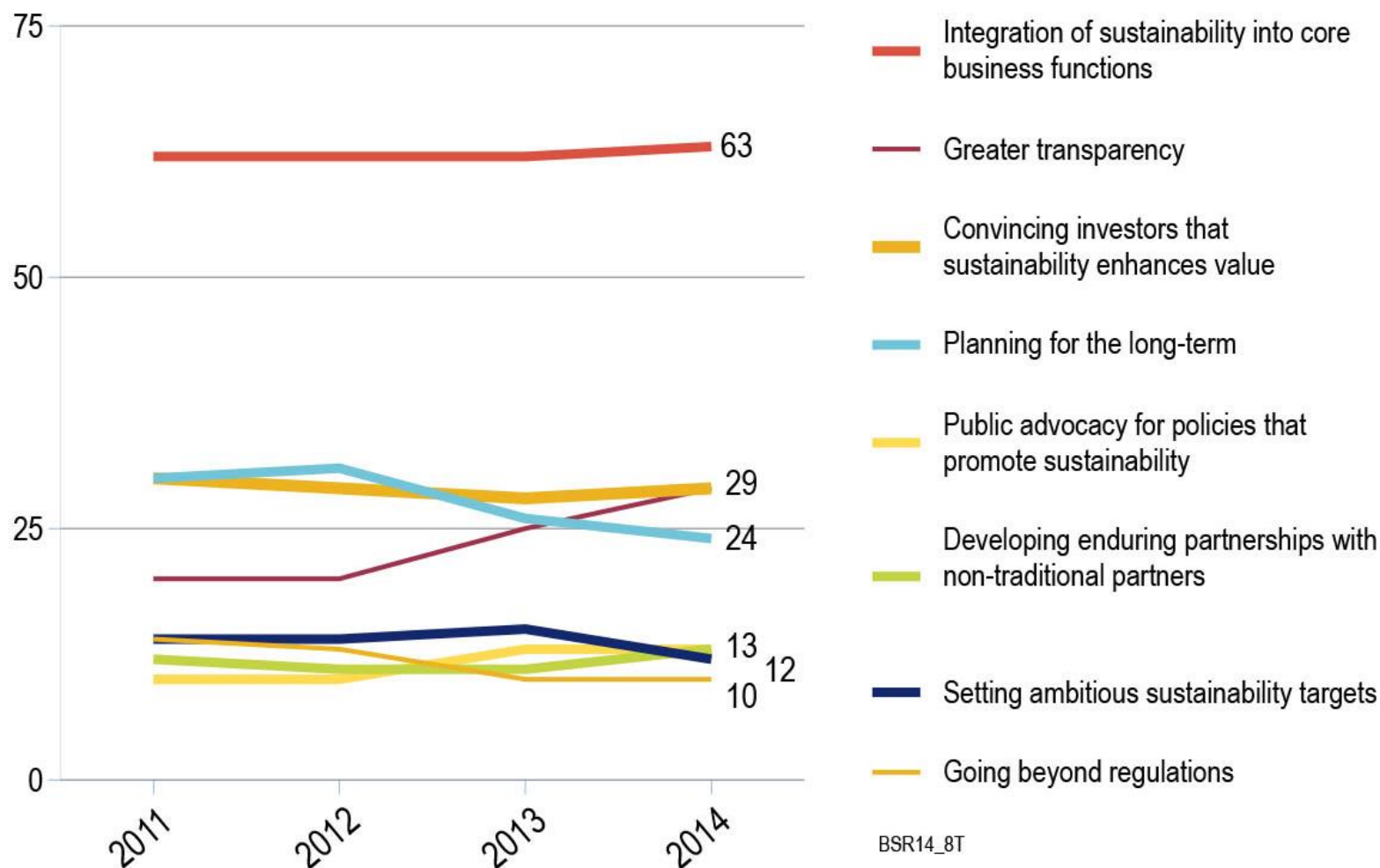
In considering impacts of specific economic issues, respondents tend to focus on socio-economic factors such as labor and supply chain, and political instability in key markets.

- Nearly three-quarters of respondents (72%) identified **political instability in key markets** as having the greatest potential impact on business, followed by the **inadequate pipeline of skilled labor** (60%).
- It is interesting to note that, while it has been demonstrated that **economic inequality** is a growing cause of political instability, and four in ten (41%) rate it as having a high potential to impact their business, comparatively it is not perceived as a significant threat to business.

Leadership Challenges

Business continues to contend with the challenge of integrating sustainability, and transparency is becoming a more prominent challenge

Most Important Leadership Challenges, 2011–2014 (% of total mentions)



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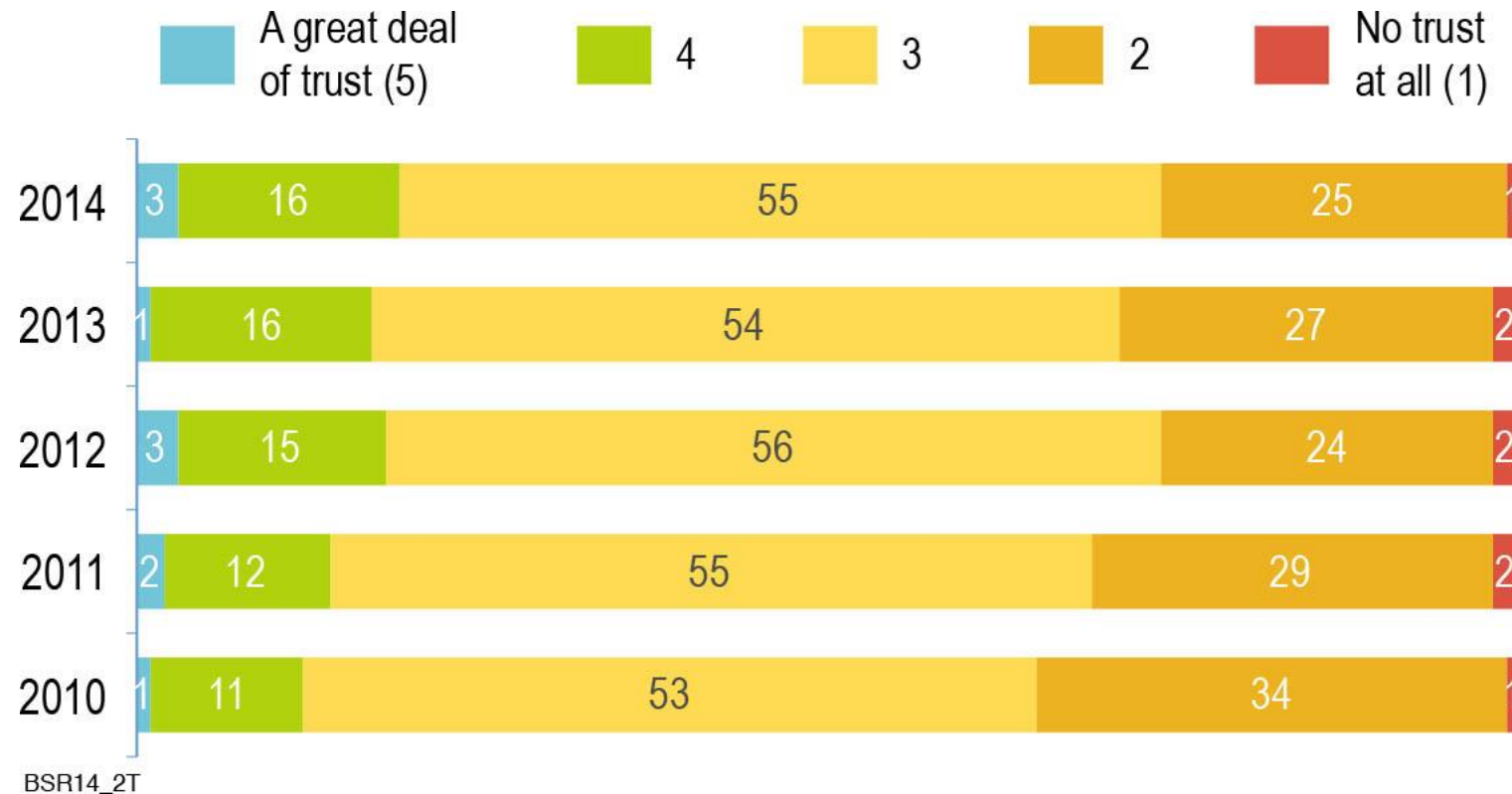
Q8. In your opinion, which two of the following stand out as the MOST important leadership challenges for businesses today?



Public Trust & Transparency

There has been little movement in perceptions of public trust in business since 2010

Perceptions of Public Trust in Business, Net Trust Ratings, 2010–2014



In 2014, respondents continue to qualify the public's trust in business as low. The consistency of low perceptions among business professionals highlights an ongoing challenge.

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

More than any other answer, transparency emerges as the overwhelming means for business to increase public trust

Ways to Increase Trust, Top Mentions, 2014

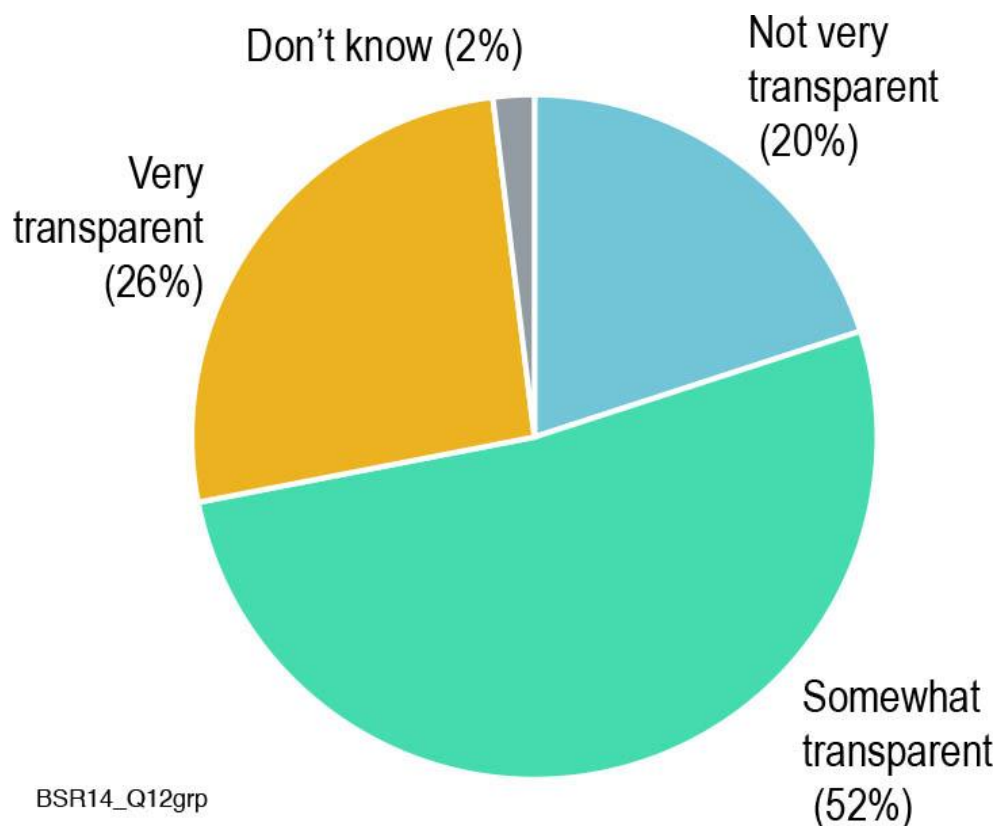


Continuing perceptions about the public's low trust in business speak to the need for action that inspires trust.

Respondents named a number of ways that business can do this, but the overwhelming majority calls for business to increase overall transparency to earn the public's trust.

There is a significant need for improvement of business transparency on sustainability issues, with very few highlighting this as a strength

Transparency of Business on CSR/Sustainability, 2014



Current perceptions of business' transparency on sustainability are fairly moderate. Over half of those surveyed (52%) provide a moderate score for business' performance on transparency, yielding significant opportunities to improve trust through greater transparency on sustainability.

Respondents from outside of North America were significantly more positive about the level of transparency of business, with 33 percent rating it as very transparent (4+5), compared to 18 percent in North America. However, most outside of North America also gave business a moderate rating (47%).

Note: Based on a 5-point scale where 1 is "Not transparent at all" and 5 is "Very transparent."
Not very transparent (1+2); Somewhat transparent (3); Very transparent (4+5)



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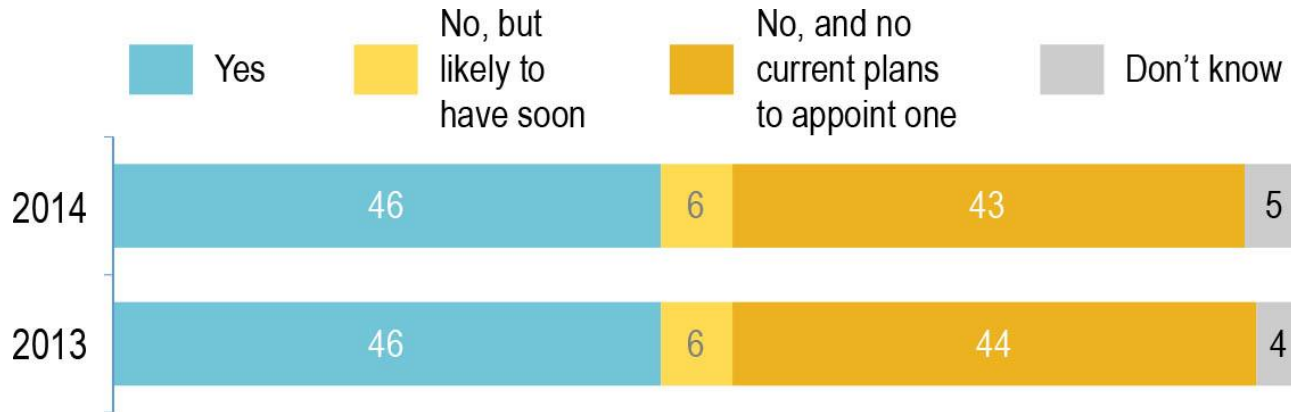
Q12. In general, how transparent, if at all, is business on CSR/sustainability issues?



Chief Sustainability Officer (CSO)

From 2013 to 2014, there has been little to no change in the prevalence of Chief Sustainability Officers, but there is some variance by region

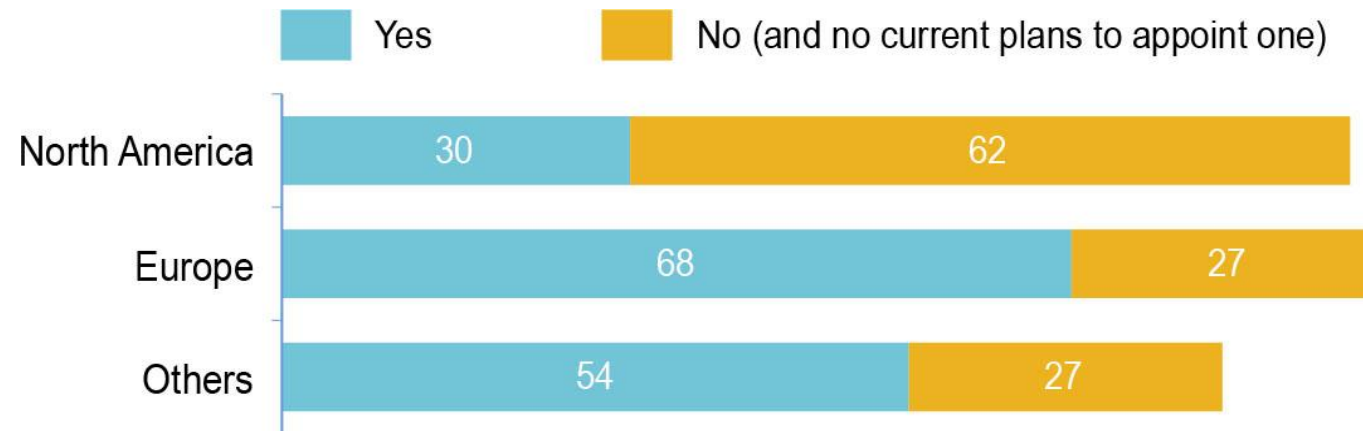
CSO Function, Corporate Respondents, 2013–2014



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While there is little to no change to the proportion of respondents indicating their company has a Chief Sustainability Officer (CSO) in place, there is significant variance regionally.

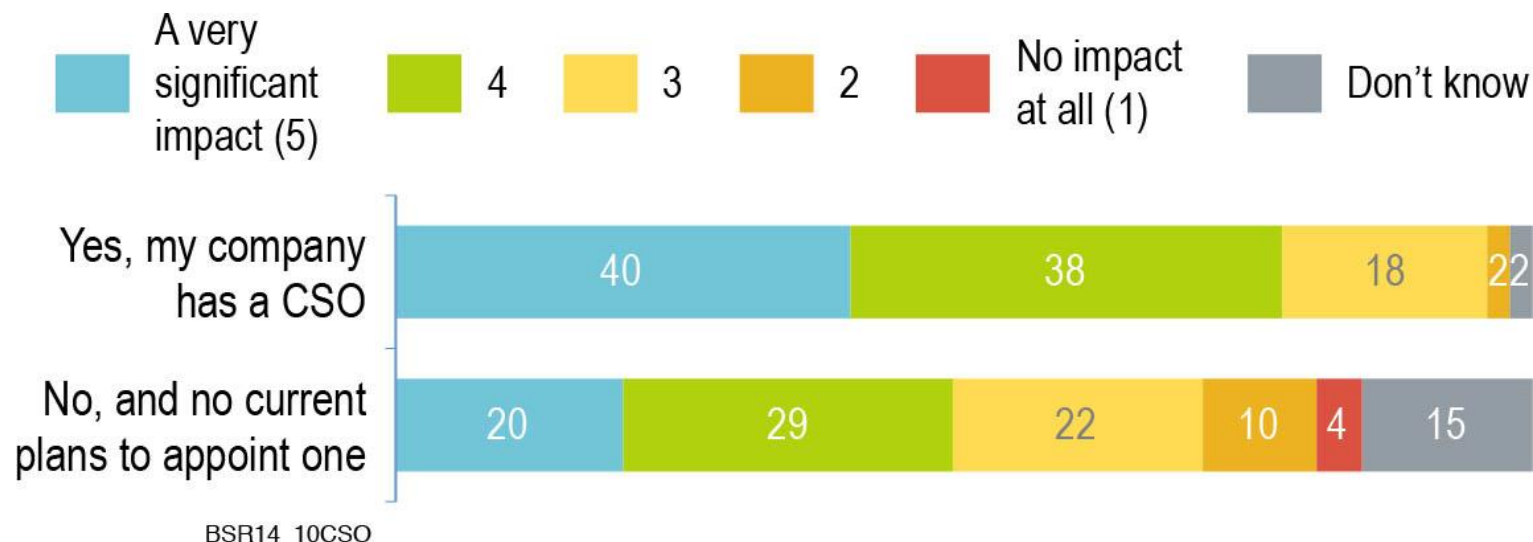
Among North American respondents, just 30 percent indicate their company has a CSO in place, compared to 68 percent in Europe and 54 percent among those from other regions.



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Respondents whose companies have a CSO have greater conviction that this position positively impacts sustainability

CSO Function and Perceived Impact, Corporate Respondents, 2014



More than three-quarters of corporate respondents whose companies have a CSO (78%) believe that this person has a strong impact (4+5) on positive sustainability performance. Conversely, less than half of respondents without a CSO (49%) qualify a CSO this way.

As an advocate for sustainability, the presence of a CSO in an organization helps foster buy-in across the company, especially as it boosts perceptions of positive performance among internal stakeholders.

More than any other quality, business acumen is the most valued and important characteristic of a CSO

Qualities of a Successful CSO, Corporate Respondents, Total Mentions, 2014



According to respondents, a successful Chief Sustainability Officer must have...

Qualities of a Successful CSO, Corporate Respondents, 2014

Good business sense
and credibility
(41%)

Ability to lead sustainability /
integrate aspects across
business
(27%)

Ability to communicate /
engage collaboratively
(20%)

*“Able to connect long-term
CSR objectives with short-
term business objectives”*

*“Needs to understand the
business and be close to all
business units”*

*“Credibility as someone who
thinks about the impact of
sustainability on key “hard”
business metrics like
revenue, profit, cash and
stock price”*

*“Ability to collaborate and
integrate with business
teams, to prevent
sustainability from being a
single activity or side
requirement”*

*“...One who thinks about the
bigger picture and not in
isolation. I believe they have
to be one who can see the
viewpoints of the different
sectors within a company to
help integrate and align
citizenship across the
board”*

*“Inspiring and visionary
expert able to communicate
to all stakeholders”*

*“Influence with CEO and
ability to drive accountability
for sustainability-related
initiatives across the
company”*

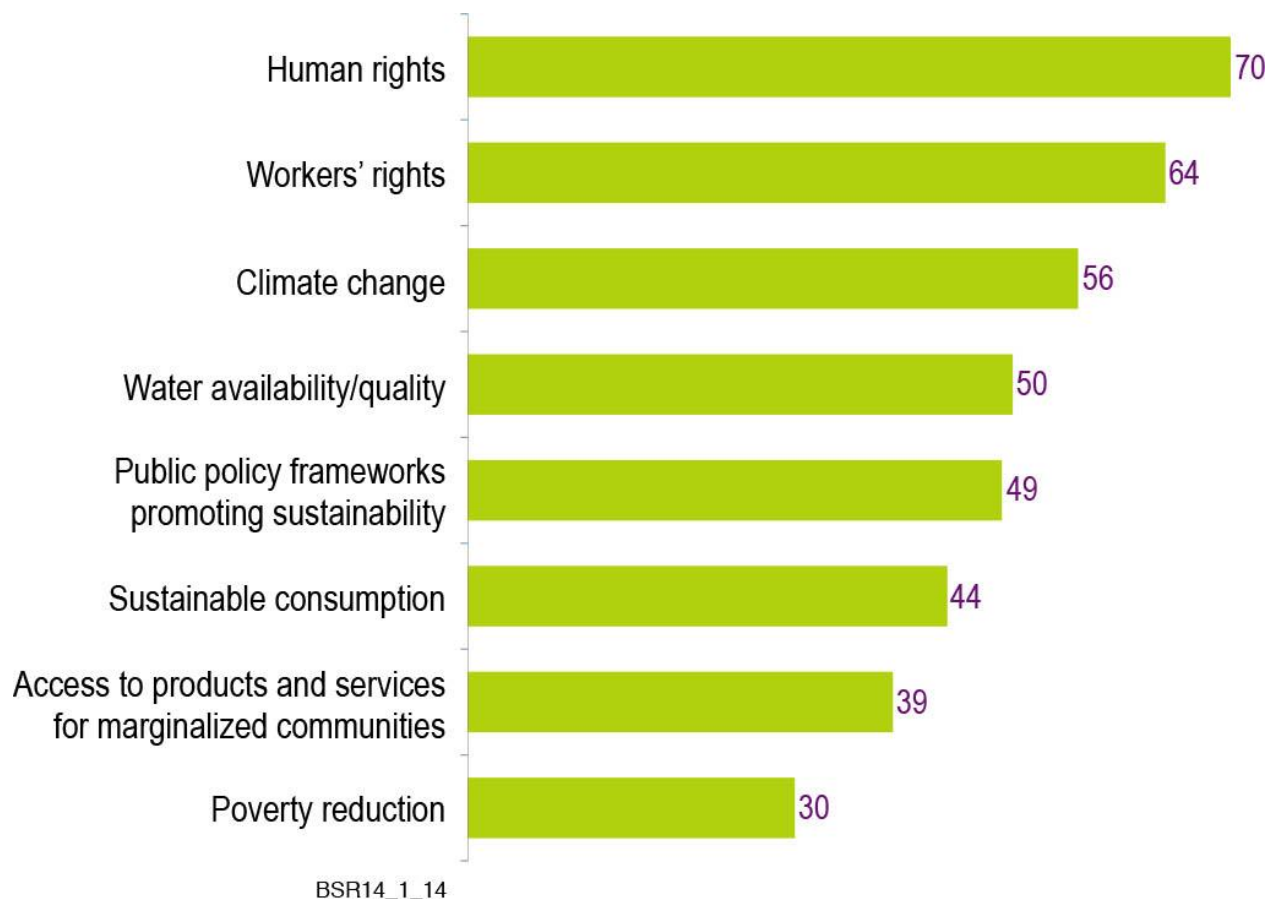
*“Someone who has a strong
sustainability vision but can
equally strongly connect
with other leaders in the
business”*



Priorities and Progress

Practitioners identify human rights, workers' rights and climate change as top sustainability priorities for their companies over the next year

Corporate Sustainability Priorities over the Next 12 Months, 2014
(% of respondents identifying an issue as a “significant priority”*)



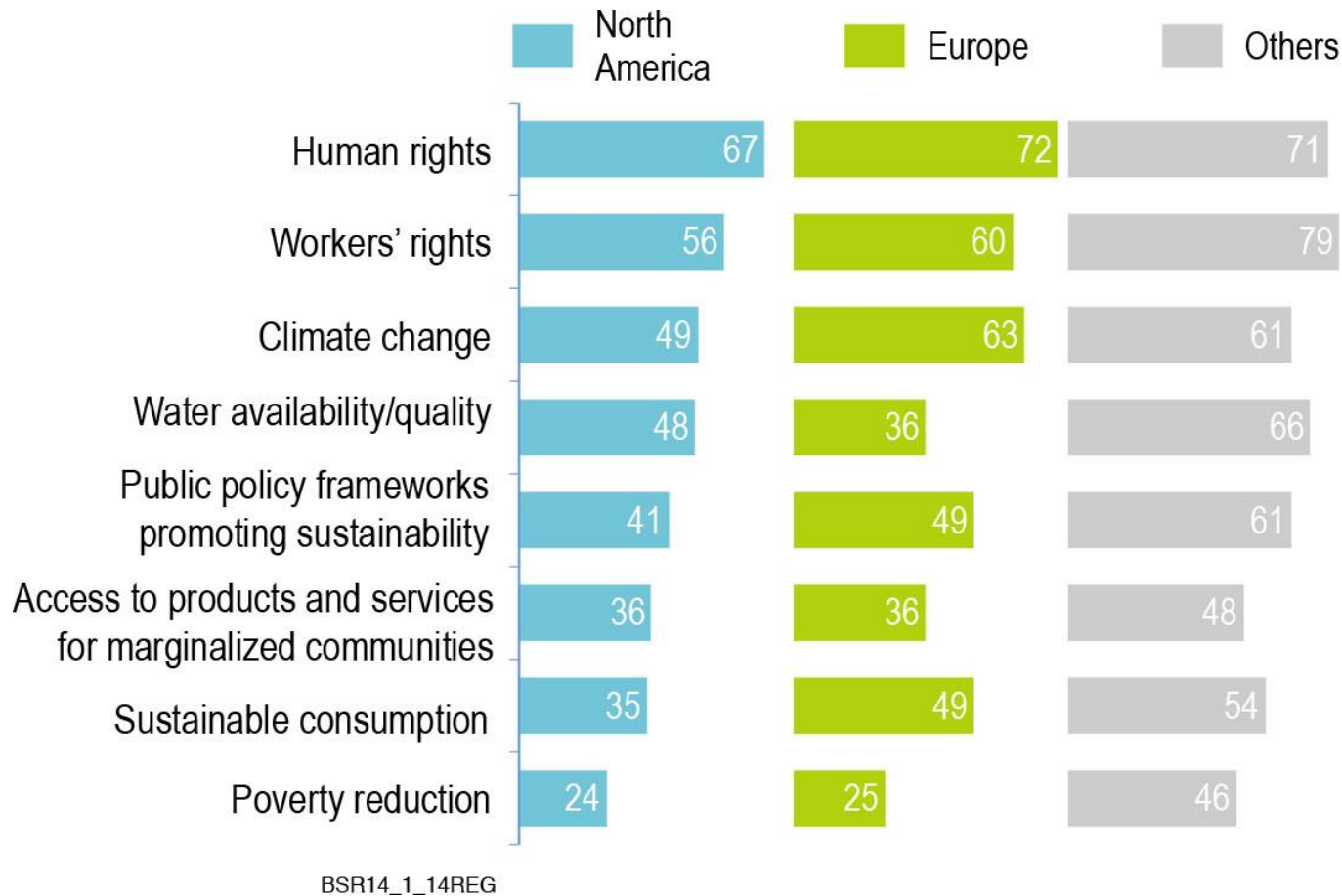
*Percentage of respondents who selected 4 or 5 on a 5-point scale where 1 is “Not at all a priority” and 5 is “A very significant priority.”

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

In 2014, respondents outside of North America and Europe are more focused on workers' rights, water issues, and sustainable consumption

Corporate Sustainability Priorities over the Next 12 Months, 2014

(% of respondents identifying an issue as a "significant priority"*)

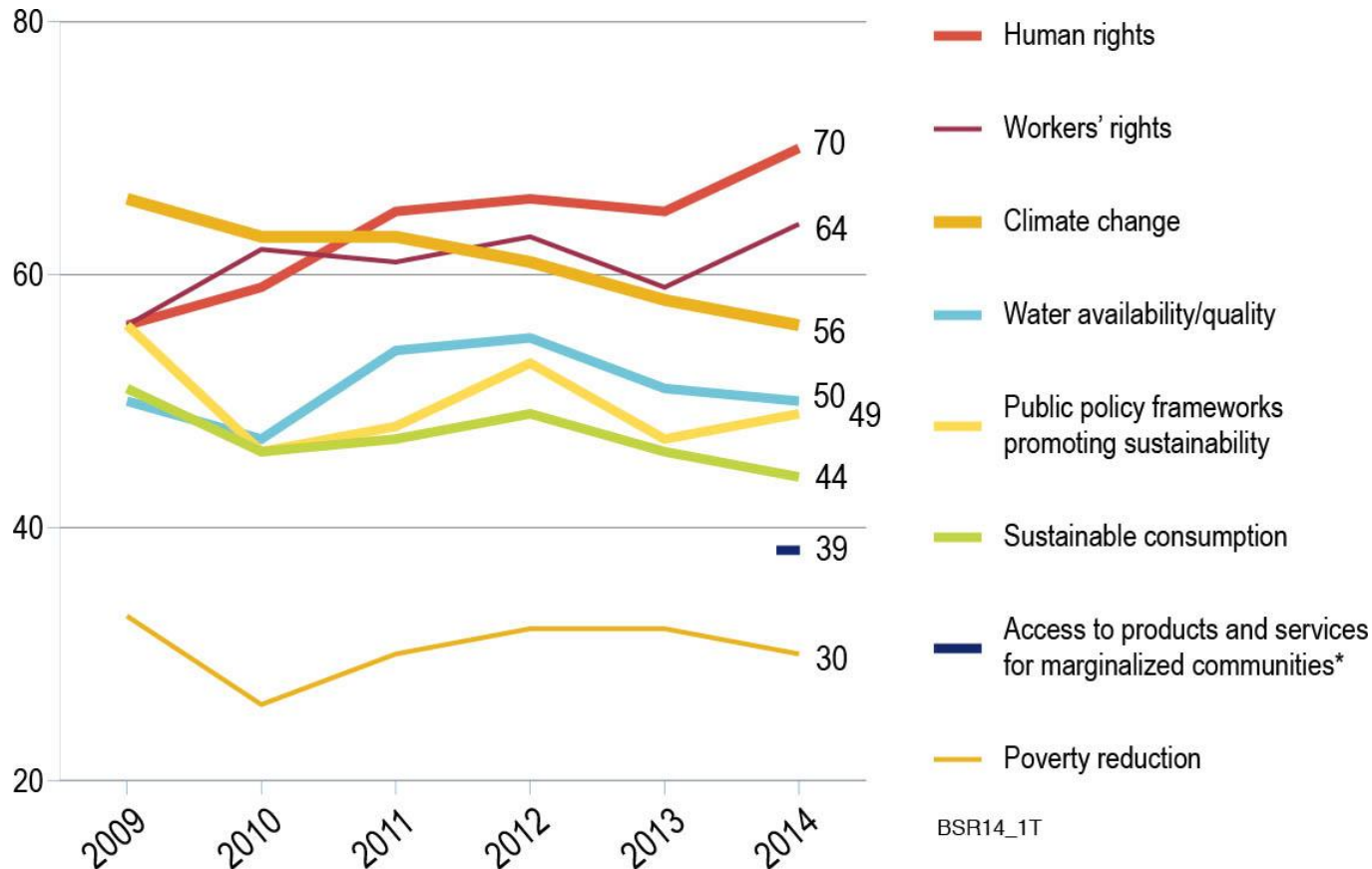


For respondents in North America and Europe, the top three priorities are consistent: human rights, workers' rights, and climate change.

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

Amid some volatility, business' top three sustainability priorities remain consistent since 2009: human rights, workers' rights, and climate change

Corporate Sustainability Priorities over the Next 12 Months, 2009–2014
(% of respondents identifying an issue as a “significant priority”**)



*This was a new question in 2014, and so there is no tracking data available.

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

Climate and supply chain stewardship dominate individual perceptions of recent significant events in sustainability

Most Significant Sustainability Developments in the Past 12 Months
All Respondents, Top Mentions, 2014

TOP MENTION	Extreme weather events and climate change
SECOND MENTION	Rana Plaza and the Bangladesh Accord
THIRD MENTION	EPA carbon reduction regulations
FOURTH MENTION	Supply chain infrastructure, standards, and conditions
FIFTH MENTION	Increased environmental awareness and commitment in global markets

Although more than a year has passed since Rana Plaza, its continuing ramifications for supply chain strongly influenced respondents in 2014.

Respondents also focused on extreme weather as a means to bring more attention to climate change.



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Q4. Over the *past* 12 months, what has been the most significant development, event, or other news related to CSR and sustainability?



Individuals most anticipate developments in sustainability that concern international guidelines and policy

Most Significant Sustainability Developments in the Next 12 Months
All Respondents, Top Mentions, 2014

TOP MENTION	Sustainable Development Goals
SECOND MENTION	Climate policy and the UN COP in Paris 2015
THIRD MENTION	Water issues
FOURTH MENTION	Increased focus and planning on sustainability from business
FIFTH MENTION	Extreme weather events from climate change

Looking ahead through the next 12 months, respondents are most anticipating upcoming policy from the UN on both sustainable development and climate.

Though not shown on this chart, increased transparency in reporting was the sixth highest mention among respondents.



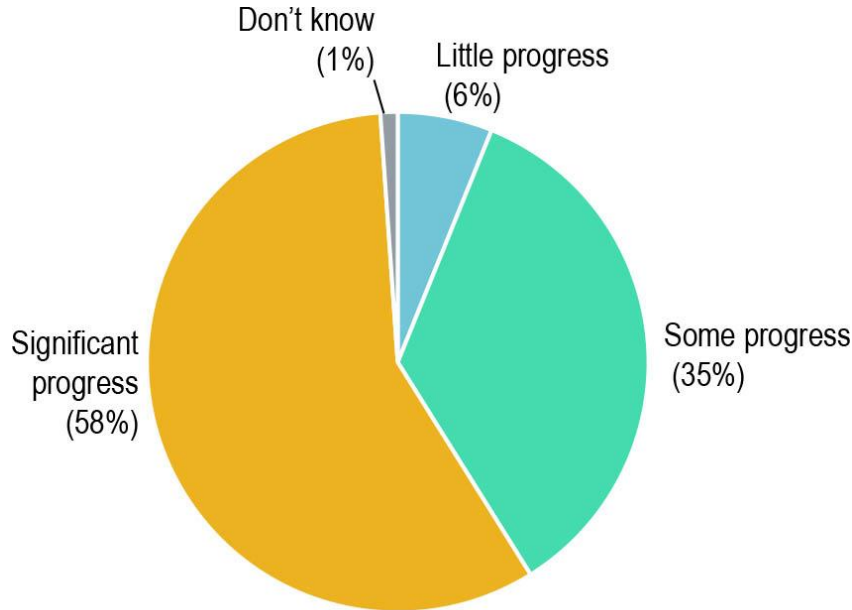
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Q5. Over the *next* 12 months, what do you think will be the most significant development in CSR and sustainability?

GLOBESCAN

Respondents believe that business has progressed in sustainability in the last 5 years, and they are even more optimistic about the future

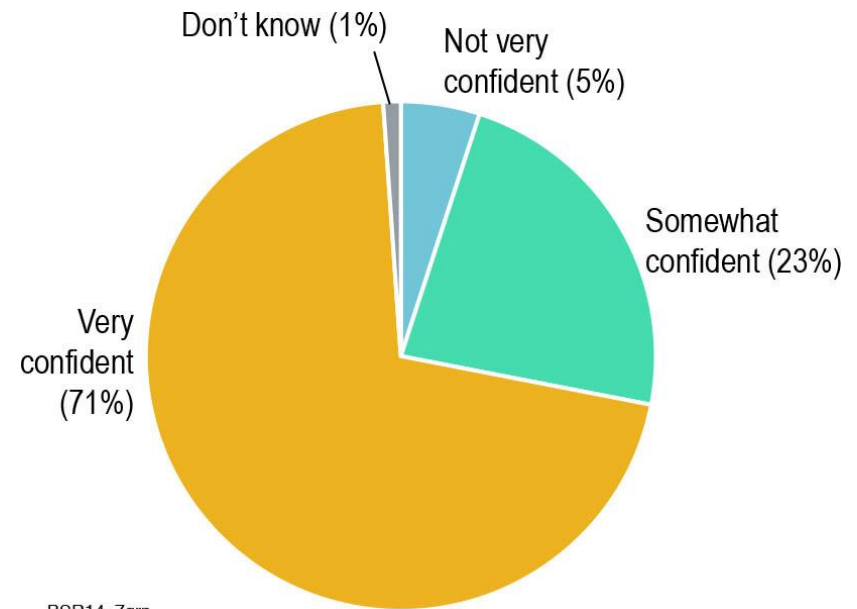
Progress on sustainability in past 5 years, 2014



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Note: Based on a 5-point scale where 1 is “No progress at all” and 5 is “Very significant progress.” – Little progress (1+2); Some progress (3); Significant progress (4+5)

Confidence in progress on CSR in next 5 Years, 2014



BSR14_7grp

Note: Based on a 5-point scale where 1 is “No confidence at all” and 5 is “A great deal of confidence” – Low confidence (1+2); Somewhat confident (3); High confidence (4+5)

While respondents recognize that the past five years have yielded progress on sustainability, they are not overwhelmingly positive: more than one-third rate this progress as moderate. Looking ahead, there is generally more optimism about making progress over the next five years, with over 70 percent of respondents expressing strong confidence.

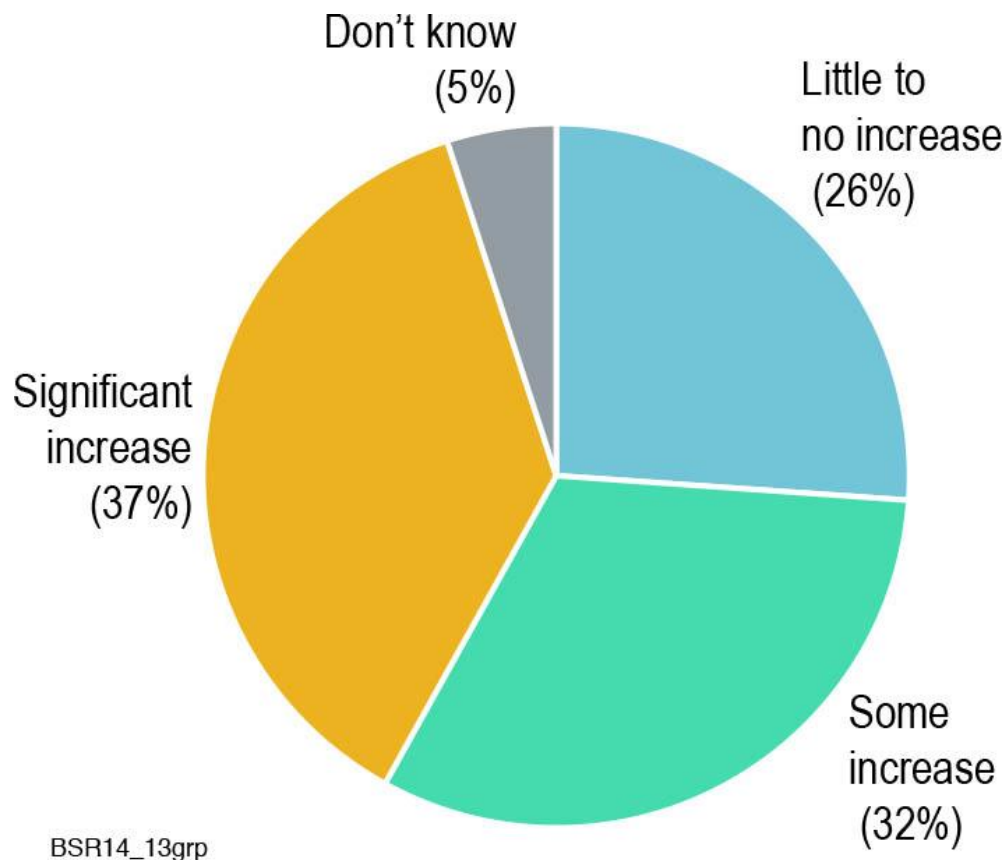
Q6. Over the past 5 years, how much progress, if any, has business made on CSR/sustainability?

Q7. How much confidence, if any, do you have that business will make significant progress on CSR/sustainability over the next 5 years?

Climate Change

More than one-third of respondents believe their companies have significantly increased understanding of climate risk in the last year

Increase In Understanding Of Climate Risk in Past Year, Corporate Respondents, 2014



Thirty-seven percent of respondents indicate there has been increased understanding within their companies over the past 12 months.

North American respondents reported the least improvement in understanding climate risk (32%), with slightly more in Europe (37%). Respondents from regions other than these report the most significant increase in understanding these issues (48%).

Note: Based on a 5-point scale where 1 is "None at all" and 5 is "A great deal."
Little to no increase (1+2); Some increase (3); Significant increase (4+5)



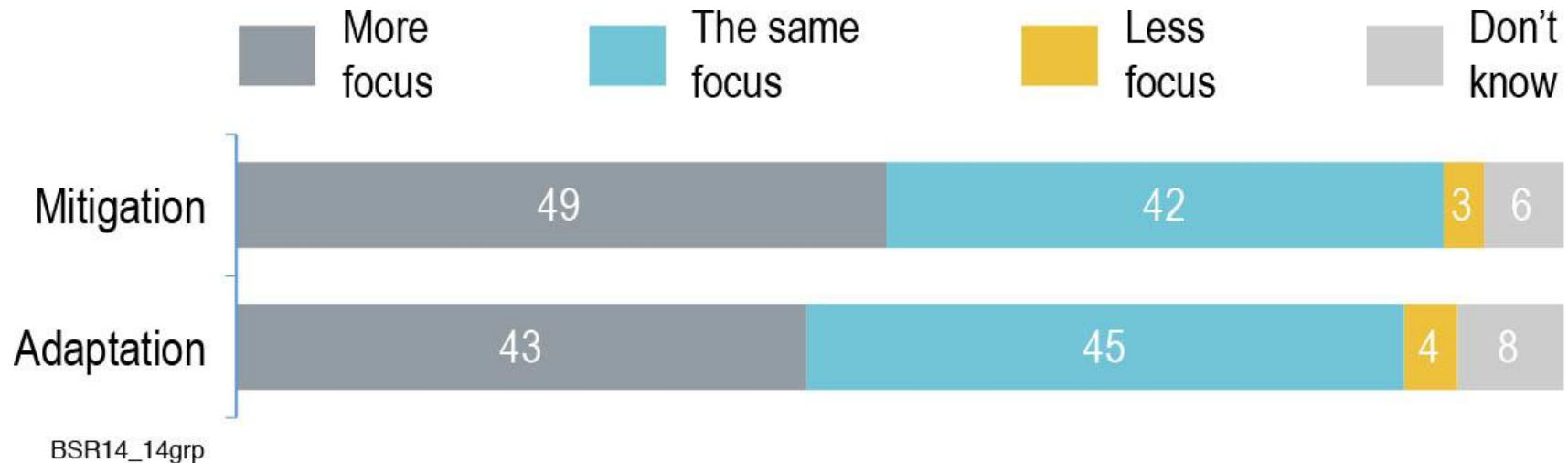
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Q13. How much, if at all, has understanding of climate risk increased within your company during the past 12 months?



Respondents report that their companies will either maintain or increase their focus on climate strategy in the coming year

Focus on Climate Mitigation and Adaptation in the Next Year, Corporate Respondents, 2014



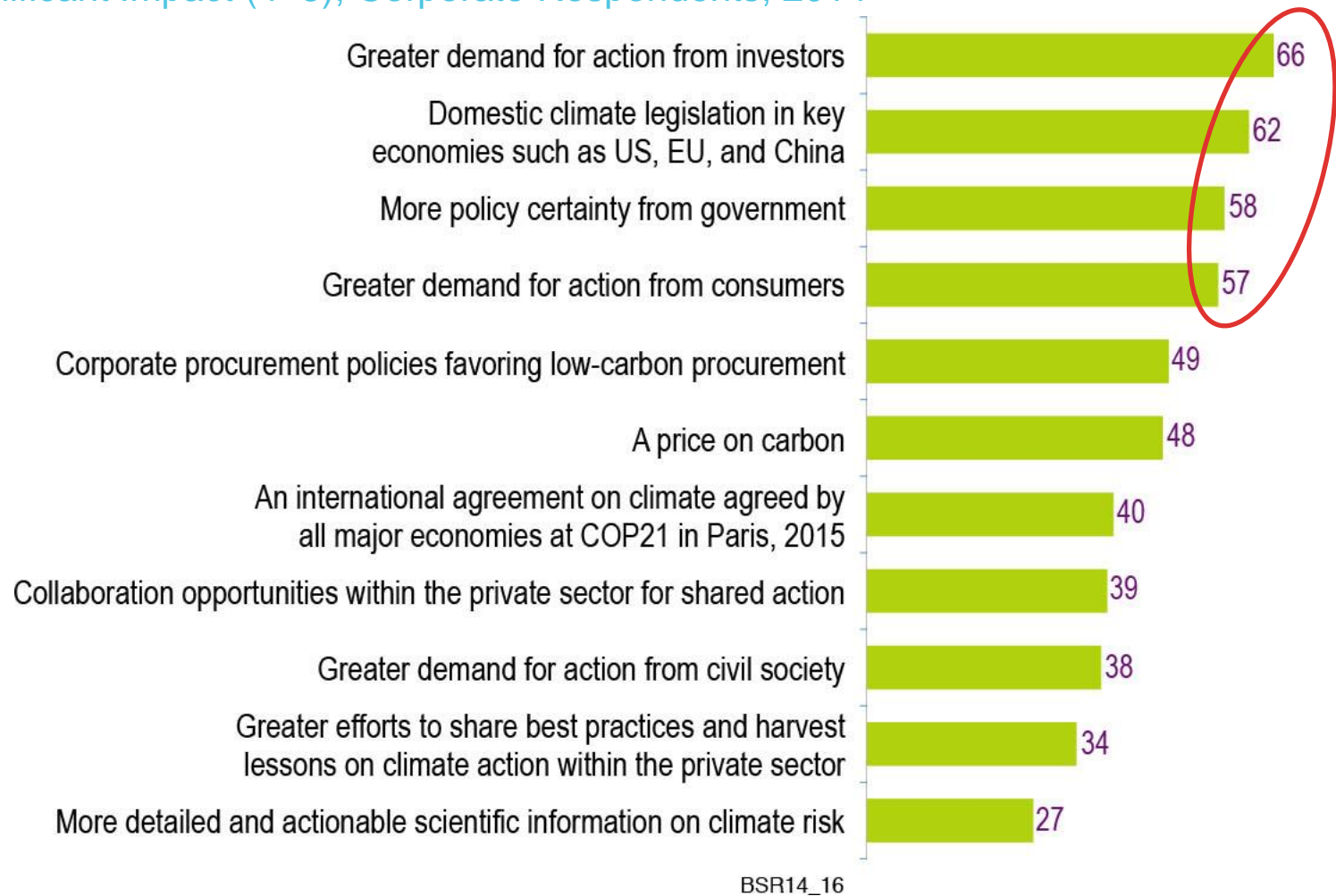
While mitigation is slightly more prominent than adaptation, both will continue to be a key part of corporate sustainability over the next year. For the large majority of respondents, their organizations will either maintain or increase their focus on these strategies in the next year.

For companies with a CSO in place, this climate focus will be even stronger: 55 percent of respondents whose organizations have a CSO indicate a stronger focus (4+5) on mitigation vs 40 percent of those without; and 53 percent of those with a CSO indicate a stronger focus (4+5) on adaptation, vs 35 percent of those without. This suggests that having a CSO is a critical aspect of corporate leadership in sustainability, as this person communicates that sustainability must be a priority to both internal and external stakeholders.



External demand from investors and consumers can drive corporate behavior change on climate action, but government is also a critical driver

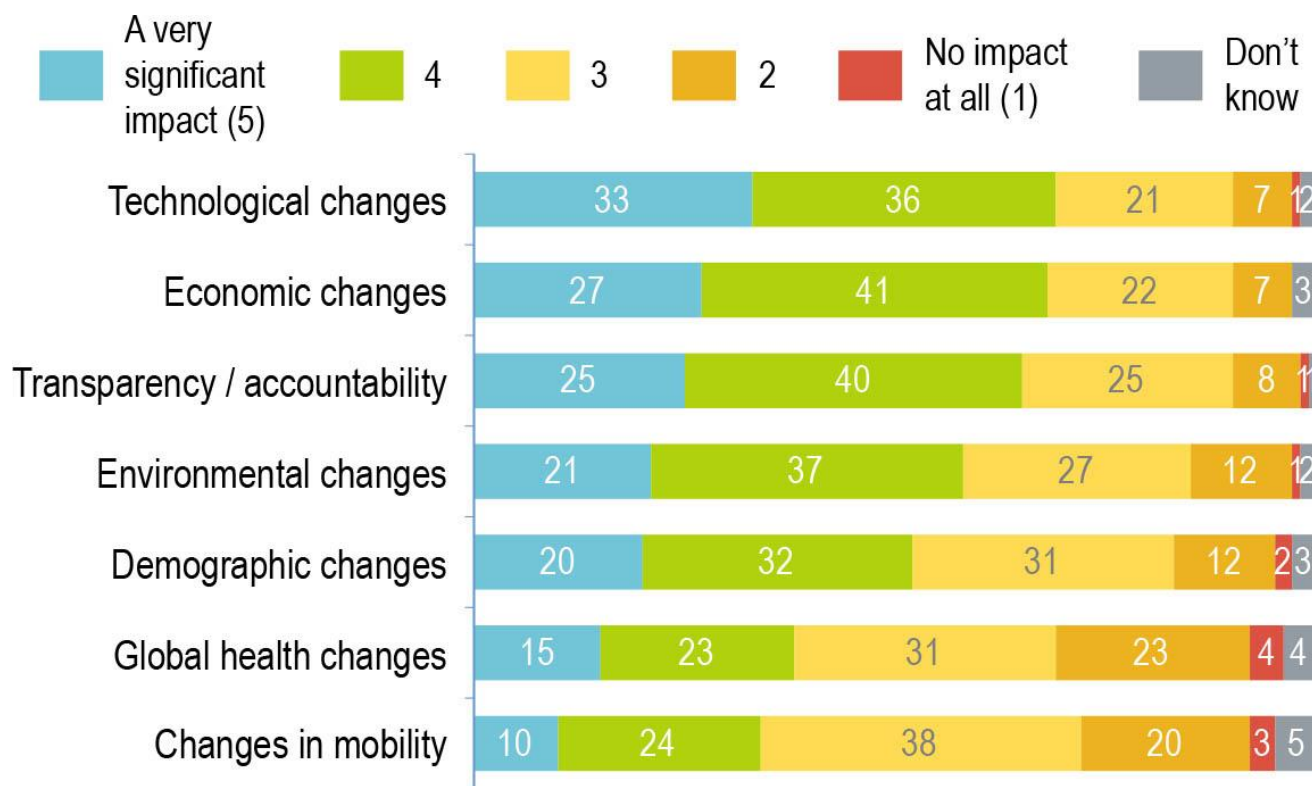
Significant Impact (4+5), Corporate Respondents, 2014



Economic Trends and Impact

Corporate respondents predict that their business will be most affected by technological and economic changes over the next two years

Anticipated Impact of Mega-Trends On Business In Next Two Years, Corporate Respondents, 2014



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Technological and economic changes are closely related, as innovations in technology can also influence economic change. These respondents anticipate less impact from environmental and social issues, as these require strategy longer than 2 years.

Because these respondents were surveyed prior to the Ebola outbreaks, global health was ranked fairly low; but respondents would likely view this differently if asked today.



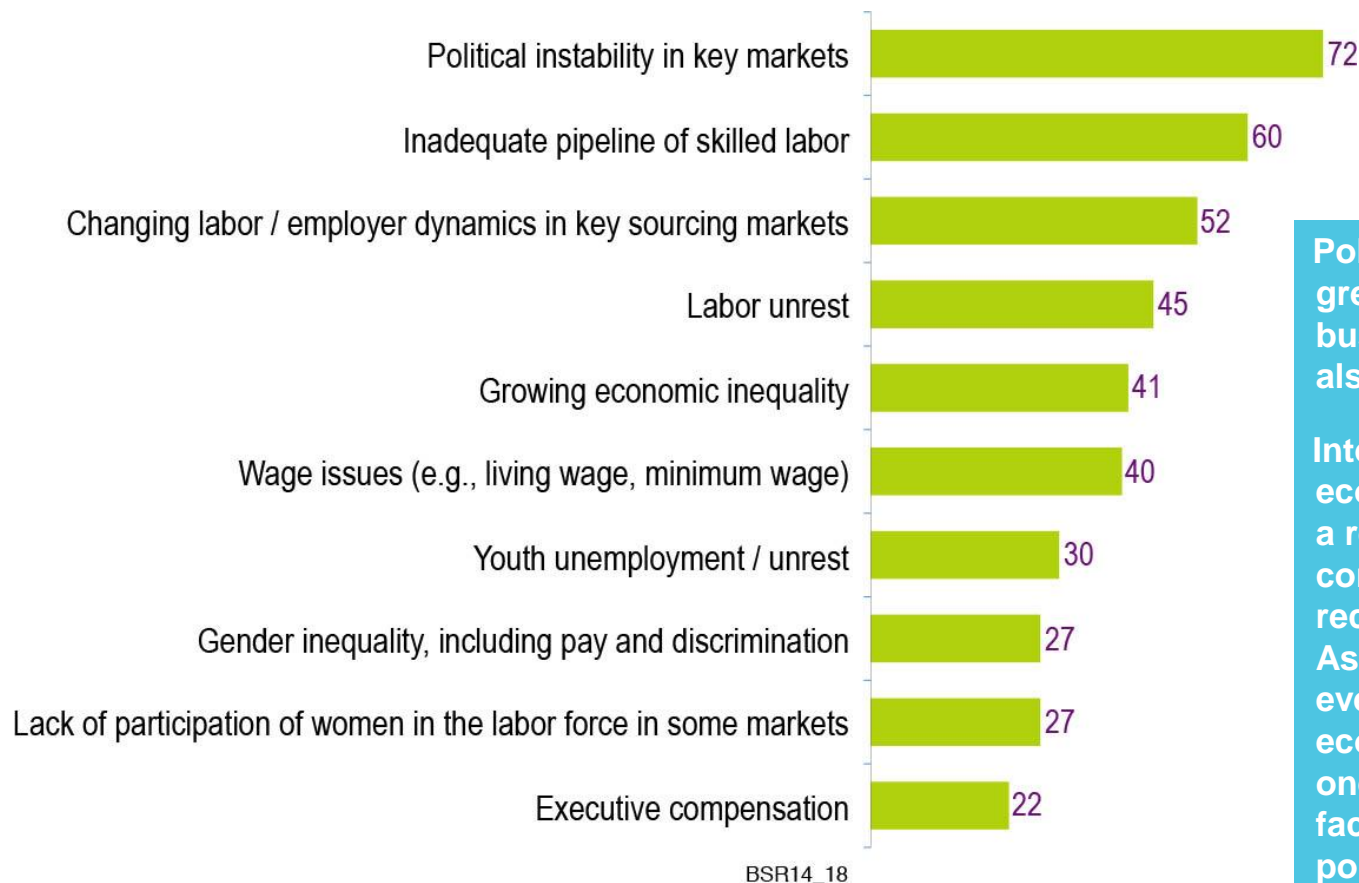
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Q21. How much impact, if any, do you expect the following trends to have on your business over the next 24 months?



International political instability and labor issues have the most potential to impact business

Significant Impact of Economic Issues (4+5), Corporate Respondents, 2014



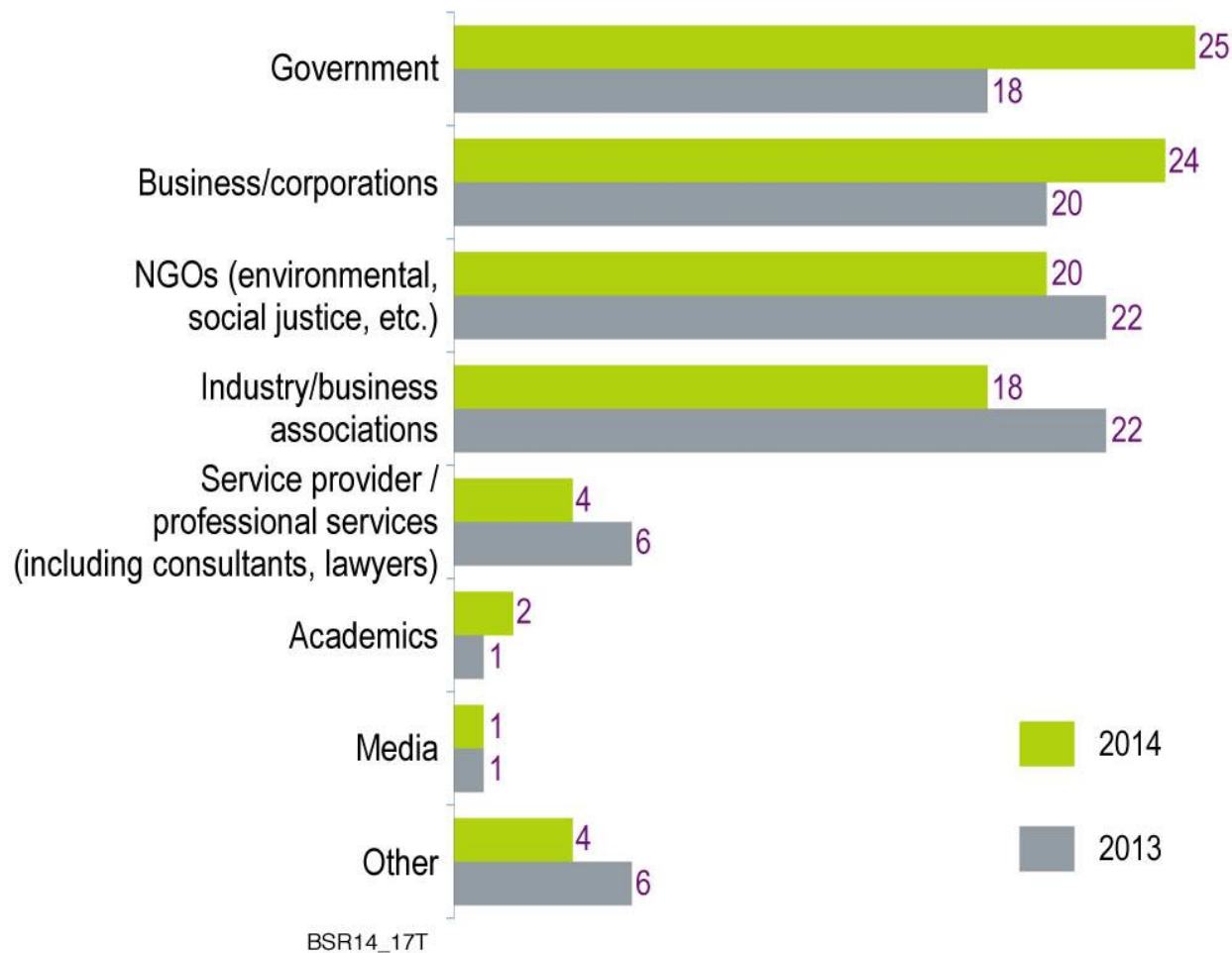
Political instability has the greatest potential to impact business, but labor issues also feature prominently.

Interestingly, growing economic inequality falls as a relatively moderate concern, despite more recent focus on this topic. As current and recent events have shown, economic inequality can be one of the most significant factors contributing to politically unstable markets.

Opportunities in Collaboration

Government has increased in importance as a collaborator for business

Important Organizations for Collaboration, 2014 (% of Total Mentions)

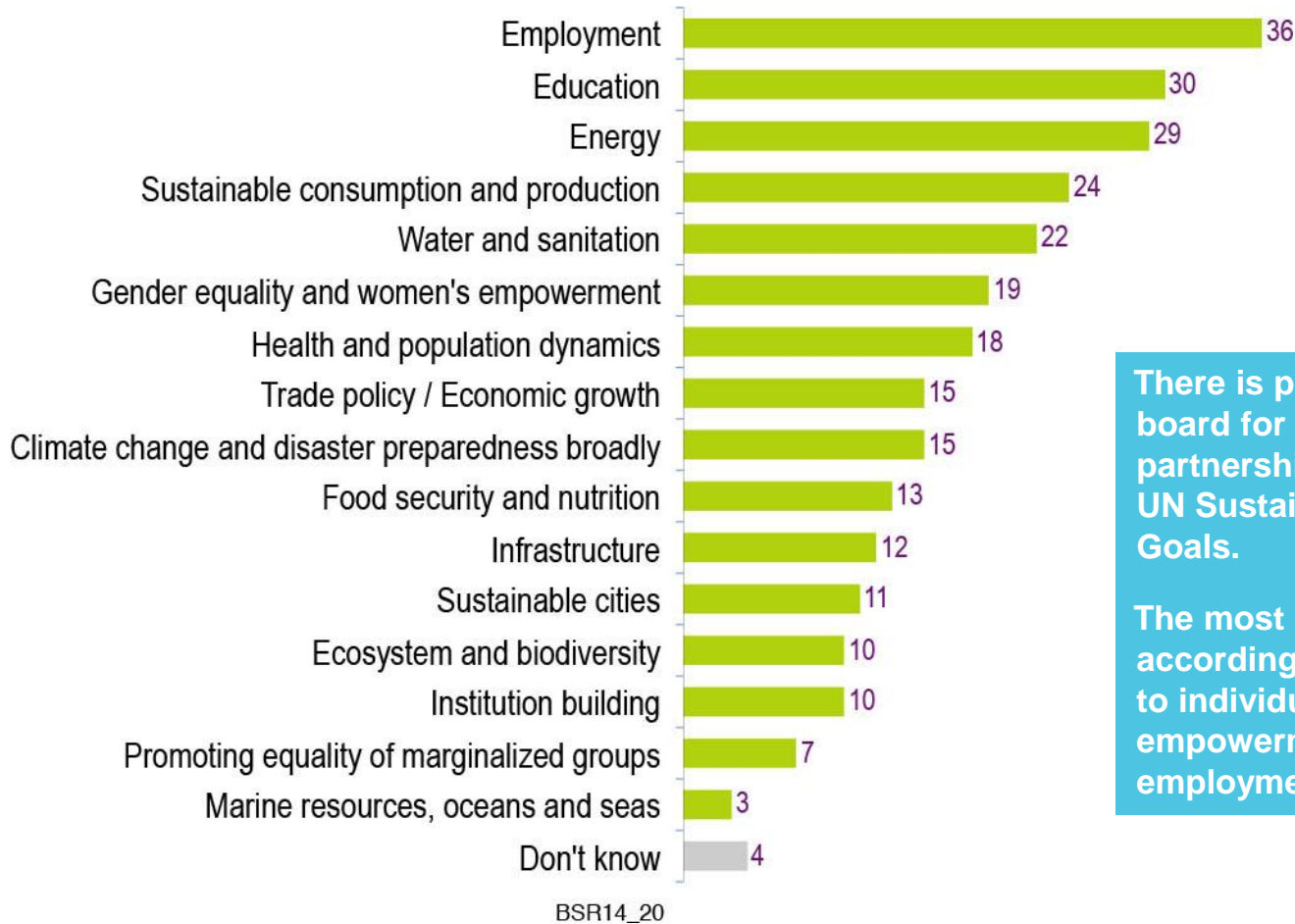


In 2014, there is a slight uptick in importance for both government and intra-business collaborations.

While these preferences vary slightly geographically, the only significant difference is in regions other than Europe and North America, where respondents are more desirous of government collaboration. Thirty-seven percent of these respondents selected government as the most important collaborator, versus 18% and 23% for North America and Europe, respectively.

Corporate respondents believe that employment and education present the biggest opportunities for poverty-alleviating partnerships

Areas with Most Potential for Impactful Collaboration with Government & Civil Society, Corporate Respondents, Total Mentions, 2014



There is potential across the board for issue-driven partnerships that align with the UN Sustainable Development Goals.

The most impactful areas, according to respondents, relate to individual economic empowerment through employment and education.

Q20. In 2015, the global development community will assess progress against the Millennium Development Goals, and will launch the Sustainable Development Goals. Which of the following areas has the most potential for partnership between *your* company and government and civil society to address poverty alleviation and sustainable development?

Methodology

Methodology and Sample Breakdown

- The BSR/GlobeScan State of Sustainable Business Poll 2014 was conducted between July 30 and September 11, 2014.
- A total of 709 professionals from BSR member organizations completed the survey. This sample includes representation from 79 percent of BSR's member organizations.
- Unless otherwise noted, figures in charts and graphs refer to percentage of respondents.
- The sample population was primarily comprised of representatives from business, with some respondents from NGOs, government, and academia, representing Africa, Asia/Pacific, Europe, Latin America, and North America.

Industry / Sector

Consumer products / retail	30%
Information and communications technology	14%
Energy and extractives	19%
Health care	10%
Food, agriculture, and beverage	9%
Transportation and logistics	4%
Media and entertainment	2%
Financial services	6%
Heavy manufacturing	2%
Other	5%

Job Level

Vice President or above	16%
Director	31%
Manager or below	48%
Other	5%

Region

North America	46%
Europe	26%
Other regions	29%

Organization Type

Business / Corporation	92%
NGOs	2%
Professional Services	3%
Other	3%