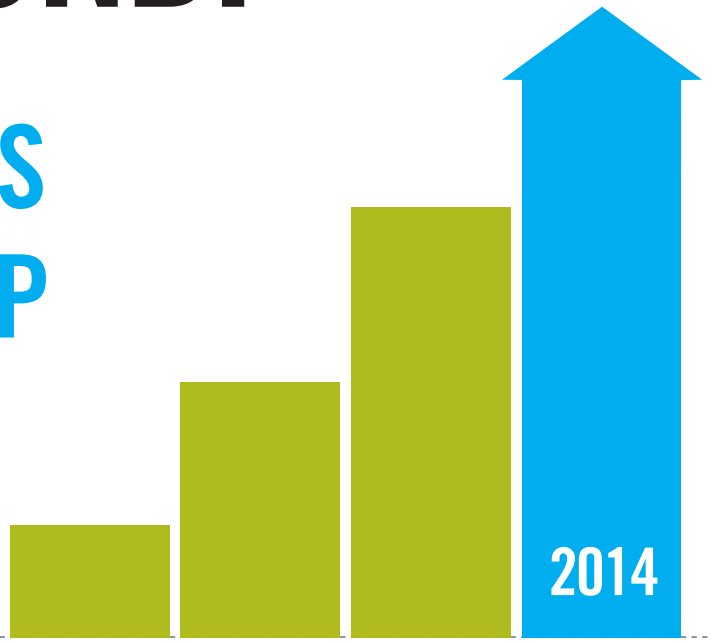
GAINING GROUND:

CORPORATE PROGRESS ON THE CERES ROADMAP FOR SUSTAINABILITY



A JOINT REPORT BY CERES AND SUSTAINALYTICS

Ceres

SUSTAINALYTICS

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REPORT PARTNERS

Ceres is a non-profit organization advocating for sustainability leadership. We mobilize a powerful network of investors, companies and public interest groups to accelerate and expand the adoption of sustainable business practices and solutions to build a healthy global economy.

Sustainalytics is an award-winning provider of environmental, social, and governance research and analysis. We support investors around the world with the development and implementation of responsible investment strategies. Sustainalytics also partners with institutional investors that integrate ESG information and assessments into their investment decisions.

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Letter from the Presidents

In 2010, Ceres released *The 21st Century Corporation: The Ceres Roadmap for Sustainability* with 20 expectations in the areas of governance, stakeholder engagement, disclosure and performance that, if met, would transform companies into truly sustainable enterprises.

We called it a "roadmap" not only because it provides guidance, but also because we understood that sustainability is a journey for any company. *The Roadmap* is a resource to help companies visualize and re-engineer themselves for success in a world beset with unprecedented environmental and social challenges that threaten the global economy and local communities.

In 2012, Ceres and Sustainalytics partnered to evaluate how 600 U.S. companies were performing against the *Roadmap* expectations. The result was *The Road to 2020: Corporate Progress on the Ceres Roadmap for Sustainability*. We found that while there were small pockets of corporate sustainability leadership, the vast majority of companies were taking only small, incremental steps. Sustainability efforts were generally inconsistent and peripheral when they needed to be central to the company's mission and integrated across all aspects of a company's business. We concluded that, "sustainability has yet to gain traction at anywhere near the scale and speed needed if the *Roadmap* expectations are to be widely met by 2020."

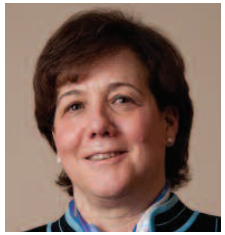
In the context of today's intensifying sustainability challenges we are now unveiling a second evaluation of how 613 U.S. companies are performing on the *Ceres Roadmap*. We found that many companies are gaining ground with modest overall improvement. But given the acceleration of environmental and social challenges globally—floods, droughts and workplace tragedies, among them—corporate actions and solutions are not keeping pace with the required level of change.

In some cases, companies have substantially accelerated and broadened their sustainability efforts. These companies are providing real leadership and demonstrating that sustainability isn't a luxury, but rather an essential strategy for building long-term shareholder value. Unfortunately, many companies are just beginning their sustainability journeys. It is imperative that many more companies shift from being reactive to proactive in embracing the sustainability challenges that lie ahead. The need for investors, businesses, NGOs and other stakeholders to fully engage in the essential work of creating a sustainable economy has never been more urgent.

In some cases, companies have substantially accelerated and broadened their sustainability efforts. These companies are providing real leadership and demonstrating that sustainability isn't a luxury, but rather an essential strategy for building long-term shareholder value.

There is a world of opportunity that awaits businesses that act with full vigor in preparing for the complex environmental and social challenges we face. Those that embrace the expectations of the *Roadmap* will be best positioned to thrive in the rapidly changing, resource-constrained 21st century economy.

Mindy S. Lubber
President and CEO of Ceres



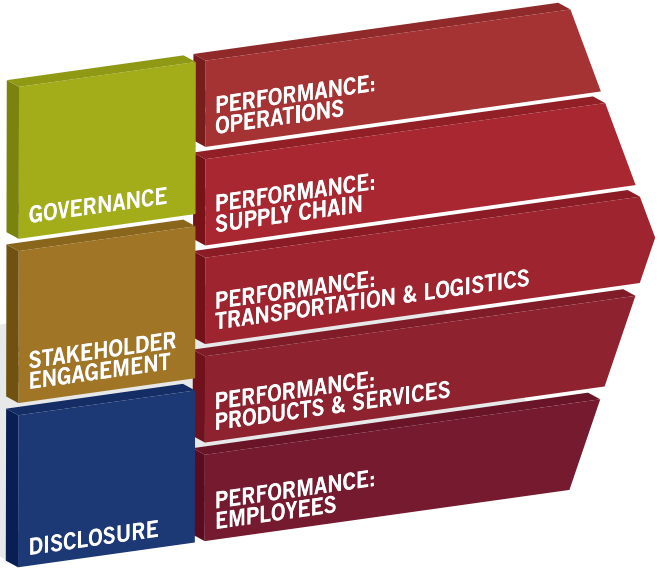
Michael Jantzi
CEO of Sustainalytics

CORPORATE PROGRESS ON THE CERES ROADMAP FOR SUSTAINABILITY

The scientific and economic realities facing corporations today have shifted substantially from even just a decade ago. From the risks posed to operations and the supply chain due to a changing climate, to an increasingly resource-constrained world with a growing population, to mounting human rights abuses—finding solutions to these business challenges will require collaboration, innovation and transformation.

This report, ***Gaining Ground: Corporate Progress on the Ceres Roadmap for Sustainability***, evaluates how well 613 of the largest, publicly traded U.S. companies are integrating sustainability into their business systems and decision-making. The report—a collaboration between Ceres and Sustainalytics—assesses corporate progress across the four strategic areas first outlined in 2010 in the *Ceres Roadmap for Sustainability*: Governance, Stakeholder Engagement, Disclosure and Performance.

Ceres and Sustainalytics last evaluated these companies in the 2012 report, *The Road to 2020*, where companies were placed into one of four performance "tiers." Two years later, the *Gaining Ground* report reveals that while there is progress being made by an increasing number of companies and sectors, we are still not seeing the speed of change that is required—or the scale of innovation that is possible. Incremental progress in tackling global climate change and other sustainability threats is simply not enough.



KEY FINDINGS

Leadership and Responsibility Starts at the Top

The ultimate responsibility for a company's direction, accountability and success comes from its board of directors and top-level executives—this is also where leadership for sustainability strategy and performance must originate.

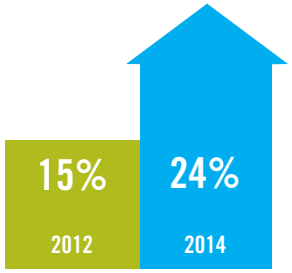
- **Boards of Directors are not taking enough responsibility for overseeing sustainability efforts.**
  Thirty-two percent (198) of the 613 companies' boards of directors formally oversee sustainability performance—up from 28 percent in 2012.

  Industry insight: The Utilities and Materials sectors, with their high exposure to environmental and social risks, and environmental, health and safety regulatory compliance obligations, continued to lead among their peers.

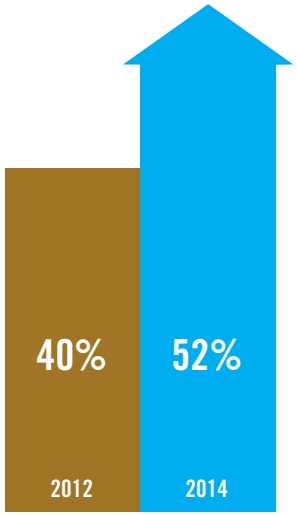
- **A growing number of companies are incorporating sustainability performance into executive compensation packages.**
  Twenty-four percent of companies (146) link executive compensation to sustainability performance—up from 15 percent in 2012. Yet only 3 percent (19 companies) link executive compensation to voluntary sustainability performance targets, such as greenhouse gas (GHG) emissions reductions.

  Company leadership: At **Alcoa**, 20 percent of executive cash compensation is tied to safety, environmental stewardship (including GHG reductions and energy efficiency) and diversity goals.

Executive Compensation Tied to Sustainability Performance



Investor Engagement



Engagement with Stakeholders is Critical to Success

From investors to the companies' employees, more corporations are seeing the value of formally engaging stakeholders around the world to maximize sustainability efforts and drive meaningful results. Leading companies are looking to gain recognition from investors for their sustainability actions, inspire their workforces by integrating sustainability into the company culture, and incorporate the insights of external stakeholders into decision-making processes.

- **Companies are increasingly engaging investors on sustainability issues.**
  Fifty-two percent (319 companies) are engaging investors on sustainability issues, up from 40 percent in 2012. The three percent (20 companies) in Tier 1 are using multiple tactics to engage investors including the integration of sustainability information into mainstream investor communications, highlighting sustainability performance and innovations at annual meetings, and directly engaging with shareholders on sustainability topics.

  Company leadership: **PepsiCo** actively engages with investors by presenting its sustainability strategy and goals during its annual shareholder meeting. The company also identifies and discloses climate change, water scarcity and public health issues as core sustainability challenges in its annual financial filings.

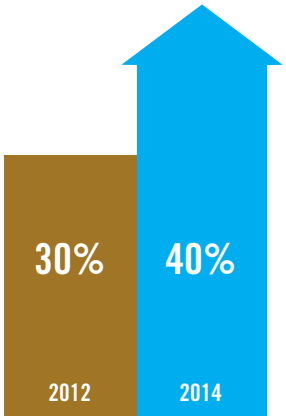
Stakeholders are not consistently involved in the sustainability planning process.
Only 36 percent of companies (219)—up from 29 percent in 2012—are disclosing information on how they formally engage stakeholders on sustainability issues. The seven percent (45 companies) in Tier 1 engage stakeholders in the materiality assessment process and disclose the insights gained from stakeholders.

Industry insight: The Food & Beverage sector demonstrates the strongest commitment to stakeholder engagement, with 46 percent of companies in the sector achieving Tier 1 or Tier 2 performance.

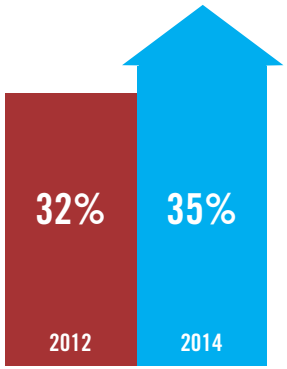
More companies are actively engaging employees on sustainability issues.
Forty percent (248 companies) have some programs in place to engage employees on sustainability issues—an increase from 30 percent in 2012. The six percent (37 companies) in Tier 1 go further by systematically embedding sustainability into company-wide employee engagement.

Company leadership: **Intel** provides training to help employees consider sustainability in business decision-making, and incentivizes its employees by linking compensation directly with sustainability performance targets.

Employee Engagement



Time-Bound Targets to Reduce GHG Emissions



Corporate Accountability Drives Social and Environmental Performance Improvements

Companies that perform well on governance, stakeholder engagement and disclosure, such as **Baxter, EMC** and **Starbucks**, are also leaders in driving sustainable performance improvements. Tackling sustainability helps companies reduce costs in a carbon-constrained world, modify business practices to require less water, and avoid conflicts in supply chains. Integrating sustainability into procurement and sourcing decisions is an effective tool for addressing these risks, and it is essential that companies engage their suppliers through dialogue, training, and capacity building. While 33 percent of companies (205) have established some form of program to engage suppliers on sustainability performance, just 14 percent have formal supply chain engagement programs in place and fall into Tiers 1 and 2.

While many companies are taking action to reduce GHG emissions, few have set time-bound targets.
More than two-thirds of the companies evaluated (438) are taking steps to reduce GHG emissions, but only 35 percent (212 companies) have established time-bound targets for such reductions. This is an increase from 32 percent in 2012. In terms of renewable energy, 37 percent of companies (224 companies) have implemented a program, compared to 35 percent in 2012. Yet only six percent have quantitative targets to increase renewable energy sourcing.

Industry insight: More than half of the companies falling into Tier 1 for this expectation are Technology companies, including **Hewlett Packard**, which has not only set time-bound targets for reducing GHG emissions and increasing renewable energy sourcing, but also sources more than 10 percent of its primary energy needs from renewable sources. Companies in the Oil & Gas and Energy Service sectors lag behind their peers. Only 13 percent of Oil & Gas companies (4 of the 30 companies) and just nine percent of Energy Service companies (2 of the 23 companies) have adopted formal, time-bound GHG emission reduction targets.

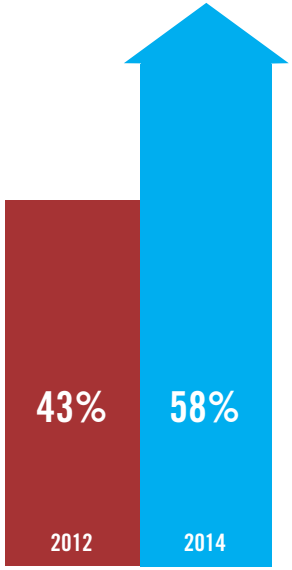
Companies are not doing enough to address water risks, especially in stressed regions.
Of the 103 water-intensive companies evaluated, 50 percent assess water-related business risks, a slight decline from the 55 percent in 2012. Only 26 percent (27 of 103 companies) are prioritizing efforts in water stressed regions.

Company leadership: Since 2004, **The Coca-Cola Company** has improved the efficiency of its water use by 20 percent. However, as water risks intensify globally and investor and stakeholder expectations continue to grow, Coca-Cola identified the need for a rigorous third-party evaluation of its water management approach. Throughout 2012 and 2013, the company used the Ceres Aqua Gauge™ tool to assess the strengths and weaknesses of its water stewardship strategy and to inform new targets and goals. The company is also sharing the Aqua Gauge tool with suppliers and customers to help these partners improve their own water management.

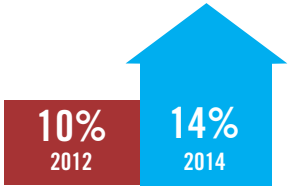
Additional innovation is needed to drive sustainable products and services.
Of the 419 companies evaluated for this expectation, 14 percent (57 companies) have formal programs to invest in and promote sustainability products and services, compared to 10 percent in 2012.

Company leadership: **Nike** integrates sustainable design across its product portfolio—including new product innovations such as the FlyKnit running shoe, which creates two-thirds less waste in production than its counterparts. Seeking to raise the industry bar, Nike created the MAKING app in 2013 allowing the data in its Materials Sustainability Index to be public. This lets designers from across the industry and beyond make more sustainable design decisions, and ultimately, lower-impact products.

Supplier Codes of Conduct



Sustainable Products and Services



More companies are setting clear sustainability standards for suppliers.
Fifty-eight percent (353 companies) have supplier codes of conduct that address human rights in supply chains, compared to 43 percent in 2012.

Company leadership: **Ford Motor Company** has established requirements for first tier suppliers. These requirements drive Ford's environmental and social expectations down its supply chain. Ford gathers information on supplier climate risks and GHG emissions and works with suppliers to establish GHG emissions reduction and energy efficiency targets.

Industry Insight: To better understand how companies are addressing specific environmental and social challenges in their supply chain, *Gaining Ground* features two in-depth case studies examining the critical issues of forced labor and sustainable agriculture. While our analysis shows that companies and investors are increasingly aware of these challenges, many are just starting to get informed about how to address them. **Read more about our findings and recommendations at www.ceres.org/gaininground.**

Investing in Sustainable Corporations

Companies with the vision and strategies for integrating sustainability principles into all facets of operations are more likely to generate long-term shareholder value than those that do not. In fact, investors are increasingly integrating sustainability criteria into investment decisions, and are rewarding companies who engage shareholders on sustainability issues.

This report evaluates the sustainability performance of 613 U.S. companies, which represent nearly 80 percent of the total market capitalization of all public companies in the country. The information here is critical for investors because it reveals how well prepared, or in many cases, how poorly prepared, individual companies are to thrive in an economy being profoundly shaped by sustainability risks and opportunities.

In 2013, Ceres and the Investor Network on Climate Risk released *The 21st Century Investor: Ceres Blueprint for Sustainable Investing*, offering ten practical steps for integrating sustainability criteria into investment policies and decisions. *Gaining Ground: Corporate Progress on the Ceres Roadmap for Sustainability* will help investors with several of those steps, including:

Identifying Sustainability Issues that are Material to the Fund

- This report shows which companies are engaging stakeholders and investors, and which ones are disclosing material issues.

Establishing Engagement Strategies and Proxy Voting Guidelines Consistent with Sustainable Investment Goals

- The report provides sector analyses and company scorecards to support company engagement and proxy voting.
- Lead practice examples provide clear illustrations on what investors should expect of companies in their portfolios.
- The *Ceres Roadmap* may be referenced in proxy voting guidelines.

Requiring Sustainable Investment Expertise in Manager and Consultant Selection

- The *Ceres Roadmap* framework and *Gaining Ground* analysis may be shared with asset managers as an input into their investment decision-making process and to help prepare for company engagements.

"Environmental and other sustainability issues are core to business performance in the 21st century."

— Anne Stausboll, CEO of California Public Employees' Retirement System (CalPERS)

Anne Stausboll
CEO of CalPERS

Investors are Integrating Sustainability Criteria into Investment Decisions

- Over 1,200 investors have signed on to the Principles for Responsible Investment.[1]
- More than $13.6 trillion (21.8 percent) of total assets managed professionally in Europe, the U.S., Canada, Asia, Japan, Australia and Africa incorporate environmental, social and governance (ESG) factors to some degree.[2]
- Approximately $3.74 trillion (11 percent) of assets under professional management in the U.S. are invested according to sustainable investing strategies.[3]
- 417 ESG shareholder resolutions have been recorded this year so far.[4]
- Sustainability information by financial data aggregators is more widely available. Bloomberg, for example, has seen 47.7 percent annual average growth in customers using ESG data since releasing it in 2008.[5]

Investor Resources:

For more information on how *Gaining Ground* can be used to assist investors in implementing the *Ceres Blueprint for Sustainable Investing*, visit **www.ceres.org/gaininground/investors**.

For additional information on how to incorporate Sustainalytics' ESG research into your investment process and analysis, visit **www.sustainalytics.com**.

View the interactive online version of this report at **www.ceres.org/gaininground** to access company scorecards and to learn more about how the companies in your own portfolio are performing on a range of sustainability issues.

1 Principles for Responsible Investment. "Signatories to the Principles for Responsible Investment." Retrieved from: http://www.unpri.org/signatories/signatories/ on April 2014.
2 Global Sustainable Investment Alliance (GSIA). "Global Sustainable Investment Review 2012." January 28, 2013. Retrieved from: http://gsiareview2012.gsi-alliance.org/pubData/source/Global%20Sustainable%20Investement%20Alliance.pdf
3 Ibid
4 Welsh, Heidi and Passoff, Michael. "Proxy Preview 2014." As You Sow, Proxy Impact and Sustainable Investments Institute. February 14, 2014. Retrieved from: http://www.proxypreview.org/download-proxy-preview-2014/
5 Bloomberg L.P. "2012 Sustainability Report." July 24, 2013. Retrieved from: http://www.bloomberg.com/bsustainable/wp-content/themes/wp_sustain13_theme/report/BloombergSustReport2012.pdf

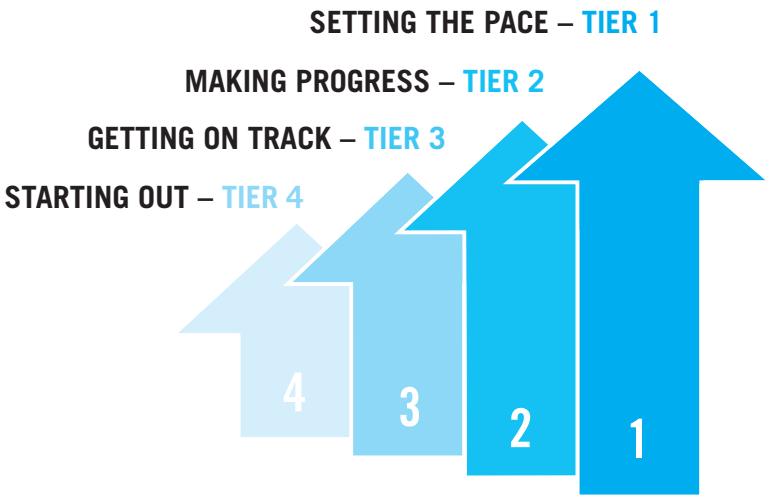
Methodology Snapshot

This report evaluates how well 613 of the largest publicly traded companies in the U.S. are meeting the expectations outlined in the *Ceres Roadmap*. It is intended to allow companies to assess their performance against their peers and to see what businesses are doing across economic sectors. It is not an absolute measure of performance but a relative one. Simply because a company is performing better than its peers with regard to a specific *Roadmap* expectation does not mean it has fully met that expectation.

Sustainalytics' environmental, social and governance (ESG) research and analysis platform was leveraged as the basis for the assessment process. Ceres and Sustainalytics selected indicators from the Sustainalytics global ESG research platform as proxies to measure the expectations from the *Ceres Roadmap*, and developed additional customized indicators that would strengthen the assessment. Industry-specific weightings were assigned to address unique areas of impact and exposure. To ensure a broad cross-section of major publicly traded companies, those chosen had to be included in at least two of the following three major stock indices: the Russell 1000, the S&P 500, and the MSCI Domestic Markets Standard.

With respect to each key expectation of the *Roadmap* evaluated, companies were placed in a performance "tier." Those in Tier 1 are "setting the pace." Those in Tier 2 are "making progress." Those in Tier 3 are "getting on track." And those in Tier 4 are just "starting out."

To read the full methodology see page 70 or go to **www.ceres.org/gainingground**.



Take Action

The findings of this report should inspire companies to examine their own progress and identify where they stand on the path to sustainability. If they've taken steps towards sustainability, are their efforts translating into results? If they are well on the road to sustainability, what else can they do to drive sustainability leadership? **And if they are still at the starting line, what are they waiting for?**

The online report features interactive data and charts—useful tools for understanding the results, comparing the performance of peers within sectors, and identifying opportunities for taking action. The website also features additional analysis for eight priority sectors, and examples of leading practice by topic area. New this year is the "search by company" scorecard, which provides a snapshot of how the companies evaluated perform on each *Ceres Roadmap* expectation—allowing users to search by both company name and stock ticker.

Most importantly, *Gaining Ground* reaffirms the compelling case for faster, more comprehensive business action on sustainability. **The time to get started is now.**

Explore our full report with interactive data, sector-specific analysis, and company scorecards at www.ceres.org/gainingground

GOVERNANCE FOR SUSTAINABILITY

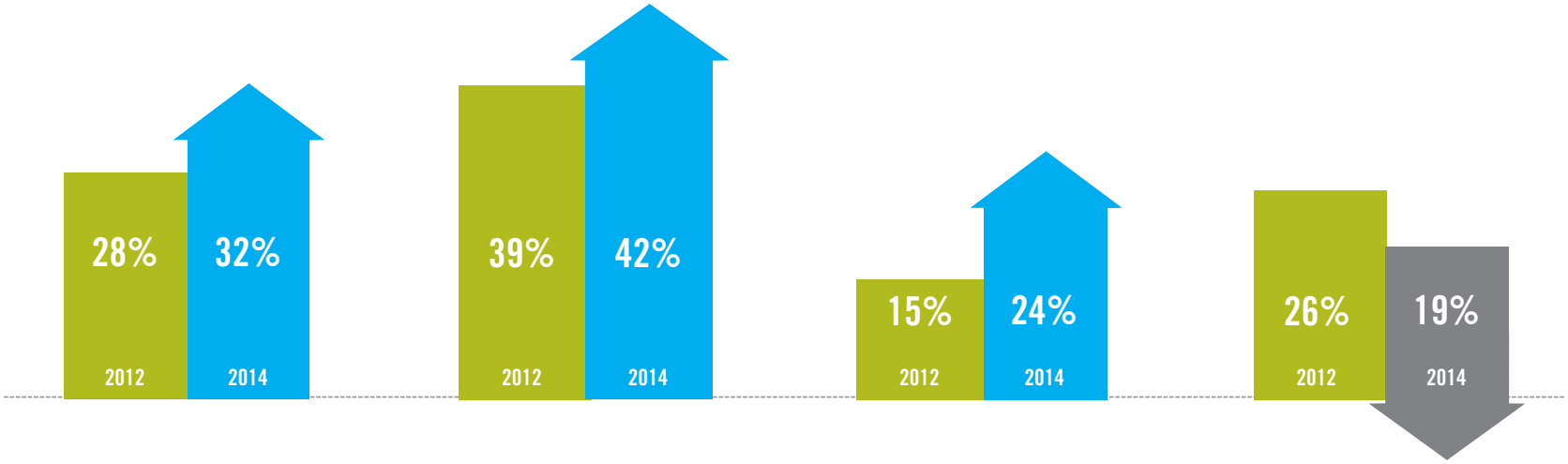
VISION: Companies will embed sustainability from the boardroom to the copy room and will manage their entire value chain from a sustainability perspective.

32 percent of companies' (198) boards of directors formally oversee sustainability performance, **up** from 28 percent in 2012.

42 percent (258 companies) demonstrate management accountability for sustainability, **up** from 39 percent in 2012.

24 percent (146 companies) link executive compensation to sustainability performance, **up** from 15 percent in 2012.

19 percent (114 companies) have strong sustainability policies and risk management systems, **down** from 26 percent in 2012.



Board Oversight

Management Accountability

Executive Compensation

Corporate Policies & Management Systems

The empirical business case for embedding sustainability into corporate operations continues to become stronger, undermining the myth that pursuing sustainability is too costly.[6] A 2012 Deutsche Bank study, for example, found that companies that are strong sustainability performers have better access to capital and outperform companies with weaker sustainability performance.[7]

Sustainability issues are business issues, and companies that embrace strong governance practices will be better positioned to manage emerging risks and opportunities. The *World Economic Forum's Global Risks 2014* report identifies the global water crises, climate change mitigation and adaptation, and greater incidence of extreme weather events among the top ten issues of concern to global economies.[8]

Our evaluation found that 45 percent (274) of the largest U.S. companies—those in Tiers 1, 2 and 3—are beginning to address these risks by integrating sustainability into traditional governance practices, including board oversight and through corporate policies and management systems. This is a slight improvement from 2012 when 41 percent of the companies evaluated were doing so.

Despite this modest improvement, only 17 percent (105 companies) are performing at the Tier 1 and 2 levels. Few companies are creating the comprehensive systems needed to consider and address mounting global sustainability challenges, and few are creating the incentives to spur improved performance.

Consistent with our 2012 findings, the Utility and Materials sectors are the top performers in governance for sustainability. Leaders in the Utility and Materials sectors—such as **Albemarle** and **Exelon**—recognize that strong governance is a key first step in creating the systems needed to drive implementation and success in the long term. In stark contrast, companies in the Retail and Real Estate sectors demonstrate overall weak performance, with 77 percent of both Real Estate (24 of 31) and Retail companies (27 of 35) performing at the Tier 4 level.

Methodology Changes

Ceres and Sustainalytics strengthened data collection processes for this report to better align company data with the expectations set out in the *Ceres Roadmap*, thus enabling us to better identify leading company performers. Data collection improvements in this Governance Expectations section include: a broader examination of how boards of directors oversee sustainability performance; an assessment of C-level accountability for social and environmental performance and strategy; analysis of how executive compensation is linked to both compliance *and* "beyond compliance" sustainability issues; and an expanded look at how companies are addressing key issues, such as human rights and biodiversity, in corporate policies and management. *For more details see the Methodology.*

6 When Ceres and Sustainalytics talk about sustainability, we are referring to how environmental, social and economic considerations are integrated into corporate strategy and capital markets for the long term.

7 Deutsche Bank Group. "Sustainable Investing: Establishing Long-Term Value and Performance." DB Climate Change Advisors. June 2012. Retrieved from: https://www.dbadvisors.com/content/_media/Sustainable_Investing_2012.pdf.

8 World Economic Forum. "Global Risks 2014 Report." Retrieved from: http://www.weforum.org/reports/global-risks-2014-report.

CERES ROADMAP EXPECTATION:

BOARD OVERSIGHT

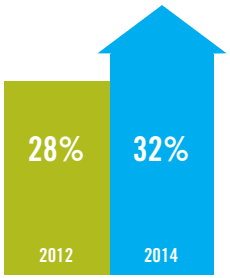
The Board of Directors will provide oversight and accountability for corporate sustainability strategy and performance. A committee of the board will assume specific responsibility for sustainability oversight within its charter.

A company's board of directors has a legal and fiduciary responsibility to set broad corporate policies and oversee implementation of those policies, including assessment of business risks and opportunities. As shown by the *World Economic Forum's Global Risks 2014 report*, sustainability business risks, such as climate change and water scarcity, have never been clearer. For example, when Hurricane Sandy hit the United States' eastern seaboard, the economic impact exceeded $50 billion.[9]

Boards are beginning to understand that to ensure long-term competitiveness it is necessary to understand the sustainability challenges before them, to set corporate sustainability policy and be accountable for its implementation. Leading companies such as **Prudential Financial** are including sustainability expertise as a core criterion for board member selection.

For this expectation, we specifically evaluated whether boards of directors are being delegated this responsibility. A written board committee charter serves two important purposes: it formalizes expectations and ensures continuity of commitment to sustainability regardless of board or management turnover. In 2012, 28 percent of companies met these criteria; today, the 32 percent of companies in Tiers 1 and 2 (198 companies) have formalized board accountability for sustainability via a committee with a written charter to oversee sustainability issues. Only the 27 percent (165 companies) in Tier 1 have a board committee with formal oversight responsibility for both social and environmental sustainability issues. And the 6 percent (35 companies) in Tier 3, although lacking formal oversight, have senior management reporting regularly to their boards on sustainability issues.

Although 62 percent (380 companies) have no board oversight of sustainability, average performance on this expectation improved across all sectors. The Utilities and Materials sectors, with their high exposure to environmental and social risks, and environmental, health and safety regulatory compliance obligations, continue to lead. The Semiconductor and Real Estate sectors were far weaker, though a handful of companies stand out as models that other firms should follow. Among companies in the Semiconductor sector, where 86 percent of companies are in Tier 4 (18 of 21 companies), **Applied Materials** and **Intel** are Tier 1 performers with formal board oversight for both social and environmental issues.



32 percent of companies' (198) boards of directors oversee sustainability performance, up from 28 percent in 2012

27 percent (165 companies) have a board committee with formal oversight responsibility for both social & environmental sustainability issues.

Methodology Changes

The examination of how boards of directors provide oversight for sustainability strategy and performance was expanded. The report assesses whether companies are embedding sustainability oversight—for both social and environmental issues—into board committee charters; and we added a new Tier 3 category to recognize companies that have not established formal board committee oversight, but still engage regularly with their boards on these topics. *For more details see Methodology.*

9 National Oceanic and Atmospheric Administration: National Climactic Data Center. "Billion Dollar Weather/Climate Disasters." Retrieved from: https://www.ncdc.noaa.gov/billions/events.

Though their governance structures for sustainability vary, **Baxter International, Eaton Corporation** and **Northern Trust** all demonstrate leading practice in this area:

- **Baxter's** board-level Public Policy Committee is charged with oversight of the company's corporate citizenship efforts, including environmental and social responsibility.
- The **Eaton** board's Governance Committee has formal authority over corporate sustainability issues that affect key stakeholders, including environmental, health, and safety matters, as well as government and community relations.
- The **Northern Trust** board's Business Strategy Committee (BSC) oversees corporate social responsibility (CSR) strategy that includes sustainability. An executive vice-president leads the CSR office and reports directly to the company's board chair and the CEO, and periodically to the BSC.

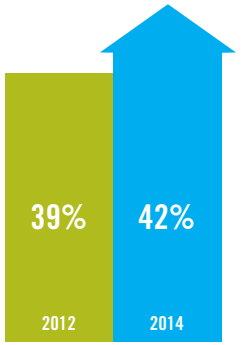
CERES ROADMAP EXPECTATION:

MANAGEMENT ACCOUNTABILITY

The CEO and company management—from C-Suite executives to business unit and functional heads—will be responsible for achieving sustainability goals.

Management accountability is essential for any company seeking to become a sustainable enterprise and it must start at the top. C-suite executives are increasingly viewing sustainability as a core business issue. A 2013 United Nations Global Compact survey of one thousand CEOs representing 27 industries in 103 countries found that 93 percent viewed sustainability performance as important to their company's future success.[10]

Leading companies in this regard can clearly demonstrate that sustainability is a part of all business decisions, from strategy to operations to human resources. A management committee chaired by the CEO or another C-suite executive, and comprising senior level executives from across the enterprise, can provide a strong mechanism for integrating sustainability into strategy, planning and operations. Twenty five percent (154 companies) have an executive-level committee overseeing sustainability strategy and performance, including the 10 percent of Tier 1 performers (62 companies) with C-level participation on that committee.



42 percent (258 companies) demonstrate some level of management accountability for sustainability, up from 39 percent in 2012.

Overall, however, performance of the largest U.S. companies towards meeting the *Ceres Roadmap* expectation for management accountability remains stubbornly weak: in 2012, 61 percent of companies evaluated had no executive oversight of sustainability issues (Tier 4 performers); this year, it was 58 percent (55 companies), only a modest improvement.

Interestingly, corporate progress on management accountability systems has lagged behind board oversight for sustainability. This is surprising and may be due to a lack of clear disclosure regarding management structures for sustainability oversight. Whatever the reason, the significant number of companies with no visible management level oversight of sustainability is disappointing and must be improved.

The Retail and Healthcare sectors stand out for their minimal commitment to sustainability management accountability. Of the 35 companies in the Retail sector, 83 percent are in Tiers 3 and 4 (29 companies), one notable exception being **Wal-Mart** (the sole Tier 1 company for this expectation). **Biogen** and **Varian Medical Systems** also stand out as Tier 1 leaders among Healthcare companies where 72 percent of the sector (46 of 64 companies) are in Tier 4.

25 percent (154 companies) have an executive-level committee to oversee sustainability strategy and performance

Methodology Changes

Reflecting the importance of C-suite responsibility for oversight of sustainability issues, this 2014 report uses a more rigorous standard to determine if and how companies are disclosing the composition and responsibilities of management-level sustainability oversight committees. *For more details see Methodology.*

10 Lee, Jennifer, Justin Keeble, Robert McNamara, Carrie Hall and Sean Cruse. *The UN Global Compact-Accenture CEO Study on Sustainability 2013: Architects for a Better World.* Accenture and The UN Global Compact. Accenture and The UN Global Compact. 2013. Retrieved from: http://www.accenture.com/Microsites/ungc-ceo-study/Documents/pdf/13-1739_UNGC%20report_Final_FSC3.pdf.

Perhaps due to rising sustainability risks for the sector—including climate change impacts, water scarcity and concern about working conditions in agricultural supply chains—the Food & Beverage sector showed significant improvement. Five of the 24 Food & Beverage companies jumped from Tier 4 in 2012 to Tier 1 in 2014. More than half of the companies in this sector (13 of 24) now fall in Tiers 1 and 2.

Integrating sustainability throughout the company, rather than limiting it to a single department, legitimizes sustainability for all employees and encourages interdepartmental cooperation to meet sustainability targets. Noteworthy strong practices include:

- **3M's** high-level Corporate Operating Committee, comprising the CEO and direct reports, oversees the company's sustainability principles, goals and strategies.
- At **Campbell Soup**, the CEO chairs the company's Committee on Social Responsibility that includes senior executives. The Vice President of Public Affairs and Corporate Responsibility updates the board regularly on sustainability issues.
- **Xylem**, a global water technology provider, has both a sustainability steering committee, chaired by its Director of Environment, Safety & Health, and an Enterprise Risk Committee, chaired by its CFO. Notably, Xylem identifies by name senior executives tasked with accountability for sustainability performance

Perhaps due to rising sustainability risks for the sector—including climate change impacts, water scarcity and concern about working conditions in agricultural supply chains—the Food & Beverage sector showed significant improvement.

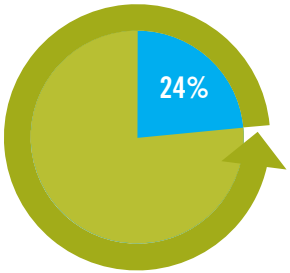
CERES ROADMAP EXPECTATION:

EXECUTIVE COMPENSATION

Sustainability performance results are a core component of compensation packages and incentive plans for all executives.

Corporations have long incentivized executive performance by tying compensation to financial metrics. The growing business case for sustainability strengthens the argument for linking executive compensation to sustainability performance. By tying executive compensation to sustainability metrics—to greenhouse gas (GHG) reduction targets and energy efficiency goals, for example—companies can boost both financial and sustainability performance.

In 2012, only 15 percent of the companies evaluated linked executive compensation to some sustainability metrics. Today 24 percent (146 companies) do so—but with varying degrees of transparency. The seven percent (40 companies) in Tiers 1 and 2 make explicit links between compensation practices and publicly disclosed sustainability targets. Only the 3 percent (19 companies) performing in Tier 1 are linking executive compensation to sustainability performance targets that go beyond goals driven by required compliance with laws and regulations. Among the standouts: at Materials company **Alcoa** 20 percent of executive cash compensation is tied to safety, environmental stewardship, including voluntary GHG reductions, energy efficiency and diversity goals.



24 percent (146 companies) link executive compensation to sustainability performance

The 3 percent (19 companies) in Tier 1 link executive compensation to voluntary sustainability performance metrics, such as GHG emissions.

Leading companies in the highly regulated Utilities sector have a longer history of linking improved environmental and social performance—specifically compliance-driven targets—to executive compensation. The sector has also shown improvement since 2012, with more than 40 percent (15 of 35 companies) performing in Tiers 1 and 2.

Top performing companies in this sector are also being innovative. For example:

- **Exelon** jumped from Tier 4 to Tier 1 with an innovative "long-term performance share award" that rewards executives for meeting non-financial performance goals, including safety targets, GHG emissions reduction targets and goals engaging stakeholders to help shape the company's public policy positions.
- **Xcel Energy** ties executive compensation to specific performance measures, including environmental leadership. Most notably, Xcel links compensation to goals achieved in "demand-side management," which are reductions in energy consumption by its customers.

Methodology Changes

The Tier 1 definition for this expectation was strengthened to reflect the importance of linking executive compensation to both compliance and non-compliance sustainability issues. Companies making linkages to non-compliance performance targets demonstrate a heightened commitment to meet sustainability goals.

For more details see Methodology.

CERES ROADMAP EXPECTATION:

CORPORATE POLICIES AND MANAGEMENT SYSTEMS

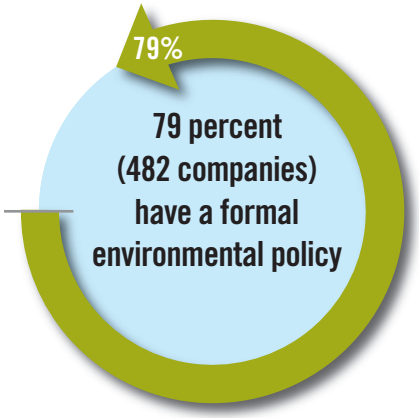
Companies will embed sustainability considerations into corporate policies and risk management systems to guide day-to-day decision-making.

To become a sustainable enterprise, companies have to give sustainability the same priority as other high-level corporate objectives. To ensure that environmental and social policies are institutionalized and accepted as a core corporate value, it is also necessary to integrate sustainability criteria into risk management systems. Treating sustainability as a stand-alone effort, or one that can be managed apart from the rest of the enterprise, is short-sighted and risky because sustainability is implicated in every decision, from product design and delivery to supply chain management.

To evaluate company performance we looked for evidence that companies had adopted formal policies related to sector relevant social and environmental issues and had systems in place for implementing those policies. Overall performance for this expectation declined across all tiers. Only 19 percent (114 companies) perform in Tiers 1 and 2 for this expectation, compared to 26 percent in 2012. The majority, 46 percent (284 companies), falls in Tier 3, showing significant room for improvement across all sectors.

Although most companies have policies and management systems that broadly address environmental issues, few have sector- or issue-specific policies. Nearly 80 percent (482 companies) have formal environmental policies and 76 percent (464 companies) have formal systems for implementing those policies. But, when we evaluated the biodiversity policies and programs of 126 companies across seven highly relevant sectors—Consumer Staples, Energy Services, Food & Beverage, Industrials, Materials, Oil & Gas Producers and Utilities—only 32 percent (40 companies) had some type of biodiversity program and just six percent (8 companies) had a formal biodiversity policy.

Attention to biodiversity as a material business issue is especially lacking in the Food & Beverage and Energy Services sectors. Only one of the 24 Food & Beverage companies, **Molson Coors**, has disclosed a formal biodiversity policy. In the Energy Services sector, **Baker Hughes** is the only company with a biodiversity program—and no companies in the sector have a formal policy.



Biodiversity is an increasingly important lens for analyzing the impacts companies in certain sectors are having on ecosystems, especially as the ramifications of climate change increase and the growing global population demands more energy, food, water and consumer products. A commitment to protecting biodiversity demonstrates an understanding of the connections between social, environmental and economic issues.

Methodology Changes

The range of social and environmental issues examined for this expectation was broadened to evaluate human rights policies across all 613 companies, as well as biodiversity policies and programs for seven highly relevant sectors.
For more details see Methodology.

Given the impacts of their operations, extractive companies in the Oil & Gas, Utilities and Materials sectors devote more attention to this issue. For example:

- **Conoco Phillips** in the Oil & Gas sector has one of the most advanced biodiversity programs among companies we evaluated for this sector. It commits the company to reducing or mitigating the effects of its activities on the environment and to conserving biodiversity. Biodiversity Action Plans are developed for projects in high value conservation areas using tools developed by the International Petroleum Industry Environmental and Conservation Association's (IPIECA) Energy and Biodiversity Initiative. The company benchmarks its biodiversity protection efforts against other extractive industry companies, collects and manages biodiversity data and shares biodiversity information throughout the company.
- In the Utilities sector, **PG&E**'s environmental policy explicitly references habitat and species protection, and the company publicly reports detailed findings on its efforts. For example, the company has removed or retrofitted dams to facilitate migration of spawning fish, retrofitted utility polls to make them "bird safe" and joined the Wildlife Habitat Council, a multi-stakeholder group dedicated to protecting wildlife habitat.

We also found a lack of corporate attention to human rights in direct operations. Only 31 percent (190 companies) have formal human right policies or statements covering their own employees and only 26 percent (160 companies) have policies or statements that cover an employee's right to freedom of association and to collective bargaining. Among the 35 Retail companies, a sector highly dependent upon a strong labor force, only five—**Best Buy, Costco, CVS, Nordstrom** and **Sysco**—have human rights policies, and only **CVS** recognizes its employees' right to freedom of association.

Establishing a strong corporate human rights policy requires consistent attention to evolving international standards and norms—such as the principles of the UN Global Compact (UNGC).

Establishing a strong corporate human rights policy requires consistent attention to evolving international standards and norms—such as the principles of the UN Global Compact (UNGC)—a strategic policy initiative for businesses that includes 10 principles focused on human rights, labor, environment and anti-corruption. Only 9 percent (55 companies), however, were signatories to the UNGC. This is only a slight improvement from 7 percent in 2012. Top performing companies include:

- **The Walt Disney Company's** human rights policy recognizes its considerable opportunities for impact and influence as a global company with multiple business lines. The policy focuses on Disney's employees, its global supply chain and the rights of children. The company has also endorsed the U.N. Universal Declaration on Human Rights and the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.
- **Intel**, an endorser of the U.N. Global Compact, the U.N. Universal Declaration of Human Rights, and core ILO Conventions, also recognizes the value of ongoing engagement with stakeholders to better understand emerging risk and potential opportunity. The company regularly assesses human rights-related risks and potential impacts, and seeks input from various stakeholders. Committees at both the board and senior management levels oversee the company's human rights commitments.
- **Marathon Oil's** human rights policy also embraces the U.N. Universal Declaration of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work. Since 2005 the company has been part of the Voluntary Principles on Security and Human Rights, an international initiative that provides guidance to companies in extractive industries on issues related to safety and security of their operations within a framework that respects human rights. The company implements those principles wherever it operates. It also requires human rights training for all employees with security responsibilities in countries with human rights and security risks, and is developing a security and human rights verification program.

CASE STUDY

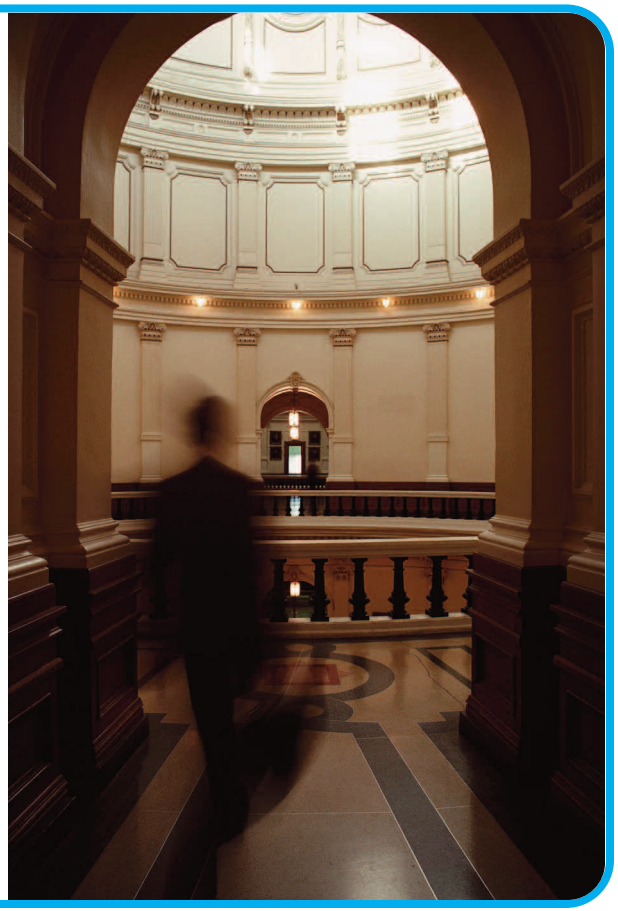
Walk the Talk

A recent survey by the United Nations Global Compact found that, while 60 percent of the 1,700 companies surveyed publicly advocate for action on climate goals, only 30 percent align their government affairs activities, such as lobbying, with their own stated goals to reduce GHG emissions.[11]

Released in the fall of 2013, the *Guide for Responsible Corporate Engagement in Climate Policy* provides guidance on this issue. It urges companies to take three actions to accelerate positive engagement on climate change policy:

- Identify climate change risks, opportunities and policy influences
- Align words with actions, ambitions and influences
- Report on policy positions, influences and outcomes

Together, these three actions will put into practice five core elements of responsible corporate engagement in climate policy—legitimacy, opportunity, consistency, accountability and transparency. No company will be immune to climate change impacts or public policies for addressing it. Sea level rise, more frequent extreme weather events and carbon regulatory limits are just a few of the climate-related impacts that affect businesses, their supply chains and distribution systems. To compete in the 21st century, businesses must align public policy engagement with rigorous internal sustainability goals. ***Read more.***



11 The UN Global Compact. "Guide for Responsible Corporate Engagement in Climate Policy: A Caring for Climate Report." Retrieved from: http://www.wri.org/sites/default/files/guide_for_responsible_corporate_engagement_in_climate_policy.pdf.

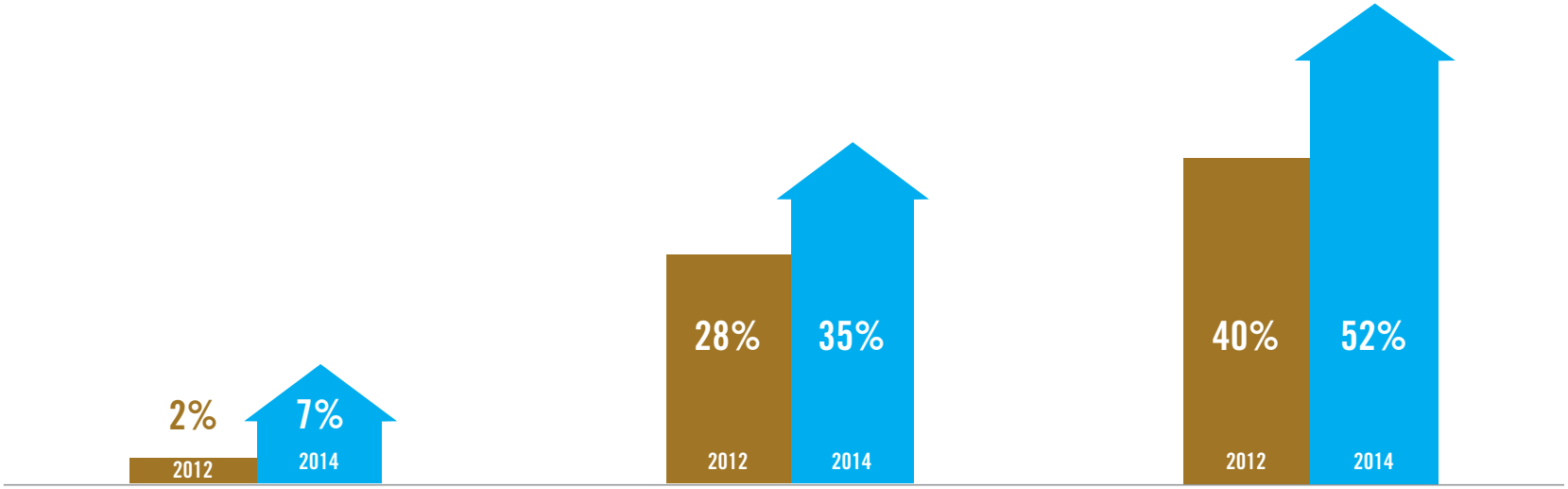
STAKEHOLDER ENGAGEMENT

VISION: **Companies will regularly engage in robust dialogue with stakeholders across the whole value chain, and will integrate stakeholder feedback into strategic planning and operational decision-making.**

Seven percent (45 companies) engage stakeholders in the materiality assessment process, **up** from just two percent in 2012.

Thirty-five percent (215 companies) engage stakeholders on at least an annual basis, **up** from 28 percent in 2012.

Fifty-two percent (319 companies) engage investors on sustainability issues, **up** from 40 percent in 2012.



Companies that are attentive to the sustainability-related concerns of a broad range of stakeholders (e.g. investors, employees and local communities), and that integrate stakeholder input into strategic planning, day-to-day operations and corporate decision-making, are far more likely to become sustainable enterprises than companies that do not. Such engagement can take many forms, from regular face-to-face meetings between company executives and representatives of stakeholder groups, to creative use of social media. But regardless of how the engagement process works, it must be systematic and responsive to the ideas, concerns and interests of a broad range of constituencies.

According to the 2013 *KPMG Survey of Corporate Responsibility Reporting*, 77 percent of the Global Fortune 250 companies identify key stakeholders in their corporate responsibility reports and 31 percent disclose stakeholder comments.[12] In our assessment of the largest publicly traded companies in the U.S., we found that although the breadth and depth of corporate engagement on sustainability issues has improved since 2012, their overall performance is still lacking. More companies are formalizing their engagement efforts, expanding the range of stakeholder groups they meet with, and stepping up efforts to integrate stakeholder input into strategic planning and operations—but not nearly at the scale we would expect.

Thirty-five percent of companies (215) are formally engaging a broad range of stakeholders on sustainability issues on at least an annual basis—up from 28 percent doing so in 2012. The most significant progress is corporate engagement with investors. Companies are integrating sustainability information into traditional investor communications, and highlighting sustainability efforts at annual meetings and in direct engagements with shareholder groups through investor roadshows. The percentage of companies engaging with investors on sustainability issues rose to 52 percent (319 companies), up from 39 percent in 2012. In addition, the degree to which companies are responding to investors' and ESG ratings agencies' information requests has increased in recent years.

Companies are integrating sustainability information into traditional investor communications, and highlighting sustainability efforts at annual meetings and in direct engagements with shareholders.

We also saw improvements in companies publicly disclosing how stakeholder engagement informs their decision-making. Seven percent (45 companies), up from just 2 percent in 2012, included stakeholders in a materiality assessment process[13] and five percent of companies, up from 2 percent in 2012, disclosed how they use stakeholder input to prioritize sustainability issues and action.

The Food & Beverage and Materials sectors lead on stakeholder engagement, with 46 percent and 42 percent of companies in those sectors, respectively, achieving Tier 1 or Tier 2 performance. **Dow Chemical, EMC, Praxair** and **The Coca-Cola Company** stood out for engaging a broad array of stakeholders through various means and integrating and informing shareholders about sustainability risks and opportunities.

Nonetheless, nearly three-quarters of the 613 companies we evaluated (445) failed to engage stakeholders in any meaningful way.

12 KPMG. "The KPMG Survey of Corporate Responsibility Reporting 2013." Retrieved from: http://www.kpmg.com/global/en/issuesandinsights/articlespublications/corporate-responsibility/pages/corporate-responsibility-reporting-survey-2013.aspx.

13 A materiality assessment process is one that determines the sustainability issues of highest priority to a company and its stakeholders.

CERES ROADMAP EXPECTATION:

FOCUS ENGAGEMENT ACTIVITY

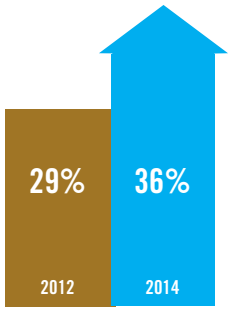
Companies will systematically identify a diverse group of stakeholders and regularly engage with them on sustainability risks and opportunities, including materiality analysis.

Stakeholder feedback, criticism and even praise help companies understand their social and environmental impacts and sustainability risks, and spur creative thinking about solutions to sustainability challenges. When stakeholder input informs business strategy and decision-making, companies enhance their social license to operate and improve their overall corporate performance. In our assessment companies were evaluated for engaging a diversity of stakeholder groups and incorporating stakeholder feedback into key business decision-making processes, such as materiality assessments.

Because it involves embracing openness and transparency, a company's first steps to engage external stakeholders are often the most challenging. But since 2012 nearly 50 companies moved from Tier 4—no stakeholder engagement—up to Tier 3 for efforts to identify and engage with stakeholders. Despite this progress, 64 percent (394 companies) still do not disclose if or how they are engaging stakeholders on sustainability issues.

Looking at leading Tier 1 and 2 companies, we saw improvement in how companies discuss their stakeholder engagement and the impact that engagement has had on their businesses. The 13 percent (82 companies) in Tier 2 disclosed a mapping of stakeholders and described the frequency and purpose of their engagement activities, an increase from the four percent meeting these criteria in 2012. We also saw a growing number of companies conducting more meaningful forms of stakeholder dialogue. The percentage of Tier 1 companies more than tripled, to 7 percent (45 companies) from 2 percent in 2012.

The Materials sector stood out, with 42 percent of the sector (15 of 36 companies) falling in Tiers 1 and 2. Tier 1 companies in this sector—**Air Products & Gas, Dow Chemical, PPG Industries** and **Praxair**, among them—engaged a diverse group of stakeholders in a materiality assessment process, disclosed the results of that process, and explicitly described what they learned from the process, including how it guided sustainability priority setting.



Thirty-six percent (219 companies)—up from 29 percent in 2012—disclose how they are engaging stakeholders on sustainability issues.

The seven percent (45 companies) in Tier 1 formally engage stakeholders in the materiality assessment process, up from just two percent in 2012.

We expect to see more companies moving into Tier 1 on this *Roadmap* expectation going forward. This is because disclosure-focused organizations, such as the Global Reporting Initiative (GRI), the International Integrated Reporting Committee (IRRC) and the Sustainability Accounting Standards Board (SASB), are emphasizing both the importance of materiality in corporate sustainability reporting and the need to include stakeholders in that process. As stakeholder engagement in materiality assessment processes becomes the norm, focusing on the quality and results of those engagements will be even more critical.

Tier 1 companies demonstrate how external stakeholder feedback on sustainability issues affects corporate decision-making and priority setting. For example:

- To help establish its sustainability priorities, **Ford Motor Company** engages with a wide range of stakeholders who formally review its materiality matrix, a graphic representation of the relative importance of various sustainability issues to the company. The interactive matrix describes how each issue is defined and allows the reader to explore how issues may have changed in importance from year to year. The process Ford used to develop the matrix is disclosed in detail and includes reference to reports, including *The Ceres Roadmap*, that have shaped the company's thinking about sustainability issues.
- Software and Services company, **Symantec**, discloses its process for undergoing a materiality assessment and provides details for how the company considers stakeholder feedback. The company discloses issues being considered and its priorities—such as climate change, information security and talent management—in its materiality matrix.

CERES ROADMAP EXPECTATION:

SUBSTANTIVE STAKEHOLDER DIALOGUE

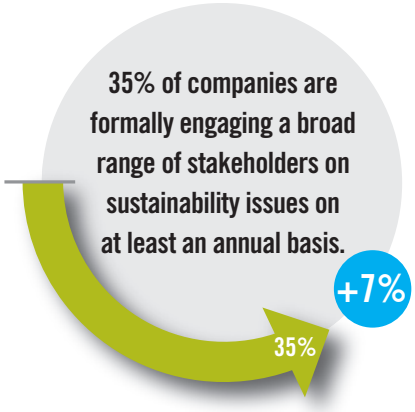
Companies will engage stakeholders in a manner that is ongoing, in-depth, timely, and involves all appropriate parts of the business. Companies will disclose how they are incorporating stakeholder input into corporate strategy and business decision-making.

To evaluate company performance on this *Roadmap* expectation we looked at the frequency and consistency of stakeholder engagement and mechanisms or platforms for doing so. We also looked for public disclosure of stakeholder feedback and evidence that such feedback was at least considered, if not incorporated, into corporate strategy and decision-making. As with the Focused Stakeholder Dialogue *Roadmap* expectation, we are seeing some overall progress, but there is still substantial room for improvement.

As the business value of stakeholder engagement becomes clearer, companies are increasing the frequency of such engagements. Thirty-five percent (217 companies) have an established process to engage with their stakeholders at least annually, up from 28 percent in 2012. The means by which companies are engaging is also diversifying. Traditional community consultations and one-on-one meetings with NGOs are being complemented with multi-stakeholder roundtables, investor roadshows, calls with market analysts focused on sustainability risks and opportunities, supplier "summits" and employee town halls.

Tier 1 performers for this expectation rose slightly to five percent (32 companies) from two percent. Tier 1 companies aren't simply consulting with stakeholders, but are also making efforts to solicit critical feedback on sustainability issues and the company's sustainability efforts. They are publicly disclosing stakeholder feedback and the company's response, including insights into how the company may have adjusted its strategy, created new or more aggressive sustainability goals and targets, or developed programs to address emerging issues such as water scarcity or conflict minerals.

Despite this modest improvement among leadership companies, nearly two-thirds of companies we studied (396 companies) are not disclosing how they engage with stakeholders to inform business decision-making.



The five percent (32 companies) in Tier 1, up from two percent in 2012, disclose how they incorporate stakeholder feedback into corporate strategy and business decision-making.

The Food & Beverage sector has shown the greatest improvement since 2012, with nearly half (11 of 24 companies) falling in Tiers 1 or 2, and eight companies moving out of Tier 4. Moving in the opposite direction are the Semiconductor and Professional Services sectors. Both sectors saw drops in engagement performance, with 94 percent of Professional Service companies (16 of 17) and 76 percent of the Semiconductor companies (16 of 21) falling in Tier 4. A bright spot in the Semiconductor sector is **NVIDIA**, which has a publicly available map of its stakeholders and discloses in detail how it engages with them, including a web-based sustainability performance feedback feature and online stakeholder survey.

Leaders overall specifically identify how they are incorporating stakeholder input into corporate strategy and business decision-making. **Citigroup** and **Walt Disney Company**, for example, each disclose the content of stakeholder feedback and detailed information on their responses to stakeholder concerns and suggestions.

- **Citigroup** discloses stakeholder feedback gathered in a formal review of its sustainability report and provides a response to key questions being raised—among those, the company's actions to implement the U.N. Guiding Principles on Business and Human Rights and how it is addressing conflict minerals in its supply chain.
- **The Walt Disney Company** leveraged the Ceres stakeholder engagement model to review its sustainability strategy and first enterprise-wide environmental and social performance targets. The company's sustainability report includes a summary of feedback the company gathered as well as its responses, including recommendations for developing a comprehensive climate change strategy, measuring and demonstrating returns on investment (ROI) for sustainability efforts, and broadening engagement with suppliers on social and environmental issues.

CERES ROADMAP EXPECTATION:

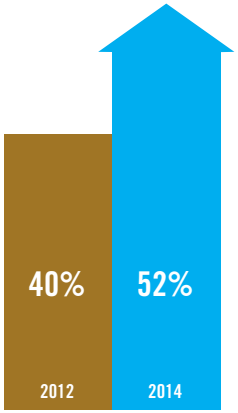
INVESTOR ENGAGEMENT

Companies will address specific sustainability risks and opportunities during annual meetings, analyst calls and other investor communications.

In our assessment, we found that 52 percent of companies (320) are engaging with investors on relevant sustainability issues, an increase from 40 percent in 2012. Yet only 13 percent performed at the Tier 1 and 2 levels (79 companies) for proactively engaging investors in a variety of ways, including integration of sustainability information into mainstream investor communications, elevating sustainability performance and innovations at annual meetings and directly engaging with shareholders on sustainability topics through investor roadshows and analyst calls.

Investor concerns extend to whether and how companies address sustainability issues, including sustainability goals and strategies. Increasingly, leading investors representing trillions of dollars in assets are evaluating companies on their ability to manage sustainability risks and their strategies for leveraging related business opportunities. In a 2014 EY global survey of 163 institutional investors, 89 percent said that non-financial performance information played a pivotal role at least once in their decision-making over the last year—citing annual reports, integrated reports and company websites as the most used resources.[14]

Sustainability data is also becoming more available to investors. In addition to the research and insights provided by ESG ratings agencies, such as Sustainalytics, major data providers to financial markets, including Bloomberg, Factset and Thomson Reuters, are now integrating sustainability data into their investor research platforms. The growth and increasing sophistication of corporate sustainability ratings by various NGOs and private ratings services is also forcing companies to be more attentive to sustainability issues. A recent indicator of the growing influence of sustainability ratings was the creation of the Global Initiative on Sustainability Ratings (GISR), an effort to "rate the raters" to ensure high-quality, meaningful sustainability ratings and to bring some consistency to this evolving field.



Fifty-two percent of companies (320) are engaging investors on sustainability issues, up from 40 percent in 2012.

Another driver of rising investor engagement on sustainability issues is coming from stock exchanges. Several major global exchanges are now requiring listed companies to disclose sustainability risks and opportunities (London and Johannesburg among them). While U.S. exchanges haven't yet done so, they may soon follow suit. The Investor Network on Climate Risk (INCR) and its member-driven Investor Initiative for Sustainable Exchanges, are working towards a uniform sustainability reporting listing standard that would require companies traded on participating exchange to disclose specified sustainability-related information.

To learn more about how Ceres, INCR members and other investor groups are working towards a sustainability listing standard for global stock exchanges, click here.

To learn more about Sustainalytics' contribution to U.N. best practice guidance for stock exchanges and regulators, click here.

14 Ernst & Young. "Tomorrow's Investment Rules: Global Survey of Institutional Investors on Non-Financial Performance." 2014. Retrieved from: http://www.ey.com/Publication/vwLUAssets/EY-Institutional-Investor-Survey/$FILE/EY-Institutional-Investor-Survey.pdf.

Lastly, investors are increasingly filing shareholder resolutions on environmental and social issues related to climate change and other sustainability challenges. During the 2014 proxy season, investors filed 417 sustainability-related shareholder resolutions with almost 40 percent of them on climate, energy, other environmental issues, and sustainable governance, including reporting. This is an increase of 20 percent since 2012.[15]

During the 2014 proxy season, investors filed 417 sustainability-related shareholder resolutions with almost 40 percent on climate, energy, other environmental issues, and sustainable governance, including reporting.

Given such trends, investor engagement on sustainability issues should be a top priority for every company.

The Financial Services sector saw the biggest improvement in this area. Ninety percent of companies fell into Tier 4 in 2012; our more recent analysis has 84 percent (26 of 31 companies) at least in Tier 3, with some companies, such as **J.P. Morgan Chase** and **The Bank of New York Mellon**, in Tier 1 for incorporating sustainability information into investor presentations and analyst calls. The sector's stronger response may be in part due to a delayed reaction to the 2008 global financial crisis, which highlighted the dangers of unseen, underappreciated and largely undisclosed systemic risks. The impacts of climate change are already having profound global economic consequences that are likely to accelerate in the years ahead, consequences that could be more severe, and longer-lasting, than those experienced as a result of the 2008 financial crisis. Financial Service companies are especially vulnerable to such systemic risks, presenting further reason for this sector to engage closely with investors on sustainability trends.

Top performing companies across all sectors are using a variety of methods to demonstrate to investors not only the risks sustainability challenges pose for the business, but also how sustainability creates opportunities. For example:

- Utility **Xcel Energy** uses mainstream investor communications including financial filings, its annual report, press releases, its web site (especially its investor relations pages) and presentations to investors to communicate about sustainability risks and opportunities, including physical and financial risks of climate change.
- Since 2010, **PepsiCo** has been actively engaging investors on climate change, water scarcity and public health through its annual financial filings, identifying these issues as its core sustainability challenges. CEO, Indra Nooyi, has spoken out at key events such as the World Economic Forum about the importance of running the business for the long-term duration of the company; and at its most recent annual shareholder meeting the company presented its Performance with Purpose sustainability strategy and goals.
- At **Starbuck's** 2013 shareholder meeting, CEO Howard Schultz described the company's efforts to engage with suppliers and local communities where they operate, accelerate investments in sustainable farming and reach Starbucks' goal of ethically sourcing 100 percent of its coffee beans by 2015. Climate change and resulting changes in precipitation patterns have major consequences for coffee growers and Schultz outlined efforts to help coffee growing communities mitigate climate impacts and ensure stable coffee supplies.

15 Welsh, Heidi and Passoff, Michael. "Proxy Preview 2014." As You Sow, Proxy Impact and Sustainable Investments Institute. February 14, 2014. Retrieved from: http://www.proxypreview.org/download-proxy-preview-2014/.

DISCLOSURE

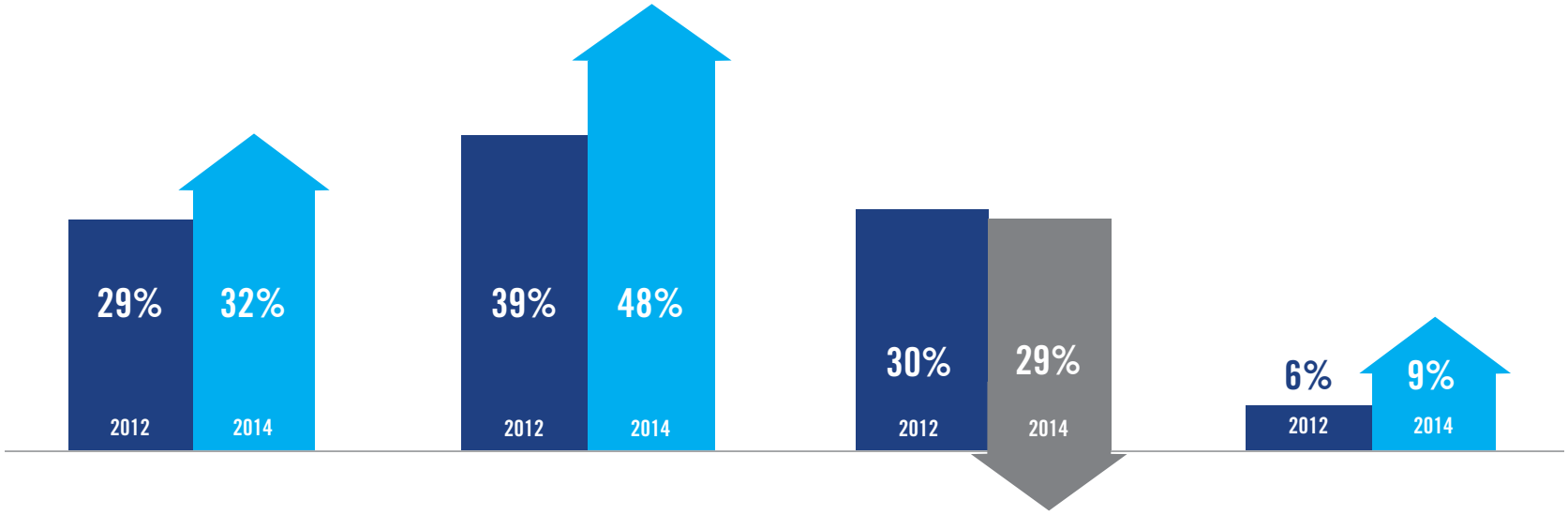
VISION: **Companies will report regularly on their sustainability strategy and performance. Disclosure will include credible, standardized, independently verified metrics encompassing all material stakeholder concerns, and detail goals and plans for future action.**

Thirty-two percent of companies are using GRI guidelines to develop sustainability reports, **up** from 29 percent in 2012.

Forty-eight percent of companies are disclosing material sustainability risks and opportunities in their financial filings, **up** from 39 percent in 2012.

Twenty-nine percent of companies use a variety of vehicles to communicate with stakeholders, **down** slightly from 30 percent in 2012.

Only nine percent of companies verify their sustainability reporting, **up** from six percent in 2012.



Standards for Disclosure | **Financial Filings** | **Vehicles for Disclosure** | **Verification & Assurance**

Ceres has long advocated for greater corporate disclosure of sustainability risks, strategies and performance. It reflects a philosophy that "what gets measured gets managed, and what gets disclosed gets done." Companies that are transparent on these issues typically do a better job managing them, as public disclosure catalyzes more systematic strategic planning and proactive, management of sustainability challenges.

Detailed, timely and comprehensive public disclosure is essential if investors and other stakeholders are to understand and evaluate a company's preparedness and ability to thrive in an increasingly resource constrained economy. Far from imposing another layer of burdensome reporting, disclosure of sustainability risks, opportunities, performance, goals and strategies helps build constructive relationships with key stakeholders, opens up new business opportunities, builds goodwill, and enhances a company's social license to operate.

Our analysis shows that more companies are seizing the opportunities that a commitment to transparency can provide. Twenty percent (125 companies) now fall in Tier 1 or 2 on the *Roadmap's* disclosure expectations, a marked increase from eight percent in 2012.

The biggest driver for this improvement was a sharp increase in companies addressing material sustainability issues in financial filings (*Roadmap* expectation D.2)—to 48 percent (295 companies), up from 39 percent in 2012. One likely reason for this increase is growing investor demand for transparency on sustainability issues. Forty-three of the 417 sustainability-related shareholder resolutions filed with companies thus far in 2014 sought improved sustainability disclosure.[16]

Despite these improvements, however, 51 percent (313 companies) are in Tier 4 because they haven't taken even first steps towards transparency on sustainability issues.

As in 2012, the Food & Beverage and Utilities sectors continue to lead—and improve—on disclosure. Fifty percent of the Food & Beverage sector companies (12 of 24) rank in Tiers 1 or 2 across the *Roadmap's* disclosure expectations, up from 31 percent in 2012; 53 percent of Utility sector companies (19 of 36) are Tier 1 or 2 performers, compared to 31 percent in 2012. These two sectors also lead the way on stakeholder engagement, illustrating that robust disclosure encourages and is a critical component of meaningful stakeholder engagement.

Top performing companies in these sectors—**ConAgra, Duke Energy** and **PepsiCo**—show strong commitments to sustainability disclosure. All identified material sustainability issues and linked them to analysis of business risks and opportunities in financial filings, using a variety of mechanisms to communicate with stakeholders. They also subject their sustainability performance data to third-party verification.

Ceres and its investor partners were instrumental in encouraging the SEC to issue its Interpretive Guidance on climate change disclosure, which covers three major areas: regulatory risks (both domestic and international); indirect effects of regulation or business trends; and physical impacts. Ceres recent report, Cool Response: The SEC & Corporate Climate Change Reporting, analyzes climate disclosures by S&P 500 companies in 10-Ks filed from 2009 to 2013, examining the presence and quality of climate-related disclosures. Results showed more and better climate disclosure is needed, and that the SEC needs to boost enforcement attention to climate change reporting in order to protect investors whose portfolios have wide-ranging exposure to climate risks and opportunities.

16 Welsh, Heidi and Passoff, Michael. "Proxy Preview 2014." As You Sow, Proxy Impact and Sustainable Investments Institute. February 14, 2014. Retrieved from: http://www.proxypreview.org/download-proxy-preview-2014/.

CERES ROADMAP EXPECTATION:

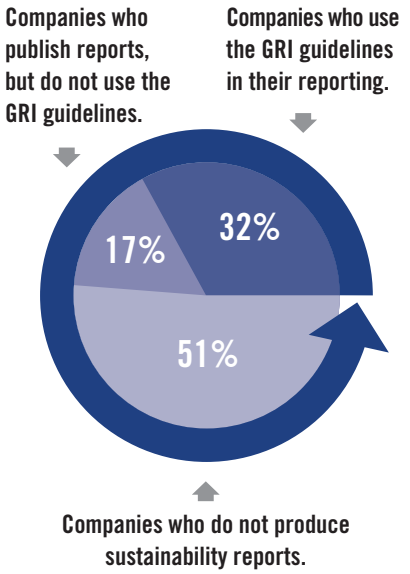
STANDARDS FOR DISCLOSURE

Companies will disclose all relevant sustainability information using the Global Reporting Initiative (GRI) Guidelines as well as additional sector-relevant indicators.

The Global Reporting Initiative (GRI) Guidelines continue to be the gold standard for sustainability reporting. Some 6,000 companies and organizations use GRI standards worldwide to guide their sustainability disclosure. This allows users of the information to more easily make apples to apples comparisons in evaluating companies on sustainability performance, risks and opportunities. The latest version of the GRI guidelines, the G4, was released in 2013. The G4 provides increased guidance for companies in disclosing material sustainability issues. It is expected that all companies using the GRI will make the switch to the G4 by January 2016.

In our evaluation we looked to see if companies had published a recent sustainability report and, if so, whether it followed the GRI guidelines. Companies in Tiers 1 and 2 used the GRI guidelines in developing their sustainability report; and those in Tier 1 are further recognized for producing a GRI level-A report. Consistent with our findings in 2012, 49 percent (298 companies) are producing sustainability reports while 32 percent (196 companies) are reporting using GRI guidelines, a slight increase from the 29 percent producing GRI reports in 2012. The 17 percent of companies (102) that produce sustainability reports, but do not follow the GRI guidelines, were placed in Tier 3.

Of greater concern is the 51 percent of U.S. companies in our evaluation that are *not* publicly disclosing sustainability information. According to a KPMG 2013 survey of 4,100 companies in 41 countries, 93 percent of companies in the Global Fortune 500 produce sustainability reports; and in many regions of the world—including Latin America and the Asia Pacific region—there is actually significant growth in this regard. For example, 71 percent of companies in the Asia Pacific region now report, up from 49 percent two years ago.[17]



The Materials sector had the strongest response, with nearly two-thirds (23 of 36 companies) using the GRI guidelines in sustainability reporting and 19 percent (7 of 36 companies) in Tier 1 for producing GRI level-A reports. This isn't surprising given that this sector is highly regulated and accustomed to detailed reporting. Standouts include **Dow Chemical, Dupont** and **Freeport-McMoRan Copper & Gold**.

More than half of the companies in the Oil & Gas sector (17 of 30 companies) are not producing sustainability reports. Due to the sector's high sustainability impacts and potential exposure to license to operate issues, this is a significant area where improvement is needed.

17 KPMG. "The KPMG Survey of Corporate Responsibility Reporting 2013." Retrieved from: http://www.kpmg.com/global/en/issuesandinsights/articlespublications/corporate-responsibility/pages/corporate-responsibility-reporting-survey-2013.aspx

CERES ROADMAP EXPECTATION:

DISCLOSURE IN FINANCIAL FILINGS

Companies will disclose material sustainability issues in financial filings.

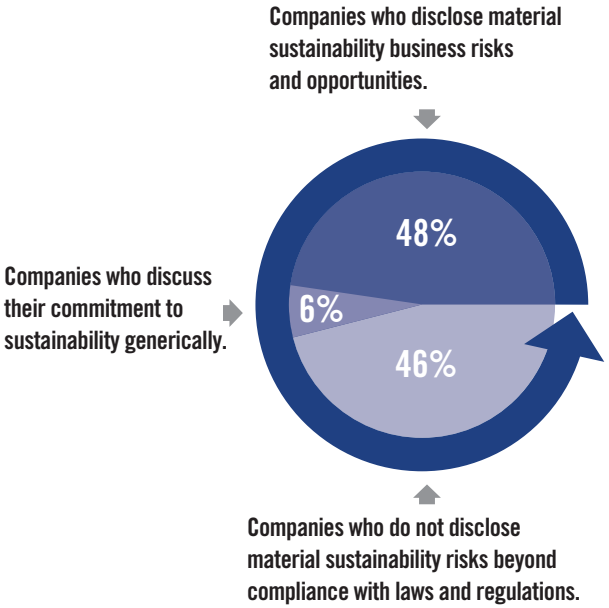
Financial filings, such as those required by the Securities and Exchange Commission (SEC) and state securities regulators, are an important opportunity for companies to disclose material sustainability issues. The 48 percent (295 companies) performing in Tier 1 or 2 disclose at least one sustainability risk or opportunity in financial filings and identify why that issue (or issues) is material to the company, compared to only 20 percent of companies that did so in 2012. A further six percent (36 companies) are in Tier 3 for at least starting to address sustainability in financial filings, but are doing so generically and without drawing connections between these issues and business risks and opportunities. The remaining 46 percent, the 282 Tier 4 companies, address sustainability only as it relates to regulatory compliance or not at all.

These general improvements of sustainability disclosure in financial filings can be attributed to several factors. First, shareholders continue to ask for such disclosure in shareholder resolutions. Second, major data providers to the business community, such as Bloomberg, now gather and disseminate corporate sustainability information in platforms used by portfolio managers. The movement among major stock exchanges towards a sustainability listing standard may also be playing a role, as is the growing popularity of socially responsible investing. According to the sustainable investment forum, US SIF, more than one out of every nine dollars under professional management in the U.S. is invested sustainably.[18]

Guidance from regulatory agencies is also having an impact. In 2010 the SEC issued guidance for corporate disclosure of material climate related risks. Though enforcement of this guidance has been relatively weak, it has still sent a message. Forty-two percent of the companies evaluated (257 companies) disclose climate change as a material risk in financial filings.

Methodology improvements for this expectation allowed us to better discern which companies are going beyond compliance-related disclosure on sustainability. For example, while 42 percent of companies mention climate change in their financial filings, only 32 percent (198 companies) discuss climate risks and opportunities in a context beyond regulatory compliance. Some, for example, discuss how climate change might affect their supply chains, raw materials sourcing, water availability and vulnerability to climate-influenced severe weather events.

Sustainability Disclosure in Financial Filings



Methodology Changes

This year's report includes an adjusted scoring scheme to better reflect whether companies are addressing material sustainability issues in financial filings, and whether such disclosure goes beyond compliance with sustainability-related regulations.

For more details see Methodology.

18 USSIF. "SRI Basics." Retrieved from: http://www.ussif.org/sribasics.

The best performing sector is Utilities with 86 percent of the sector (31 of 36 companies) in Tier 1 or 2. Although this sector is heavily affected by climate-related regulations, many companies go beyond regulatory disclosure by also discussing physical risks, especially to vulnerable infrastructure. **CMS Energy** and **NextEra Energy** go even further, disclosing strategies for future profitability in a low-carbon economy through investments in renewable energy, smart grid technologies and demand-side energy efficiency programs.

The Food & Beverage sector is seeing huge shifts in agriculture, precipitation patterns and water supplies—and 83 percent are now reporting these material risks to investors.

We are also seeing leadership from companies already experiencing the real economic impacts of a changing climate. The Food & Beverage sector, for example, is seeing huge shifts in agriculture, precipitation patterns and water supplies—and 83 percent (20 of 24 companies) are now reporting these material risks to investors.

Footwear & Apparel is another strong performer, primarily due to disclosure related to human rights issues in their supply chains. High profile events, such as the collapse of a Bangladesh garment factory in 2013 that killed at least 1,137 people, have elevated awareness of the need for stronger transparency in this sector. Seventy-one percent (10 of 14 companies) fall in Tiers 1 or 2. This sector is also highly exposed to climate change due to its reliance on natural resources. Yet, only two companies in this sector, **Abercrombie & Fitch** and **TJX Companies**, address such risks on their operations and supply chains.

Standout companies overall include:

- **Brown-Forman**, a major distributor of wine and spirits, manufactures products whose basic ingredients are both climate-sensitive and water intensive. In its 10-K filings the company reveals that it sees sustainability as a way to build consumer relationships and enduring brands. It cites climate change, water scarcity and water quality as significant business risks.
- Insurance companies, especially property insurers, have long been aware that they face growing liability risks as climate change increases the number, severity and financial losses of extreme weather events. Accordingly, we are seeing improved disclosure of climate and other sustainability risks by insurers. **The Travelers Companies** is a leader in such disclosure; it explicitly addresses sustainability risks in financial filings and how the company integrates such risks into modeling of potential liability. Further, the company discloses that it studies the impact of sustainability issues, specifically climate change and water scarcity, on the creditworthiness of companies it invests in, especially bond issuers in the southwestern U.S. where water scarcity is expected to have major economic implications.
- In its financial filings, **EMC Corporation** states that investing in sustainability makes the company stronger, builds long-term shareholder value, and creates immediate financial benefits; for example, by making operations and products more efficient and revealing new business opportunities. The company also discusses how the integration of sustainability principles into product design, operations and business decision-making enhances its resilience and agility in the global economy and helps attract and retain motivated employees.

CERES ROADMAP EXPECTATION:

VEHICLES FOR DISCLOSURE

Companies will release sustainability information through a range of disclosure vehicles, including stand-alone reports, annual reports, financial filings, websites and social media.

Wide dissemination of a company's sustainability-related information helps ensure that the broadest possible group of stakeholders will have access to that information in a usable manner. While disclosure in financial filings is important for investor stakeholders, they aren't the most user-friendly or easily accessed vehicle for communicating with employees, communities or interested NGOs. Accordingly, we evaluated companies on their use of multiple disclosure vehicles to communicate sustainability information to different audiences.

We live in an age of radical transparency, where anyone with a smart phone can access enormous amounts of information from any location. People have come to expect seamless and easy access to virtually any information they seek. Companies that make wide use of various means to "get the word out" are those that performed best on this expectation.

Many companies are now producing annual sustainability reports, just as they do annual corporate reports. Making such reports available on the Web ensures that consumers, NGOs, unions, business partners, suppliers and other stakeholders have easy access. Leading companies are sharing sustainability information through newsletters, the media, blogs, and stakeholder meetings and are responding to surveys from organizations, such as the Carbon Disclosure Project (CDP).[19]

Performance on this expectation remained consistent, with 29 percent (180 companies) performing in Tiers 1 or 2, down slightly from 30 percent in 2012.

Nearly half, 49 percent (298 companies), produce and disseminate a dedicated sustainability report (again, virtually no change since 2012) and 52 percent (320 companies) use mainstream investor communication tools such as newsletters, annual reports, and investor presentations to communicate about sustainability matters, a significant increase from the 40 percent that did so in 2012. At **Nike's** Fall 2013 investor meeting, for example, Chief Operating Officer Eric Sprunk presented the company's strategy for driving sustainable innovation to realize both cost savings, through greater efficiency, and business growth. Sprunk specifically cited the company's successful launch of the high performance, yet resource-efficient, FlyKnit running shoe, as well as **Nike's** investment in Dutch company Dyecoo to help bring water-less dying technology to scale.

One of the most widely used and respected resources investors reference for corporate climate information is the CDP's annual climate change survey, which gathers information on the carbon footprint of major companies. While 56 percent of the companies we evaluated participated in the CDP survey this year, that's down from 60 percent two years ago.

The most notable trend related to this expectation is a negative one: poor sustainability disclosure often means that the company is not taking comprehensive action to address sustainability risks and opportunities. Most Real Estate companies, for example, demonstrate a weak commitment to sustainability disclosure—with 74 percent of the sector (23 of 31 companies) falling in Tier 4 for this expectation. Across the *Roadmap* performance expectations, Real Estate companies also consistently fall in Tiers 3 or 4 for addressing sustainability in operations, supply chain management, products and services, and employee engagement.

A bright spot in the Real Estate sector is **Weyerhaeuser**, which meets the highest level of reporting to GRI standards and used *The Ceres Roadmap for Sustainability* to develop and disclose its sustainability strategy and goals. The company also reports on sustainability progress in an annual web-based report and responds to the CDP climate change survey.

Poor sustainability disclosure often means that the company is not taking comprehensive action to address sustainability risks and opportunities.

19 One indicator used to evaluate company performance on this expectation was whether the company responded to the CDP climate change survey.

CERES ROADMAP EXPECTATION:

VERIFICATION AND ASSURANCE

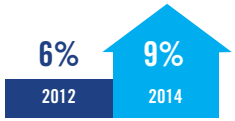
Companies will verify key sustainability performance data to ensure valid results and will have their disclosure reviewed by an independent, credible third party.

Verification of sustainability information by independent third parties gives added credibility to company claims about environmental and social performance. Just as shareholders and other stakeholders expect, and public companies are required, to have financial statements audited by independent third parties, subjecting sustainability statements to similarly rigorous scrutiny provides assurance that companies are walking the walk, not just talking the talk.

As noted earlier, 49 percent of companies in our study (298) produce an annual sustainability report. But only nine percent (52 companies) have claims and statements in those reports verified by an independent third party, up slightly from six percent in 2012. Here, U.S. companies again trail their international counterparts. KPMG's 2013 report on corporate responsibility found that 59 percent of Global Fortune 250 companies have their sustainability disclosure verified, up from 46 percent in 2011.[20] Not only do U.S. companies lag behind in verified reporting, their rate of improvement also lags.

The Materials sector was the strongest performer, with 22 percent (8 of 36 companies) obtaining at least partial verification of sustainability information, yet only one company, **Newmont Mining**, had its sustainability disclosure verified to an international recognized standard, the AccountAbility AA1000.[21]

A small group of the Financial Service companies also demonstrated leadership, with 16 percent (5 of 31 companies) having their sustainability disclosure at least partially verified. Two of those companies, **Northern Trust** and **State Street**, were Tier 1 performers. Northern Trust had its sustainability report externally verified by Deloitte & Touche, according to the American Institute of Certified Public Accountants' AT101 Attest Engagements. For the sixth consecutive year, State Street had its sustainability reporting verified to the AccountAbility 1000 standard.



Only nine percent of the companies evaluated (52 companies) seek out verification of their reporting, up from six percent in 2012.

Methodology Changes

The scoring methodology was adjusted to distinguish between companies that only partially verify their report (e.g. verifying an isolated set or sets of data) versus those that had their full sustainability report verified by independent auditors.

For more details see Methodology.

20 KPMG. "The KPMG Survey of Corporate Responsibility Reporting 2013." Retrieved from: http://www.kpmg.com/global/en/issuesandinsights/articlespublications/corporate-responsibility/pages/corporate-responsibility-reporting-survey-2013.aspx.

21 AccountAbility's AA1000 series provides a framework for an organization to identify, prioritize and respond to its sustainability challenges, as well as an assurance standard for verifying that these principles are being met.

CASE STUDY

The Evolution of Disclosure

As investor and stakeholder interest in sustainability performance increases, the tools for measuring and disclosing sustainability performance are becoming more sophisticated. In 1997 Ceres co-founded the Global Reporting Initiative (GRI), now the international gold standard for corporate sustainability reporting, which launched the fourth version of its guidelines in 2013.

New frameworks have also emerged in recent years. In late 2013, the International Integrated Reporting Council (IIRC) released its first framework for companies to create an integrated report (one that combines traditional corporate reporting and sustainability reporting). The Sustainability Accounting Standards Board (SASB) is developing sector specific standards for public U.S. corporations to use in disclosing material sustainability issues, as part of financial fillings.

These reporting standards are similar in some respects. All are built on the concept of "materiality" and the information being disclosed is that which a reasonable investor or stakeholder would deem important to their interests. But there are also differences: GRI takes a multi-stakeholder approach geared to broader audiences, while IIRC and SASB focus primarily on disclosure to investors and the financial community. GRI and IIRC also have a global orientation, while SASB is U.S. focused.

In an effort to eliminate confusion among companies and other stakeholders, these organizations are looking for ways to align the frameworks where possible, and better articulate how they complement one another. Ultimately, disclosure isn't simply about reporting; it's intended to stimulate ingenuity and strategic thinking that leads to improved sustainability performance, increased competitiveness in a resource-constrained economy, and the creation of long-term shareholder value. ***Read more.***

PERFORMANCE

Performance is about achieving on-the-ground results, such as reductions in carbon emissions and water use, procurement of renewable energy, improved energy efficiency, a supply chain that meets high environmental and social standards and products designed not only to minimize environmental and social impacts throughout their life cycle, but also serve as solutions to key sustainability challenges.

Ultimately, sustainability depends on performance outcomes. Governance for sustainability, stakeholder engagement and disclosure are means to an end, and that end is a company that operates sustainably. That's why *The Ceres Roadmap for Sustainability* is heavily weighted towards expectations on sustainability *performance*—specifically operations, supply chains, transportation and logistics, products and services, and employees. Are companies reducing their carbon footprints and investing in renewable energy? Are they energy and water efficient? Are they protecting the rights and welfare of workers and communities throughout their supply chains? Are they making products that contribute to a sustainable economy? Are they engaging employees in their sustainability efforts and inspiring employees in a sustainability mission?

As discussed in the *Methodology*, our evaluation of companies on these performance expectations is more complex and more customized to specific sectors than for the other expectations covered in Governance, Stakeholder Engagement and Disclosure. We understand that companies in different sectors have wide ranging challenges and risks that will require differing types of sustainability leadership. Some sectors, such as Food & Beverage, are especially exposed to water risk. Oil & Gas, Utilities and Transportation are uniquely carbon-intensive, which makes reducing greenhouse gas emissions far more important. Footwear & Apparel and Technology Hardware companies have especially extensive global supply chains, increasing their exposure to complicity in labor rights violations.

As in 2012, data collected by Sustainalytics allows for the evaluation of companies on 11 of the 20 performance expectations in the Roadmap. More details on these expectations and how we evaluated performance can be found in the *Methodology*.

OPERATIONS

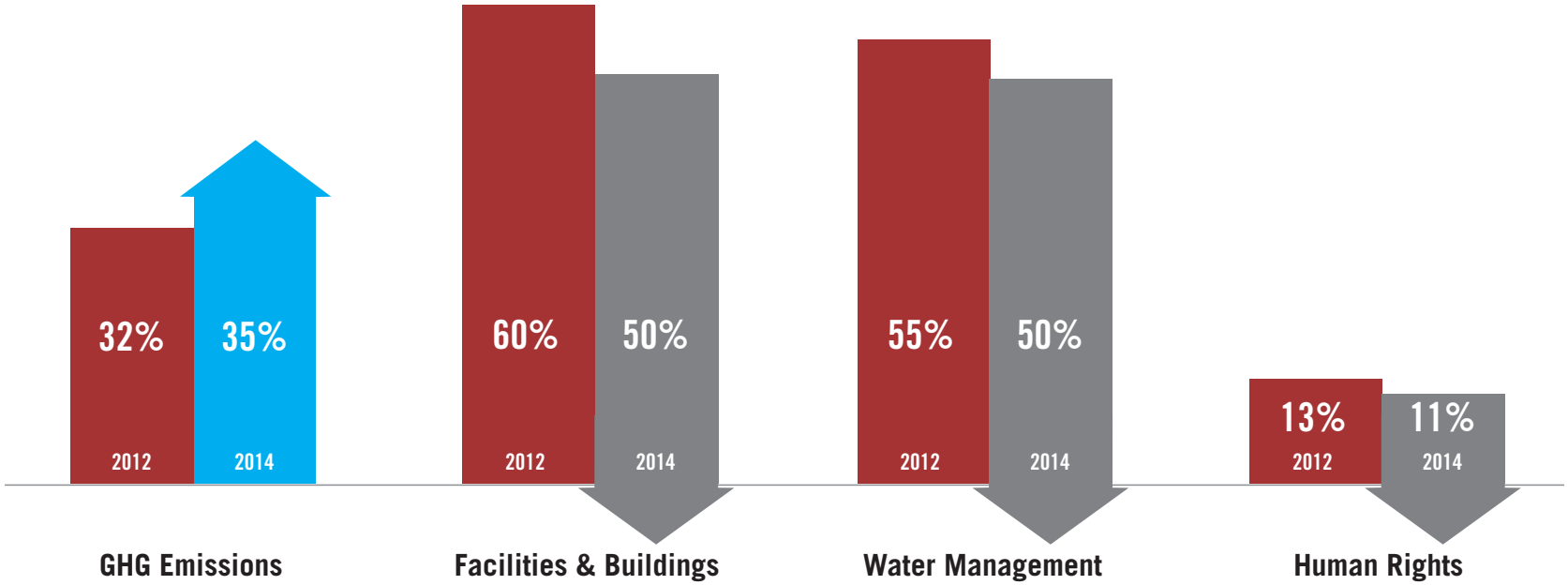
VISION: Companies will invest the necessary resources to achieve environmental neutrality and to demonstrate respect for human rights in their operations. Companies will measure and improve performance related to GHG emissions, energy efficiency, facilities and buildings, water, waste, and human rights.

Thirty-five percent (212 companies) have time-bound targets for reducing GHG emissions, **up** from 32 percent in 2012.

Fifty percent of the 127 companies evaluated (63 companies) have efforts underway to improve the sustainability of facilities and buildings, **down** from 60 percent in 2012.

Fifty percent of the 103 water-intensive companies evaluated (51 companies) assess water-related business risks, a **drop** from 55 percent in 2012.

Only 11 percent (69 companies) performed in Tier 1 or 2 for programs to protect the human rights of employees, **down** from 13 percent in 2012.



Direct operations—those activities over which companies exercise immediate control or influence—offer the greatest opportunities for improving sustainability performance. Doing so also gives credibility to efforts to improve sustainability performance downstream to suppliers or upstream to consumers: a company that is encouraging its suppliers and consumers to be more sustainable needs to lead by example.

For this section we analyzed company performance on four of the five performance expectations in the *Roadmap*: GHG emissions and energy efficiency, facilities and buildings, water management and human rights.[22]

Reducing energy consumption at company facilities and across vehicle fleets, limiting its carbon footprint, and implementing recycling, water efficiency and human rights programs are just some of the steps companies can take on their own to become more sustainable. Many of these efforts also benefit the bottom line. Reduce energy consumption and invest in energy efficient buildings, and save on utility bills. Use water efficiently, and reduce wastewater effluent and water treatment costs. Many larger companies are saving tens of millions of dollars annually through such efficiency measures.

The bottom-line value of programs that address social impacts and promote human rights, worker health and safety, and strong, healthy communities is more difficult to quantify, but can be linked to enhanced productivity, retention and reductions in employee turnover rates.

Company performance on the *Roadmap's* expectations for sustainable operations remained fairly consistent from 2012 to 2014. Companies that were solid performers in 2012 maintained their commitments, but a lack of action by the broader universe of companies to take even initial steps to address the direct social and environmental impacts of their operations remains troublesome. Only the Materials sector showed year over year improvement, primarily with regard to GHG emissions and human rights.

CASE STUDY

Valuing Natural Capital

Just as businesses require financial capital to operate, they require "natural capital," too, including air, water, soil, flora and fauna and geological resources such as minerals and energy sources. Human survival and the global economy are 100 percent dependent on such capital. But as we push the sustainable limits of these resources, the need to align consumption with those limits becomes imperative.

International initiatives such as The Economics of Ecosystems and Biodiversity (TEEB), hosted by the United Nations Environment Programme, is drawing attention to the business risks of resource constraints, "not only from the potential inability to source the necessary inputs for products but also from the threat of political and/or regulatory intervention into operations." A report commissioned by TEEB quantified the economic costs of climate change, depletion of natural resources and other forms of natural capital, and the University of Cambridge Natural Leaders Platform released an evaluation tool for companies. These emerging efforts are essential because "economic invisibility has been a major reason for the neglect of natural capital."

Large institutional investors such as the International Finance Corporation (IFC), Calvert Investments and Standard Chartered are also joining the U.N. Environmental Programme's Natural Capital Declaration to access tools for integrating natural capital risks into investment decisions and encourage their inclusion in financial accounting, disclosure and reporting by the companies they invest in. ***Read more.***

Not surprisingly, companies that performed well on governance, stakeholder engagement and disclosure, such as **Baxter International, Intel,** and **Ford Motor Company**, are also leaders in sustainable operations. These companies have committed to integrate sustainability principles into every aspect of their operations from the C-suite to the factory floor. What distinguishes these leaders is the depth of their sustainability efforts. While many companies have made isolated efforts to address social and environmental impacts, such as reducing GHG emissions, only a smaller percentage has publicly disclosed specific GHG reduction targets and deadlines for meeting them. While nearly half of the companies are taking steps to improve the sustainability of their facilities, less than a quarter have clear, time-bound targets for doing so.

22 The fifth sustainable operations expectation is the elimination of hazardous and non-hazardous waste. For this report we did not have access to sufficient data to analyze company performance on this expectation.

CERES ROADMAP EXPECTATION:

GHG EMISSIONS & ENERGY EFFICIENCY

Companies will reduce GHG emissions by 25% from their 2005 baseline by 2020 by improving energy efficiency of operations by at least 50%, by reducing electricity demand by at least 15% and by obtaining at least 30% of energy from renewable sources.[23]

Reducing GHG emissions is the only way to mitigate the accelerating impacts of climate change. That human activity is causing the Earth to warm is well beyond scientific dispute. The Intergovernmental Panel on Climate Change's (IPCC) 2014 report, following five years of study by 800 of the world's most respected scientists, was unequivocal: global warming is real, it's already impacting every continent, and time is short if we are to avoid a climate catastrophe.[24]

The Roadmap expectations for GHG emissions and energy efficiency are aligned with the scientific targets recommended by the IPCC, which call for the U.S. and other countries to achieve reductions of 80 percent below 1990 baseline levels by 2050. Not only are these targets scientifically sound, they are also economically sound. A 2013 report by the World Wildlife Fund (WWF) and the Carbon Disclosure Project (CDP)[25] identifies economy wide cost savings of $190 billion in 2020 alone for business (excluding utilities) from increasing energy-efficiency practices and transitioning to low-carbon energy sources. The transition scenario outlined in the report calls for reducing carbon emissions by 3 percent annually, levels scientists say are needed to stay below the 2 degrees Celsius increase in global temperature, widely considered the limit past which climate change becomes catastrophic.[26]

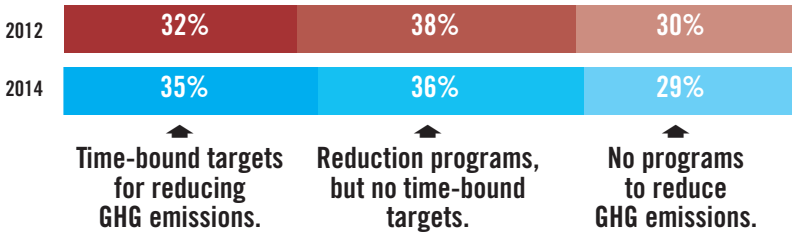
In analyzing company performance, we used several indicators to evaluate company actions to reduce GHG emissions. We examined whether companies had programs and targets for reducing GHG emissions and increasing renewable energy procurement, and, if so, whether those programs are improving carbon intensity trends[27] (CIT) and the percentage of renewable energy sourced.

U.S. companies are simply not taking the comprehensive actions necessary—through energy efficiency, renewable energy procurement and other steps—to tackle climate change.

The percentage of Tier 1 and 2 companies increased slightly to 18 percent (110 companies) compared to 14 percent in 2012, demonstrating that U.S. companies are simply not taking the comprehensive actions necessary—through energy efficiency, renewable energy procurement and other steps—to tackle climate change.

Still, some companies are moving in the right direction. For example, 71 percent (438 companies) have at least some activities in place to reduce GHG emissions, up from 69 percent in 2012. Setting specific time-bound targets, however, shows a greater commitment and accountability to GHG reductions. In 2014, 35 percent (212 companies), including companies as diverse as **Johnson & Johnson, Prologis** and **Raytheon**, had such targets, up from 32 percent in 2012. The Food & Beverage sector, in particular, showed leadership, with 79 percent (19 of 24 companies) having formal, time-bound GHG emission reduction targets in place.

Companies' Actions to Reduce GHG Emissions



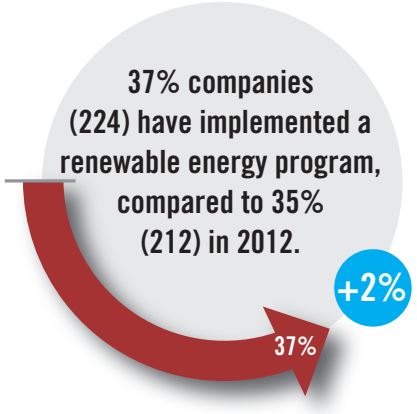
23 These targets are from the Roadmap and are aligned with scientific targets that call for the U.S. to achieve GHG emission reductions of 80% below 1990 baseline levels by 2050 and at least 25% reduction below 1990 by 2020. This expectation uses 2005 as a baseline, as this is consistent with where U.S. climate policy discussions were in 2010.

24 Intergovernmental Panel on Climate Change. "Climate Change 2014:Impacts, Adaptation, and Vulnerability." March 24, 2014. Retrieved from: http://ipcc-wg2.gov/AR5/report/final-drafts/.

25 Carbon Disclosure Project and World Wildlife Fund. "The 3% Solution: Driving Profits Through Carbon Reduction." June, 2013. Retrieved from: https://worldwildlife.org/projects/the-3-solution.

26 For more information, visit UN Framework Convention on Climate Change (UNFCCC): http://unfccc.int/key_steps/cancun_agreements/items/6132.php.

27 A company's carbon intensity trend is a measure of GHG emissions per millions of dollars in sales; it is not necessarily an absolute reduction in GHG emissions.



We also saw modest improvement in corporate commitments to increase the use of renewable energy in operations. Thirty-seven percent (224 companies) have a renewable energy sourcing program in place, up from 35 percent in 2012, but the number of companies with specific targets and deadlines for increasing use of renewable energy remained largely unchanged at six percent (35 companies). Ten percent (61 companies) are getting at least five percent of their energy from renewable sources in 2014; in 2012, seven percent of companies were doing so.

Efforts to assess whether companies are reducing their GHG emissions are hampered by weak disclosure: 79 percent (482 companies) did not provide enough information to allow us to determine if their GHG emissions are trending downward. However, 14 percent (86 companies) have reduced their year-over-year carbon intensity trend by more than 10 percent over the past four years; in 2012, only nine percent could make that claim.[28] Twenty-nine percent (175 companies) had no disclosure at all about efforts to reduce their carbon footprint, down from 31 percent in 2012.

The bottom line is clear: company efforts to establish comprehensive programs to reduce GHG emissions through energy efficiency and renewable energy sourcing are lagging far behind what's needed to avoid the worst impacts of climate change.

Nearly half of the Tier 1 performers for this expectation are technology companies, though they represent several different sectors used in our analysis, including companies in the Semiconductor, Technology: Hardware, and Technology: Software sectors. Companies, including **CA Technologies** and **Intel**, have time-bound targets for reducing GHG emissions, are increasing renewable energy sourcing, are sourcing more than 10 percent of their primary energy needs from renewable energy and have demonstrated a downward carbon intensity trend over the past four years.

Companies in the Industrials sector show encouraging progress. The number of companies in Tier 4 dropped to 40 percent (17 of 43) from 58 percent in 2012. The sector was led by **Lockheed Martin** (the lone Tier 1 company), which gets more than 10 percent of its primary energy from renewable sources.

The scale of additional clean energy investments needed to have an 80 percent chance of limiting the increase in global temperature to 2 degrees Celsius is an estimated $36 trillion over the next 36 years, according to the International Energy Agency (IEA).[29] Ceres calls this the Clean Trillion energy challenge and it will take the concerted efforts of companies, investors, and governments to boost such investments globally in by roughly $1 trillion a year.

28 Since the carbon intensity trend (CIT) reflects the amount of GHG emissions relative to sales, a fast growing company could have a downward CIT but be producing more GHGs in absolute terms. Ultimately, it is real reductions, not downward CITs that are necessary to keep global temperatures below the critical 2 degree Celsius increase.

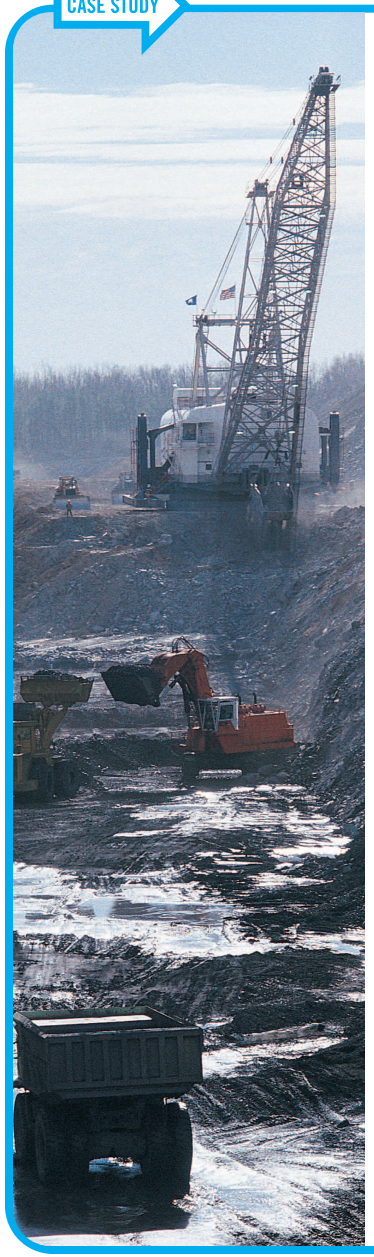
29 For more information, visit UN Framework Convention on Climate Change (UNFCCC): http://unfccc.int/key_steps/cancun_agreements/items/6132.php.

Heavy industry sectors—such as the Oil & Gas and Energy Services & Refining sectors—had weaker results. Only 13 percent of Oil & Gas companies (4 of 30) and just nine percent of Energy Service companies (2 of 23) have adopted formal, time-bound GHG emission reduction targets. **Baker Hughes** and **National Oilwell Varco** are the only two energy service companies that have adopted formal, time-bound GHG emission reduction targets. Given the GHG emission intensity of refining operations this represents a significant area for improvement.

Company leaders for this expectation employ a full range of strategies to achieve time-bound GHG reduction targets.

- **PepsiCo** uses an internal assessment and knowledge sharing tool, ReCon, to identify opportunities and share best practices in GHG measurement, management and actual reductions. The company shares the tool with franchise bottlers, partners and direct suppliers to help them to save money by reducing their own carbon footprints.
- Most of software company **Adobe's** direct GHG emissions are from electricity used at its offices and data centers. The company's NetZero plan aims to achieve a 75 percent reduction (from a 2000 baseline) in company emissions by 2015. The company is using renewable energy technologies, including hydrogen fuel cells and solar arrays, and is also focused on reducing energy needs by improving the cooling efficiency of its data centers and "virtualizing" many of its systems, platforms and devices.
- **Cisco** announced new targets in 2013 to reduce its Scope 1, 2 and 3 (business travel) GHG emissions worldwide by 40 percent by 2017, using a 2007 baseline. The company also has a goal to source at least 25 percent of its power from renewables every year through 2017. Lastly, it is working with suppliers to report carbon emissions annually to the Carbon Disclosure Project, set GHG emission reduction goals and report Cisco's share of its supplier's GHG emissions.

CASE STUDY



Carbon Asset Risk

Even as the climate imperative to burn less carbon becomes clearer, fossil fuel companies are investing enormous amounts of capital to exploit new reserves of oil, gas and coal. The world's largest 200 publicly traded fossil fuel companies spent $674 billion in 2012 to find and develop new reserves. That's more than double the $281 billion invested in clean energy globally the same year.[30]

Because the value of fossil fuel companies is closely tied to their current and future reserves, they face carbon asset risk—the risk that a portion of their reserves could become stranded assets as the world transitions to a low-carbon future. As the urgency for climate mitigation deepens, policymakers will have to choose between mandating significant reductions in carbon use and the dire economic and ecological fallout of unmitigated climate change.

Investors have shown growing concern about the implications of carbon asset risk for their portfolios. In October 2013, 70 global investors with more than $3 trillion of collective assets launched the Carbon Asset Risk Initiative. This initiative is an effort to encourage 45 of the world's leading oil and gas, coal and electric power companies to assess the wide-ranging financial risks associated with climate change, including the prospect of oil and coal reserves becoming stranded assets as carbon reducing policies and renewable energy take stronger hold globally. The initiative has two main goals: (1) to prevent shareholder capital from being wasted on developing high-carbon, high-cost fossil fuel reserves that cannot be used if the world is to avoid catastrophic climate change; and (2) drive fossil fuel companies to acknowledge and plan for the escalating physical impacts of climate change such as higher temperatures, rising seas and stronger storms. ***Read more.***

30 Bloomberg New Energy Finance (BNEF). "Global Trends in Clean Energy Investment." October 14, 2013. Retrieved from: http://about.bnef.com/fact-packs/global-trends-in-clean-energy-investment-q3-2013.

CERES ROADMAP EXPECTATION:

FACILITIES AND BUILDINGS

Companies will ensure that at least 50% of their owned and leased facilities, and all new construction, will meet rigorous green building standards. When siting facilities, companies will follow best practices that incorporate sustainable land-use and growth considerations.

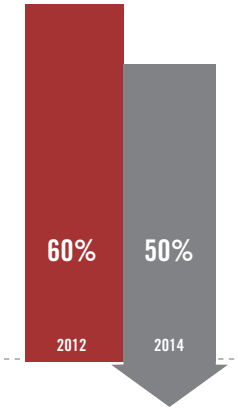
The importance of "greening" company buildings and facilities as a major step towards creating a sustainable economy cannot be overstated; buildings in the United States account for 65 percent of all energy consumption and 30 percent of all GHG emissions. The benefits of green building are also extraordinary; according to the U.S. Green Building Council, greater building efficiency can meet 85 percent of future demand for energy in the U.S. and create 2.5 million jobs.[31]

We evaluated 127 companies across five sectors—Financial Services, Food & Beverage, Footwear & Apparel, Retail, and Technology Hardware—for programs and targets to increase investments in sustainable buildings. Fifty percent (63 companies) have made at least some effort to improve the sustainability of their facilities and buildings and 21 percent (29 companies) have formal sustainable building programs. But only five percent (seven companies) are Tier 1 performers with clear time-bound targets for increasing investments in sustainable buildings.

Methodology Changes

The evaluation of companies for this expectation was expanded to include the Food & Beverage sector, increasing our total number of companies to 127 companies compared with 102 companies in 2012.

For more details see Methodology.



Fifty percent (63 of 127 companies) have efforts underway to improve the sustainability of facilities and buildings, down from 60 percent in 2012.

Only the five percent (seven companies) in Tier 1 have set clear time-bound targets for increasing investments in sustainable buildings.

Due to the expanded pool of companies we evaluated, comparisons to 2012 results are not straightforward. For example, this year we added 24 companies from the Food & Beverage sector, 22 of which are Tier 3 and 4 performers. In terms of the absolute number of Tier 1 and 2 performers, we saw a small drop, to 29 from 32 in 2012. We also saw a large increase in Tier 4 companies this year (64 companies) compared with 41 companies in 2012. Both of these changes are largely due to the poor performing Food & Beverage sector.[32]

31 U.S. Green Business Council. "About USGBC." Retrieved from: http://www.usgbc.org/about.

32 It is noteworthy that the Food & Beverage sector is a top performer on GHG reductions and energy efficiency, yet a poor performer on sustainable buildings and facilities, since the latter can greatly improve performance on the former. Improving their performance on buildings and facilities would help these companies reach their GHG emissions targets and help them become more energy efficient.

With only 21 percent of the 127 companies in Tiers 1 and 2 (29 companies), it is clear that relatively few companies are establishing sustainable building targets and deadlines. Part of the challenge is that substantial investment is required to retrofit buildings to sustainability standards and build new facilities to meet these higher standards.

For companies that lease facilities, the challenge is even greater. To accelerate sustainable building program objectives, "green leases" are required to align the financial and energy incentives of building owners and tenants so that they can work together to conserve resources, ensure the efficiency of operations and save money.[33] Property management companies, including **Jones Lang LaSalle** (JLL), are starting to provide such resources. JLL is also partnering with leading building owners and investment advisory firms, such as **Cisco** and **JP Morgan Chase**, to sign onto a Green Lease Action Plan to advance the sustainability of leased commercial space. As these efforts continue to evolve we anticipate more companies will implement sustainable building programs.

The Financial Services sector saw the biggest improvements on this expectation. Fifty-two percent (16 of 31 companies) are Tier 1 or 2 performers, up from 10 percent two years ago, with **Bank of America** and **Citigroup** continuing to lead (see below). Because many large financial companies operate as both landlords and tenants, this sector is well positioned to continue leading in this regard.

Surprisingly, given their massive real estate footprint, the Retail sector is a poor performer. Only 20 percent (7 of 35 companies) are in Tiers 1 and 2, a sharp drop from 36 percent in 2012, although two retailers, **Target** and **Staples**, are among the top performers for this expectation. **Target**, for example, is aiming to have 75 percent of its U.S. buildings ENERGY STAR certified by 2016. The sector's lack of leadership in this area is worrisome and may be due in part to the weak economic recovery stifling upfront investments that typically pay for themselves fairly quickly in terms of energy savings.

Leading companies understand that green buildings and facilities are a sound investment, through which upfront costs are repaid in years of savings on energy costs. For example:

- **Bank of America** has committed to increasing its portfolio of Leadership in Energy and Environmental Design (LEED) certified buildings. At the end of 2012, Bank of America had 17 million square feet of LEED-certified workspace across all building types (15 percent of its total square footage). By 2015, 20 percent of its building space will be LEED certified.
- As a member of the U.S. Department of Energy's Better Buildings Challenge, retailer **Staples** is committed to reducing energy intensity by 25 percent by 2020. This is part of the company's broader goal to have 50 percent of its U.S. buildings ENERGY STAR certified by 2020. To date, 513 of the company's facilities, representing 29 percent of its stores, warehouses and distribution centers, qualify as ENERGY STAR certified.
- **Citigroup** in 2012 became the world's first financial institution to have 200 LEED certified building projects. The company has set a short-term target of having 15 percent of its global real estate portfolio LEED certified by 2015. Other time-bound goals include reducing absolute GHG emissions by 25 percent, reducing landfill waste by 40 percent and reducing water use by 20 percent.

To accelerate sustainable building program objectives, "green leases" are required to align the financial and energy incentives of building owners and tenants so that they can work together to conserve resources, ensure the efficiency of operations and save money.

33 "Green Lease Library." Retrieved from: http://www.greenleaselibrary.com.

CERES ROADMAP EXPECTATION:

WATER MANAGEMENT

Companies will assess water-related impacts and risks and will set targets to improve water use and wastewater discharge, with priority given to operations in water-stressed regions.

There is no natural resource more essential to life than water, and no resource more vital to the economy. Virtually every product we use or consume, from hamburgers to hairspray and linens to laptops, requires water at some point in the manufacturing process. Every bit as important as capital, water drives the economy and is a critical resource for companies in every sector.

We evaluated 103 companies in four particularly water-intensive sectors: Food & Beverage, Footwear & Apparel, Oil & Gas Producers and Utilities. We looked at three key indicators of performance: measurement and disclosure of water usage in direct operations and supply chains; assessment of water-related risks for the business; and programs and targets to reduce water consumption.

Water always seems to be available at the end of a tap, but in reality water is fast becoming an endangered resource in many parts of the world, making water scarcity a major business and economic risk. Growing pressures on limited water resources are the result of many factors: a growing global population, increasing demand from farmers, industry, and residential consumers, aging and inefficient water infrastructure, and unpredictable changes in global precipitation patterns catalyzed by climate change.

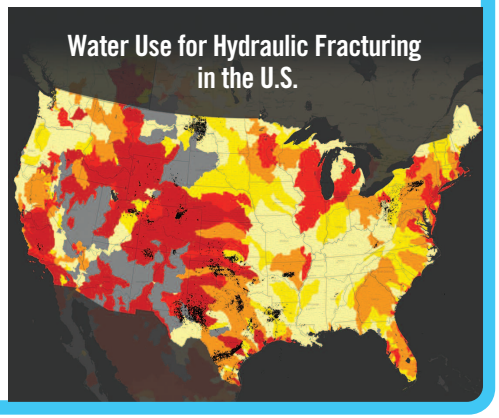
Given the huge importance of water to companies in these sectors, the results are disappointing, with no companies performing in Tier 1 and only 14 percent (14 of 103 companies) performing in Tier 2. In 2012, 29 percent of the companies we evaluated fell in Tiers 1 and 2. This decline is almost entirely attributable to our methodology change, which added disclosure of supply chain water data in addition to operational water use. Of the 103 companies evaluated, only one, **Nike**, discloses supply chain water use data.

We recognize that gathering such information from suppliers can be extremely challenging since most suppliers do not track their own water use and have little incentive to do so since water is free in most parts of the world. But, as water becomes increasingly scarce, companies with poor water stewardship practices will face growing risks of losing their social license to operate. It is incumbent on companies to educate their suppliers about water challenges and risks, demonstrate the business case for collecting water usage data, and create incentives for doing so.

Methodology Changes

Two modest changes were made in the evaluation of company performance for this expectation. One of the three indicators used to measure performance (Scope of Water Reporting) was adjusted to better reflect the extent to which companies are assessing water consumption in both direct operations and supply chains. The set of companies evaluated under the Programs and Targets to Reduce Water Use indicator was also expanded to include Oil & Gas sector companies. *For more details see Methodology.*

To compete in the 21st century, companies must use less water and minimize their freshwater impacts. Agricultural irrigation accounts for 70 percent of all global freshwater use, and in some fast-growing economies, that number is as high as 90 percent.[34] In the U.S. and Canada, the rapid growth of hydraulic fracturing to extract oil and natural gas reserves, much of it in regions already under intense water stress, is adding to the challenge. In the United States, from January 2011 to May 2013, oil and gas companies used 97 billion gallons of water in fracking operations. Nearly half of the wells hydraulically fractured since 2011 were in regions with high or extremely high water stress and over 55 percent were in areas experiencing drought.[35] Prolonged drought conditions in states such as California and Texas should be a wakeup call for any company that takes water for granted. Read more here.



34 "UN Water: Statistics." Retrieved from: http://www.unwater.org/statistics/en.

35 Freyman, Monika. *Hydraulic Fracturing and Water Stress: Water Demand by the Numbers.* Ceres. February 2014. Retrieved from: http://www.ceres.org/resources/reports/hydraulic-fracturing-water-stress-water-demand-by-the-numbers.

The best performing sector was Food & Beverage, with 11 of the 14 top performing companies. Leaders include **Coca-Cola Company, Molson Coors**, and **Kellogg**:

- Since 2004, **The Coca-Cola Company** has improved the efficiency of its water use by 20 percent. However, as water risks intensify globally and investor and stakeholder expectations continue to grow, Coca-Cola identified the need for a rigorous third-party evaluation of its water management approach. Throughout 2012 and 2013 the company used the Ceres Aqua Gauge™ tool to assess the strengths and weaknesses of its water stewardship strategy and to inform new targets and goals. The company is also sharing the Aqua Gauge tool with suppliers and customers to help these partners improve their own water management.

Given its water-intensive practices such as laundering, dyeing and finishing fabrics, the Footwear & Apparel industry stands out for its poor performance in managing water impacts and risks. No Footwear & Apparel company ranks in Tier 1 or Tier 2. Still, two companies, **Gap** and **Nike**, stand out from their peers:

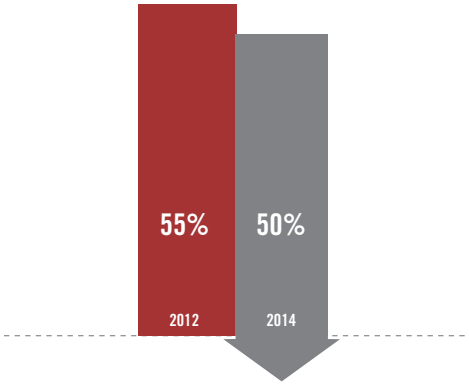
- **Gap** has identified key water intensive manufacturers in its supply chain, including denim laundries and fabric mills, to help focus its water reduction efforts. Gap also partners with the Natural Resource Defense Council (NRDC) to reduce water, energy and chemical use of its dyeing and finishing suppliers.
- In 2001, **Nike** launched a formal water program to help its suppliers address wastewater quality discharge issues. Currently 793 suppliers participate in this program and Nike requires them to report how they are using water resources and the processes in place for discharging wastewater. Nike is coupling these efforts with work to reduce hazardous chemicals and scale up sustainable product design innovations to reduce water use across the company's full value chain.

While measuring and disclosing water usage from direct operations and supply chains is obviously important, acting on this information is a bigger imperative. Doing so requires considering water risk in strategic planning and day-to-day operations.

Only 50 percent (51 of 103 companies), however, are assessing water-related business risks, a drop from 55 percent in 2012. By identifying direct operations and key suppliers in regions with water scarcity and other water risks such as water quality, water regulations and water competition, companies will be better positioned than their peers to mitigate the potential operational impact of water-related risks. However, only 26 percent (27 of 103 companies)—including **Brown Forman** and **Sempra Energy**, among others—disclose more comprehensive risk assessments and prioritize efforts in water stressed regions, virtually unchanged from 2012.

Twenty-six percent (27 of 103 companies) prioritize efforts in water stressed regions.

Fifty percent of the 103 water-intensive companies evaluated (51 companies) assess water-related business risks, a drop from 55 percent in 2012.



CERES ROADMAP EXPECTATION:

HUMAN RIGHTS

Companies will regularly assess key risks related to human rights throughout their entire operations, and will employ management systems that are aligned with internal policies and support the implementation of universal standards.

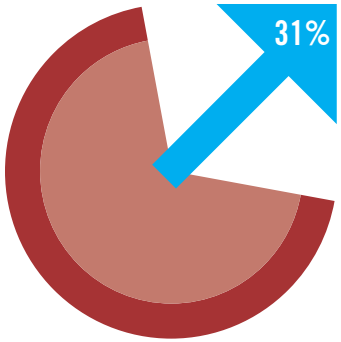
Protection of human rights—including freedom of association, freedom from discrimination, and a safe and healthy workplace—is an ethical obligation of every company and should be a top priority for management and boards of directors. Such protection should extend throughout a company's supply chain, to all direct employees across a company's operations and be formalized in a written human rights policy.

With regard to supply chain employees (addressed in more detail under *Roadmap* expectation P. 2, "Supply Chain"), the standard for U.S. companies with supplier codes of conduct is to align those codes with internationally recognized human rights standards such as the International Labor Organization (ILO) core conventions.

In our evaluation, we looked for evidence of one or more policies that protect the human rights of direct employees, whether employed in the U.S. or abroad. Such policies might address one or more of the following issues: freedom of association, working conditions, elimination of discrimination, and for select sectors, policies focused on local community protections.

Only 11 percent (69 companies) performed in Tier 1 or 2 for comprehensive programs and policies protecting the human rights of employees, down from 13 percent in 2012. Seventy-one percent (434 companies) fall in Tier 4, meaning they either don't disclose any policies that protect the human rights of employees or have in place policies that only offer minimal protections. This is a significant step backwards from 2012 when 44 percent of companies were in Tier 4.

Among the 613 companies evaluated, only 31 percent (190 companies) have formal human rights policies or statements covering their direct employees. With regard to freedom of association in the workplace,[36] only 26 percent (160 companies) have policies or statements explicitly protecting their employees' freedom of association. One key area of progress is non-discrimination policies; 92 percent (563 companies) have a formal non-discrimination policy. This is not surprising given federal and state anti-discrimination laws, including legal requirements regarding communication of workplace discrimination policies.



Only 31 percent (190 companies) have formal human rights policies or statements covering their direct employees.

The Technology Hardware sector had relatively strong results, with 36 percent (9 of 25 companies) performing in Tiers 1 or 2. Three companies, **Dell, EMC Corporation** and **Seagate Technology**, have especially strong policies covering human rights, freedom of association, elimination of discrimination and working conditions.

Methodology Changes

The evaluation of human rights policies was expanded to include all 613 companies. *For more details see Methodology.*

36 The right of freedom of association guaranteed by the First Amendment to the U.S. Constitution only prevents government bodies from interfering with the right of association; it does not, generally speaking, apply to private employers.

Sectors such as Auto & Transportation and Retail, which have large direct labor workforces, underperform in comparison with their peers. Seventy-one percent of the Auto & Transportation sector (12 of 17 companies) and nearly 90 percent of Retail companies (31 of 35 companies) are Tier 4 performers. While five retailers—**Best Buy, Costco, CVS, Nordstrom**, and **Sysco**—have adopted human rights policies, their performance on other indicators for this expectation was lagging. **Ford Motor Company**, the sole Tier 1 performer in its sector, is the only Auto and Transportation company with a human rights policy protecting its direct employees.

The most forward-looking companies have human rights policies covering direct employees and their supply chains, often codifying those policies related to supply chain employees in a supplier Code of Conduct (see P.2 "Supply Chain," below). They also apply universal human rights standards to both direct and supply chain employees. For example:

- **Johnson & Johnson** has a detailed Human Rights Policy that incorporates the Universal Declaration of Human Rights (UDHR), International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights. It applies these principles not just in its overseas operations and supply chain, but also to all Johnson & Johnson workplaces.
- **The Coca-Cola Company** offers a strong endorsement of the United Nations Guiding Principles on Business & Human Rights, committing itself to respecting human rights as reflected in their Human Rights Statement, Workplace Rights Policy and Supplier Guiding Principles.
- **Abbott Laboratories'** Human Rights Policy references the UDHR and has guidelines that include promoting workforce diversity and non-discrimination against any employee for reasons such as race, religion, color, age, gender, ethnicity, disability, religion, marital status, sexual orientation or any other status protected by law.

CASE STUDY

Assess and Act

The 2012 collapse of a garment assembly plant in Bangladesh which killed more than 1,100 workers was another harsh reminder that behind the clothes we wear and the smart phones in our pockets are millions of people struggling to survive in substandard, often inhumane, working conditions. Just as they must be good stewards of natural resources, sustainable businesses must nurture, protect and respect the human resources essential to their direct operations and across their supply chains. This is both a moral imperative and sound business sense.

The *UN Guiding Principles on Business and Human Rights*, released in 2011, are precisely the type of "universal [human rights] standards" anticipated by the *Ceres Roadmap*, which states that the sustainable corporation must "regularly assess key risks related to human rights throughout their entire operations" and "support the implementation of universal [human rights] standards." (Expectation P1.5 of the *Ceres Roadmap*.)

Moving from theory to practice can be challenging, but expertise and resources are available to advance implementation of the *UN Guiding Principles*. One such resource is Shift, an independent, non-profit center for business and human rights practice founded specifically to help governments, businesses and their stakeholders put the UN Guiding Principles into practice. The U.K.-based Institute for Human Rights and Business also provides tools and resources to assist businesses.

One of the ways companies are using the UN Guiding Principles is in their consideration of doing in business in particular regions of the world. With the lifting of international economic sanctions imposed on Burma, a country with one the poorest human rights records on the planet, companies need to carry out ongoing due diligence by engaging with national and local government officials, international and local NGOs, civil society and local business leaders to ensure that the country will support international human rights standards. Equally important, is that companies ensure that their own operations in the country will not infringe on human rights or contribute to violating the rights of others.

SUPPLY CHAIN

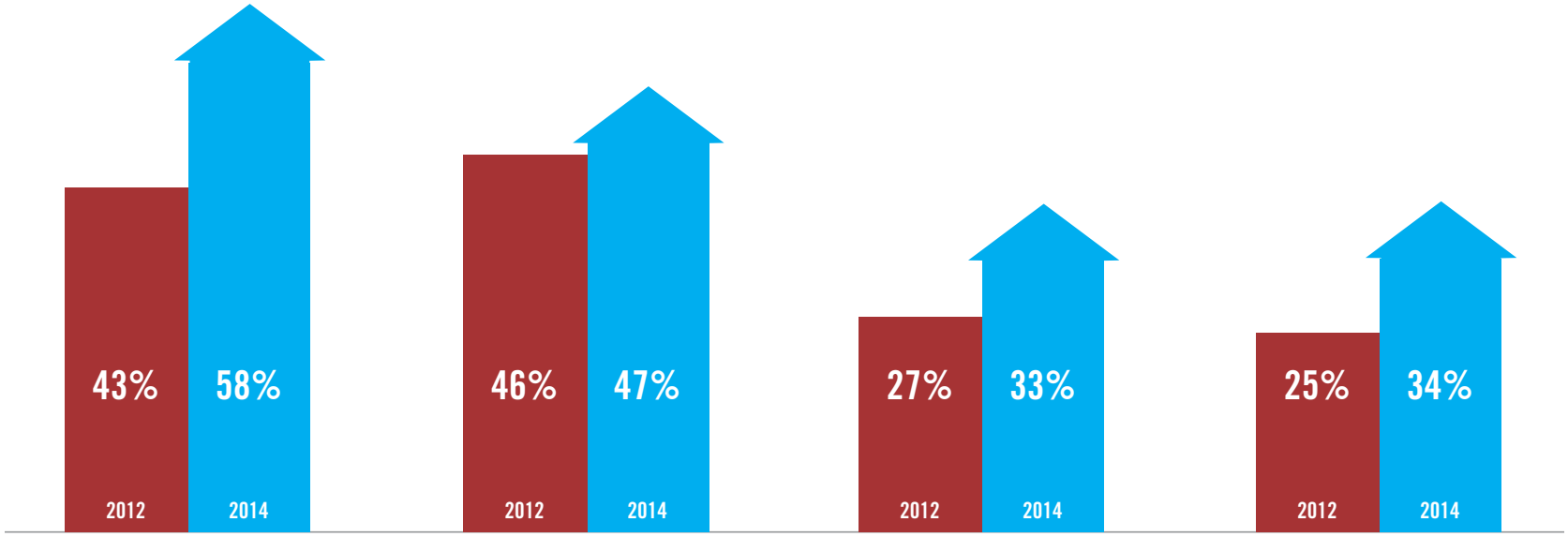
VISION: Companies will ensure that suppliers meet the same environmental and social standards—including disclosure of goals and performance metrics—as the company has set for its internal operations.

58 percent (353 companies) set clear social and environmental standards for suppliers, **up** from 43 percent in 2012.

47 percent (291 companies) consider environmental and/or social criteria in the procurement, **up** from 46 percent in 2012.

A third (205 companies) engage suppliers on sustainability performance issues, **up** from 27 percent in 2012.

34 percent (210 companies) monitor supplier performance, **up** from 25 percent in 2012.



Policies & Codes | **Align Procurement Practices** | **Supplier Engagement** | **Measurement & Disclosure**

To become truly sustainable enterprises, companies must look beyond their direct operations and deep into their supply chains. A company can reduce its carbon footprint, water use and protect the rights of its workers, but if it sources products and materials from suppliers who perform poorly, its overall sustainability efforts are fundamentally undermined. Companies can significantly influence the behavior of suppliers and have a key responsibility in driving sustainability throughout the global economy. As customers, companies can establish the conditions for future business. They can insist that suppliers meet international human rights standards and demonstrate environmental responsibility, or risk losing their contracts. They can also engage with their suppliers, either alone or in collaboration with other companies doing business with the same suppliers, to help suppliers improve sustainability performance through technology and training.

Supply chain challenges were brought into sharp focus in 2013 when the Rana Plaza garment factory collapsed, killing more than 1,100 workers producing goods for major international brands. The images were indelible: bodies found amidst familiarly branded jeans, shirts and other apparel. From customers and investors, human rights and labor advocates, governments and other stakeholders came a call for greater accountability by companies for the practices of those they choose to do business with.

Such accountability is the first essential step in building a sustainable supply chain. Clear expectations must be established and a high bar for performance set. Companies must integrate social and environmental metrics into procurement decisions and product design and make clear to suppliers that long-term business relationships can only be established in the context of continual improvement of social and environmental performance. Quite simply, sustainability needs to be given the same status as quality, cost savings and production times.

But implementing such changes is challenging and companies may need help in instituting the necessary reforms and programs. That's why companies have to be prepared to provide long-term assistance and to collaborate with suppliers; they cannot simply set standards, sit back and insist on compliance. This means partnering with suppliers on worker training, education, safety and healthcare, and providing technical or other support for programs to improve energy efficiency, water stewardship and reduce pollution. Incentives and rewards for suppliers who meet these requirements should be core to these engagement programs.

As is the case with all aspects of corporate sustainability performance, transparency is key. Companies should disclose not only information about *who* is in the supply chain, but *how* those suppliers are or are not implementing social and environmental standards.

For this report Ceres and Sustainalytics evaluated all 613 companies on supply chain practices, including policies and codes, procurement practices, supplier engagement and measurement and disclosure of supplier performance. We saw incremental progress but far from the improvement needed to address the urgency of the challenge.

While their practices are the exception rather than the rule, many of the top performers are using collaboration as a key strategy for success. They are active participants in developing, implementing and incentivizing sustainable supply chain programs, and rely not on a single company's actions, but on cooperation and collaboration among companies, suppliers, NGOs, labor organizations and other local community groups.

CERES ROADMAP EXPECTATION:

POLICIES & CODES

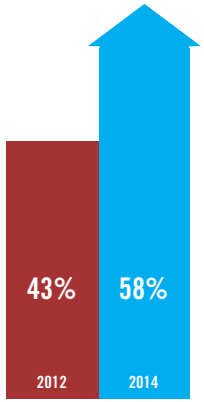
Companies will set supply chain policies and codes aligned with overall social and environmental standards.

The first essential step for any company seeking to drive sustainability throughout its supply chain is developing a supplier code of conduct that establishes expectations for social and environmental performance by all suppliers and contractors. Such codes can be very effective in incentivizing suppliers and contractors because they carry an implicit, and sometimes explicit, message that compliance is a condition of future business.

A comprehensive supplier code of conduct should address the company's expectations for environmental and social performance and reference relevant international codes, standards and regulations. Key among these are the Universal Declaration of Human Rights (UNDR) and the International Labor Organization (ILO) Core Conventions, which address working conditions for employees, minimum wages, working hours, freedom of association and collective bargaining, discrimination, child labor and forced labor. Supply chain codes and standards should be accessible in local languages for all suppliers and contractors.

Fifty eight percent of the companies we evaluated (353 of 613) have supplier codes of conduct, up from 43 percent in 2012. Most focus on labor and worker rights issues. We saw a notable increase in Tier 1 companies whose supplier codes reference most or all of the issues covered by the ILO conventions; 18 percent (110 companies) up from 10 percent two years ago.

Numerous factors contributed to this improvement, including governments being more active in compelling companies to improve aspects of supply chain performance. For example, in 2010 California passed the Transparency in Supply Chains Act, which requires retailers and manufacturers doing business in the state to report publicly on efforts to ensure their supply chains are free of forced labor. A second factor is a growing recognition by investors that weak social and environmental performance in the supply chain can mean financial and liability risks for the companies in which they invest. Advocacy organizations and consumers have ramped up public pressure on companies to ensure products are ethically and sustainably produced. High profile tragedies have stimulated action, mobilizing widespread demands for stronger accountability and collaboration from local communities, customers, consumers, labor organizations, NGO advocates and investors.



58 percent of companies (353) set clear sustainability standards for their suppliers through a formal code or policy, up from 43 percent in 2012.

18 percent (110 companies) have supplier codes that meet the highest standards by referencing most or all of the human rights issues covered in the International Labor Organization's (ILO) Core Conventions, up from 10 percent in 2012.

The Footwear & Apparel sector has a long history of concerns regarding labor and human rights challenges within the supply chain and recent events have caused an increasing number of companies to step up and set forth clear expectations and standards for suppliers. As such, companies in this sector lead with nearly 80 percent (11 of 14 companies) in Tiers 1 and 2, up dramatically from just 45 percent of companies in 2012. As was made clear in Bangladesh, however, codes of conduct and auditing alone are not enough and must be coupled with proactive engagement, business incentives that drive performance improvements and a commitment to transparency. For example:

- **PVH Corp.** has a supplier code of conduct based on the ILO Core Conventions, the UNDR and the United Nation's Framework on Business and Human Rights. In response to the Bangladesh factory collapse, PVH joined with many of its European peers to become the first U.S. company to sign onto the Bangladesh Accord, a legally binding agreement among international and Bangaldeshi trade unions, international brands and retailers to jointly implement a program to improve health and safety measures in the Bangladesh garment industry.

The Semiconductor sector also showed leadership, with 57 percent (12 of 21 companies) in Tier 1, demonstrating a commitment to encouraging supplier performance on the full range of issues covered by the ILO Conventions by including or referencing them in their supplier conduct codes. For this sector, all Tier 1 performers adhere to the Electronic Industry Citizenship Coalition's (EICC) code of conduct, a model code for companies in the technology industry to use with their suppliers. Just under half (9 of 21 companies) of the companies are also members of the conflict-free-smelter-program of the EICC, which has developed guidance, tools and other resources to address the issue of conflict minerals. For example:

- **Advanced Micro Devices (AMD)** addresses all of the issues covered by the ILO core conventions. With regard to conflict mineral sourcing in its supply chain, AMD's supplier code prohibits suppliers from contributing to conflict or human rights violations in the sourcing of tin, tantalum, tungsten and gold and requires suppliers to trace these minerals to EICC certified conflict-free smelters.

While the strong performance of these two sectors is encouraging, 42 percent (260 companies) still do not have a supplier code of conduct despite hard-learned lessons of recent years that highlighted the urgent need to improve working conditions and mitigate business risks from climate change, resource scarcity and other environmental threats. It is going to take more pressure from investors, consumers and NGOs, and perhaps a more active role by policy makers and regulators, to mobilize those companies that continue to ignore the risks lurking in their supply chains.

A variety of resources exist for companies seeking to understand compliance requirements and increasing investor and stakeholder expectations. KnowTheChain, a multi-stakeholder initiative comprised of organizations including Humanity United, Verite, and Sustainalytics, is one such example. Created to educate companies, investors, policymakers, and consumers about the existence of slavery in global supply chains and actions needed to meet expectations set forth in The California Transparency in Supply Chains Act (SB-657), KnowTheChain's website provides an important dataset of company disclosure statements and tools to embrace both the letter and spirit of the law, applicable to companies subject to SB-657 and, importantly, all companies with supply chains, no matter where they operate.

"Everything that is really great and inspiring is created by the individual who can labor in freedom."

— **Albert Einstein**
(from address at the commencement exercises at Swarthmore College, 1938)

CASE STUDY

Hidden in Plain Sight

Forced labor and human trafficking—our modern-day slavery—occur at a horrifying scale, with estimated numbers affecting between 21 to 27 million people worldwide, more than any other time in history. A complex, often hidden issue, slavery is not legal anywhere, but happens almost everywhere. No country or economic sector is immune.

The vast number of companies, suppliers, contractors, recruiters, and labor brokers involved in today's global marketplace often obscures the conditions under which work is done and products made, making identification and eradication of forced labor and human trafficking challenging.

While companies and investors are increasingly aware of human rights abuses like these embedded in global supply chains, they are less informed on actions they can take to address them. Yet the well being of the workers who stitch our garments, harvest our coffee beans, and assemble our electronics depend on a proactive and informed corporate and investor response.

To better understand corporate efforts to eradicate forced labor and human trafficking, we took a closer look at the human rights and supply chain practices of all 613 companies.

Overall the results are disheartening. Though there is evidence of leadership, the reality is clear: forced labor remains a persistent, often hidden issue, and many companies are not taking action at the speed and scale needed.

Recognizing forced labor can occur in direct operations as well as supply chains, we assessed the human right policies of companies, seeking alignment with internationally recognized human rights conventions and explicit protection of forced and child labor. Surprisingly, **only 31 percent (190 companies) have formal policies protecting the human rights of their direct employees; and a mere 13 percent (80 companies) explicitly prohibit both forced and child labor.**

Despite disturbing headlines of fires in Bangladesh, labor strikes in Cambodia and concerted efforts by leading companies, investors and NGOs, only 58 percent (353 companies) have evidence of supplier codes of conduct; and only **40 percent (248 companies) have codes that specifically address both child labor and forced labor,** core tenets of the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

Ford Motor Company, The Coca-Cola Company, and **The Walt Disney Company** each explicitly prohibit in their human rights policies and supplier codes of conduct the use of child and forced labor. More importantly, these companies go beyond policy statements, providing evidence of steps being taken to implement and measure, where possible, the impact of these policies in both direct and indirect operations, including assessments, training, and capacity building.

In the era of the 24/7 news cycle, where labor and human rights concerns can damage even the glossiest of reputations, no company can afford a 'see no evil, hear no evil' approach to its workforce or its supply chain. Instead, companies must *know* and *show* the steps they are taking to provide safe and equitable working conditions for those who manufacture their products and deliver their services, no matter where they reside.

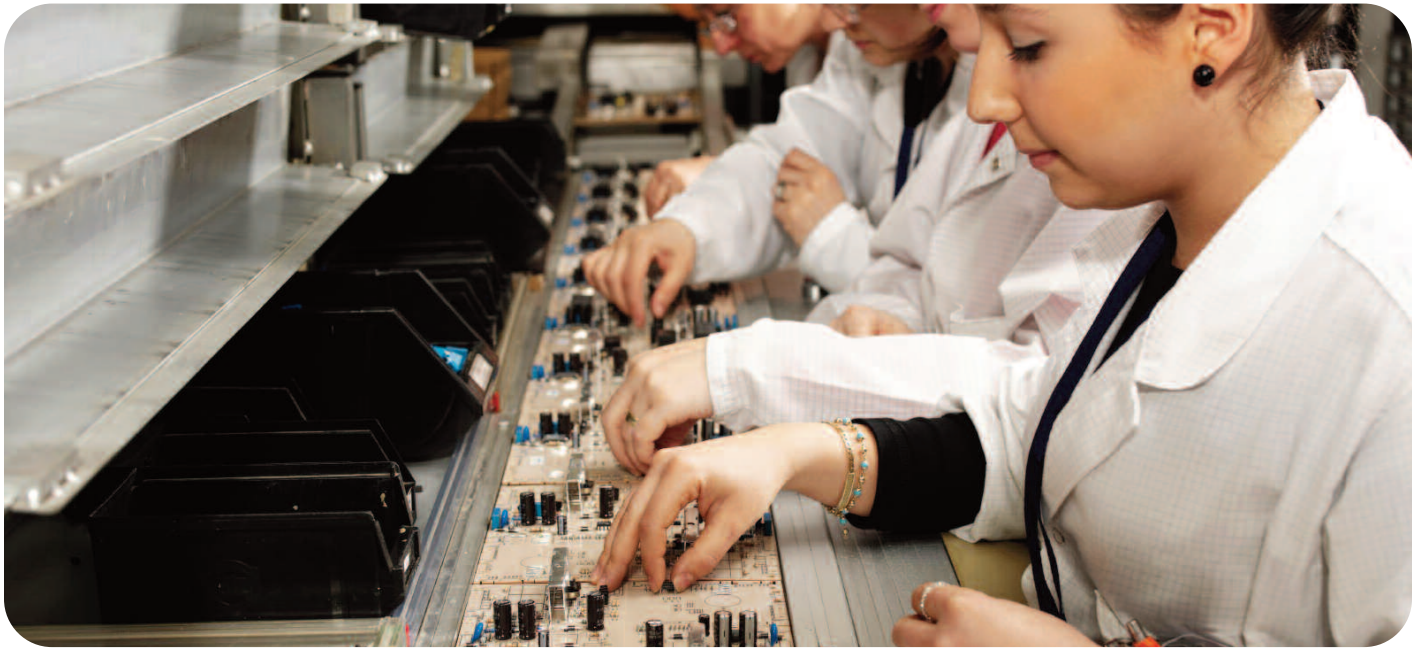
While our analysis points to a significant deficit in effective human rights practices and supply chain engagement, particularly in areas such as forced labor, closing this gap *is* possible. And companies and investors must play a critical role.

Ceres has developed a set of recommendations for corporate (and investor) action we hope will spur companies to assess and disclose how they are identifying and addressing labor and human rights risks embedded in their operations and global supply chains. ***Read more about the findings and recommendations.***

CERES ROADMAP EXPECTATION:

ALIGN PROCUREMENT PRACTICES

Companies will address sustainability performance in procurement criteria and contracting.



While establishing a supplier code of conduct with clear expectations for social and environmental performance is an essential first step, implementation is even more critical. Suppliers must be monitored, and incentives and programs established to encourage and assist suppliers with compliance and performance. In short, companies must ensure their supplier codes aren't just documents in binders, but effective tools for achieving social and environmental objectives.

One effective way to leverage the impact of a supplier code is by aligning procurement and purchasing processes with corporate sustainability objectives and standards. This creates a financial incentive for suppliers, and establishes sustainability as a priority for procurement managers and the company as a whole.

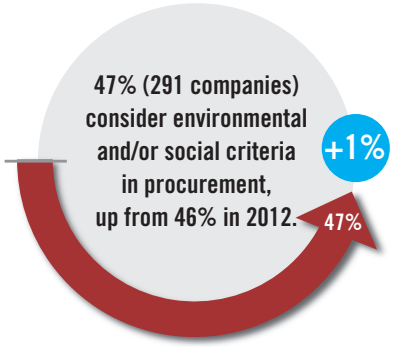
As in 2012, all companies were evaluated for their consideration of environmental criteria in procurement decision-making. This year, as noted, we expanded our performance assessment for nine sectors with particularly complex supply chains to determine if they are also establishing systematic procurement practices that also take social considerations into account. Though this expansion raised the bar for company performance, we nevertheless saw improvement across each of the performance tiers.

Methodology Changes

As in 2012, this 2014 report evaluated all companies on their consideration of environmental criteria in procurement decision-making. For nine sectors[37] with especially complex supply chains the assessment was broadened to determine if those companies are also systematizing procurement practices that take social criteria into account. *For more details see Methodology.*

37 Autos & Transportation; Consumer Discretionary; Consumer Staples; Food & Beverage; Footwear & Apparel; Industrials; Retail; Semi-conductors; Technology Hardware; and Telecom.

Forty-seven percent (291 companies) demonstrated at least some inclusion of environmental and/or social criteria in the procurement decision-making process, thus putting them in Tiers 1, 2 or 3, up slightly from 46 percent in 2012. Only 8 percent (47 companies) are in Tier 1 for having formal procurement policies systematically implemented and aligned with stated sustainability values and objectives, up from six percent in 2012.



The eight percent (47 companies) in Tier 1 have formal policies in place for aligning procurement practices with corporate sustainability values.

These results show that even among companies with supplier codes, implementation is lagging. Until companies elevate sustainability as a core value in procurement, comparable to quality and price, suppliers will not be adequately incentivized to meet the environmental and social expectations set forth in their customers' supplier codes of conduct.

The Technology Hardware sector had the strongest results on this expectation, with a third of the sector (8 of 25 companies) in Tier 1 for integrating social and environmental considerations into procurement. For example, 64 percent (16 of 25 companies) have formal policies that incorporate environmental criteria in purchasing decisions.

- **Dell** requires its suppliers to be in compliance with ISO 14001 environmental management standards. Suppliers are also expected to act in accordance with the EICC code of conduct, which provides guidance on reducing operational environmental impacts and addresses core labor and human rights. Dell has established minimum environmental criteria, which suppliers must meet, especially regarding inclusion of hazardous substances and chemicals in the design and manufacture of Dell-branded products and packaging.
- **Cisco's** procurement policy gives preference to qualified suppliers that are socially and environmentally responsible in areas such as GHG emissions, water use and discharges, solid waste, and hazardous materials management. In 2012, the company introduced sustainability related metrics in its suppliers' business scorecards and reported that 100 percent of its contract manufacturers, 80 percent of its components suppliers and 93 percent of its global transport providers responded to the Carbon Disclosure Project's annual survey.

Footwear & Apparel companies also showed leadership on this expectation, with 43 percent (6 of 14 companies) in Tiers 1 and 2. For example:

- Several years ago, **Gap** recognized that an internal lack of information about working conditions at many of its suppliers, insufficient emphasis on labor standards in sourcing decisions, and expectations regarding cost and speed might be contributing to poor working conditions in garment factories it was using. In 2011, Gap created a Brand Integration and Vendor Performance team to improve procurement decision-making and conditions for its supply chain labor force. Gap managers and executives meet regularly with leaders in its sourcing department to examine how issues related to working conditions may have stemmed from decisions made by the company. The company now trains all employees working in inventory management, merchandising, production, and sourcing on the importance of responsible purchasing practices. It is also developing a new training tool to be used by employees globally to understand how Gap's purchasing decisions can impact local communities around the world.

CERES ROADMAP EXPECTATION:

ENGAGING SUPPLIERS

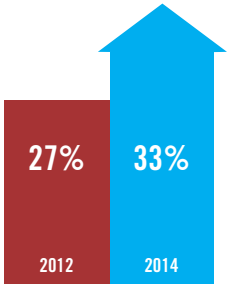
Companies will ensure that at least 75% of their Tier 1 and Tier 2 suppliers and 50% of Tier 3 suppliers meet their standards for sustainability performance.

Integrating sustainability into procurement and sourcing decisions is an effective tool for putting some "muscle" behind supplier codes of conduct. But in addition to the procurement "stick," companies should also be using "carrots" such as dialogue and collaborative training and capacity building programs.

Traditionally, supplier engagement programs have taken a narrow, compliance-focused approach. Companies set forth expectations in a supply chain code or policy and then monitor performance through audits, conducted either internally or through third-party organizations. This approach has shortcomings. Suppliers doing business with multiple customers often find themselves bogged down with multiple, duplicative compliance surveys, spending more time reporting than on improving actual performance. Similarly, companies with multiple suppliers find themselves spending more time and effort policing supplier performance than on collaborative efforts to raise social and environmental performance. Auditing supplier performance is an integral part of supply chain management, but education, training, capacity building and incentives are also critical. We refer to these efforts broadly as "engagement."

Generally, company performance in this regard is improving modestly. Thirty-three percent (205 companies) have established some form of program to engage with suppliers on sustainability performance issues, up from 27 percent in 2012. The 14 percent (83 companies) in Tiers 1 and 2 have formal sustainable supply chain engagement programs, up from nine percent in 2012.

The 14 percent (83 companies) in Tiers 1 and 2 have formal sustainable supply chain management programs, up from 9 percent in 2012.



Thirty-three percent (205 companies) engage suppliers on sustainability performance issues, up from 27 percent in 2012.

Open-source tools, such as Ceres' Supplier Self-Assessment Questionnaire (SAQ), are helping companies evaluate their own supply chain management performance. Drawing on leading practices in the field, and addressing environmental, social, and governance issues, the SAQ is a "conversation starter" for companies to use with their suppliers as they begin to assess the sustainability risks in their supply chains.

However, 67 percent (408 companies) do not disclose if they have efforts in place to engage suppliers on environmental and social sustainability issues. Those companies that don't engage suppliers as partners and innovators are missing a huge opportunity to increase competitiveness and build resiliency into their supply chains.

Companies concerned about weak supplier performance should start by engaging those suppliers to develop improvement plans rather than severing relationships. **Hewlett Packard**, for example, has implemented a five-tier supplier rating system that draws on the results of third-party audits and remediation efforts. The company also provides incentives, such as more business, to encourage suppliers to achieve higher ratings.

Many companies are utilizing scorecards to evaluate supplier performance and use the results as the basis for engagement. Scorecards can be useful for influencing purchasing decisions and as a stepping-stone towards helping suppliers establish measureable, time-bound goals to improve performance. For very large companies with extensive supply chains, such as **Proctor & Gamble** and **Wal-Mart**, the ripple effects of their scorecard programs could be significant. But unless companies collect and publicly disclose data about such engagement programs, it's impossible for anyone outside the company to evaluate their impact.

Many large companies have extensive and complex supply chains and, given limited resources, even those most devoted to ensuring sustainability within those supply chains tend to focus their engagement efforts on their "priority," or top tier suppliers. Yet, often it's lower tier suppliers that pose the greatest sustainability risks, which is why leading companies are encouraging better sustainability performance throughout their supply chains. For example:

- **Ford Motor Company** has more than 1,300 first tier suppliers and describes its supply chain as having six to ten levels between the automaker and the source of raw materials. To extend its efforts to create a sustainable supply chain, Ford has established requirements for first tier suppliers that require them to drive Ford's environmental and social expectations down the supply chain. Ford has prioritized efforts to gather qualitative and quantitative information on suppliers' climate risks and GHG emissions. The company disclosed the results of this information gathering in its 2012-2013 sustainability report and is using it to work directly with suppliers to establish GHG emission reduction and energy efficiency targets.

Increasingly companies are recognizing that collaborating with one another is a more effective way to change supplier behavior than going it alone. This has led to the creation of industry groups such as the Sustainable Apparel Coalition (SAC), the Electronics Industry Citizenship Coalition (EICC), and the Auto Industry Action Group (AIAG), among others, that are working to increase efficiencies, create clarity in sustainability expectations for shared suppliers and collectively raise industry standards with respect to supplier sustainability performance.

The complex issue of conflict mineral sourcing, which affects a broad range of sectors from Semiconductors to Autos to Healthcare, has also prompted cross-industry collaboration. Led by prominent advocacy organizations, such as the Responsible Sourcing Network and the Enough Project, industry organizations including the EICC, AIAG and the Global e-Sustainability Initiative (GeSI), and their member companies, are joining with regulators to find solutions for improving traceability.

Companies that don't engage suppliers as partners and innovators are missing a huge opportunity to increase competitiveness and build resiliency into their supply chains.

CERES ROADMAP EXPECTATION:

MEASUREMENT & DISCLOSURE

Companies will disclose a list of their Tier 1 and Tier 2 suppliers and measure and disclose suppliers' sustainability performance.

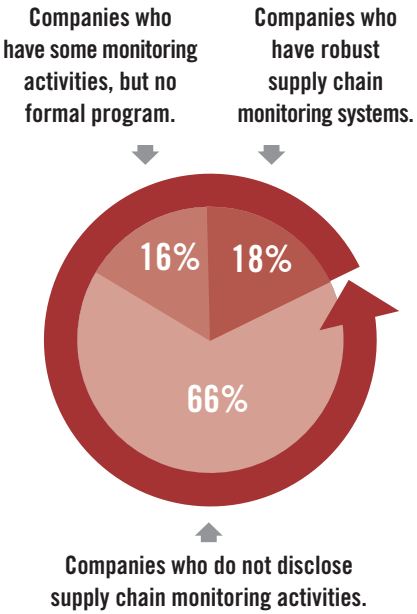
The only way a company can ensure its efforts to encourage sustainability performance by its suppliers are effective is to establish systems for monitoring, auditing and disclosing supplier environmental and social performance data. Armed with this information, companies can determine what's working well and what isn't and adjust their engagement strategies accordingly. It also allows companies to identify where the highest sustainability risks in the supply chain exist and to direct more resources to address those risks.

The most forward-thinking companies in this regard understand there are enormous benefits to looking beyond metrics focused on compliance with supplier codes of conduct; they understand that improvement of supplier social and environmental performance can also strengthen the bottom line. **Gap's** P.A.C.E. (Personal Advancement and Career Enhancement) program, for example, is designed to empower and educate women. According to the International Center for Research on Women (ICRW), factories where P.A.C.E. programs were in place saw improvements in worker efficiency, quality, and worker retention rates. The ICRW report also noted that factory supervisors observed that program participants had stronger communication skills and increasingly sought suggestions to improve personal work performance.[38] In short, there's a strong business case for investing in sustainable supply chain programs.

Of the 613 companies assessed on this expectation, 34 percent (210 companies) disclose at least some evidence of supplier monitoring activities—up from 25 percent in 2012. And 18 percent (110 companies) perform in Tiers 1 and 2 for demonstrating that they have implemented a robust supply chain monitoring system to measure and respond to supplier performance on key environmental and social factors.

The best performing sector was Footwear & Apparel; 64 percent (9 of 14 companies) perform in Tiers 1 and 2, up from 27 percent in 2012. In 2012, only **Gap** and **Nike** performed in Tier 1; they are now joined by peer companies including **Limited Brands, PVH**, and **VF Corporation**. This improvement may reflect a shift from seeing supplier sustainability data as proprietary information, closely held for competitive reasons, towards seeing it as open information that can be mutually advantageous for industry peers, all of whom are facing similar supply chain sustainability challenges.

Thirty four percent (210 companies) monitor supplier sustainability performance, up from the 25 percent in 2012.



The Consumer Discretionary sector was the poorest performer. Sixty-six percent (39 of 59 companies) fall in Tier 4 for this expectation, disclosing no supplier monitoring activities. Nevertheless, this is small improvement over the 75 percent fell in Tier 4 in 2012. Two companies in this sector are high performers, however: **Walt Disney Company** and **Starbucks.** As we have seen in other sectors, Consumer Discretionary companies have an opportunity to learn from these leaders, benefiting from their experience and adopting practices that allow them to better understand and mitigate sustainability risks within their own supply chains.

Leaders for this expectation are those companies that not only conduct a thorough and ongoing audit process with suppliers, but are also committed to working with suppliers to identify the root cause of the issues at hand and transparently disclose the results of the audit process to external stakeholders. For example:

- **IBM** is the largest user of the EICC's Validated Audit Process, which provides a common process for member companies to share results of supplier audits—thus, creating both time and resource efficiency. IBM discloses the results of its annual audits by geography and by key issue area, such as working hours, child labor and freedom of association. The company also discloses those suppliers with whom IBM conducted a re-audit to assess if issues of non-compliance were remedied and the Supplier Improvement Plan implemented, as well as the results of those re-audits.

38 Nanda, P., Mishra, A., Walia, S., Sharma, S., Weiss, E., Abrahamson, J. (2013). *Advancing Women, Changing Lives: An Evaluation of Gap Inc.'s P.A.C.E. Program.* Washington, DC: International Center for Research on Women.

CASE STUDY

Digging Into Sustainable Agriculture

The Food & Beverage industry is grappling with key challenges related to sustainable agriculture sourcing. Issues such as deforestation, water pollution and scarcity, soil degradation, and working conditions affect all companies, particularly those with supply chains stretching down to the farm level. These are not just environmental and social challenges, they also pose significant business risks; including commodity price volatility, concerns about product quality and contamination, reputational risk, and the long term availability of agricultural products. To ensure competitiveness now and in the future, companies must effectively manage these risks, and ultimately work to shrink the footprint of the agricultural inputs that they rely upon so heavily.

To better understand how companies in the Food & Beverage sector are addressing the impact of their agricultural supply chains, Ceres and Sustainalytics evaluated the 24 Food & Beverage sector companies included in *Gaining Ground* on their sustainable sourcing performance. The results of our evaluation show that companies are beginning to embark on this journey, but the overall findings point to the need for more action at all levels.

Supplier risk assessments represent a critical starting point for identifying and quantifying environmental and social issues at the supplier, regional and commodity levels. These assessments are vital for prioritizing impact areas, such as exposure to the effects of climate change and the long-term availability of key ingredients, and developing strategies to mitigate these risks. Companies in the Food & Beverage sector demonstrated poor disclosure of supplier risk assessments, with almost half (11 of 24 companies) producing no evidence of having conducted any sort of supplier risk assessment. One company who has done this is **General Mills.** The company recently released a set of sustainable sourcing commitments, outlining a four-step sustainable sourcing model that begins with a robust risk assessment process undertaken in partnership with a third party. This approach led the company to prioritize ten commodities, including oats, wheat and corn, that they plan to source sustainably.

The assessment also revealed that companies are increasingly working with partners towards broader solutions; 83 percent (20 of 24 companies) in the Food & Beverage sector participate in a multi-stakeholder initiative focused on sustainable agriculture. The depth and impact of company participation in multi-stakeholder initiatives is difficult to assess, but ideally companies should be participating in forums that address each of their key agricultural inputs. Collaborations of this nature can speed up the development of sustainable agriculture practices, and corporate participation and investment is critical for this to happen.

Getting to sustainable agriculture sourcing represents a massive challenge that, ultimately, requires a shift in farming practices. Companies have a key role to play in driving change, and are increasingly expected by NGOs and investors to take responsibility for the impact of their sourcing practices. As a result of this assessment, Ceres has developed a set of recommendations to help spur companies to better manage and disclose their efforts to procure sustainably produced agriculture inputs. ***Read more about the findings and recommendations.***

TRANSPORTATION & LOGISTICS

VISION: Companies will systematically minimize their sustainability impact by enhancing the resiliency of their logistics. Companies will prioritize low impact transportation systems and modes, and address business travel and commuting.

The transport of people and goods from one place to another is essential to a well-functioning economy. Smart phones assembled in China have to be shipped to customers all over the globe. Garments assembled in Southeast Asia have to make it to market in California and New York. Auto parts fabricated in Mexico have to be transported to Detroit, grapes grown in Chile have to get to supermarkets in Europe and North America, and billions of people have to get to work each day. Air, sea, rail and truck routes crisscross nearly every corner of the globe and knit together our global economy.

The movement of people and goods also has major environmental impacts. In the United States, transportation accounts for almost 30 percent of all carbon emissions, second only to energy production in its contribution to the nation's carbon footprint. Ninety percent of the fuel used in American transport is petroleum based.[39]

In a world where global warming looms as the preeminent sustainability challenge of our times, "greening" our transportation systems provides one of the best opportunities to reduce GHG emissions and avoid the worst impacts of climate change. Urgent action is needed to create more fuel-efficient automobile, truck, ship and airplane fleets, cleaner fuel sources, smarter, more efficient transportation infrastructure and systems, and improved logistics to reduce wasteful and inefficient routing of goods and materials between points.

To help meet the U.S. government's goal of a 17 percent reduction in GHG emissions from 2005 levels by 2020—priority focus has been given to vehicle fuel efficiency. In 2012, the Obama Administration, with the support of 13 major automakers, announced new fuel efficiency standards of 54.5 mpg as a fleet-wide average for cars and light duty trucks by 2025. These new standards will affect more than 90 percent of all vehicles sold in the U.S.[40] In early 2014, the White House announced its intent to work with the EPA to develop new regulations focused specifically on improving fuel efficiency and limiting GHG emissions from heavy-duty trucks—noting that although these trucks represent just four percent of vehicles on American roads, they generate 20 percent of the carbon pollution.[41] Fuel efficiency regulations create certainty for car and truck manufacturers, significant environmental benefits, and substantial cost savings for companies that maintain large fleets and/or ship goods. In order to meet GHG reduction goals, and decrease our dependency on oil, it is also necessary to reduce the carbon content of fuel. To that end, California has established a Low Carbon Fuel Standard, and initiatives to establish clean fuel standards are beginning in other states, including Washington, Oregon and some Northeastern states.

Companies that aspire to a sustainable transportation and logistics strategy must examine their owned and operated fleet and logistics, as well as type of fuel used, and those of companies to whom transportation and logistics are outsourced. Management systems to monitor the environmental performance of the entire transportation network are essential.

For this *Roadmap* expectation we evaluated the transportation management performance of 119 companies in five sectors with significant transportation and logistics systems: Automotive & Transportation, Food & Beverage, Footwear & Apparel, Retail and Technology Hardware.

39 The United States Environmental Protection Agency. "Sources of Greenhouse Gas Emissions." Retrieved from: http://www.epa.gov/climatechange/ghgemissions/sources.html.

40 Office of the White House Press Secretary. "Obama Administration Finalizes Historic 54.4 MPG Fuel Efficiency Standards." White House Press Release. August 28, 2012. Retrieved from: http://www.whitehouse.gov/the-press-office/2012/08/28/obama-administration-finalizes-historic-545-mpg-fuel-efficiency-standard.

41 Baker, Peter and Coral Davenport. "Obama Orders New Efficiency for Big Trucks." New York Times. February 18, 2014. Retrieved from: http://www.nytimes.com/2014/02/19/us/politics/obama-to-request-new-rules-for-cutting-truck-pollution.html?_r=0.

CERES ROADMAP EXPECTATION:

TRANSPORTATION MANAGEMENT & MODES

Companies will develop transportation criteria that incorporate distance requirements from site to market and establish decentralized and localized distribution networks. Companies will review logistics to prioritize low-impact transportation modes.

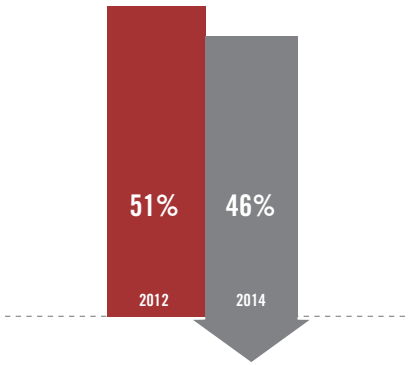
The primary environmental impact of corporate fleets and logistical operations is in GHG emissions, and reducing emissions and boosting efficiency represents a major opportunity to meet GHG emission reduction targets and also to save costs. But our assessment shows that for most of the 115 companies in the five sectors we evaluated—Automotive & Transportation, Food & Beverage, Footwear & Apparel, Retail and Technology: Hardware—this is a missed opportunity. Of the 115 companies, 46 percent (53 companies) have some activities to improve the environmental impacts of their owned or outsourced logistics, down from 51 percent in 2012. However the majority, 54 percent (62 of 115 companies), are in Tier 4 demonstrating no effort to address the environmental impacts of their transportation programs.

It's ironic that even as the number of companies setting GHG emission reduction targets increases year over year, so few are looking at the opportunities to meet those goals through transportation and logistics. While 48 percent (55 of 115 companies) have time-bound targets for reducing company-wide GHG emissions, only 18 percent (21 companies) have set time-bound quantitative targets to improve the environmental performance of either their owned or outsourced logistics and fleet.

As new car and truck fuel efficiency and clean fuel standards are implemented over the next decade, even companies that are entirely passive in curbing GHG emissions in transportation and logistics will start to notice improvements that should awaken them to other opportunities in this arena.

For companies in the transportation business, such as airlines, railroads, shippers and vehicle manufacturers, environmental and emissions impacts are primarily from owned or leased fleets, or in the vehicles they produce. It was not surprising, therefore, to see this sector leading the pack in performance on this expectation, with nearly half of the sector (8 of 17 companies) in Tier 1. Several companies in the sector improved their performance from 2012. **General Motors, Southwest Airlines** and **Union Pacific Corporation** all made significant strides in improving fleet efficiency over the past two years and broke into Tier 1 for this expectation in 2014.

46 percent (53 of 115 companies) have some activities to improve the environmental impacts of their owned or outsourced logistics, down from 51 percent in 2012.



Just 18 percent (21 companies) have time-bound quantitative targets for improving the environmental performance of either their owned or outsourced logistics and fleet.

By contrast, more than half of the Retail sector (23 of 45 companies) is in Tier 4. Major retailers typically have complex transportation and logistics with significant environmental impacts, so there is much room for improvement in this sector. Retailers can look to three peer companies that are getting it right: **Best Buy, Target,** and **Walmart** are Tier 1 performers from the Retail sector.

Companies that outsource their transportation needs must also be accountable for sustainability impacts. They should seek out the most efficient, low-impact providers and monitor their performance. But, whether owned or outsourced, companies should evaluate their use of different modes of transportation (*e.g.* truck, rail, plane or ship) and take advantage of opportunities to move to lower environmental impact alternatives. For example:

- **Dr. Pepper Snapple Group** uses intermodal transportation[42] for 90 percent of its product shipments that travel more than 500 miles from manufacturing plants to distribution centers. The company also reports that 88 percent of its freight tonnage delivered by third-parties was handled by Environmental Protection Agency (EPA) SmartWay certified carriers.
- **Best Buy** increased its use of intermodal transportation to 58 percent of inbound loads in 2013, up from 54 percent in 2012. The company also requires all of its transportation partners to be SmartWay certified, follow the Coalition for Responsible Transportation's standards, and adhere to Best Buy's "no idling" policy.

42 Intermodal freight transport involves the use of a container or vehicle that, when loaded, can be easily transferred among different types of transport, for example, rail ship or truck, without handling the contents of the container when switching modes. It permits faster transport of freight and uses the most efficient mode at different points in the journey. Intermodal transport offers greater flexibility and is associated with reduced greenhouse gas emissions.

The EPA SmartWay program aims to accelerate the availability, adoption and market penetration of advanced fuel-efficient technologies and operational practices in the freight supply chain, while helping companies save fuel, lower costs and reduce adverse environmental impacts. The SmartWay Transport Partnership allows freight carriers and shippers to commit to benchmark operations, track fuel consumption and improve performance annually.

In addition to moving towards intermodal transport, companies have many other opportunities to reduce the impacts of their transportation and logistics. For example, those that own fleets can move towards low-carbon fuels and more fuel-efficient vehicles, and those that hire freight companies can use contract negotiations to push for the use of low carbon fuels and more fuel-efficient vehicles. Carbon emissions can be directly reduced by switching to alternative fuels, such as advanced biofuels and bio diesel; and by employing new vehicle technologies, such as vehicles powered by hydrogen fuel cells, electric vehicles using stored electricity produced from renewable sources, plug-in hybrids, and more efficient conventional engines. For example:

- **Cisco** requires that all of its North American transportation partners be SmartWay certified. The company is also working to have all of its preferred suppliers, including its outsourced logistics services, report annual carbon emissions through the Carbon Disclosure Project survey. The company is also pushing all preferred suppliers to set GHG emissions reduction goals by FY 2015.
- **Walmart** is committed to doubling its truck fleet efficiency in the U.S. by 2015. To achieve this goal, the company will increase route and delivery efficiencies and replace nearly two-thirds of its fleet with more fuel-efficient trucks, including hybrids. The company is collaborating with truck and component manufacturers to build energy-efficient prototype tractors. To date, Walmart has achieved an 80 percent improvement in U.S. fleet efficiency over the company's 2005 baseline, a commitment that the company should now extend to its global operations.
- **UPS** has expanded its Alternative Fuel & Advanced Technology program, which the company describes as a "rolling laboratory," to include 2,688 ground vehicles, including electrics, electric hybrids, hydraulic hybrids, and vehicles that run on natural gas (propane, LNG, CNG), biomethane, and ethanol. By 2017, UPS aims to have driven a billion miles since 2000 using Alternative Fuel & Advanced Technology vehicles. The data gathered on cost, fuel use and emissions will be used to determine which solutions are the most promising and which UPS will make further investments in. The company sees the project not just as a benefit to UPS, but one that could help the nation identify the most effective transportation solutions for the future.

PRODUCTS & SERVICES

VISION: Companies will design and deliver products and services that are aligned with sustainability goals by innovating business models, allocating R&D spending, designing for sustainability, communicating the impacts of products and services, reviewing marketing practices and advancing strategic collaborations.

Products and services can either add to our mounting sustainability challenges, or be part of the solution. Innovative companies are transforming business models to create products and services that minimize adverse social and environmental impacts and, in many cases, have positive sustainability impacts. Such innovation is a response to increasing awareness of the severity of sustainability threats to the global economy and growing consumer demand for products and services that are produced and consumed in a socially and environmentally responsible way.

But there's another major driver, too. An increasing number of companies understand that driving sustainability in product and service design and delivery can also drive long-term growth, shareholder value and profitability. As **Nike** CEO Mark Parker puts it, "looking through the creative lens of innovation, we aim to create breakthroughs that improve our world and are also better for our athletes and our investors. This is a fundamental re-writing of the old belief system in which sustainability was so often cast as a cost to business, or a drag on performance. The evidence tells us this simply does not need to be the case, and indeed, the combining of sustainability and innovation can trigger advances in both."[43]

The multi-faceted, complex sustainability challenges that confront the global economy will require investment in new products and services that offer solutions to sustainability problems, as well as the redesign of existing product portfolios to eliminate negative impacts. In some cases, such investment and change is an urgent necessity. For example, climate change and the changing precipitation patterns that come with it are forcing Food & Beverage companies to plan for more uncertain commodity markets and supply chains. Consumer Staples companies must respond to consumer demand for more sustainable offerings or lose their competitive edge. Financial Services companies have a major role to play in creating innovative lending programs that drive and support the development of clean energy, green technologies and financing for the collaborative economy where companies like Airbnb, RelayRides and TaskRabbit are redefining the economy.

Sustainable product design means thinking in new, non-traditional ways, re-imagining and re-tooling business models and product and service design. This includes examining design and manufacturing processes to reduce natural resource consumption and waste and to minimize end-of-product-life impacts on the environment by, for example, making products that are completely recyclable.

43 Nike, Inc. "Letter from the CEO." Retrieved from: http://www.nikeresponsibility.com/report/content/chapter/letter-from-the-ceo#sthash.zAi91WDm.dpuf.

For this *Roadmap* expectation we examined how companies are "Designing for Sustainability" across their products and services. To do this, each industry group was evaluated based on a unique set of sector-specific metrics. For example, Food & Beverage companies and some Retail companies were evaluated on programs and targets to increase sustainable food products, while Financial Services companies were evaluated on sustainability-related financial service offerings, such as "green" financing or mortgages. Footwear & Apparel and Technology: Hardware firms, which generate significant product end-of-life waste, were evaluated on their sustainable design initiatives and related R&D efforts. More details on specific indicators used can be found in the *Methodology.*

CASE STUDY

The Collaborative Economy

The "collaborative economy," or "sharing economy," is commonly used to describe an economic model emphasizing *access* to products and goods over *ownership*. Across North America and globally, individuals are sharing all sorts of products and services—from gently worn clothing, to cars, to a room in an apartment or even a power drill or lawnmower. By leveraging assets not constantly in use, companies and individuals are able to make revenue, create a sense of community and decrease environmental impacts. New companies are being formed to take advantage of the billions of dollars flowing from the collaborative economy, and well-established companies are forming innovative partnerships to become part of this economic paradigm shift. A report released by Crowd Companies and Vision Critical found that 40 percent of 200 million American adults already participate in the sharing of goods and/or services online.[44]

A number of drivers have converged to catalyze growth of the collaborative economy in the past seven years. Customers concerned about dwindling natural resources are putting their trust into a system of shared goods, renting or accessing what they need with a few simple clicks on a smartphone. Technology is allowing new ventures to get up and running with less capital investment, and customers are using technology to not only access products, but also rank their experience so other users can benefit from good (and bad) exchanges.

Airbnb is a frequently cited example of the collaborative economy, known for providing travelers with access to a room to stay in 192 different countries. Airbnb is one of the hundreds of companies contributing to the $3.5 billion of revenue flowing through the shared economy in 2013.[45] This represents new economic opportunities for individuals across the globe, as well as for companies willing to adapt their business models or establish new collaborations in order to stay competitive. This is evidenced by the non-traditional business partnerships between **General Motors** and the car-sharing company RelayRides in 2011, and **Google's** investment of over $250 million in Uber in 2013.

The collaborative economy has the potential to accelerate the transition to a sustainable global economy, but the speed at which we get there will depend upon changing our actions as consumers. ***Read more.***

44 Vision Critical and Crowd Companies. "Sharing is the New Buying." Retrieved from: http://www.slideshare.net/jeremiah_owyang/sharingnewbuying.

45 Geron, Tomio. "Airbnb and the Unstoppable Rise of the Share Economy." Forbes. January 23, 2013. Retrieved from: http://www.forbes.com/sites/tomiogeron/2013/01/23/airbnb-and-the-unstoppable-rise-of-the-share-economy.

CERES ROADMAP EXPECTATION:

DESIGN FOR SUSTAINABILITY

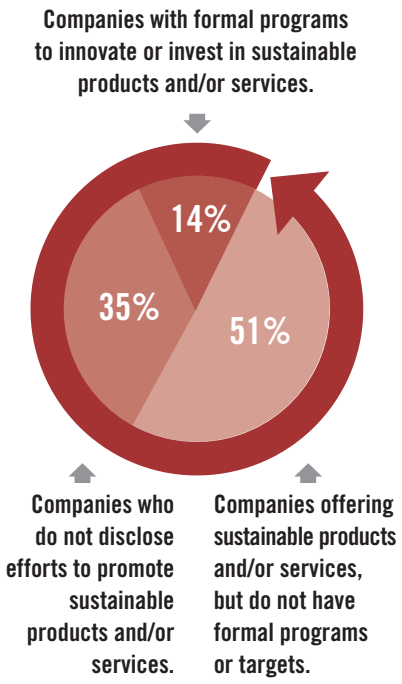
Companies will approach all product development and product management decisions with full consideration of the social and environmental impacts of the product throughout its life cycle.

Designing a product or service for sustainability can mean vastly different things from company to company. For some, it means a shift in sourcing practices to more sustainable raw materials or the use of a life cycle assessment to examine the social and environmental impacts of an existing product from cradle to grave. For others, it may translate to the total redesign of a product or eliminating the product all together through the introduction of a service that helps to shift consumer behavior towards less consumption.

For this expectation, Ceres and Sustainalytics evaluated 419 companies across 16 sectors: Autos & Transportation, Banks, Consumer Staples, Financial Services, Food & Beverage, Footwear & Apparel, Industrials, Insurers, Real Estate, Semiconductors, Retail, Tech Hardware, Tech Software, Telecom, Oil & Gas Producers, and Utilities. Based on the sector-specific nature of this expectation, the indicators were correlated to the relevant sectors *(for more detail see Methodology)*.

Among these 419 companies, 49 percent (206 companies) are making efforts to promote, innovate or invest in sustainable products and services, which is virtually unchanged since 2012 when 51 percent were doing so.

However, we did see some increase in the commitment and intensity with which companies are innovating for sustainability in products and design and, thus, some upward movement by companies into Tiers 1 and 2. The 14 percent (57 companies) in Tiers 1 and 2 have formal and robust programs for doing so, up from 10 percent in 2012. The nine percent (37 companies) in Tier 1 stand out for disclosing specific targets and deadlines that support their sustainable products and services programs.



Not surprisingly, technology companies are especially strong performers on this expectation. They must be highly innovative to remain competitive in a business where the pace of change is extraordinary. Tech companies' innovation for sustainability tends to focus on designing and building products that exact a minimal toll on the environment. Using product life cycle assessments that examine everything from energy efficiency to use of toxics and waste recycling, technology companies lead the pack in their integration of sustainability considerations into product design. More than half of the Technology Hardware companies we evaluated (13 of 25 companies) are performing in Tier 1 for this expectation. A related sector, Semiconductors, follows closely behind with more than a third of the sector (8 of 21 companies) in Tier 1. For example:

- As a company that provides products to consumers and businesses, **Dell's** sustainability commitment reduces the company's own sustainability impacts and those of its product users. Dell's design for environment program includes the integration of alternative, recycled and recyclable materials in the product and packaging design, improvements in energy efficiency, and design for end-of-life and recyclability. And as part of its Legacy of Good Plan, one of the company's product commitments is to reduce the energy intensity of its product portfolio by 80 percent by 2020—a solution that will translate to significant environmental savings, as well as cost savings for its consumers.

In those sectors that provide financial services—Banks, Financial Services, Insurers and Real Estate—nearly 50 percent (38 of 80 companies) have lending or other programs to promote sustainable products and services. These initiatives include financing for sustainable projects and services (*e.g.* renewable energy projects or other climate-related projects), offering debt and equity financing and advisory services for renewable energy companies, and offering responsible investment funds or "green" consumer products (such as green leasing, green mortgages, green loans) to clients, among others.

Only a handful of companies in these sectors are Tier 1 performers: **Bank of America, Citigroup, Goldman Sachs** and **Wells Fargo**. These companies have set quantitative targets and deadlines for increasing exposure to sustainability related activities, and demonstrate that a system is in place to manage sustainable financing, such as a team that works on sustainability-related services, management oversight, and risk management procedures. For example:

- In June 2012 **Bank of America** met its goal to invest $20 billion in environmental initiatives by 2012, and announced a new commitment to invest $50 billion over 10 years to address global climate change and demands on natural resources.

The poorest performing sector for this expectation is Consumer Staples with more than 60 percent (8 of 13 companies) in Tier 4 for disclosing no sustainable product commitments. However, **Kimberley Clark** and **Proctor & Gamble** are Tier 1 standouts in this sector for their efforts to promote, innovate and invest in sustainable products and services. For example:

- **Procter and Gamble** reports that it sold $52 billion in "sustainable innovation products" between 2007 and 2012, accounting for approximately 11 percent of the company's total cumulative sales since 2007. These are products that provide a greater than 10 percent reduction from previous or alternative versions in one or more of the following: energy use, water use, transportation, material used in packaging, and use of renewable energy or materials.

Sometimes a single company cannot go it alone. In order to drive sustainable product design and manufacturing principles industry-wide, it may be necessary to assess the intra- and inter-industry landscape for collaborations that can create business value and help bring sustainable product solutions to scale.

- **Nike** integrates sustainable design across its product portfolio—including new product innovations like the FlyKnit running shoe, which creates two-thirds less waste in production than its traditionally manufactured counterparts. The company also embraces a vision of collaboration and transparency and has open sourced much of its own research, such as its Considered Design tool, to others in the industry. In 2013, the company unveiled its most recent efforts to spread its knowledge of sustainable design across the industry with its *Making* mobile app. Powered by the Nike Materials Sustainability Index, the Making app provides product designers and creators with information to understand the environmental impacts of the materials they choose and ultimately inspire them to make better choices.

Sometimes a single company cannot go it alone. In order to drive sustainable product design and manufacturing principles industry-wide, it may be necessary to assess the intra- and inter-industry landscape for collaborations that can create business value and help bring sustainable product solutions to scale.

EMPLOYEES

VISION: Companies will make sustainability considerations a core part of recruitment, compensation, and training and will encourage sustainable lifestyle choices.

A loyal, productive and committed workforce is an essential resource for any company, perhaps its most valuable asset. Increasingly, highly educated employees are putting a premium on working for companies they believe are having a positive impact in the world. In 2012, Net Impact, a nonprofit organization for students and professionals interested in using business skills in support of sustainability impacts, surveyed over 1,700 university students and recently employed graduates. Sixty-five percent said they want to work for a company that helps make a better world, and 58 percent would take a pay cut to "work for an organization whose values are like their own."[46]

Even in today's sluggish economy, many talented prospective employees are looking at a company's commitment to sustainability as an important factor in making career decisions. This commitment is measured in part by how deeply embedded sustainability is within the company's culture—from hiring decisions, to employee training, and social and environmental

performance. They want to know if sustainability is a core corporate value widely shared and expressed throughout the company and in its operations.

Indeed, any company aspiring to become a sustainable enterprise must engage employees at every level in the effort. Having a workforce aligned with corporate sustainability values also creates an environment in which innovation thrives, making companies more competitive in an age where managing sustainability risks and opportunities is a key to long-term success.

The *Ceres Roadmap* includes three expectations for how companies will engage employees on sustainability, focusing on recruitment and retention, training and support, and promotion of sustainable lifestyles. For this report, as in 2012, we were able to measure corporate performance against one expectation—Training and Support—evaluating how companies develop and implement engagement programs and formal training on key sustainability topics for executives and employees.

46 Net Impact. "Talent Report: What Workers Want in 2012." May 2012. Retrieved from: https://netimpact.org/docs/publications-docs/NetImpact_WhatWorkersWant2012.pdf.

CERES ROADMAP EXPECTATION:

TRAINING AND SUPPORT

Companies will develop and implement formal training on key sustainability issues for all executives and employees, and facilitate coaching, mentoring and networks for sustainability and knowledge sharing.

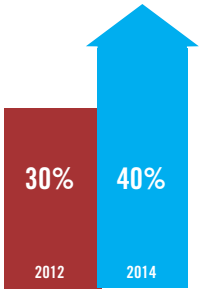
Engaging employees in a corporate sustainability mission is essential for success, but employees are often an under-utilized resource in a company's development and implementation of sustainability programs and strategies. Employees should be aware of a company's sustainability position and goals and should be seen as partners and innovators, proactively nurtured for ideas and feedback. It is often employees on the shop floor, loading dock, laboratory or store front who see first-hand the immediate impacts a company's operations can have on the environment and community—whether it's trucks idling for hours or customers asking questions about the sustainability attributes of the product they are buying.

Educating and inspiring employees to look for ways to improve operations, and providing them the tools and opportunities to communicate their observations and ideas to management, is a first step that all companies should take. Training for sustainability, from needs analysis to goals and strategies, should be undertaken just as they are for other aspects of an employee's job. In short, sustainability shouldn't be ancillary to employee training, but an integral part of it.

Robust employee engagement not only helps to meet sustainability objectives, but can help drive business success through improved employee morale, recruitment, retention and productivity. The Net Impact study, *What Workers Want in 2012*, found that among the recently employed college graduates surveyed, 55 percent are currently in jobs where they can make a social or environmental impact. Those respondents also reported higher job satisfaction than those who are not.[47]

We evaluated all 613 companies for this expectation. We first determined whether companies develop and implement engagement programs and formal training on key sustainability topics for executives and employees and, if so, how those programs are implemented and how far they extend. At companies that performed well on this expectation, employees at every level of the business are trained on the broad sustainability challenges facing the company such as energy use and diversity and inclusion, and on the handling of specific sustainability issues they encounter in their individual roles.

The results of our assessment show that since 2012 there has been greater recognition of employee engagement as a key lever for successfully implementing sustainability strategies: 40 percent (248 companies) are engaging employees on sustainability issues to some extent, up from 30 percent in 2012. Only six percent (37 companies), however, are in Tier 1 for company-wide engagement and job-specific sustainability training and education.



Forty percent (248 companies) engage employees on sustainability issues, up from 30 percent in 2012.

Only six percent (37 companies) are in Tier 1 for systematically embedding sustainability in company-wide employee engagement, including executive-level involvement.

47 Net Impact. "Talent Report: What Workers Want in 2012." May 2012. Retrieved from: https://netimpact.org/docs/publications-docs/NetImpact_WhatWorkersWant2012.pdf.

The Food & Beverage sector (18 of 24 companies) and the Materials Sector (27 of 36 companies) are leaders for this expectation with 75 percent of the companies in each sector engaging employees on sustainability. For example:

- **Molson Coors** has developed a framework called "Our Brew" to discuss corporate responsibility with all stakeholders, including employees. The company conducts an annual employee survey, which includes a number of ethical, social, and environmental questions. Based on the survey results, each regional business unit and global department creates targeted sustainability action plans. Scorecards are used to measure progress on those action plans and are delivered to the executive leadership team quarterly.

Sustainability-focused employee engagement sometimes emanates from a highly engaged CEO or other senior management and sometimes from employee-led "green teams." No matter how they begin, it is necessary to embed sustainability within the culture of the organization and across all functions of the business to ensure they last. For example:

- **Baxter International** engages and communicates with employees about its sustainability efforts through various channels, including quarterly all-employee webcasts, during which CEO Bob Parkinson discusses the company's sustainability values and programs; and a sustainability Intranet site, which provides success stories, tips and other tools to help engage employees on the company's sustainability priorities, including the opportunity to provide feedback and ask questions about the company's sustainability efforts.
- **Staples** has appointed a Chief Culture Officer responsible for raising awareness of the company's sustainability commitments and fostering the integration of sustainability into the company's culture. The company has also implemented a national Corporate Social Responsibility (CSR) taskforce to improve internal and external communications about its sustainability programs. Quarterly management forums, where employees can discuss sustainability issues with management, provide an additional channel for employee engagement.
- **General Electric** is using its Human Resource department to integrate sustainability into the company's culture—from hiring practices to job education and training to employee well-being programs. GE's human resource department has helped to incorporate sustainability topics into the company's training courses at its Leadership Development Institute—including its senior leadership business management course. GE Senior Vice-President and Chief Marketing Officer, Beth Comstock, has stated, "GE needs a new generation of ambidextrous leaders committed to both profits and purpose."[48] And the human resources team at GE is committed to seeking out job candidates that will help the company achieve that goal.
- **Intel** has created a diversified approach for ensuring that its employees are not only educated on sustainability topics, but are also empowered to take action. Through the company's Sustainability in Action Grant Program, Intel encourages employees to take local action by funding environmental project proposals. The company also provides tools for employees that help facilitate the integration of sustainability into business decision-making and then incentivizes its employees by linking employee compensation directly with sustainability performance targets.

48 Savitz, Andrew and Karl Weber. *Talent, Transformation and the Triple Bottom Line.* San Francisco, CA: Jossey-Bass, 2013.

Methodology

This report evaluates the degree to which 613 large, publicly traded U.S. companies are meeting the expectations outlined in the *Ceres Roadmap for Sustainability*. The Roadmap is a leadership framework that sets forth expectations for a 21st century sustainable corporation. Six hundred companies were last evaluated in a 2012 baseline report by Ceres and Sustainalytics called *The Road to 2020: Corporate Progress on The Ceres Roadmap for Sustainability*. As the journey toward business sustainability progresses, we continue to look for new and innovative practices from companies and have adapted this assessment methodology to reflect the evolving expectations of stakeholders.

The data used for this assessment report was compiled and evaluated by analysts at Sustainalytics, an independent environmental, social and governance (ESG) research and analysis provider with substantial experience and expertise in evaluating the ESG performance of publicly-traded companies. Each of the companies included in this report is profiled in Sustainalytics' Global Platform, where a broad range of indicators are used to assess ESG policies, management systems and performance outcomes. The Platform's framework was adapted to align with the expectations detailed in the Roadmap using the Sustainalytics' standard research process and methodological approach.

METHODOLOGICAL APPROACH

Universe of Coverage

The research universe for this report is comprised of U.S. companies[49] that are listed on at least two of the three following indices: S&P 500, Russell 1000 and the MSCI Developed Markets Standard. There were 613 such companies as of October 15, 2013. All companies included are publicly traded corporations; limited partnership and liability companies have been excluded from the research universe. To see a full list of the companies evaluated, click here.

Sectors

The 613 companies have been organized into 21 distinct sectors based on their unique business models and operations. The sub-industries in these sectors are aligned with international industry classification systems. The report examined eight of the sectors in greater detail: Financial Services, Food & Beverage, Footwear & Apparel, Oil & Gas Producers, Retail, Technology: Hardware, Technology: Software & Services and Utilities. To supplement the main report, an in depth review of each of these priority sectors is available online, allowing users to delve into sector-specific performance on the Roadmap expectations.

Indicators & Weights

This report is based on the findings of 58 core and sector-specific indicators. Fifty of these indicators were selected from a larger pool of indicators tracked in Sustainalytics' Global Platform, three of which are new to the 2014 report. In addition, Ceres and Sustainalytics collaborated in 2012 to develop 8 additional indicators to enable a more comprehensive assessment of performance against the Roadmap expectations. These 58 indicators were mapped to align with 22 Roadmap expectations. It was not possible, however, to capture all of the data required to fully assess all *The Ceres Roadmap* expectations.

The chart on page 73 maps each of the Roadmap expectations to the indicators used to measure progress and also notes which three indicators are new to the 2014 report, in addition to those Roadmap

49 Note that 25 companies listed on the S&P 500 and/or the Russell 1000, while traded on a U.S. exchange, are headquartered outside the U.S.

expectations that are not covered in this assessment. Of the 58 indicators tracked, 27 are core indicators assigned to all sectors, while 31 are sector-specific indicators assigned on the basis of sector impact and risk exposure. Given the consistent set of expectations assigned to all sectors in the areas of governance, stakeholder engagement and disclosure, weightings were uniformly assigned to these accountability chapters. Customized weightings were applied at the performance-level chapters for each sector. For example, supply chain operations are weighted more heavily for sectors with considerable risk exposure by virtue of their complex supply chains, such as Technology: Hardware and Footwear & Apparel.

Controversy Assessment Process

Sustainalytics has a rigorous bi-weekly controversy assessment process that distinguishes the level of incident severity based on variables such as recurrence, degree of impact and company response, among others. This screening was applied to the 613 companies included in this study as an extra layer of analysis. Specifically, those companies that were highlighted in the report for having demonstrated a leading or innovative practice were carefully scrutinized for any involvement in egregious or serious activities. This screen was used to avoid acknowledging companies for having strong performance on a given expectation if they were also involved in significant, related controversies. Controversy assessments, however, were not accounted for in the performance assessment weighting. The partners acknowledge that it is not uncommon for a company to have a strong environmental management framework or human rights policy in place, yet still be embroiled in environmental or human rights controversies due to poor implementation.

Tiering System

This report is not a benchmark and does not disclose individual scores, although scores were used to determine performance. Instead, this report is a tool for companies to assess their performance against sector peers and to learn from the sustainability initiatives that other sectors are adopting. It is not an absolute measure of performance but a relative one. If a company performs better than its peers with regard to a specific Roadmap expectation, it does not necessarily mean it has fully met that expectation. The report focuses on solutions and improvements companies can make to meet the Ceres Roadmap expectations by 2020.

To demonstrate relative company performance, Sustainalytics mapped its scoring methodology to Ceres' tiered framework, which outlines the degree to which companies are making progress towards the *Ceres Roadmap* expectations:

Tier 1: Setting the Pace

Tier 2: Making Progress

Tier 3: Getting on Track

Tier 4: Starting Out

It is important to note that singling out a company's performance on a given expectation does not imply it is an overall sustainability leader. Rather company examples are used to illustrate specific practices that others can choose to emulate, adapt, or innovate for implementation within their own businesses.

METHODOLOGY IMPROVEMENTS

To produce this corporate progress report, the partners enhanced the breadth and depth of the indicator mapping to better capture the spirit of the *Roadmap* expectations and identify leading companies. In addition to adding 3 new indicators to Sustainalytics' standard framework, we also expanded sector coverage for some indicators in the 2014 report.

Improvements in the Accountability chapters—which cover governance, stakeholder engagement and disclosure—included assessment adjustments to the following expectations:

- Governance: Board oversight
- Governance: Management Accountability
- Governance: Executive Compensation
- Governance: Corporate Policies & Management Systems
- Disclosure: Disclosure in Financial Filings
- Disclosure: Verification and Assurance

Improvements in the Performance chapters—which cover operations, supply chain, transportation, products and services, and employees—included assessment adjustments to the following expectations:

- Operations: Facilities and Buildings
- Operations: Water
- Operations: Human Rights
- Supply Chain: Align Procurement Practices

Greater detail on the adjustments made to the assessment of specific expectation can be found in the body of the report. On pages 73-76 is a mapping of indicators used to measure progress against each *Ceres Roadmap* expectation. Please reference the indicator mapping to see which indicators are new to the 2014 report methodology and the list of sector covered per expectation.

SUSTAINALYTICS' STANDARD RESEARCH PROCESS

Data Sources

The analysis for this report was supported by a comprehensive set of data gathered through a variety of primary and secondary sources and specialized third-party data providers. With the exception of direct company feedback, the sources consulted were publicly available, or available through subscription. Company reporting constitutes the starting point for research, with key sources including sustainability reports, financial reporting documents and corporate websites.

A company spokesperson was contacted upon completion of each performance assessment report and sent a draft copy for verification. Any relevant feedback communicated by companies in this process has been processed and incorporated. To conduct a comprehensive search of any company involvement in controversies and incidents, Sustainalytics' analysts used a proprietary media database that centrally houses over 24,000 news sources. An extensive list of NGO sources was also consulted. Other core sources included the Carbon Disclosure Project, UN Global Compact, Organization for Economic Co-operation and Development (OECD) Watch, and Business & Human Rights. Regional sources were consulted for labor relations, environmental, and health and safety data (*e.g.* OSHA, EPA, and NLRB in the U.S.). Further, each analyst also tracked sector specific sources tailored to the key ESG issues in their sectors.

Data Collection Frequency and Process

The data assessed in this report represents a snapshot of company ESG performance based on data housed in Sustainalytics' Global Platform as of October 15, 2013. As such, company reporting corresponds to FY2012 or 2013, depending on fiscal year-end and reporting schedules between the research period of January to September 2014. Sustainalytics has updated relevant information derived from media and NGO sources on a bi-weekly basis, while other performance data points are updated on an annual basis.

Quality Control Process

Sustainalytics applied a rigorous quality assurance process, which includes an internal peer review of all profiles prior to company verification and tabulation of scores. The peer review process ensures overall consistency in accordance with Sustainalytics' analyst guidelines and quality standards. A quality assurance team at Sustainalytics that oversees broader quality control initiatives was explicitly tasked with supporting this report by fact checking a number of scores across a broad sample of companies and indicators.

WHAT WE MEASURED: INDICATOR MAPPING

Roadmap Chapter	Ceres Roadmap Expectation	Sustainalytics Indicator Name	Summary of Indicator Coverage	Summary of Priority Sector Coverage							
				Financial Services	Food & Beverage	Footwear & Apparel	Oil & Gas Producers	Retail	Tech: Hardware	Tech: Software	Utilities
GOVERNANCE	**Board Oversight**	Board oversight of Eand S Issues	All sectors	X	X	X	X	X	X	X	X
	Management Accountability	Executive management oversight of ESG Issues	All sectors	X	X	X	X	X	X	X	X
	Executive Compensation	Executive Compensation Tied to ESG Performance	All sectors	X	X	X	X	X	X	X	X
	Corporate Policies & Management Systems	Policy on Bribery and Corruption	All sectors	X	X	X	X	X	X	X	X
		Whistle Blower Programs	All sectors	X	X	X	X	X	X	X	X
		Signatory to UN Global Compact	All sectors	X	X	X	X	X	X	X	X
		Signatory to the UN Principles for Responsible Investment	Financial Services; Banks & Insurers; Real Estate	X							
		Formal Policy Statement on Responsible Investment	Financial Services; Banks & Insurers; Real Estate	X							
		Member of UNEP Fincial Services Initiative	Financial Services; Banks & Insurers	X							
		Equator Principles and Related Reporting	Financial Services; Banks	X							
		Formal Environmental Policy	All sectors	X	X	X	X	X	X	X	X
		Environmental Management System	All sectors	X	X	X	X	X	X	X	X
		Biodiversity Policy*	Utilities, Materials, Consumer Staples, Food and Beverage, Oil & Gas Producers, Energy Services & Refining		X		X				X
		Biodiversity Programs*	Utilities, Materials, Consumer Staples, Food and Beverage, Oil & Gas Producers, Energy Services & Refining		X		X				X
		External Certification of EMS	All sectors	X	X	X	X	X	X	X	X
		Formal Policy on Freedom of Association	All sectors	X	X	X	X	X	X	X	X
		Formal Policy on Elimination of Discrimination	All sectors	X	X	X	X	X	X	X	X
		Formal Policy on Working Conditions**	*Autos & Transportation*; Footwear & Apparel; Retail; Technology Hardware; Consumer Discretionary; Industrials; Materials; Professional Services; Semiconductors			X		X	X		
		Formal Policy on Human Rights**	Services	X	X	X	X	X	X	X	X
	Public Policy	NOT COVERED	—-		-	-	-	-	-	-	-

* New Indicators ** Indicators with Expanded Sector Coverage

Roadmap Chapter	Ceres Roadmap Expectation	Sustainalytics Indicator Name	Summary of Indicator Coverage	Summary of Priority Sector Coverage							
				Financial Services	Food & Beverage	Footwear & Apparel	Oil & Gas Producers	Retail	Tech: Hardware	Tech: Software	Utilities
STAKEHOLDER ENGAGEMENT	Focus Engagement Activity	Disclosure on Stakeholder Engagement	All sectors	X	X	X	X	X	X	X	X
	Substantive Stakeholder Dialogue	Quality of Stakeholder Dialogue	All sectors	X	X	X	X	X	X	X	X
	Investor Engagement	Investor Communication	All sectors	X	X	X	X	X	X	X	X
	C-Level Engagement	NOT COVERED	——	-	-	-	-	-	-	-	-
DISCLOSURE	Standards for Disclosure	Sustainability Reporting and GRI Guidelines	All sectors	X	X	X	X	X	X	X	X
	Disclosure in Financial Filings	Disclosure of material sustainability risks and opportunities in financial filings.	All sectors	X	X	X	X	X	X	X	X
	Vehicles for Disclosure	Participation in CDP	All sectors	X	X	X	X	X	X	X	X
		Sustainability Reporting and GRI Guidelines	All sectors	X	X	X	X	X	X	X	X
		Investor Communication	All sectors	X	X	X	X	X	X	X	X
	Verification & Assurance	External Verification of CSR Reporting	All sectors	X	X	X	X	X	X	X	X
	Scope & Content	NOT COVERED	——	-	-	-	-	-	-	-	-
	Product Transparency	NOT COVERED	——	-	-	-	-	-	-	-	-
OPERATIONS	GHG Emissions & Energy Efficiency	Scope of Corporate Reporting on GHG Emissions	All sectors	X	X	X	X	X	X	X	X
		Programs and Targets to Reduce Direct GHG Emissions	All sectors	X	X	X	X	X	X	X	X
		Programs and Targets to Increase Renewable Energy Use	All sectors	X	X	X	X	X	X	X	X
		Carbon Intensity	All sectors	X	X	X	X	X	X	X	X
		Carbon Intensity Trend	All sectors	X	X	X	X	X	X	X	X
		% Primary Energy Use from Renewables	All sectors	X	X	X	X	X	X	X	X
		Carbon Intensity of Energy Mix	Utilities								X
	Facilities & Buildings	Programs & Targets to Increase Investments in Sustainable Buildings	Financial Services; Food & Beverage; Footwear & Apparel; Retail; Technology Hardware	X	X	X		X	X		
	Water Management	Assessment of Water Related Risk	Food & Beverage; Footwear & Apparel; Oil & Gas Producers; Utilities		X	X	X				X
		Scope of Water Reporting	Food & Beverage; Footwear & Apparel; Oil & Gas Producers; Utilities		X	X	X				X
		Programs & Targets to Reduce Water Use**	Food & Beverage; Footwear & Apparel; *Oil & Gas Producers;* Utilities		X	X	X				X

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Roadmap Chapter	Ceres Roadmap Expectation	Sustainalytics Indicator Name	Summary of Indicator Coverage	Summary of Priority Sector Coverage							
				Financial Services	Food & Beverage	Footwear & Apparel	Oil & Gas Producers	Retail	Tech: Hardware	Tech: Software	Utilities
OPERATIONS	Human Rights	Formal Policy on Freedom of Association	All sectors	X	X	X	X	X	X	X	X
		Formal Policy on Human Rights**	All sectors	X	X	X	X	X	X	X	X
		Formal Policy on Elimination of Discrimination	All sectors	X	X	X	X	X	X	X	X
		Local Community Development Programs	Oil & Gas Producers; Materials				X				
		Community Involvement Programs	Oil & Gas Producers; Retail; Utilities; Industrials; Materials; Telecom Services; Real Estate				X	X			X
		Policy on Indigenous People and Land Rights	Oil & Gas Producers; Materials				X				
		Formal Policy on Working Conditions**	*Autos & Transports*; Footwear & Apparel; Retail; Technology Hardware; Consumer Discretionary; Industrials; Materials; Professional Services; Semiconductors			X		X	X		
	Eliminate Waste	NOT COVERED	——	-	-	-	-	-	-	-	-
SUPPLY CHAIN	Policies & Codes	Scope of Social Supply Chain Standards	All sectors	X	X	X	X	X	X	X	X
		Quality of Social Supply Chain Standards**	Autos & Transportation; Food & Beverage; Footwear & Apparel; Retail; Technology Hardware; Consumer Discretionary; Industrials; Semiconductors; Telecom Services; *Consumer Staples; Materials*		X	X		X	X		
	Align Sourcing Practices	Formal Policy or Program on Green Procurement	All sectors	X	X	X	X	X	X	X	X
		Social Supply Chain Management System:* • Systematic consideration of suppliers' social performance during procurement	Autos & Transportation; Consumer Staples; Consumer Discretionary, Food & Beverage; Footwear & Apparel; Industrials; Retail; Semi-conductors; Technology Hardware; Telecom Services		X	X		X	X		
	Engaging Suppliers	Supply Chain Monitoring System	All sectors	X	X	X	X	X	X	X	X
		Social Supply Chain Management System*: • Targets and deadlines related to supply chain management • Training programmes for suppliers on labour rights issues • Monitoring of supply chain non-compliance incidents or practices • Engagement with non-compliant suppliers to reach compliance • Requirement for suppliers to implement formal channels for their workers to raise concerns • External certification covering >50% of the company's suppliers • Engagement with NGOs, labour groups or industry peers on social supply chain issues • Is applicable to second-tier suppliers	Autos & Transportation; Consumer Staples; Consumer Discretionary, Food & Beverage; Footwear & Apparel; Industrials; Retail; Semi-conductors; Technology Hardware; Telecom Services		X	X		X	X		
		Programs and Targets for Environmental Improvement of Suppliers**	Autos & Transportation; *Consumer Staples*; Consumer Discretionary, *Food & Beverage*; Footwear & Apparel; *Retail*; Technology Hardware; Industrials; Materials; Semiconductors; Telecom Services; *Real Estate*; Utilities		X	X		X	X		X
		External Social Certification of Suppliers	Footwear & Apparel; Retail; Technology Hardware; Consumer Discretionary; Semiconductors; Telecom Services			X		X	X		

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Roadmap Chapter	Ceres Roadmap Expectation	Sustainalytics Indicator Name	Summary of Indicator Coverage	Summary of Priority Sector Coverage							
				Financial Services	Food & Beverage	Footwear & Apparel	Oil & Gas Producers	Retail	Tech: Hardware	Tech: Software	Utilities
SUPPLY CHAIN	Measurement & Disclosure	Supply Chain Monitoring System	All sectors	X	X	X	X	X	X	X	X
		Social Supply Chain Management System*: • Internal supplier audits • External supplier audits • Reporting on audit results • External certification covering >50% of the company's suppliers • Is applicable to second-tier suppliers	Autos & Transportation; Consumer Staples; Consumer Discretionary, Food & Beverage; Footwear & Apparel; Industrials; Retail; Semi-conductors; Technology Hardware; Telecom Services		X	X		X	X		
TRANSPORTATION & LOGISTICS	Transportation Management & Modes	Targets and Programs to Improve the Environmental Performance of Logistics and Fleet Management	Autos & Transportation; Food & Beverage; Footwear & Apparel; Retail		X	X		X			
		Programs & Targets to Reduce GHG Emissions from Outsourced Logistics Services	Food & Beverage; Footwear & Apparel; Retail; Technology Hardware; Industrials		X	X		X	X		
	Business Travel & Commuting	NOT COVERED	——-	-	-	-	-	-	-	-	-
PRODUCTS & SERVICES	Design for Sustainability	Programs & Targets to Promote Sustainable Food Products	Retail (Food & Staples Retailing)		X			X			
		Sustainability Related Products & Services**	Autos & Transportation; Footwear & Apparel; Retail; Technology Software; Utilities; *Consumer Staples; Food and Beverage; Industrials*		X	X		X		X	X
		Programs & Targets to Increase Investments in Sustainable Buildings	Real Estate								
		Sustainability Related Financial Services**	Financial Services; Banks; Insurers; *Real Estate*	X							
		Revenue from Clean Technology or Climate Friendly Products	Oil & Gas Producers; Industrials				X				
		Systematic Integration of Environmental Considerations at R&D Stage**	Footwear & Apparel; Technology Hardware; Consumer Discretionary; Industrials; Semiconductors; Telecom Services; *Retail*			X		X	X		
		Organic Products	Food & Beverage; Retail; Consumer Staples		X			X			
		Fair Trade Products	Food & Beverage; Retail; Consumer Staplesy		X			X			
	Business Model Innovation	NOT COVERED	——	-	-	-	-	-	-	-	-
	R&D & Capital Investment	NOT COVERED	——	-	-	-	-	-	-	-	-
	Marketing Practices	NOT COVERED	——	-	-	-	-	-	-	-	-
	Strategic Collaboration	NOT COVERED	——	-	-	-	-	-	-	-	-
EMPLOYEES	Training & Support	Employee Enagement	All sectors	X	X	X	X	X	X	X	X
	Recruitment & Retention	NOT COVERED	——-	-	-	-	-	-	-	-	-
	Promoting Sustainable Lifestyles	NOT COVERED	——-	-	-	-	-	-	-	-	-

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Explore additional findings at
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