

Future-Proof Business

Running companies well, well into the future



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① This document



① This document

***Future-Proof Business* is a guide to support companies in defining the scope, scale, and specifics of how their businesses can evolve to meet the challenges of the future and to deliver true value across social, environmental, and economic dimensions.**

It provides a “blueprint” for the evolution of business practice required to achieve the World Business Council for Sustainable Development’s (WBCSD) Vision 2050 of 9+ billion people living well, within planetary boundaries, by mid-century.

The document is strategic, providing high level guidance and descriptions of the transformations in corporate practice required to future-proof companies.

It is for use by:

- Chief Executive Officers (CEOs), Chief Financial Officers (CFOs) and the C-Suite to understand the implications of sustainable transformation for the way that they develop and drive the sustainable purpose, management, and performance of their organizations.
- Leadership and their Chief Sustainability Officers to be able to identify and assess their current activities and judge both where they are in their sustainability journey and where their ambition could take them next.

An annex of information resources and practical tools corresponding to each section of this guide is provided at the end of the document.

WBCSD intends to follow this guide by highlighting and providing dedicated resources, guidance and support for our members and other companies to drive strategic sustainable change in their businesses.



② The urgent need for change



② The urgent need for change

WBCSD's Vision 2050 is for 9+ billion people to be able to live well, within planetary boundaries, by mid-century. Originally developed in 2010, WBCSD recently completed a refresh of Vision 2050. A coalition of WBCSD's Executive Committee, members, global network and external experts worked for 2 years to bring Vision 2050 up to date for the decade to come.

As unprecedented climate, nature and inequality challenges intensify, key tipping points are being reached. The reality is that, to date, change has not happened at anywhere near the speed and scale required. The disruption of COVID-19 has further exposed deep societal vulnerabilities underscoring the threat these pose to our long-term stability and prosperity.

Vision 2050: Time to Transform, launched in March 2021, lays out a framework for business action in line with the challenges that we face as global societies, and it shows how we can still achieve our Vision, but only if we embark on a journey of transformation now. Business, government, and civil society must change the systems that have created the challenges we now face – and change them so profoundly that we can legitimately call it transformation. The next decade represents a final window of opportunity to correct our course. Addressing these challenges is critical to business' interests – ultimately its long-term success depends on thriving societies to trade with and a healthy planet for us all to exist on.

VISION 2050'S TRANSFORMATION FRAMEWORK

Vision 2050's framework consists of its core vision (detailing the features of what it means to live well, within planetary boundaries), nine ambitious yet realistic transformation pathways across the key areas of business activity that are essential to society, and three radical business mindset shifts that will be the difference between incremental change and the accelerated transformation necessary to achieve our vision by 2050. The framework is built on an understanding of how systems transform, including the essential enablers of transformation (innovation & technology, finance & investment, individuals & consumption, and policy & regulation) that are the keys to translating business actions into impact at societal scale.

One of the three mindset shifts outlined in Vision 2050 is the reinvention of capitalism. We need to reinvent the model that we have grown up with so that it rewards value creation, not value extraction.

WBCSD is not alone in calling for the reinvention, reimagining, and redesigning of our model of capitalism and its outcomes. Proponents of change have proposed a range of tweaks and shifts to the system of capitalism, such as 'stakeholder capitalism'¹ and 'inclusive capitalism'.²

Whatever term is used, the direction of travel is clear. Companies, investors, and the global financial system more broadly, need to move beyond a narrow focus upon returns on financial capital, and include environmental, human, and social capitals in resource allocation

and valuation models. In order to facilitate this move, companies and investors need to agree upon, produce and be able to assess the correct decision useful information that would allow actors in the financial system to assess and reward performance which contributes towards a sustainable future.

As part of the research for Vision 2050, WBCSD published an issue brief "[Reinventing Capitalism](#)"³ which explored how, at a systems level, capitalism needs to evolve to provide fertile ground for companies to drive transformational change.

WBCSD does not seek to pick a "winner" from the range of suggested approaches to sustainable capitalism, but believes that any reinvented model of capitalism should be:

1. **Stakeholder-orientated**, rather than shareholder-value-maximizing.
2. **Impact-internalizing**, rather than impact externalizing.
3. **Long-term**, rather than short term.
4. **Regenerative**, rather than degenerative.
5. **Accountable**, rather than unaccountable.

Future-Proof Business lays out the way in which WBCSD envisages the changes in corporate purpose, organization and performance that will shift company mindsets away from "capitalism as usual" and bring about the reinvention that will unleash the urgent transformations required.

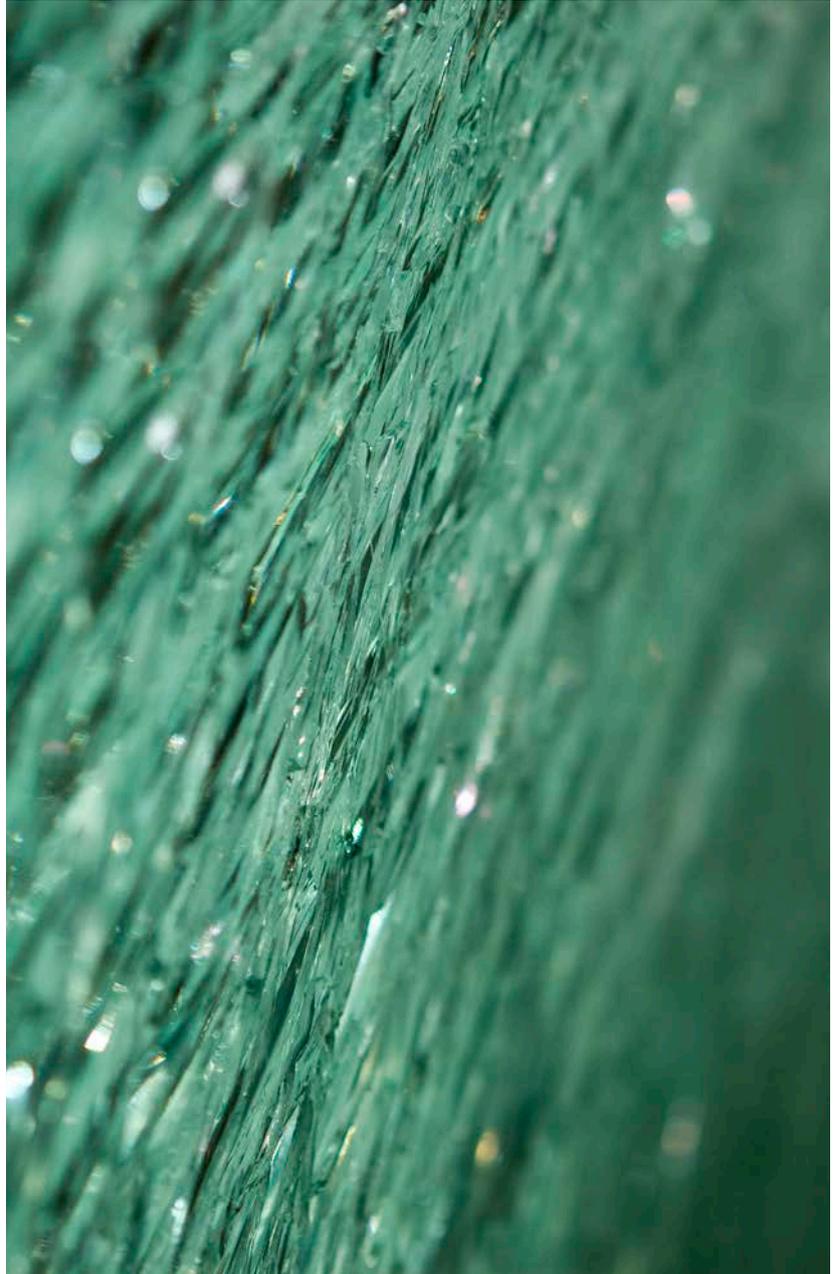
DELIVERING TRANSFORMATION THROUGH FUTURE-PROOF BUSINESS

Implicit in a reinvention of capitalism are new forms of value, policy, priority and practice, each orientated to support what Grin et al call the "sustainable transition" and define as "radical transformation towards a sustainable society, as a response to a number of persistent problems confronting contemporary modern societies".⁴

But what should the roles and activities of business be to drive and thrive through sustainable transition? How should corporate entities build and evolve so that they reflect and exhibit the features of a reinvented capitalism?

The answers to these questions provide insight into the evolution of business practice required for sustainable transition.

Future-Proof companies will be those which undertake sustainable transition - the journey to Future-Proof Business.



③ The business case



③ The business case

THE TRANSITION IMPERATIVE

Existing business practices have consequences on natural, social, and human capital. Shifting from business as usual requires companies to minimize the negatives and maximize the positives to improve global outcomes and maintain the bottom line. This is about fundamental systemic change, not shifting problems from jurisdiction to jurisdiction or from one sector to another. Business that is unwilling or unable to evolve will be unlikely to survive as capital will be more costly or difficult to obtain, products will have lower relevance and social license to operate will be affected by reputational impacts.

Consensus on what constitutes the required performance trajectories for some key environmental issues has emerged with the Science Based Targets initiative⁵ - translating the required carbon reduction trajectories to stay with a 1.5° C world into the context of individual companies.

Such transition pathways may also be developed for other critical environmental issues, such as zero net nature loss and the development of a circular economy.⁶ It is also likely that specific targets will emerge in social dimensions such as human rights in the supply chain and just transition,⁷ requiring companies to be able to demonstrate and prove social benefit and the contribution of corporate activities to societal and system resilience.

Those companies which have the **capability** to make a positive impact with their products and solutions, also have the **responsibility** to make such a meaningful positive impact.

Therefore, companies will need to transform in order to thrive through upcoming regulatory, consumer and geopolitical changes – and to ensure that profits are not derived in such a way as to impede the long-term success of the business, the viability of the planet's systems or the rights and opportunities of current and future generations.

THE FINANCE IMPERATIVE

Companies have tremendous opportunities to partner with the financial sector and scale their sustainable business practices. Increasingly, investors and financial institutions are integrating environmental, social and governance (ESG) considerations into their capital allocation and financing decisions, rewarding more sustainable companies.

Investment action to prioritize and value sustainable transition is likely to continue. Capital will shift to those companies that present the most coherent and convincing cases for long term growth, are clear and consistent in their disclosure of sustainability performance and can demonstrate their ability to create value in ways which are stimulated, rather than limited, by the challenges of a changing future.

Do you have a business model that will allow you to survive and thrive in a world increasingly focused on recognizing and operating within resource limits, with fast moving environmental and social concerns, and with a growing population?

It is in the interests of your business to navigate this future with sustainability at the heart of your approach, focusing upon delivering products and services that anticipate and meet society's needs, within planetary boundaries.

Companies that don't keep up will struggle

Companies that fail to make the transition with the speed and agility required are likely to attract a higher degree of risk, produce more volatile earnings and losses and have less resilient business models. The result is likely to be a higher cost of capital, poor risk and credit ratings and increasing challenges to business' license to operate.⁸

ESG and financial outperformance

Evidence is building that companies which understand the strategic implications of sustainability, reflect this within their strategies, and consistently develop and communicate their governance of and performance in sustainability, outperform the market.

For instance, in the equity market so far in 2021, 81% of sustainable indexes have outperformed their parent benchmarks, demonstrating a sustainability premium⁹ - albeit across a short timeframe. WBCSD research¹⁰ has also demonstrated that our members, 200 forward thinking companies,

which each have to comply with WBCSD's membership criteria,¹¹ outperformed index benchmarks throughout 2020.

Identifying the specific factors that prove the relationship between sustainability and financial outperformance has been the subject of a number of studies. Most have found a generally positive correlation, with the explanation that companies that take a strategic approach to recognizing and managing sustainability are also those which are most likely to be well run, having mature and integrated governance and management approaches, and be those more capable of spotting and responding to emerging risks and concerns.

Figure 1: North American members stock performance in 2020

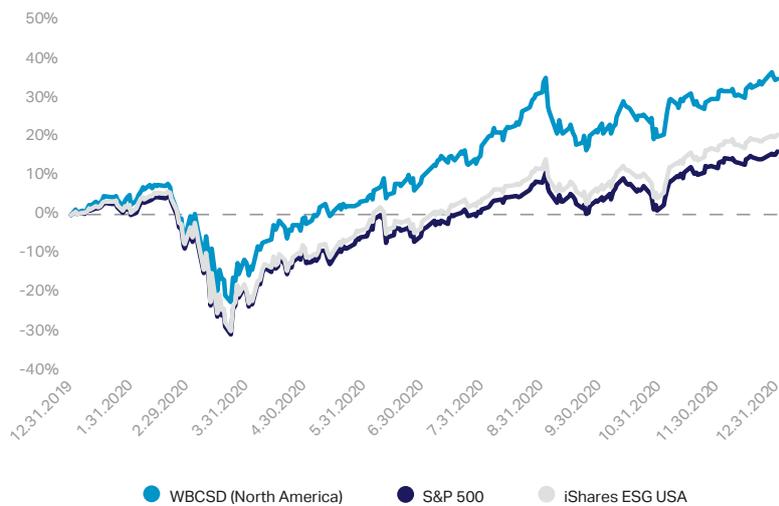


Figure 2: Europe members stock performance in 2020



In addition, there is a strong logical argument. A 2021 meta study¹³ of over 1,000 studies into the relationship between ESG and financial performance conducted by NYU Stern Center for Sustainable Business and Rockefeller Asset Management presented the following conclusions:

1. Improved financial performance due to ESG becomes more marked over longer time horizons.
2. ESG integration, broadly speaking as an investment strategy, seems to perform better than negative screening approaches.
3. ESG investing appears to provide downside protection, especially during a social or economic crisis.
4. Sustainability initiatives at corporations appear to drive better financial performance due to mediating factors such as improved risk management and more innovation.

5. Studies indicate that managing for a low-carbon future improves financial performance.
6. ESG disclosure on its own does not drive financial performance.

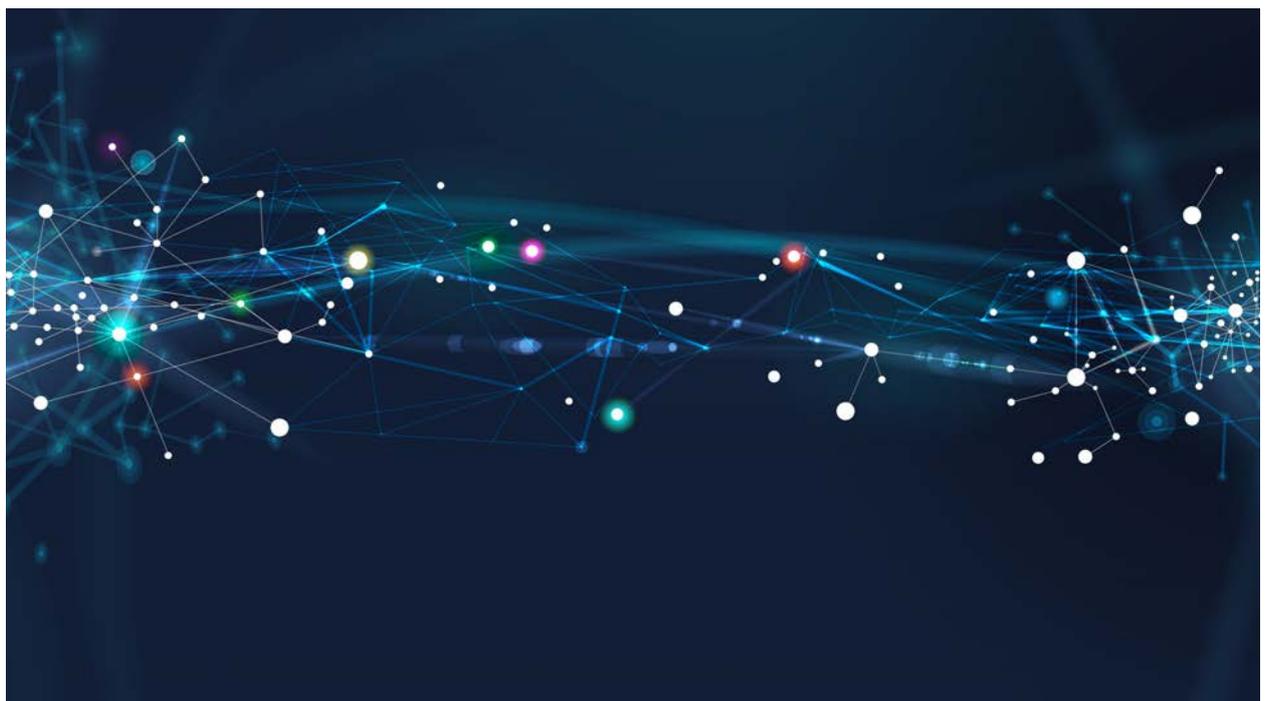
The rise of sustainability in debt markets

Companies are increasingly seeing debt markets (corporate lending, sustainability-related bond issues and revolving credit facilities) as a means by which to achieve sustainable business transition.

Recent research from BloombergNEF¹⁴ found that, despite the challenges of COVID-19, there has been a significant growth in the issuance of social bonds, green bonds, sustainability bonds (where funds are dedicated to specific green and social projects) and sustainability linked bonds (corporates raising money to support the delivery of strategic sustainability ambitions and goals). In 2020, sustainable bonds and loans saw growth of 29% from the previous year to USD \$732.1 billion.

Environmental Finance's Sustainable Bonds Insight 2021¹⁵ notes that 2020 saw a substantial expansion in the diversity of sustainable debt, with social bonds showing the most significant increase, growing nine-fold during the year, specifically in response to the COVID-19 pandemic. Sustainability linked bonds are the latest type of sustainable debt financing to be articulated, and 2020 saw issuances of almost USD \$9 billion, from companies in the paper, pharmaceutical, fashion, and real estate sectors.

The proceeds of sustainable debt financing are used for a wide variety of uses, the largest being renewable energy, followed by green buildings, access to essential services, clean transportation, and COVID-19 response.



GETTING AHEAD OF THE CURVE: THINK BEYOND THE BUSINESS

There are aspects of sustainability that are not yet financially material to business in terms of direct financial measures such as Cost of Capital, Earnings Per Share or Return on Capital Employed, but which may have a financial impact on the company in the future – such as the continued ability to access an environmental or social resource or to assume consistent operating conditions. Historically, economic activities have focused on profit-maximization in the near term, while discounting the value of future resources and activities, presenting barriers or disincentives to those companies taking a long-term perspective.

However, increased focus from investor groups, changing consumer preferences, public pressure, evolving legal duties and pending regulatory intervention are widening the range of what companies and investors need to consider as material, both in terms of scale (more issues are in focus) and scope (increased detail on performance is required).¹⁶ This is pushing companies to demonstrate how they create value across social, environmental, and financial dimensions. There is a growing need for companies to understand the implications that their sustainability performance has on their risk profile and enterprise value creation, but also to quantify, disclose and drive down the negative social and environmental impacts and dependencies that their business models may have.

Businesses are increasingly expected to demonstrate leadership in responding to environmental and social challenges. This is highlighted through investor action to ensure that the world's biggest corporate emitters take necessary action on climate change,¹⁷ nature loss, biodiversity¹⁸ and human rights.¹⁹

In addition, there is a significant rise in 'strategic litigation' with a particular emphasis upon climate-oriented action. Proponents of legal processes use strategic litigation to raise the ambition of companies and governments with regard to their sustainability performance and policies.²⁰

An overview, 'Global trends in climate change litigation,'²¹ produced in July 2021 by the Grantham Institute, noted that:

"Globally, the cumulative number of climate change-related cases has more than doubled since 2015. Just over 800 cases were filed between 1986 and 2014, while over 1,000 cases have been brought in the last six years.

The number of 'strategic' cases is dramatically on the rise. These are cases that aim to bring about some broader societal shift.

Cases are targeting a wider variety of private sector and financial actors and there is more diversity in the arguments being used, incorporating, for example, themes of greenwashing and fiduciary duty."

The trend for a wide variety of stakeholders to expect and require companies to respond to sustainability issues is likely to continue – far beyond run-of-the-mill voluntary efforts, due to both investor focus, which indicates that there is a rising trend of ESG issues forming a growing theme in proxy voting,²² and regulatory intervention, such as the US Securities

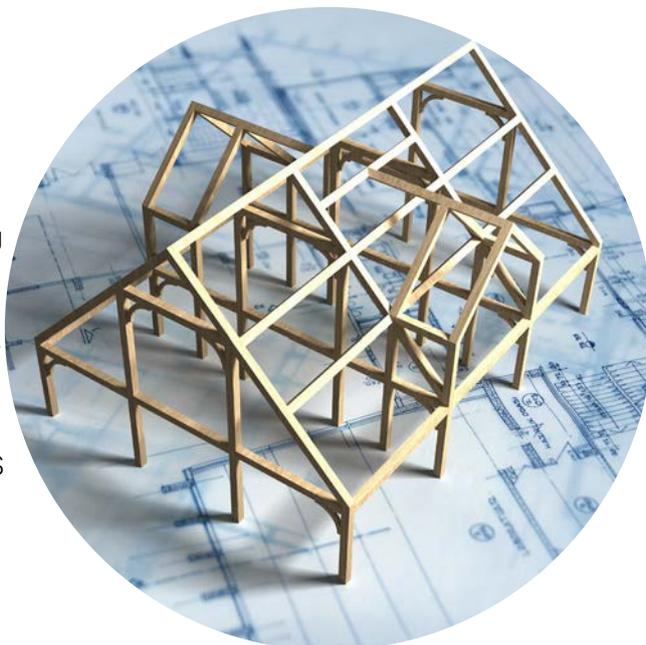
and Exchange Commission's (SEC) review of Climate Related Disclosure²³ and the UK Financial Conduct Authority's consultation on enhancing climate related disclosures.²⁴

As a further example of the policy implications of environmental transitions, the Principles for Responsible Investment (PRI) maintains a policy forecast of the Inevitable Policy Responses²⁵ required to meet global climate goals.

Environmental and social challenges, once recognized and accepted, give rise to the need for investment and business change, supported and driven by policy and regulation.

Disclosure and double materiality

Until recently, corporate disclosure on sustainability approaches and performance has been largely operational-impact oriented. That is to say, companies have been expected to disclose their performance as it relates to how they take care of their own operations and people, act to reduce emissions from their manufacturing sites, approach key issues of public concern such as climate and water and engage with employees.



However, this focus is changing to require a fuller, quantifiable, and auditable picture of the net effect of the company's existence and the demonstration of this in the wider context of value chain performance, the health and wellbeing of people accessing products and services and the contribution that companies make to improving quality of life and livelihoods in general.

This wider focus is supported by emerging changes in regulation which will explicitly require companies to be cognizant of both the impact that sustainability issues will have upon their financial performance and their impacts on, and contribution to, social and environmental challenges (often referred to as "double

materiality"). For example, under the EU Corporate Sustainability Reporting Directive (CSRD), all large private and listed companies in EU regulated markets will have to follow detailed reporting standards using a double materiality lens. Under this principle, "Companies will have to report on how sustainability issues, such as climate change, affects their business and the impact of their activities on people and the environment."²⁶ Companies covered by the CSRD will be expected to produce reports covering its requirements in 2024 (covering financial year 2023).

Many existing and developing regulatory and disclosure frameworks have a narrower focus than the EU's CSRD,

considering that sustainability and ESG issues are material to companies and investors if they are capable of impacting upon "enterprise value". For instance, the International Financial Reporting Standards (IFRS) Foundation's proposed Sustainability Standards Board is tasked with accelerating convergence in global sustainability reporting standards focused on enterprise value.²⁷

However, companies that want to remain competitive will also need to understand and respond to this wider interpretation of impacts and dependencies and move beyond compliance in order to become Future-Proof.

④ Making the transition to Future-Proof Business



④ Making the transition to Future-Proof Business

WBCSD's Vision 2050 highlights 3 fundamental business mindset shifts²⁸ that will unlock sustainable transition, these are:

- **Reinvention** – recognizing that our current system of capitalism is producing outcomes that are unsustainable. Generating long term returns requires a transformed model of capitalism that rewards true value creation, rather than value extraction.
- **Resilience** – enhancing business' capacity to anticipate, embrace and adapt to changes and disruptions in order to safeguard its long-term success.
- **Regeneration** – moving beyond a "doing no harm" mindset to one in which we build the capacity of our social and environmental systems to heal and thrive.

Vision 2050 also identifies 3 immediate priorities for companies, that they:

- Rigorously account for and report on ESG risks and impacts.
- Incorporate multi-stakeholder considerations into governance models, decision making and incentives.
- Pay taxes in a fair and transparent way.

DEFINING FUTURE-PROOF BUSINESS

Translating these mindset shifts and priority actions into the wider context of how business practices need to evolve is what we are calling the journey towards Future-Proof Business.

Material ESG issues and opportunities should not be considered separately or as parallel concerns to conventional business priorities but instead as business drivers capable of giving rise to strategic corporate risk, vulnerability, opportunity, innovation and value creation.

Put simply, a Future-Proof Business will be:

- *Responsible and accountable* for their share of impacts across social, environmental, and economic dimensions.
- *Responsive* to limits (planetary boundaries, growth), requirements and desires, stated and implicit, relating to the stability and resilience of societies and fundamental sources of value.

Through this approach, such organisations would therefore be best placed to be recognized and rewarded financially by capital market actors and wider stakeholders.

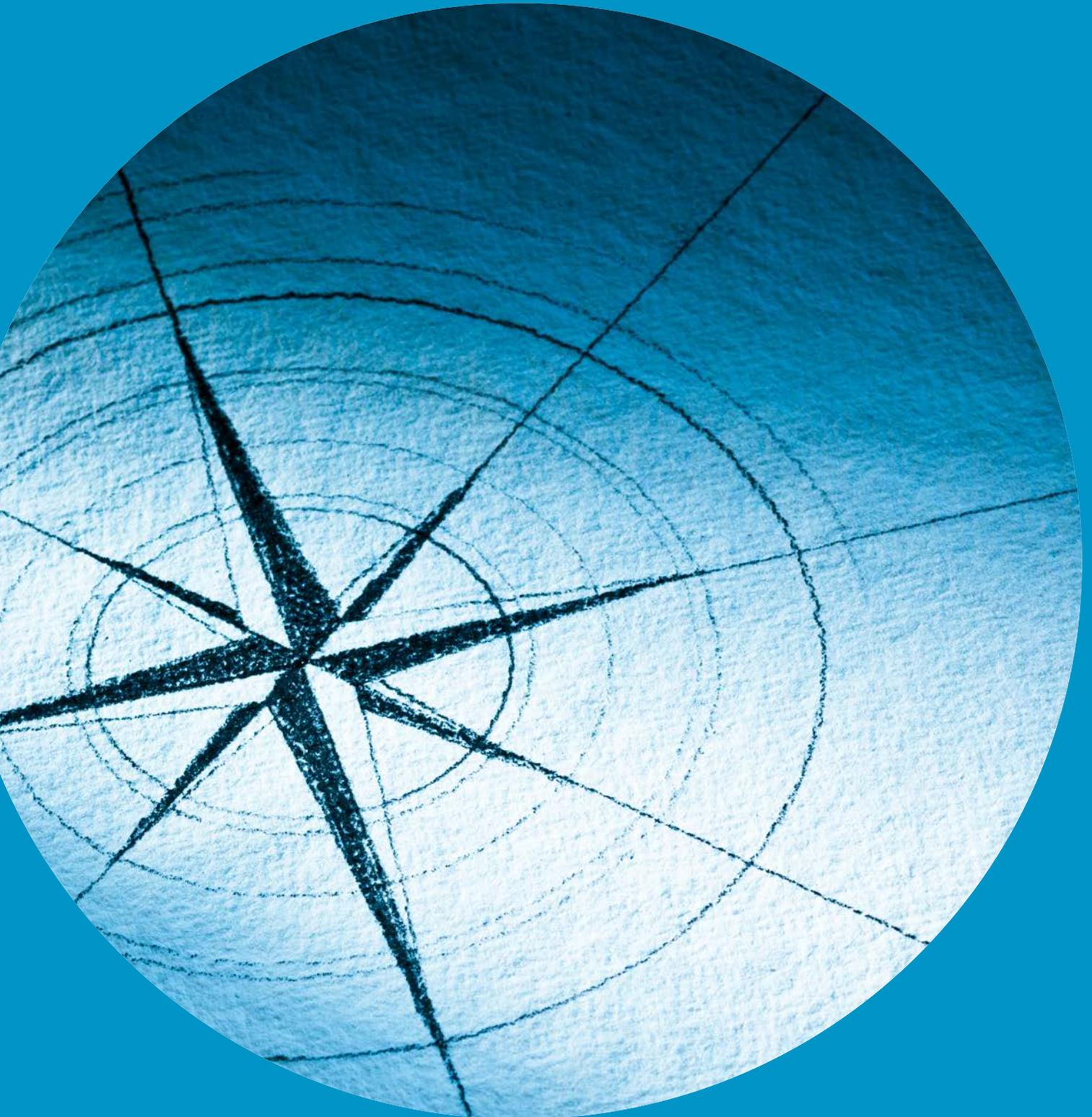
By developing and delivering stewardship models for resource management – active engagement, involvement and anticipation of stakeholder concerns and priorities alongside consistent and assurable performance disclosure – companies will remain financially competitive and be primed to deliver against long term sustainability goals which are aligned with planetary boundaries and the Sustainable Development Goals.

A FOCUS ON THE FUNDAMENTALS

Future-Proofed businesses will need to evolve their intentions, activities, product, and service offerings and impacts by making the necessary changes to the following fundamentals:

- **Purpose, strategy & governance** – which places medium- to long-term delivery of sustainable performance, business resilience and viability at the heart of the conception and management of value creation.
- **Systems** – for internal management and controls that focus on the recognition of ESG risks, vulnerabilities, and opportunities; the production of consistent, quality, ESG-integrated management information for internal decision making and external disclosure and the integrated management of sustainability through governance, performance management and reward.
- **Performance** – that is financially competitive and regenerative in intent, aligned with transition trajectories, e.g., Science Based Targets (SBTs), zero net nature loss, circularity, bioeconomy and sustainable resource use, capable of being audited and assured to Reasonable level.²⁹

⑤ First steps to Future-Proof Business



⑤ First steps to Future-Proof Business

EVOLVING PURPOSE, STRATEGY AND GOVERNANCE

Purpose

Purpose is a company's reason for being. It defines and describes the organization's intent and values, beyond a pure focus on financial value creation. Professor Colin Mayer of the University of Oxford provides a succinct description: "the purpose of business is to produce profitable solutions to the problems of people and planet, and not to profit from producing problems for people or planet."³⁰

Authentic corporate purpose provides an anchor, which maintains position, but also a compass, which defines direction. Companies that want to thrive in the coming decades will need to be explicit that their purpose is to generate true value while responding to and solving social and environmental challenges to clearly and manifestly contribute towards a sustainable and equitable future.

Just as investors assess corporate strategic intentions and integrate their judgements into valuation approaches, companies that explicitly connect their corporate purpose and performance to their contribution towards the transition to a sustainable future will gain benefits from stakeholders in general, and specific recognition and reward from investors.

Strategy

Strategy is the distilled expression of a company's purpose, reflecting its value proposition and the challenges to and opportunities for creating value.

When sustainability is an integral, strategic, priority for a business, it is reflected in the company's value proposition, performance and prospects for future growth and performance potential.

In other words, sustainability risks, opportunities and implications become a fundamental, explicit part of a company's disclosure and the value creation and management conversations that they have with investors and other stakeholders.

During the transition, business strategy should be developed and evolved through proper recognition of a changing world and its implications for business as usual.³¹

For example, a Future-Proofed business strategy should clearly demonstrate, where appropriate, transition strategies that connect with scientific and social consensus for the scale and direction of change, such as the progress towards a zero-carbon economy required to limit global warming to 1.5°C, and the achieve the Sustainable Development Goals (SDGs).



What is the difference between today's strategies and successful strategies of the future?

Corporate strategy would focus more substantially on the creation of resilience.³² Therefore, successful strategies of the future would derive from and be more significantly shaped by social and environmental issues, conditions, trends, and challenges than today's strategies. This is an evolution of the strategic analysis that companies already undertake, employing the same approaches and strategic analysis models that are in common use, but using a wider set of scenarios, drivers, assumptions, and longer time horizons to allow the identification and inclusion of aspects that might traditionally have been considered 'out of scope'.

To get started on building such a strategy, companies should consider the following questions:

Corporate purpose and wider system goals: How does my company connect itself, its capacities and activities, products and services with shared societal goals, ambitions, and requirements?

Corporate context: How well do existing strategic development tools support a transformational agenda and what additional sources of scenarios, information, intelligence, or guidance are required?

A wider consideration of value: How does my company depend on and contribute to society and the environment? How can my company demonstrate agility and responsiveness to changing societal values? Is there a change needed in what my company values?

Innovation, adaptation, and transition: Is my company willing to consider business model innovation that may involve significant changes? How, practically, can my company achieve such a transition?

Reconsidering competitive strategy: Is there room to move towards collaboration and joint investment and innovation across sectors and/or value chains? Is there appetite to undertake price and differentiation shifts – to focus less on profit per transaction and more on the value of customer relationships or pricing for access and therefore achieving market scale?

Governance

Governance is the means by which purpose and strategy are embedded, owned, and managed within a company. It is also the way in which organizational performance is assessed, investment decisions are made, and strategic challenges and opportunities are discussed.

As such, the board has an oversight responsibility for key decisions made within the organization. This responsibility is emphasized in the WBCSD publication "Modernizing governance: ESG challenges and recommendations for corporate directors".³³

"Failing to integrate sustainability into all elements of the board agenda may impact the achievement of the company strategy and business objectives."

As noted above, if sustainability is of strategic importance to a company, it is of strategic importance to both the roles and the processes by which boards are managed, assessed and rewarded.

Purpose, strategy and governance characteristics for Future-Proof Business

Purpose, strategy and governance capable of driving sustainable transformation would have the following characteristics:

- **A clear social, environmental, and economic purpose:** Business purpose objectives which reflect or adopt an explicit intention to drive corporate practice that creates true value across social, environmental and economic dimensions for the benefit of shareholders and wider stakeholders.

- **A shared long-term vision:** Businesses driven by and managed in the context of achieving a sustainable future such as that defined by Vision 2050, with strategies that place medium- to long-term delivery of sustainability, resilience, business viability and social equity at the heart of their conceptions of value creation.
- **Congruent and consistent governance that:**
 - o Fully integrates sustainability and ESG responsibility and management within corporate decision making, performance assessment and reward.
 - o Centers and reflects the delivery of corporate resilience though true value creation and demonstrates the delivery of social and environmental equity.
- **A focus on vulnerability and resilience:** business models that reflect and account for a company's risk to and risk from ESG issues (double materiality), respond to strategic risk and vulnerabilities in line with the SDGs and Planetary boundaries, and deliver true value to society.
- **Business models fit for the future:** Business models that seek to deliver restorative and stewardship-based resource relationships – e.g., fully circular, product to service innovation or bio-based materials use.
- **Context-based ambitions:** Ambition and goals congruent with existing and emerging global transition trajectories.

FUTURE-PROOFING CORPORATE SYSTEMS

Systems are the means by which corporate purpose and strategic intent are embedded and translated into organizational processes and decisions.

Given this, a focus upon the systems that a company has in place or seeks to develop to support sustainable ambition and progress is a key part of sustainable transition.

These systems will vary in part from company to company but will likely include the following common systems of corporate management:

- Risk and enterprise assessment and management
- Prioritization of management action and performance management
- Change management (embedding of new policies and priorities)
- Skills development and knowledge management
- Personal assessment and reward
- Product and service innovation

Systems characteristics for Future-Proof Business

Systems that support sustainable purpose and strategy would have the following characteristics:

- **Context-based calibration and management:** The ability to assess and manage corporate performance and prospects in alignment with sustainable transition and Vision 2050, which may include:
 - o Understanding corporate product and service portfolios and their full social and environmental value and impacts.
 - o Setting trajectories for the evolution to fully sustainable product and service portfolios.
 - o Establishing goals for sustainable revenue growth and innovation.
 - o Identifying cost curves and tipping points for business change.
 - o Managing for exit, identifying potentially stranded assets and approaches.
- **Innovation in management and measurement:** The use of multiple capitals-based management and measurement approaches.



- **Integration:** Systems of management and disclosure orientated around:
 - o Risk management: Complete integration of ESG risks, dependencies, vulnerabilities, and opportunities within risk management processes.
 - o Innovation management to drive sustainable portfolio development, use of alternative raw materials, product to service innovation, etc.
- **Producing decision-useful information:** The production of quality and consistent, decision-useful ESG information for internal management and decision making.

DRIVING SUSTAINABLE PERFORMANCE

How can corporate performance provide proof of successful sustainable transition management? It needs to measure and reflect the impacts and dependencies that a company has on society and the environment and indicate progress (or otherwise) towards financially competitive corporate and wider societal goals.

These two dimensions (reflecting corporate impacts and corporate

progress) of performance echo the concept of double materiality – the implications of corporate activities in terms of impact on social and environmental conditions, and the effects of sustainability issues and performance on corporate value (which investors and others term “enterprise value”).

Put simply, performance is key because it can tell stakeholders (inside and outside the company) whether and how “well” a company is undertaking sustainable transition.

Performance characteristics for Future-Proof Business

Corporate performance for Future-Proof Business would have the following characteristics:

- **Regenerative intent:** Moving from “do less harm” and incremental improvement mindsets to the ambition to contribute to building the capacity for the self-sustaining abundance of life.
- **Context-based disclosure:** The ability to disclose performance and prospects in ways that allow stakeholders to assess the contribution of sustainability to enterprise (and social) value; the impacts and dependencies of the company on the environment and society;

and the organization’s alignment with sustainable transition. Performance would be explicitly aligned with transition objectives, such as:

- o Science Based Targets
- o Nature Positive
- o Task Force on Climate Related Financial Disclosures (TCFD) recommendations
- o Taskforce on Nature Related Financial Disclosures (TNFD)
- o Planetary Boundary trajectories as they emerge
- o Contribution to the SDGs
- o Human rights due diligence in supply chains
- o Contribution to just transition.

- **Disclosure of decision-useful information:** The production of quality and consistent, (double) material and decision-useful ESG information for external disclosure.³⁴
- **Transparent disclosures:** Levels of transparency and assurance that allows investors and other stakeholders to trust, depend on and make decisions based on corporate disclosures.



⑥ The journey to Future-Proof Business - maturity matrix



⑥ The journey to Future-Proof Business - maturity matrix

The table on the following pages is an illustrative model showing how corporate practice can evolve towards Future-Proof Business, across a range of categories, from business purpose, processes and structures to corporate behaviors.

It is intended to highlight, in 2021, what the journey towards Future-Proof Business could look like and will be revisited and revised over time.

It can be used, at a high level, to support assessment of current corporate practice, and help with defining corporate ambition for performance improvement.

TIMESCALE FOR FUTURE-PROOF BUSINESS

WBCSD's Vision 2050 articulates systems transformations that will be required over the coming decades to 2050. In line with this approach, the table below highlights some practices that

are at or beyond the cutting edge of current practice and are included to show what will be necessary to achieve sustainable business development within planetary boundaries and societal imperatives.

Some areas or required practice in the table below exist and are used by leading companies but are not yet mainstream practice.



MATURITY MATRIX

	UNSUSTAINABLE BUSINESS		ON THE PATH TO TRANSITION				NEW FUTURE-PROOF BUSINESS AS USUAL
Position on the journey	1	2	3	4	5	6	7
Evolving Purpose, Strategy & Governance							
Vision & Strategy – context and ambition	Ambition defined and driven by financial growth targets (ROCE etc.).	Ambition driven by finance and reputational management.	ESG complied with as cost of doing business – not as a value creation driver.	Ambition on common ESG aspects – climate, energy, water. Efficiency defines ambition through “less than last year” targets.	Sector leadership in development of collaborative medium-term approaches to material ESG challenges.	Long term transformation intention – shaped by recognition of context (e.g., environmental limits zero deforestation, SBTs. and social conditions and capacity in operating territories).	SDG and planetary boundary alignment, net positive performance.
Vision & Strategy – ESG orientation	Solely financially focused strategy and metrics.			ESG managed for capital performance benefits.	Partial introduction of ESG aspects to strategy setting and assessment.	Double materiality derived ESG risk, vulnerabilities and opportunities are an integral part of strategic analysis and strategy development.	Strategy development driven by (double) material ESG issues, global trends, and contribution to SDGs.

	UNSUSTAINABLE BUSINESS		ON THE PATH TO TRANSITION				NEW FUTURE-PROOF BUSINESS AS USUAL
Position on the journey	1	2	3	4	5	6	7
Evolving Purpose, Strategy & Governance							
Business Model - duty	Narrow reading of corporate duty to shareholder value maximization.			Business model can be adjusted without fundamental change.	Sector leadership in sustainability for reputation value creation.	New models such as circular economy in place in aspects/ units of the business.	For Benefit (e.g., B-Corp etc.) governance in place delivering across corporate, societal and planetary dimensions.
Business Model – natural resource relationships	Extractive approach to resource relationships.		Efficiency and cost driven material utilization.	Lean manufacture, renewable energy/ other inputs maximized where economic.	Life Cycle Analysis used to drive process and product design. Water neutrality, carbon neutrality.	Partial circularity in specific products or processes.	Stewardship-based resource relationships – e.g., fully circular, product to service innovation or bio-based materials utilization.
Business Model – activism/ policy approach	Actively lobbies for reduced regulation of Environment & Safety.	Advocacy activities to minimise threat of new regulation.	Neutral on regulatory developments.	Seeks minimum level of new regulation	Acts solely and in coalitions for higher regulatory standards in Environment & Safety.	Shared Value ³⁵ or equivalent models.	Benefit Corporation ³⁶ (or other) certification.
Culture – the company in society	Believes that sustainability is the responsibility of governments.	Neutral on ESG as a business issue	Compliance driven approach necessary as part of license to operate.	ESG orientation with value protection approach – focus on operational efficiency aspects.	Innovation drives new ventures, overall business model unchanged.	ESG seen as growth drivers.	Culture reinvention - company purpose to anticipate and solve global challenges.
Culture – stakeholder orientation	No engagement with corporate stakeholders.	Minimal engagement with corporate stakeholders.	Stakeholder management – stakeholder focus for PR and one-way communication.	Stakeholder engagement as risk management – identifying and managing reputational aspects.	Stakeholder responsiveness seen as driver of innovation.	Stakeholder orientation seen as driver of resilience.	Stakeholder orientation and representation seen as fundamental to license to operate.
Taxation stance and transparency approach	No published corporate tax policy.	Tax policy is published but does not cover the whole organisation.	A global tax policy is published – but is compliance-driven and lacks narrative on how tax fits within the company's sustainability approach.	A robust global tax policy is published but lack of clarity on how the policy is implemented and communicated internally (e.g., details on allocation of board responsibility, red lines on tax).	Evidence available on how tax policies are embedded within governance structures, named board ownership, and supported by appropriate training of executive committee and finance function.	Reporting on tax governance and risk management processes. Some level of reporting allowing stakeholders to assess how the companies' tax strategies impact the bottom line and support wider societal and economic needs in countries of operation/ activity.	Transparent and assurable granular disclosure at a tax jurisdiction level in line with GRI 207 full Country by Country Reporting (CBCR) to support the assertion of net positive social benefit through tax contributions.

	UNSUSTAINABLE BUSINESS		ON THE PATH TO TRANSITION				NEW FUTURE-PROOF BUSINESS AS USUAL
Position on the journey	1	2	3	4	5	6	7
Future-proofing corporate systems							
Environmental and Social Risk Governance	Risk processes developed but not scoped to include ESG.	ESG issues not recognized as material risks to business performance.	ESG risks treated as "hygiene factors".	Parallel ESG risk processes exist but not integrated with corporate risk management and communicated to separate ESG audiences.	ESG risk integration into mainstream risk management processes.	ESG issues recognized and disclosed as material factors, specific focus on climate (TCFD) and nature-related (TNFD) risks.	ESG issues weighted according to capability of giving rise to corporate impact over medium term.
ESG embedding – management priority and reward	No specific ESG management approach or processes.	ESG approached as philanthropic issue if at all.	ESG managed as operational issue through Environmental Management System (EMS) processes.	Operational ESG performance targets measured, and progress rewarded through operational level assessment.	ESG aspects in all business performance and management systems, reward partially weighted to ESG.	Staff assessment and reward equally weighted between ESG and financial performance.	Leadership reward weighted to ESG performance delivery; salary multiple policies ³⁷ in place.
Driving sustainable performance							
Performance & Intent – targets	No ESG Targets set.	Regulatory compliance defines performance goals where relevant.	Short term, incremental, performance goals set.	Incremental performance goals gradually evolved.	Absolute medium term impact reduction targets.	Sustainable transition alignment (e.g., SBT) and SDG impact long term performance targets set.	Verifiable net contribution to environmental and social quality and resilience.
Performance & Intent – focus	N/A	N/A	Passive SDG orientation - mapping cross overs and positive contributions.	Active SDG orientation - identifying possible conflicts with business activities.	Multiple Capitals ³⁸ approach informs measurement and management.	Multiple Capitals ³⁸ relationships and quality targets set. Zero Carbon and Zero Nature loss targets set.	Full Value Accounting undertaken including recognition of environmental and social costs and subsidies.
Performance & Intent – scope	N/A	N/A	Direct operational impact focus – material inputs and operational use.	Direct operational impact scope - material inputs, operational use, some use-phase effort.	Acknowledgement and management of some areas of indirect impact	Intent to take proportionate responsibility for direct and indirect impacts and dependencies.	Integrated value chain management and reporting approach.
Communication - disclosure	Solely financial communication	Financial communication and PR lead ESG/ philanthropic focused disclosure.	Separate sustainability disclosure – primarily non-investor audience.	No ESG aspects in investor communication.	Sustainability aspects in financial disclosure as hygiene factor (e.g., TCFD risk disclosure/ climate performance).	ESG fully and consistently embedded in investor communication.	Social utility/ value to society disclosure integrates ESG and economic performance equally.
Communication - assurance	No assurance of ESG as no ESG disclosure.	ESG disclosures not mature enough to be assured.	Disclosure may have third-party assurance/ verification or assurance of single aspects such as GHG performance.	Limited third-party assurance of main ESG KPIs.	Reasonable third-party assurance of main ESG KPIs.	Deep third-party assurance with developmental dialogue between company and assurers.	Real time assurance processes with developmental dialogue between company and assurers.

Information resources and practical tools

The following section includes a series of resources and guidance for the development of sustainable companies.

It includes tools developed by WBCSD and other partners, as well as those of other organizations committed to the development of sustainable business practice. They are presented in alphabetical order by section/ sub-section.

By its nature, no such list can be truly comprehensive. The inclusion of information or tools in this section does not necessarily imply a recommendation or endorsement by WBCSD of either specific resources, or of the organisations producing that resource.

EVOLVING PURPOSE, STRATEGY & GOVERNANCE

Purpose and vision

WBCSD Vision 2050 - selected elements

Vision 2050: Time for a Shared Vision: https://timetotransform.biz/wp-content/uploads/2021/03/WBCSD_Vision2050_Time-for-a-shared-vision.pdf

Vision 2050 Mindset Shift - Reinventions: <https://timetotransform.biz/reinvention/>

Vision 2050 Mindset Shift - Regeneration: <https://timetotransform.biz/regeneration/>

Vision 2050 Mindset Shift - Resilience: <https://timetotransform.biz/resilience/>

WBCSD's Vision 2050 Reinventing Capitalism Issue Brief: <https://www.wbcسد.org/Overview/About-us/Vision-2050-Time-to-Transform/Resources/Reinventing-capitalism-a-transformation-agenda>

WBCSD Tools and insights

WBCSD has developed and collated a range of resources for boards to understand and develop their strategic approaches to sustainability, from fiduciary duty, stakeholder engagement to disclosure: <https://wbcسدpublications.org/board-director-resources/>

WBCSD – simple questions for Boards on Purpose and Business Models: <https://wbcسدpublications.org/wp-content/uploads/2020/05/Questions-Purpose-and-Business-Model.pdf>

WBCSD/ Latham & Watkins LLP – review and taxonomy of ESG litigation: <https://www.lw.com/thoughtleadership/ESG-litigation-roadmap>

Other initiatives and approaches linking purpose, vision and planetary thinking

B Corporations – certified businesses which balance purpose and profit: <https://bcorporation.net/>

Doughnut Economics Action Lab – tools and insights to apply Doughnut Economics thinking to business and enterprise: <https://doughnuteconomics.org/themes/2>

Future Fit Business – free tools and guidance to benchmark and progress the development of sustainable business practice: <https://futurefitbusiness.org/companies/>

Shared Value – concept developed by Michael Porter and Mark Kramer to evolve core business to drive societal changes: <https://www.sharedvalue.org/about/what-is-shared-value/>

The Natural Step – an international organisation applying fundamental sustainability principles drawn from the laws of thermodynamics to organisational and societal sustainability: <https://thenaturalstep.org/approach/>

Strategy

The Embedding Project – various tools and resources for developing sustainable corporate strategy: <https://www.embeddingproject.org/resources/strategy>

WWF-UK publication, “To Whose Profit(ii)? Evolution – Building Sustainable Corporate Strategy”: <https://www.terrafiniti.com/docs/TWPii.pdf>

Investor engagement and Relations

WBCSD's Building Bridges project, designed to support the integration of sustainability into investor engagement: <https://www.wbcسد.org/Programs/Redefining-Value/Redesigning-capital-market-engagement/Building-Bridges>

WBCSD/SRI-Connect support for developing sustainable Investor Relations: <https://www.sustainable-ir.com/>

Governance

WBCSD Board resources - Modernizing governance: key recommendations for boards to ensure business resilience: <https://www.wbcسد.org/Programs/Redefining-Value/Making-stakeholder-capitalism-actionable/Governance-and-Internal-Oversight/Resources/Modernizing-governance-key-recommendations-for-boards-to-ensure-business-resilience>

Sustainable business models

R3.0 Blueprint 4: New Business Models for Catalyzing Regenerative and Distributive Economies: <https://www.r3-0.org/wp-content/uploads/2019/07/r3-NewBusinessModelsBlueprint-Draft2-Final-Compressed.pdf>

TBD* - 6 Tools for Sustainable Product and Business Model Innovation: <https://www.tbd.community/en/a/6-tools-sustainable-product-and-business-model-innovation>

WBCSD Board Director Resources, Purpose and Business Model: <https://wbcسدpublications.org/board-director-resources/purpose-business-model/>

Tax Transparency

The PRI has developed guidance for investor engagement on corporate tax approaches and disclosures designed to establish shared expectations of best practice corporate tax transparency: https://www.unpri.org/governance-issues/advancing-tax-transparency-outcomes-from-the-pri-collaborative-engagement/5541_article

Context based analysis

R3-0 Blueprint 5: The Transformation Journey- A Step-By-Step Approach to Organizational Thriveability and System Value Creation: <https://www.r3-0.org/wp-content/uploads/2019/07/R3-BP5.pdf>

WRI Working Paper – From Doing Better to Doing Enough: Anchoring Corporate Sustainability Targets in Science: https://files.wri.org/d8/s3fs-public/From_Doing_Better_to_Doing_Enough_Anchoring_Corporate_Sustainability_Targets_in_Science.pdf

FUTURE-PROOFING CORPORATE SYSTEMS

Context based management

Context Based Sustainability, the MultiCapital Scorecard: <https://www.multicapitalscorecard.com/about-context-based-sustainability/>

Linking Planetary Boundaries to Business - The University of Cambridge Institute for Sustainability Leadership: <https://www.cisl.cam.ac.uk/system/files/documents/linking-planetary-boundaries.pdf>

SDG Compass – guidance for companies on aligning strategies, measure and manage their contribution to the realization of the SDGs: <https://sdgcompass.org/>

Innovation in measurement & management

Integrated thinking - the active consideration by an organization of the relationship between its various operating and functional units and the capitals that the organization uses or affects: <https://integratedreporting.org/integrated-thinking/>

Natural Capital Protocol – decision making framework to enable organizations to identify, measure and value their direct and indirect impacts and dependencies on natural capital: https://capitalscoalition.org/capitals-approach/natural-capital-protocol/?fwp_filter_tabs=training_material

Social & Human Capital Protocol - decision-making framework that enables organizations to identify, measure and value their direct and indirect impacts and dependencies on social capital & human capital: <https://capitalscoalition.org/capitals-approach/social-human-capital-protocol/>

Transparent project – developing standardized natural capital and valuation principles: <https://capitalscoalition.org/project/transparent/b>

Value Accounting Network – advancing the role of value accounting in decision making, governance and disclosure: <https://capitalscoalition.org/project/value-accounting-network/>

We Value Nature Natural Capital Journey – an interactive tool to support businesses in taking achievable steps to address the climate and nature crisis: <https://journey.wevaluenature.eu/>

Integration into business culture and processes

Chartered Institute of Personnel and Development (CIPD) – Embedding Environmental Sustainability in your Organisation: https://www.cipd.co.uk/Images/sustainability-guide_tcm18-98576.pdf

Network for Business Sustainability - Embedding sustainability in organizational

culture: <https://static1.squarespace.com/static/5d5156083138fd000193c11a/t/5d61ab6feb380e0001d3d89c/1566682034375/Systematic-Review-Sustainability-and-Corporate-Culture.pdf>

Project Management Institute – model for sustainable change: <https://www.pmi.org/learning/library/model-sustainable-change-11122>

WBCSD/ COSO guidance – Enterprise Risk Management: Applying enterprise risk management to environmental, social and governance related risks: <https://www.wbcsd.org/Programs/Redefining-Value-Making-stakeholder-capitalism-actionable/Enterprise-Risk-Management/Resources/Applying-Enterprise-Risk-Management-to-Environmental-Social-and-Governance-related-Risks>

WBCSD, AICPA & CIMA - Reimagining performance management - key best practices that businesses can adopt and implement to create a performance-based corporate culture: <https://www.wbcsd.org/Programs/Redefining-Value/Resources/Reimagining-performance-management>

Producing decision useful information

Principles for Responsible Investment (PRI) Driving Meaningful Data Project: <https://www.unpri.org/download?ac=11641>

WBCSD - Enhancing the credibility of non-financial information: the investor perspective: <https://www.wbcsd.org/Programs/Redefining-Value/Making-stakeholder-capitalism-actionable/Assurance-Internal-Controls/Resources/Enhancing-the-credibility-of-non-financial-information-the-investor-perspective>

WBCSD guidance on improving the quality of ESG information for decision-making: <https://www.wbcsd.org/Programs/Redefining-Value/Making-stakeholder-capitalism-actionable/Assurance-Internal-Controls/Resources/Guidance-on-improving-the-quality-of-ESG-information-for-decision-making>

DRIVING SUSTAINABLE PERFORMANCE

Performance and impact disclosure

CDP – global charity which runs the global disclosure system for organisations to manage their environmental impacts: <https://www.cdp.net/en>

Global Reporting Initiative (GRI): <https://www.globalreporting.org/>

Impact Management Project (IMP) – a forum for building global consensus on how to measure, assess and report impacts on people and the environment: <https://impactmanagementproject.com/>

TCFD (Task Force on Climate-related Financial Disclosure) – recommendations on climate-related financial disclosures: <https://www.fsb-tcfd.org/recommendations/>

TCFD Response and Development - WBCSD and the TCFD work together with member companies on key questions, challenges and development opportunities: <https://www.wbcsd.org/Programs/Redefining-Value/TCFD>

TNFD (Taskforce on Nature-related Financial Disclosure) – working on the development of a framework for investors and companies to report and act on evolving nature-related risks: <https://tnfd.info/how-it-works/>

The Reporting Exchange – the Global Resource for Corporate ESG Reporting: <https://www.reportingexchange.com/>

The Value Reporting Foundation (a merger of SASB and IIRC) – a toolset to support business and investor decision making: <https://www.valuereportingfoundation.org/>

UNGP Reporting Framework – comprehensive guidance for companies to report on how they manage and perform with respect to human rights : <https://www.ungpreporting.org/>

WBCSD – ESG Disclosure Handbook – guidance to help companies navigate choices associated with ESG Reporting: <https://www.wbcsd.org/Programs/Redefining-Value/Redesigning-capital-market-engagement/Resources/ESG-Disclosure-Handbook>

WBCSD - The Reality of Materiality - Insights from real-world applications of ESG materiality assessments: <https://www.wbcsd.org/eng/contentwbcsd/download/12378/184755/1>

WEF/IBC – Stakeholder Capitalism Metrics collated from the main ESG standard setters to foster alignment on priority topics, comparability of reporting and progress towards globally accepted ESG standards: <https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation>

Performance in context

BloombergNEF has developed a methodology for assessing the preparedness of companies to undertake climate transition, focused initially on oil and gas companies: <https://www.bloomberg.com/professional/blog/oil-and-gas-business-model-transition-scores-methodology/>

Science Based Targets initiative: <https://sciencebasedtargets.org/>

Science Based Targets for Nature – Initial Guidance for Business: <https://sciencebasedtargetsnetwork.org/wp-content/uploads/2020/09/SBTN-initial-guidance-for-business.pdf>

Value Balancing Alliance (VBA) – creating a standardised method to assess company impacts on society, people and nature: <https://www.value-balancing.com/>

WBCSD Circular Transition Indicators: <https://www.wbcd.org/Programs/Circular-Economy/Factor-10/Metrics-Measurement/Circular-transition-indicators>

World Benchmarking Alliance – producing benchmarks to compare company performance on the SDGs: <https://www.worldbenchmarkingalliance.org/>

Supply Chain Transparency

Supply Chain Transparency Network – bringing together initiatives that are working to make supply chains more transparent: <https://www.supplychaintransparency.network/>

Assurance and audit

ICAEW AuditFutures – Action research programme to reimagine the audit profession: <https://www.icaew.com/technical/audit-and-assurance/audit-futures>

WBCSD Assurance and Internal Controls: <https://www.wbcd.org/Programs/Redefining-Value/Making-stakeholder-capitalism-actionable/Assurance-Internal-Controls>

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DISCLAIMER

This report has been developed in the name of WBCSD. Like other WBCSD publications, it is the result of a collaborative effort by members of the secretariat and senior executives from member companies. A wide range of members reviewed drafts, thereby ensuring that the document broadly represents the perspective of the WBCSD membership. Input and feedback from stakeholders listed above was incorporated in a balanced way. This does not mean, however, that every member company or stakeholder agrees with every word.

ABOUT WBCSD

WBCSD is the premier global, CEO-led community of over 200 of the world's leading sustainable businesses working collectively to accelerate the system transformations needed for a net zero, nature positive, and more equitable future.

We do this by engaging executives and sustainability leaders from business and elsewhere to share practical insights on the obstacles and opportunities we currently face in tackling the integrated climate, nature and inequality sustainability challenge; by co-developing "how-to" CEO-guides from these insights; by providing science-based target guidance including standards and protocols; and by developing tools and platforms to help leading businesses in sustainability drive integrated actions to tackle climate, nature and inequality challenges across sectors and geographical regions.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. Since 1995, WBCSD has been uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability, united by our vision of a world where 9+ billion people are living well, within planetary boundaries, by mid-century.

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