The State of Sustainable Business 2018

Results of the 10th Annual Survey of Sustainable Business Leaders

2018

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Introduction + Key Findings

About This Research

- **The 10th Annual BSR/GlobeScan State of Sustainable Business Survey** provides insight into the world of sustainable business and identifies common perceptions and practices of corporate sustainability professionals.

- In addition to measuring shifting priorities and challenges in corporate sustainability, this year's survey presented a unique opportunity to understand how business is responding to the changing social landscape.

- To hone in on actions of companies within the sustainable business community, this year's data draws from the responses of one sustainability practitioner at each of 152 BSR member companies who participated.

- The survey was fielded fully online among the BSR member network, with responses collected between March 22 and May 16, 2018. All field work and stakeholder outreach was managed independently by GlobeScan.

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Sample Breakdown: All Company Respondents

Sector	
Consumer Products and Retail	24%
Information and Communications Technology	12%
Healthcare	11%
Energy and Extractives	10%
Transport and Logistics	9%
Other*	8%
Food, Beverage, and Agriculture	7%
Financial Services	7%
Professional Services	5%
Media and Entertainment	3%
Heavy Manufacturing	3%
Power and Utilities	2%
Infrastructure	1%
Travel and Tourism	1%

Region			
North America			53%
Europe			24%
Other regions			23%
	Asia	18%	
	Latin America	2%	
	Oceania	2%	
	Africa	2%	

Job Level	
Vice president or above	24%
Director	33%
Manager or below	41%
Other	3%

Examples of "Other" sectors named include Conglomerate, Chemicals, Business Services, Packaging, and Education.
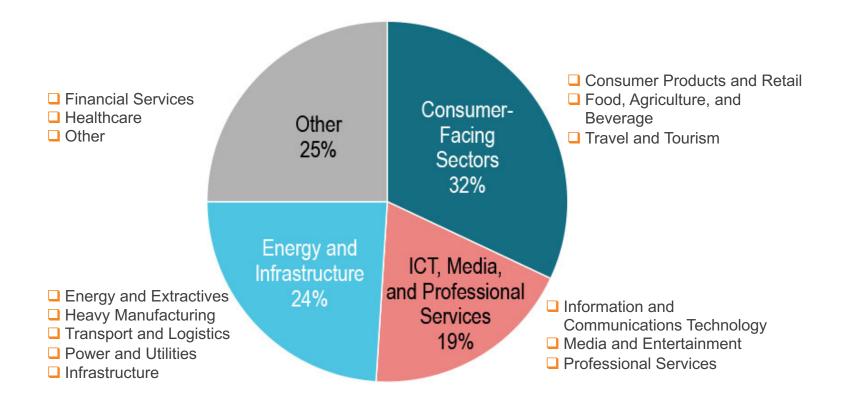
Sample Breakdown: Sector Reporting Groups

Sector Groupings Included in This Report
All Company Respondents, 2018

Financial Services
Healthcare
Other

Consumer Products and Retail
Food, Agriculture, and Beverage
Travel and Tourism

Energy and Extractives
Heavy Manufacturing
Transport and Logistics
Power and Utilities
Infrastructure

Information and Communications Technology
Media and Entertainment
Professional Services

Pie chart labels:
- Other 25%
- Consumer-Facing Sectors 32%
- Energy and Infrastructure 24%
- ICT, Media, and Professional Services 19%

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Key Findings

- **Companies are defining a new sustainability agenda:**

  - Corporate integrity and diversity and inclusion, while longstanding corporate issues, are top priorities for sustainability efforts in 2018—perhaps a reflection of recent political, technological, and social transformations that have accelerated socially responsible activism.

  - Climate change and human rights remain in the top four priority issues, while less than half of companies are prioritizing inclusive growth or public policy frameworks.

  - Disruptive technologies, such as artificial intelligence, concern over data privacy and ownership, and disruptions to climate and energy systems are shaping future business strategies.

  - Priority issues are still more driven by risk management than value creation.

- **Sustainability needs to be integrated into strategy**: Three-quarters of practitioners observe that effectively navigating global megatrends means ensuring that sustainability is a mainstream business issue, necessitating both organizational integration and new approaches to strategy and governance.

- **SDGs are driving strategy**: There has been a significant increase in companies using the SDGs to inform their goals.

- **Companies have limited focus on value chain impacts:** Companies take an inconsistent approach to addressing key issues across their value chains, with efforts to go beyond their own operations still limited.

- **There is a need for more cross-functional collaboration:** Sustainability teams still struggle to get traction with strategic planning and core business functions. There is surprisingly limited engagement with investor relations, marketing, or human resources—despite the recognized significance of investors, customers, and employees as key drivers of sustainability

- **There is room to improve communications:** Fewer than half of BSR members find their own sustainability communications to customers or consumers to be effective.

The Convergence of Ethics, Integrity, and Sustainability

- **Corporate integrity and ethics are top priorities for sustainability teams in 2018. Ethical issues have historically been dealt with by compliance and legal teams, but this is now evolving, thanks to the following trends:**
  - We are in an era of hyper-transparency where companies need to behave as if everything they say or do may become public; reputation management is complex and has high stakes.
  - There is increasing concern over corporate lobbying and tax from the public, accelerated by a new whistleblowing model of large-scale data leaks.
  - The growth of socially responsible activism, especially in the U.S., has driven a rethink on political engagement and corporate values and requires increasing coordination between legal, sustainability, and corporate affairs teams.
  - Uncertain and inconsistent regulation means that legal risk is no longer a good proxy for reputational risk.
  - Investor pressure to demonstrate social purpose and long-term resilience is increasing as awareness grows that good management of sustainability issues is aligned with good financial performance over the long term.
  - When compared to the social media conversation about company exposure to ESG risks, both companies and the public think ethics/integrity and diversity/inclusion are the top issues. The public, however, places a higher concern on corporate involvement in public policy issues, a concern not expressed by BSR members.
- **Companies are experimenting with new governance structures and approaches to manage evolving stakeholder concerns.** This necessitates closer coordination between the sustainability, ethics and compliance, and government/corporate affairs functions.

Sustainability Priorities

Over the next 12 months, companies indicate their sustainability efforts will be prioritized around ethics, diversity, climate change, and human rights.

Corporate Sustainability Priorities Over Next 12 Months

All Company Respondents, 2018

Legend: High priority | Moderate priority | Low/no priority | Don't know

Issue	High priority	Moderate priority	Low/no priority	Don't know
Ethics/integrity	76	20	3	1
Diversity/inclusion	71	18	10	1
Climate change	70	19	11	
Human rights	66	20	13	1
Women's empowerment	58	24	17	1
Health/wellness	55	25	19	1
Water	50	21	28	1
Inclusive growth	50	27	16	7
Public policy frameworks promoting sustainability	41	27	29	3
Circular economy	38	27	30	5

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Q2. When you think about the focus of your company's sustainability efforts in the next 12 months, how much of a priority is 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."

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At the sector level, companies are placing a greater priority on those mega-trends most closely associated with their sector.

Priority of Global Mega-Trends in Business Strategy
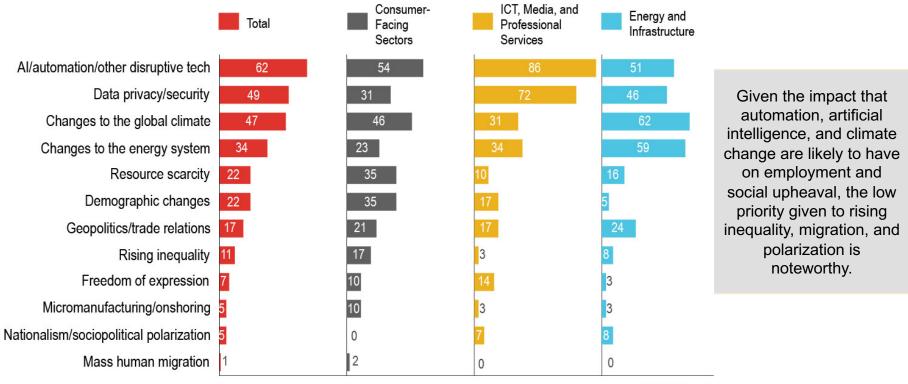All Company Respondents, Total Mentions, 2018

	Total	Consumer-Facing Sectors	ICT, Media, and Professional Services	Energy and Infrastructure
AI/automation/other disruptive tech	62	54	86	51
Data privacy/security	49	31	72	46
Changes to the global climate	47	46	31	62
Changes to the energy system	34	23	34	59
Resource scarcity	22	35	10	16
Demographic changes	22	35	17	5
Geopolitics/trade relations	17	21	17	24
Rising inequality	11	17	3	8
Freedom of expression	7	10	14	3
Micromanufacturing/onshoring	5	10	3	3
Nationalism/sociopolitical polarization	5	0	7	8
Mass human migration	1	2	0	0

Given the impact that automation, artificial intelligence, and climate change are likely to have on employment and social upheaval, the low priority given to rising inequality, migration, and polarization is noteworthy.

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Q21. Which three, if any, of the following challenges/mega-trends is your company prioritizing the most in its business strategy?
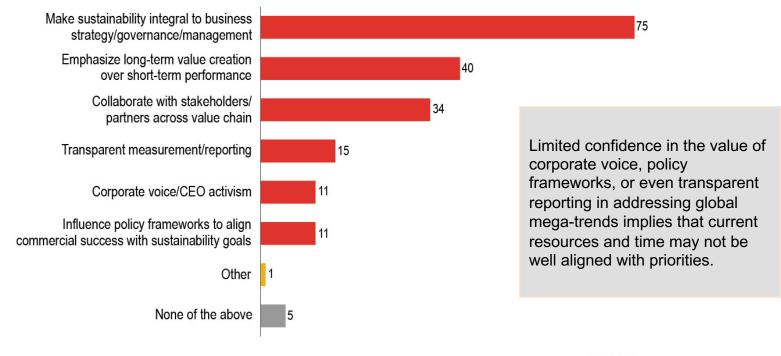
Three-quarters of practitioners say that sustainability needs to be better integrated into business strategy to address global mega-trends.

Most Important Actions to Address Global Mega-Trends

All Company Respondents, Total Mentions, 2018

Make sustainability integral to business strategy/governance/management — 75
Emphasize long-term value creation over short-term performance — 40
Collaborate with stakeholders/ partners across value chain — 34
Transparent measurement/reporting — 15
Corporate voice/CEO activism — 11
Influence policy frameworks to align commercial success with sustainability goals — 11
Other — 1
None of the above — 5

Limited confidence in the value of corporate voice, policy frameworks, or even transparent reporting in addressing global mega-trends implies that current resources and time may not be well aligned with priorities.

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Q22. Which, if any, of the following are most important actions for companies to address these new global opportunities and challenges?
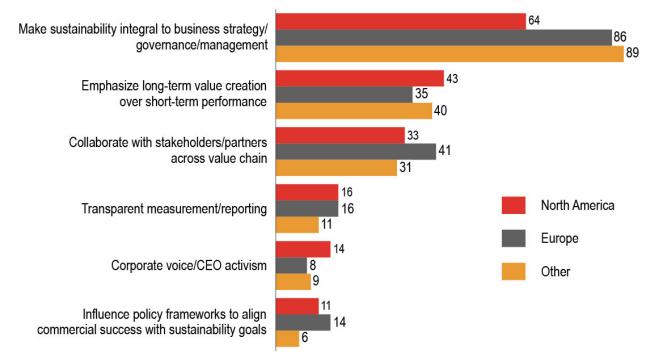
The perceived importance of making sustainability integral to business strategy is more pronounced outside of North America; North American companies are more focused on long-term value creation and CEO activism than peers.

Most Important Actions to Address Global Mega-Trends

All Company Respondents, Total Mentions, by Region, 2018

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Q22. Which, if any, of the following are most important actions for companies to address these new global opportunities and challenges?

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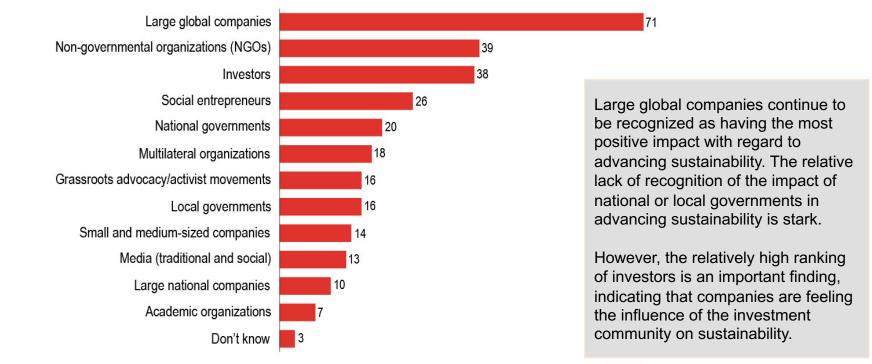
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Sustainability Management

Sustainability professionals feel that large global companies, NGOs, and investors are all more effective than governments at advancing the sustainability agenda.

Organization Types Involved in Making Progress on Sustainability
All Company Respondents Identifying Each as a Top-Three Organization, 2018

Large global companies continue to be recognized as having the most positive impact with regard to advancing sustainability. The relative lack of recognition of the impact of national or local governments in advancing sustainability is stark.

However, the relatively high ranking of investors is an important finding, indicating that companies are feeling the influence of the investment community on sustainability.
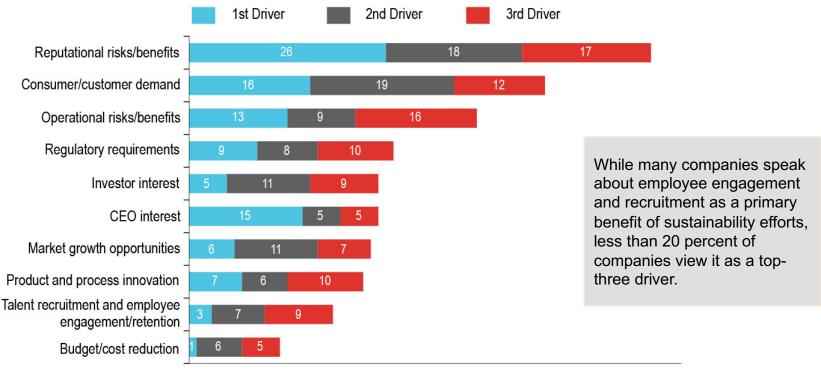
BSR18_3

Q3. Below is a list of types of organizations involved in making progress on sustainability. Please select up to three that you feel are currently having the greatest positive impact on advancing sustainability.

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Reputation remains the most powerful driver of sustainability efforts, followed by consumer/customer demand and operational risk.

Drivers of Sustainability Efforts, Top Mentions, Ranked

All Company Respondents Identifying Issue as a Top-Three Driver, Combined, 2018

Legend: 1st Driver | 2nd Driver | 3rd Driver

Driver	1st Driver	2nd Driver	3rd Driver
Reputational risks/benefits	26	18	17
Consumer/customer demand	16	19	12
Operational risks/benefits	13	9	16
Regulatory requirements	9	8	10
Investor interest	5	11	9
CEO interest	15	5	5
Market growth opportunities	6	11	7
Product and process innovation	7	6	10
Talent recruitment and employee engagement/retention	3	7	9
Budget/cost reduction	1	6	5

BSR18_4

While many companies speak about employee engagement and recruitment as a primary benefit of sustainability efforts, less than 20 percent of companies view it as a top-three driver.

Q4. 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 1, 2, or 3 in the space provided, with 1 being "the most important.")

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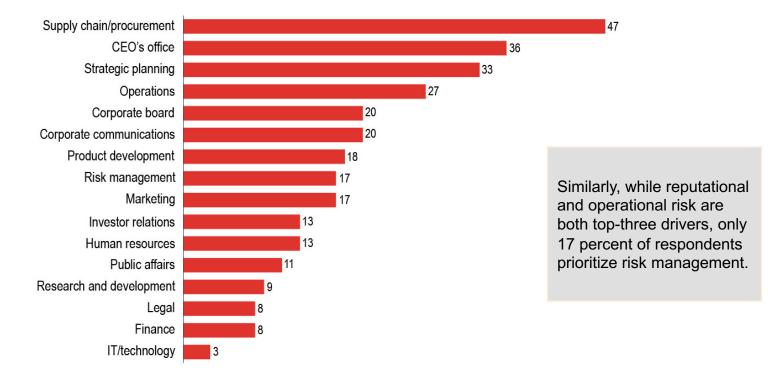
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Despite consumer/customer demand being seen as a driver for sustainability, less than 20 percent of respondents see product development or marketing as critical functions for collaboration.

Function that Needs to Work Closest with Sustainability to Make Substantive Progress
All Company Respondents, Total Mentions, 2018

Function	Value
Supply chain/procurement	47
CEO's office	36
Strategic planning	33
Operations	27
Corporate board	20
Corporate communications	20
Product development	18
Risk management	17
Marketing	17
Investor relations	13
Human resources	13
Public affairs	11
Research and development	9
Legal	8
Finance	8
IT/technology	3

Similarly, while reputational and operational risk are both top-three drivers, only 17 percent of respondents prioritize risk management.
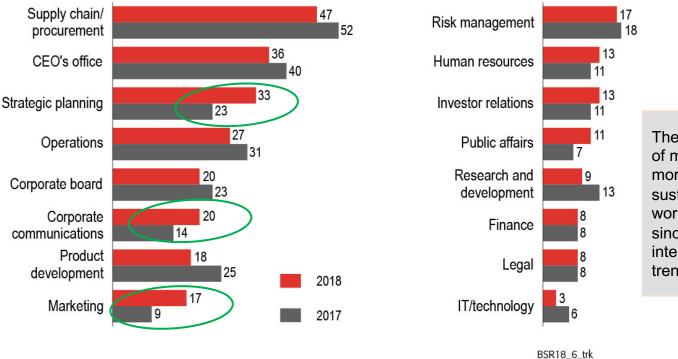
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Q6. Which three functions listed below do you believe your sustainability function needs to work closest with to make substantive progress on sustainability within your company? Please disregard how closely you currently work with any of them.

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Recognition of the need to work with the strategic planning function has increased by 10 percentage points since 2017, which suggests an encouraging convergence between sustainability and core strategy.

Function that Needs to Work Closest with Sustainability to Make Substantive Progress

All Company Respondents, Total Mentions, 2018

The perceived importance of marketing as one of the more critical functions for sustainability teams to work with has increased since 2017, and it will be interesting to see if this trend continues.

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Q6. 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.
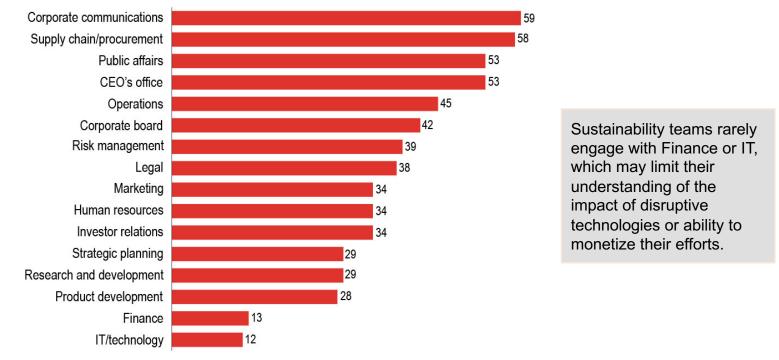
However, despite the perceived importance of working with strategic planning, less than one-third of companies are successfully working with that function.

Perceptions of Functions' Engagement with Sustainability

Engaged,* All Company Respondents, 2018

Function	Value
Corporate communications	59
Supply chain/procurement	58
Public affairs	53
CEO's office	53
Operations	45
Corporate board	42
Risk management	39
Legal	38
Marketing	34
Human resources	34
Investor relations	34
Strategic planning	29
Research and development	29
Product development	28
Finance	13
IT/technology	12

BSR18_7

Sustainability teams rarely engage with Finance or IT, which may limit their understanding of the impact of disruptive technologies or ability to monetize their efforts.

*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."*

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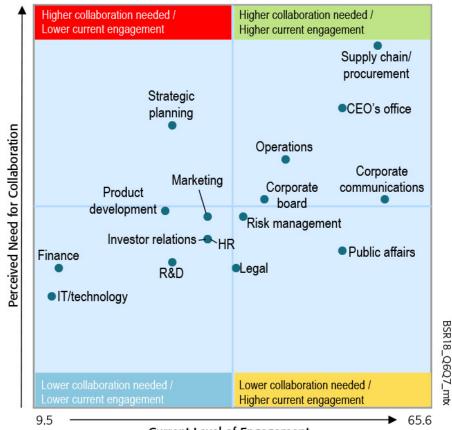
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The biggest gap between where sustainability practitioners are currently focusing their efforts and where they most need to in order to make progress is with the strategic planning, marketing, and product development functions.

Current Functions' Engagement with Sustainability vs Perceived Need for Collaboration to Progress Sustainability - All Company Respondents, 2018
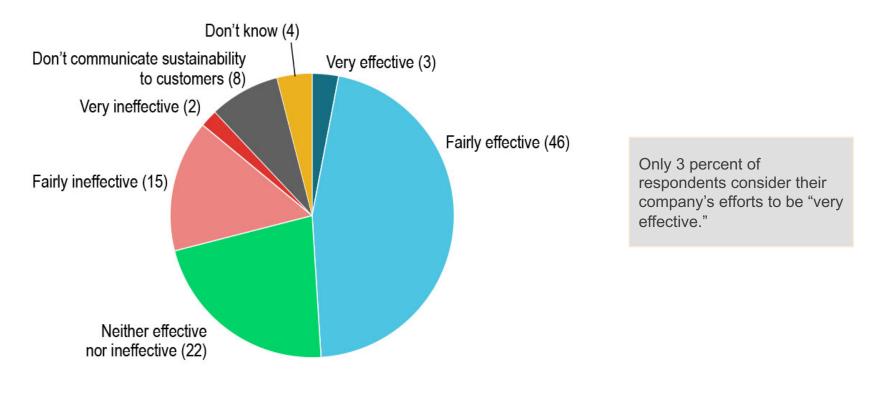

Q7. Please rate the level of engagement that each of the following functions within your company has with your company's sustainability function.

Q6. 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.

Fewer than half of sustainability professionals feel their company's sustainability communications to customers/consumers are effective.

Effectiveness of Communicating Sustainability to Customers/Consumers

All Company Respondents, 2018

Don't know (4)

Very effective (3)

Don't communicate sustainability to customers (8)

Very ineffective (2)

Fairly effective (46)

Fairly ineffective (15)

Neither effective nor ineffective (22)

Only 3 percent of respondents consider their company's efforts to be "very effective."

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Q5. To date, how effective, if at all, has your company been in communicating your sustainability story to your customers/consumers?
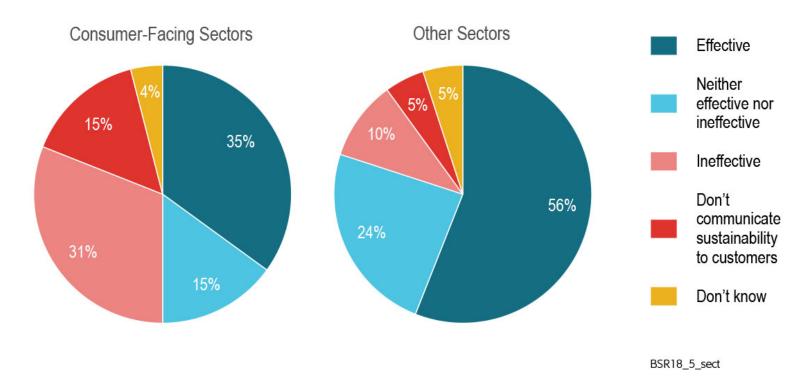
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This sentiment is particularly pronounced among companies in consumer-facing sectors, which communicate directly with their customers.

Effectiveness of Communicating Sustainability to Customers/Consumers

All Company Respondents, by Sector, 2018

Consumer-Facing Sectors

- 35%
- 15%
- 31%
- 15%
- 4%

Other Sectors

- 56%
- 24%
- 10%
- 5%
- 5%

Legend:
- Effective
- Neither effective nor ineffective
- Ineffective
- Don't communicate sustainability to customers
- Don't know

BSR18_5_sect

Q5. To date, how effective, if at all, has your company been in communicating your sustainability story to your customers/consumers?
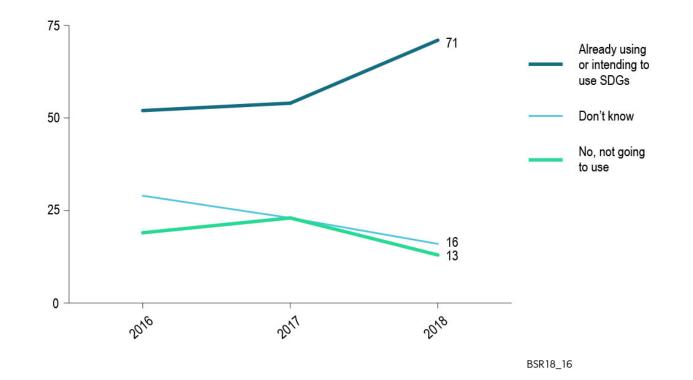
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Sustainable Development Goals

Companies are increasingly using the Sustainable Development Goals as their strategic north star in setting targets.

Corporate Adoption of SDGs to Inform Target-Setting
All Company Respondents, 2016–2018

Q16. Is your company already using or intending to use the UN Sustainable Development Goals to set corporate performance targets?
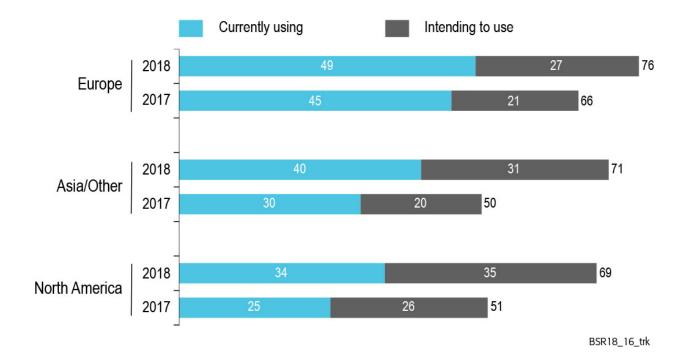
This increasing use of the SDGs to drive corporate performance targets is consistent across regions, although Europeans are somewhat more likely to be utilizing them.

Corporate Adoption of SDGs to Inform Target-Setting

All Company Respondents Currently Using or Intending to Use the Goals, by Region, 2017–2018

Legend: Currently using | Intending to use

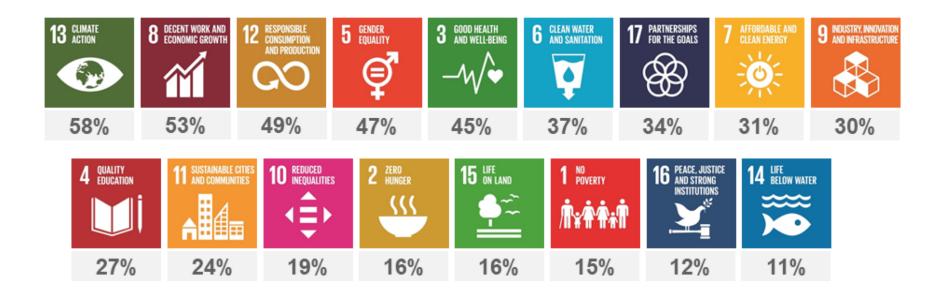| Region	Year	Currently using	Intending to use	Total
Europe	2018	49	27	76
Europe	2017	45	21	66
Asia/Other	2018	40	31	71
Asia/Other	2017	30	20	50
North America	2018	34	35	69
North America	2017	25	26	51

BSR18_16_trk

Q16. Is your company already using or intending to use the UN Sustainable Development Goals to set corporate performance targets?

Climate action, responsible consumption, gender equality, decent work, and economic growth get the most corporate attention, but there is an opportunity for companies to pioneer action in areas with less private-sector engagement.

Commitments toward Sustainable Development Goals

All Company Respondents, Total Mentions, 2018

13 CLIMATE ACTION	8 DECENT WORK AND ECONOMIC GROWTH	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	5 GENDER EQUALITY	3 GOOD HEALTH AND WELL-BEING	6 CLEAN WATER AND SANITATION	17 PARTNERSHIPS FOR THE GOALS	7 AFFORDABLE AND CLEAN ENERGY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
58%	53%	49%	47%	45%	37%	34%	31%	30%

4 QUALITY EDUCATION	11 SUSTAINABLE CITIES AND COMMUNITIES	10 REDUCED INEQUALITIES	2 ZERO HUNGER	15 LIFE ON LAND	1 NO POVERTY	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	14 LIFE BELOW WATER
27%	24%	19%	16%	16%	15%	12%	11%

Q17. Toward which, if any, of the UN SDGs is your company pledging commitments?
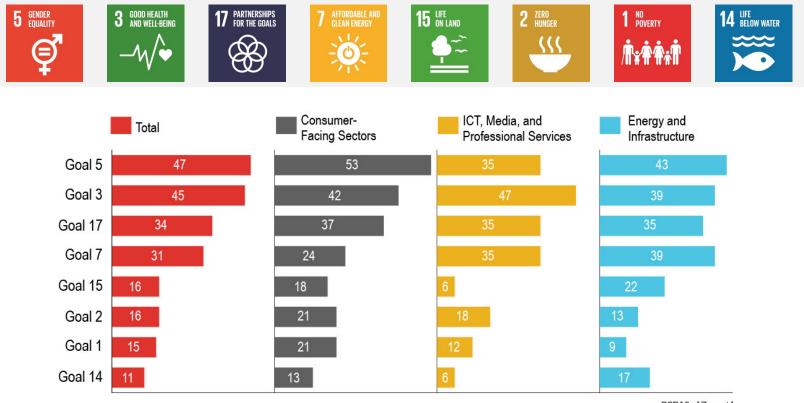
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There are some SDGs that are supported at similar levels across sector types: gender equality, health and well-being, partnerships, and clean energy have wide support, but others are notably underserved.

Commitments toward Sustainable Development Goals

All Company Respondents, Total Mentions, by Sector, 2018

	Total	Consumer-Facing Sectors	ICT, Media, and Professional Services	Energy and Infrastructure
Goal 5	47	53	35	43
Goal 3	45	42	47	39
Goal 17	34	37	35	35
Goal 7	31	24	35	39
Goal 15	16	18	6	22
Goal 2	16	21	18	13
Goal 1	15	21	12	9
Goal 14	11	13	6	17

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Q17. Toward which, if any, of the UN SDGs is your company pledging commitments?

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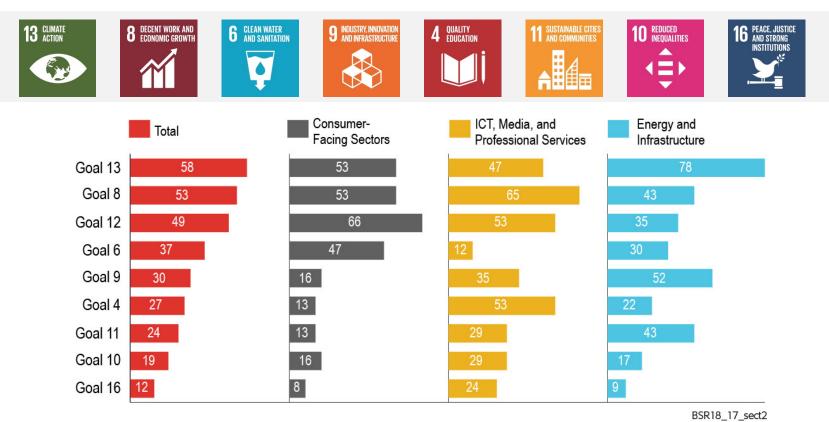
Commitments to some SDGs are more variable by sector, especially relating to clean water and sanitation, quality education, and strong institutions.

Commitments toward Sustainable Development Goals

All Company Respondents, Total Mentions, by Sector, 2018

	Total	Consumer-Facing Sectors	ICT, Media, and Professional Services	Energy and Infrastructure
Goal 13	58	53	47	78
Goal 8	53	53	65	43
Goal 12	49	66	53	35
Goal 6	37	47	12	30
Goal 9	30	16	35	52
Goal 4	27	13	53	22
Goal 11	24	13	29	43
Goal 10	19	16	29	17
Goal 16	12	8	24	9

BSR18_17_sect2

Q17. Toward which, if any, of the UN SDGs is your company pledging commitments?

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Focus Areas

How are companies addressing key sustainability issues across the value chain?

- This section of this report details the findings of questions covering five key areas of corporate sustainability:

| Climate Change | Human Rights | Inclusive Economy | Supply Chain Sustainability | Women's Empowerment |

- In the sections of the survey dealing with climate change, human rights, inclusive economy, and women's empowerment, we asked corporate sustainability practitioners to indicate how much focus is placed throughout the company's value chain on sustainability efforts in each of these key areas.

- The chart on the next slide indicates that many companies are still finding it challenging to implement sustainability efforts widely across their value chains.
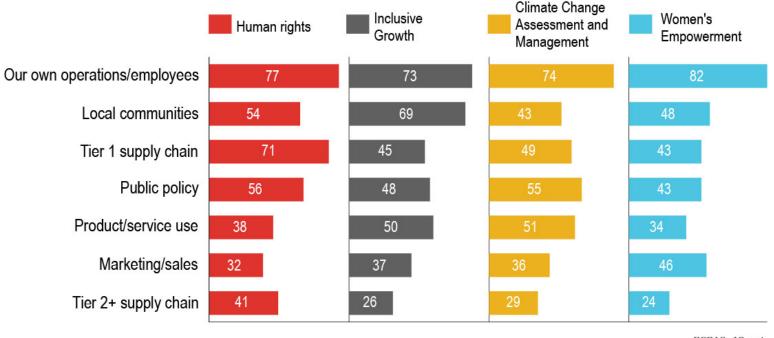
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Across issues, most companies focus their activities on operations and employees, some focus on local communities and Tier 1 supply chain, and few pay attention to Tier 2+ suppliers, product use, or marketing.

Corporate Focus on Thematic Activities Throughout Value Chain
All Company Respondents, At least a fair amount,* 2018

	Human rights	Inclusive Growth	Climate Change Assessment and Management	Women's Empowerment
Our own operations/employees	77	73	74	82
Local communities	54	69	43	48
Tier 1 supply chain	71	45	49	43
Public policy	56	48	55	43
Product/service use	38	50	51	34
Marketing/sales	32	37	36	46
Tier 2+ supply chain	41	26	29	24

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*Q19. How much, if at all, does your company focus on [TOPIC] through each of the following elements of the value chain? *At least a fair amount = "A lot" + "A fair amount"*
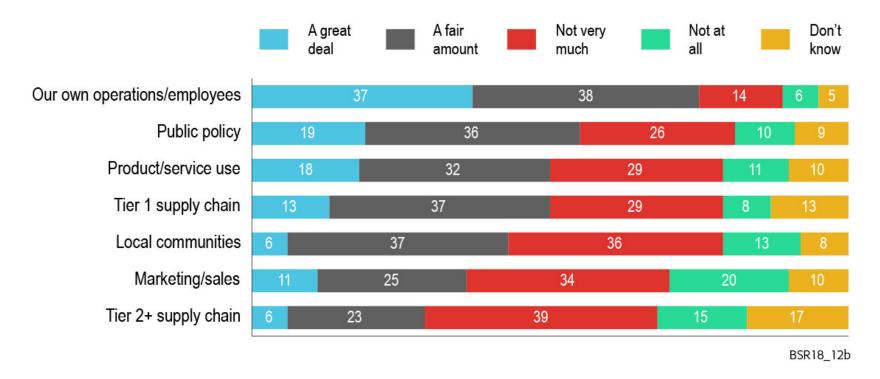
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Climate Change

Companies primarily assess climate change in their own operations and are much less likely to do so farther out in the value chain.

Level of Climate Change Assessment and Management through Value Chain
All Company Respondents, 2018

	A great deal	A fair amount	Not very much	Not at all	Don't know
Our own operations/employees	37	38	14	6	5
Public policy	19	36	26	10	9
Product/service use	18	32	29	11	10
Tier 1 supply chain	13	37	29	8	13
Local communities	6	37	36	13	8
Marketing/sales	11	25	34	20	10
Tier 2+ supply chain	6	23	39	15	17

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Q12. How much, if at all, does your company assess and manage climate change through each of the following elements of the value chain?
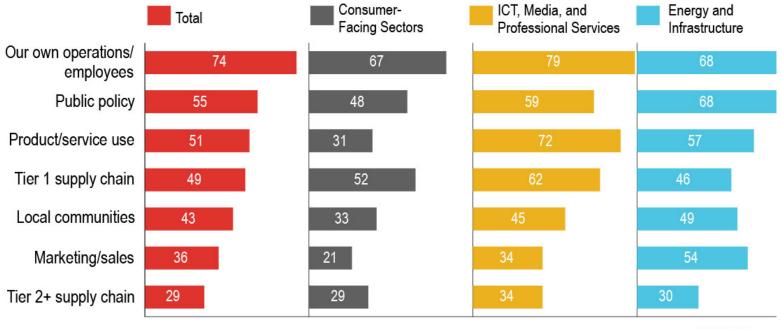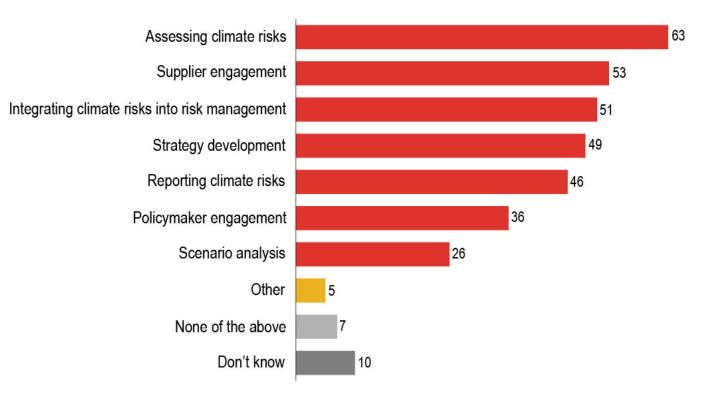
The ICT/media and energy and infrastructure sectors appear to be leading in addressing climate change across elements of the value chain, while consumer-facing sectors' focus is narrower.

Level of Climate Change Assessment and Management through Value Chain
All Company Respondents Selecting "A lot" (1+2), by Sector, 2018

	Total	Consumer-Facing Sectors	ICT, Media, and Professional Services	Energy and Infrastructure
Our own operations/ employees	74	67	79	68
Public policy	55	48	59	68
Product/service use	51	31	72	57
Tier 1 supply chain	49	52	62	46
Local communities	43	33	45	49
Marketing/sales	36	21	34	54
Tier 2+ supply chain	29	29	34	30

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Q12. How much, if at all, does your company assess and manage climate change through each of the following elements of the value chain?

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Efforts to build climate resilience have focused on risk assessment, risk management, and supplier engagement.

Actions Completed or Currently Underway to Mitigate Climate Risks and Impacts
Percentage of All Company Respondents Identifying Each Action, Total Mentions, 2018

Action	Value
Assessing climate risks	63
Supplier engagement	53
Integrating climate risks into risk management	51
Strategy development	49
Reporting climate risks	46
Policymaker engagement	36
Scenario analysis	26
Other	5
None of the above	7
Don't know	10

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Q13. What activities have your company completed, or are currently undertaking, to build resilience to climate risks and impacts?

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Human Rights

Companies have moved their human rights efforts beyond Tier 1 suppliers and own operations, with over half managing them at least a fair amount with business partners, in local communities, and through public policy.

Assessment and Management of Human Rights through Elements of Value Chain
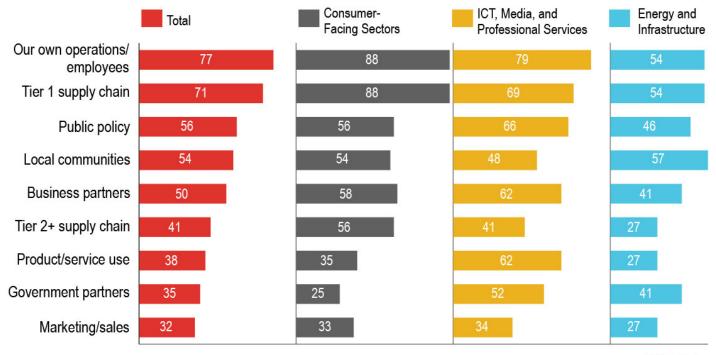All Company Respondents, 2018

	A great deal	A fair amount	Not very much	Not at all	Don't know
Tier 1 supply chain	38	34	10	3	15
Our own operations/employees	37	40	13	2	8
Business partners	13	37	30	5	15
Public policy	11	45	22	9	13
Local communities	11	43	23	9	14
Product/service use	11	28	33	12	16
Government partners	11	24	36	11	18
Tier 2+ supply chain	9	32	28	9	22
Marketing/sales	8	24	36	17	15

BSR18_10

Q10. How much, if at all, does your company assess and manage human rights through each of the following elements of the value chain?

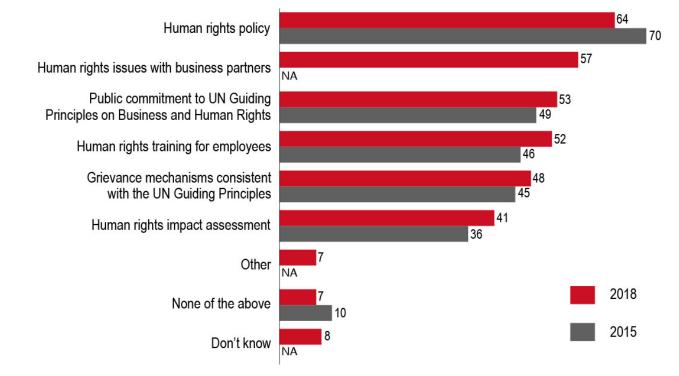# At least seven in ten consumer-facing and ICT companies are focused on human rights in their Tier 1 supply chains; ICT companies are also expanding efforts to product/service use and government partners.

Assessment and Management of Human Rights through Elements of Value Chain
All Company Respondents, Total Mentions, by Sector, 2018

	Total	Consumer-Facing Sectors	ICT, Media, and Professional Services	Energy and Infrastructure
Our own operations/ employees	77	88	79	54
Tier 1 supply chain	71	88	69	54
Public policy	56	56	66	46
Local communities	54	54	48	57
Business partners	50	58	62	41
Tier 2+ supply chain	41	56	41	27
Product/service use	38	35	62	27
Government partners	35	25	52	41
Marketing/sales	32	33	34	27

BSR18_10_hr

Q10. How much, if at all, does your company assess and manage human rights through each of the following elements of the value chain?

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While human rights efforts have improved overall since 2015, fewer than half of companies are undertaking human rights impact assessments or have grievance mechanisms consistent with the UNGPs.

Activities Advancing Human Rights

All Company Respondents, Total Mentions, 2015 vs 2018

Activity	2018	2015
Human rights policy	64	70
Human rights issues with business partners	57	NA
Public commitment to UN Guiding Principles on Business and Human Rights	53	49
Human rights training for employees	52	46
Grievance mechanisms consistent with the UN Guiding Principles	48	45
Human rights impact assessment	41	36
Other	7	NA
None of the above	7	10
Don't know	8	NA

BSR18_11

Q11. What activities are you undertaking (or have you undertaken) to advance human rights in your company? Please select all that apply.

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Inclusive Economy

Corporate priority on inclusive growth has returned to the level seen in 2016, raising the question of whether the uptick in 2017 was driven by prominent social and political issues at the time.

Priority Placed on Inclusive Growth in Company
"High Priority," All Company Respondents, 2015–2018

BSR18_18_trk

This may not mean that companies are deprioritizing inclusive growth, however. It could indicate a stronger, more purposeful response from companies in 2017 to mega-trends, such as Brexit and the U.S. election.

Q18. How much priority, if any, does your company place on inclusive growth?
(1+2) on a 4-point scale, where 1 is "A great deal" and 4 is "None at all"

Companies are primarily addressing inclusive growth through their own operations and local communities, with much less focus on supply chain, public policy, or product access.

Focus on Inclusive Growth Activities
All Company Respondents, 2018

Legend: A great deal | A fair amount | Not very much | Not at all | Don't know

Activity	A great deal	A fair amount	Not very much	Not at all	Don't know
Our own operations/employees	21	53	14	4	8
Local communities	18	52	18	4	8
Public policy	9	39	33	6	13
Product/service access and use	10	40	23	8	19
Tier 1 supply chain	7	38	26	10	19
Marketing and sales	4	33	34	8	21
Tier 2+ supply chain	4	22	33	17	24

BSR18_19

Q19. How much, if at all, does your company focus on inclusive growth through each of the following elements of the value chain?

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Companies are focusing on quality jobs and living wages as a means to act on inclusive growth, but partnerships with community organizations remain the most significant inclusive growth priority.

Inclusive Growth Priorities

All Company Respondents, 2018

	High priority	Medium priority	Low/no priority	Don't know
Partnering with community organizations near operations or suppliers	28	46	16	10
Improving job quality and living wages	29	39	16	16
Connecting disadvantaged youth/communities to employment	20	41	22	17
Developing career paths for low-wage workers	21	37	24	18
Employing people from disadvantaged groups	13	43	28	16
Preparing the workforce for transition to automation	20	35	29	16
Providing products/services to marginalized groups	24	26	33	17
Job creation in areas of high unemployment	11	37	33	19
Influencing governments for more inclusive public policy	12	33	36	19
Providing platforms to help displaced persons	8	23	53	16

BSR18_20

Q20. How much of a priority, if at all, will the following issues be for your company's inclusive growth work over the coming year?

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Supply Chain

Only one in five sustainability professionals consider their company's supply chain sustainability efforts to be effective—and since last year, there has been an increase in the number of people finding them ineffective.

Effectiveness of Supply Chain Management Efforts in Addressing Sustainability Issues
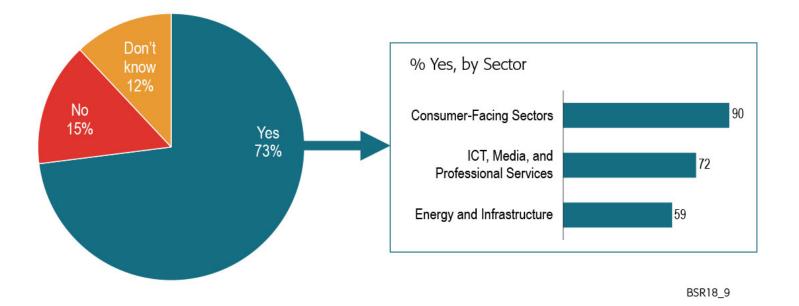All Company Respondents, 2018

Legend: ■ Effective ■ Neither effective nor ineffective ■ Ineffective ■ Don't know

Year	Effective	Neither effective nor ineffective	Ineffective	Don't know
2018	22	51	24	4
2017	23	53	19	5

BSR18_8

Q8. 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?

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Nearly three-quarters of companies are applying new technologies or innovative approaches to address supply chain sustainability.

Companies Applying New Technologies to Address Supply Chain Sustainability
All Company Respondents, 2018

BSR18_9

*Q9. Compared with three years ago, is your company applying **new** technologies or approaches to address sustainability in your supply chain?*
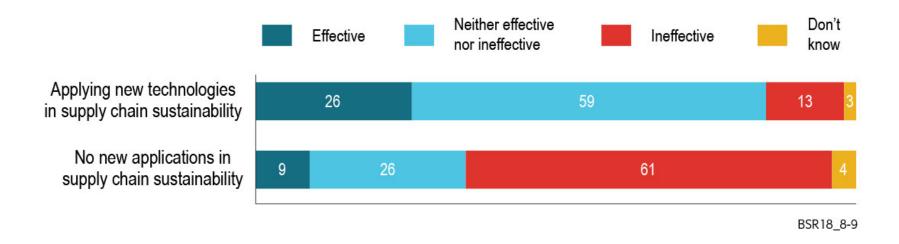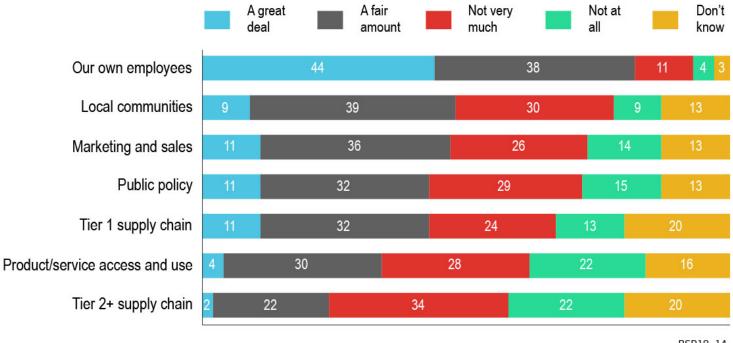
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Companies that are innovating in supply chain management are much more likely to see their overall efforts as effective.

Effectiveness of Supply Chain Management Efforts in Addressing Sustainability Issues
Companies Applying New Technologies vs Those that Are Not, 2018

Legend: Effective | Neither effective nor ineffective | Ineffective | Don't know

	Effective	Neither effective nor ineffective	Ineffective	Don't know
Applying new technologies in supply chain sustainability	26	59	13	3
No new applications in supply chain sustainability	9	26	61	4

BSR18_8-9

Q8. 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?

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Women's Empowerment

Companies have an opportunity to expand women's empowerment efforts to other segments of the value chain, particularly as women make up a majority of consumers and workers in many global supply chains.

Focus on Women's Empowerment through Value Chain

All Company Respondents, 2018

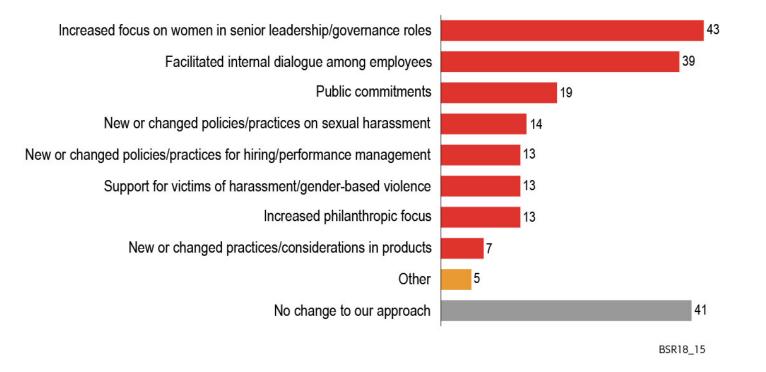Legend: A great deal | A fair amount | Not very much | Not at all | Don't know

	A great deal	A fair amount	Not very much	Not at all	Don't know
Our own employees	44	38	11	4	3
Local communities	9	39	30	9	13
Marketing and sales	11	36	26	14	13
Public policy	11	32	29	15	13
Tier 1 supply chain	11	32	24	13	20
Product/service access and use	4	30	28	22	16
Tier 2+ supply chain	2	22	34	22	20

BSR18_14

Q14. How much, if at all, does your company focus on women's empowerment through each of the following elements of the value chain?

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Despite increased public attention on gender issues and harassment, four in ten companies report no change in their approach to women's empowerment.

Actions Taken in Response to Women's Empowerment Activism
All Company Respondents, Total Mentions, 2018

Increased focus on women in senior leadership/governance roles	43
Facilitated internal dialogue among employees	39
Public commitments	19
New or changed policies/practices on sexual harassment	14
New or changed policies/practices for hiring/performance management	13
Support for victims of harassment/gender-based violence	13
Increased philanthropic focus	13
New or changed practices/considerations in products	7
Other	5
No change to our approach	41

BSR18_15

Q15. In which, if any, of the following ways has the recent surge of global women's empowerment activism (e.g., women's marches, sexual harassment accusations, #metoo) affected change in your approach to women's empowerment?

Companies who have adjusted their women's empowerment approach in response to recent activism are more likely to address it across elements of the value chain.

Focus on Women's Empowerment through Value Chain

Companies Who Have Taken Any Action in Response to #MeToo vs Companies with "No Change to Our Approach," 2018

BSR18_14_15

Q14. How much, if at all, does your company focus on women's empowerment through each of the following elements of the value chain?

Q15. In which, if any, of the following ways has the recent surge of global women's empowerment activism (e.g., women's marches, sexual harassment accusations, #metoo) affected change in your approach to women's empowerment?

Evolution of the Sustainability Function

Corporate sustainability professionals see the need for resilient business strategies, rather than stand-alone sustainability strategies, that leverage data and technology to create value and respond to mega-trends.

Ways the Sustainability Function Needs to Evolve, Unprompted

All Company Respondents, 2018

The sustainability function will be increasingly strategic, resilient, and embedded across departments, rather than serving as a separate function.

Strategic and Resilient

Data-Driven

Solutions Oriented

As more companies embrace sophisticated frameworks to progress sustainability (e.g. SDGs), reporting will also need to evolve and become more technologically advanced. The sustainability function should embrace opportunities in technology, like big data and AI. Better data and reporting will also provide needed evidence to quantify and communicate the business value of sustainability to financial stakeholders.

Emerging global challenges will require the sustainability function to become more solutions-oriented and embrace innovation. Environmental threats are top of mind, with many saying that the sustainability function will need to lead in innovating solutions for climate resilience.
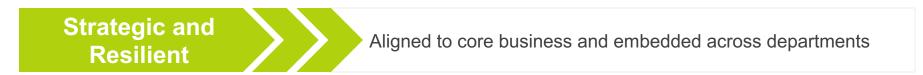
Q1. Thinking about the next 5 years, how do you think the corporate sustainability function will need to evolve in order to effectively respond to emerging global challenges?

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Sustainability must evolve to be. . .

Strategic and Resilient ➤➤ Aligned to core business and embedded across departments

➤➤ **Part of C-suite/corporate strategy**

"To be completely integrated in the business and long term strategy processes of the company."

"They will need to be integrated into the executive top committees, which isn't the case today. As long as it's considered as a support function and not a strategic function, we will only make cosmetic progress."

➤➤ **Embedded across departments**

"Integrate sustainability into all business activities instead of building up departments."

"It must be integrated within each functional area, rather than be a 'department.' Reporting should be done similarly, integrated into each function."

➤➤ **Aligned to core business**

"This function will be increasingly be expected to incorporate sustainability into the core business and not to have separate sustainability initiatives outside of the core business."

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Sustainability must evolve to be. . .

Data-Driven ▶▶ To elucidate the tangible benefits of sustainability and respond to transparency demands from external and internal stakeholders

Quantify value to business in terms of ROI

"Any meaningful project should be financially feasible, meaning it should provide an adequate ROI (something hard to measure given the intangible nature of sustainability benefits)."

"Sustainability functions will need to continue to provide solutions, strategies, and initiatives that add value to the organization and have a direct impact on increased revenue."

Enhance understanding of impact

"Improve measurement so initiatives/impacts are concrete and can be communicated clearly to the public."

"Data to show real-time change to demonstrate benefits."

Increase focus on reporting and transparency

"More transparency will be expected from external stakeholders, so reporting is a function that will need to be strengthened."

Sustainability must evolve to be. . .

Solutions-Oriented → Able to respond to dynamic trends and growing environmental challenges

Embrace innovative approaches

"Account for maturing business models and innovative new models that will raise different sustainability questions."

Adapt to new technology

"Digitize and use new technology to drive sustainability performance and scale faster."

"Employ smarter technological tools."

"Adapt new technologies to sustainability challenges, e.g. blockchain."

Address environmental challenges

"Greater focus will have to be on environment-related issues."

"The function will need to include material traceability and environmental concentration and develop new ways to reduce, recycle, and be transparent."

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