



The State of Sustainability 2015

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April 2015

Acknowledgements

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We are grateful to the 1,474 sustainability professionals within the Ethical Corp community that took the time to share their experiences and outlooks in our survey.

A special acknowledgement goes out to the those individuals who gave generously of their time and expertise in the contributing further insight to this report: Christine Diamente (Alcatel-Lucent), Ian Ellison (Jaguar Land Rover), Dave Stangis (Campbell Soup Company)



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Contents

Introduction	5
Chapter 1 – Our respondents	6-8
Chapter 2 – How important is sustainability for your organisation.....	9-11
Chapter 3 – How do you organise sustainability?.....	12-13
Chapter 4 – Put your money where your mouth is.....	14-16
Chapter 5 – Making it real	17-22
Chapter 6 – Earning the return.....	23-25
Chapter 7 – Looking outwards and looking forwards	26-29
Chapter 8 – Some key takeaways.....	30-31
Chapter 9 – Corporate feedback on our findings.....	32-34

Welcome to Ethical Corporation's first State of Sustainability report – a comprehensive picture of how sustainability is being approached by a wide range of organisations across the world.

This report is the first annual survey to gauge the current state of corporate responsibility and sustainability around the world. Over the coming years we'll document the evolution of sustainability; this, and future reports, will be used to benchmark the progress. In this report we asked our community, of which nearly 1,500 responded, about:

- **The significance of sustainability.** What does it mean for different organisations? How seriously is it taken at the highest levels of management? Who, ultimately, takes responsibility?
- **The organisation of sustainability operations.** Does silo thinking about sustainability still prevail, or is sustainability becoming embedded throughout the organisation? Is sustainability still largely a back-office function – providing information, training and monitoring – or a frontline role, with direct implications for the functioning of other departments? What place does sustainability have in agenda setting?
- **Sustainability budgets and returns.** What resources do organisations dedicate to sustainability? What are the identifiable returns and how are they measured?

- **Future prospects.** How will sustainability evolve in the year ahead, and what will the situation be in five years' time?

Our respondents told us that the great majority of organisations are now convinced of the value of sustainability. The sustainability discipline has largely escaped from its silo and is now a vital aspect of strategic planning. This is especially true for supply chain management – arguably the area of greatest reputational and operational risk for modern multinationals operating in a globalised environment.

But although sustainability is now a key strategic issue, our respondents reported that there is considerable scope for more to be done to leverage its potential. This is no surprise. Huge sustainability challenges lay ahead and responding to these implies considerable changes to business models and practices. In this context, the *State of Sustainability 2015* report is a baseline study, and a starting point for further work.

The sustainability discipline has largely escaped from its silo and is now a vital aspect of strategic planning

CHAPTER 1

Our respondents

The information our respondents have provided offers valuable insights into the current condition of corporate sustainability

Ethical Corporation’s *State of Sustainability 2015* report is a detailed snapshot of what sustainability means for a range of companies and organisations – and how they turn sustainability concepts into operational principles.

The survey is comprehensive: nearly 1,500 individuals gave in-depth answers through a range of channels – online, by email and via social media – during December 2014 and January 2015. One can see the entire data set [here](#).

Our respondents work for companies from a range of sectors – energy, transportation, mining, tourism, banking, chemicals, retail, information technology and many others. Our respondents are also the people who advise those companies, the government officials who regulate them and the non-profit groups that perform a watchdog role and attempt to work with companies to make the practice of sustainability more concrete.

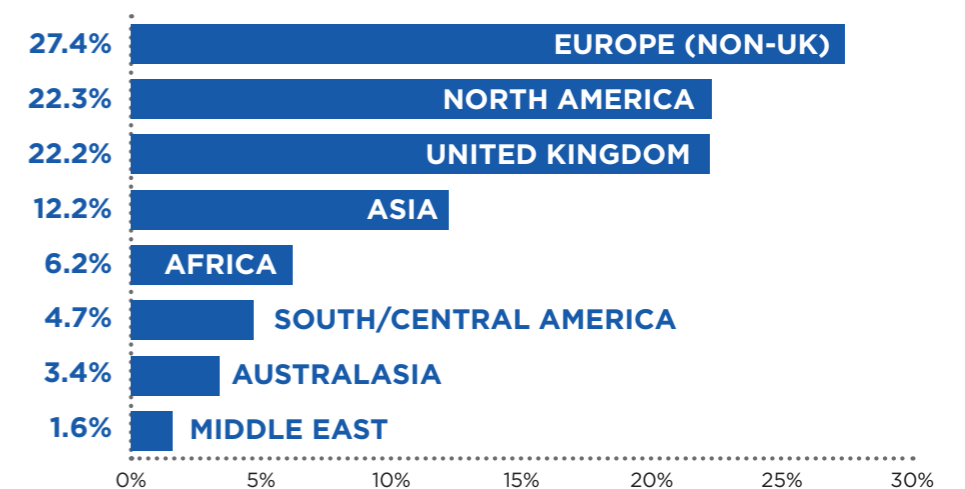
The information they have provided offers valuable insights into the current condition of corporate sustainability. Future editions of the *State of*

Sustainability 2015 report will build on these insights by capturing emerging trends and notable developments.

GLOBAL SCOPE

Our *State of Sustainability 2015* report has a wide reach, covering all continents with the honourable exception of Antarctica. Nearly a quarter of respondents were UK-based executives, experts and NGOs. About three quarters of our 1,474 respondents were based in the UK, the rest of Europe and North America, and 12.2% of the total number of respondents came from Asia.

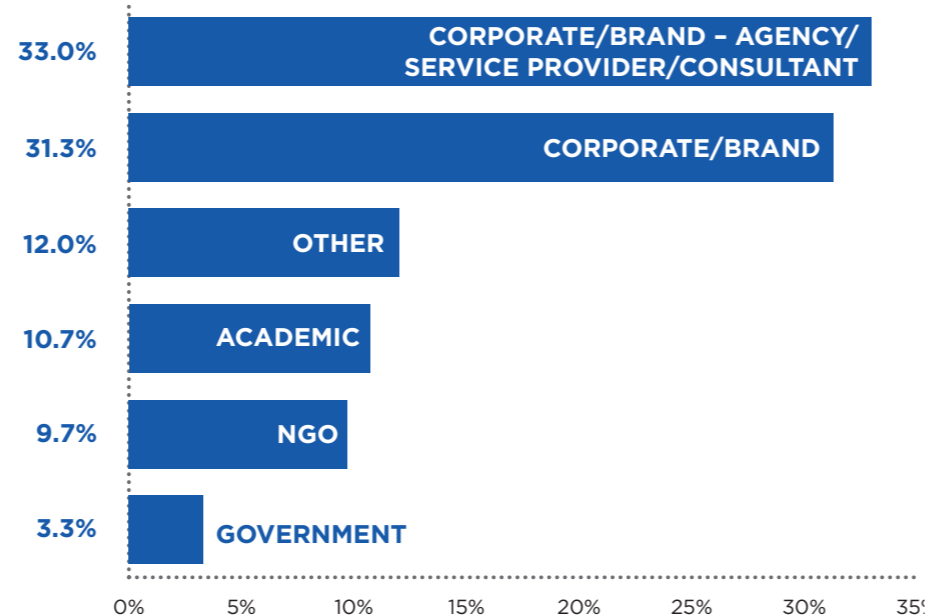
Location of respondents



In terms of the type of organisation that our respondents represent, there was a fairly even split between companies/brands (31.3%), consultants/service providers (33%) and a third segment including academia, NGOs and government (36%).

It is important to note that our survey captures the wide range of people working on sustainability, in companies but also in other organisations. In the analysis that follows, we often make the distinction between corporate and non-corporate respondents to draw out new perspectives.

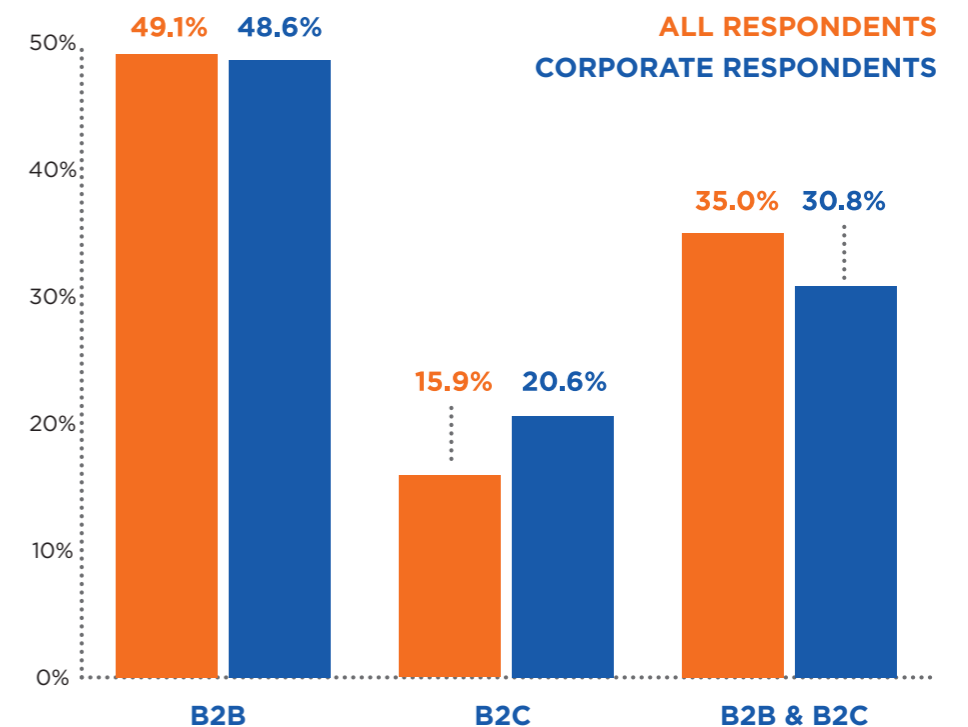
Q: Which of the following best describes where you work?



About half of our respondents had a B2B focus in their work, while 16% were working in consumer-facing sectors, and 35% had a split B2B and B2C focus.

It might be thought that the high proportion of overall respondents with a B2B focus reflects the wide range of the survey, including consultants. However, drilling down to the corporate/brand respondents, the survey shows the same proportions – 49% in B2B, 21% in B2C and 31% in B2B/B2C equally.

Q: Are you more B2B or B2C focussed?

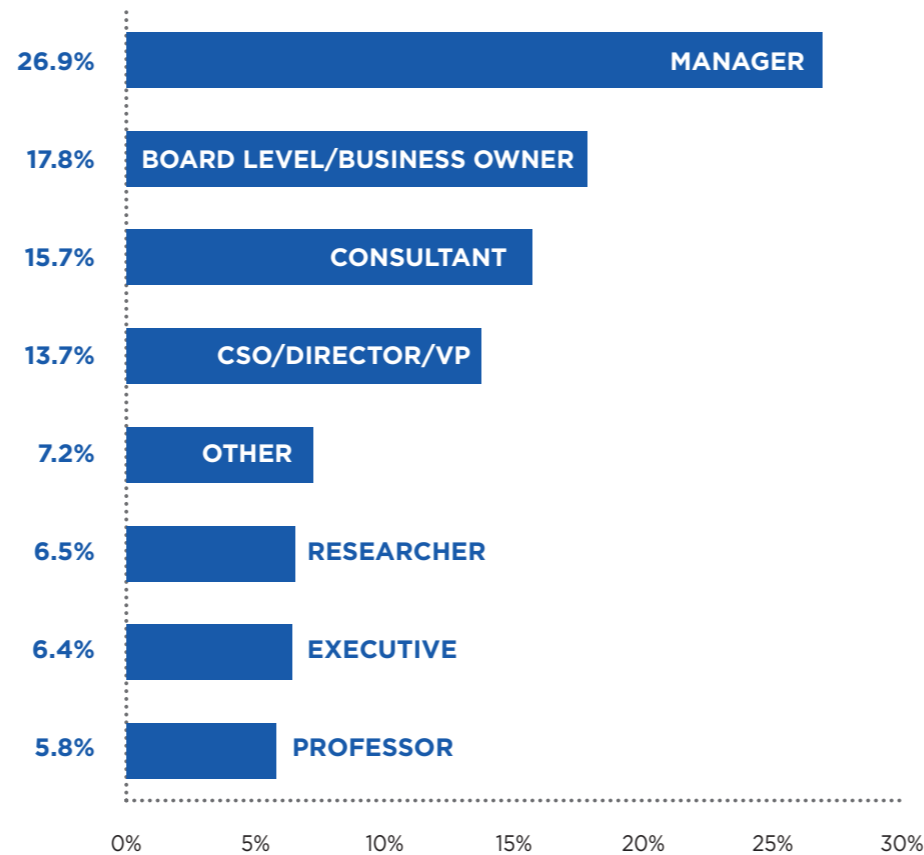


A breakdown of our respondents by role shows that many deal with sustainability at a senior level in their organisation. Overall, 65% of respondents identified themselves as being either; owners, board members chief sustainability officers, senior management, managers or executives of their organisations.

Overall, **65%** of respondents identified themselves as owners or board members

In 14% of cases, our respondents identified themselves as CSOs

Q: What best describes the level of your role?



In 14% of cases, our respondents identified themselves as CSOs, a level that was broadly similar for European and North American respondents, though slightly higher for respondents from Asia (15.6%).

The high professional level of our respondents means that the *State of Sustainability 2015* report provides a good understanding of how sustainability is perceived and integrated into the day-to-day operational concerns of companies.

For respondents from companies, this proportion increases to 84%, with nearly half of corporate respondents identifying themselves as managers and a further 29% falling into the categories of business owners, board members, CSOs and other senior management.

CHAPTER 2

How important is sustainability for your organisation?

The practice of sustainability in organisations has been through several stages of evolution – from something done, sometimes grudgingly, for public relations or regulatory purposes, to ever greater integration into the other operations of the organisation.

More recently, sustainability concerns and strategy have been elevated to board level. Nevertheless, we would expect significant differences to still exist between organisations and the evolutionary stage of sustainability that they have reached.

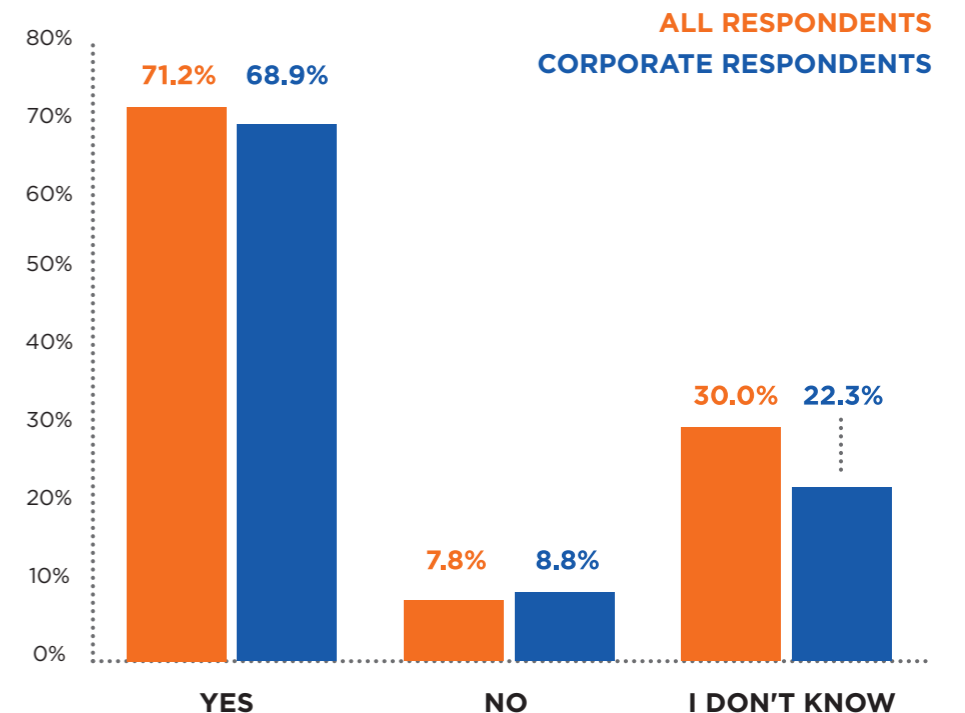
Of course, the captain of the ship sets the course the ship takes. Any organisation in which the top level commitment to sustainability is lacking is going to struggle to effectively and seriously implement sustainability strategies and programmes.

Happily, we found that corporate leaders are becoming increasingly persuaded of the value of sustainability for their company. Of our corporate respondents, 69% said their CEO was convinced of the value of sustainability. For the wider range of organisations covered by our survey, the figure was 71%. Only 9% of corporate respondents, and

8% respondents overall answered this question negatively. The remainder were unsure – which might suggest that if sustainability is taken seriously at the top level in their organisation, it is not being effectively communicated down the line.

69% of our corporate respondents said their CEO was convinced of the value of sustainability

Q: Is your CEO convinced of the value of sustainability?



89% of our corporate respondents that said sustainability is becoming an increasingly important part of their business strategy

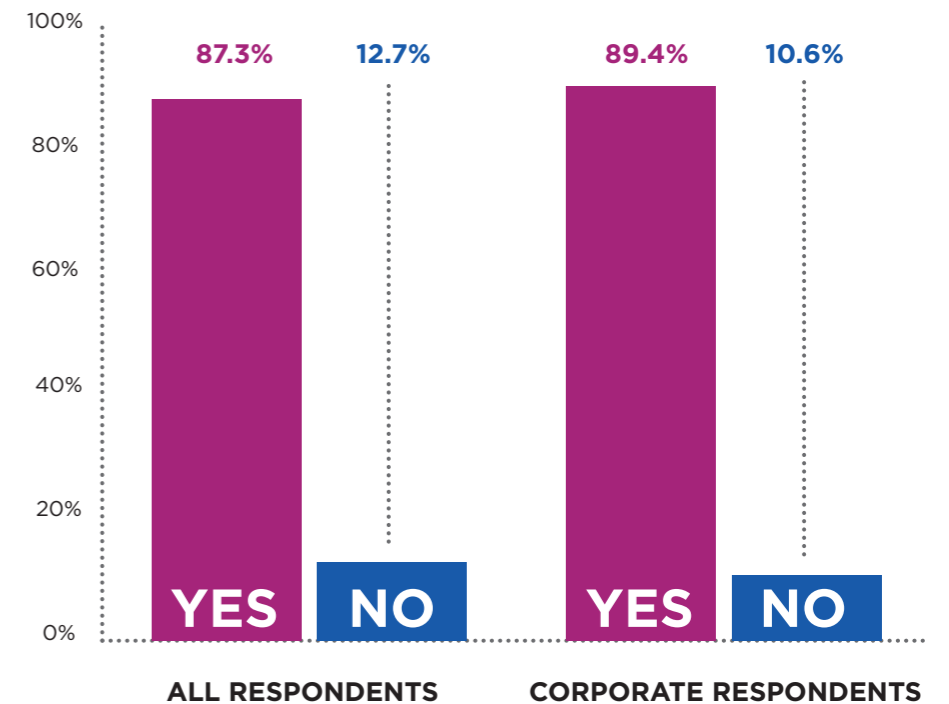
Our finding chimes with other surveys, which have identified the increasing boardroom acceptance of the importance of sustainability. For example, McKinsey in 2014 found that sustainability was a top three priority for 49% of CEOs¹, up from 34% in 2010.

TAKING ACTION

When we asked our respondents if sustainability is becoming an increasingly important part of their business strategy, we found that a resounding majority said yes – 89% of corporate respondents answered in the affirmative, which fell to 87% when all respondents were included.

It is interesting that this proportion exceeds that of respondents – about 70% – who said their CEO takes sustainability seriously. It suggests that even for organisations where the CEO is not serious about sustainability, or where the CEO’s attitude is an unknown quantity, other factors are at work putting the issue on the agenda. This could include external pressures in various forms, such as consumer demand, supply chain issues or regulatory requirements.

Q: Is sustainability becoming an increasingly important part of your business strategy?



HIGHER LEVELS

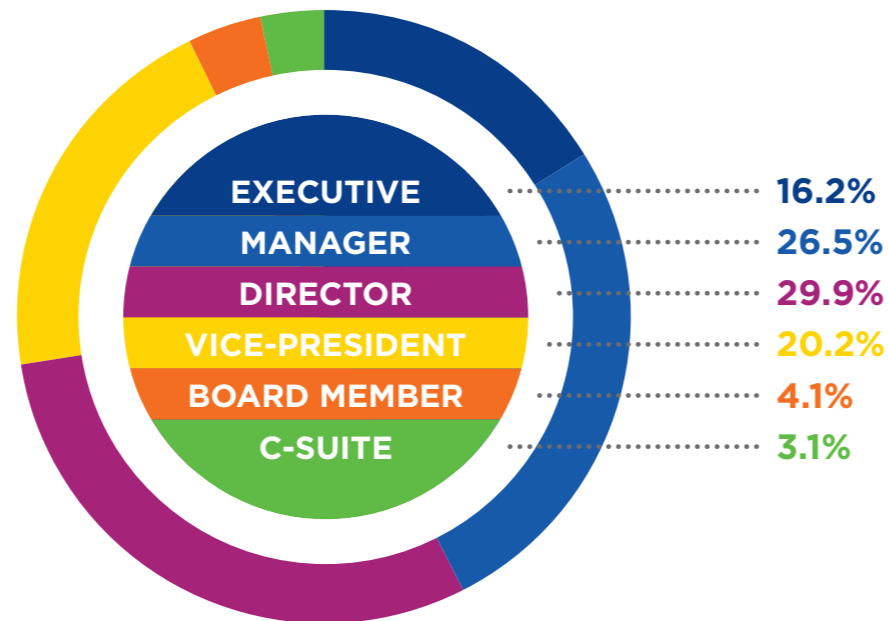
We further captured the seriousness that organisations accord to sustainability with a question regarding the level of seniority held by the head of the sustainability team.

Our survey showed that responsibility for sustainability has been elevated to a high level in a large proportion of companies covered by our results. Of our corporate respondents, 57% identified the head of the sustainability team as a director, vice-president or other person at board level. For all respondents, this proportion was 53%.

¹ http://www.mckinsey.com/insights/sustainability/sustainabilitys_strategic_worth_mckinsey_global_survey_results.

Nevertheless, although responsibility for sustainability has been allocated to high-level management in a majority of cases, the most senior managers in the C-suite shoulder direct responsibility in only 3% of cases, according to corporate respondents (this is slightly higher, at 5%, when all respondents are considered).

Q: What level of seniority is the head of the 'sustainability team'? (Corporate/brand respondents)



54% of all our respondents said that their sustainability team reports directly to board level or the CEO

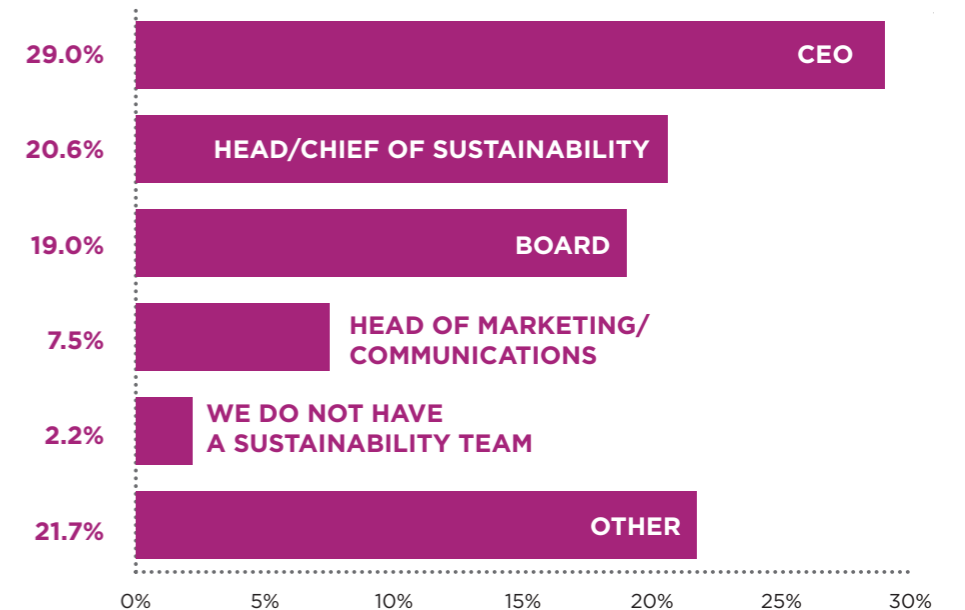
WHERE DOES THE BUCK STOP?

The increasing seriousness with which boardrooms treat sustainability is also shown by information from our respondents on reporting lines. Of our corporate respondents, nearly half (48%) said the sustainability team ultimately reports to the board or directly to the CEO. A further 21% report to a head of sustainability.

Meanwhile the overlap between marketing and sustainability is now present in only a few organisations – 7.5% of corporate respondents said their sustainability team reports to the head of marketing or communications.

For the wider universe of all our respondents, 54% said that their sustainability team reports directly to board level or the CEO, while 19% said that reporting is done to the head of sustainability.

Q: Who does the 'sustainability team' ultimately report to?



Our results overall show that not only are CEOs and senior executives becoming, by a large majority, increasingly convinced of the need for a strategic approach to sustainability, but they are increasingly taking a hands-on approach, putting in place reporting lines to feed up the information needed for strategic decision making.

CHAPTER 3

How do you organise sustainability?

57%
of corporates have a sustainability team of 10 or less

The story of corporate sustainability in the last 15 years has arguably been a story about escaping from a silo. There is no doubt that the escapees are increasingly successful, as the discussion in chapter 2 on reporting lines shows, and as we shall show further in chapter 5.

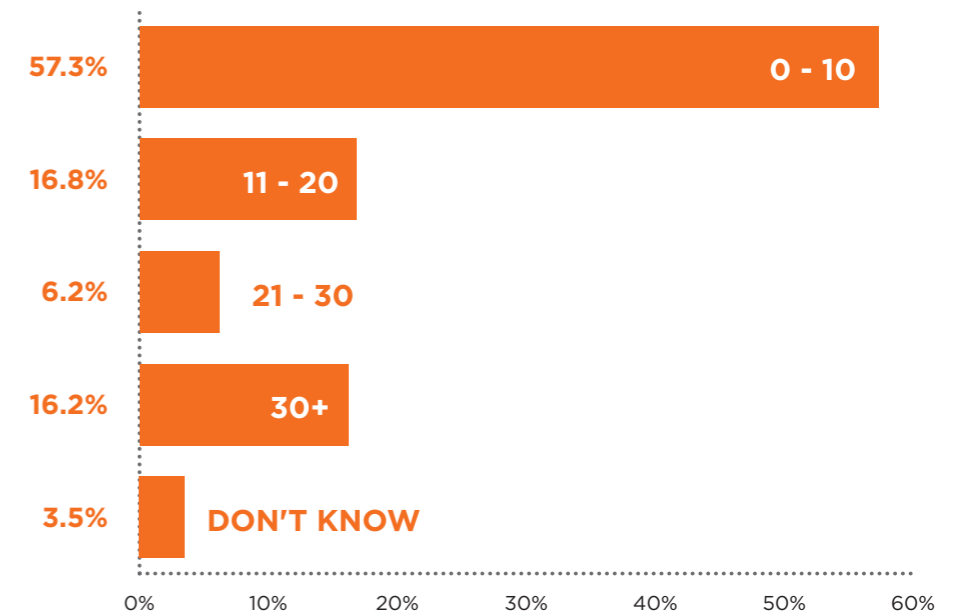
Nevertheless, most organisations organise the sustainability function in a discrete team. This was the case for more than three-quarters of our corporate respondents. The proportion was lower for all respondents (58%) but this is a reflection of the differing organisations our respondents work for, including NGOs and academic institutions.

We drilled down to find out how large sustainability teams are and found that in nearly 15% of cases overall, sustainability teams employ more than 30 people. For corporate respondents, this proportion was a little higher at 16%.

In most organisations, the number of people working on sustainability is lower – up to 10 in 62% of cases, though this proportion falls to 57% for corporate respondents. Our European respondents indicated larger sustainability

teams in general – in 33% of cases, teams consisted of 11 or more people, compared to 28% for North American respondents.

Q: How many staff members are employed in your company to work exclusively on sustainability? (Corporate/brand respondents)



OUTSIDE HELP

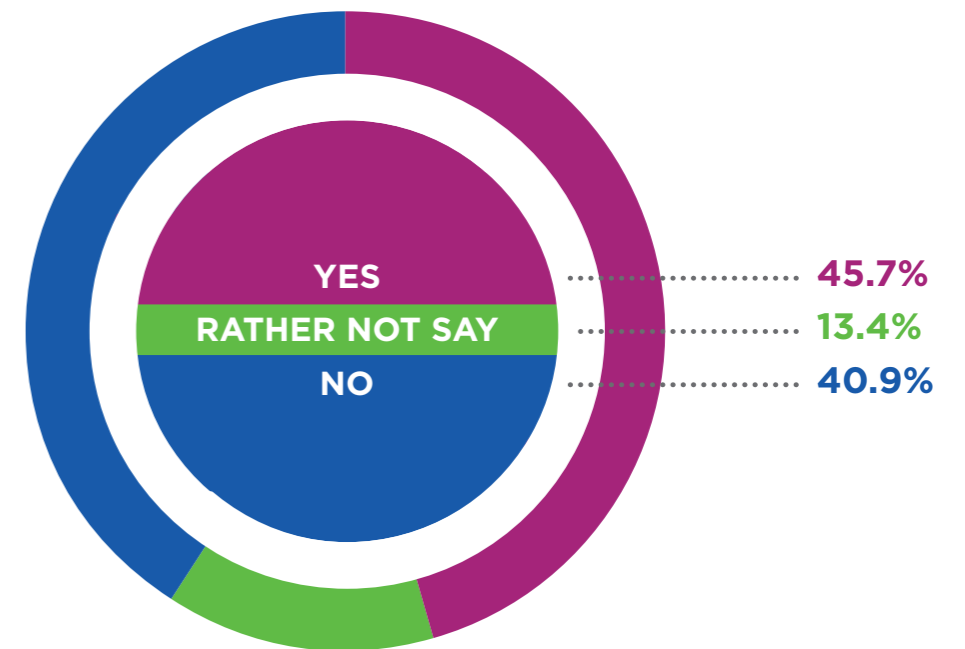
We also looked at the extent to which sustainability teams bring in external assistance.

Responses to the question 'Do you pay any external organisation for advice/assistance with your sustainability strategy?' indicated potentially rich pickings for sustainability consultants. Close to half of corporate respondents (46%) said they do, while 41% said they do not. This could indicate both solid existing demand for sustainability advice, and significant scope for consultants to put their persuasive talents to work to win new customers.

Unsurprisingly, considering that about a third of our respondents overall are themselves involved in consulting, the proportion that brings in outside help drops significantly (to 28%) when all responses are considered.

41% of corporate respondents said they **do not** pay any external organisation for advice with their sustainability strategy

Q: Do you pay any external organisation for advice/assistance with your sustainability strategy? (Corporate/brand respondents)



CHAPTER 4 Put your money where your mouth is

9% of all corporate responses have sustainability budgets in excess of \$2.5 million

A good proxy for how seriously organisations take sustainability is, of course, how much money they are prepared to spend on it. Unsurprisingly, we found a relatively small proportion of organisations with sustainability budgets in excess of \$1 million – 8% of our respondents overall fell into this category, though for corporate respondents, this proportion increased to 15%, with 9% having sustainability budgets in excess of \$2.5 million.

BIG (AND SMALL) SPENDERS

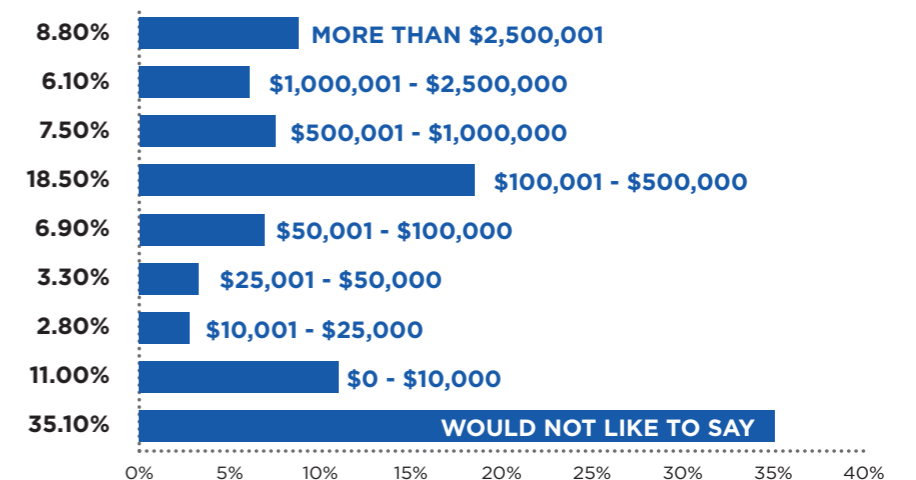
At the high end, there was a notable difference between Europe, where 5% of respondents claimed a budget in excess of \$1 million, and North America, where the proportion was nearly double – 9.5%. Among respondents based in Asia, 7% said their organisational budget was \$1 million or more.

Among corporate respondents, nearly one in five (18.5%) fell into the \$100,001 to \$500,000 bracket. Just under a quarter of corporate respondents (24%) had relatively low budgets under \$100,000. Unsurprisingly, this ratio

increased to 44% for all respondents, reflecting the wider range of organisations.

Low budgets are not necessarily a barrier to effective action to identify sustainability priorities and measure performance. The Global Reporting Initiative, in a 2013 paper², identified the cost of a sustainability report at as low as €2,000 to in excess of €100,000 (\$2,280 to \$114,135), with sustainability reporting costs often falling far below financial reporting or marketing costs.

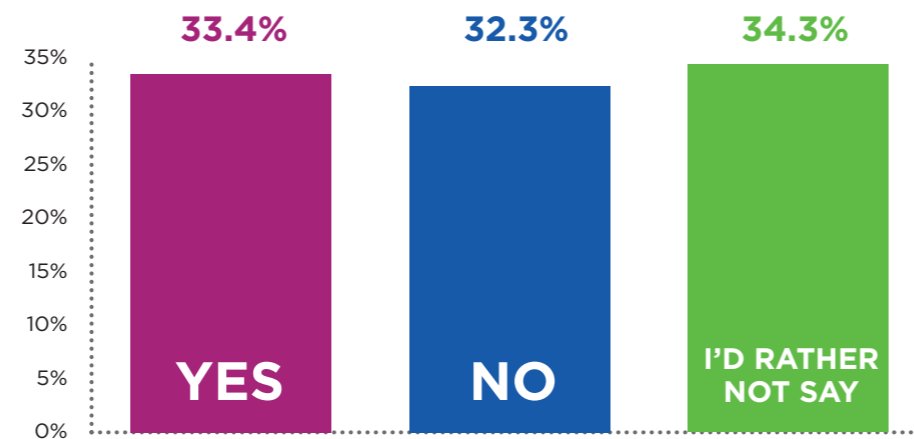
Q: What budget does your company have for sustainability activity? (in USD)



48% of all respondents expect budget increases above 5%

Our respondents were evenly split on whether their budgets for sustainability would increase in the year ahead. Among corporate respondents, about a third said yes, a third said no, and the remaining third were unable to say. These proportions are similar when all respondents are looked at, or when different geographical areas are considered.

Q: Will your budget for sustainability initiatives increase over 2015?



That a third of organisations expect to spend more on sustainability in the year ahead is a positive finding, while static or falling budgets in other organisations are perhaps a reflection of continued economic uncertainty.

Our finding broadly reflects the experience of other disciplines: for example, 40% of US companies in 2014 expected their public relations/communications budgets to rise, 35% expected a fall and 25% expected to remain static – a development seen as positive because those reporting higher budgets outnumber those expecting cuts, though for a sizeable proportion of companies, caution remains the watchword³.

Interestingly, however, for companies expecting higher budgets, the increase in the sustainability spend is ahead of inflation – considerably so in some cases. Out of the corporate respondents who expect increased spend, 42.5% said the increase would be in excess of 5%, with some (2.5%) expecting 51%-100% higher budgets. For organisations overall, 48% of respondents expected budget increases above 5%, with 2% expecting the resources at their disposal to more than double. Nearly a fifth (22.5%) expected more modest budget increases in the 1%-5% range.

North American respondents expected more generous budget increases, with 49% saying their resources would grow by 5% or more. The ratio in Europe was 44% and 43% in Asia.

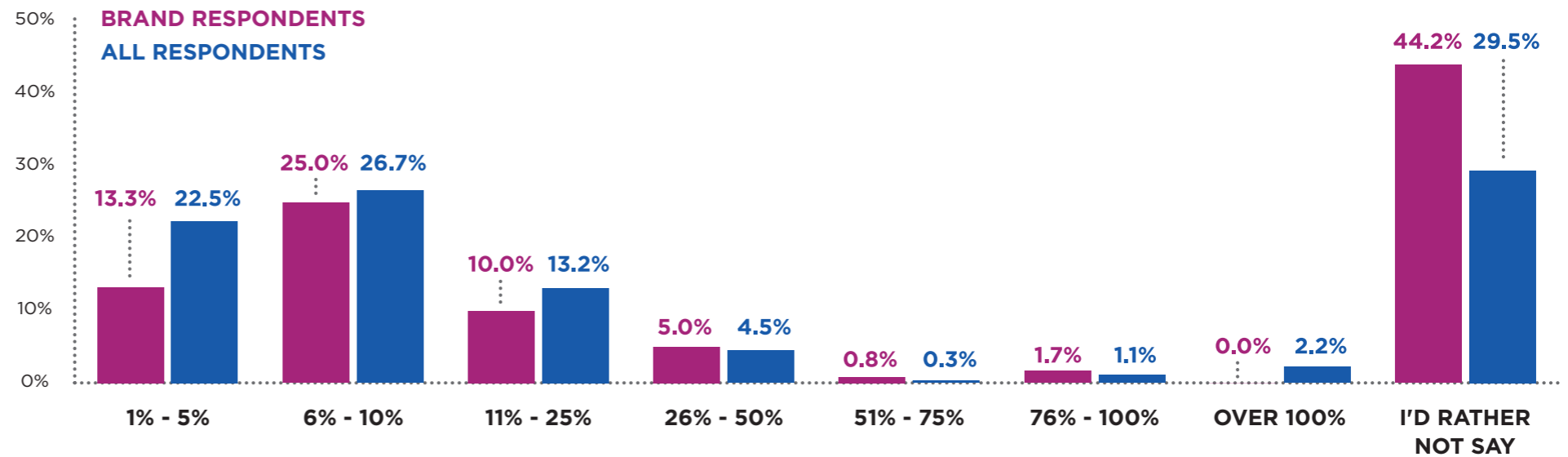
³ Eighth biennial Communication and Public Relations Generally Accepted Practices (GAP) Study, sponsored by the Public Relations Society of America: <http://ascjweb.org/gapstudy/gapviii/>.

This is perhaps a reflection of the swifter return to economic growth in the United States compared to Europe, while in Asia caution seems to be the watchword:

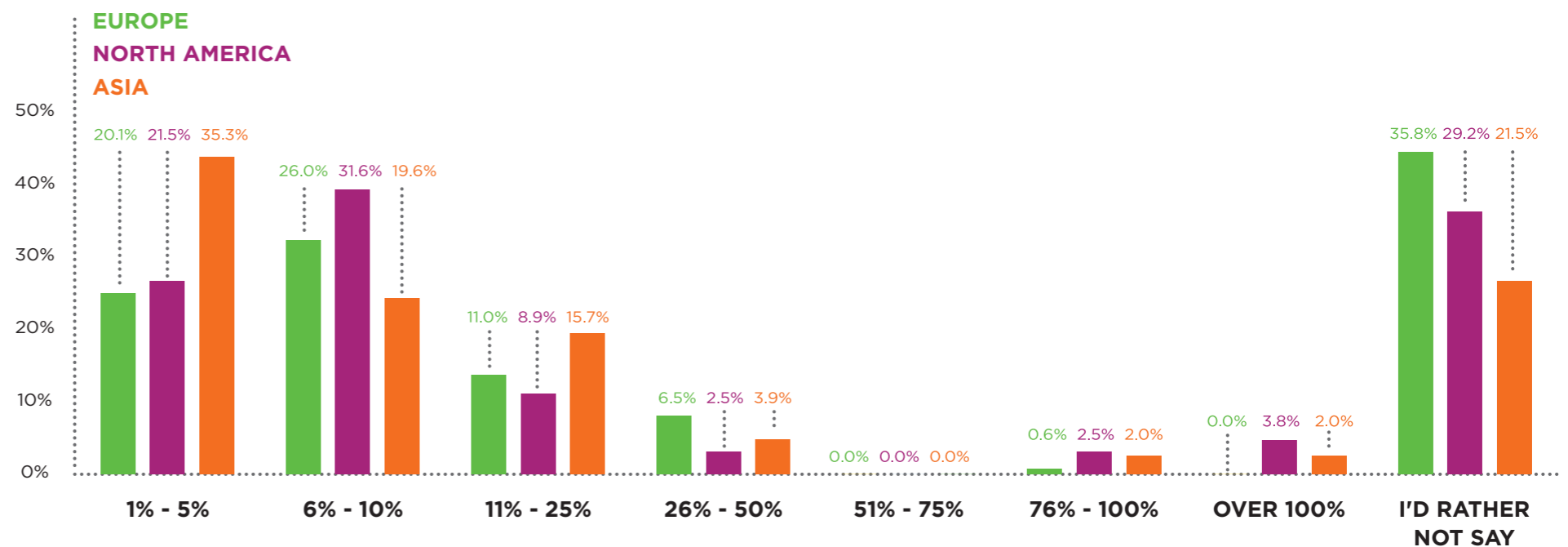
35% of Asian respondents expecting a budget rise said it would be in the 1% to 5% range, compared to 20% in Europe and 21.5% in North America.

Q: By what percentage will your sustainability budget grow in 2015?

49% of north American respondents said their resources would grow by 5% or more



Q: By what percentage will your sustainability budget grow in 2015? (by region)



CHAPTER 5

Making it real

Commitment to sustainability on paper is a starting point. Setting up a sustainability team and some form of monitoring, accompanied by appropriate reporting lines, is a further development. But to what extent and how are organisations actually operationalising sustainability and building it into their core business models?

Our examination of this question started with a look at where the emphasis is, in terms of the responsibilities of sustainability teams. Our survey identified the key activities as defining, or helping to define, the sustainability strategy, and playing both a helpdesk role by answering questions about sustainability and an evangelical role spreading the word throughout the organisation. In addition, sustainability teams emphasised the tracking of sustainability performance against key performance indicators (KPIs).

BACK OFFICE OR FRONTLINE?

Broadly speaking, our respondents placed somewhat more emphasis on the back-office roles of providing information, training and monitoring sustainability activities, rather than frontline implementation of the

sustainability strategy. Of our corporate respondents, 73% and 77% agreed or strongly agreed that their roles were, respectively, to execute the sustainability strategy, or to define the strategy for others to execute.

By contrast, 85% said they agreed or strongly agreed that their role was to offer training or spread knowledge about sustainability, and 86% said they had a major KPI-monitoring role.

This distinction was reflected in the survey outcome for all respondents, though less starkly – the percentages for all respondents were 72%, 76%, 85% and 81% respectively.

The emphasis placed on different roles was broadly similar for Europe, North America and Asia, according to our results, though with some interesting nuances. In Europe, for example, respondents agreed or strongly agreed in only 68% of cases that executing the sustainability strategy was a core part of the sustainability team's remit.

This might be an indication of a greater degree of take-up throughout whole organisations in Europe of the

To what extent and how are organisations actually operationalising sustainability?

78% of our respondents said that sustainability has an impact on internal structures, departmental organisation and responsibilities

responsibility to execute the sustainability strategy, with the sustainability team playing a supporting or advisory role, rather than the concentration of the responsibility with the sustainability team alone.

SHAKING THE STRUCTURE

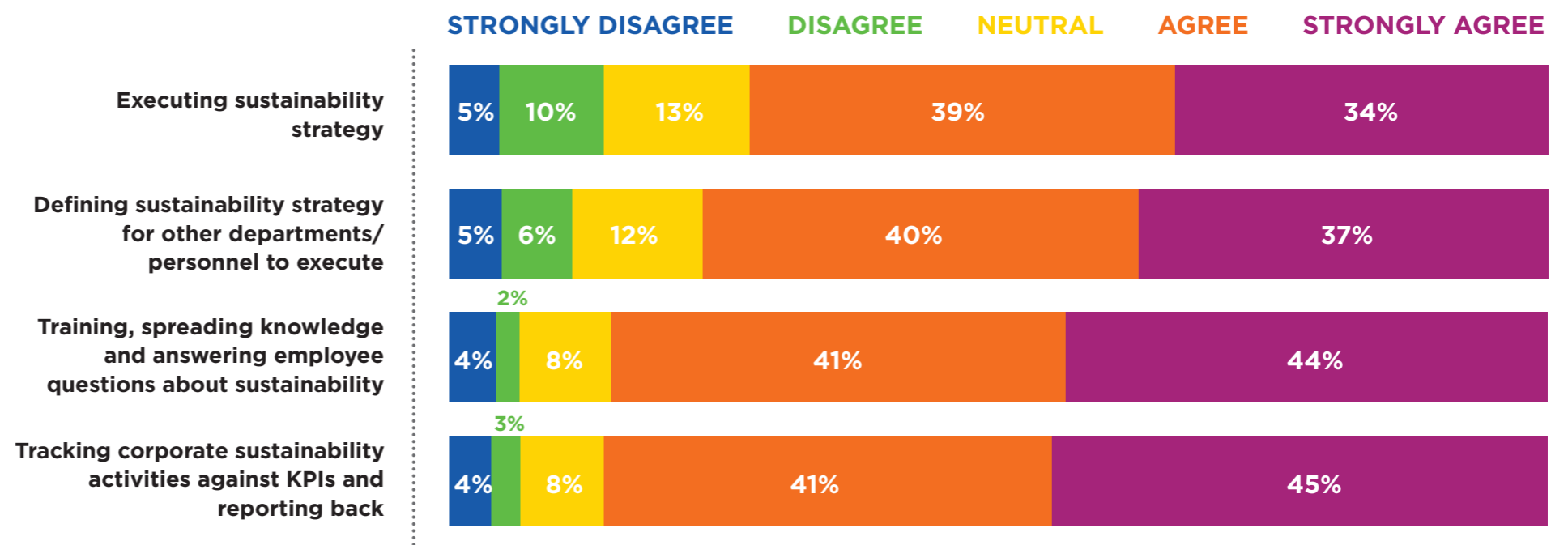
Our respondents confirmed the growing impact of sustainability throughout organisations. In response to a yes/no question on whether sustainability has an impact on internal structures, departmental organisation and responsibilities, 78% answered in the affirmative. For corporate respondents, the proportion was slightly lower at 73%. Respondents based in Asia were most positive - 86% said yes, compared to 75% of the respondents based in Europe and North America.

Our finding in terms of the overall influence of sustainability reinforces the result from numerous surveys that the principles and practices of sustainability are spreading throughout organisations. The high emphasis from respondents based in Asia could be a reflection of the growing social and environmental impacts experienced from economic development over a short time in Asian countries.

MAKING AN IMPACT

Our corporate respondents told us that their sustainability teams have the greatest impact on the parts of the company responsible for supply chains and procurement - 81% agreed with this. The other departments over which the sustainability team has the

A core part of the sustainability team's responsibility is...



most sway, according to corporate respondents, are marketing and communications (78%), human resources (53%) and research and development (39%).

There is no doubt that, for multinationals especially, it is in the supply chain that the greatest sustainability risks lay – and where there is a huge task to raise standards and minimise environmental footprints. It is therefore perhaps not surprising that this is the area of greatest emphasis for sustainability teams.

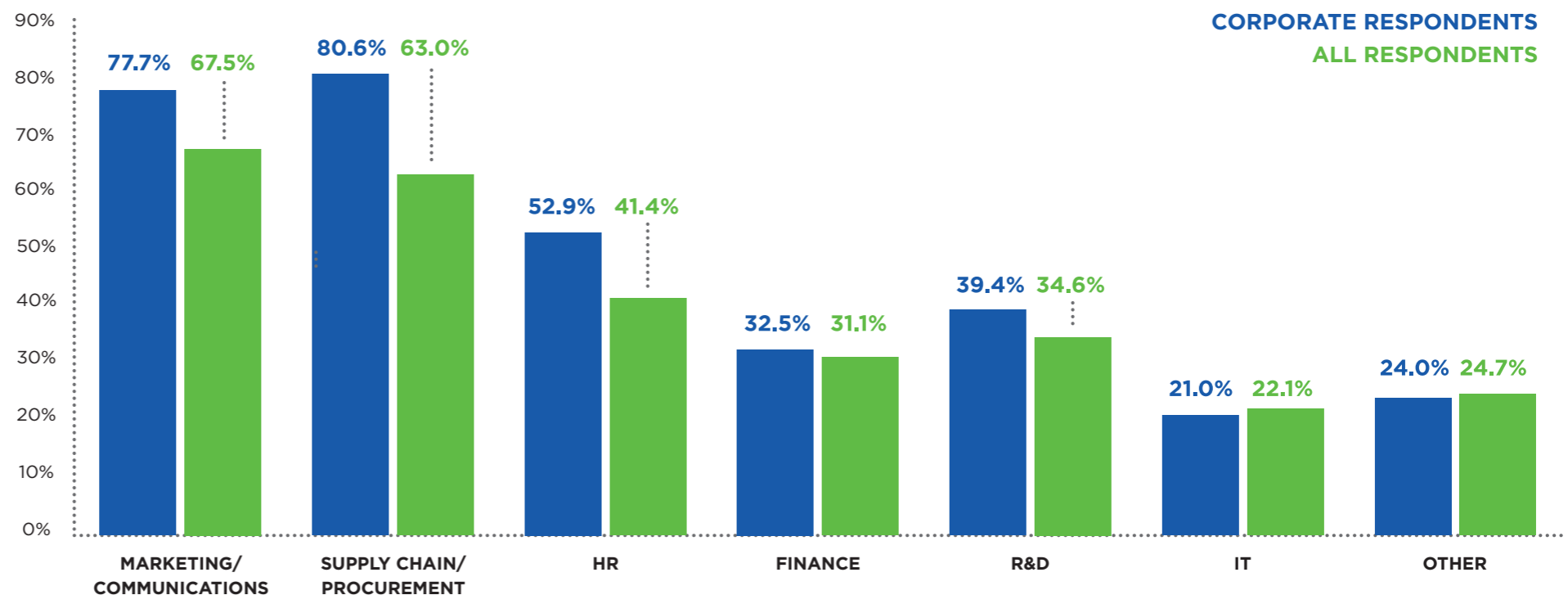
This is underlined by our finding that, when all respondents are considered, including organisations without supply chain concerns, it is in marketing and communications that sustainability professionals claim

to have most impact – 67.5% of all respondents say this, compared to an overall figure of 63% for supply chain and procurement.

Our finding regarding the importance of supply chain management is backed up by the responses to a question on which areas of corporate strategy-setting should sustainability concerns be integrated into. This found that the top priority of corporate respondents is supply chain (93% said they agree or strongly agree), followed by marketing and communications (83%), R&D (also 83%) and human resources (trailing at 73%). Very similar results were found for the entire universe of respondents.

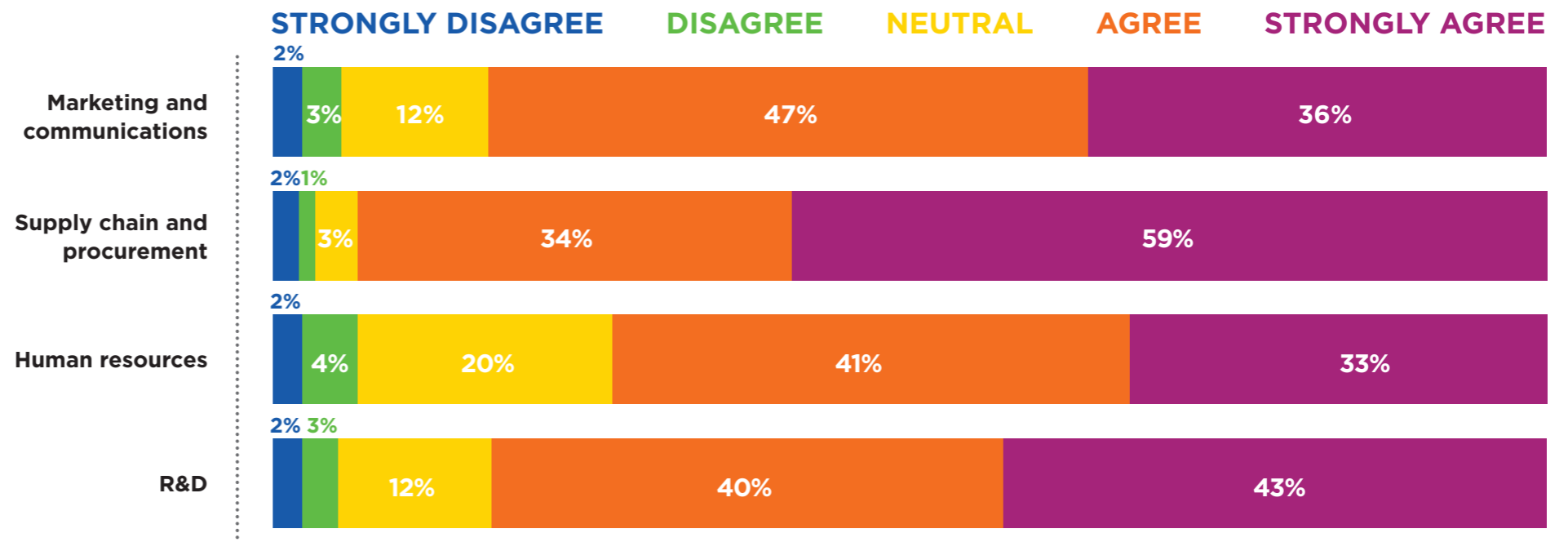
67.5% of all respondents say that it is in marketing and communications that sustainability professionals claim to have most impact

Which departments/teams does your sustainability strategy directly impact? (multiple responses possible)



North American respondents gave the highest rating (95%) to the need to incorporate sustainability into supply chain strategy

Sustainability should be involved in setting the strategy for...

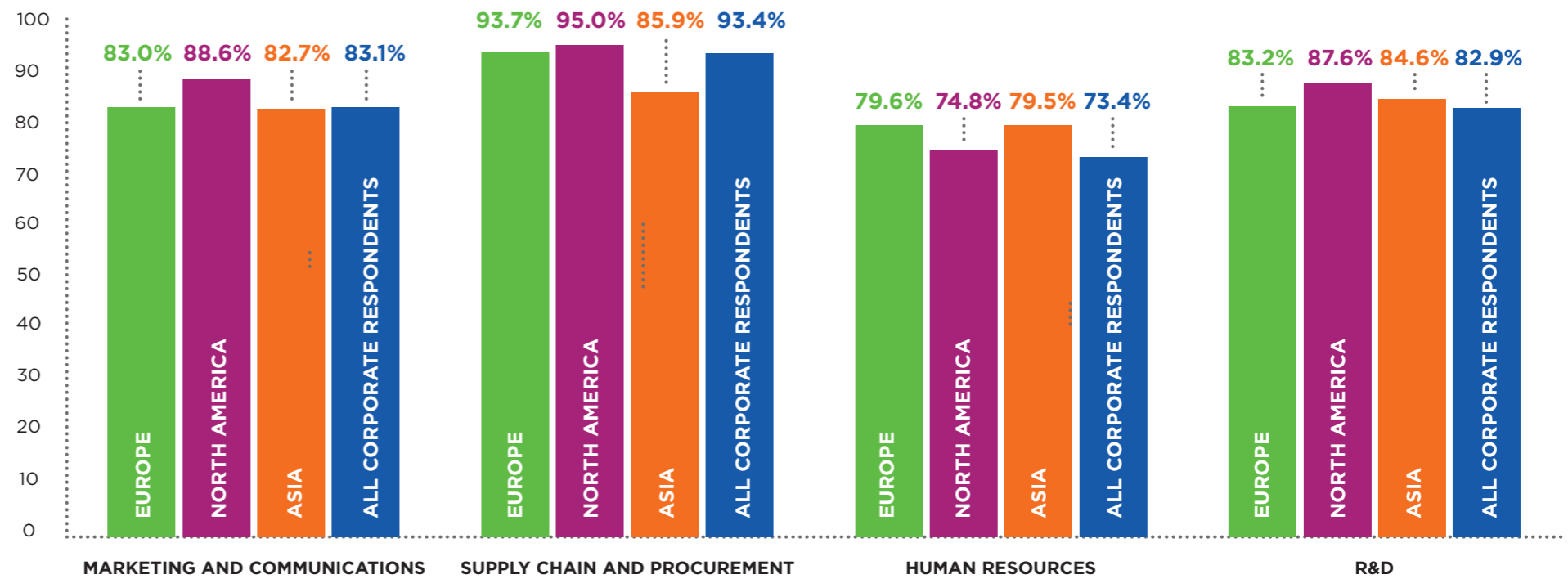


This setting of strategic priorities for sustainability also held across the regions that we looked at – Europe, North America and Asia. However, North American respondents gave the highest rating (95%) to the need to incorporate sustainability in supply-chain strategy.

For respondents based in Asia, supply chain also came out ahead, though to a lesser extent than other geographies (86% in agreement or strong agreement), and only just ahead of R&D (85%).

Though the difference between Asian respondents and their North American and European counterparts on this question was small, the different emphasis could be a reminder of the greater distance between European and North American companies and their supply chains – which may well be largely located in Asia. The Asian emphasis on R&D meanwhile, could indicate a heavier weight placed on innovation by respondents based in Asia.

Sustainability should be involved in setting the strategy for... (% of respondents agreeing or strongly agreeing)



Supply chains came out as the number one priority from a question regarding the role of sustainability in a variety of corporate disciplines

AGENDA SETTING

Supply chains also came out as the number one priority from a question regarding the role of sustainability in a variety of corporate disciplines.

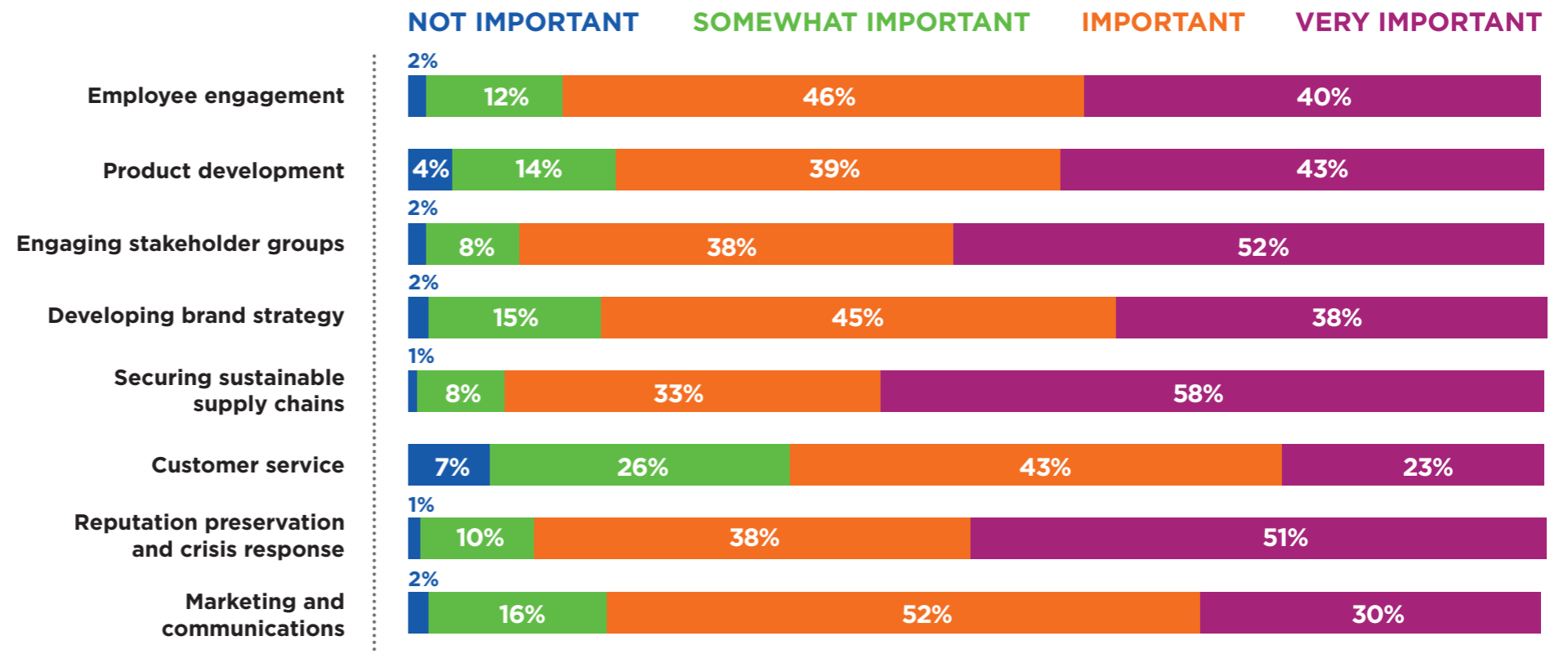
When we asked about the importance of sustainability in a variety of areas of corporate endeavour, on average our corporate respondents ranked the following as the top three in level of importance:

1. Securing of sustainable supply chains
2. Engaging stakeholder groups
3. Reputation preservation and crisis response

‘Employee engagement’, ‘product development’, ‘developing brand strategy’ and ‘marketing and communications’ came further down the ranking, with ‘customer service’ seen as least important in terms of the role of sustainability.

Our respondents based in Asia and North America emphasised engagement with stakeholder groups as the highest priority

Q: How important is the role of sustainability in the following?



Not all geographies agreed that the role of sustainability was most important for securing sustainable supply chains, however. Our respondents based in Asia and North America emphasised engagement with stakeholder groups as the highest priority, which could reflect a greater perceived need in those regions to

bring on board potential partners and critics – and of course shareholders – when demonstrating sustainability. However, the differences were small. Respondents in Asia and North America made supply chains their second priority for sustainability by a small margin.

CHAPTER 6

Earning the return

Sustainability is a win-win – at least, so we are told. In principle, application of the principles of sustainability will result in a tightening up of corporate operations, better management, long-term resilience and new and better products and services to meet an inherent demand for sustainability.

Our survey has provided evidence that the stage has been reached when a large majority of organisations now take this on board, and have put in place teams and reporting lines to promote operational application of the principles.

But are companies seeing the benefit in financial terms? The answer from our corporate respondents is, in most cases, yes – but the margin is slim. In response to the question “are you able to link increased revenue/business to sustainability activities?”, 53% of corporate respondents said yes, and 47% said no. For all respondents, it was 67% to 33% – but this might reflect the fact that a number of our overall universe of respondents are sustainability consultants.

TIGHTENING UP

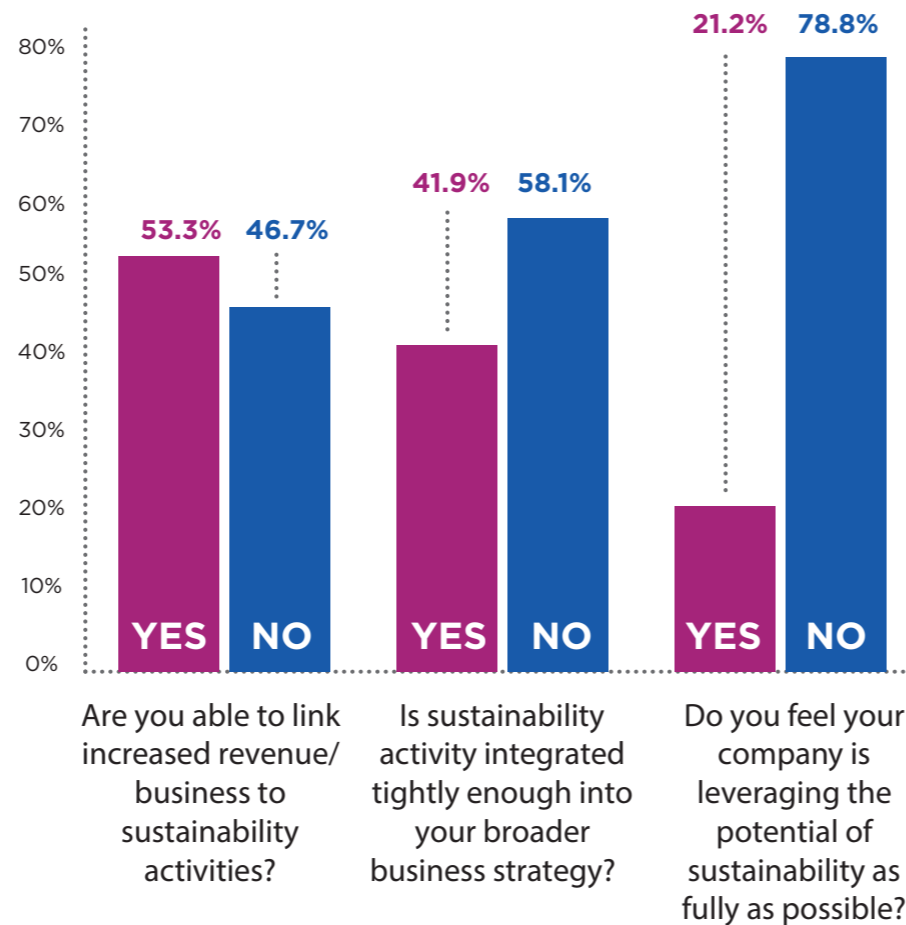
But we also asked our corporate respondents if sustainability is integrated tightly enough into their broader business strategy. The answer was yes in 42% of cases and no for 58%. A positive interpretation might be that if the proportion of companies that tightly integrate sustainability tightly into their strategies goes up, the proportion linking sustainability to increased revenues might go up as well.

There is some further support for this idea. Only 21% of corporate respondents said their company is leveraging the potential of sustainability as fully as possible, while 79% said this was not the case. Seen in this light, that 53% of corporate respondents say they are already seeing the financial benefits of sustainability is remarkable. With tighter integration and greater leveraging of sustainability, the proportion of companies seeing business benefits can only go up.

67% of all respondents said they were able to link increased revenue/business to sustainability activities

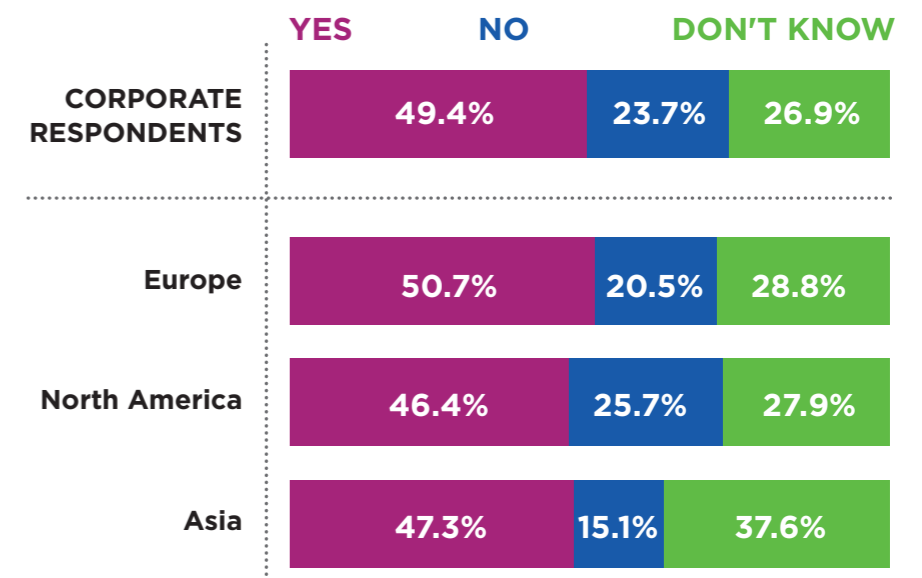
49% of corporate respondents agree that sustainability is already driving business revenues

Q: Are you able to link increased revenue/business to sustainability activities?



Our further queries tended to support a positive interpretation – that sustainability is already beneficial in financial and business terms for a majority of companies, and that there is significant scope to exploit the benefits more fully. We found that 49% of corporate respondents agree that sustainability is already driving business revenues (a similar proportion to respondents overall).

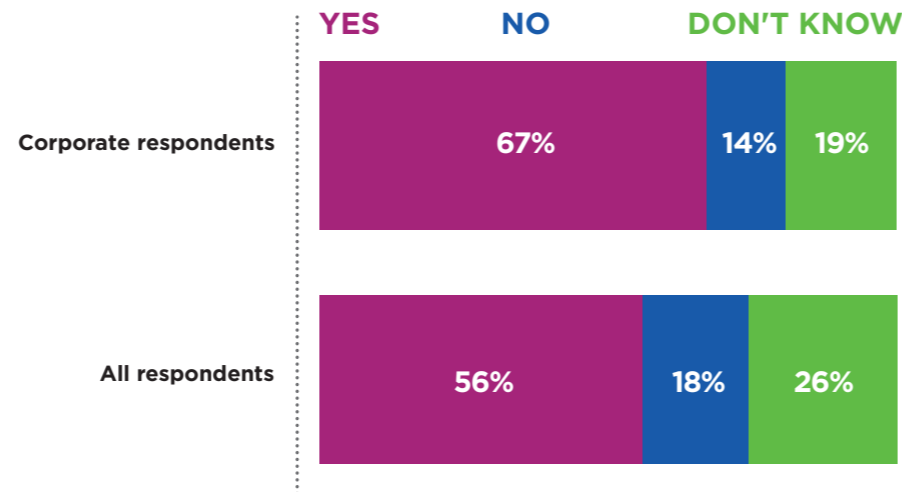
Q: Does sustainability drive revenue for your business?



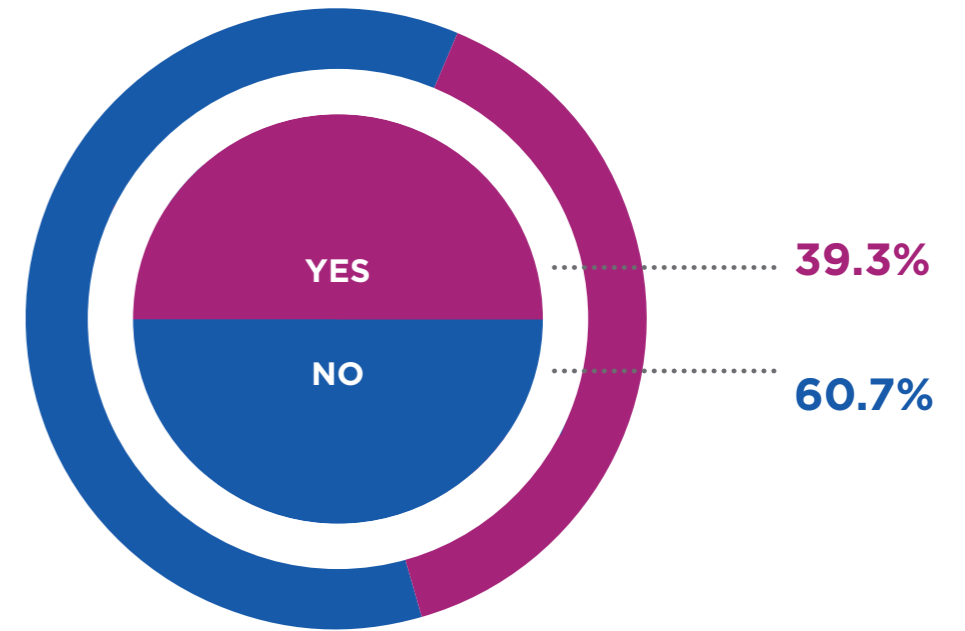
The proportion of respondents that agreed with this was similar for Asia, Europe and North America, though a slightly higher proportion in Europe (51%) said it was the case.

Perhaps unsurprisingly, a higher proportion of respondents said that sustainability was driving savings for their organisations – among corporate respondents, this proportion was 67%. Often this is the first fruit of a sustainability strategy, because of closer operational monitoring leading to efficiencies such as energy and raw material savings. For corporate respondents, the proportion claiming savings was notably higher than for respondents overall, for which the proportion was 56% – an indication of the corporate emphasis on achieving the greatest operational efficiencies.

Q: Does sustainability drive savings for your business?



Q: Do you feel confident that you're accurately measuring the impact of your sustainability activity? (Corporate/brand respondents)



Only **39%** of corporates said that they are measuring the return on investment of sustainability

THE SCIENCE OF MEASUREMENT

One note of caution must be sounded, however. Despite the generally positive attitude towards sustainability and its impact on revenues and earnings, only 39% of our corporate respondents were able to say that they are measuring the return on investment of sustainability, or that they could say with confidence that they accurately measure the impact of their sustainability initiatives. Clearly there is room for improvement in monitoring of the impacts on the bottom line.

CHAPTER 7

Looking outwards and looking forwards

Sustainability is an evolving landscape. Most companies are at least aware of the risk of getting caught out by campaigners or their customers if they are falling short on sustainability, but their attitude should not only be defensive. In the evolution of sustainability, society more broadly has a stake. For sustainability-minded companies, proactive engagement with a range of groups in terms of new ideas and approaches could yield dividends.

GETTING INVOLVED

To measure how involved organisations are with society as a whole, we asked our respondents if they have engagement strategies for a range of groups. In most cases, corporate respondents said they have, from 49% having a strategy for engagement with academic communities, to 73% saying they are engaging with industry associations.

In about two thirds of cases, corporate respondents said they have engagement strategies for NGOs and the media – perhaps essential in the age of social media, when good or bad news can spread almost instantaneously, and when well-intentioned Twitter campaigns can go disastrously wrong. For example, as happened to JP Morgan Chase in 2013 when an #askJPM hashtag intended for students who wanted to speak to a senior executive attracted numerous comments attacking the giant bank’s ethics. A similar proportion have government engagement strategies – again, arguably essential in a time when governments are increasingly making commitments about issues such as climate change, and will want corporations to shoulder much of the burden.

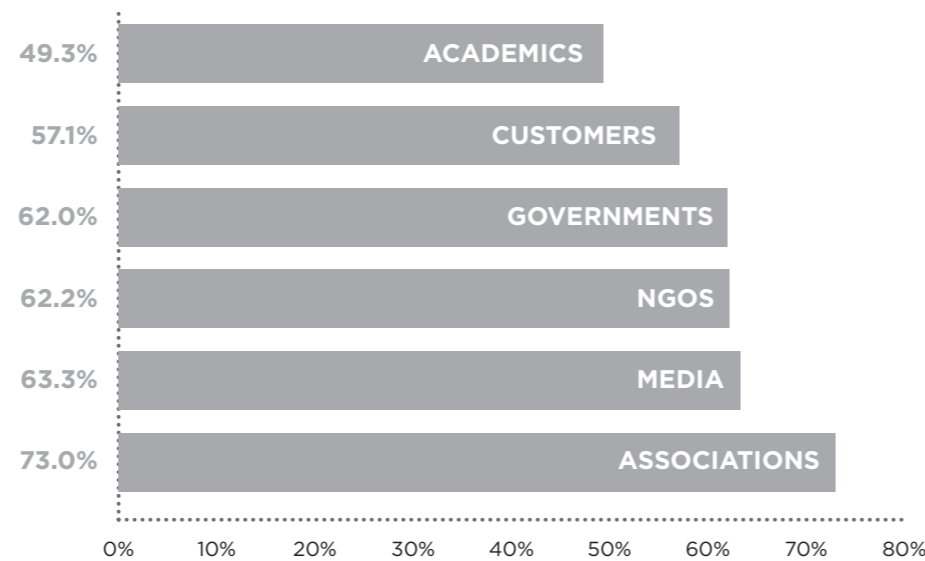
Perhaps surprisingly, however, a slightly lower proportion of corporate respondents (57%) said they have customer engagement strategies – an indicator, perhaps, that there is still an opportunity for sustainability to be better and more broadly communicated.

57%
of corporate respondents said they have customer engagement strategies

88% of our corporate respondents said that “creating a culture of sustainability” was important or very important

Q: Do you have an engagement strategy for the following groups?

(% corporate respondents answering yes)

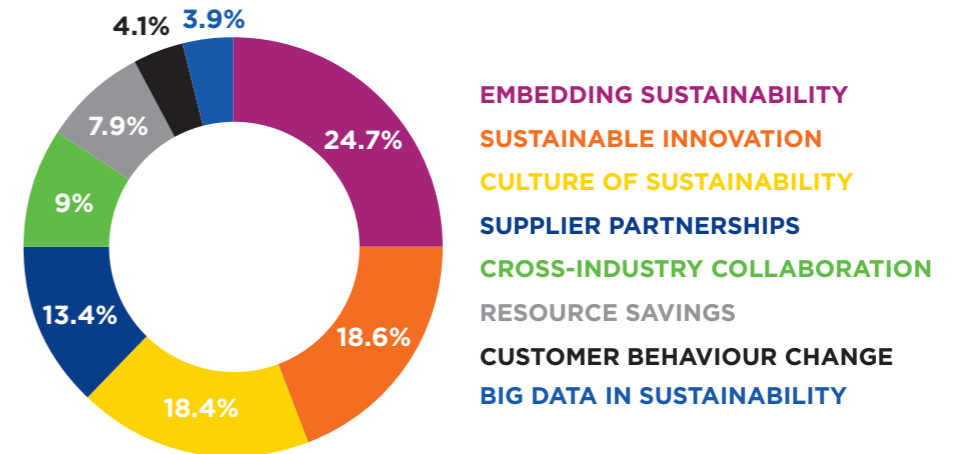


CHANGING BEHAVIOUR

Some interesting backing for this supposition that companies could do more to engage with their customers on sustainability is provided by a finding that only 4% of corporate respondents consider customer behavioural change to be the most exciting opportunity for them in 2015.

Instead, the emphasis seems still to be on making the internal organisational changes needed to underpin sustainability – for our corporate respondents, the priorities in the year ahead are embedding sustainability (25%), sustainable innovation (19%) and creating a culture of sustainability (18%). Supplier partnerships are also relatively highly rated (13%).

Q: Which one area holds the single most exciting opportunity for your organisation in 2015?



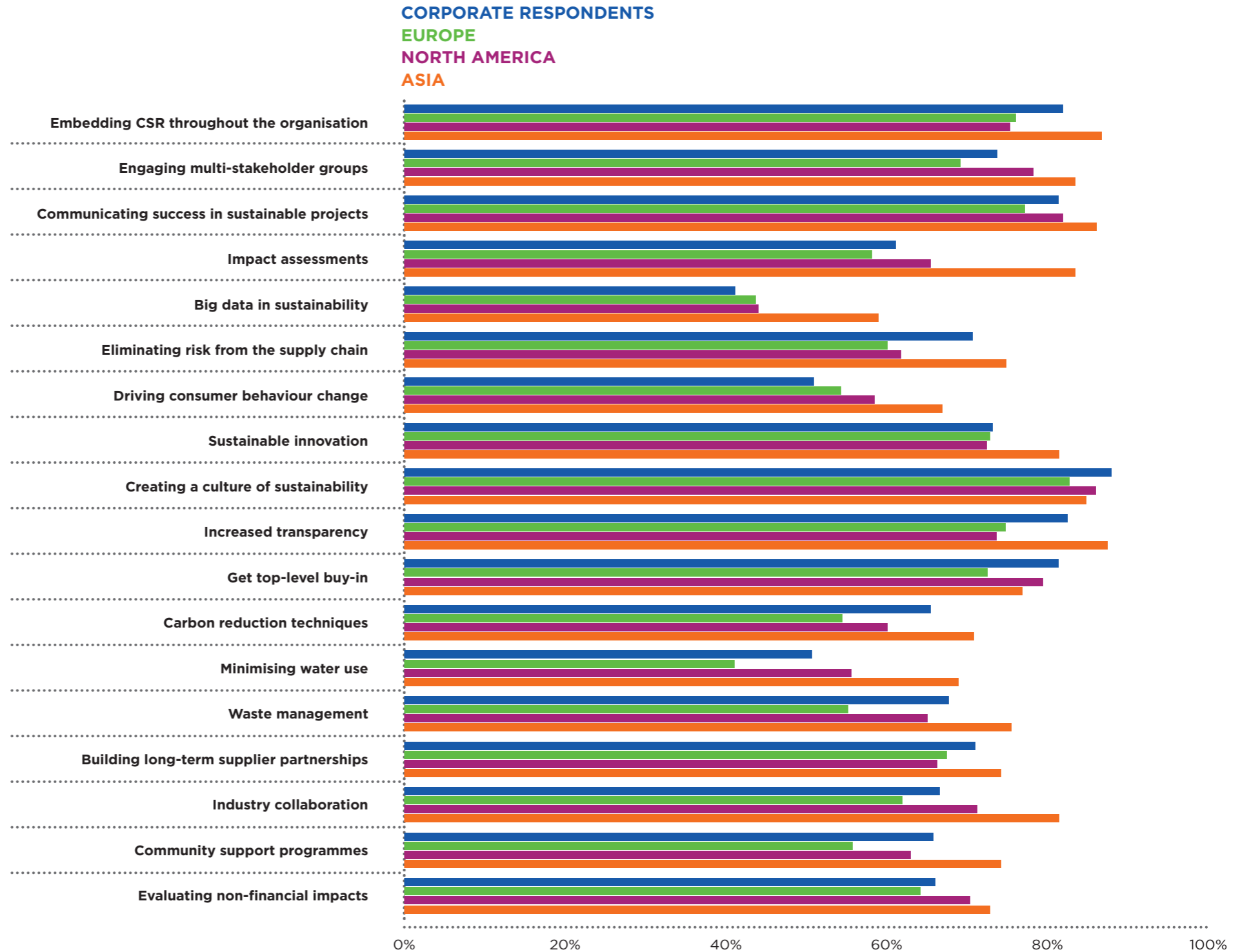
Further evidence was provided in the responses to a question on which of a number of issues were most important for organisations in 2015. Our corporate respondents rated “creating a culture of sustainability” most highly (88% said this was important or very important). The second and third top-three issues were “embedding sustainability throughout the organisation” (82%) and “getting top-level buy-in” (81%).

Issues that arguably can only come next, once a culture of sustainability is created and top-level buy-in is secured, came further down the to-do list. These included issues such as waste management (68%), driving customer behaviour change (51%) and minimising water use (51% – though perhaps unsurprisingly, this was a much bigger priority for our respondents in Asia, 69% of whom said it was important or very important).

Q: How important are the below issues for your organisation in 2015?

(% of respondents answering 'important' or 'very important') (Corporate/brand respondents)

The emphasis is still on internal embedding of principles and culture change



30% state sustainability as a source of competitive advantage as the most important issue over the next 5 years

Overall, our results indicate that, though organisations are moving ahead on sustainability, the emphasis is still on internal embedding of principles and culture change. Once this is done, what is arguably the real work of sustainability – realignment of operations – can become a bigger focus.

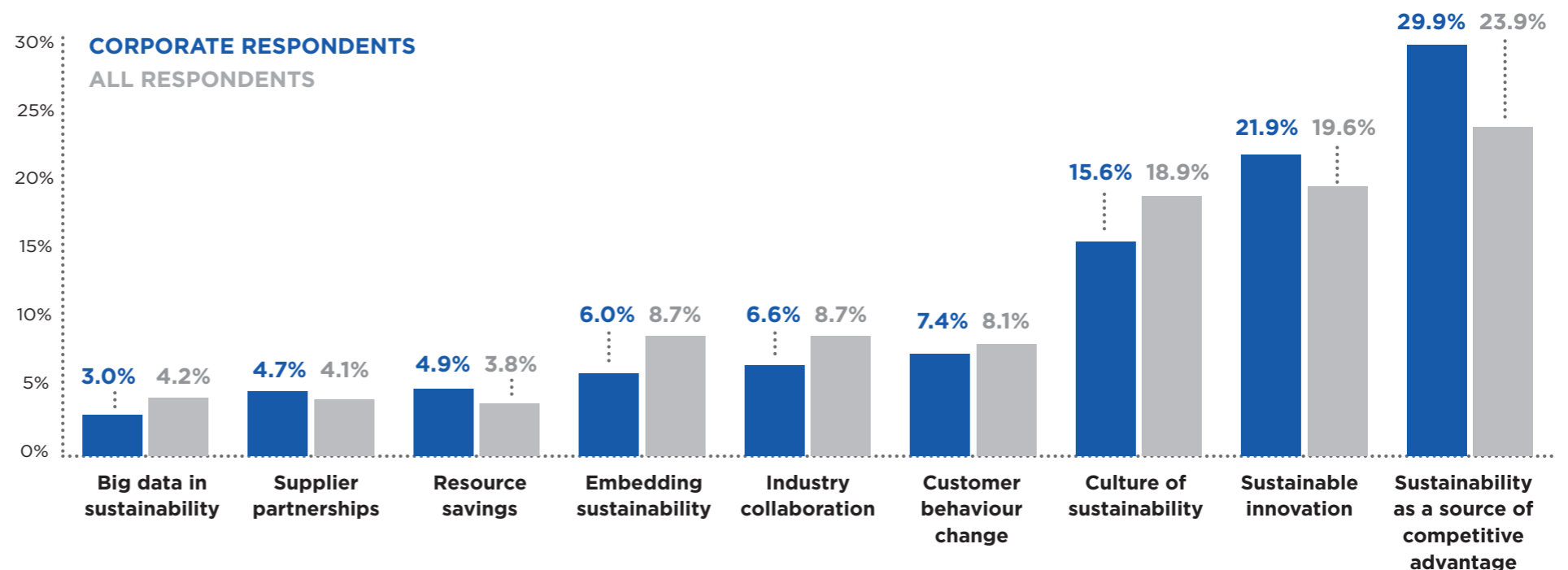
FIVE YEARS AHEAD

When we asked respondents to gaze into their crystal balls and look five years ahead, rather than one, the work of embedding sustainability seemed less of a priority – perhaps indicating that many organisations see this as something that can be achieved over the relatively short-term. For our corporate respondents, in the half-decade ahead, the emphasis was firmly on two issues –

sustainability as a source of competitive advantage, and sustainable innovation (these were the most important issues for 30% and 22% of corporate respondents, respectively). Encouraging a culture of responsibility was in third place (16%) and, interestingly, customer behaviour change received a slightly higher emphasis (7%) over the five year horizon compared to the one-year horizon. Results from our corporate respondents were broadly similar to the response from our respondents overall.

Our view is that our respondents have got the balance about right, in looking at the priorities for the next five years. Sustainable innovation will be crucial – improving current products and developing new ones. Securing competitive advantage will surely be, at least in part, a result of sustainable innovation.

Q: How important are the below issues for your organisation in the next 5 years?



CHAPTER 8

Some key takeaways

71% of our respondents said their CEO or organisational leader has taken the arguments on board

Events in 2015 are likely to make it a crucial year for corporate sustainability. In particular, the world's leaders are expected in September 2015 to adopt the **post-2015 global development agenda**, setting the poverty reduction and sustainable development goals to be achieved by 2030. Then, from 30 November to 11 December, the 21st Session of the Conference of the Parties to the **United Nations Framework Convention on Climate Change** (COP21) will take place in Paris, with the objective of putting the world on an emissions-reduction trajectory that will avoid the worst impacts of global warming.

Business will be called on to shoulder much of the burden in delivering the promises made by leaders at these events. The degree to which companies are in a position to respond to the call will to a great extent determine their future sustainability. Our *State of Sustainability 2015* report therefore comes at an important time: it tells us something about the level of preparedness of business in rising to the sustainability challenge.

In this respect it was encouraging that we found that:

- Corporate leaders are increasingly persuaded of the value of sustainability. We found that 71% of our respondents (69% for corporate respondents) said their CEO or organisational leader has taken the arguments on board.
- Even where corporate leaders are not fully engaged, sustainability is becoming increasingly important for strategy – 87% of our respondents agreed to this (89% for corporate respondents). Sustainability as a key strategic issue is becoming almost impossible to ignore.
- Within companies, sustainability is becoming well embedded. By large majorities, our respondents said that sustainability teams must take on board the roles of executing the sustainability strategy, or to defining the strategy for others to execute, in addition to the roles of offering training, spreading knowledge about sustainability and monitoring performance.

Only 21% of corporate respondents said their company is leveraging the potential of sustainability as fully as possible

- Companies are highly focused on sustainability in their supply chains, indicating that they have grasped that sustainability is a global issue and that corporate responsibility extends as far as the furthest reaches of the supply chain. Supply chain was the top priority for sustainability in strategy setting for the great majority of our respondents.
- Sustainability is already driving business revenues – 49% of our respondents told us this – and is providing savings, which 67% of our corporate respondents agreed with.

However, we also found that:

- Only 21% of corporate respondents said their company is leveraging the potential of sustainability as fully as possible, even though relatively high proportions of respondents said revenues and savings are already being generated by sustainability.
- Only a third of our respondents were able to say that they are measuring the return on investment of sustainability, or that they could say with confidence that they accurately measure the impact of their sustainability initiatives.

- There is still an emphasis on embedding sustainability within the organisation, implying that progress still needs to be made on convincing everybody of its value. However, our respondents also pointed out that there is a need for sustainable innovation, as part of the switch away from legacy business models.

Our broad conclusion is that organisations are making strides in terms of incorporating sustainability into their strategies and are, in particular, seeking to minimise environmental and social impacts in their supply chains. But there is still a huge amount to do in moving from theory to practice, fully operationalising sustainability and understanding the business case and the impact on revenues. Grappling with these issues will be the key challenge in the year ahead.

CHAPTER 9

Corporate feedback on our findings

"The majority of respondents feel they have made savings from sustainability"

*-Ian Ellison,
Jaguar Land Rover*

"Sustainability is a relatively young profession and evolving rapidly. It's timely, therefore, that Ethical Corporation is providing us with some useful feedback on the current state of play. There is much to encourage those of us who champion the cause of sustainability.

We can see from the report that the overwhelming majority of us now enjoy: a fully convinced CEO, sustainability as part of our business strategy and some form of reporting into the executive suite. These are powerful levers for change.

We also see clear evidence that, despite often modest team size and budget, sustainability professionals are actively engaged across all business functions and external stakeholders, to a degree that is rare in most other professions.

Despite the now solid foundations, we are not yet fully leveraging the potential that sustainability has to offer, with 79% believing that they fall short of this and only about half feeling that they are driving revenues from their sustainability efforts.

To really engage with core business we need hard data and with 60.7% feeling that they do not yet have accurate impact measures, this too falls into the 'must try harder' category. Although, the majority of respondents feel they have made savings from sustainability, so it's time for the 58% who feel they are not yet sufficiently integrated into the broader business strategy to use the opportunities afforded by such broad business understanding and senior access to close these gaps. I look forward to seeing evidence of this in next year's report."



Ian Ellison
Sustainability Manager
Jaguar Land Rover

"Sustainability is no longer a stand-alone activity but rather driven into business strategy, operations, supply chain and a key driver of innovation"

-Christine Diamente, Alcatel-Lucent

"Ethical Corporation Report should be applauded for embarking on their first Sustainability Report. As one of the foremost thought leaders engaging key stakeholders around the globe on sustainability issues – supply chain, operations, innovation, communications, engagement – it is well positioned to provide valuable input and guidance to the business and stakeholder community at large on the issues, questions and challenges material to this domain.

This report focuses primarily on why sustainability is important, where is it important, the role of budgets and investment as well as future prospects for the next few years. These are all very critical questions driving today's sustainability reality and well-constructed. The respondent base for this survey is equally distributed in terms of stakeholder categories, geographic reach as well as ranking. It is empirical based showing clear outcomes and driving clear conclusions.

One of the areas that lacked clarity was the basis of definitions for this survey. It is not clear whether in the questions relating to "sustainability" specifically, Ethical Corporation is referring to the environmental dimension of sustainability or whether it is environmental, social and economic dimensions holistically. And this relates to the reference of Corporate Social Responsibility – is this purely the social dimension or does it also include other economic elements such as compliance, anti-corruption and supply chain?

The broad conclusion stating that sustainable innovation will drive the future for stakeholders shows the importance they put on its role in modern business today. Sustainability as the survey accurately shows, is no longer a stand-alone activity but rather driven into business strategy, operations, supply chain and a key driver of innovation. Not surprisingly, many respondents still grapple measuring revenue generation, but as sustainable increasingly is equated to innovation, it will be embedded in all activities. And ideally, sustainability in the future will be equated to the company's overall revenue versus a standalone business unit or business activity. It will be "business as usual" and not "business by exception".

Ultimately, the value of this research is in the conclusions, forecast and how we bring stakeholders together to collectively tackle our sustainability challenge in this year of Climate Change talks.

I am very honoured to have been asked to provide insight on this report and applaud Ethical Corporation for the leading role they play today in global sustainability thinking and dialogue."



Christine Diamente

Head of Brand and Corporate Sustainability

Alcatel-Lucent

@cdiamente

"The State of Sustainability Report provides a great snapshot of where the profession is today"

*-Dave Stangis,
Campbell Soup
Company*

"EthicalCorp's inaugural State of Sustainability Report outlines key challenges and opportunities presented by sustainability strategy in today's leading organizations. While input comes from experts across various fields of sustainability including corporates, agencies, academic and NGO, the key take-aways for the sustainability professionals and C-suite executives in the corporate sector are squarely in strategy integration, organizational design, and competency development.

The State of Sustainability Report provides a great snapshot of where the profession is today and a yardstick to assess your own company's progress on the journey."



Dave Stangis

Vice President, Public Affairs and
Corporate Responsibility

Campbell Soup Company

@DaveStangis



The 14th Annual Responsible Business Summit 2015

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#RBS15



Embed sustainable innovation into your business model



GET inspired by the commercial opportunities sustainability creates; hear from leading CEOs

DEVELOP new business models: achieve resource efficiency and business circularity

BUILD a responsible culture: win internal buy-in and increase employee loyalty

BOOST brand engagement: tell your corporate story in a more meaningful way

DRIVE value chain resilience: redevelop global supply chains to increasingly meet consumer demands

MEASURE your business impacts: find out how to measure social, natural and human capital

Hear from leading multinational brands including:

