

# Managing for sustainability



A report from the Economist Intelligence Unit  
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## Foreword

**S**ustainable principles in business were once the preserve of the minority. Over the past decade, these principles have begun moving into the mainstream of business. An increasing number of firms are moving beyond merely cultivating a green image, and are fully embracing sustainability. Many executives see in sustainability opportunities for future growth; some see sustainability as the only option, in the long term. Today, it is businesses that have no ambitions in sustainability that form the minority.

*Managing for sustainability* is an Economist Intelligence Unit report that discusses why firms are embracing sustainable practices, how companies are embedding corporate social responsibility into their businesses, and how they are gauging and reporting their success. The research was sponsored by ENEL. The Economist Intelligence Unit bears sole responsibility for the content of this report. The findings and views expressed in the report do not necessarily reflect the views of the sponsor. Christopher Watts was the author of the report, and Aviva Freudmann was the editor.

February 2010



## Executive summary

**N**ever before has the focus on corporate social responsibility (CSR) been sharper. Globalisation of business corporations, and closer scrutiny of business practices, has led to a shift in the perception of sustainability among corporate executives. Today's executives understand more than ever before the long-term economic value of embracing sustainability—and are increasingly moving on from merely cultivating a socially responsible image.

In their pursuit of sustainability, executives are applying an intensity of focus normally reserved for corporate financial performance. Management is embedding sustainability across all functions of the enterprise; in an indication of the importance of sustainability goals, companies are increasingly linking variable pay to sustainability-related indicators. In addition, they are engaging stakeholders in frank and open discussions.

This paper, based on a survey of over 200 senior executives in the areas of sustainability, corporate social responsibility and finance—as well as ten in-depth interviews with corporate executives, academics and industry experts—documents leading companies' progress towards sustainability goals. The research examines the ways they are embedding sustainability across the enterprise; how firms are involving their supply chains in the effort; how management is measuring progress towards sustainability goals; and how companies are presenting progress to outside stakeholders.

Here are the key findings:

### **Executives increasingly see opportunity in sustainability**

Fully 87% of respondents agree that sustainability will become more important over the next three years. Of these, 46% strongly agree. While sustainability represents a risk for some executives, others see opportunity.

### **The link between sustainability and profitability remains unclear**

Just 24% of respondents agree that there is a strong link between financial performance and commitment to sustainability in the short term. However, 69% say they consider the link strong in the long term.

### **The poor business climate creates an obstacle to pursuing sustainability**

Thirty-four percent of respondents say that their firms' immediate financial goals are a more pressing



priority than sustainability. Unsurprisingly, this represents the leading obstacle to embracing sustainability. Lack of consensus and clarity are also obstacles.

### **Sustainability can lead to new strategies and improve image**

Among the areas of sustainability, respondents tend to emphasise creating codes of ethics (51%) and promoting environmental protection (50%). For executives, such practices can pave the way for new corporate strategies—including selling green products—as well as improve the corporate image.

### **Executives are embedding sustainability into various corporate functions**

Executives report including sustainability in a variety of corporate functions, including supply chain relationships (29%), improving energy efficiency (38%), educating employees on sustainability (32%) and engaging employees in sustainability-related activities (30%). Fifty-four percent of respondents report that their sustainability efforts have been led by senior management, which may explain the wide reach of such initiatives.

### **Cash incentives are not widespread—but are growing**

Employee recognition programmes are the most widespread employee incentive, cited by 38% of respondents. Just 18% of firms link pay to sustainability indicators, but anecdotal evidence suggests that this practice is growing among leading companies.

### **Only around one-half of companies report progress in sustainability**

Only 49% of respondents report progress in meeting their environmental sustainability goals. Slightly over one-half (53%) report their progress on meeting social sustainability goals. Nonetheless, executives at leading firms agree that stating goals and reporting progress towards those goals are essential in embracing sustainability.



## Making the economic case

**N**ever before has sustainability been more prominent on the corporate agenda. Broadly defined as operating in a way that preserves the long-term quality and productive capacity of both the natural and social environments in which a company operates, sustainability is now rapidly emerging as an important part of corporate business strategy. Previously a notion embraced by a few fringe players, sustainability is now part of mainstream corporate practice.

What is behind this shift? In the past decade, there has been a widespread acceptance among politicians, business leaders and consumers that climate change is a serious problem, which must be tackled by companies as well as by governments and citizens. At the same time, globalisation has created challenges that require companies to look at the world through a broader lens than the purely financial one. The recent financial and economic crisis has underscored the importance of taking that broader view. Moreover, the Internet has exposed companies worldwide to more intense scrutiny, making them more aware of their images as corporate citizens. “Companies are much more in a goldfish bowl today,” says N. Craig Smith, Professor of Ethics and Social Responsibility at INSEAD in France.

### **From risk to opportunity**

In our survey, fully 86% of respondents agree that operating sustainable environmental and employment practices is important in terms of managerial and financial resources currently committed. Forty-seven percent even say that sustainability is “very important” for their firms. Among the three geographic focus areas of this survey, respondents in Asia-Pacific are most likely to state that operating sustainable environmental and employment practices is a very important goal (50%). In North America, the figure is 46%, and in Western Europe it is 39%.

According to executives, the most important reason for promoting sustainability policies is that this is the right thing to do ethically (56%). Complying with laws and regulations (45%) and improving the company’s image (43%) also feature. Unsurprisingly, perhaps, motivations varied by industry. Respondents from the energy and natural resources sectors are more likely to say that their motivation is to comply with laws and regulations. Among consumer-facing industries such as retailing and consumer goods, doing the right thing ethically scored higher than the overall average, at 64%.



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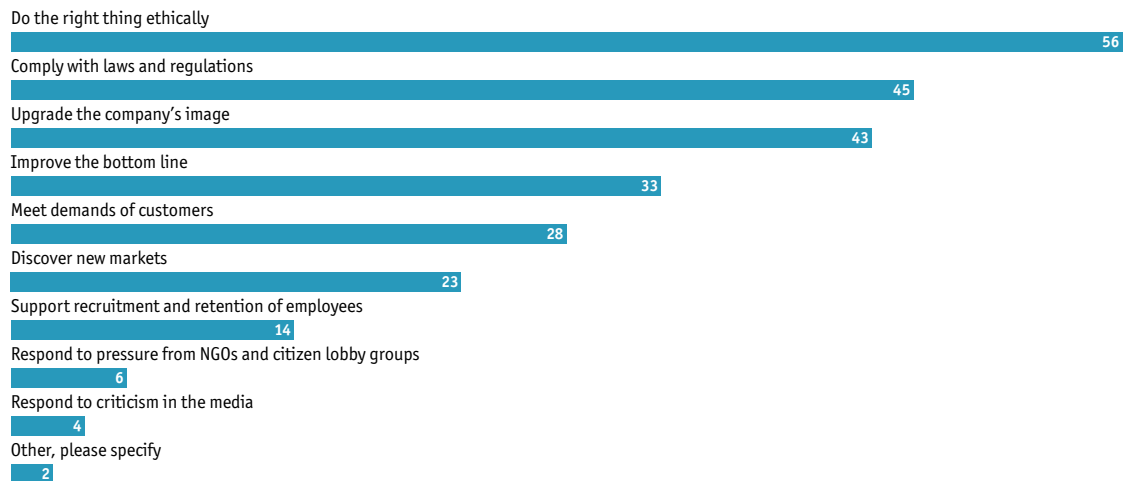
### In terms of managerial and financial resources currently committed, how important a goal for your company is operating sustainable environmental and employment practices?

(% respondents)



### What are your organisation's main motivations for promoting sustainability policies? Please select up to three.

(% respondents)



Our interview programme provides anecdotal evidence that management is increasingly viewing sustainability as an opportunity—not just a threat or a requirement. “Sustainability practices can give you a competitive advantage over other players,” says Ming Long, CFO of Investa, a privately owned Australian real estate investment firm. “What I’ve seen in the financial crisis is that, if we can show we are more transparent, and if we can show that we manage our buildings better, it helps in terms of being able to get access to capital.”

This focus on opportunity is borne out in survey results too. Fully 59% of respondents say that their firms pursue sustainability as part of an overall strategy to boost sales of environmentally friendly products. Perhaps predictably, this figure is higher, at 71%, among consumer-facing firms. In addition, 57% of respondents say that their firms use sustainability reporting as a basis for new business strategies. A case in point is Philips, a Dutch lifestyle, lighting and healthcare firm. Its target is that, by 2012, 30% of its products will be “green” products—a target that is a central component of its corporate strategy.

No wonder, then, that 87% of respondents agree that sustainability will become more important over the next three years. As the importance of sustainability grows within the organisation, it is likely that it will increasingly move out of the domain of corporate affairs and corporate communications—



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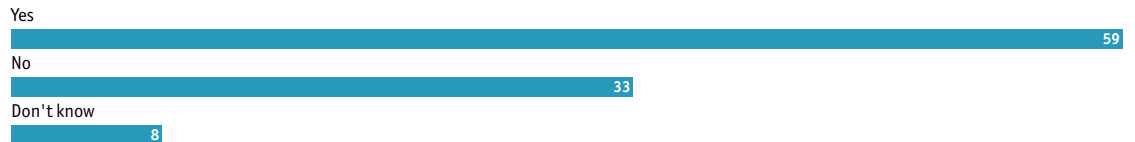
**To what extent do you agree or disagree with the following statement? "Sustainability will become considerably more important to my company over the next three years."**

(% respondents)



**If your company reports progress on meeting environmental sustainability goals is this part of an overall strategy to boost sales of environmentally friendly products?**

(% respondents)



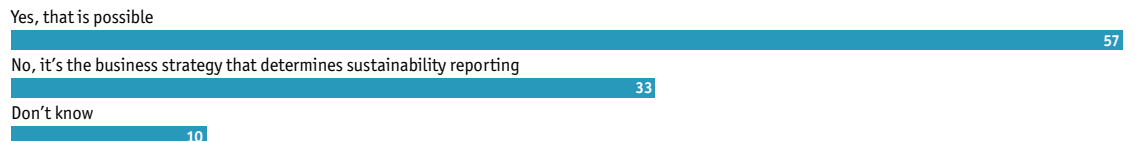
**If your company reports progress on meeting social sustainability goals, is this part of an overall strategy to improve its public image?**

(% respondents)



**In your view, could your company use sustainability reporting as a basis for new business strategies?**

(% respondents)



and into the core of business strategy. "Anecdotally, I would say you are seeing more companies today than in the past taking sustainability seriously, and getting beyond a 'greenwash' sort of approach," says Professor Smith of INSEAD.

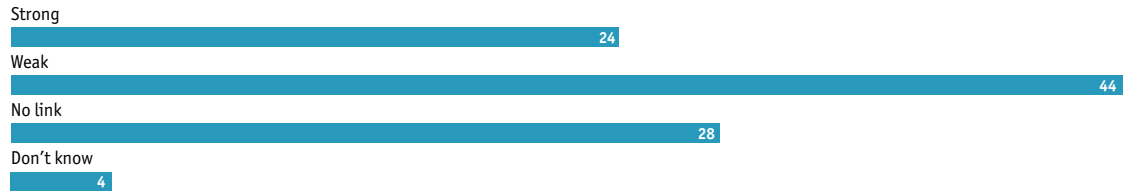
### The economic imperative

Overall, only one-third of survey respondents are motivated by improvement to the bottom line. There is no doubt that the link between positive performance in sustainability and positive financial performance remains unclear. (See sidebar, "Doing well by doing good", page 10.) Just 24% of respondents agree that there is a strong link between strong financial performance and commitment to sustainability in the short term, compared with 69% who consider the link strong in the long term. While 28% of surveyed executives see no link between a company's financial performance and its commitment to sustainability practices in the short term, just 7% see no link in the long term.



### In your view, how strong is the link between a company's financial performance and its commitment to sustainability goals? - Short term (1-2 years)

(% respondents)



### In your view, how strong is the link between a company's financial performance and its commitment to sustainability goals? - Long term (5-10 years)

(% respondents)



These results may reflect executives' faith in future opportunities offered by adhering to sustainability policies, such as securing sales growth and helping to ensure a positive public image. They may also reflect a view of escalating risks associated with failing to follow such policies in the long term, such as lack of preparedness for more stringent environmental and human resources regulations, as well as the wider social risks of failing to deal with carbon emissions and climate change.

Jeff Swartz, president and CEO of Timberland, a US-based outdoor footwear and clothing maker, believes that the cost of carbon will be built into the economic system. "If you are not mindful of that, you're foolish—it's coming," he says. Wim Bartels, global head of Sustainability Services at KPMG in the Netherlands, goes farther, predicting that in ten years' time, some companies will have disappeared because they did not take the right steps towards sustainability. Nevertheless, amid the rush towards adoption of sustainability policies, executives caution against losing sight of their firms' main focus. As Mr Swartz of Timberland puts it: "At the end of the day at Timberland, customers can buy our ideas, but if they don't buy our boots, we don't serve our shareholders."



## Doing Well by Doing Good?

Sustainability is sometimes defined as “doing well by doing good.” But is there a link between corporate social performance and corporate financial performance? A 2008 Harvard Business School study by Joshua Margolis and Hillary Anger Elfenbein approached this question by analysing 167 studies conducted over 35 years.

The researchers found that while doing good does not appear to destroy shareholder value, there is only a small correlation between good corporate behaviour and good financial results.

They highlighted three findings:

*Corporate misdeeds are costly to companies—if people find out.*

Anecdotal evidence about corporate scandals highlights how serious the consequences of wrongdoing can be for companies and their executives. But it’s difficult to estimate the likelihood that such misdeeds will be found out.

*Doing good is unlikely to cost shareholders.* Only 2% of the studies reviewed showed that managers who dedicate corporate resources to social contribution impose a direct cost to shareholders. Companies can do good and do well, even if they don’t do well by doing good.

*Profitability should not be the primary rationale for corporate social responsibility.* Companies should not expect to be handsomely rewarded for engaging in activities that generate social good. Socially responsible behaviour may not cost the firm financially, but if the goal is return on investment, there may be other ways to spend cash more effectively.

One way the researchers interpret the weak link between corporate social performance and corporate financial performance is this: It pays to be good, but not too good. It may be that companies do best when they find a middle ground: doing enough to satisfy regulators and activists, but not doing so much that they risk the disapproval of analysts and investors.

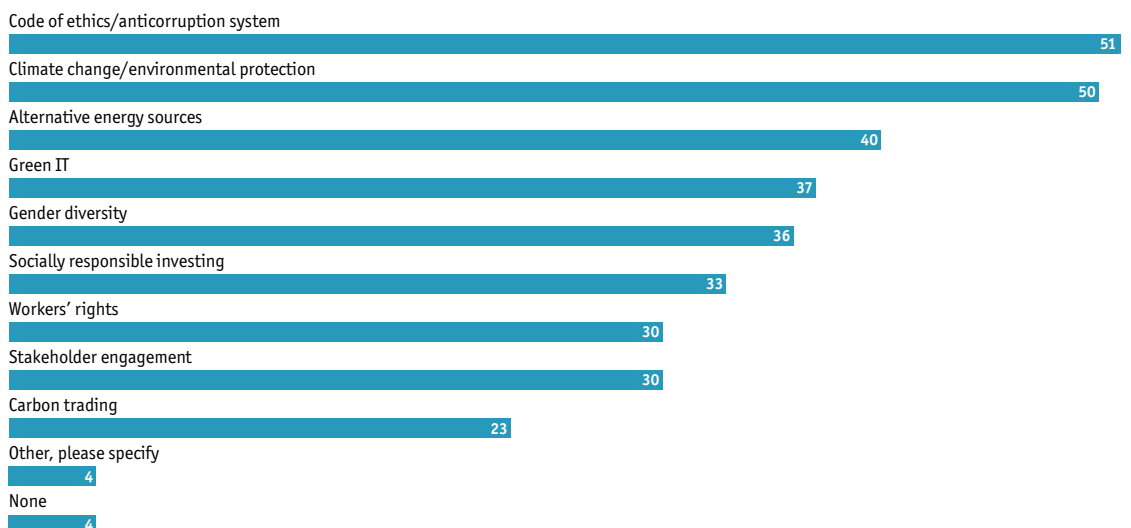


## Embedding sustainability across the enterprise

Executives surveyed for this report say that their firms' efforts in sustainability are focusing on ethics and corruption issues (51%), and climate change and environmental protection issues (50%). Unsurprisingly, those companies in energy and natural resources are more likely than the average (71%, compared with the 50% average) to focus on environmental concerns. Alternative energy sources (40%) and green IT (37%) also feature highly among respondents across the board.

How are firms going about incorporating these sustainability practices into their strategy and operations? The first task, say experts, is a fundamental review of corporate strategy, in terms of what sustainability means for the overall business. Ed Barker, director of Corporate Partnerships at the Earthwatch Institute, a US-based international environmental organisation, argues that "sustainability objectives and business objectives must be in line with one another". Ultimately, business strategy and sustainability strategy are likely to become so intertwined that they cannot be separated. Philips offers a good example. "From a strategic point of view, if we can reduce the

**In which of the following sustainability areas, if any, is your company active?** Please select all that apply.  
(% respondents)





energy consumption of our products, and make them better recyclable, we believe they become more attractive products for customers,” says Henk de Bruin, senior vice-president and head of the Corporate Sustainability Office at Philips in the Netherlands.

Experts also emphasise that the sustainability message must come from senior management. In fact, 54% of survey respondents say that their firms’ sustainability efforts have been led by statements from senior management. To push the effort out across the organisation, across all functions and processes of the enterprise, many firms are putting in place a bespoke organisational structure.

At the US-based Campbell Soup Company, for example, this takes the form of a matrix, called the Corporate Social Responsibility Leadership Network. It includes formal, chartered teams focused on introducing sustainability policies and practices in areas such as the environment, community, and wellness and nutrition. As an example of how this works in practice, Campbell’s sustainable packaging team, together with the firm’s manufacturing unit, has pushed through a redesign of a soup can in the US and Canada—saving around 16,000 tonnes of steel annually. At many companies, sustainability staffers work across the full range of functions—starting with research and development (R&D). According to Mr Bartels of KPMG, “the leading companies are connecting sales with R&D, and asking, if we’re going to build a more energy-efficient machine, what will it mean for our ultimate sales pitch?”

Our interview programme showed that many companies that operate extensive sustainability programmes define key performance indicators, and embed these across the organisation too. For Dave Stangis, vice-president of Corporate Social Responsibility at Campbell Soup, this means: “What are going to be our key metrics in environment, or packaging, or agriculture, or in the workplace?” However, Mr Stangis points out that the syntax and metrics of sustainability must be within the grasp of staffers across the enterprise: “It’s in a way that everybody can look at it and say, ‘yes, I can do that’, instead of being so specific that people say, ‘I can’t play; I can’t participate’.” The logistics team has goals to eliminate annual truck kilometres, for example; the packaging team has targets to reduce secondary packaging used for deliveries.

### **Recognising performance**

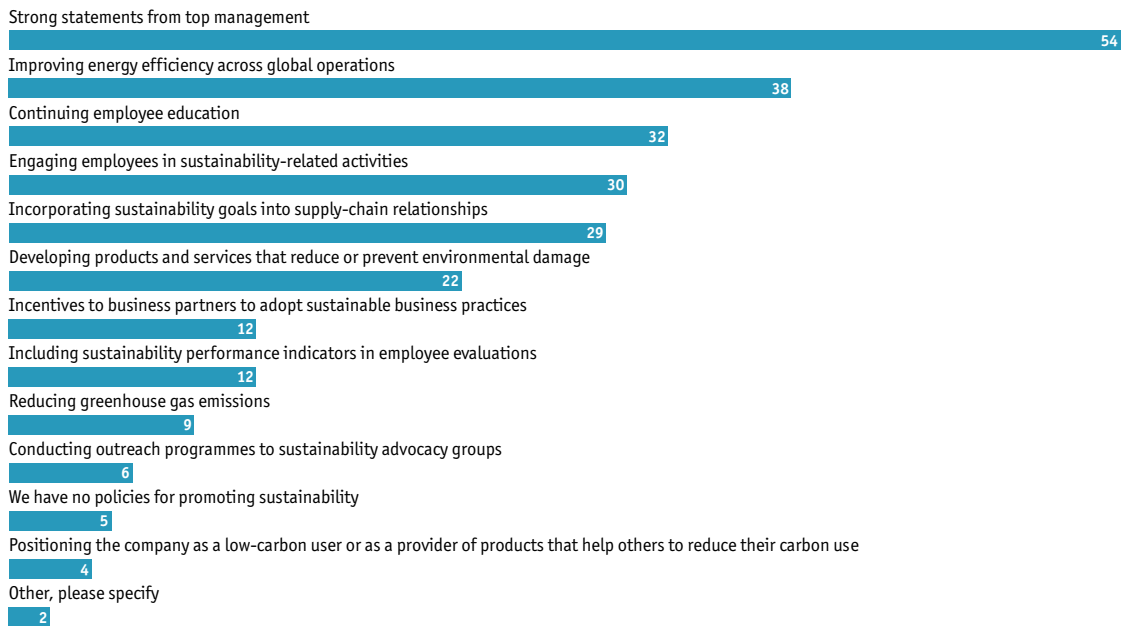
Employee recognition programmes are the most widespread employee incentive, cited by 38% of respondents; opportunities to lead projects or product development related to sustainability is cited by 36% of respondents. For example, at Campbell Soup the firm has an annual Extraordinary Performance Awards programme, which includes specific categories for both environmental sustainability and community impact. At Investa, meanwhile, employees have an opportunity to undertake training in sustainable corporate and real estate practices—and earn a “diploma of Investa sustainability” at the end of the training.

Just 18% of firms link pay to sustainability, a finding that is perhaps at odds with the importance executives ascribe to sustainability. However, anecdotal evidence suggests that this practice is growing among leading companies. Mrs Long of Investa comments: “That’s the key—where it is actually translating into a dollar value that makes its way into someone’s pocket.” At Campbell Soup, Mr Stangis reports that in 2009 the company added sustainability indicators to the group’s performance scorecards, which affect variable compensation of executives. Similarly, Rabobank, a

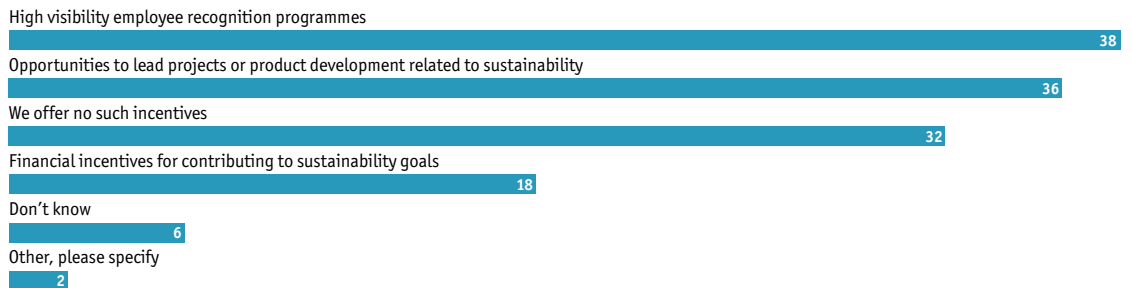


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**How, if at all, does your company try to integrate sustainability goals into its business practices?** Please select up to three.  
(% respondents)



**What internal incentives, if any, does your company offer to promote sustainability?** Please select all that apply.  
(% respondents)



Dutch financial co-operative bank, currently includes sustainability incentives for senior executives. Ruud Nijs, head of Corporate Social Responsibility, says he hopes to roll this out across the bank. "It's my aim to get every employee from Rabobank clear objectives on corporate social responsibility in their key performance indicators," he says.

Leading companies are looking beyond their own corporate walls to include sustainability criteria when evaluating their supply chains as well. This is becoming increasingly important, as growing volumes of manufacturing are outsourced to third-party suppliers. Twenty-nine percent of executives in our survey say that they incorporate sustainability goals into supply chain relationships. "The hardest thing we are finding in alignment terms is getting the value chain to embrace the notion that sustainability is a source of value," confirms Mr Swartz of Timberland. Some firms are including new sustainability chapters into codes of conduct for suppliers; others undertake supplier audits, verified externally. Campbell Soup is establishing a scorecard to gauge suppliers' performance in the area of



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**Which, if any, of the following are the main internal obstacles to incorporating sustainability principles into the company's strategies and practices?** Please select up to two.

(% respondents)



sustainability. “We want to comprehend and recognise the better sustainability performance among our suppliers,” says Mr Stangis.

Embedding sustainability in the enterprise, and in the supply chain, is not always straightforward, however. Thirty-four percent of survey respondents say that their firms’ immediate financial goals are a more pressing priority than sustainability. This suggests that in some cases, the poor economic environment means that sustainability has taken a back seat. Other obstacles include lack of consensus on ultimate goals of a sustainability programme (27%) and insufficient clarity around internal responsibilities (25%). In overcoming these, and other obstacles, Mr Bartels of KPMG believes that it is crucial that senior managers believe in the positive impact of sustainability—and that they ensure sustainability gets into the hearts and minds of everyone across the company.



### Rabobank: Mitigating risk

In 2007, Rabobank, a Dutch financial institution, became carbon neutral in terms of its direct CO<sub>2</sub> emissions. Soon enough, it turned its sights on its indirect footprint—a move that inevitably led the company to question the activities of its customers.

Ruud Nijs, Rabobank's head of Corporate Social Responsibility, concedes that whether a bank can question its clients' practices is a contentious issue. He believes that for a bank, the issues around sustainability are more complex than, for example, for a manufacturer. "We are a stakeholder in the environment, which makes it more difficult," he says.

As a starting point, Mr Nijs and his colleagues are approaching the bank's corporate customers to try to get them to comply with the bank's sustainability policies. "We go to customers who are sometimes in the press, in a negative context, because they have done something bad for the environment. Or companies, where they are not in the press yet, but we know there are negative issues in the

supply chain behind a specific product," he explains.

"We go in and we ask questions. How are you working with those risks in your supply chain? We will go in and say this is our policy, this is what we see, can we ask you what your opinion is about that," he says. "We as a bank will not put up our finger and say we are not giving you any more facilities, because you are not doing your job well."

The approach pays off, according to Mr Nijs. "My experience is that in 99% of the cases, we get positive feedback from the customer, [and they say] this is the first bank that has ever asked us these kinds of questions. Instead of asking for the balance sheet, the profit and loss account, you are asking for the core risks of our company." Mr Nijs concedes, however, that Rabobank has parted company with some clients since putting their activities under the sustainability spotlight.

Nevertheless, as the bank pursues its own sustainability goals, Mr Nijs insists that questioning clients' practices is the right thing to do. "Having this policy embedded in our company serves to reduce the bank's reputational risk and operational risk," he says.



## Engaging with stakeholders

Most executives interviewed for the research agree that it is crucial to state their companies' sustainability goals publicly—and to report progress towards meeting them regularly. "Reporting to the public becomes one of the very good ways of trying to figure out where we stand," says Kishor Chaukar, managing director of Tata Industries, part of Tata Group, an Indian industrial conglomerate. "It becomes an excellent self-awareness tool, and self-assessment tool." Mr Stangis of Campbell Soup agrees: "Once you draw lines in the sand in terms of goals and targets, you basically hold the corporation accountable, so you spread this concept of accountability." For his part, Mr Swartz of Timberland points out: "External reporting forces us to put aside the indulgent rhetoric and either execute or be penalised."

It is surprising, perhaps, that only around one-half of companies surveyed for this research say that they regularly report progress towards their sustainability targets. Just 49% of respondents report progress in meeting their environmental sustainability goals, and 53% report progress towards social sustainability. Separately, however, there is evidence that sustainability reporting is growing. The latest KPMG International Survey of Corporate Responsibility Reporting, published in October 2008, found that nearly 80% of the world's largest 250 enterprises report on sustainability—up from around 50% three years previously.

### Does your company regularly report progress on meeting environmental sustainability goals?

(% respondents)



### Does your company regularly report progress on meeting social sustainability goals?

(% respondents)





One obstacle to more widespread reporting may be the inconsistency of sustainability data, metrics, and key performance indicators across industry sectors. Increasingly, according to the KPMG research, companies are turning to the Global Reporting Initiative (GRI), a network-based organisation that has compiled a sustainability reporting framework that many practitioners consider to be the gold standard. “All our major group companies report on the triple bottom line as per the GRI,” says Mr Chaukar of Tata.

Nevertheless, executives often struggle to generate meaningful sustainability performance data and metrics within their own organisations. Rabobank resorts to internal questionnaires, according to Mr Nijs. “If you want to know your financial ratios, it’s the push of a button,” he says. “But collecting sustainability information is a pretty difficult job.” The answer, Mr Nijs believes, lies in “more structure, and more standards, so we can get it automated better”.

For its part, Deutsche Post DHL, a mail and logistics services provider, has taken some important first steps towards automating its sustainability data. In mid-2009, the firm completed a carbon accounting project that uses the group’s financial accounting infrastructure to collect data on carbon emissions from its operations across 220 countries. The infrastructure enables the firm to better manage its carbon footprint by measuring emissions of its delivery van fleets across each continent, for example, or by tracking carbon dioxide emitted when sending a parcel from A to B. “We use the finance system for the reason that it has the highest auditable standards,” says Michael Lohmeier, senior expert on the GoGreen Programme at Deutsche Post.

### **Evolving practice**

There was a time when some top companies released their corporate social responsibility reports together with their regular annual financial reports. This is no longer the case. According to Mr Bartels of KPMG, some leading firms are using different reporting channels for different groups of stakeholders. “Consumers may be more interested in having a forum on the web to discuss the specifics of your products, whereas investors only want a table with data,” he says. In other cases, companies are upgrading their integrated reporting. Rabobank’s website, for example, allows visitors to construct their own report, based on their areas of interest. Similarly, starting with its 2010 annual report due in February, Philips will survey online readers about their professional profiles—investor, consumer, NGO, supplier, and so on—before delivering a report tailored to the visitor’s likely needs.

Indeed, given the number and range of stakeholders, many firms are stepping up efforts to identify existing and emerging stakeholder issues. As Professor Smith of INSEAD points out: “In meeting obligations to stakeholders, you need to understand what those stakeholders are expecting.” A structured approach is crucial, according to Mr Bartels of KPMG: “We have a network society; a reputation can be gone within a day.” Rabobank has an issues management team that identifies issues and engages with stakeholders. Campbell Soup, meanwhile, has built an analysis matrix to filter hundreds of issues—including packaging, hunger relief, political contributions, ingredients, water use and obesity—based on their stakeholder importance and business impact.

Our in-depth interviews show clearly that innovative firms see issues management and stakeholder engagement as an opportunity for competitive advantage rather than an obligation. Investa offers



a good example. “Because we are in a leadership position, there will be a lot of cases where we are consulted in terms of what needs to happen within the industry [in terms of regulation, for example],” says Mrs Long. “So we can direct some of that.” Timberland takes a similar approach. Just as it schedules a quarterly financial results conference, it also arranges a quarterly call on non-financial results. “We learn more from stakeholder calls,” says Mr Swartz. “Shareholder calls are about managing expectations—stakeholder calls are about evolving our practice.”

### Timberland: A fleet score

Setting and communicating sustainability performance metrics is one of the biggest challenges of introducing sustainable practices across an enterprise.

To help design environmentally damaging elements out of its products, Timberland, a US-based outdoor clothing and footwear maker, developed its own metric in 2007: the “Green Index” environmental rating system. The Green Index measures and reports product-specific ratings for three major environmental factors:

**Climate impact:** Measures greenhouse gas emissions produced from raw material extraction to manufacturing.

**Chemicals used:** Measures the presence of hazardous substances used in manufacturing.

**Materials used:** Measures the use of organic, recycled or renewable materials.

The average of these three gives the product’s rating, on a scale of zero to ten. The lower the rating, the lower the environmental impact. The group’s target is to display the Green Index on all the group’s footwear by the end of 2011—and later, on its apparel and accessories too.

At group level, Timberland is aggregating the scores of all the products it sells. “Just like Toyota has a group fleet score for its cars—how many miles per gallon—across the group, we have a fleet score for our footwear, our apparel and our accessories,” says Jeff Swartz, the company’s CEO.

### About the survey

In December 2009 and January 2010, the Economist Intelligence Unit conducted a worldwide survey of over 200 senior executives in the areas of sustainability, corporate social responsibility and finance, on the role of sustainability in their organisations. The survey was sponsored by ENEL. More than one-half of respondents were executives at director level or higher. About one-half had responsibility for finance and one-half for corporate social responsibility. Two-thirds came from companies with more than US\$500m in annual revenue and 27% from companies with more than US\$10bn in annual revenue. Respondents were based mainly in Asia-Pacific (43%), North America (29%) and Western Europe (24%). All major industries were represented.

This white paper is based on the results of the survey. In addition, the Economist Intelligence Unit interviewed ten senior executives and industry experts on how they integrate goals of sustainability into their business strategies and practices. The insights from these interviews appear throughout the report. The Economist

Intelligence Unit would like to thank all survey respondents, as well as the following executives (listed alphabetically by organisation name) who participated in the in-depth interview programme:

- Dave Stangis, vice-president, Corporate Social Responsibility, Campbell Soup Company, US
- Michael Lohmeier, senior expert, GoGreen Programme, Deutsche Post DHL, Germany
- Ed Barker, director of Corporate Partnerships, Earthwatch Institute, US
- N. Craig Smith, Affiliate Professor of Ethics and Social Responsibility, INSEAD, France
- Ming Long, CFO, Investa, Australia
- Wim Bartels, global head of Sustainability Services, KPMG, Netherlands
- Henk de Bruin, senior vice-president, head of Corporate Sustainability Office, Philips, Netherlands
- Ruud Nijs, head of Corporate Social Responsibility, Rabobank, Netherlands
- Kishor Chaukar, managing director, Tata Industries, India
- Jeff Swartz, president and CEO, Timberland, US



## Conclusion

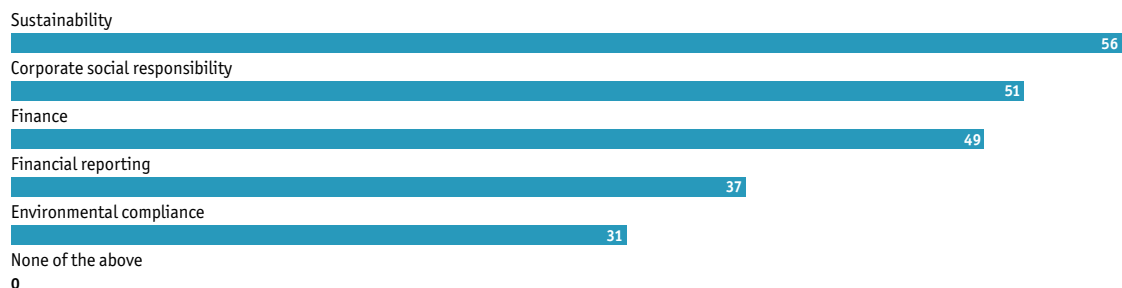
Sustainability has never before been as prominent on the corporate agenda—and the indications are that it will become even more critical to company strategy and operations in the coming years. The majority of companies surveyed for this research are embracing sustainability to one degree or another. In the aggregate, companies interviewed for this report showed significant innovation in their approach to sustainability.

The experiences of executives from companies leading in the field of sustainability provide a number of insightful lessons for other managers embarking on a move towards sustainable practices:

- *Make the economic case:* Executives are increasingly seeing opportunity in sustainability—not just risk. As they do so, sustainability practices are moving from the domain of corporate affairs and corporate communications into the mainstream of the company. Although the short-term financial benefits are not clear, executives do understand the long-term economic importance of sustainability, increasingly viewing such policies and practices as vital to the company's future existence.
- *Embed sustainability across the enterprise:* Many companies are incorporating sustainability into the heart of corporate strategy, such that sustainability cannot be separated from the company's core business objectives. Internal structures enable sustainable principles to be pushed out from top brass, across the enterprise. Although only 18% of firms link variable pay to sustainability, cash incentives for staff appear to be growing in number. Some firms are rating suppliers, too—and rewarding those that make a contribution to their own sustainability goals.
- *Engage with stakeholders:* Executives say it is crucial to report progress against publicly stated sustainability goals, and that the scrutiny helps to improve progress in meeting these targets. "Bright lights kill microbes," as Mr Swartz of Timberland puts it. Leading firms are also filtering stakeholder issues in a structured way—and tailoring their communication with them. Some executives say actively engaging with stakeholders can be a source of competitive advantage.

## Appendix: Survey results

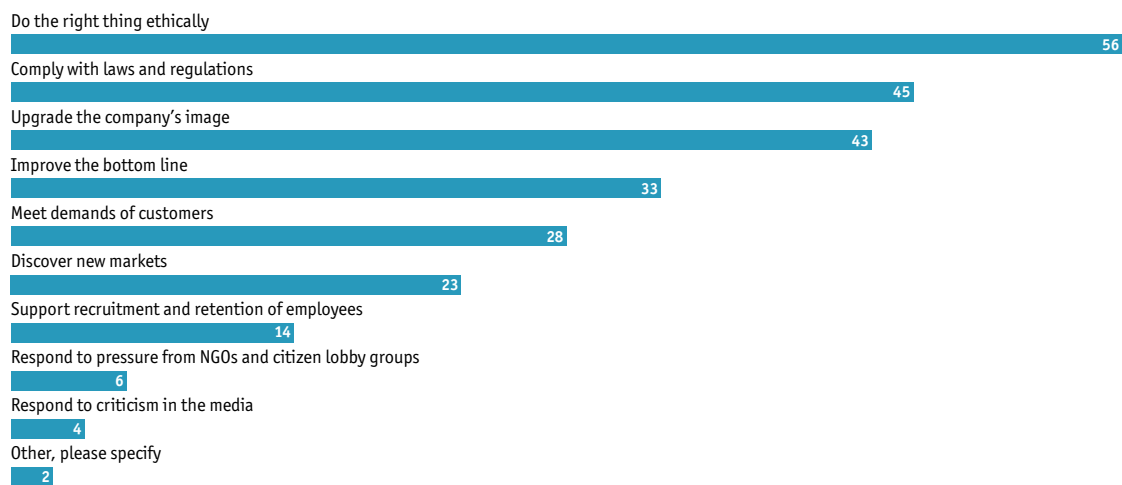
**Do you have responsibility for, or influence over, any of the following:** Please select all that apply.  
(% respondents)



**In terms of managerial and financial resources currently committed, how important a goal for your company is operating sustainable environmental and employment practices?**  
(% respondents)



**What are your organisation's main motivations for promoting sustainability policies?** Please select up to three.  
(% respondents)



**To what extent do you agree or disagree with the following statement?** “Sustainability will become considerably more important to my company over the next three years.”

(% respondents)



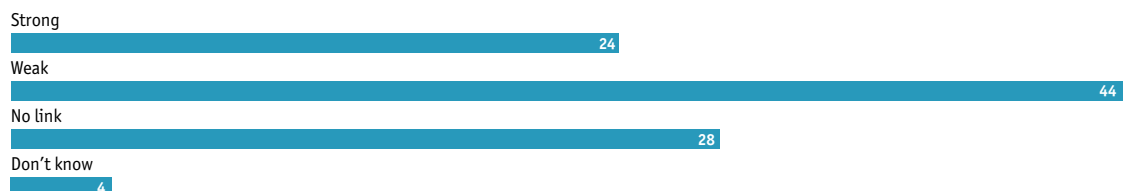
**Which, if any, of the following are the main internal obstacles to incorporating sustainability principles into the company's strategies and practices?** Please select up to two.

(% respondents)



**In your view, how strong is the link between a company's financial performance and its commitment to sustainability goals? - Short term (1-2 years)**

(% respondents)



**In your view, how strong is the link between a company's financial performance and its commitment to sustainability goals? - Medium term (2-5 years)**

(% respondents)



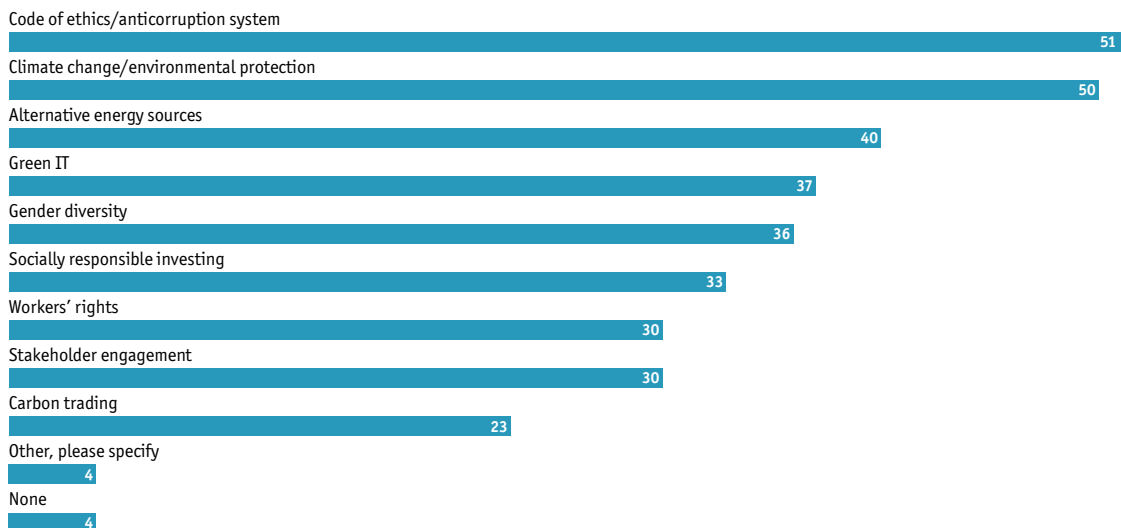
**In your view, how strong is the link between a company's financial performance and its commitment to sustainability goals? - Long term (5-10 years)**

(% respondents)

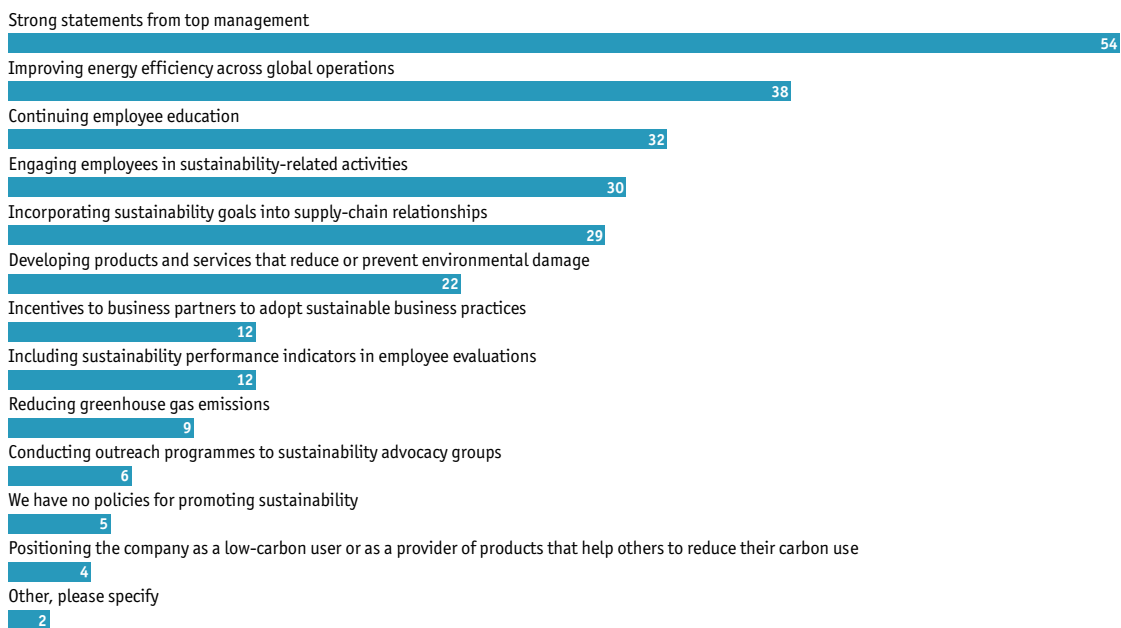


**In which of the following sustainability areas, if any, is your company active? Please select all that apply.**

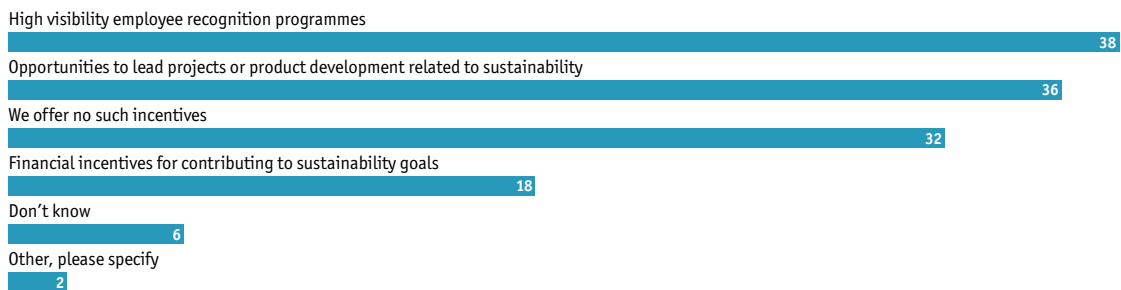
(% respondents)



**How, if at all, does your company try to integrate sustainability goals into its business practices?** Please select up to three.  
(% respondents)



**What internal incentives, if any, does your company offer to promote sustainability?** Please select all that apply.  
(% respondents)



**Does your company regularly report progress on meeting environmental sustainability goals?**  
(% respondents)



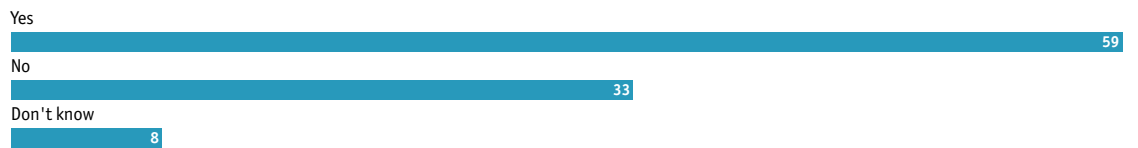
**Does your company regularly report progress on meeting social sustainability goals?**

(% respondents)



**If your company reports progress on meeting environmental sustainability goals is this part of an overall strategy to boost sales of environmentally friendly products?**

(% respondents)



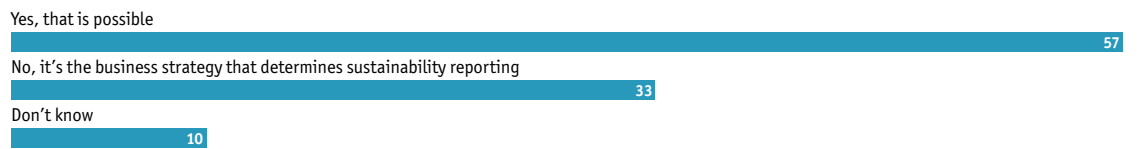
**If your company reports progress on meeting social sustainability goals, is this part of an overall strategy to improve its public image?**

(% respondents)



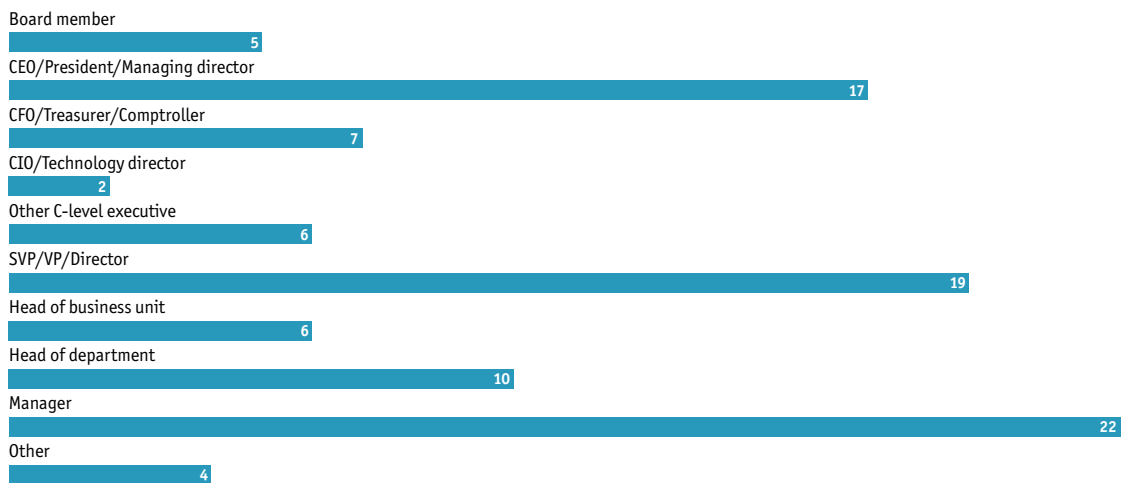
**In your view, could your company use sustainability reporting as a basis for new business strategies?**

(% respondents)



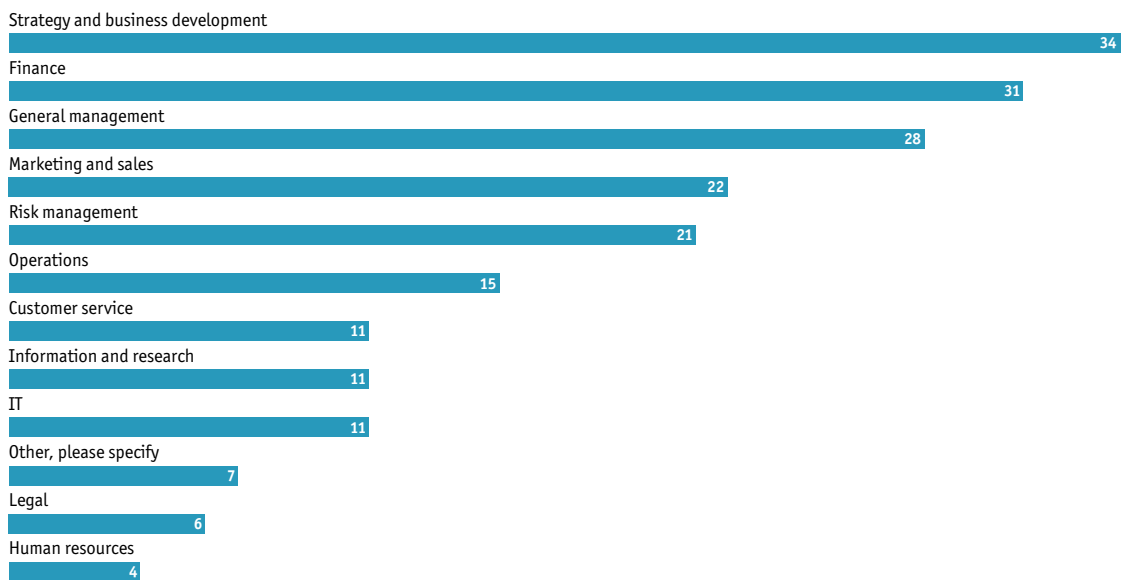
**Which of the following titles best describes your role?**

(% respondents)



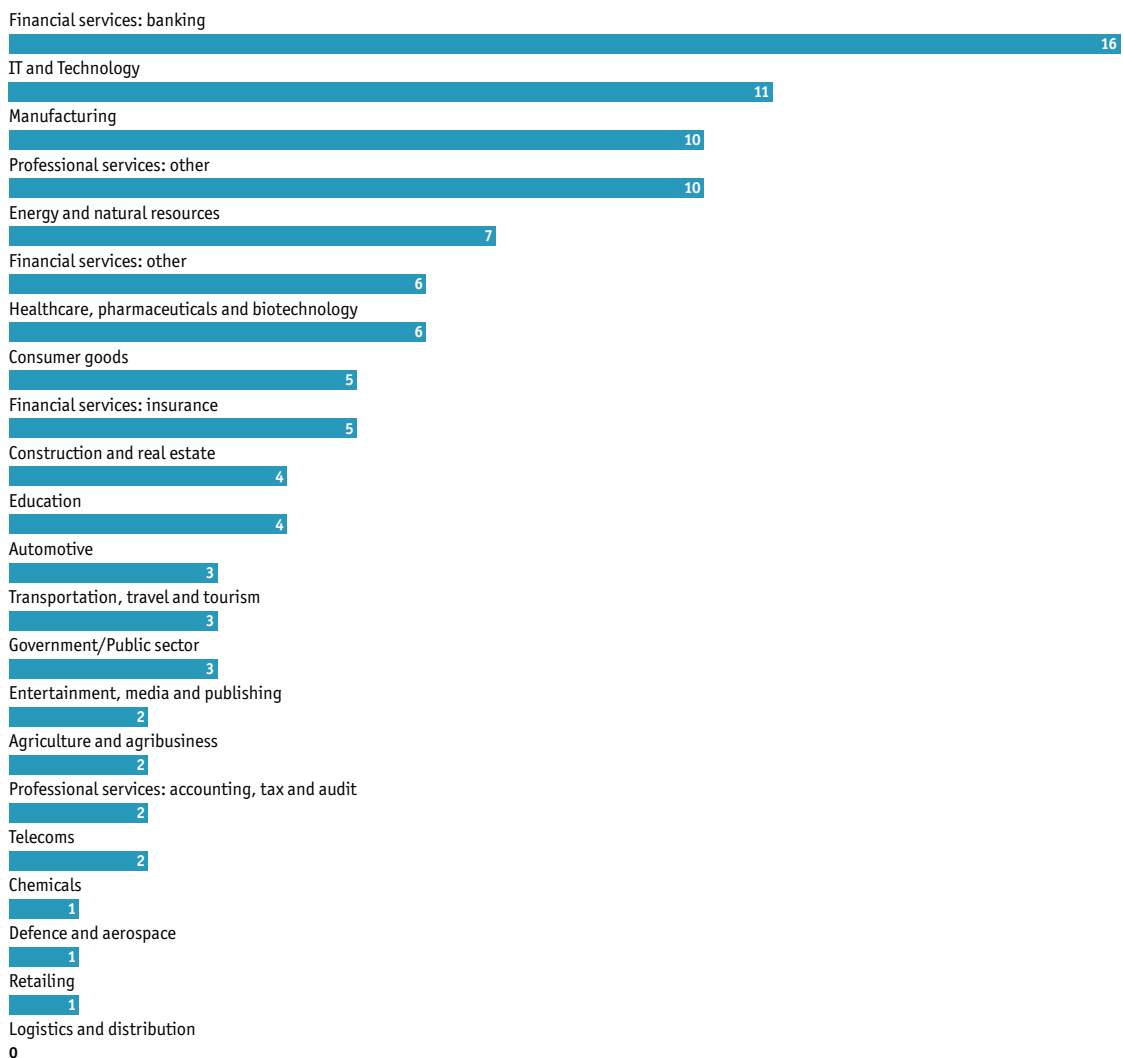
**What are your main functional roles?** Please choose no more than three functions.

(% respondents)



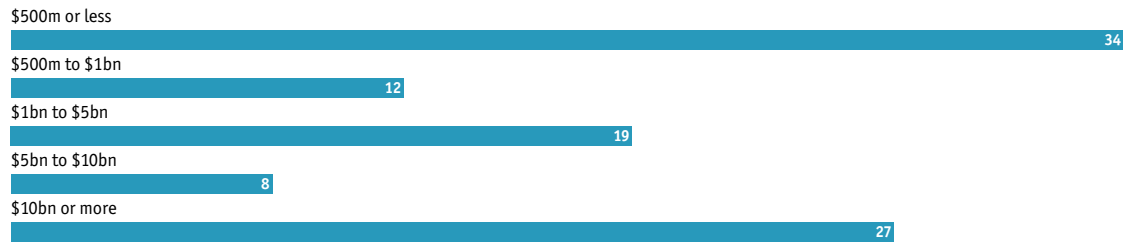
**What is your primary industry?**

(% respondents)



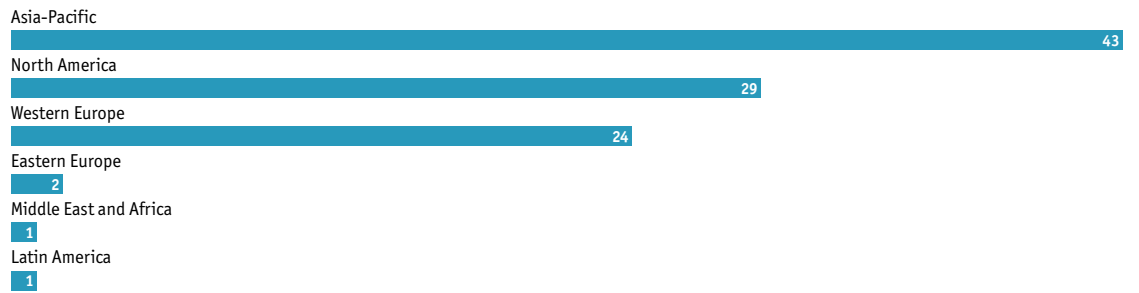
**What are your company's annual global revenues in US dollars?**

(% respondents)



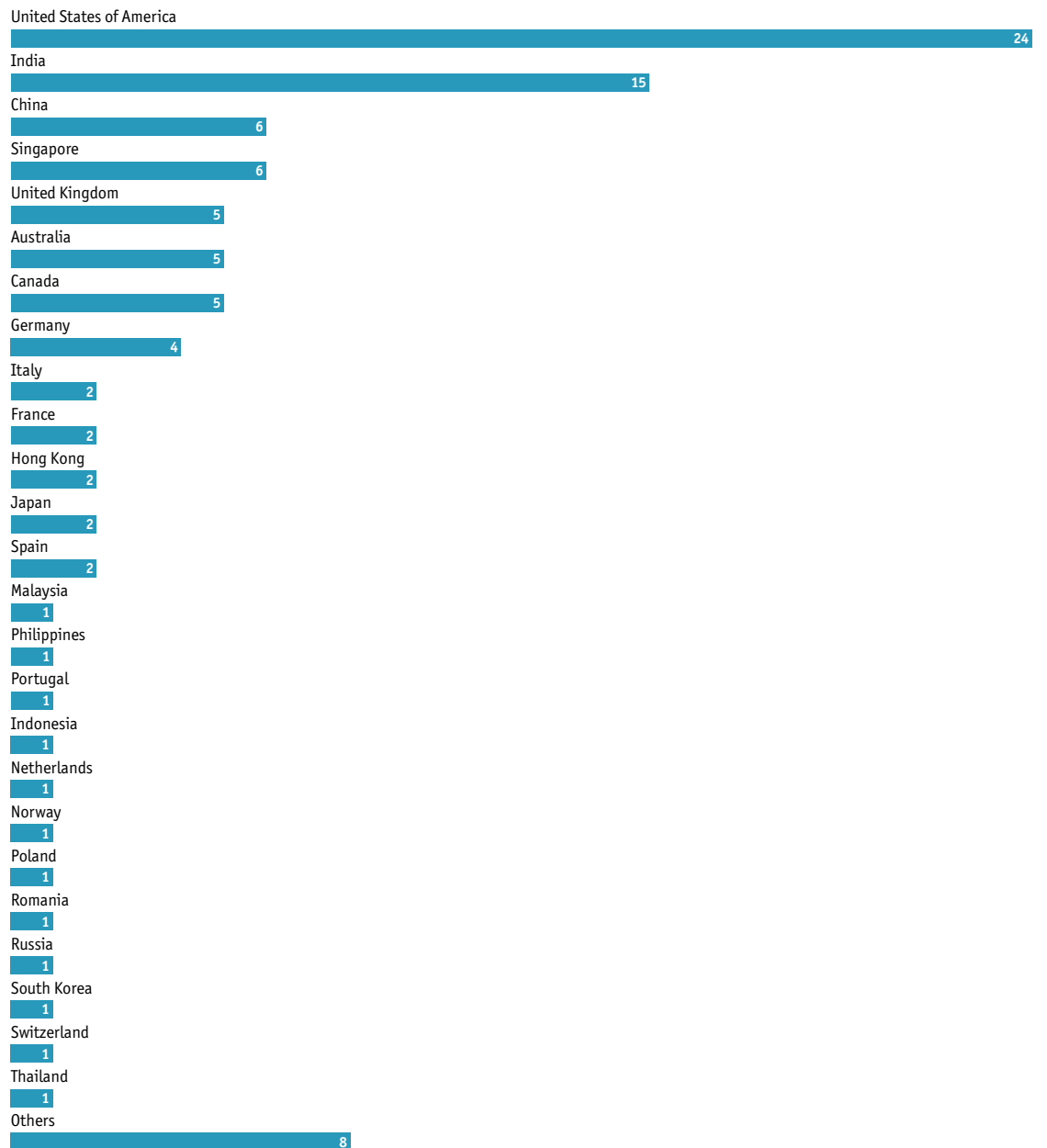
**In which region are you personally based?**

(% respondents)



**In which country are you personally located?**

(% respondents)



While every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in this white paper.

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