



Sustainability in Finland 2014

Corporate Responsibility Network FIBS



Companies benefit from sustainability more than they think

The results of the Sustainability in Finland 2014 survey by Corporate Responsibility Network FIBS reveal that even though Finnish companies are thoroughly engaged in CR, the awareness of the business impacts of CR has risen among corporate leaders, and therefore improved their motivation, CR is still not believed to have a true impact on the financial performance of the company.

The numbers speak for themselves. 71% of the companies see CR as a very important factor for their business at the moment and almost half claim responsibility to be the starting point of their business. Very few indicate increasing sales or saving on costs as their main motivation to engage in CR activities but controversially 42% of the respondents say that CR has helped them in increasing sales and decreasing costs.

Additionally, only 15% of the companies see responsibility to have an impact on the share value, even though already more than half of the respondents say that the investors and owners play a major role in guiding the company towards more sustainable actions.

In conclusion: companies benefit from sustainability more than they think, which is naturally an encouraging message. Anyhow, companies should set concrete and more ambitious targets – also financial – for their CR practices. In addition, they should focus on finding the right indicators to measure the impacts, and furthermore, utilize this information to develop their CR activities to a next level.

One reason for the contradiction between the goals and the benefits could lie in the small number of corporate responsibility professionals in the companies: only less than half of the companies have a dedicated CR professional in charge of the planning and managing of the CR activities. Without resources it is hard to succeed

in putting the principles into action and integrating the sustainability into business operations. This year integration of the CR in strategies was noted as the largest managerial challenge related to CR.

On the positive side, companies increasingly apply international CR frameworks. Another encouraging message is that even though the supply chain management is still the greatest sustainability challenge, compared to last year fewer companies see it as a major issue.

Brand building and preparing for the future are still the main reasons to engage in the CR activities, whereas only few see CR as a starting point for new product and service development or a source for new innovations. Additionally, only 20% of the companies believe their CR actions to have a notable impact on society. We could conclude that the new business model of creating shared value is not yet widely adopted in Finland.

On the other hand, it is always good to have something to work on and we are looking forward to seeing the results of next year's survey.

I wish you inspiring moments with our survey!

Mikko Routti
Executive director
CR Network FIBS
mikko.routti@fibsry.fi



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Research approach

Sustainability in Finland 2014 survey by FIBS Corporate Responsibility Network is the most extensive research conducted in Finland surveying corporate responsibility practices in large Finnish companies. The research was conducted for the second time and the objective is to continue to conduct to survey annually thus create comparable data on CR practices and trends in large Finnish companies.

- Areas of research in this survey were CR practices, objectives, impacts, challenges and future trends in large Finnish companies. The research framework was built on the global social responsibility standard, ISO 26000.
- TNS Gallup conducted the research, and the data was collected by phone interviews between 15th of January and 14th of February 2014
- Data selection was made by random sample of 1,000 largest companies in Finland. 201 company representatives responded to the survey. Majority of companies that participated in the survey were private limited companies, a quarter listed companies, and nearly half industrial companies. 41% of respondents were CEOs.
- The questionnaire was slightly shortened from last year and the possibility to choose options in some questions was limited to three. Therefore not all of the results of the survey are wholly comparable with previous year's results.

TNS Gallup

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Sustainability in Finland 2014:

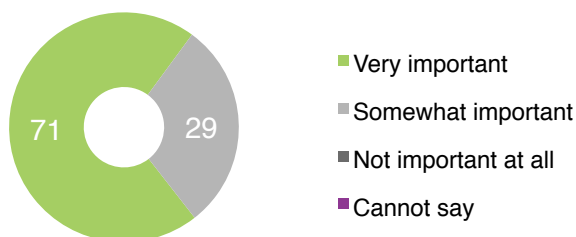
10 key results

1. 71 % of companies **consider CR to be very important for their company** at the moment. A year ago, only half of the respondents said the same. Positively, this year, not even one of the companies said CR to be “not important at all”.
2. 46 % of the respondents see **CR as the starting point for their business**.
3. When setting the CR goals, only 5 % aim at **saving on costs and 12 % increasing sales**. Nevertheless, 42 % agrees that responsibility has helped in saving on costs and 40 % tells that sales have increased as a result of CR.
4. Only 20 % of the companies believe their CR activities to **have a significant impact on the society**.
5. 63 % of the **company boards** have at least one member with the skills needed for the CR questions but only less than half of the companies have hired a CR professional to plan and manage their corporate responsibility actions.
6. Building the brand and preparing for the future remain to be **the most important reasons to be engaged in CR** in half of the companies.
7. Environment is **still the most important CR theme**, whereas the questions of human rights and consumer issues are considered as the least important ones.
8. **The commitment to international standards and principals has grown** in the companies from last year – for example every third uses ISO 26000-social responsibility standard and 44% makes a GRI-based report.
9. Supply chain management is still the greatest CR challenge for Finnish companies – but it no longer dominates like previous year. **The most challenging management theme related to CR** is the integration of CR into the business.
10. More executives than last year believe the **investments in sustainability to increase** within the next five years.

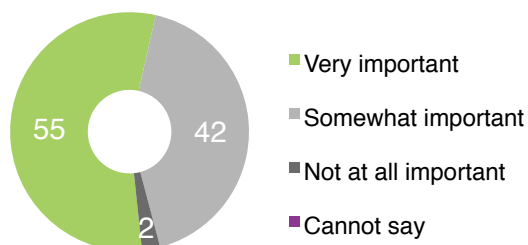
The importance of CR continues to grow - as does the role of the investors and owners as the drivers for CR

The importance of CR for business has significantly increased compared to the results of last year's survey. Now 71 % of the respondents say CR to be very important for their company at the moment when last year the figure was only 51%. Corporate responsibility is now at least somewhat important for all of the companies, as last year 2 % thought of it as something "not at all important".

**How important is CR for your company at the moment? (% , N=201)
2014**



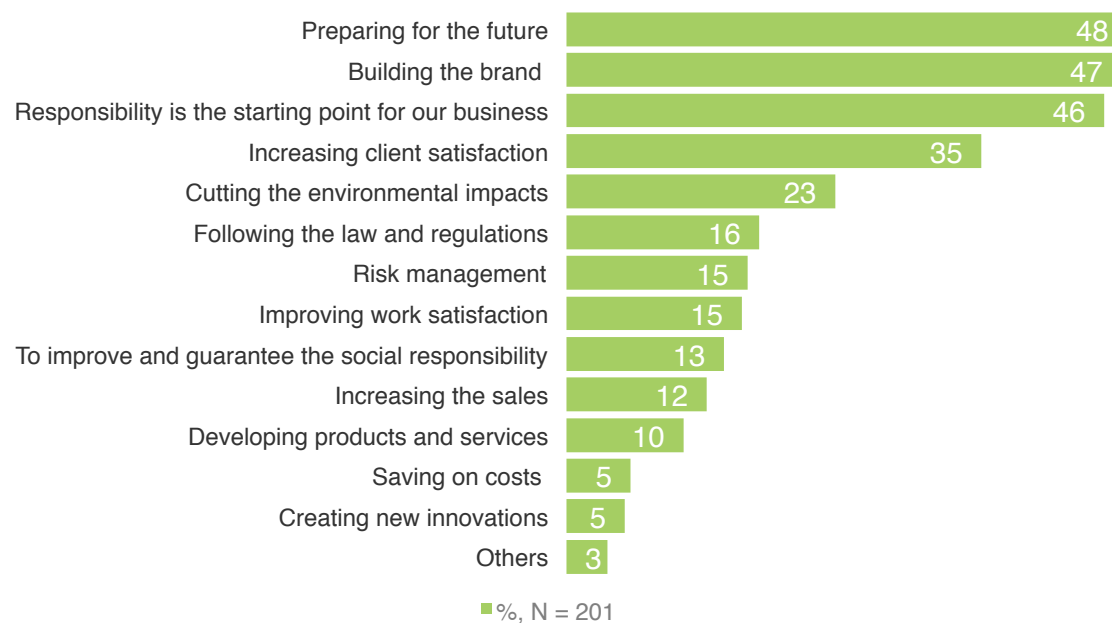
**How important is CR for your company at the moment? (% , N=203)
2013**



The top management remains as the main driver for CR in most companies but already **more than half of the companies see investors and owners among the most important drivers** for CR engagement. The role of the customers has also risen slightly. NGOs, on the other hand, are still not important drivers at all.

Half of the companies still name brand building and preparing for the future as the two main reasons to engage with CR. **Also, as many as 46 % of the companies say responsibility to be the starting point for their business.** However, responsibility is seen to help in product and service development by only one tenth of the respondents.

Why does your company engage in CR? (% , N=201)

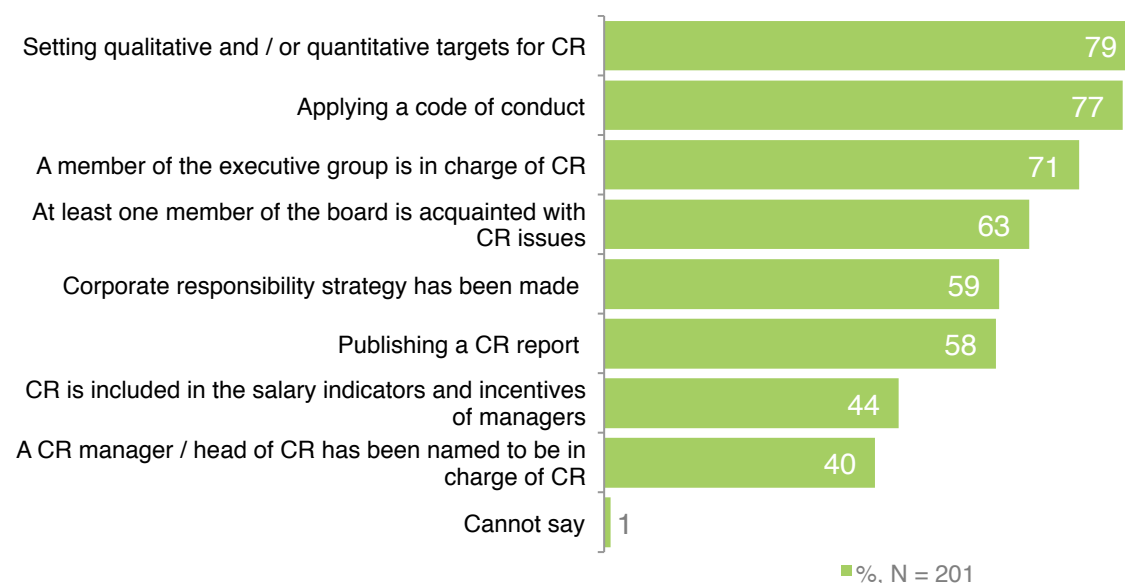


Management systems are evolving – environment remains the most important CR theme

Already, nearly four out five of companies have set qualitative or quantitative goals for their CR work. Also the utilization of management systems that support the reaching of the goals has grown from last year. The majority of the companies apply a code of conduct and more than half have a CR strategy. **A growing number of companies publish a sustainability report:** now 59 % of the companies report on sustainability.

The top management's knowledge and commitment to sustainability has reached a solid level. In 70 % of the executive groups and in 63 % of the executive boards there is at least one person with some CR-related know-how. Surprisingly, only 40 % of the companies have hired a CR professional to plan and manage the CR activities.

Has your company adopted the following CR management practices? (%, N = 201)

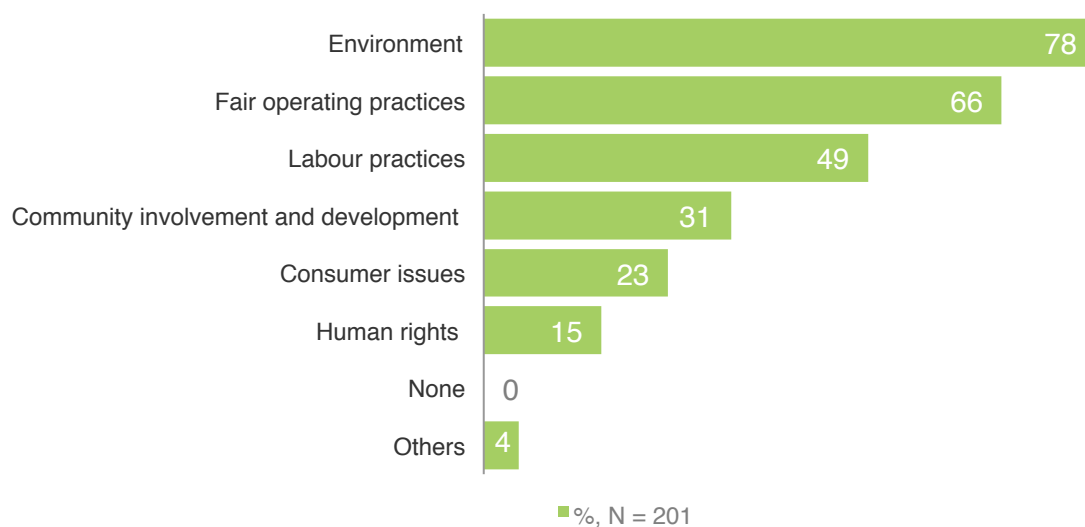


Environment is still the most important CR theme, with as much as 78 % of the companies stating it as one of the three major themes. Like last year, the most common environmental activities include energy efficiency and saving energy, and recycling and waste management. More and more companies invest in cleaner production technologies and consider environmental issues in product development.

The second most important theme is the fair operating practices, mentioned by two thirds of the companies. These include, among others, anti-corruption work, responsible purchasing practices, and the payment of taxes. With a couple of per cents' decrease in tax reporting, now a total of 56 % of companies especially communicate about the payment of taxes. Instead, **on the increase are the use of responsible purchasing and buying practices**, which are today applied by 77 % of the companies, compared to last year's 68 %. This will have an effect on SMEs as the large corporations increasingly push the sustainability demands down the supply chain.

Which CR themes are most important for your company?

Choose three most important (% , N=201)



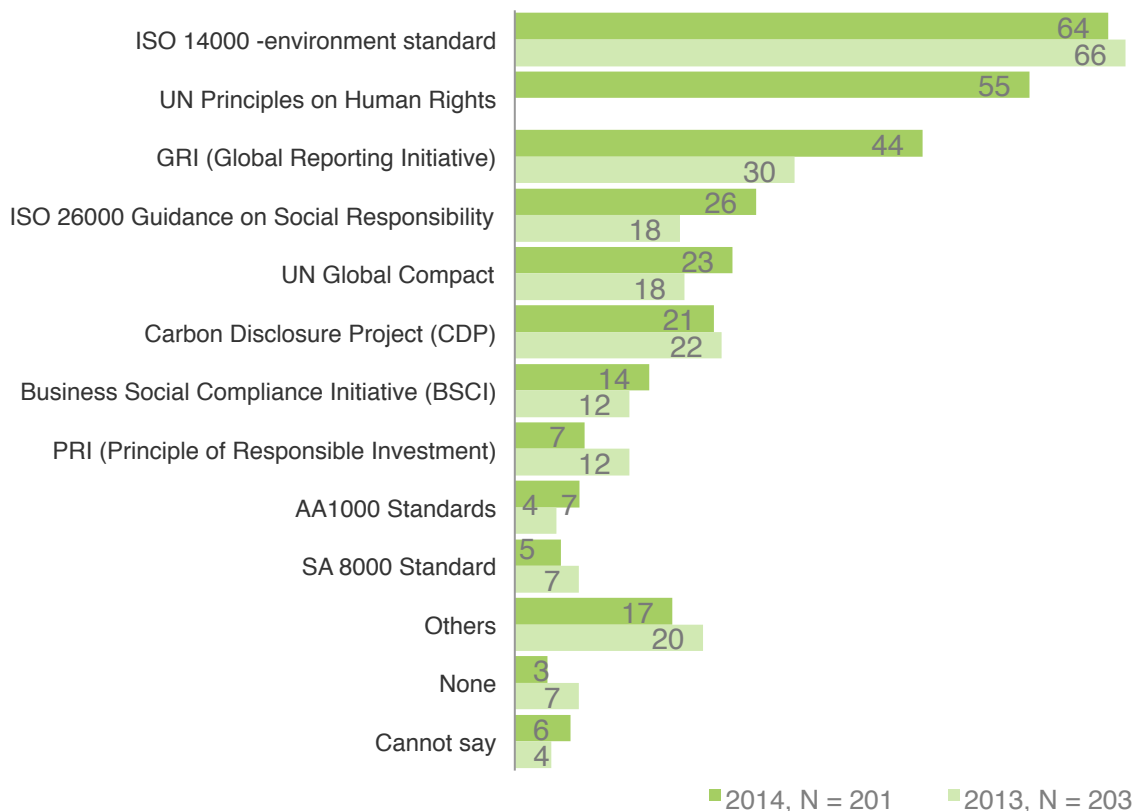
The activities concerning labour practices have not changed significantly compared to previous year – a full **100 percent of the companies invest in personnel training and education** as the number was 95 % in 2013. Also other labour practices, such as health and safety, employee well-being, and diversity management, are considered fundamental in nearly all of the companies.

Like last year, human rights and consumer issues are the least important CR themes. The result is surprising considering the increasing interest in these topics, especially occupational health and safety and child labour issues in the supply chain, among Finnish consumers. Additionally, companies have widely agreed CR to be of great importance in building the company brand and image.

Companies are increasingly applying the international guidelines and principles. The ISO 26000 Guidance on Social Responsibility, launched in 2010, is already followed by every third company - compared to 18 % last year. Number of companies publishing a GRI-based sustainability report has also grown significantly, from 30 to 44 %. Furthermore, 23 % of the respondents (18% in 2013) are now committed to UN Global Compact and 14 % (12% in 2013) to the BSCI Initiative, aimed to improve the working conditions throughout the supply chain.

Applying the principles, guidelines and standards, is a concrete way for the companies to develop their CR work. The increasing interest in these is a clear sign of the ambition of the companies to ensure the responsibility of their practices.

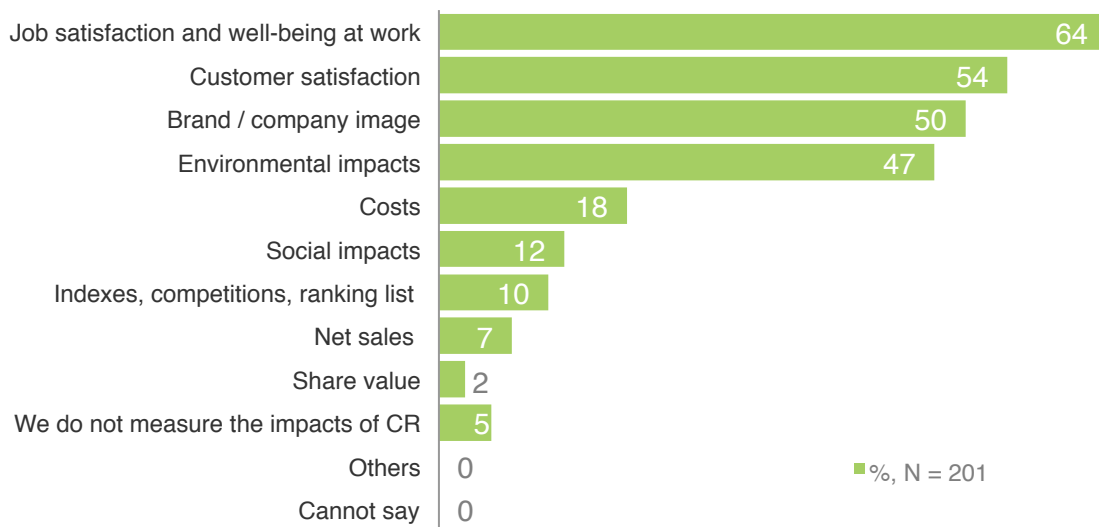
Which international guidelines / principles / standards is your company applying?



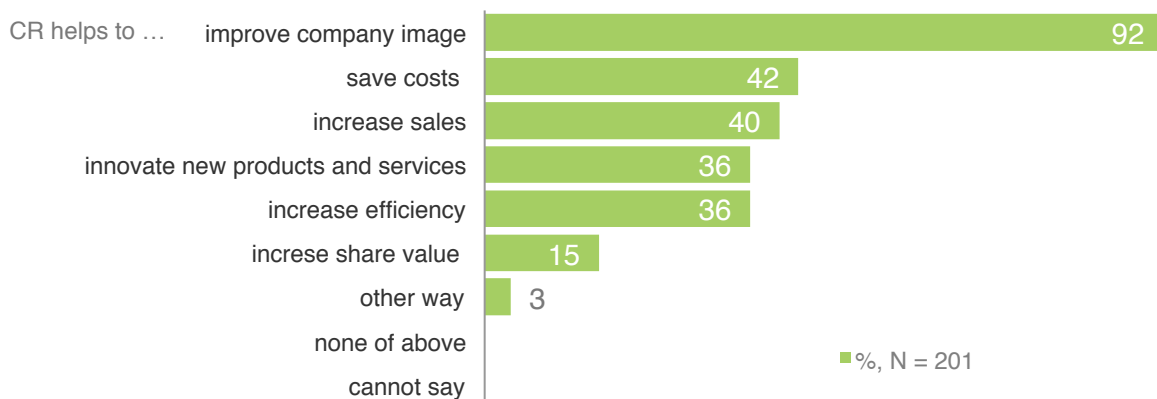
Only some are following the financial impacts of CR

How the set CR targets are reached is monitored and measured mainly through employee and customer satisfaction and company image. Less than every fifth company follows the costs and only less than every tenth the sales. Contradictorily, 42 % states that CR has helped the company to save costs and nearly as many see increase in sales thanks to the CR work. Furthermore, only 20 % of the companies believe their CR practices have a significant impact on society, though an additional 40 % believe the impact to be moderate.

Which factors do you monitor / measure in order to know how you are reaching the CR targets?
Choose three most important



How does your company benefit from CR?

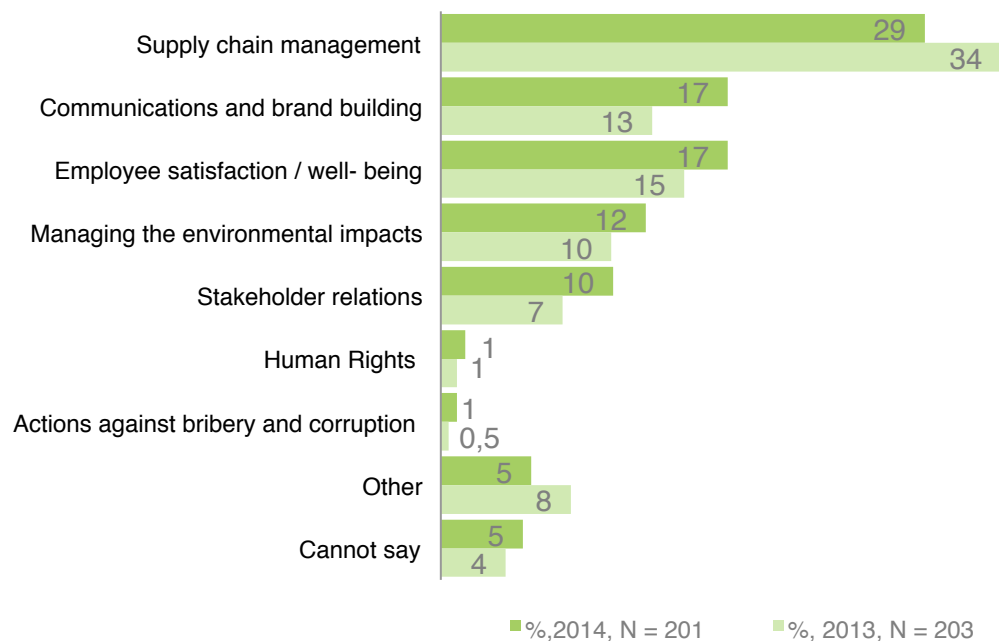


Supply chain management no longer as big a challenge

Some improvement has happened compared to 2013 concerning the biggest CR challenges. The supply chain management is the largest CR challenge for 29 per cent of the companies as the last year's number was 34 %. **CR communications and brand building, are now considered bigger challenges than employee satisfaction and well-being and managing the environmental impacts**, which had all increased with a couple of per cents from last year.

When asking about the largest managerial challenges related to CR, two issues, integration of CR into business and measurement of impact, dominate.

Which CR theme is currently the most challenging for your company?

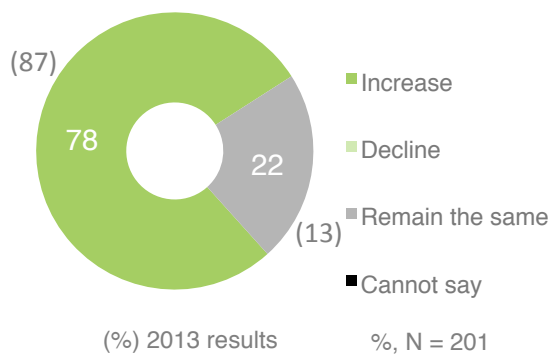


CR investments on the increase

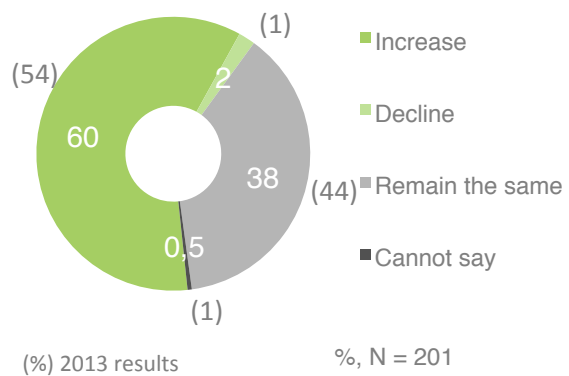
The most central CR development projects are in parallel with the most important CR themes, presented earlier. More than every third development project concern environmental aspects and another third originate either from improving the labour practices (17 %) or the planning and implementation of a CR strategy (17 %).

Compared to 2013, a smaller number of respondents believe the importance of CR for their business to increase within the next five years. However, there was a notable increase regarding CR investments: 60% predicted an increase during the next 5 years.

How do you see the importance of CR evolving during the next 5 years in your company?
(%, N=201)



How do you see your CR investments evolving during the next 5 years?



Conclusions

Engagement in CR is strong but it is not yet seen as a profit factor

A majority of the companies believe CR to be very important for their business at the moment, and for almost half of the companies, responsibility is the starting point of their business. Despite this, only few companies set saving on cost or increasing sales as their CR goals. Controversially, when asked about the benefits of CR, companies declare cost savings and increase in sale due to CR. To conclude, companies should set more ambitious financial targets for all of their CR practices as well as define indicators in order to measure the true business impacts of CR.

CR knowledge is increasing in the boards but more CR professionals are needed

In most of the executive groups and in a growing number of boards, there is at least one member, who has at least some know-how on CR issues. Most of the companies apply a code of conduct and many have a CR strategy in place. However, only less than half of the companies have hired a person specialised in CR to plan and manage the sustainability activities. It is challenging to integrate CR into the business as a secondary job, as the results from this survey clearly show.

Environment remains as the most important responsibility theme – human rights and consumer issues the least important themes

Environment continues to be by far the most important CR theme, whereas the least important ones are human rights and consumer issues. The result is surprising given the increasing interest among consumers on the occupational health and safety issues as well as child labour issues in the supply chain, and how important CR driver brand building is for the companies. In addition, half of the companies see customers among the most important drivers for sustainability and customer satisfaction surveys are the second most important way to measure the impact of CR work. Therefore, companies should, regardless the industry, focus more on the themes that are important for their customers.

The business model of creating shared value not yet widely adopted in Finnish companies

Half of the companies still see brand building and preparing for the future as the most important reasons to be engaged in CR. However, responsibility is not yet considered the driver of R&D or innovation. The results reveal that Finnish companies haven't yet adopted the new business model that's gaining popularity in the world: creating measurable business value by identifying and addressing social problems that intersect with their business. Furthermore, only 20 % of the respondents believe their CR actions to have a significant impact on the society.

A growing number of companies adopting international CR principles and guidelines

Companies' commitment to international CR principles has increased from last year, which is beneficial for both the company and the society. Adopting international principles and standards is a concrete way for companies to develop their CR work, and the increased popularity of the principles is a clear indicator of the motivation of the companies to ensure the responsibility of their actions.



Corporate Responsibility Network FIBS

Corporate Responsibility Network FIBS is the leading corporate responsibility network in Finland. FIBS encourages Finnish companies to embrace corporate social responsibility in their strategic planning and day-to-day management. We offer tools to develop, measure and report corporate responsibility practices. We also offer networks and contacts through our events and workshops. All organizations that are willing to promote responsibility in their own operations are welcome to join the FIBS corporate responsibility network. www.fibsry.fi