

# State of Responsible Business 2016

# The State of Responsible Business 2016

**May 2016**

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## Acknowledgements

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## About Ethical Corporation

Our mission is to help businesses around the globe do the right thing by their customers and the world. We believe this is not only how to guarantee a future for all, but makes good business sense. We serve CSR, compliance, risk and governance communities with topical and insightful business intelligence and meeting places.

We provide business intelligence to more than 3,000 multinational companies every year. Our customers are also NGOs, think-tanks, academia, governments and consultancies. We publish the leading responsible business magazine, website, and research reports. Our conferences are widely recognised as the best in the field. We're a part of FC Business Intelligence Ltd, an independently owned company based in London.

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## Foreword by Ronan Dunne CEO of Telefonica UK O2

Drawing on the views of those who know it best, Ethical Corporation's second *State of Responsible Business* report provides up-to-date insight into how corporate sustainability is viewed, organised, and prioritised. Over time, it will provide valuable intelligence about how businesses are adapting and innovating to meet some of the world's most pressing challenges.

At O2, our own understanding of what it means to be a sustainable business has unquestionably changed over the years. We accelerated our progress by talking extensively to those who have a stake in our business, and by challenging ourselves to be bolder and think bigger. I'm a firm believer that actions speak louder than words, so we launched our Think Big Blueprint in 2012, a sustainability plan which looked not only to mitigate our impacts, but also to become an enabler for millions more people.

Nearly a quarter of our sustainability plan's targets were focused on the supply chain, so I'm pleased to see that this year's Ethical Corporation report shows an increased involvement in your business' supply chain. To enact meaningful change, key stakeholder groups like

customers, employees, and suppliers need to be at the heart of corporate sustainability responses.

You will all know from personal experience how important it is to be supported by your organisation in your endeavours. A corporate responsibility team, however passionate, will never produce a sustainable company alone. For that reason, I'm delighted that CEO engagement is up this year, as is a closer link to business strategy. Embedding sustainability matters, absolutely, but successful brands are going further: innovating; collaborating; disrupting; thinking differently.

We live in a complex, extraordinary world which is facing serious challenges. Business has the opportunity to be part of the solution, but we'll need to be open, agile, and bold in our response. You, as sustainability professionals, are the agents for this change, and I look forward to reading your collective thoughts.



**Ronan Dunne**  
CEO  
Telefonica UK O2

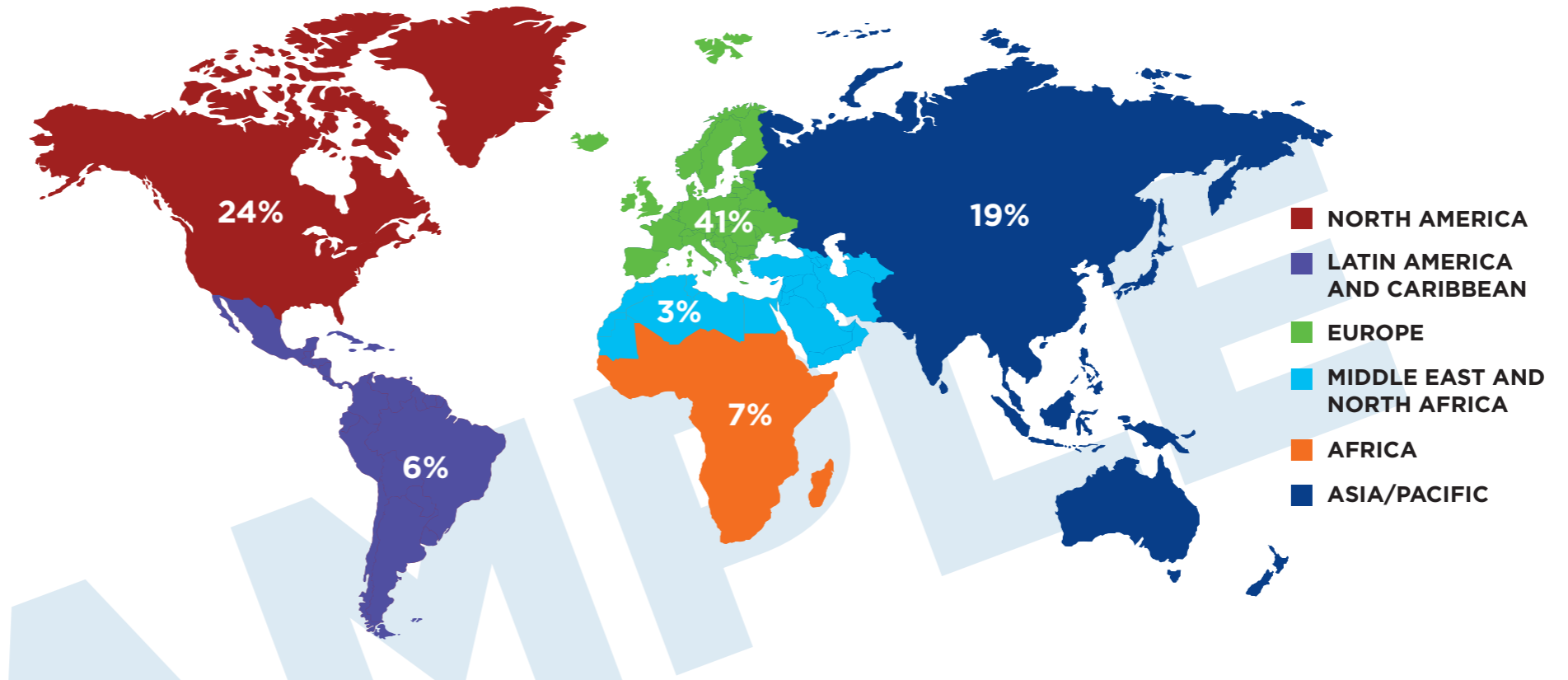
# Contents

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<b>Foreword by Ronan Dunne, CEO of Telefonica UK O2</b> .....	3
<b>Introduction</b> .....	5
<b>Chapter 1</b> – Our respondents .....	7-10
<b>Chapter 2</b> – How important is sustainability for your organisation .....	11-14
<b>Chapter 3</b> – Organising and funding sustainability .....	15-20
<b>Chapter 4</b> – Making it real .....	21-25
<b>Chapter 5</b> – Earning the return .....	26-30
<b>Chapter 6</b> – 2015: The legacy of sustainability’s year in the spotlight .....	31-38
<b>Chapter 7</b> – Looking outwards and looking forward .....	39-44
<b>Chapter 8</b> – Some key takeaways .....	45-47
<b>Chapter 9</b> – What experts had to say about our report .....	48-50

Location of respondents

84% of this year's respondents were based in Asia/Pacific, Europe, or North America



GLOBAL SCOPE

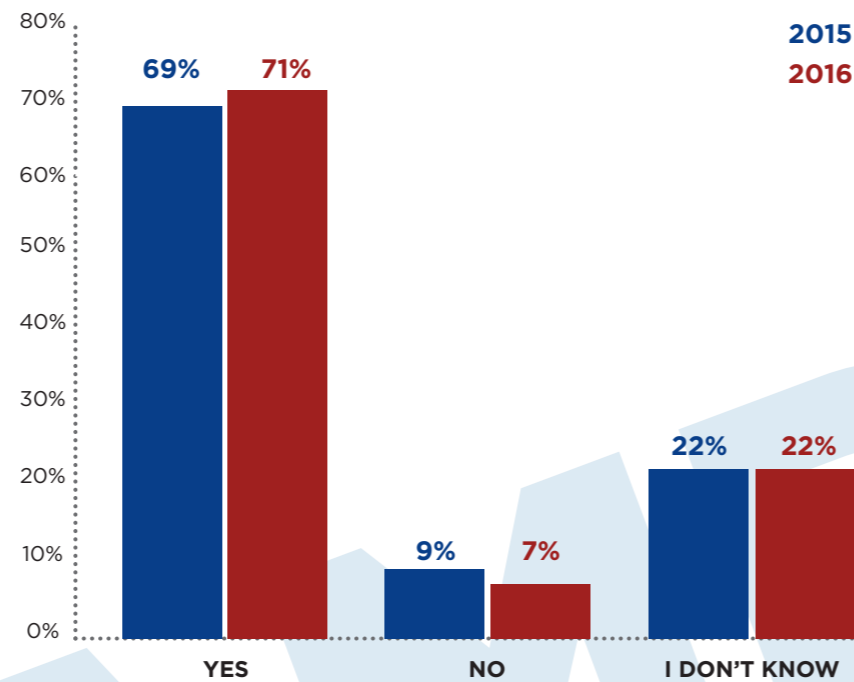
As with our inaugural report, the *State of Responsible Business 2016* report has a very wide reach, with representation from all global regions. Last year, almost a quarter of our respondents were based in the UK, and 72% in Europe or North America; this year, the UK-based proportion falls to around 17%, Europe and North America combine to make up 64%, and the percentage of respondents from emerging markets such as Asia, Latin America and Africa increases, allowing for a more global perspective than last year's survey. The geographical make-up was very similar when comparing our corporate respondents to the entire dataset.

LOCATION OF RESPONDENTS: TOP 10

1	USA	18.6%
2	UK	17.2%
3	Canada	5.0%
4	Australia	4.0%
5	India	3.8%
6	South Africa	2.5%
7	Germany	2.3%
8	Netherlands	2.2%
9	Italy	2.1%
10	France	2.0%

86% of corporate/brand respondents told us that sustainability is becoming an increasingly important part of their company's business strategy

**Q: Is your CEO convinced of the value of sustainability?** (Corporate/brand respondents)



**TAKING ACTION**

The same can be said when asking respondents if they feel sustainability is becoming an increasingly important part of their business strategy. Last year we found that an overwhelming majority – 87% among all respondents and 89% among corporates – felt this was the case, and this year the respective figures were 87% and 86%.

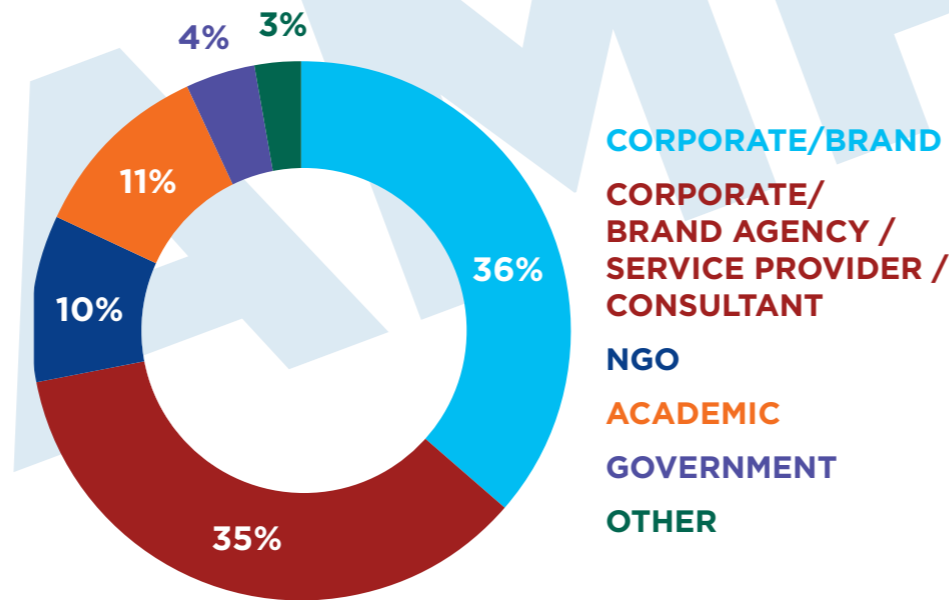
These figures remained high when looking individually at different regions, though with some variation: 90% of respondents from Asia/Pacific said 'Yes', slightly above the global average, but for Europe the figure was a couple of percentage points lower at 85%.

Similarly, when comparing some industries we could find one or two differences: Among Apparel, FMCG and Manufacturing organisations, sustainability was said to be becoming an increasingly important part of the business strategy in 92% of cases, whereas for Energy and Extractives companies the figure was 89% (almost exactly in line with the average) and among Financial and Professional Services only 81% of respondents said they agreed.

**36%**  
of our respondents work for a company or brand

When we asked our respondents which type of organisation they worked for, we once again saw the majority coming from a professional background. 36% said they work for a company or brand, and 35% for a consultancy, agency, or service provider; both these figures are a couple of percentage points higher than they were in 2015. Meanwhile, around 11% of those who took part in the survey came from an academic background, 10% work for a non-profit organisation, and 4% are involved in some level of government, all very similar levels to last year.

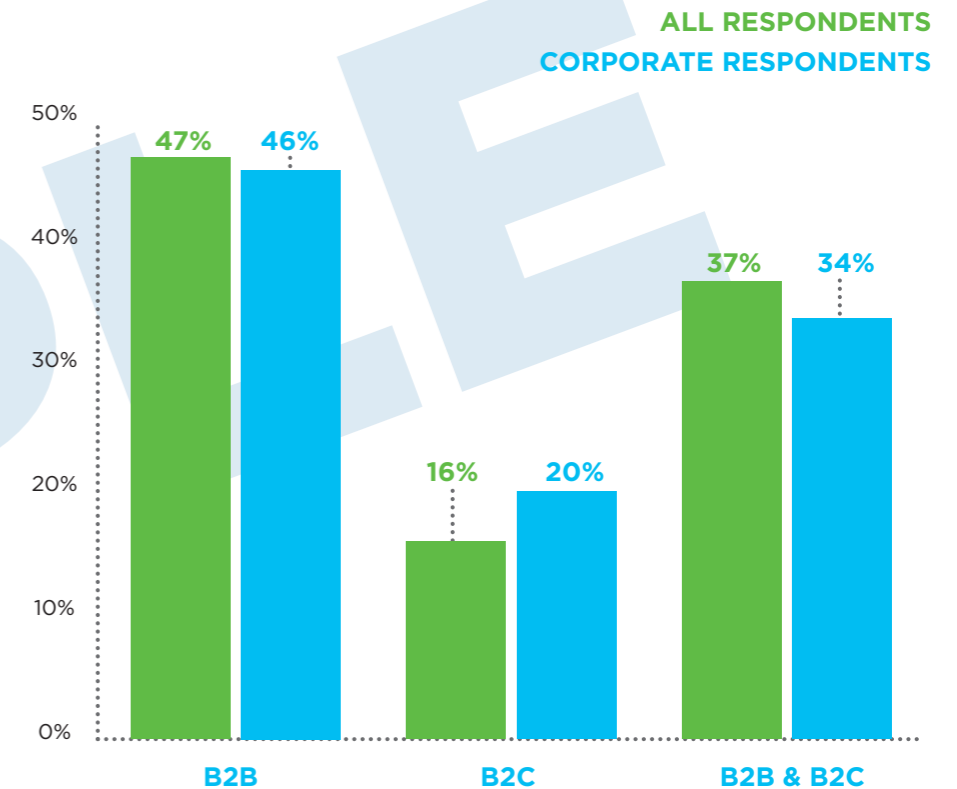
**Q: Which of the following best describes where you work?** (Corporate/brand respondents)



In terms of the people that these organisations do their primary business with, our respondents gave a similar picture to the one found last year. 47% of all those taking part said that their organisation is largely B2B focussed (it was 49% in 2015), while 16% said they were B2C (16% in 2015), and the remaining 37% had a relatively even B2B

and B2C focus. As with last year's survey, these figures saw only minor variation when considering corporate-only responses, as demonstrated by the graph below.

**Q: Are you more B2B or B2C focused?**



As mentioned at the start of this chapter, for this year we have started to break down some of our responses by sector, allowing us to analyse in greater detail how sustainability professionals perceive certain issues differently according to which industry they work in, a valuable tool when considering how one topic will affect a fast-moving consumer goods (FMCG) professional much more than a financial services one, for example. We were able to categorise our corporate respondents into 17 different industries, with the top three contingents being those from the financial services

## CHAPTER 6

# 2015: The legacy of sustainability's year in the spotlight

*Businesses should benefit from the stronger framework that the SDGs and Paris Agreement provide for developing an effective and impactful sustainability strategy*

2015 was a truly historic year for the field of sustainability and CSR. In September the United Nations signed off on a new set of 17 Sustainable Development Goals, designed to take over from the expiring Millennium Development Goals and provide a framework for global development from 2016 to 2030. After the MDGs had been criticised by some for having been 'top-down', the process that led to the adoption of the SDGs was seen as far more inclusive, having involved various stakeholders from governments and the private sector, to NGOs and grassroots activists.

Then, in December, we saw what some had begun to fear would never come to pass: universal agreement on a plan of action to combat climate change, with the COP21 summit culminating in the Paris Agreement. Here, too, global climate negotiations have steadily become more inclusive than they perhaps were in the lead-up to the disastrous Copenhagen summit in 2009.

In this sense, 2015 was not only a watershed year for global sustainability, but it was also, arguably, the most important year yet for the world of sustainable business. CSR and sustainability teams were not only in a better position than ever to influence the course of sustainable

development, but they should also benefit from the stronger framework that the SDGs and Paris Agreement provide for developing an effective and impactful sustainability strategy.

To find out exactly how much this might be the case, we asked our respondents a series of questions about the extent to which they are engaging with these two developments, as well as how much of an impact they will have on their own roles and sustainability teams.

### THE SUSTAINABLE DEVELOPMENT GOALS

Despite the common consensus that businesses, along with many other types of stakeholder, are set to play a greater role in global development issues through the SDGs, our survey suggests that the level of corporate engagement with the goals could be a lot higher. 42% of our respondents said that their organisation was looking to engage in the SDGs, against 34% who said they weren't looking to do this, and 23% who weren't sure. Among corporate professionals, there was slightly more certainty in their responses, with 46% saying they would



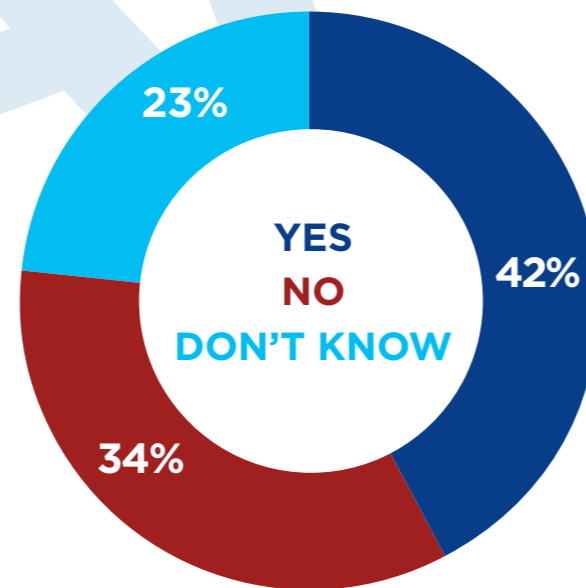
**46%** of corporate/brand respondents told us their business is looking to engage in the SDGs

be engaging in the goals, 36% saying they wouldn't, and 18% saying they weren't sure. When omitting these "Don't Know"s, the results are almost identical, with a 55-45 Yes:No ratio for all respondents and 56:44 for corporate-only respondents.

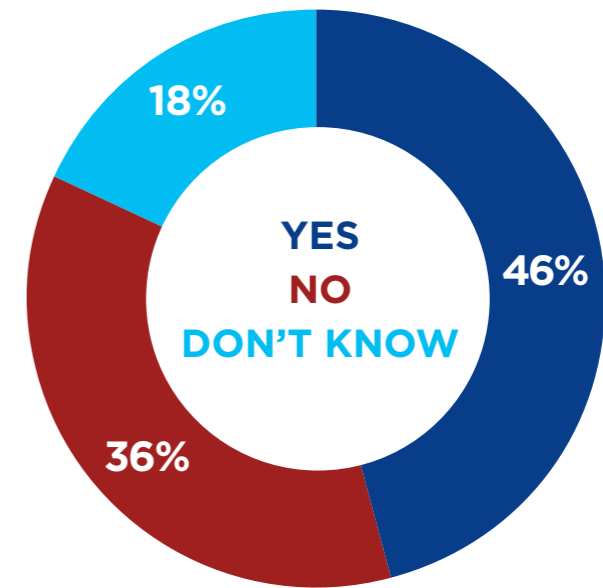
To some degree, these figures are a little worrying. In order to reach all 17 goals, countries will be looking to the business sector for assistance, and so a significantly higher level of engagement will be expected. It will be interesting to see if the number of organisations and businesses saying they are engaging in the SDGs increases by the time of next year's report, as CSR and sustainability teams have more time to align their business strategies with the kind of approach that the goals call for.

The highest rates of engagement were reported by respondents from Africa, Latin America, and the Middle East – perhaps unsurprising, given the longstanding importance of development issues and legacy of the SDGs' predecessors, the Millennium Development Goals (MDGs), in these regions. Similarly, there was a higher ratio of people from an NGO background saying their organisation would be engaging in the SDGs. The lowest levels of engagement appear to be in North America, with only 37% of respondents (from both all respondents and corporate-only respondents) saying their organisation was looking to engage in the global goals.

**Q: Is your organisation looking to engage in the United Nations' Sustainable Development Goals?**



(ALL RESPONDENTS)



(CORPORATE/BRAND RESPONDENTS)

Q: Which individual executives are leading the way in sustainability?

1st



**Paul Polman  
(Unilever)**

2nd



**Elon Musk  
(Tesla,  
SpaceX)**

3rd



**Richard  
Branson  
(Virgin)**

4th **Bill Gates (Microsoft, Gates Foundation)**

5th **Yvon Chouinard (Patagonia)**

6th **Mike Barry (Marks & Spencer)**

7th **Jeff Immelt (General Electric)**

8th **Kumi Naidoo (Greenpeace)**

9th **Lars Rebien Sørensen (Novo Nordisk)**

10th **Mark Zuckerberg (Facebook)**

*"I am pleased to see more companies engaging with academic institutions and I hope the trend accelerates in the future"*  
Aris Vrettos



**Aris Vrettos**  
Director, Open Programmes,  
**University of Cambridge  
Institute for Sustainability  
Leadership**

## CHAPTER 9

# What experts had to say about our report

The following feedback provided are views of the commentators and not necessarily those of the organisations they represent. They are for information purposes only. The views expressed are as of a particular point in time and are subject to change without notice.

I welcome Ethical Corporation's 2016 *State of Responsible Business* report. Although a company's application of sustainability is ultimately reflected on its performance, by engaging a rich network of sustainability professionals the report helps us gauge the climate for responsible business in a key year after the launch of the UN SDGs and the Paris agreement.

The report highlights some significant trends. It is clear the challenging economic environment is affecting how much companies are prepared to invest for the coming year, with those expecting their budgets to shrink or remain static slightly exceeding those confident that they would see increased funding. It is promising, however, that the change from last year is very small and that organisations aren't lining up to scale back their investment to sustainability. This suggests that many companies now feel that they have to do sustainability and have to do it well.

There are other positive messages. For example more than half of corporate respondents, 53%, report that the sustainability team ultimately reports to their Board or CEO. Although not all these cases refer to direct reporting lines the reality is that most boards and CEOs

now have an open channel in place to consider these issues.

Undoubtedly there is still a lot to be done. While almost three quarters of respondents continue to believe they have a significant impact on supply chain, marketing and communications functions, these figures are much lower for finance and R&D functions. And although the figure has increased twofold from last year, companies still seem to be leaving a lot of the value that sustainability has to offer untapped, with less than a third of respondents reporting that their company is fully leveraging the potential of sustainability.

One of the possible reasons is that many companies aren't really configured to capture and account for the often less-visible-value opportunities sustainability can create. That's why I am pleased to see more companies engaging with academic institutions – where many of these new methodologies and configurations emerge – this year and hope the trend accelerates in the future. I share the pragmatic but optimistic outlook in Ethical Corporation's landmark report and look forward to seeing our collective response in this coming year.

*"2016 is the year when the corporate sector will either embrace the challenge and take the agenda forwards – or not"*  
Malcolm Preston

I welcome this report which gives us a snap-shot of how the Corporate Sustainability agenda is progressing year on year. It broadly confirms what I see in the market – a growing understanding of the issues at Board level and a recognition that incorporating responsible business principles is not a “nice to do”, but a business imperative for the 21st century. It’s evident that Sustainability now has an established role, driving both revenue income and savings.

However, corporates face challenges too, in particular around the measurement of impact and the embedding of sustainability practices into the core business. I put this down to a lack of robust tools and methods, which are desperately needed by most organisations. It is encouraging to see that respondents put a strong emphasis on the importance of partnerships and collaboration, as they will be key to the acceleration of developments in this area.

Finally, as your report rightly points out, 2015 was a key year for inter-governmental agreements in the sustainable development arena. 2016 is the year when the corporate sector will either embrace the challenge and take the agenda forwards – or not. Early signs from your survey are, at best, mixed and I look forward to next year’s survey to see just how business has really engaged with the SDG agenda.



**Malcolm Preston**  
Global Sustainability Leader,  
**PwC**

*"For investors, greater disclosures and transparency about sustainability practices signal good management quality and corporate citizenship"*  
Mariela Vargova



**Mariela Vargova**  
Ph.D. SVP,  
Sustainability & Impact Investing  
**Rockefeller & Co.**

Corporate sustainability is material to business and shareholder value. When embedded in companies' strategies and cultural mindset, sustainability has the potential to improve productivity and provide a competitive advantage. Companies should no longer think of environmental, social and governance issues as mere externalities and non-financial factors. These are financial matters that present potential long-term business risks and opportunities. For investors, greater disclosures and transparency about sustainability practices signal good management quality and corporate citizenship. Well-governed and managed companies have the potential to create value – environmental, social and economic.

*The State of Responsible Business Report* captures the new trends in corporate sustainability and importantly addresses issues of materiality and reputation, integration in strategies and operations, and the role of stakeholder engagement. Integrating sustainability across the value chain and generating support throughout the organization are important drivers of sustainability and long-term value-creation. Companies are looking forward and increasingly invest in climate change mitigation and resilience. The effective adoption and implementation of the United Nations' Sustainable Development Goals into corporate strategies and visions further provide a path towards a sustainable future and leadership.



## **In-depth responsible business research and intelligence**

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