



REACHING THE

NEW CORPORATE FRONTIER

A pure|STRATEGIES Report



pure
INSIGHT

Extraordinary challenges... call for essential strategies...

Arable and productive land is rapidly declining, expected to drop 75% between 1960-2050



PRODUCTIVE RESOURCES

Greenhouse gas emissions must be reduced 40-70% by 2050¹



CLEAN ENERGY

Hazardous chemicals from everyday products are universally present in dust and breast milk



SAFER MATERIALS

Nearly 1 billion people worldwide are affected by severe hunger and poverty



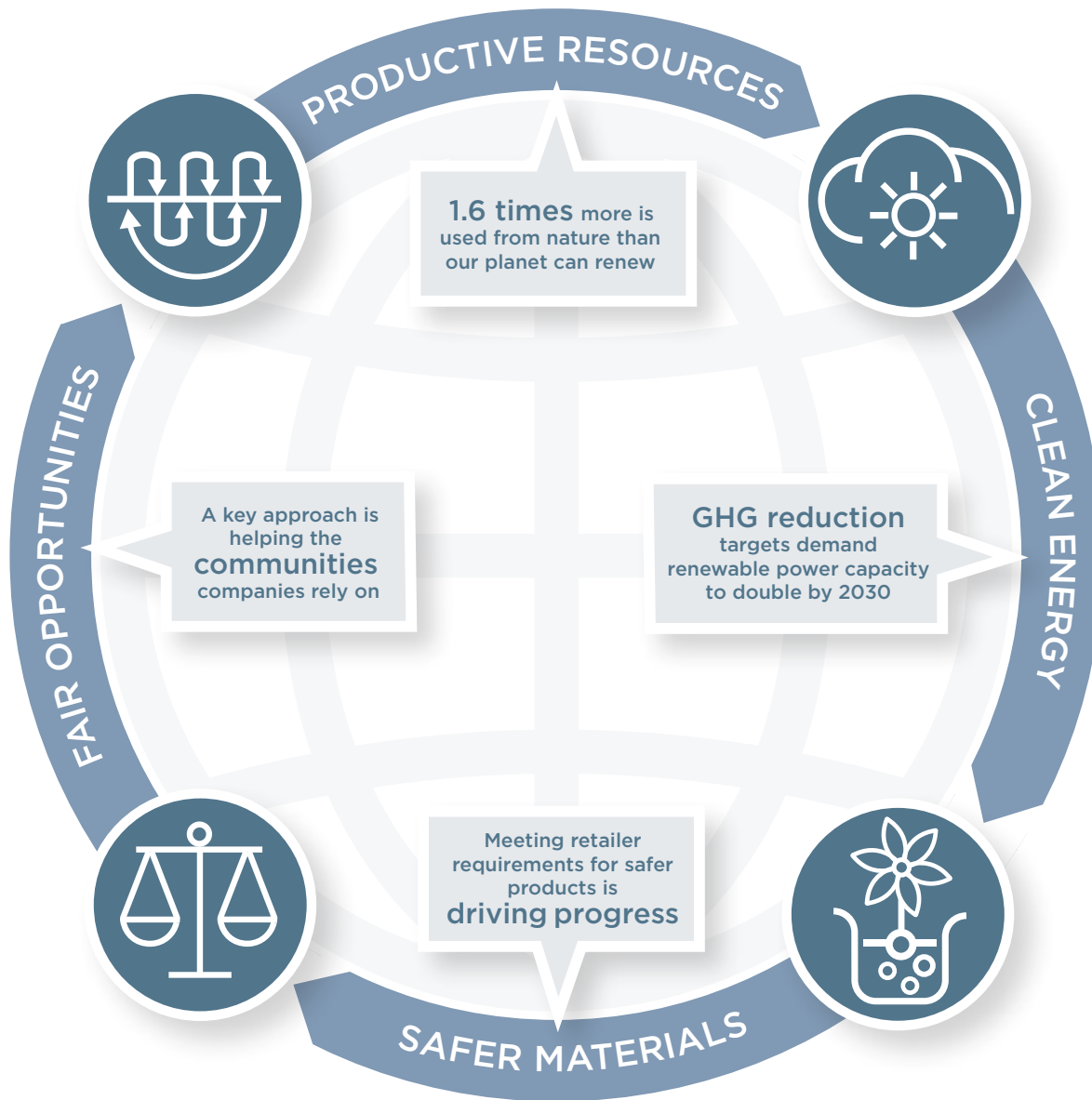
FAIR OPPORTUNITIES

...to build a sustainable and circular economy.

A circular economy utilizes a continuous flow of resources in cycles to avoid waste, relies on renewable energy and safe materials, and supports social justice.

¹ Compared to 2010 to stay within some of the more conservative climate warming thresholds according to the Intergovernmental Panel on Climate Change in the Climate Change 2014 Synthesis Report Summary for Policymakers.

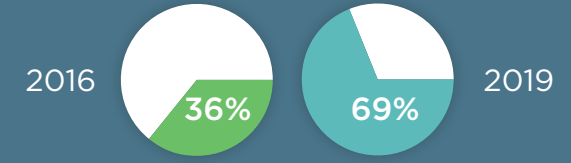
BUILDING A SUSTAINABLE AND CIRCULAR ECONOMY



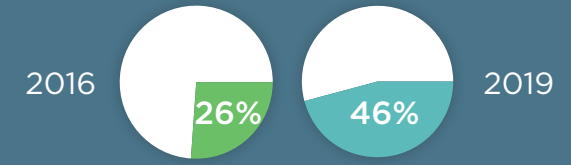
! The majority of firms surveyed did not have quantitative targets in critical areas, and as a result they are not holding themselves accountable for necessary progress.

% of 153 companies surveyed with well-advanced efforts in:

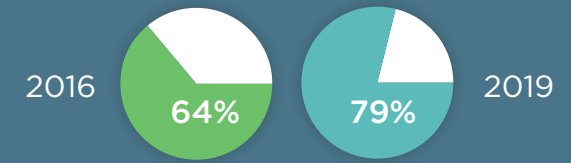
PRODUCTIVE RESOURCES



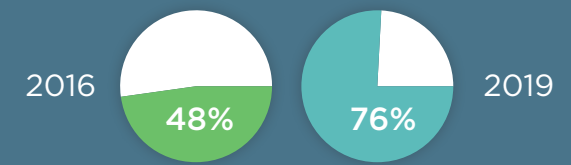
CLEAN ENERGY



SAFER MATERIALS



FAIR OPPORTUNITIES



BUSINESS VALUE



Respondents reported earning billions of dollars across productivity, reduced risk, and enhanced growth opportunities.

MEANINGFUL CHANGE NEEDED




Now is the time for companies to act. They must establish meaningful targets and focus their investments to meet the urgent call to global action and help reach the new frontier.

Mobilizing resources

The urgent need for transformational progress in sustainability echoes the call to action in the U.S. to get a man on the moon and safely back to Earth in the 1960's. As President John F. Kennedy said, *"We have the resources and the manpower;"* we just need focused investment and effort.

Rising to the task, sustainable and responsible investing (SRI) is reaching new levels, with **one out of every five dollars** under professional management in the U.S., totaling \$8.72 trillion. Corporate efforts have a similar course.

Bank of America  **Bank of America aims to put \$125 billion toward solutions to climate change and other environmental challenges by 2025.**

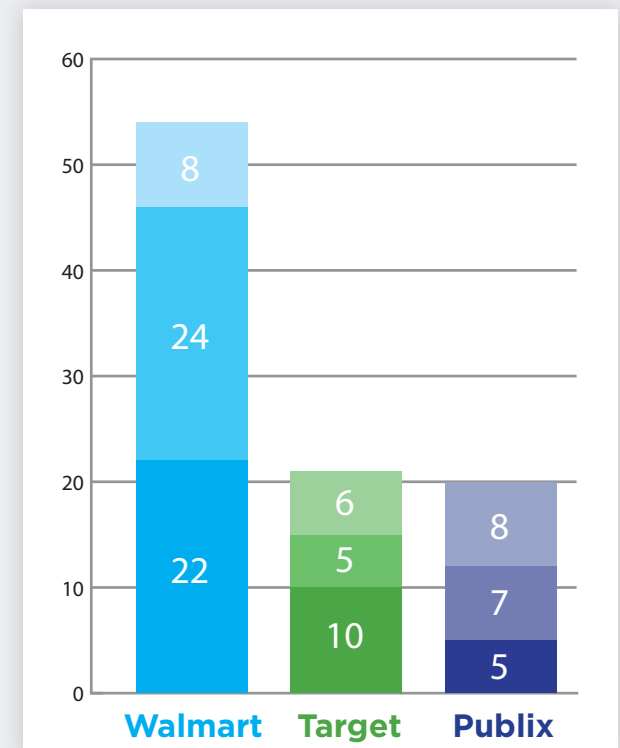
 **The IKEA Group is investing over € 2 billion in renewable energy by 2020.**

Sustainable and responsible investing has never been greater.



Walmart is the top retailer driving investment in sustainability, from Pure Strategies' surveys done in 2013, 2015, and 2016.

2016 survey asked (open ended): Name the top three retailers in order of importance driving your organization to invest in sustainability.



(Number of respondents from a sample of 153 listing the retailer first, second, third, bottom to top)

Mobilizing resources

Pure Strategies' research found a consistent trend of growth in corporate spending in sustainability, across three surveys since 2013. In this survey, 81% of the sample expected an increase in budget between 2016 and 2017.

A notable portion of this growing investment is expected to support changing company business models. **Shifts to products as services, virtual offerings, or other new business approaches are anticipated to increase the most over the next three years**—over other approaches (e.g., engaging consumers, bringing sustainability into product development) that drive the needed strategies. Further, companies earning the greatest business value from their sustainability efforts are putting more emphasis on these approaches than other firms.

The most valuable approach accelerating sustainability identified in the survey was bringing sustainability into product innovation, design, and development. Respondents noted that advancing sustainable agriculture calls for a unique approach, relying on sustainable sourcing and supplier engagement.

Signs of progress

The resources companies have invested are sparking progress, moving beyond incremental changes to meaningful actions that align with a sustainable and circular economy, with **productive resources, clean energy, safer materials, and fair opportunities.**

Corporate heads of sustainability who expect a **double-digit** budget increase from 2016-2017

34%

Portion of sample who expect an **increase** from 2016-2017

81%



PRODUCTIVE RESOURCES

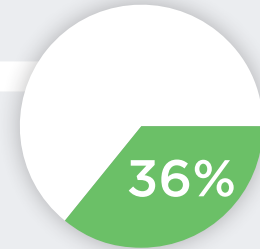
We use 1.6 times more from nature than our planet can renew each year.

Thus, there is a need for efficient and regenerative use of resources so they are available in the future (e.g., restoring carbon loss in soils).

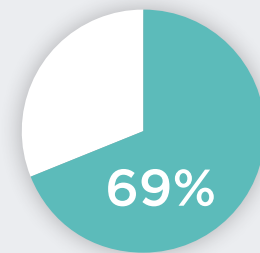
Resource efficiency is a cornerstone of sustainability, such as minimizing energy and water use in processing, but interest in scaling up was limited. Companies need to increase efforts to close resource loops and reuse materials.

As a means of investing in productive resource use, those surveyed expect sustainable agriculture engagement to grow across industries in the next three years. Apparel companies plan to ramp up from 52% using sustainable sourcing in 2016 to over 82% in 2019. Additional efforts include the multi-stakeholder **Midwest Row Crop Collaborative**, launched in 2016, working to use fertilizer efficiently and build soil health through technical information and resources to scale best practices across grain production in the U.S.

Companies with well-advanced resource efficiency efforts



2016



2019

SURVEY RESPONDENT GOALS:

“80% of crops used by our processing plants grown using drip irrigation by 2035.”

“Reduce our energy consumption 20% this year by utilizing energy from our waste products.”

COMPANY EXAMPLE:

Hellmann's has been advancing sustainable soy production, to meet Unilever's 2020 sustainable sourcing goal. Through its Sustainable Agriculture Code and partnerships, it helped farmers improve yield, reduce soil erosion, and increase conservation tillage, providing greater supply chain resilience.

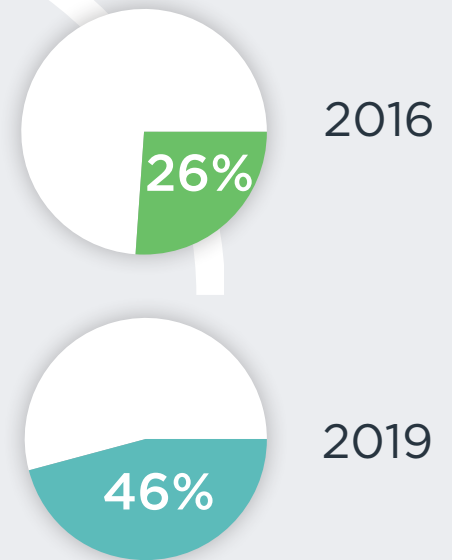


CLEAN ENERGY

Renewable energy is a critical strategy for achieving science-based greenhouse gas (GHG) reduction targets, to keep climate warming to within recommended limits, demanding renewable power capacity to **double by 2030**. While just under 30% of companies surveyed have quantitative renewable energy goals, momentum is growing.

The number of companies shifting to use more renewable energy is anticipated to nearly double in the next three years. Top performing firms, in the survey, are expecting to rely most on renewable power purchase agreements over the next three years. Firms leading the way include the nearly one hundred companies committed to 100% renewable energy through [RE100](#).

Companies with well-advanced renewable energy efforts



SURVEY RESPONDENT GOALS:

“Use 100% renewable energy by 2020.”

COMPANY EXAMPLE:

Apple aims to be powered by 100% renewable energy and is not far from reaching that goal. The global company receives over 90% of its energy from renewable sources. U.S. operations already reached 100% through a combination of on-site generation and market purchases, making Apple **one of the largest** on-site renewable energy producers in the U.S.



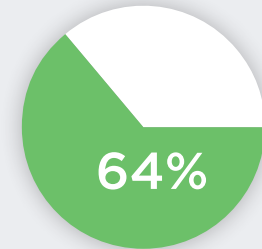
SAFER MATERIALS

Companies are taking steps to move away from using materials that are not inherently safe. There is a connection to retailer efforts, such as those of [Walmart](#) and [Target](#). Meeting customer requirements was the area of most activity in sustainable chemicals management, with 70% of survey respondents reporting advanced efforts.

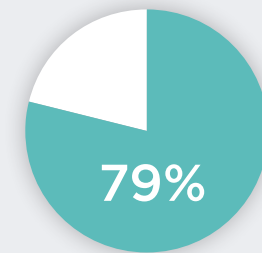
Company investment in the next three years is on target to address issues and move to safer materials. Survey respondents noted a focus on:

- Understanding which chemicals and materials are in products and supply chains
- Assessing chemicals of concern and safer alternatives

Companies with advanced efforts in sustainable chemicals management



2016



2019

SURVEY RESPONDENT GOALS:

“100% removal of harmful chemicals in the next 5 years.”

COMPANY EXAMPLE:

[Walmart](#) has a sustainable chemistry policy for home cleaning, personal care, and cosmetic products. Initial focus was on increasing ingredient transparency and the reduction of high priority chemicals. Between 2014 and 2015, the company achieved a 95% reduction of the weight of high priority chemicals in Walmart stores.



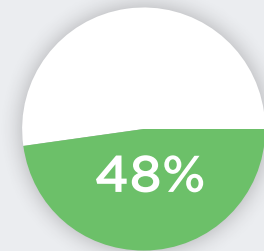
FAIR OPPORTUNITIES

The United Nations' **Sustainable Development Goals** highlight critical social needs from eliminating poverty to ensuring decent work and quality education.

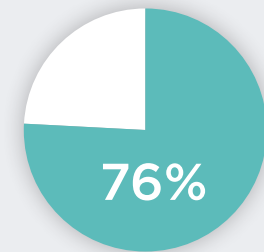
Survey respondents indicated that a key approach is helping the communities they rely on, such as supporting famers with training and tools to increase crop productivity in sustainable ways which will help reduce poverty and hunger and bring economic growth.



Companies with advanced efforts in supporting farmers (e.g. training)



2016



2019

GOAL FROM KEURIG GREEN MOUNTAIN:

“Engage 1 million people in our supply chains to significantly improve their livelihoods, including water security and climate resilience.”

COMPANY EXAMPLE:

Nestle implements comprehensive sustainable agriculture approaches for many of its top commodities, including direct farm engagement. Through this work, the company has provided training to over 44,000 cocoa farmers, distributed 1.6 million cocoa plants, and built or refurbished 40 schools over four years.



Good Food, Good Life

Business Value

The 153 survey respondents **gained several billion dollars from sustainability efforts in one year.** Respondents reported earning approximately \$800 million from increased sales and another \$800 million in manufacturing cost savings, with additional value across other reduced risk, productivity, and enhanced growth opportunities.

A positive sign is that **companies that report earning the most from sustainability plan to further increase their budgets,** illustrating the link between sustainability program investment and business benefit.

Smithfield

Good food. Responsibly.®

Smithfield gained \$11.5 million in 2015 from operational byproducts alone—from recycling cardboard to selling bacon grease and capturing biogas.



Unilever reported 30% faster growth for its brands with a sustainability purpose, compared to the rest of the business, with these contributing nearly half of the firm's total growth in 2015. Three of the top five brands driving this value are engaged in sustainable agriculture.

TOP BUSINESS BENEFIT FOR SOME OF THE ESSENTIAL STRATEGIES

% of companies that achieved the business benefit



RESOURCE EFFICIENCY AND PRODUCTIVITY

52%

achieved supply chain cost savings and risk reduction



SUSTAINABLE CHEMICALS MANAGEMENT

41%

achieved regulatory risk mitigation



RENEWABLE ENERGY

26%

achieved improved employee engagement

Meaningful change needed

The need is extraordinary; resources are being mobilized; momentum is growing and there is value to be gained. But are we doing enough? GreenBiz and Trucost **found** that current GHG-reduction projects account for less than 7.5% of what is needed every year between now and 2050. The Pure Strategies' survey results align with this and suggest other areas are likely falling short as well.

The majority of firms surveyed did not have quantitative targets in critical areas, and as a result they are not holding themselves accountable for necessary progress.

Now is the time for companies to act. Firms must establish meaningful targets and focus their investments to meet the urgent call to global action and help reach the new frontier.

About the research

In 2016, Pure Strategies fielded a survey, through research firm Verdantix, with 153 sustainability leads in global companies with revenue of at least \$250 million. The industries included: food and beverage; apparel and footwear; life sciences and medical products; electronics and appliances; home care and cleaning; personal care and cosmetics; and general merchandise. Pure Strategies conducted similar studies in 2015 and 2013 that also informed this report.

About Pure Strategies

Pure Strategies has been transforming business through sustainability performance since 1998. Our team helps companies initiate and enhance existing sustainability programs by setting meaningful goals, devising effective management strategies, and making changes to products and supply chains that deliver value to the business and society. Our clients include Walmart, Annie's Homegrown, Organic Valley, Seventh Generation, Colgate-Palmolive, Ben & Jerry's, and Radio Flyer.

