Profit meets purpose:

Exploring how responsible business conduct relates to financial performance and supply chain standards

Discussion Paper

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Executive summary

The narrative that sustainability investments and regulation are at odds with competitiveness is gaining momentum. That's why it is more important than ever to look at the actual data rather than rely on perception. What if sustainability, when embedded into core operations, consistently appeared alongside stronger operational stability and resilience in a rapidly changing world?

This paper draws on benchmark results from the **World Benchmarking Alliance (WBA)**. Using data from over 1,100 globally influential companies, the analysis explores the relationship between responsible business practices, financial performance and supply chain accountability.

The findings suggest that **doing good and doing well are not at odds.** Companies that meet fundamental social expectations, such as respecting human rights, providing decent work, and acting ethically, tend to show modestly stronger operational efficiency, growth and resilience. Moreover, the presence of regulations that require companies to manage social and human rights risks across their supply chains are associated with stronger standards and greater accountability.

Key findings:

- Financial performance: Companies with higher scores on **socially responsible business practices** tend to report modestly higher **revenue**, **return on capital employed** (ROCE) and **return on assets** (ROA) - an indication that responsibility and efficiency can go hand in hand. Importantly, no evidence from this analysis suggests that stronger performance on socially responsible business practices leads to a financial penalty across other financial indicators tested.
- Growth and resilience: Over a five-year period (2019-2023), companies scoring higher on **socially responsible business practices** show slightly higher **stock price growth**, particularly among slower-growing firms. Similarly, companies with **science-based climate targets** tend to show modestly higher growth rates compared to their peers.
- Supply chain impact: Companies with stronger socially responsible practices also tend to have stronger **supplier requirements and monitoring systems**. These include clearer expectations, contractual standards, and regular performance monitoring, suggesting that strong internal governance helps promote accountability across supply chains.
- Role of regulation: The presence of mandatory supply chain regulations is linked to stronger supplier standards. The relationship appears most evident among firms with moderate scores on social indicators and those of mid to large size.

In short, this evidence suggests that sustainability and profitability can align, and that in today's world: responsible business can be smart business. Companies with responsible business conduct tend to demonstrate modestly greater efficiency in the use of financial and operational resources, without evidence of financial trade-offs. For policymakers, combining clear regulation with practical support can encourage more effective adoption of responsible supply chain practices. For investors and business leaders, responsible business conduct should not be seen as compliance alone, but as a potential contributor to long-term competitiveness and trust in the global economy.

As a discussion paper, these findings are intended to inform and invite dialogue on the evolving relationship between responsible business conduct, competitiveness, and regulation. They also highlight the need for more outcome-level data to strengthen future analysis. Future research needs to build on this to better capture real-world impact and trends over time.

Introduction

For years, sustainability commitments have been described as important moral responsibilities, yet at times perceived as adding pressure on companies. As global expectations for responsible business continue to evolve, a central question continues to shape business and policy debates: can responsible business conduct coexist with growth and competitiveness?

While the pace and form vary, governments in many regions are embedding social and environmental expectations into regulation – from the EU's Corporate Sustainability Due Diligence Directive (CSDDD) to emerging human rights due diligence initiatives across the Asia-Pacific[1]. In parallel, market expectations are evolving as many investors and multinational companies place greater emphasis on environmental and social considerations in their decision-making.

Yet the debate remains divided. Some political and industry voices question whether sustainability regulations may constrain business competitiveness and financial growth, while others view them as opportunities to strengthen long-term value and resilience.

This paper steps into that debate with fresh analysis. Drawing on benchmark data from more than 1,100 globally significant companies, the World Benchmarking Alliance (WBA) explores how responsible business conduct relates to financial outcomes and competitiveness. The analysis focuses on two connected dimensions:

- **Sustainable business practices and financial performance:** The analysis explores the relationship between responsible business practices and key financial indicators, providing insights into how sustainability performance relates to financial growth and resilience.
- **Responsible supply chains and regulatory influence:** Extending this analysis to global supply chains, the second part of the analysis explores how companies' internal practices and external regulatory environments influence the strength of supplier standards they set.

Taken together, the two analyses connect internal and external dimensions of corporate sustainability practices. The first explores the "business case" for responsible conduct within companies, while the second examines how expectations cascade through supply chains under regulations.

This paper builds on WBA's research on corporate sustainability and draws on shared learning from ongoing dialogue with partners, particularly the United Nations Development Programme (UNDP). UNDP's recent study, *Human Rights vs. Competitiveness: A False Dilemma?* (2025), supported by WBA's Corporate Human Rights Benchmark data, takes a focused lens on the financial implications of corporate human rights performance. Building on that foundation, this analysis expands the perspective to consider how socially responsible business practices, climate commitments, and regulatory contexts relate to long-term value creation. The exchange of insights between our teams has helped align complementary efforts to strengthen the global evidence base on the relationship between responsible business conduct and business value.

[1] For example, South Korea and Thailand are developing mandatory human rights and environmental due diligence legislation, while countries such as Japan and Indonesia are updating or implementing National Action Plans on Business and Human Rights.

Complementing the quantitative analysis, the paper also features case studies developed with WBA's partners – the World Business Council for Sustainable Development (WBCSD) and Impact Investment Exchange (IIX) – drawing on examples from their member companies. These cases provide practical perspectives on how the business case for sustainability unfolds in practice across different contexts and company sizes.

Data and methodology

This paper draws on WBA's global assessments of the world's most influential companies, identified for their potential to positively or negatively shape the systems and societies in which they operate. These companies are evaluated through WBA's benchmarks, which assess performance on key dimensions of responsible and sustainable business conduct.

Sustainable business practices and financial performance

To explore the relationship between companies' sustainability practices and financial performance, we combine corporate sustainability assessment data from WBA benchmarks with publicly reported financial indicators. Specifically:

- To assess companies' performance on meeting the fundamental aspects of socially responsible business conduct, we use WBA's Core Social Indicators (CSIs) score derived from the Social Benchmark as a proxy. There are in total 18 CSIs that companies should meet to demonstrate their contribution to a system transformation that leaves no one behind. These indicators cover three measurement areas (for the full list of CSIs, please refer to Annex 1):
    - Human rights (e.g. human rights due diligence, grievance mechanisms)
    - Decent work (e.g. living wage, collective bargaining, health and safety, workforce diversity)
    - Ethical conduct (e.g. responsible tax, anti-bribery, lobbying transparency)
- For climate commitments, we look at whether a company has targets validated by the Science-Based Targets initiative (SBTi).
- For sustainability governance, we draw on shared governance indicators from WBA's Nature and Urban Benchmarks, applied to the subset of companies where such data is available (for the full list of governance indicators, please refer to Annex 2):
- Financial data (including revenue, ROA, ROCE, five-year stock price growth CAGR, ROE, EPS, P/E etc.) were compiled from publicly disclosed reports for the 2019–2023 period, sourced from Financial Modelling Prep[2]. Details on the financial indicators included in the analysis, along with their definitions and relevance, are provided in Annex 3.

Association test (Method 1): How do socially responsible business practices relate to financial performance?

To analyse how responsible business practices relate to financial outcomes, we applied a linear mixed-effects model to a sample of 1,155 publicly listed companies with complete and comparable financial data. The model controls for company size, financial leverage, climate commitments, and year effects.

[2] https://site.financialmodelingprep.com

Company-specific characteristics are captured through random intercepts. Full model specifications, transformations, robustness checks and results are described in Annex 4.

Magnitude test (Method 2): To what extent do sustainable business practices influence financial growth rate?

To examine whether responsible business practices relate to the pace of financial growth, Method 2 applies Ordinary Least Squares (OLS) and quantile regression to assess links with five-year stock price growth CAGR (2019-2023). The analysis controls for region, income level, leverage, and company size, and tests for non-linear effects across slow-, average-, and fast-growing companies. Detailed methodology, transformations, and full regression outputs are presented in Annex 5.

Responsible supply chains and regulatory influence

For the second part of the paper, we explored the factors that drive companies to cascade responsible business conduct requirements and practices through their supply chains using both company-level data and regulatory frameworks. We analysed 1,580 companies with available revenue and employment data, using Core Social Indicators (CSI) data from 2021-2024. Specifically, measurement was based on seven CSI elements that capture whether companies set and implement expectations for suppliers and other business relationships in key areas such as human rights, health and safety, working hours, and anti-bribery. The elements also consider whether companies monitor supplier performance and integrate these expectations into contracts or global management systems (for the full list, see Annex 6).

To examine the role of regulation, we also identified companies headquartered in jurisdictions with mandatory supply-chain regulations. The full list of regulatory frameworks considered is included in Annex 7. Ordinary Least Squares (OLS) regression was used to estimate the effect of regulation and company characteristics on the strength of responsible business conduct requirements and practices in supply chains. The full methodology and results are explained in more detail in Annex 8. Robust standard errors accounted for heteroskedasticity, and additional heterogeneity analyses were conducted (more detail in Annex 9).

As with any proxy-based approach, the extent to which the indicators reflect real-world performance is subject to interpretation. All WBA assessments are based on publicly available corporate disclosures rather than direct outcome data. The statistical approaches used identify associations rather than causal effects, and results may be influenced by unobserved factors such as reporting maturity, regulatory enforcement, or sectoral composition. Differences in data availability across benchmarks and years also affect the comparability of some indicators.

These limitations suggest that the findings should be interpreted as directional evidence, illustrating how responsible business conduct relates to financial and operational outcomes, rather than as definitive proof of causal impact. A full discussion of methodological considerations, data constraints, and robustness checks is provided in Annex 10.

Sustainable business practices and financial performance

The analysis suggests that responsible business conduct does not come at the expense of financial performance. If anything, it is associated with slightly enhanced growth, particularly among slower-growing firms.

Association test (Method 1): How do socially responsible business practices relate to financial performance?

Using Core Social Indicator (CSI) score as a proxy, we first tested whether companies with stronger performance on socially responsible business practices also report better financial outcomes. **The results suggest that CSI score is modestly but consistently associated with better financial outcomes, including higher revenue and stronger returns on capital and assets.**

FIGURE 1. ASSOCIATION BETWEEN A COMPANY'S SOCIAL PERFORMANCE (CSI SCORE, 1-20 SCALE) KEY FINANCIAL INDICATORS[3]

Financial Indicator	Effect per +1 CSI score	95% CI	Interpretation
Revenue (log)	**+1.27%**	[+0.13%, +2.41%]	**Higher CSI aligns with higher revenue**
ROCE	**+0.39 p.p.**	[+0.18, +0.61]	**Higher CSI aligns with more efficient capital use**
ROA	**+0.17 p.p.**	[+0.05, +0.29]	**Higher CSI aligns with greater return on assets**
ROE	Not significant†	[−0.43, +0.21] p.p.	Higher CSI is not associated with lower profitability relative to shareholders' equity
EPS	Not significant†	[−$2,463, +$1,040]	Higher CSI is not associated with lower earnings per share
P/E Ratio	Not significant†	[−32.18, +40.34]	Higher CSI is not associated with lower price-to-earnings ratio

† "Not significant" indicates *p*-values ≥ 0.10. See Annex 3 for full results.

We find a clear and consistent positive correlation between CSI score and revenue in our main model, where extreme skew from very large companies is addressed by applying a logarithmic transformation to revenue. Each additional point on the CSI scale (ranging from 0 to 20) corresponds to about 1.27% higher revenue, even after accounting for factors such as company size, financial leverage and region.

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[3] For each indicator, the table reports the estimated change associated with a +1-score increase in CSI. 95% confidence intervals are shown in brackets. Full statistics (coefficients, standard errors, p-values) are provided in Annex 3.

A similar trend is observed for efficiency-related metrics. For **Return on Capital Employed (ROCE)**, which measures how effectively a company turns its capital into profits, each one-point increase in CSI score is approximately associated with a 0.39% improvement. **Return on Assets (ROA)** shows a similar pattern, with each additional CSI point linked to an increase of about 0.17%[4]. While the effect of each additional CSI point is relatively small, the cumulative difference between companies with low and high CSI performance becomes significant. Taken together, these results suggest that firms with higher CSI scores tend to make modestly more efficient use of their financial and operational resources.

However, not all financial indicators show the same pattern. Equity-based and valuation-based metrics such as Return on Equity (ROE), Earnings per Share (EPS), and Price-to-Earnings (P/E) ratio do not demonstrate a consistent or statistically significant relationship with CSI score. **The result is not significantly negative but neutral, which should be read as no evidence of harm rather than evidence of penalty.** This is consistent with the structural characteristics of these indicators: ROE is particularly sensitive to capital structure and accounting effects (e.g., small denominators can be distorted by changes in equity such as share buybacks and produce large swings), so denominator noise can dominate any modest operating signal. EPS is affected by short-term fluctuations in net income and the number of outstanding shares and may not capture the slower and cumulative impacts of stronger social practices (e.g., improved workplace safety, lower staff turnover, more stable supplier relationships). Although P/E ratio is often viewed as a proxy for investor expectations, it focuses on current earnings and may not consider cumulative effects of sustainability initiatives. Overall, the absence of statistical significance for ROE, EPS, and P/E indicates that **stronger performance on socially responsible business practices does not appear to carry any financial penalty for companies on these measures.**

In essence, the benefits of socially responsible business conduct appear to be cumulative and operational in nature. They are more likely to emerge in efficiency-related indicators such as ROCE, and ROA, rather than indicators that are more sensitive to short-term fluctuations such as ROE, EPS, or P/E ratio. However, since equity markets are forward-looking, these gradual operational gains may still translate into improved market valuation over a longer window, as we further explored in Method 2 in the next section.

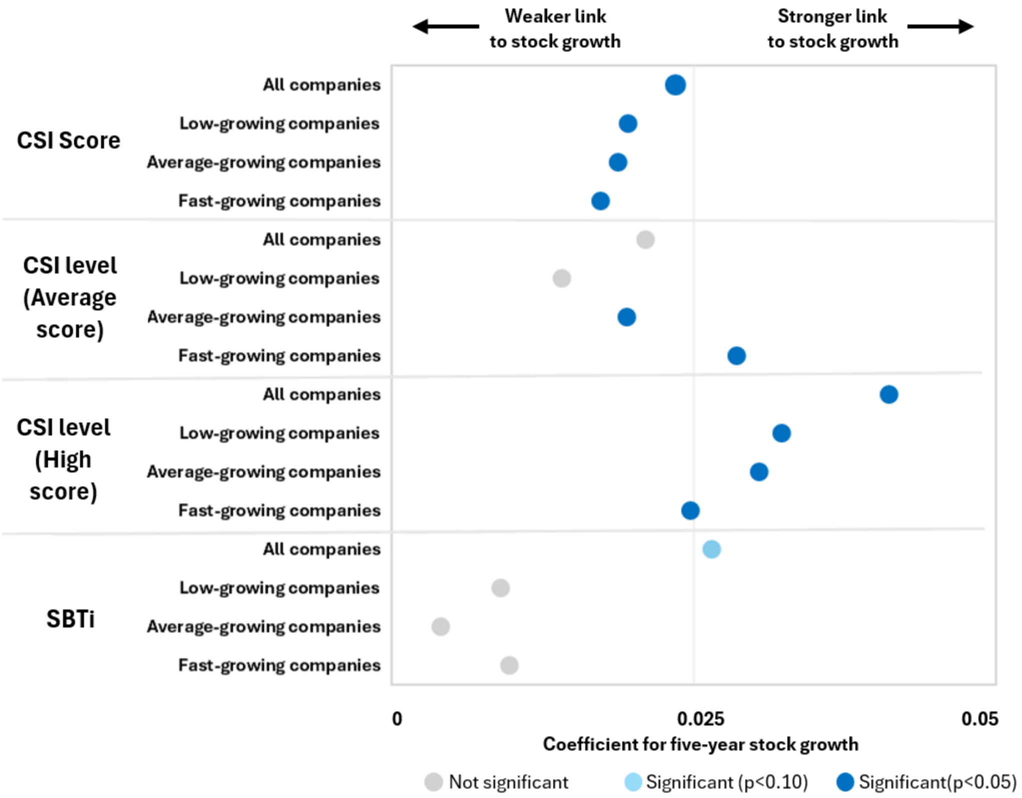
Magnitude test (Method 2): To what extent do sustainable business practices influence financial growth rate?

While earlier analysis showed that responsible business conduct relates to financial levels, the question remains whether this also influences the pace of growth, measured over a five-year horizon. We found that **responsible business conduct is modestly but consistently linked to five-year stock growth.** Five-year stock price growth reflects investor confidence in a company's future potential such as business expansion, risk management and long-term value creation. Unlike traditional book-based financial metrics like ROA and ROCE, which capture past performance, stock

[4] A similar finding is observed in the UNDP paper Human Rights vs. Competitiveness: A False Dilemma? (2025), supported by WBA's Corporate Human Rights Benchmark data, which reports a statistically significant positive association between improvements in human rights performance and return on assets (ROA).

prices incorporate forward-looking expectations and may respond earlier to intangible benefits of sustainability, such as stakeholder trust and regulatory readiness.

FIGURE 2. LINK BETWEEN CSI SCORES, CLIMATE COMMITMENT, AND FIVE-YEAR STOCK GROWTH



Note: A 10% significance level is included to highlight marginally significant results, capturing weaker but potentially relevant relationships that may not meet the stricter 5% threshold.

Companies with higher CSI scores demonstrate slightly stronger five-year growth. A 1% increase in CSI score is associated with approximately 0.02-0.03% higher growth. The difference becomes more pronounced when companies are grouped by CSI performance: high scorers have about **2% higher** growth rates than low scorers, while average scorers do not meaningfully differ from low scorers. This suggests that companies with strong performance on socially responsible business conduct gain measurable growth advantages, in turn indicating that meeting fundamental social expectations does not impede financial growth or shareholder value. Rather than a trade-off, responsible business conduct can be seen as a complementary strategy that supports long-term growth.

Interestingly, the relationship appears strongest among slower-growing companies. For both slow- and average-growing companies, high CSI performance correlates with stronger medium-term growth, with slightly stronger effects for slower-growing companies. This implies that strengthening socially responsible business practices may help companies enhance resilience during challenging periods. Among fast-growing companies, the effect becomes smaller and less consistent, suggesting that other factors tend to dominate financial performance once expansion is underway.

Climate commitments show modest and weak positive links to growth. Companies that set science-based climate targets (SBTis) tend to grow roughly **3% faster** than peers without such commitments, especially among slow growers. The relationship appears to be stronger among companies with significant environmental and urban impacts, where target-setters grow around 7% faster. This suggests that climate action does not hinder growth and may even support some financial gains, addressing concerns that climate commitments could constrain performance. This suggests that credible forward-looking planning on climate, which is a core component of transition planning, tends to attract stronger investor confidence and contribute to long-term value creation.

Governance and accelerated growth are not clearly correlated. Companies with higher governance scores tend to show steady, stable growth rather than rapid expansion, suggesting that governance contributes more to resilience and risk management than to short-term growth acceleration. The lack of a clear link could also reflect the internal nature of governance, which is less visible to markets compared to externally visible sustainability initiatives.

Overall, these sustainability factors explain around 2-4% of the variation in five-year growth. While many other factors influence and shape financial performance, strong social practices and climate commitments correlate with systemically higher growth. This indicates that strengthening sustainable business conduct can enhance long-term value. For investors, our findings suggest a portfolio approach where sustainability complements traditional growth drivers. Risk-adjusted returns may be more favourable when considering sustainability's role in stability and resilience.

Implications

Our findings suggest that responsible business conduct is positively associated with core financial metrics, particularly stock price growth, with smaller but meaningful effects on revenue growth, return on assets (ROA) and return on capital employed (ROCE). **This indicates that integrating sustainability considerations into core operations does not come at the expense of financial performance and may, in fact, support operational efficiency and market confidence.** Crucially, this analysis has not provided any evidence that strengthening sustainable business conduct creates a competitive disadvantage, countering narratives that sustainability and profitability are at odds.

For companies and investors, these results reinforce the view that sustainable and responsible business practices can be a strategic asset rather than a compliance cost. The positive link between sustainability and stock price growth suggests that markets increasingly recognise sustainability as part of a company’s long-term competitiveness and risk management. Investors appear neutral to positive toward companies that meet fundamental social and environmental expectations, indicating that responsible practices are compatible with shareholder expectations. This suggests that companies can therefore position sustainability investments as enhancing long-term resilience and access to capital, rather than diluting returns.

For policymakers, the findings offer a constructive contribution to ongoing debates about competitiveness and the role of sustainability regulation. While this analysis does not assess the direct impact of specific frameworks, it provides directional evidence that stronger responsible business practices are compatible with financial performance. This suggests that efforts to promote transparency, accountability, and due diligence, such as those reflected in current and emerging initiatives like the EU’s Corporate Sustainability Reporting Directive (CSRD) and the Corporate

Sustainability Due Diligence Directive (CSDDD) need not be viewed as barriers to competitiveness. Instead, they can help clarify expectations and create a positive impact on people and planet.

Responsible supply chains and regulatory influence

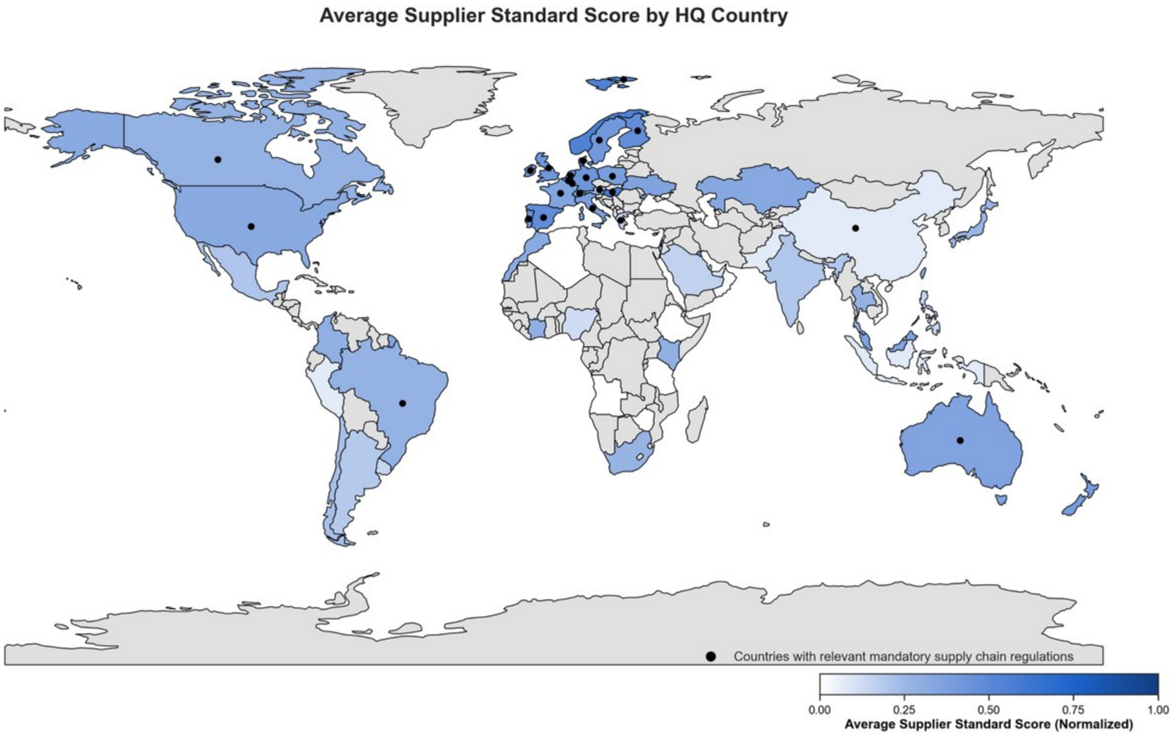
When sustainability expectations appear to be cascading through supply chains, companies with stronger responsible practices and those headquartered in more regulated environments seem to be driving this shift.

The previous analysis explored how meeting fundamental sustainability expectations relates to companies' financial performance and growth. Yet, the business case for sustainability also extends across global supply chains, where buyer expectations and regulatory developments increasingly determine who can access and compete in markets. Regulations and emerging responsible sourcing frameworks are setting new norms that shape how value chains operate worldwide. For companies in these supply chains, particularly in emerging markets, aligning with responsible business conduct standards may become essential for maintaining competitiveness and securing long-term business opportunities. This next section examines how these expectations are spreading, which companies are leading the shift, and what factors drive stronger supplier requirements.

In this section, "responsible supply chain standards" refer to companies' policies, practices and monitoring systems promoting responsible business conduct among suppliers and business partners, as captured by the CSI supplier-related indicators described earlier in the methodology section. These cover expectations and implementation measures across human rights, health and safety, working hours and anti-bribery, including supplier monitoring and contractual integration. To avoid endogeneity due to component overlap, supplier-related indicators were excluded from the adjusted CSI score used in this analysis. Diagnostic tests confirmed the model specification was appropriate, with no multicollinearity issues detected. However, heteroskedasticity was present in the residuals, which was addressed using robust standard errors.

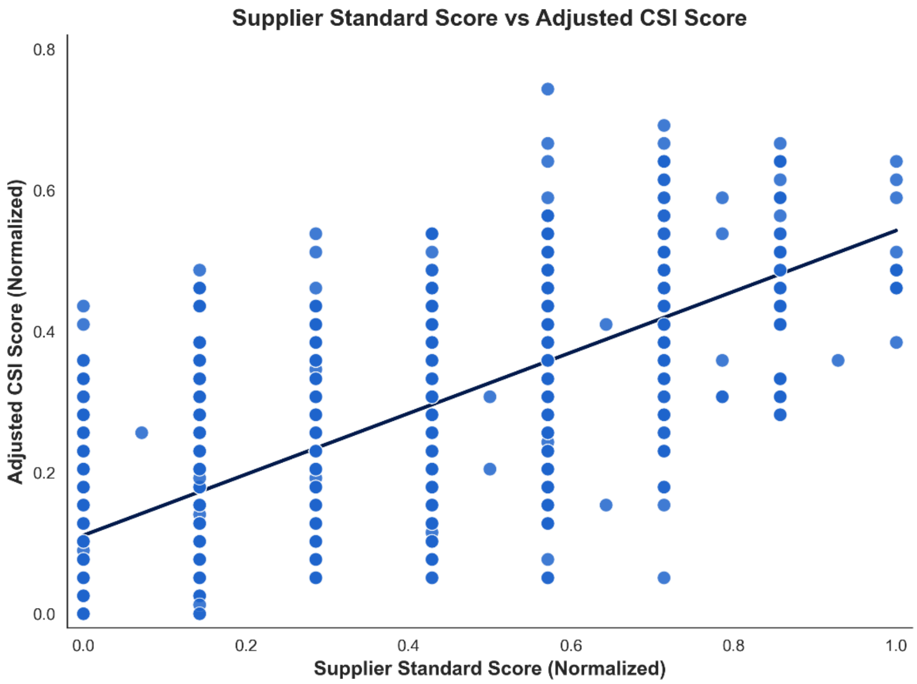
Who is setting stronger responsible supply chain standards?

FIGURE 3. AVERAGE SUPPLIER STANDARD SCORE BY COUNTRY OF COMPANY HEADQUARTERS



Companies setting stronger supply chain standards are primarily headquartered in Europe and North America, where more mature regulatory frameworks on responsible business conduct have fostered clearer expectations for responsible purchasing and supply chain management, along with more consistent reporting practices. In contrast, companies based in regions with limited regulatory coverage, such as the Sub-Saharan Africa, Middle East and North Africa generally record lower results on supplier standards. Ownership structure and company size also play a role. Publicly listed companies constitute a larger share of the stronger performers than they do among all companies, whereas privately held, SOE and government-owned entities are more common among companies with weaker supply chain requirements. Listing often brings board oversight, regular disclosure, and independent assurance, helping translate supplier standards into enforceable requirements and ongoing monitoring. Larger companies also tend to perform better, likely because scale enables dedicated teams and digital systems to manage supplier compliance more effectively.

FIGURE 4. RELATIONSHIP BETWEEN SUPPLIER STANDARD SCORES AND ADJUSTED CSI SCORES



Companies that demonstrate stronger socially responsible practices within their own operations, as reflected in higher adjusted CSI results excluding supplier-related indicators, **also tend to have stronger supply chain standards in place.** To explore the factors behind this alignment, the next section further analyses how external regulations and companies' own responsible practices influence the strength of supplier standards.

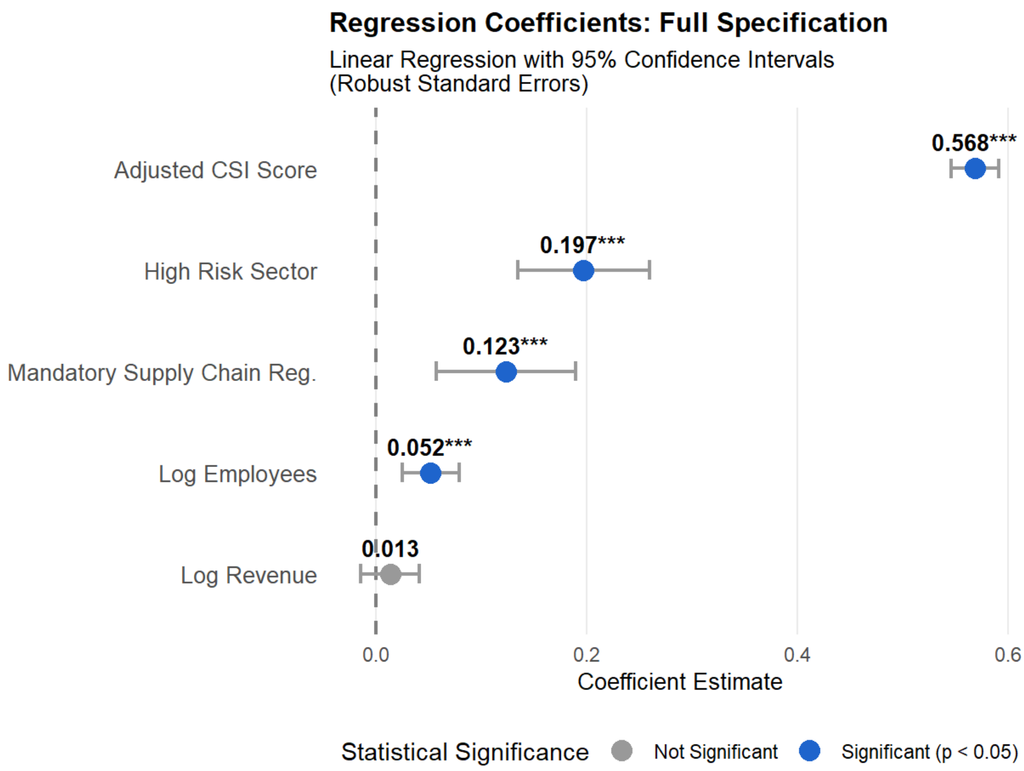
Companies with weak supplier standard present a more diffuse picture. Their regional mix resembles the overall composition, with a larger presence from East Asia and the Pacific and smaller shares from Europe and North America. Even within this lower-performing cohort, exceptions exist, including companies in lighter-regulation settings that have developed robust internal systems and companies in dense-regulation settings that have yet to translate formal commitments into consistent supplier practices.

Regulations and internal practices: Drivers of supplier requirements

Building on the patterns observed earlier, this section examines the factors that explain why some companies set stronger supply chain standards than others. In particular, it explores how internal responsible business practices and external regulatory pressure work together to shape supplier requirements. **The results suggest that both internal business practices and external regulation are important factors shaping responsible supply chain standards.** Companies that perform better on adjusted CSI score are more likely to establish and maintain supplier standards. This suggests that companies with stronger internal practices tend to extend these principles across their business relationships. The presence of regulations also shows a significant positive association with supplier standards, as companies headquartered in jurisdictions with mandatory supply chain regulations show significantly higher scores on supplier requirements and monitoring. This indicates that regulation acts as an important catalyst for enhanced supplier standards.

Company characteristics also play a role in shaping the strength of supplier standards. Larger companies, especially in terms of workforce, are more likely to set stronger supplier standards, likely due to their greater capacity for oversight and stronger stakeholder scrutiny. Similarly, companies in high-risk sectors such as food, agriculture, forestry, extractive and apparel face greater operational and reputational risks, which appear to drive stricter supplier requirements.

FIGURE 5. FACTORS ASSOCIATED WITH SUPPLY CHAIN STANDARDS: RESULTS FROM REGRESSION ANALYSIS

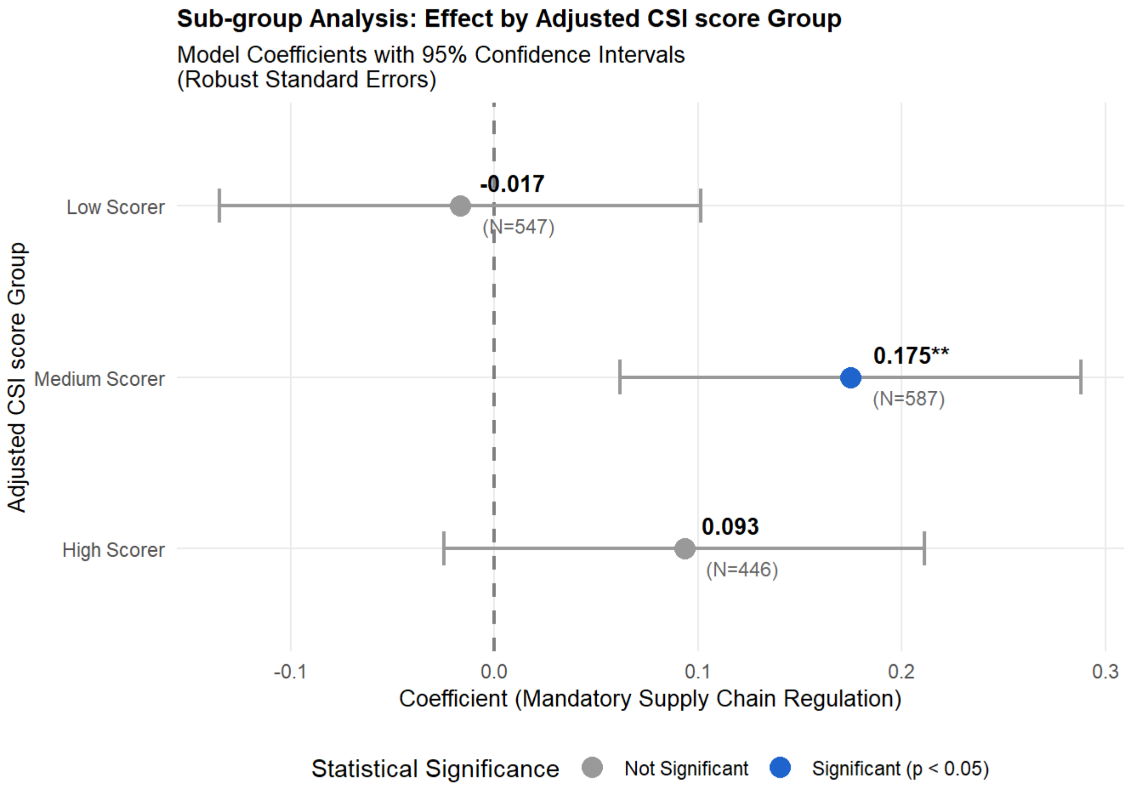


How regulatory effects on supplier standards vary across companies

While the overall effect of mandatory regulations is positive and significant, this aggregate finding masks important variation across different types of companies. **The regulatory impact depends critically on a company's existing performance on socially responsible business practices, organizational capacity, and resource base.**

Companies with moderate adjusted CSI scores show the strongest response to mandatory regulations. These firms, already aware of sustainability issues but not yet industry leaders, tend to strengthen their supplier requirements in response to mandatory regulations.

FIGURE 6. HETEROGENEOUS EFFECTS OF SUPPLY CHAIN REGULATION ACROSS ADJUSTED CSI SCORE GROUPS



Note: The following control variables are included in the estimation model: the log of Revenue, the log of Employees, being in a high-risk sector.

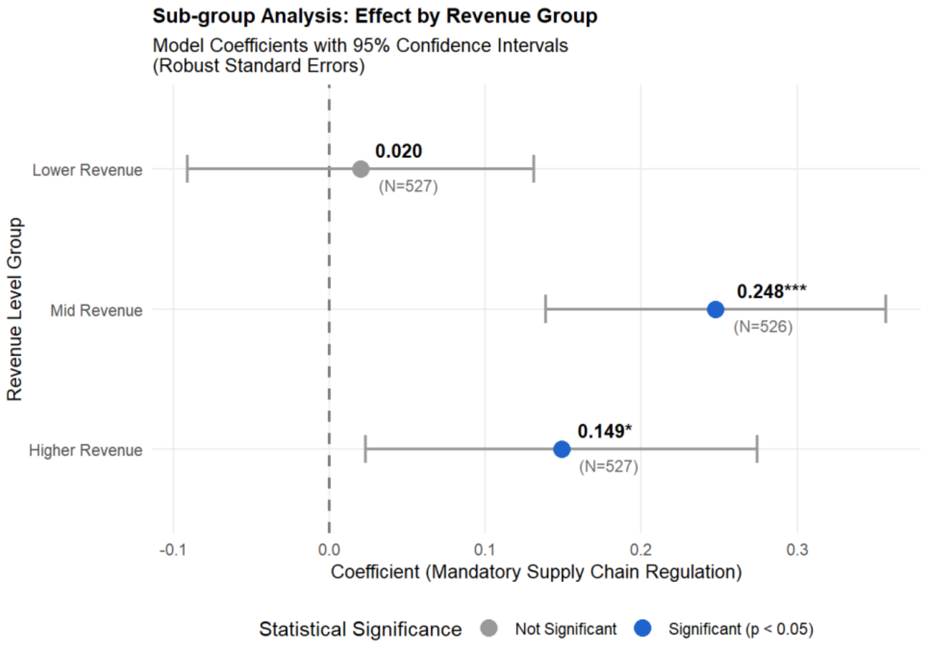
In contrast, companies with weaker internal social practices show smaller measurable effect. This pattern may suggest that such firms face greater challenges in translating regulatory expectations into action — possibly due to limited technical capacity, competing business priorities, or structural constraints in their supply chains.

High-performing companies also show limited additional response to regulations. This likely indicates that that some already have well-established supplier requirements in place, though overall implementation across the market remains uneven.

How resource capacity influences regulatory outcomes

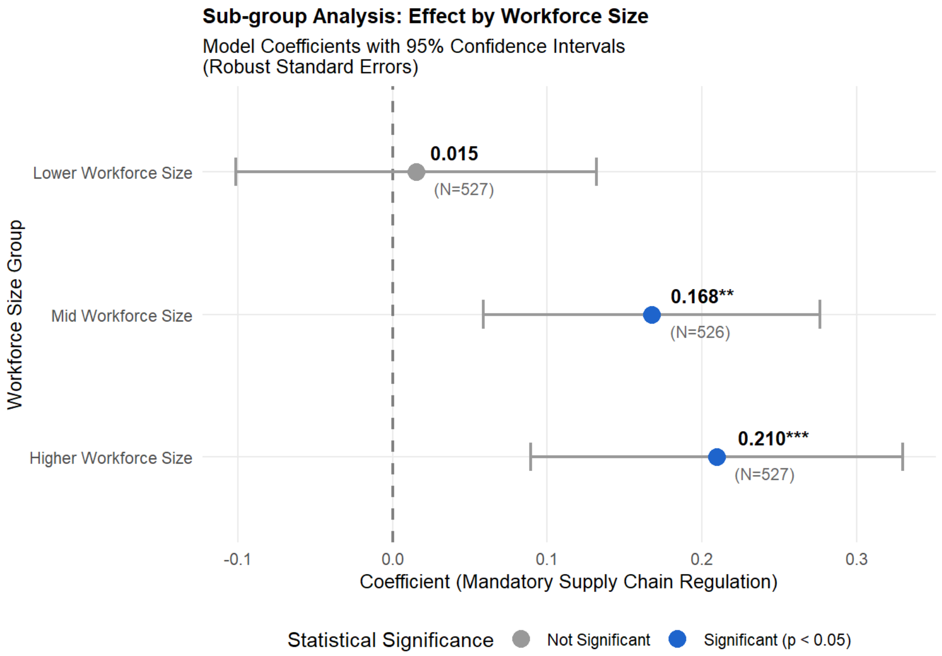
Company size and organizational capacity appear to influence how effectively firms set supplier standards under regulatory frameworks. Lower-revenue companies tend to have weaker supplier standards even when regulations are in place, while mid- and higher-revenue firms show relatively stronger effects. This may indicate that financial resources and organizational infrastructure support companies in translating regulatory expectations into practice.

FIGURE 7. HETEROGENEOUS EFFECTS OF SUPPLY CHAIN REGULATION ACROSS REVENUE GROUPS



Note: The following control variables are included in the estimation model: the log of Employees, being in a high-risk sector, and adjusted CSI score (IHS transformed).

FIGURE 8. HETEROGENEOUS EFFECTS OF SUPPLY CHAIN REGULATION ACROSS WORKFORCE SIZE GROUPS



Note: The following control variables are included in the estimation model: the log of Revenue, being in a high-risk sector, and adjusted CSI score (IHS transformed).

Similarly, companies with larger workforces are more likely to achieve higher supplier standard scores under the presence of regulations. Workforce size likely serves as a proxy for organizational complexity, management capacity and the resources available, which could shape a firm's ability to strengthen supplier standards.

Implications

The results suggest that both internal commitments to socially responsible business practices and the regulatory context play a role in shaping supply chain standards. This has direct implications for suppliers in global value chains. Suppliers serving buyers with stronger internal practices or headquartered in regulated markets are more likely to encounter higher business conduct standards. Being prepared and aligning with these standards can help secure long-term business relationships. At the same time, buyers have an important role in setting clearer standards and expectations, and in supporting their suppliers through guidance, capacity building and realistic purchasing practices to ensure that these standards lead to genuine improvements on the ground.

From a policy perspective, these findings reveal a differentiated pattern of regulatory influence. Mandatory supply chain regulations appear to have the strongest effect among mid-performing and mid- to large-sized companies—those that have the capability to improve supply chain accountability but still have room for improvement. These firms represent the most "moveable" through regulatory pressure. In contrast, smaller or lower-performing companies may face challenges in meeting regulatory expectations. For these firms, combining mandatory regulations with complementary mechanisms, such as technical guidance, industry best practice sharing, and clearer implementation pathways, could strengthen regulatory effectiveness. The variation in enforcement mechanisms across different mandatory regulations, ranging from strong provisions like goods seizure and substantial penalties to minimal disclosure-only requirements, likely contributes to this heterogeneous response pattern.

Case studies

To bring the analysis to life, this section presents case studies from member companies of the **World Business Council for Sustainable Development (WBCSD)** and the **Impact Investment Exchange (IIX)**, developed through WBA's collaboration with these partners. These examples show how responsible business conduct translates into practical outcomes across different contexts — from national enterprises with global reach to women-led SMEs.

Each case illustrates how companies are integrating sustainability into their operations and supply chains, reflecting the two analytical dimensions explored in this paper: the relationship between responsible business conduct and financial performance, and the role of regulation and governance in strengthening supplier standards and accountability.

Aliet Green: Empowering women farmers and scaling sustainable agriculture[5]

Aliet Green, founded in 2009 in Yogyakarta, Indonesia, is a women-led social enterprise producing organic coconut sugar, syrups and spices. The company has embedded sustainability and inclusion into its business model, working with more than 1,000 smallholder farmers (around 90%of them are women) to advance fair-trade principles and regenerative agriculture. By prioritising environmental stewardship and gender equity, Aliet Green has improved the livelihoods of rural farming communities while demonstrating how responsible business conduct can enhance product quality and competitiveness in international markets.

Aliet Green has been widely recognised for its leadership in sustainable agriculture. It pioneered the world's first Organic and Fairtrade-certified coconut sugar and later earned BRC Global Standard and B Corp certifications, reflecting its commitment to ethical supply chains, regenerative farming and transparent business practices. These achievements awarded Aliet Green with IIX's impact certification, the Orange Seal, and laid a strong foundation for their growth and investment. Building on this strong base, Aliet Green attracted partners that shared its values and commitment to inclusive growth. Through the Orange Capital Facility by IIX, the company successfully accessed catalytic financing of USD 450,000 to expand its processing facilities and strengthen investor readiness. By scaling on the strength of its sustainability commitments, Aliet Green increased its production capacity, strengthened export operations, and expanded its global market share. Its verified impact credentials positioned it among Indonesia's leading sustainable agriculture exporters and a preferred partner for conscious consumers worldwide.

Connection to the paper's analysis: Aliet Green's experience reflects the mechanisms discussed in the first dimension of this paper. By linking fair-trade practices and gender empowerment with improved market access and investment opportunities, the company demonstrates how responsible business conduct can align with long-term growth.

[5] This case was provided by Impact Investment Exchange (IIX). Learn more about Aliet Green at https://alietgreen.com/

Komodo Water: Building resilient communities through sustainable water solutions[6]

Komodo Water is an enterprise providing clean drinking water services and solar-powered refill systems to remote Indonesian islands, including Komodo National Park. Its model combines local ownership, community engagement, and gender empowerment to promote equitable access to clean water and environmental sustainability. By employing local women to manage refill stations, the enterprise has created economic opportunities while reducing plastic waste from bottled water.

Through this inclusive and environmentally responsible approach, Komodo Water improved access to clean water for underserved communities and reduced reliance on single-use plastics. Its achievements earned Komodo Water the SEED Low Carbon Award and IIX's Orange Seal to certify their gender and climate impact. Building on these foundations, Komodo Water accessed funding of USD 500,000 through a blended finance structure facilitated by IIX to expand its operations and strengthen growth. With this support, the company scaled its solar-powered water systems, enhanced operational efficiency, and expanded to three additional islands. Komodo Water's verified impact credibility also opened new partnerships with development agencies and investors in the blue economy space. It has since consolidated its position as a pioneer in decentralized water infrastructure across Indonesia's coastal regions.

Connection to the paper's analysis: The experience of Komodo Water further illustrates the paper's analysis of how responsible business conduct can create both social impact and business value, showing how renewable energy solutions and community-led operations can enhance efficiency, attract investment, and support business expansion while delivering environmental benefits.

PETRONAS: Strengthening supplier sustainability readiness for Malaysia's energy transition[7]

As Malaysia's national oil and gas company, PETRONAS is embedding sustainability across its operations and value chain to support a just and equitable low-carbon transition. Recognising suppliers as a cornerstone of this shift, PETRONAS launched the Supplier Support Program (PSSP) in August 2024 to build sustainability readiness among its predominantly SME supplier base, which makes up over 80% of its suppliers.

The PSSP is supported by Malaysia's Joint Committee for Climate Change, Bursa Malaysia, and the UN Global Compact Network Malaysia & Brunei, ensuring coherence with national frameworks such as the National OGSE Sustainability Roadmap, the National Energy Transition Roadmap, and the National Sustainability Reporting Framework. Through the PSSP, PETRONAS helps suppliers integrate ESG practices by strengthening capabilities in disclosure, climate action, and human rights. It also

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[6] This case was provided by Impact Investment Exchange (IIX). Learn more about Komodo Water at https://www.komodowater.org/about-us-2/

[7] This case was facilitated by the World Business Council for Sustainable Development (WBCSD) in collaboration with its member company PETRONAS. Learn more at https://www.petronas.com/

collaborates with financial institutions to provide sustainability-linked financing, improving suppliers' access to capital for green investments.

The impact has been tangible. In 2024 alone, PETRONAS engaged over 1,000 suppliers across 23 nationwide sessions, with 729 suppliers formally registering in the PSSP by mid-2025. The company also developed a Centralized Sustainability Intelligence Platform (CSIP) to simplify disclosures and established a dedicated Supplier Sustainability Hub (PSSH) to provide sector-specific knowledge and tools for the Oil and Gas Services and Equipment (OGSE) industry. Through these efforts, PETRONAS helped unlock approximately RM 1 billion (USD 230 million) in sustainability-linked financing, directly accelerating supplier decarbonisation.

Connection to the paper's analysis: PETRONAS' experience reflects the paper's analysis of how policy frameworks and proactive corporate action can reinforce responsible business conduct across supply chains. By supporting suppliers through capacity building and sustainable finance, PETRONAS not only advances national transition objectives but also strengthens supplier competitiveness and the resilience of its own value chain.

About IIX

Impact Investment Exchange (IIX) is a global leader in impact investing, pioneering innovative financial mechanisms that connect underserved communities to capital markets. Since its founding in 2009, IIX has built pathways for sustainable growth and gender equity across more than 60 countries, unlocking over US$500 million in impact investments and conducting over 1000 impact assessments to date.

Through its ecosystem of platforms, including the Orange Seal for verifying measurable social and environmental impact, and Impact Partners for connecting high-impact enterprises with mission-aligned investors, IIX continues to advance inclusive finance and climate resilience in emerging markets.

Learn more at www.iixglobal.com.

About WBCSD

The World Business Council for Sustainable Development (WBCSD) is the leading community of over 250 global businesses making sustainability performance a key driver for competitiveness.

Established in 1995, WBCSD is a non-profit member-led organization that connects business leaders through all sectors and major economies, and creates the tools and frameworks to scale collective impact, drive cross-sector innovation, and shape an ambitious, enabling policy agenda. Operating from seven offices worldwide, WBCSD enables collaboration across value chains and geographies. Together with its members, it works to rewire economic and financial systems to support the transition to a net-zero, nature-positive, and inclusive future that creates long-term business value.

Learn more at www.wbcsd.org.

Next steps

This discussion paper is intended as a starting point for dialogue – to invite feedback, questions, and diverse perspectives on how responsible business conduct can contribute to competitiveness and long-term value. We welcome insights from companies, investors, policymakers, and civil society on how this analysis can be further strengthened and applied in practice. We are particularly interested in whether these findings align with what stakeholders observe in practice, what additional factors or pathways linking responsible business conduct to business outcomes should be explored, and how this work can be made more useful for decision-making, whether in corporate strategy, investment processes or policy design.

Beyond the findings presented here, a growing body of research is contributing to the evidence base on the business case for responsible business conduct. For example, the recent paper by the UNDP[8], supported by WBA's Corporate Human Rights Benchmark data, examines the financial implications of corporate human rights performance and offers a complementary perspective to this analysis. Together, these studies offer complementary insights into the links between responsible business conduct, competitiveness, and sustainability.

It is equally important to recognise what the data does *not* say here. Strengthening responsible business practices requires investment, especially when addressing systematic risks or shifting business models. Sustainability is not a silver bullet, nor should responsible business conduct be viewed as a standalone profitability lever. Instead, it is one component of a broader corporate accountability framework – one that includes meaningful engagement with workers and communities, transparent governance, climate and environmental responsibility, and alignment with emerging regulatory expectations. Our findings suggest that when companies integrate these practices into their core operations, they often go hand in hand with operational efficiency, resilience and stakeholder trust over time.

Looking ahead, there is significant potential to deepen and expand this research. In early 2026, new data will become available from WBA's assessment of 2,000 globally influential companies, including the latest Climate and Energy Benchmark results and updated Core Social Indicator (CSI) assessments. This will enable further analysis of how companies are integrating sustainability into business performance and supply chain practices over time.

WBA will also continue to collaborate with partners, including UNDP, WBCSD, and other organisations across the policy, research, and private sectors, to deepen the research and expand the evidence base on how responsible business conduct relates to competitiveness and financial outcomes. In parallel, we see opportunities to translate these insights into practical tools and shared learning resources, such as a business case toolkit to help companies demonstrate value creation through data, and peer learning sessions that connect practitioners across regions and industries.

By building on this foundation together, we can strengthen an evidence-based and action-oriented understanding of how responsible business conduct supports both sustainable development and long-term business success.

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[8] https://www.undp.org/publications/human-rights-vs-competitiveness-false-dilemma

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Prins Hendrikkade 25, 1021 TM Amsterdam The Netherlands. www.worldbenchmarkingalliance.org