

The State of Sustainable Business 2017

Results of the 9th Annual Survey of Sustainable Business Leaders

July 2017

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About the Research

- **The annual BSR/GlobeScan State of Sustainable Business Survey** (now in its ninth year) provides insights into the world of sustainable business and aims to identify common perceptions and practices of corporate sustainability professionals.
- In addition to measuring shifting priorities and challenges in corporate sustainability, this year presented a unique opportunity to understand how business is responding to the changing social landscape.
- The 2017 survey examines the business response to changing dynamics in American society, and 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.
- 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.

Background and Methodology

- This year, we received responses from at least one sustainability professional at 60 percent of BSR’s member network of 250 companies.
- In total, 272 sustainability professionals from 151 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 corporate sustainability professionals providing their perceptions and industry insight	272
Company-Level Respondents	Sample consisting of one response per company , based on main points of contact with BSR	151

- The BSR/GlobeScan State of Sustainable Business Survey 2017 was conducted between April 20 and June 6. Unless otherwise noted, figures in charts and graphs refer to percentage of all respondents.

Sample Breakdown: All Respondents

Industry Sector	Consumer Products and Retail	26%
	Information and Communications Technology	14%
	Energy and Extractives	10%
	Financial Services	10%
	Healthcare	8%
	Food, Beverage, and Agriculture	6%
	Transportation and Logistics	6%
	Media and Entertainment	3%
	Heavy Manufacturing	2%
	Travel and Tourism	2%
	Other	13%

Region	North America	52%
	Europe	29%
	Other regions	19%

Job Level	Vice president or above	22%
	Director	31%
	Manager or below	40%
	Other	6%

Sample Breakdown: Company Level Respondents

Industry Sector	Consumer Products and Retail	29%
	Information and Communications Technology	13%
	Energy and Extractives	9%
	Financial Services	9%
	Healthcare	8%
	Food, Beverage, and Agriculture	8%
	Transportation and Logistics	5%
	Heavy Manufacturing	3%
	Travel and Tourism	2%
	Media and Entertainment	1%
	Other	9%

Region	North America	62%
	Europe	25%
	Other regions	13%

Job Level	Vice president or above	24%
	Director	32%
	Manager or below	36%
	Other	7%

Summary of Key Findings

Key Findings (1)

- **Future Roadmap:** Sustainability professionals acknowledge that **business will need to play the leading role in** advancing sustainability in the future.
- However, the results suggest that companies believe they will **still be focused on the same issues and practices in 2025 as they are today**. Professionals will need to evolve their approach to sustainability in a way that **strategically addresses the issues of the future**.
- **Climate Change:** **Climate change** (along with human rights) is the **number one sustainability priority** for companies. This year, it is at the highest level of focus among BSR member companies since tracking began in 2009.
- Despite the political volatility over the past 18 months, **business is largely staying the course**. This is clearly reflected in the fact that an overwhelming majority of companies say their high focus on climate change will **not be affected by the United States leaving the Paris Agreement on climate change or will actually be strengthened**.
- **Influence and Engagement:** The CEO/C-suite exerts the **most influence on a company's sustainability agenda**. It is notable and encouraging that sustainability itself **continues to rise up on the corporate agenda of CEOs**.
- Other major influencers include consumers/customers, investors, and employees. However, when it comes to **internal engagement on sustainability**, functions that deal with these groups of stakeholders are not a major focus.

Key Findings (2)

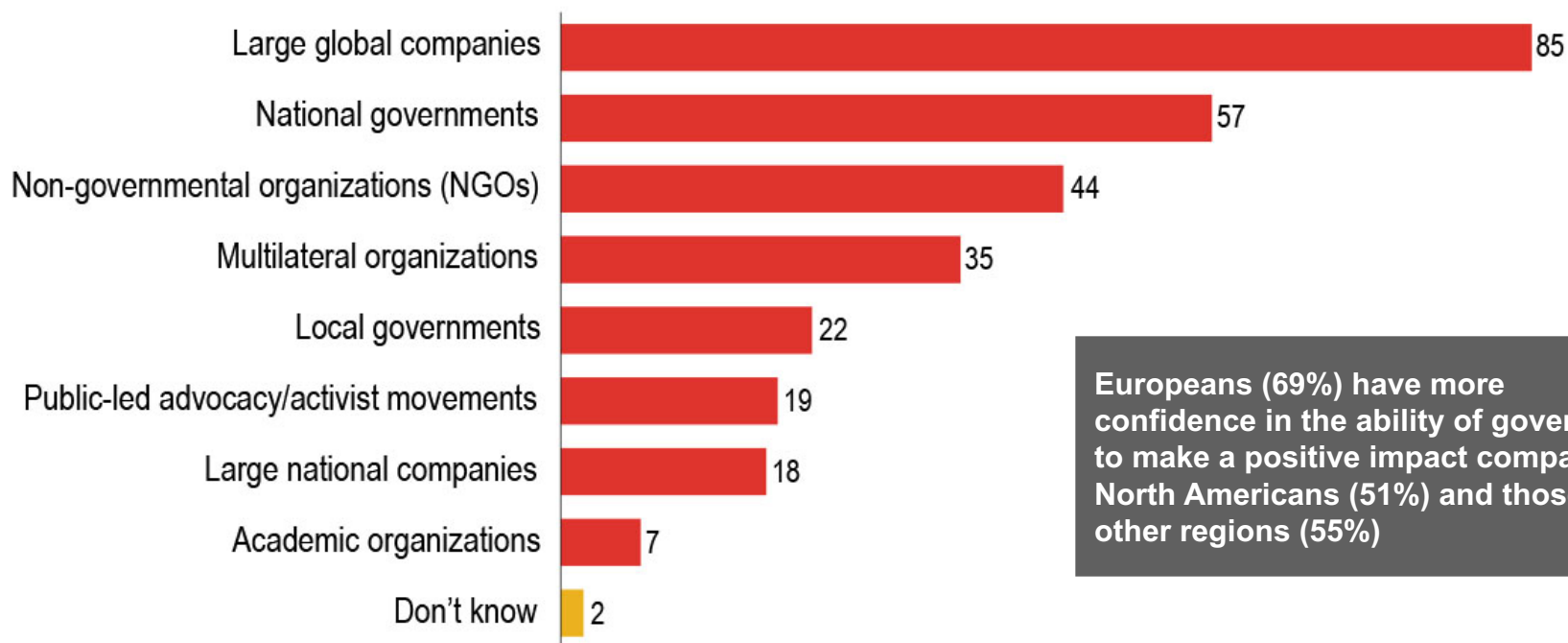
- **Supply Chain:** Companies' supply chain management efforts are viewed by most professionals as being **moderately effective in addressing the most critical sustainability issues**. This middling impression may be due to the fact that **companies are still focusing their efforts largely on Tier 1 suppliers**.
- **Human Rights:** The focus of companies' human rights efforts is most notably on **workers' rights**, followed by women's rights, human trafficking/slavery, and other issues.
- This narrower focus on workers' rights corresponds with the finding that **human rights efforts are mostly focused on companies' own operations and employees and Tier 1 suppliers**, much more so than on other areas of the value chain.
- Most companies' human rights work is focused on mitigating risks around human rights, with less attention to balancing this with **wider promotion of human rights**.
- **Inclusive Growth:** Over the past three years, there has been a steady **increase in the proportion of companies indicating that they are focusing on inclusive growth**, at least to some extent. This focus is in both developed and developing economies, and has remained balanced between the two despite recent political and economic volatility.
- However, companies' inclusive growth efforts, while laudable, are **not focused on some activities that could have significant impact**, such as locating facilities in areas of high unemployment.

A Future Roadmap

Professionals recognize the leading role that global business will play in making future progress on sustainability more than national governments and NGOs will.

Types of Organizations Involved in Making the Greatest Impact on Advancing Sustainability over the Next 10 Years, 2017

(Percentage of All Respondents)



Europeans (69%) have more confidence in the ability of government to make a positive impact compared to North Americans (51%) and those from other regions (55%)

Q5. Below is a list of types of organizations involved in making progress on sustainability. Please select up to three that you feel can have the greatest positive impact on advancing sustainability over the next 10 years.

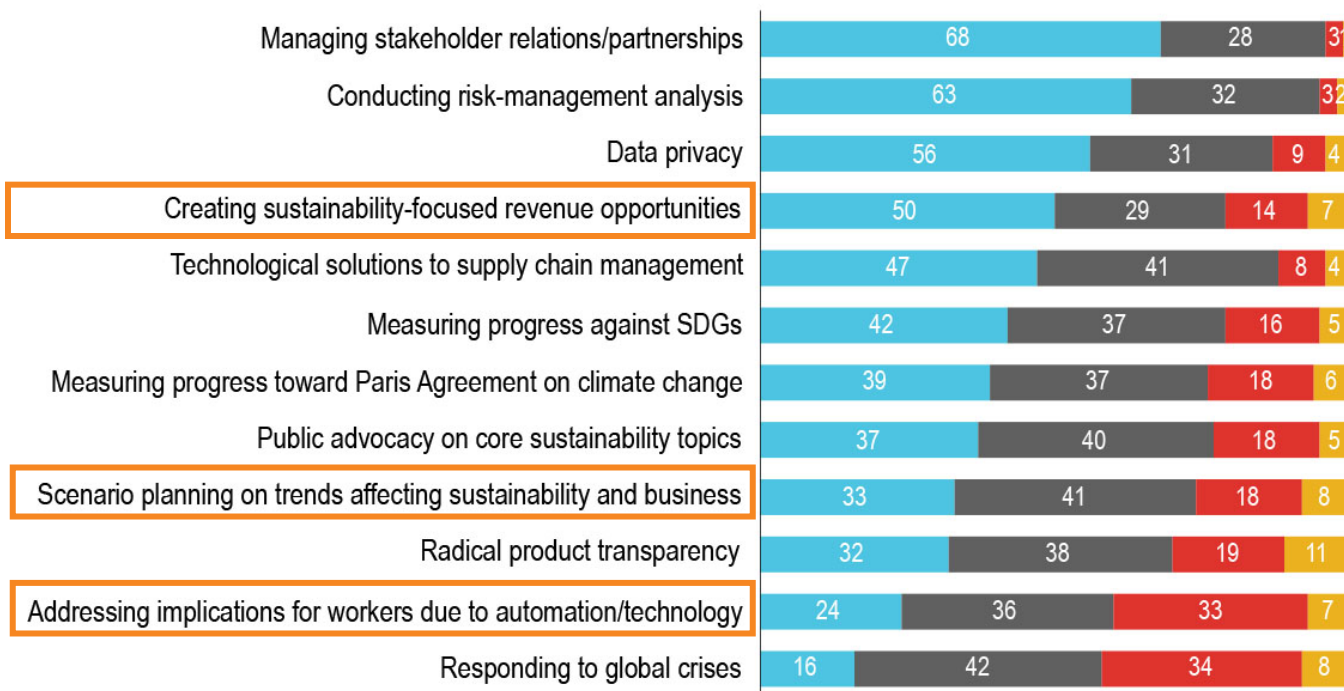
BSR17_5

Respondents seem focused on current issues, rather than understanding how sustainability issues might change by 2025.

Corporate Sustainability Priorities in 2025, 2017

(Percentage of All Respondents)

■ High priority
 ■ Medium priority
 ■ Low/no priority
 ■ Don't know



BSR17_4

In 2025 respondents see their companies focusing more on core areas of sustainability management, rather than evolving toward significant future issues (such as implications on workers due to automation).

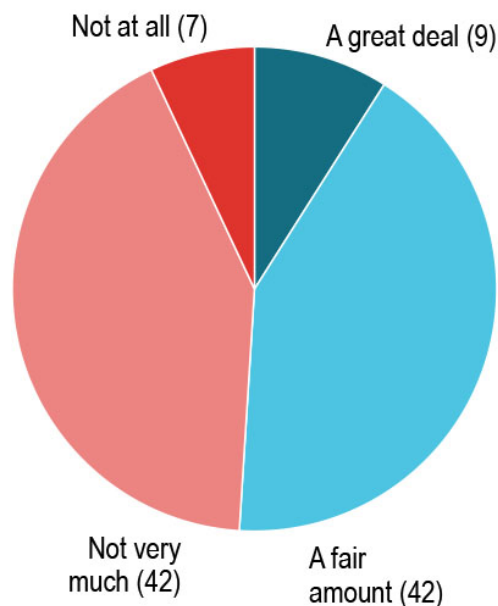
However, it is encouraging that professionals view sustainability-focused revenue opportunities as a rising priority for business.

Q4. Thinking about the future, please indicate below how much of a priority you think each of these activities will be for your sustainability function to be carrying out in 2025.

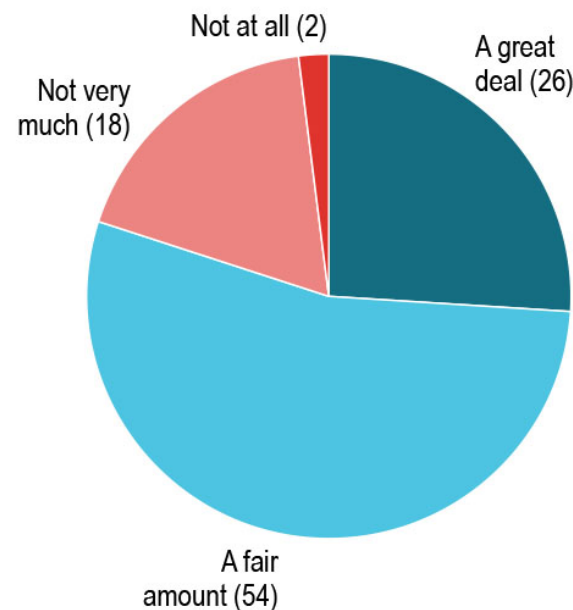
Impact of the Changing Social Contract

While only half of respondents believe that their business is currently being significantly affected by the changing social contract, a strong majority believe it will be over the next 10 years.

**Business Currently Affected by
Changing Social Contract, 2017**
(Percentage of All Respondents)



**Business Will Be Affected by Changing Social
Contract over the Next Ten Years, 2017**
(Percentage of All Respondents)



Q23a. How much, if at all, is your business currently being affected by the changing social contract?

Q23b. How much, if at all, do you think your business will be affected by the changing social contract over the next 10 years?

By “social contract” we mean the unwritten and tacit agreement that exists among members of society (individuals and organizations) that guides behavior and establishes rights and responsibilities of members of society.

The majority of ways that companies are affected by the changing social contract are related to workforce issues.

Workforce/Jobs

“**Loss of confidence in private sector**, lower sense of security and loyalty from employees..”

“Continued **workforce reduction**, move to low cost locations, **outsourcing jobs** to cheaper labor pools even though quality of output is lower, **reduced employee benefits**.”

“Demands to ensure **living wage** in our supply chain; **jobs vs. technology**.”

“**Technology replacing entry-level jobs**.”

Societal/Stakeholder Expectations

“It seems that all **global brands** like ours are increasingly **expected to take on more responsibility** in the face of less effective public policy and government action.”

“**Social license to operate** is at a higher standard than regulatory license to operate - implications for client relationships, deals, internal processes, etc.”

“**Expectations of multiple stakeholders** about **role in society** coupled with regulation impact on what and how we do business.”

Economic Inequality

“Everyone is feeling **less secure** and the **erosion of the middle class in the US** is causing stress.”

“Social tensions and **decreasing opportunity due to inequality** and economic benefits being controlled by tiny share of population.”

Q24. In what ways is your business **currently** being affected by the changing social contract?

Today's Sustainability Agenda

The U.S. election has had an impact on companies' sustainability efforts, but for many it has reconfirmed that business must lead.

Q: Over the past 18 months, there have been a number of significant social and political events in countries around the world. Can you briefly describe what has had the most impact on your company's sustainability efforts and how?

"The US election and the focus / stance of the current administration have forced us to re-evaluate some of our actions / programs around Sustainability." **Malaysia**

"The Trump election and possibility of turning away from the Paris agreement have prompted us to leverage our CEO's engagement to advocate for the US to remain in the agreement." **USA**

"The impact of global social and political events have not changed the position of the company on the sustainability issues over which it stands firmly." **France**

Uncertainty about the future of sustainability

Confidence that business leads

"With [Trump's] anti Climate Change attitude there is a reluctance to take further risk on related carbon reduction strategies - electric vehicles, investments in solar, LEED certifications of facilities" **USA**

"Changes in top leader in several countries make the operational environment somehow less clear." **Japan**

"US 2016 election - now even more important for businesses to take responsibility and this is being asked by consumers, NGOs and employees." **USA**

"There have been no major impacts on our CSR strategy and goals." **USA**

Even with the current political environment, the overwhelming consensus is that business will continue to lead.

"We are **not affected by these so-called significant events** as we continue to press on to pursue better social responsibility and will continue to do so without prompt."
Singapore

"We are **forging ahead** with our plans including **pursuit of 2020 goals, linkage to the SDGs, compliance with Dodd-Frank, etc.** Our business is very dispersed globally and we are obviously monitoring developments, but we are **not panicking** by any means."
USA

"Our sustainability work is **not especially influenced by short-term social and political events**. We see it as a long-term direction based on the TBL model. Social and political events can hinder or help but they **don't change our direction of travel or even the pace as we work on a business case.**"
Sweden

How Business Leads

"No direct effects. Just a **confirmation that our work is more important than ever.**"
Sweden

"Sustainability is such a longer-term journey, that **changes in shorter-term political environment do not change overall approach that much.**"
Finland

"Keeping up with changing expectations about the **role of business leadership and advocacy for a progressive world**"
UK

Other global trends and events have affected sustainable business.

International Agreements Promoting Sustainability

*“The adoption of the **SDGs** has prompted a **rethink** of how we categorize and communicate on our sustainability agenda.”*

*“**Paris agreement and SDGs** help to establish the agenda, confirmed by the launch of our own company 10-year goals.”*

*“**Hard law**: UK Modern Slavery Act obligations; French Devoir de Vigilance. **Soft law**: OECD due diligence guidance; SDGs; COP 21.”*

Growing Polarization and Anti-Globalization

*“Rise of **populism** and the election of **nationalist leaders** that have advanced legislation or killed global trade agreements.”*

*“Polarization has caused **intolerance** and we have spent a great deal of energy and resources **re-affirming our commitment to being an inclusive company**.”*

*“Increasing **social and political divisions** that create different landscapes and issues in which to manage, with growing **pressure on the company** to respond.”*

Increasing Demand for Accountability and Transparency

*“Investor and industry push for **accountability for sustainability and traceability**.”*

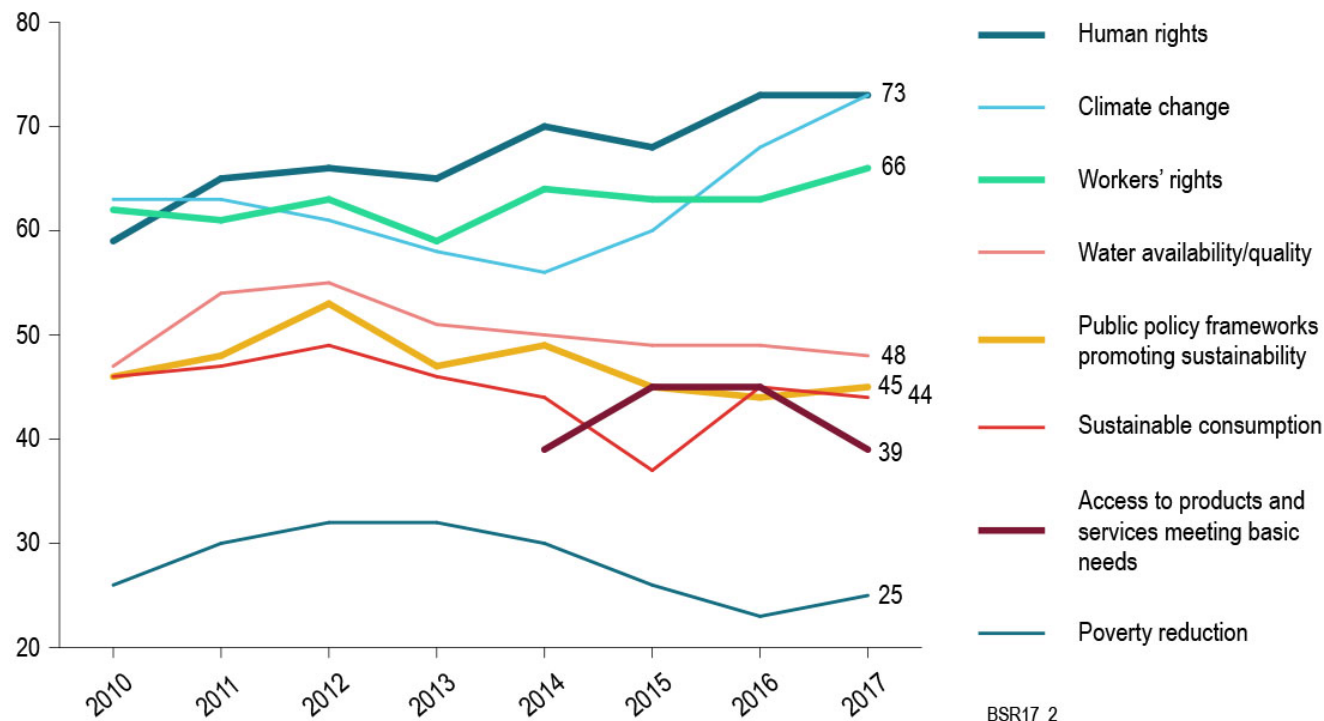
*“**Increased activism** targeting banks - more **scrutiny of business** activities and relationships, held to a higher standard.”*

*“**Increased focus on supply chain labor rights**, specifically human trafficking - driven by government action (or in some cases lack of action).”*

Climate change continues to increase as a focus area for business, and is now the top priority, along with human rights, for the first time since 2010.

Corporate Sustainability Priorities over the Next 12 Months, 2010–2017

(Percentage of All Respondents Identifying an Issue as a "Significant Priority"*)



A wide range of other sustainability issues were cited by respondents, including:

- Employment and how digitization affects jobs
- Increased transparency, especially in supply chains (beyond Tier 1)
- SDGs implementation
- Anti-corruption
- Circular economic principles
- Women's empowerment

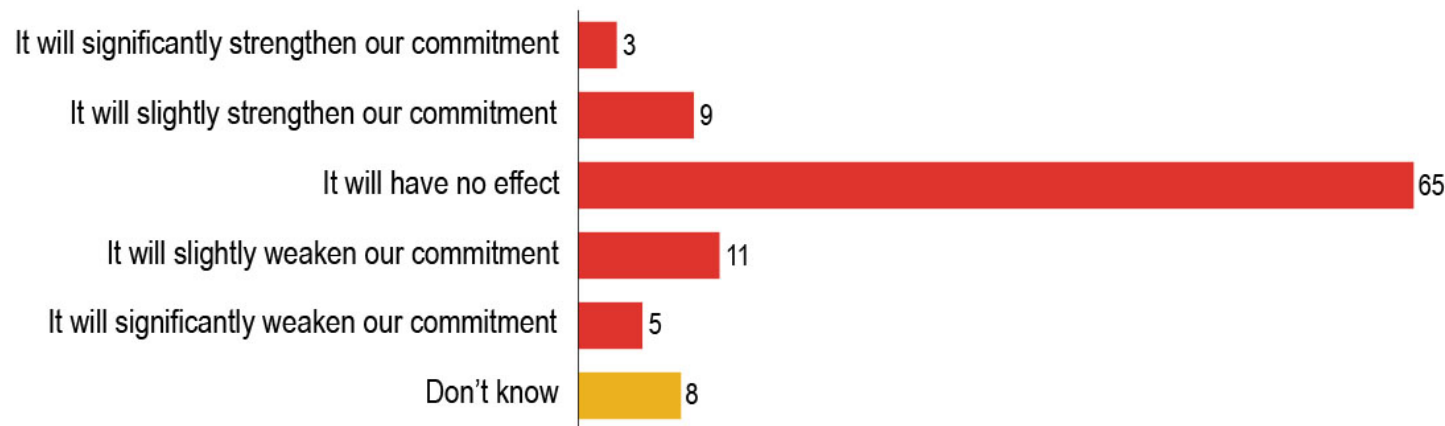
*Percentage of respondents who selected a 4 or 5 on a 5-point scale where 1 is "Not at all a priority" and 5 is "A very significant priority"

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?

Reinforcing this high priority on climate change, companies' commitment to the Paris Agreement is not likely to weaken as a result of the United States leaving.

Most Likely Effect of United States Pulling Out of Paris Agreement on Company's Commitment to Climate Change, 2017 (Percentage of Company-Level Respondents)

Note: All company-level responses were submitted prior to the U.S. government announcing its departure from the Paris Agreement on June 1.



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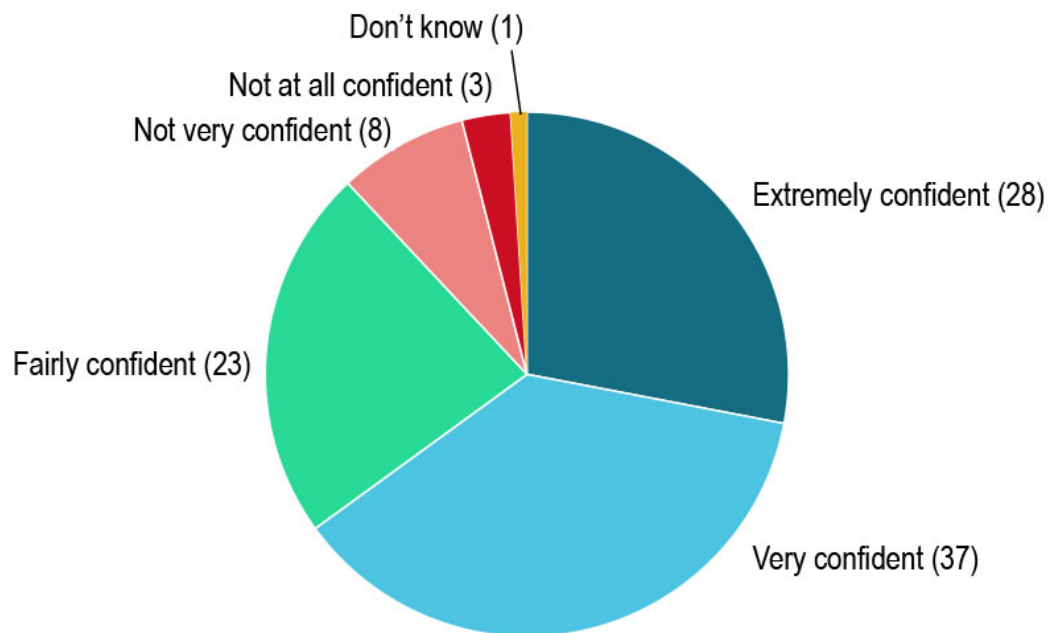
Among North American respondents (92% of which are U.S. based), most believe their company's commitment to tackling climate change will remain unchanged (58%).

However, 17% believe it will strengthen their commitment to some degree, and 19% believe it will weaken their commitment.

Q16. If the United States were to pull out of the international climate agreement signed in Paris in 2015 (UNFCC COP 21) how do you think this will affect your company's commitment to tackling climate change?

Moreover, a majority (65 percent) of companies are highly confident they will continue to make progress on sustainability even if government regulations that promote sustainability are removed.

Confidence in Company to Continue to Make Progress on Sustainability Issues if Government Regulations Removed, 2017
(Percentage of Company-Level Respondents)



BSR17_7

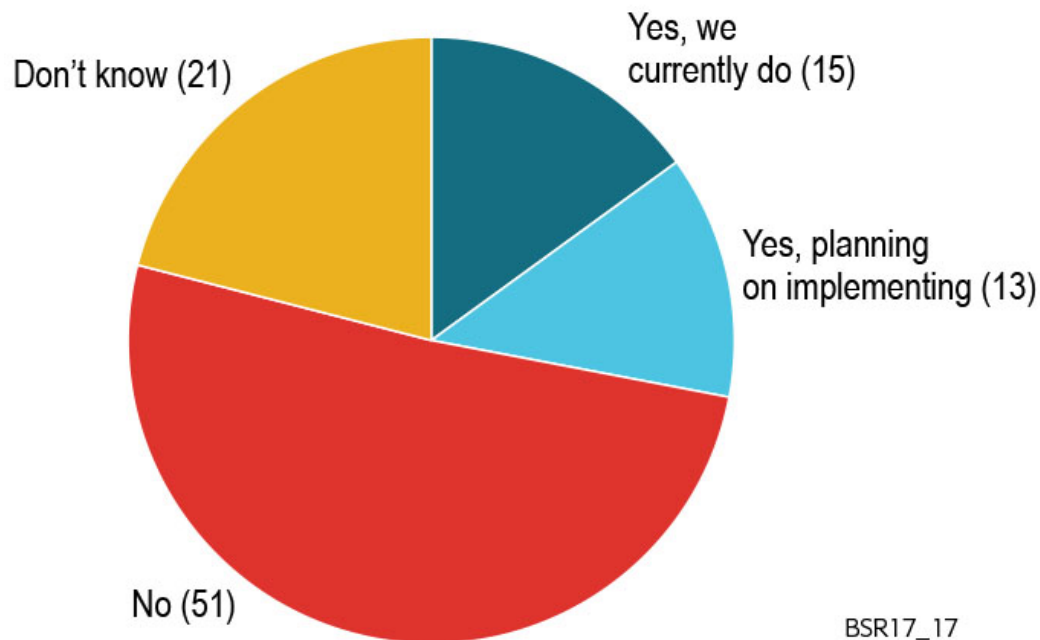
With continuing economic pressures and the anti-regulation stances of some newer governments around the world, there are fears that progress on sustainability might be affected by the removal of regulations promoting social and environmental sustainability.

However, while historically many businesses may have been significantly pushed toward action on sustainability by government regulations, our survey suggests that businesses, in all regions, are ready to stay the course even if government regulations are removed.

Q7. How confident are you that your company would continue to make progress on sustainability issues if government regulations promoting sustainable actions were removed?

While companies remain committed to acting on climate change, only around one-quarter of respondents say their company is currently—or is planning on—implementing an internal price on carbon.

Current Company Plan for an Internal Price on Carbon, 2017 (Percentage of Company-Level Respondents)



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Across regions, more European professionals say there is a current scheme or plan in place at their company to implement an internal price on carbon (41%) than in North America (23%).

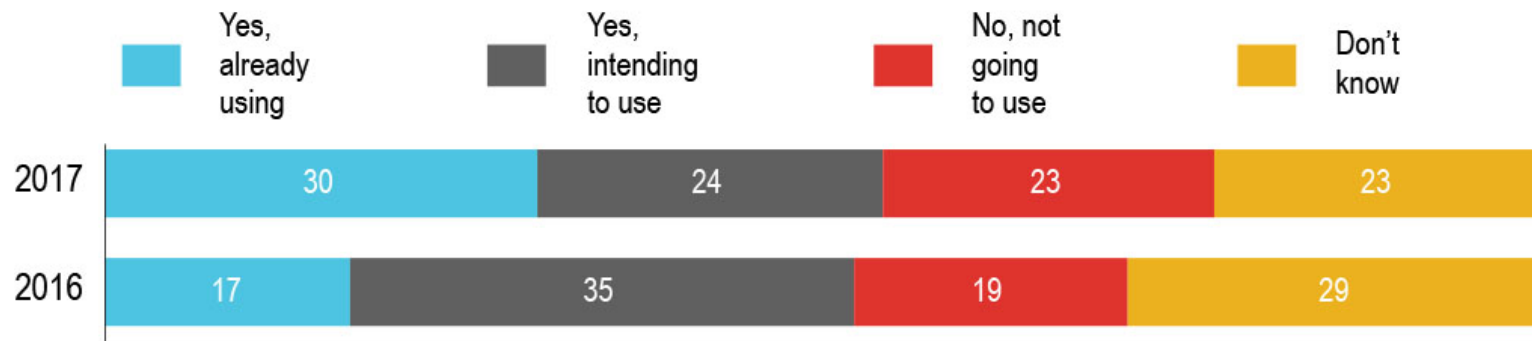
This could be an indication of where government regulation is acting as a positive incentive for companies to act.

Q17. Does your company currently have, or plan to have, an internal price on carbon?

Compared to 2016, almost twice as many companies report that they are using the SDGs to help set corporate performance targets. However, there are still many who will not or have not engaged.

Corporate Adoption of SDGs to Inform Target-Setting, 2016–2017

(Percentage of Company-Level Respondents)



BSR17_18

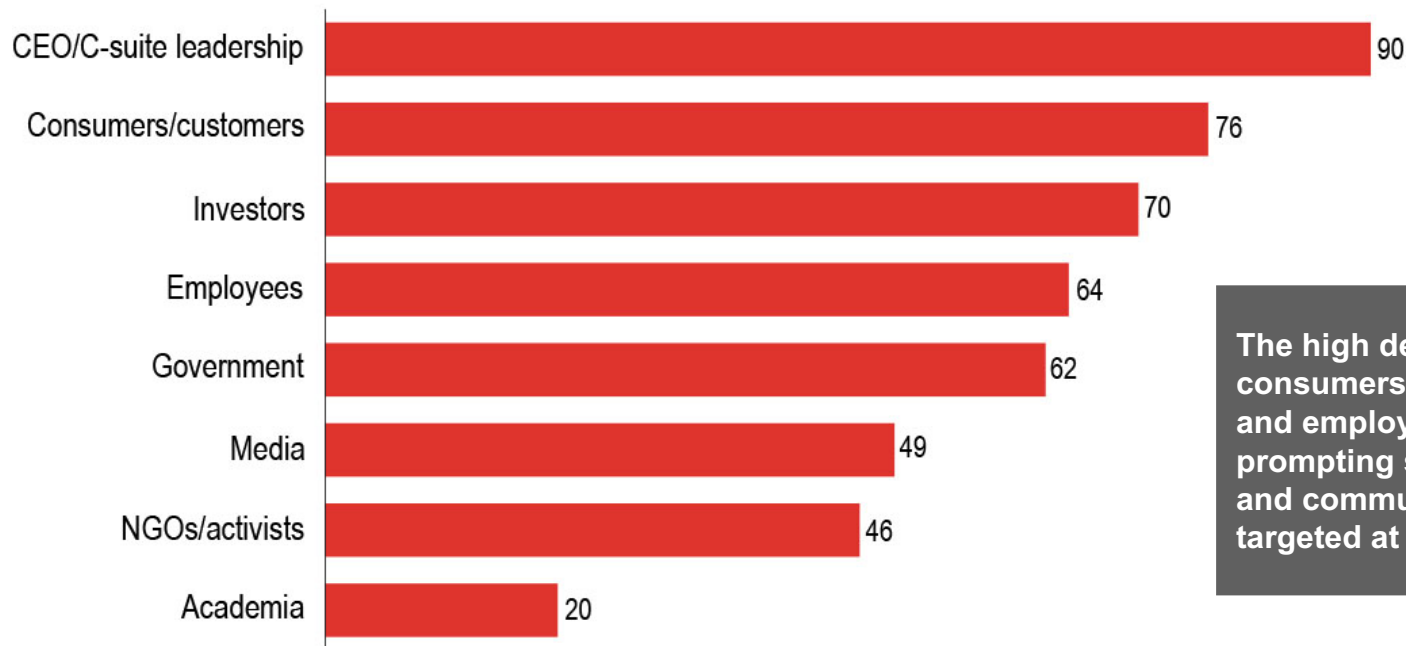
While a majority of professionals across regions say their company is already using or intending to use the SDGs to inform target-setting (North America – 51%, Europe – 63%, other regions – 57%) , the proportion categorically saying they will not be using them in North America (26%) is much higher compared to Europe (9%) and other regions (12%).

Q18. Is your company already using or intending to use the proposed UN Sustainable Development Goals to set corporate performance targets?

Influencers of the Sustainability Agenda and Internal Engagement

The CEO/C-suite has the strongest influence on companies' sustainability agendas, followed by customers/consumers and investors.

Influence on Sustainability Agenda at Company, 2017
(Percentage of All Respondents Identifying Groups as "Influential"*)



The high degree of influence of consumers/customers, investors and employees should be prompting specific engagement and communication activities targeted at these groups.

BSR17_6

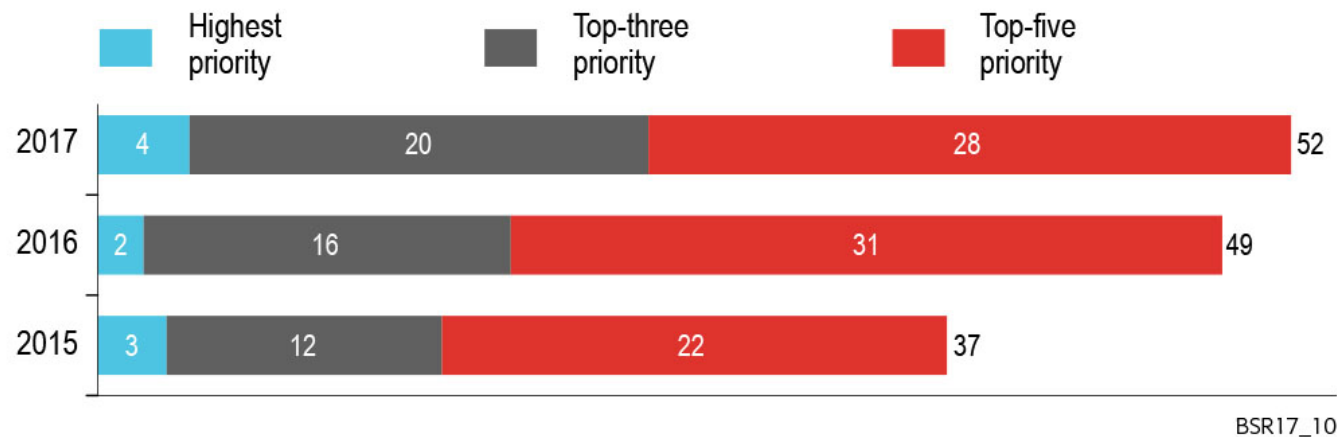
*Percentage of respondents who selected 5, 6 or 7 on a 7-point scale where 1 is "No influence at all" and 7 is "A very significant influence"

Q6. To what extent, if at all, do the following groups influence the sustainability agenda at your company?

Sustainability continues to rise in importance for BSR member companies' CEOs, and is now a top-five priority at more than half of companies surveyed.

CEO Corporate Agenda Priorities, 2017

(Percentage of Company-Level Respondents)

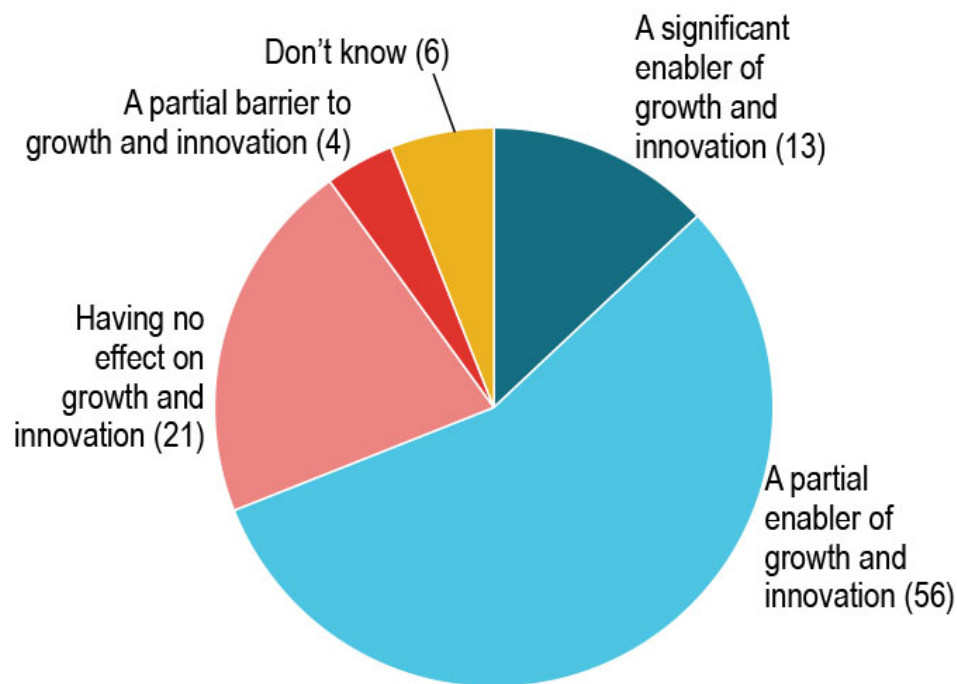


Almost a quarter of respondents say that sustainability is among the top three priorities on his or her agenda, a proportion that has continued to grow since 2015. This is particularly encouraging given the size and scale of BSR member companies, most of whom are Global 1000 companies.

Q10. In considering your CEO's involvement with sustainability, where do you believe sustainability falls on his or her corporate agenda?
(Please select one.)

One reason why sustainability might be continuing to climb up the CEO's priority list is that it is being viewed by people outside of the sustainability function as an enabler of growth and innovation.

How Sustainability Is Viewed by Those Outside the Company, 2017
(Percentage of All Respondents)



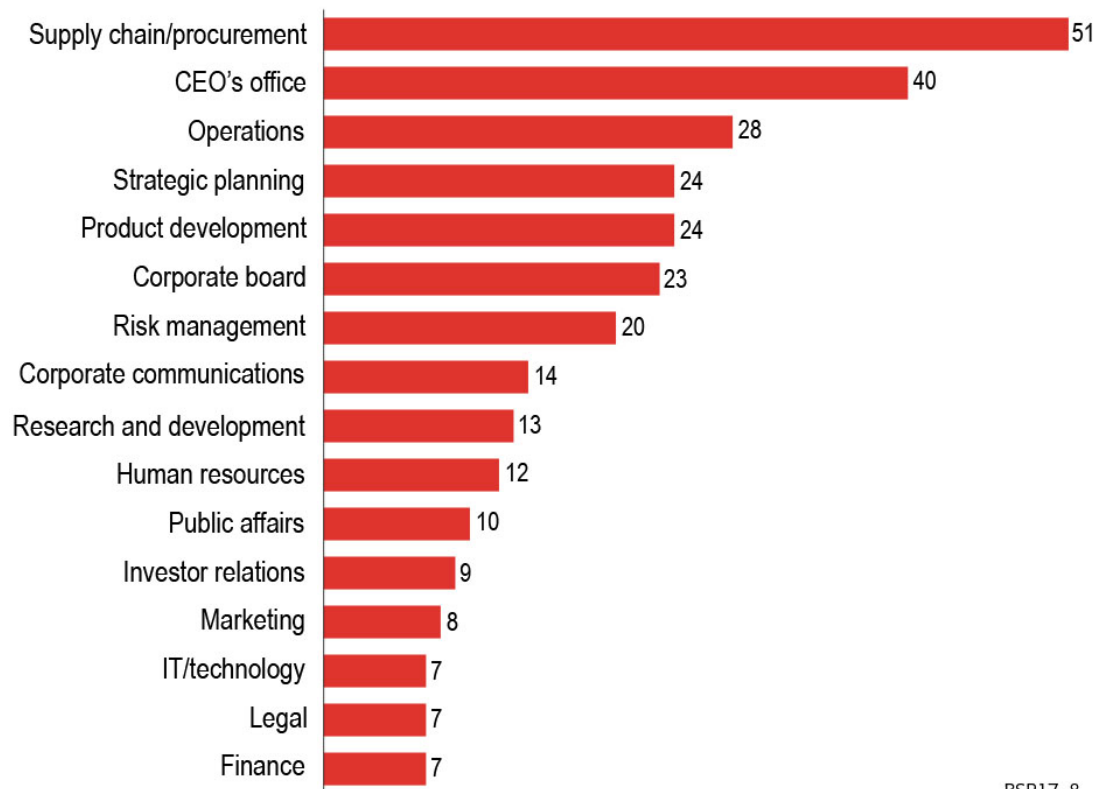
BSR17_9

Q9. Generally, how is sustainability viewed by those outside of the sustainability function in your company? Is it viewed as:

Only one function—supply chain/procurement—is highlighted by more than half as one of the most important for the sustainability team to engage with.

Function that Needs to Work Closest with Sustainability Function in Company to Make Substantive Progress on Sustainability, 2017

(Percentage of All Respondents)



BSR17_8

We asked respondents to indicate the functions that the sustainability team needed to work with most closely to make *substantial progress* on sustainability in their company.

It is notable that few respondents selected functions that align to those stakeholders who have the most significant influence on sustainability (consumers, investors, employees). This mismatch is detailed on the next page.

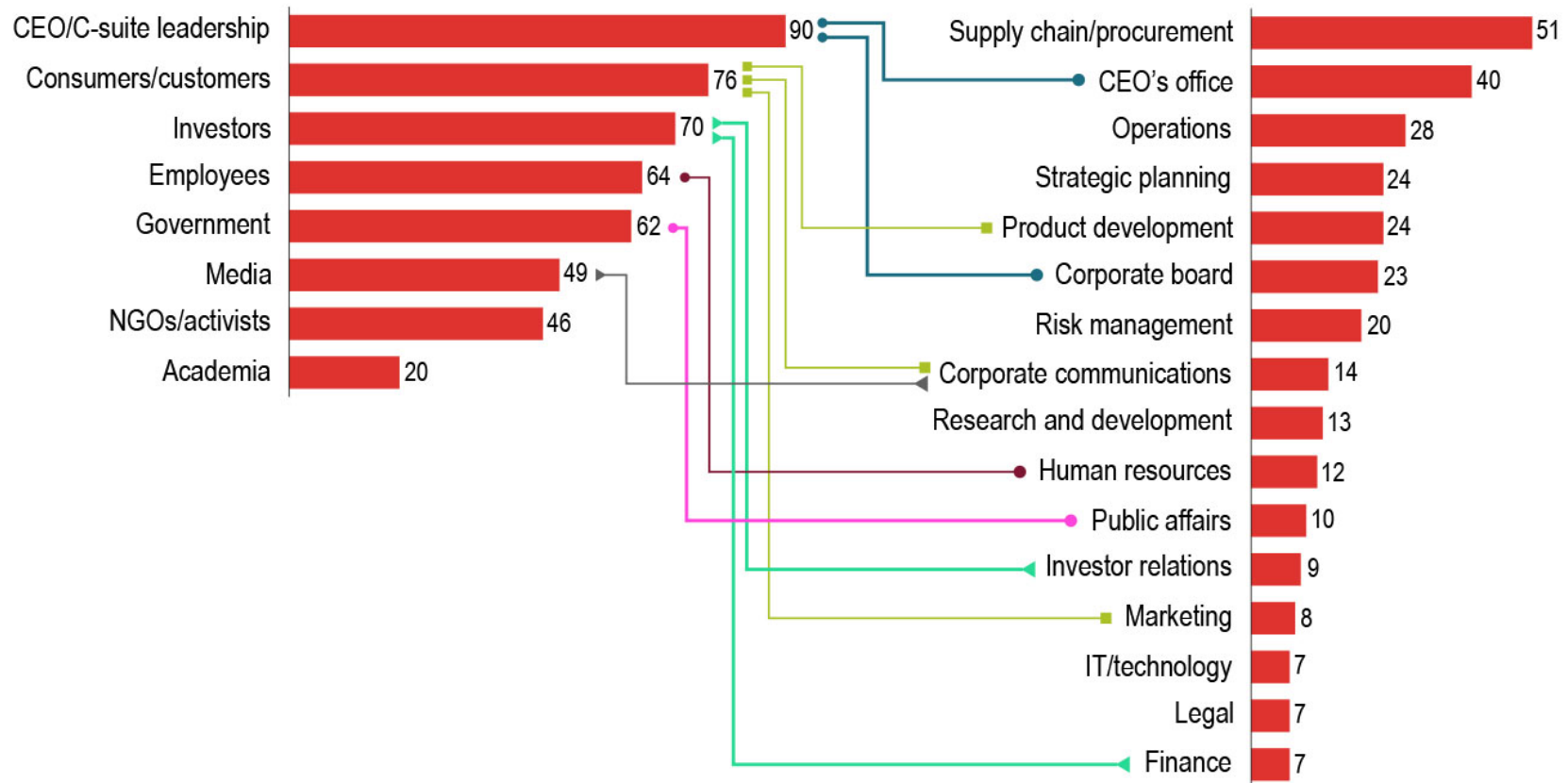
While the supply chain/procurement function is certainly an important one for the sustainability team to work with, it is one that has been a partner for a long time.

Q8. Which three functions listed below do you believe your sustainability function needs to work closest with to make substantive progress on sustainability within your company? Please disregard how closely you currently work with any of them.

There is misalignment between stakeholders who most influence companies' sustainability agenda and the departments that are engaged.

Influence on Sustainability Agenda at Company, and Function that Needs to Work Closest with Sustainability Function in Company, 2017

Percentage of All Respondents



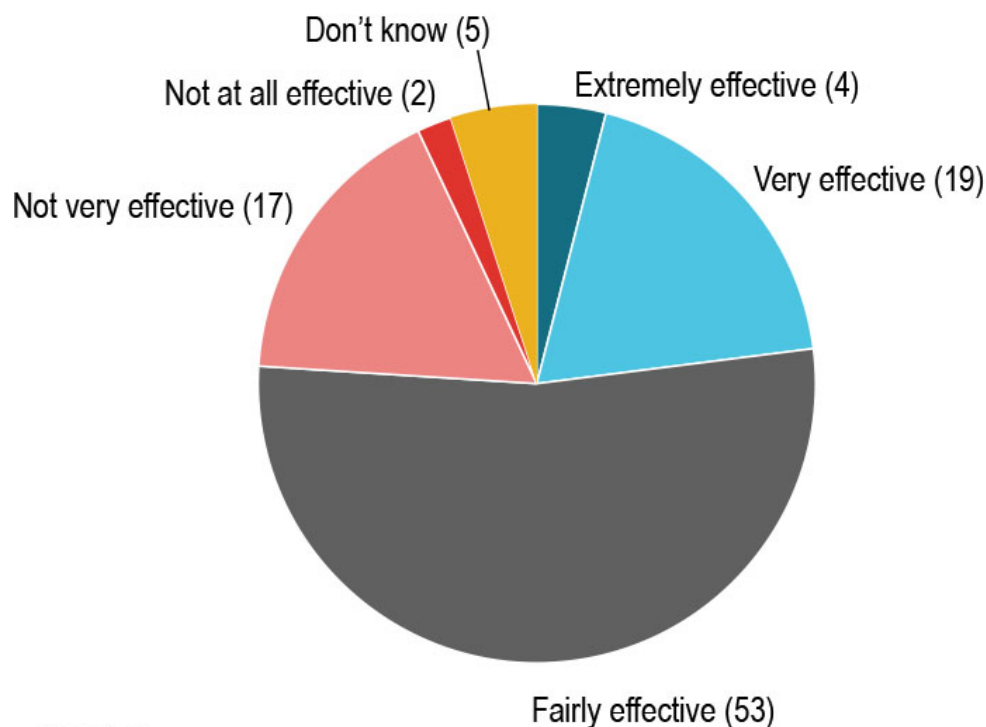
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Supply Chain

Most respondents indicate that supply chain management efforts have been at least fairly effective in addressing the most critical sustainability issues in their company's supply chain.

Effectiveness of Supply Chain Management Efforts in Addressing Sustainability Issues

(Percentage of Company-Level Respondents)



BSR17_11

When comparing the responses from consumer product / retail sector vs. other sectors, there is a perception among the former that supply chain management efforts have been more effective.

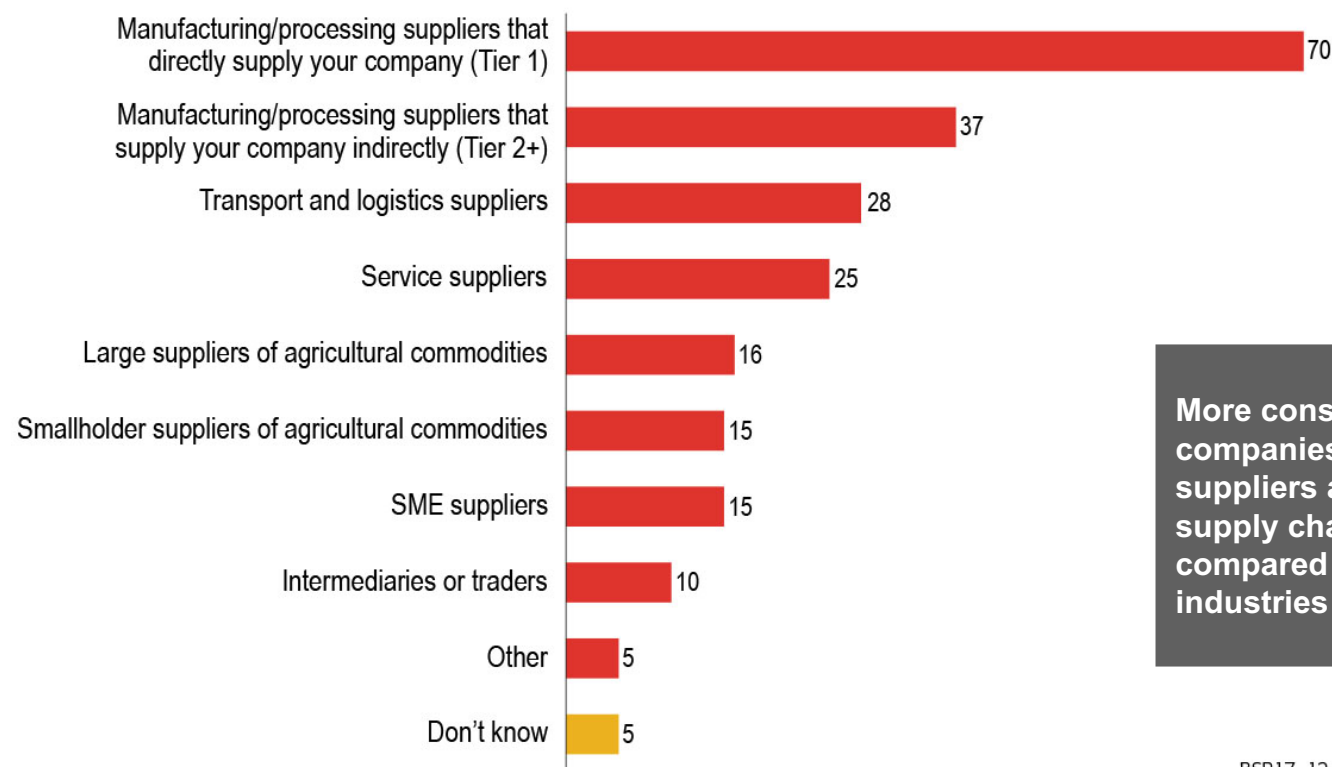
Additionally, only eight percent of consumer products/retail respondents state that efforts have been not effective, vs. 25 percent of respondents from other industries.

Q11. How effective, if at all, do you believe your supply chain management efforts have been in addressing the most critical sustainability issues in your supply chain?

Companies' supply chain sustainability efforts continue to focus primarily on direct Tier 1 suppliers, with fewer than four in ten addressing Tier 2+.

Types of Suppliers in Extended Supply Chain Most Affected by Supply Chain Sustainability Efforts, 2017

(Percentage of Company-Level Respondents)



More consumer products / retail companies (58%) report that Tier 2+ suppliers are impacted by their supply chain sustainability efforts compared to those from other industries (32%)

BSR17_12

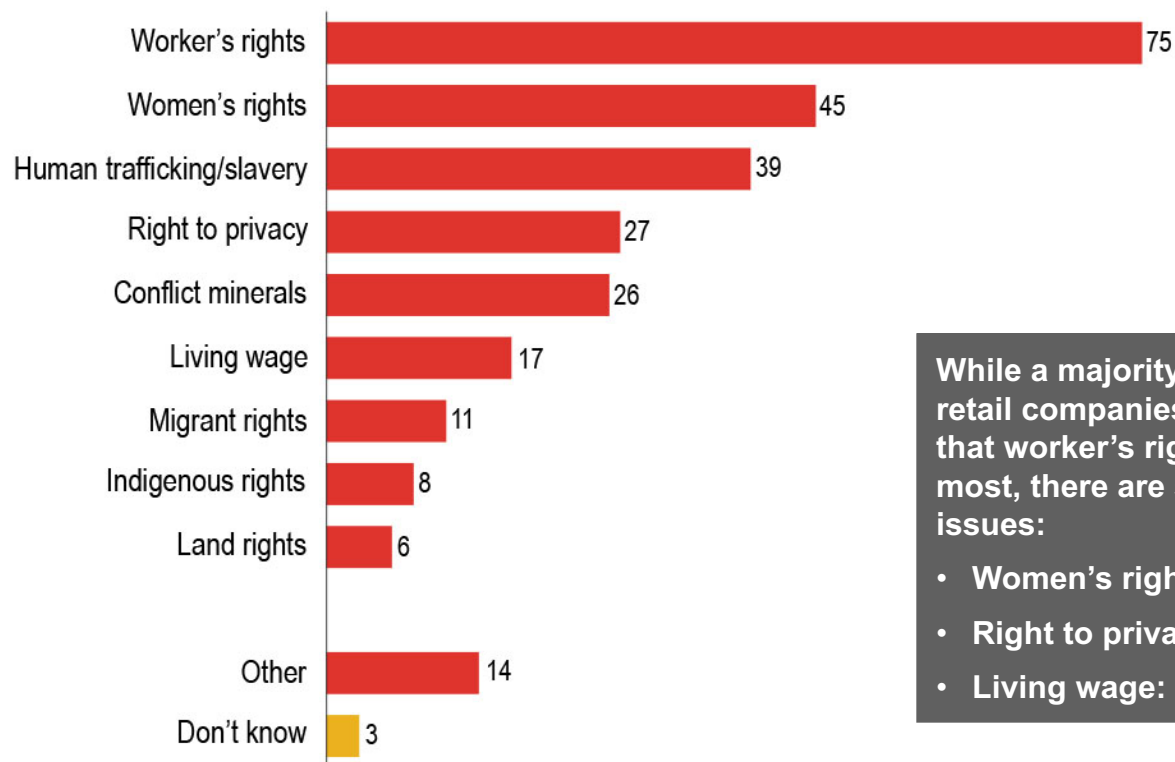
Q12. Which types of suppliers in your extended supply chain are the most impacted by your supply chain sustainability efforts? Select the three that are most impacted.

Human Rights

Workers' rights is named by an overwhelming majority of companies as the top human rights area of focus, followed by women's rights.

Human Rights Issues and Areas of Focus, 2017

(Percentage of Company-Level Respondents)



While a majority in both consumer product (CP) / retail companies and other industry sectors indicate that worker's rights is the issue they focus on the most, there are some notable differences on other issues:

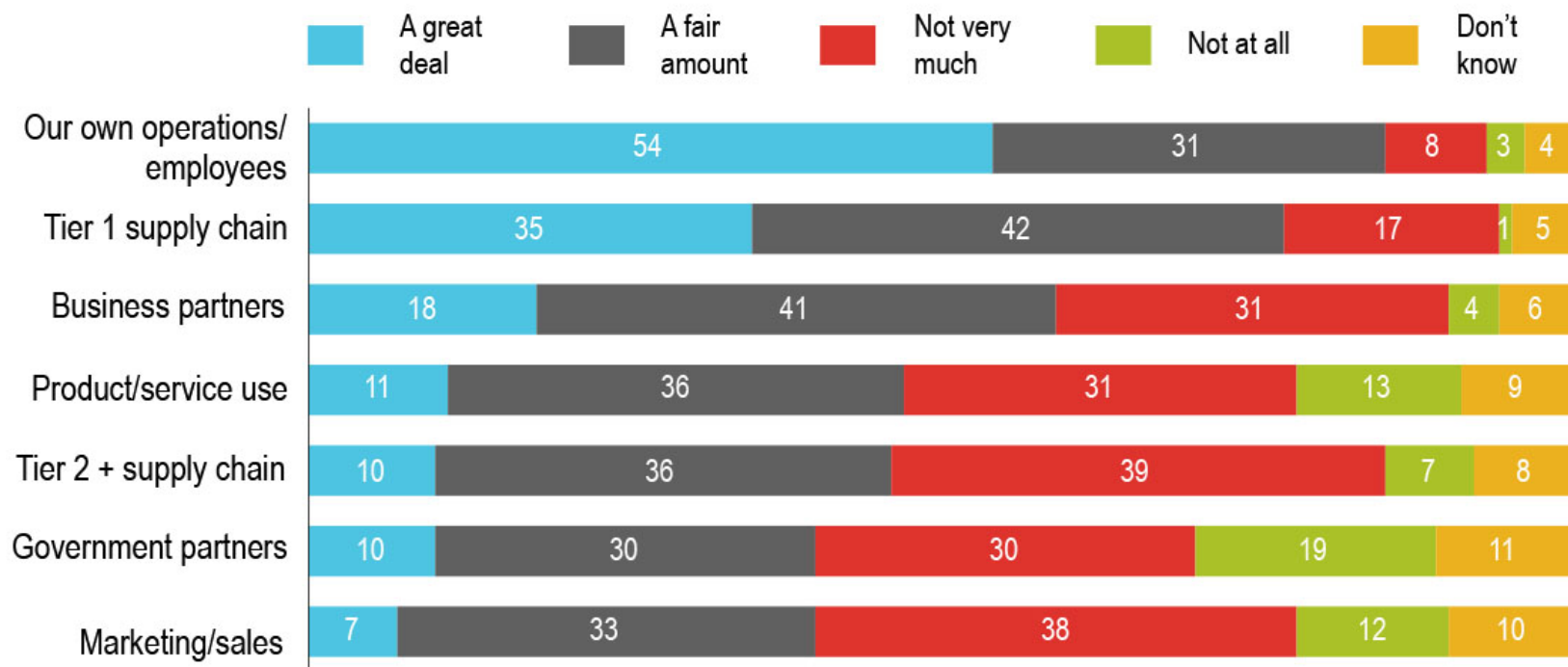
- Women's rights: CP / retail (65%) vs. other (43%)
- Right to privacy: CP / retail (12%) vs. other (32%)
- Living wage: CP / retail (28%) vs. other (16%)

BSR17_15

Q15. What are the three human rights issues/areas that your company focuses on the most?

Management of human rights across the value chain is most focused on a company's own operations/employees and Tier 1 supply chains.

Assessment and Management of Human Rights Through Elements of Value Chain, 2017
(Percentage of Company-Level Respondents)



BSR17_13

Q13. How much, if at all, does your company assess and manage human rights through each of the following elements of the value chain?

More than 70 percent of companies report that their approach includes both mitigating risk and promoting human rights, though the majority are mostly focused on risk mitigation.

Company's Approach to Human Rights, 2017 (Percentage of Company-Level Respondents)



BSR17_14

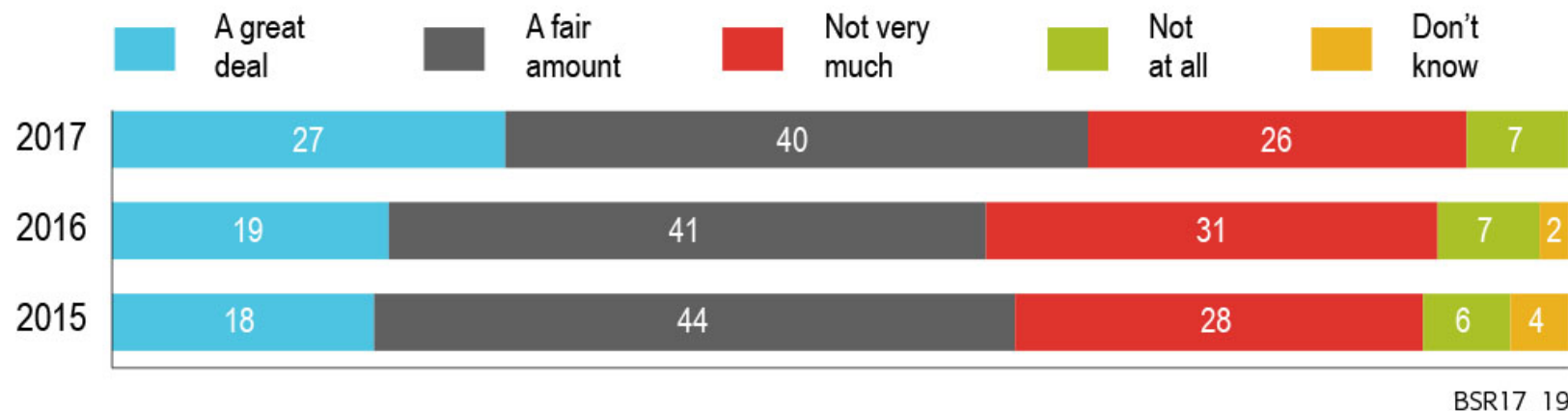
Q14. Please place the cursor on the scale below that is closest to your company's approach to human rights.

Inclusive Growth

The priority placed on inclusive growth is slowly increasing, with two-thirds saying that their company is prioritizing it to some extent.

Priority Placed on Inclusive Growth in Company, 2015–2017

(Percentage of All Respondents)



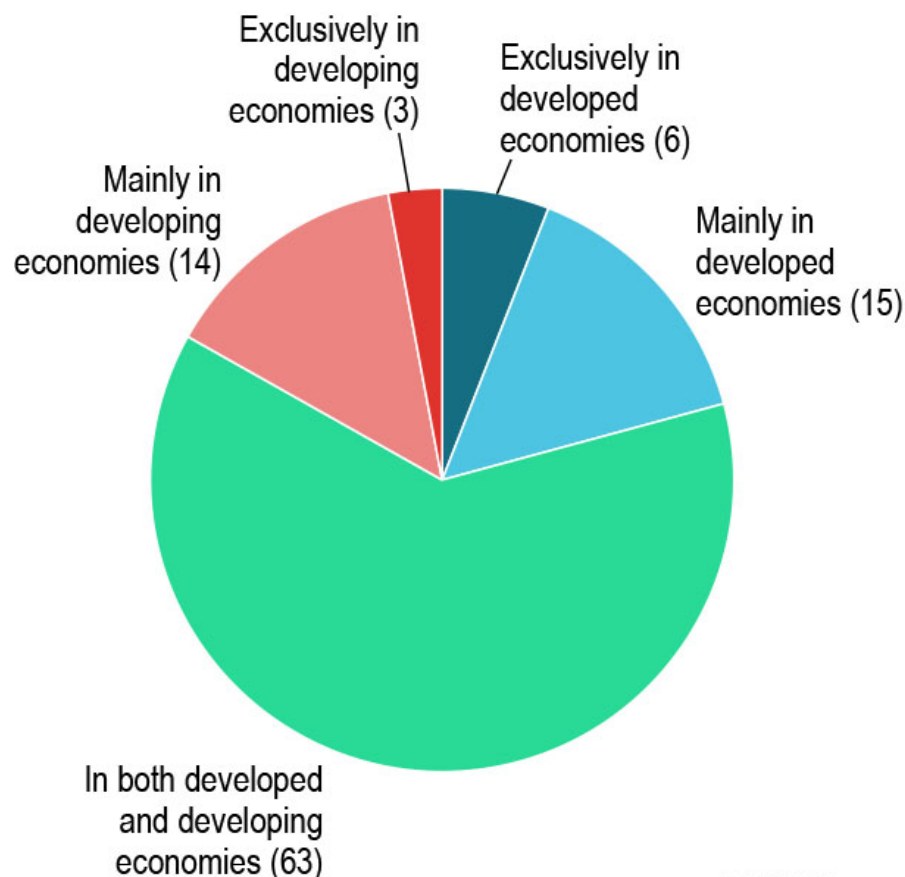
Definition of inclusive growth included in the survey: by inclusive growth, we mean growth that is promoted by an inclusive economy—one that enables all individuals and communities to participate in, benefit from, and contribute to the economy.

Q19. How much priority, if any, does your company place on inclusive growth?

Among companies focusing on inclusive growth, most are placing their efforts in both developed and developing economies.

Focus of Company's Inclusive Growth Efforts, 2017

(Percentage of Company-Level Respondents)



This is consistent among company-level respondents across regions, as an overwhelming majority of companies report a balance in their inclusive growth efforts to address both developed and developing economies.

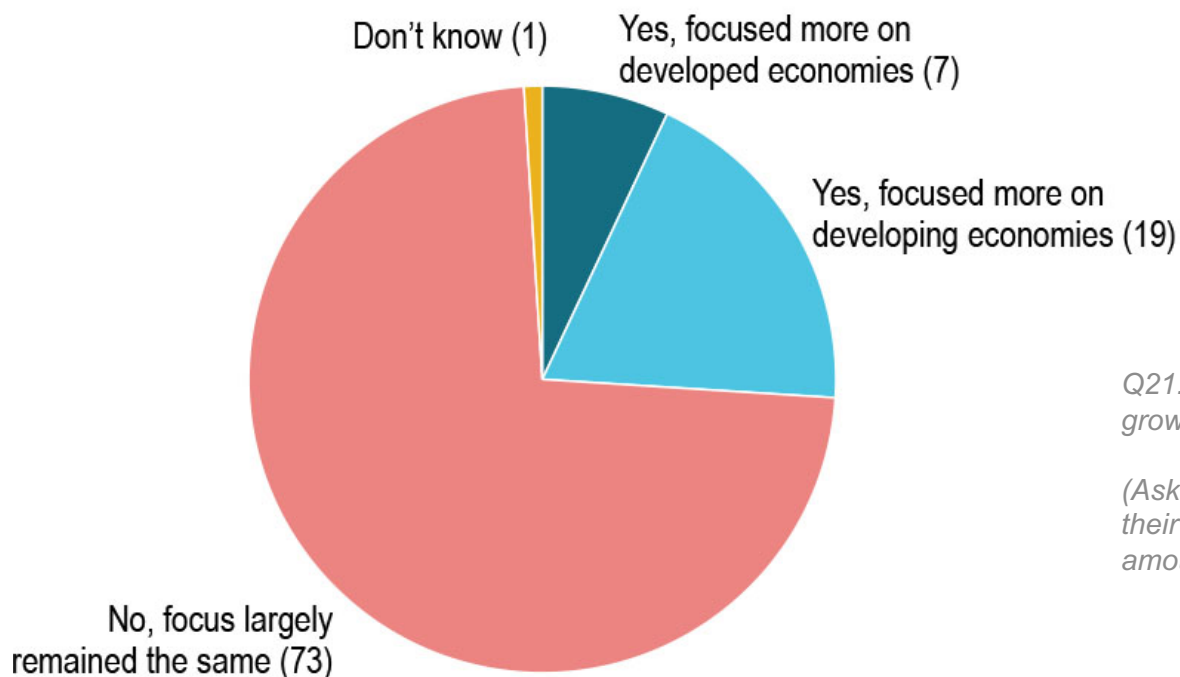
Q20 . Where is the focus of your company's inclusive growth efforts?

(Asked only to those respondents who stated their company places "A great deal" or "A fair amount" of priority on inclusive growth)

BSR17_20

Despite pressures of populist economic nationalism in many developed countries over the past 18 months, the focus of companies' inclusive growth efforts has not changed.

Change in Focus of Company's Inclusive Growth Efforts in the Past 12 Months, 2017 (Percentage of Company-Level Respondents)



Q21. Has the focus of your company's inclusive growth efforts changed in the past 12 months?

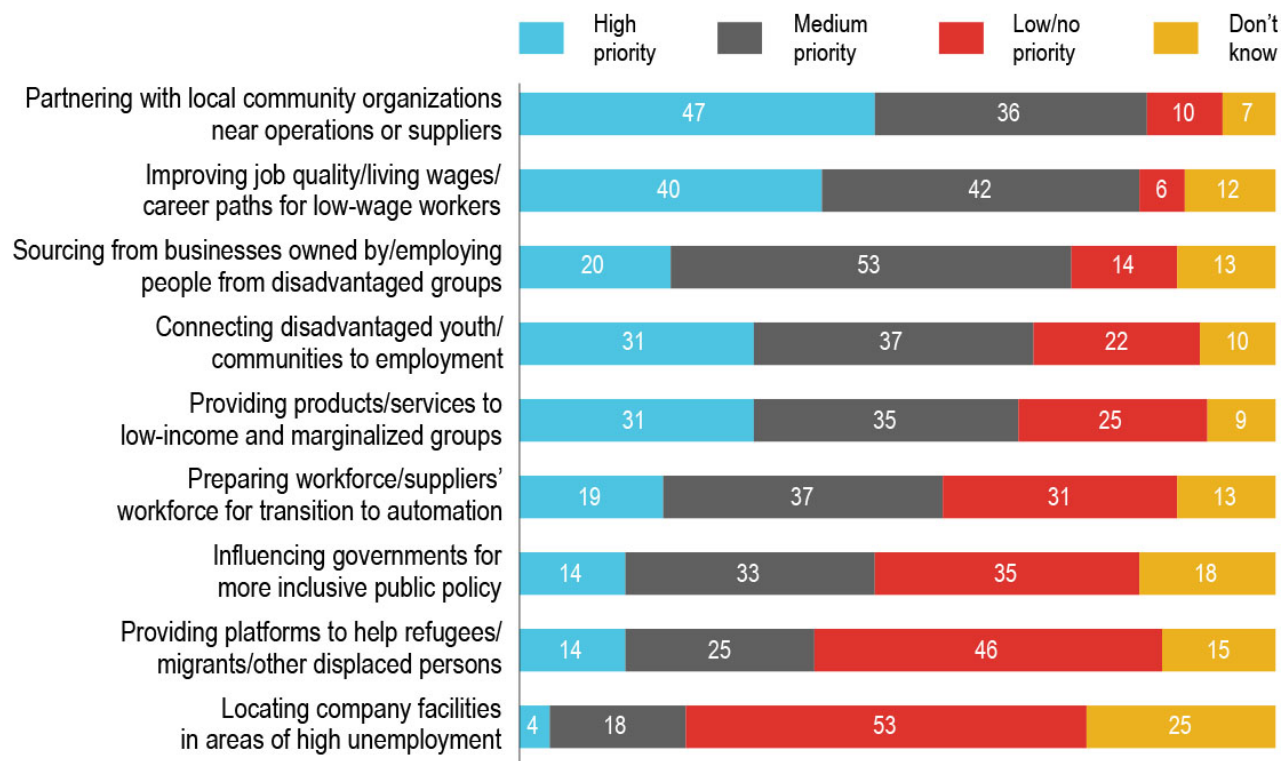
(Asked only to those respondents who stated their company places "A great deal" or "A fair amount" of priority on inclusive growth)

BSR17_21

Despite growing income inequality and political volatility, inclusive growth efforts are least focused on highly impactful areas like investing in areas of higher unemployment.

Inclusive Growth Priorities, 2017

(Percentage of Company-Level Respondents)



BSR17_22

Q22. How much of a priority, if at all, will the following issues be for your company's inclusive growth work over the coming year? (Asked only to those respondents who stated their company places "A great deal" or "A fair amount" of priority on inclusive growth)

Summary Conclusions

Summary Conclusions

1. It is clear that sustainability professionals believe that **business needs to lead the sustainability agenda**. Business is **staying the course** and in many cases stepping forward in the current political environment, and it is bolstering the need for leadership from more businesses.
2. The results suggest that there is **little redefinition of sustainable business**. We are working on the same kind of issues and practices that we have been working on for a while. While these continue to need focus, there is a clear need to see some **transformational practices** that adapt to and integrate emerging issues and trends.
3. Great progress with **sustainability increasing in prominence on the CEO's agenda**, but the **alignment and engagement with internal functions needs further progress** (especially Investor Relations, Marketing, and Human Resources).

The BSR Conference 2017: How Business Leads

This October, nearly 1,000 sustainable business leaders, as well as leading foundations, nonprofit organizations, and government, will gather in Huntington Beach, California, to explore "How Business Leads" and be a part of innovative solutions to the world's biggest sustainability challenges. www.bsr17.org



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



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