DIRECTIONS

SUSTAINABILITY: RIP IT UP AND START AGAIN?

A playbook for radicals

STOP TINKERING AND GET TRANSFORMING

Who is this report for?

For everyone. For the CEO, the investor, the employee, the supply chain partners. For the activist, the citizen, the expert, the hopeful.

This report is both a call to arms and a 'how to' for some much needed considered activism – it's not an invitation but a necessity.

We're past the question of when the climate crisis will happen, we are living in it right now. All of the reports are clear: we are on a dire pathway of global heating beyond 1.5 degrees. The New York sky is orange with ash from Canadian wildfires, extreme temperatures kill five million people a year with heat related deaths (even more temperate climates like the UK saw 1,000 excess deaths over three days in the July 2022 heatwave), and it's hard not to see the irony in the latest news reports stating that the climate crisis is leading to more turbulence during flights, driving up costs of air travel and increasing the risks to passenger and freight safety.

Yet for many businesses climate change is not high enough up the corporate risk register. Sustainable business transformation is still often viewed as a long-term issue that is kicked down the road to prioritise meeting current growth targets with a sprinkling of mitigation.

Tackling climate change is often pitched head-to-head with other issues such as the cost of living crisis; we are made to believe that we must choose which issue to address. Ultimately, both challenges have the same root cause and could both be solved if we seize this critical moment to define bold and equitable climate solutions.

We are at a unique point of inflection.

- The global pandemic was a wake-up call to the dependency of human and planetary health;
- Climate change feels very real wherever you are in the world;
- The economic crisis has forced considered consumption and slowed growth;
- Environmental legislation is forcing new business practices (hooray for Extended Producer Responsibility (EPR));
- A new generation of youth activists (and desirable employees) are resetting the expectations of business.

Things will begin to move very quickly, and in the process, it is safe to assume that many business leaders will begin to get spooked. The really radical thing at this point would be to be honest. Honest about what's not working. Honest about how difficult the task at hand is. Honest about the impossible ask of driving transformational change within a system of business as usual. Honest at a collective level and not just behind closed doors.

We must act. Intersectionality and a broader view of sustainable business aren't options – they are requirements. No one is exempt from the climate crisis and the disruption it will create for our lives.

THIS FIGHT MUST BE FACED HEAD ON WITH A SENSE OF URGENCY, A SPIRIT OF ACTIVISM AND THE SOLIDARITY OF COLLECTIVE EFFORT. NEVER MORE SO THAN IN THE BOARDROOM.

The fight for climate justice and business transformation is deeply personal and often taxing. It is also highly meaningful and rewarding. Ultimately, if we are not all working hard to set business on a sustainable and useful trajectory, we are failing in our responsibility to future generations.

We hope this playbook for business radicals provides you with a roadmap to start your business on a different trajectory.

Welcome to the community of corporate activists.

Salterbaxter

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THE ACTION ISN'T MEETING THE URGENCY

The world is having a wobble. Global perceptions of uncertainty are at their highest since the World Uncertainty Index[1] was created in 1996, driven by trigger events including, of course, the Covid pandemic.

1 The World Uncertainty Index is a measure that tracks uncertainty across the globe by text mining the country reports of the Economist Intelligence Unit. The index is available for 143 countries.

In response to this volatile world, we've been advised for the last decade that leaders should be 'tolerant of ambiguity', but perhaps this was too easily misinterpreted as a collective shoulder shrug in the face of escalating signals of change. Certainly, in the world of sustainability there is more awareness than ever – but are our actions keeping pace?

What the World Uncertainty Index shows clearly is our repeated collective failure to anticipate the many and varied consequences of what we might call uncertainty 'trigger events'. As we look to the future, climate change is just one of a myriad of factors that will drive uncertainty and disruptive change.

So, maybe it's time to get intolerant of ambiguity? To be bolder in setting the path and designing a better future. Where to start? Naturally I asked ChatGPT 'What is the future of sustainability?' Its response:

"The future of sustainability involves the continued focus on environmental, social, and economic well-being to meet the needs of the present without compromising the ability of future generations to meet their own needs."

ChatGPT goes on to lay out what we need to do, which consists of things we already know and are already doing.

Of course it does. **To be generative is not the same as to be imaginative, nor curious. If we only look to what we know, what we can see today, to tell us about the future then we are doomed to incremental change in response to a radical world.**

The generated answer perfectly highlights the call to arms laid out in this report.

'Continued focus' is not enough. We need renewed energy, a reimagined approach, disruption of the norm. A radically transformed version of sustainability as we know it. And maybe we're trying too hard to fit sustainability around long-established business norms, rather than redesigning business to really deliver a sustainable future.

That's a waste, because while the WHY and the WHAT of our desired destination have never been clearer, the HOW is still up for grabs and, in an uncertain world, won't stand still.

So how can we move forwards with both clear intent and an agile approach? First, we need to immerse ourselves in that shared future. Leaders consistently fail to place themselves in the picture, so the future feels remote, even abstract, just a set of goals or targets that attach to current leadership and short-term outcomes.

Imagining ourselves and our businesses in the future is not easy work. It forces us to stretch our imaginations. It breaks us out of reductive thinking and moves us into creative thinking. It stops us building up from silos and gives us a holistic view of our organisation and the system that sustains it. In that context we are free to explore not just how we can preserve value but how we can grow value.

Most importantly, seeing ourselves in the future helps us to explore what we don't know rather than focussing on, and comforting ourselves with, what we do.

This is very different from the way we tend to think about the future within organisations and indeed some notable global institutions.[2] First, we focus on risk, the threats to the value we've worked so hard to build. Second, we focus on what seems to us, and others like us, to be likely. And here we dive headfirst into our availability bias.

Instead, we need to be challenging ourselves about the range of possibility. It's only by creative exploration that we can hope to understand those 'critical uncertainties' that need our action, not our tolerance.

We need to tackle that cognitive dissonance that allows us to decry the actions of corporate and political leaders who brazenly and unapologetically push our planet and our civilisation closer to its ultimate limits, whilst at the same time feeling that we can't change things. If business leaders don't have agency to shape the future, then who on earth does?

When was the last time you thought about the future? I mean really thought about it. Not just how you want to grow sustainably from today but where you fit in the world of the future? How you will shape it? The time to do that thinking is now, and the opportunity it presents is huge.

This report makes the case for disruptive sustainability, not just what's necessary to ensure that we survive, but what's possible to ensure that we thrive.

ELEANOR WINTON

Founder of Foresightfully and author of The Disruption Game Plan

2 The World Economic Forum's Annual Risk Report considers the likelihood of future risk.

LET'S GET RADICAL

MARCH 2023

The Intergovernmental Panel on Climate Change (IPCC) issues its starkest warning yet. Either we achieve deep and far-reaching transitions across all sectors this decade, or we can kiss goodbye to a liveable future.

APRIL 2023

An airline announces it's working towards a more sustainable future for the aviation industry by recycling coffee cans and pads from its European flights.

EXISTENTIAL CRISIS, MEET BUSINESS AS USUAL WITH A GREEN TINGE.

This is our problem in a nutshell and there are only two ways this story goes...

01

If we continue tinkering at the edges, we'll perhaps make our businesses a little bit less bad, but we won't achieve progress at anything like the pace and scale necessary to avoid widespread, catastrophic and irreversible change.

02

Alternatively, if we finally grasp the urgent need for transformation – radically reinventing our organisations with the recognition that there can be no long-term future for any business that degenerates the ecosystems that sustain them (and all of us) – then we might be able to finally alter the disastrous path we find ourselves on.

So, businesses face a choice; continue to practise sustainability-as-usual and be part of the story that leads us towards inevitable collapse, or truly embrace sustainability as a fundamental design value and inherent reason to exist – to be part of the story that brings our human systems and institutions back into balance with the natural world.

Our ambition is that this Directions report leaves you asking very different questions of business and that, as a result, you plot a different course for investment and action. Request some hard copies and share with your Board of Directors. Send a pack to your investors. Reignite your inner activist!

If you want to be on the right side of history, read on, because we've plotted the journey that can help reframe our future...

STEP 1:

It starts with correcting our flawed worldview – because the way we perceive the world affects the questions we ask, the issues we notice and the solutions we propose.

STEP 2:

It continues with rediscovering what it truly means to be sustainable – because when we realise there's no such thing as a sustainable business in an unsustainable system, we will understand the futility of continuing on our current path and can finally and fully commit to changing course.

STEP 3:

And it culminates with five key transitions in the way we approach business strategy, translating the urgent need for change into tools, techniques and thought starters to reframe how you approach sustainability, strengthening your business' long-term viability, resilience and capacity to thrive.

SUSTAINABILITY-AS-USUAL ISN'T WORKING

Greenhouse gas (GHG) emissions are up almost 50 percent in absolute terms since 1990, with energy-related carbon emissions rebounding to an all-time high of 36.8 billion tonnes last year.[3]

Fossil fuel emissions specifically are up 60 percent since 1990, with more CO_2 released into the atmosphere over the last three decades than throughout the whole of previous human history.[4]

While thousands of companies may have set science-based net-zero targets, less than 1 percent of companies assessed by CDP have a credible plan for getting there.[5]

3 IEA (2023). *CO2 Emissions in 2022 – Analysis.* [online] Available at: https://www.iea.org.
4 Stoddard, I. et al. (2021). Three Decades of Climate Mitigation: Why Haven't We Bent the Global Emissions Curve? Annual Review of Environment and Resources, 46(1).
5 CDP (2023). *New CDP data shows companies are recognizing the need for climate transition plans but are not moving fast enough amidst incoming mandatory disclosure.* [online] Available at: https//www.cdp.net.

The recent past and necessary future of GHG emissions

Historic GHG emissions trajectory — Neccessary future of GHG emissions
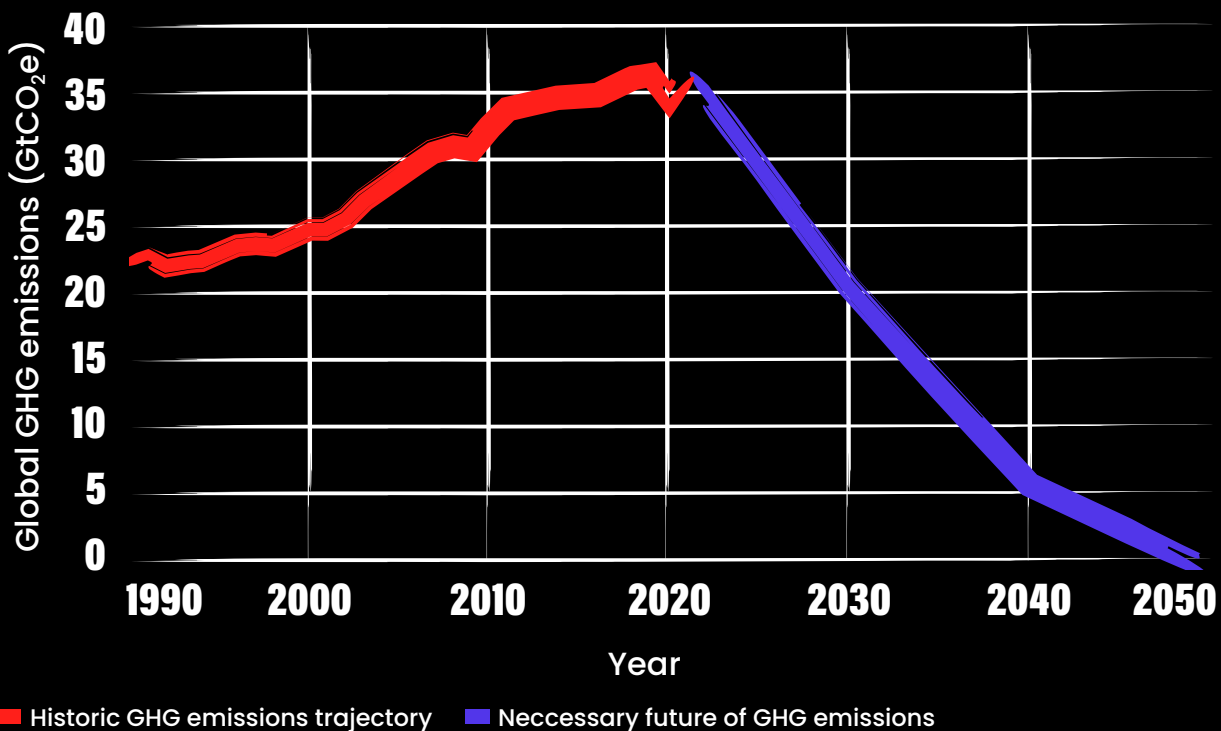
Sources: Our World in Data and IEA

This is not just another series of graphs and they should make us all feel incredibly uncomfortable. What they illustrate, beyond the fact that we are on a collision course, is the fundamental tension between the need for growth to maintain global security vs. the need for de-growth to restore ecological balance. This is where business done radically different can play a key role in creating balance.

Scientists estimate that a sustainable level of resource use is about 50 gigatonnes (Gt) a year, but that's a boundary we broke through before the turn of the century.[6]

Having already quadrupled to around 100 Gt over the last 50 years, our global material footprint is projected to reach 167 Gt a year by 2060.[7]

There's a critical need for circularity across all industries, but so far there is no such thing as a truly circular system – it's lagging legislation and policy, an infrastructure that makes it nigh on impossible and a lack of awareness and understanding in society. We need everyone to play their part to make it the reality it needs to be to get to a level of sustainable resource use.

6 UNEP (2021). *Indicator 12.2.1.* [online] Available at: https://unep.org.
7 OECD (2018). *Raw materials use to double by 2060 with severe environmental consequences.* [online] Available at: https://www.oecd.org.

Our growing material footprint
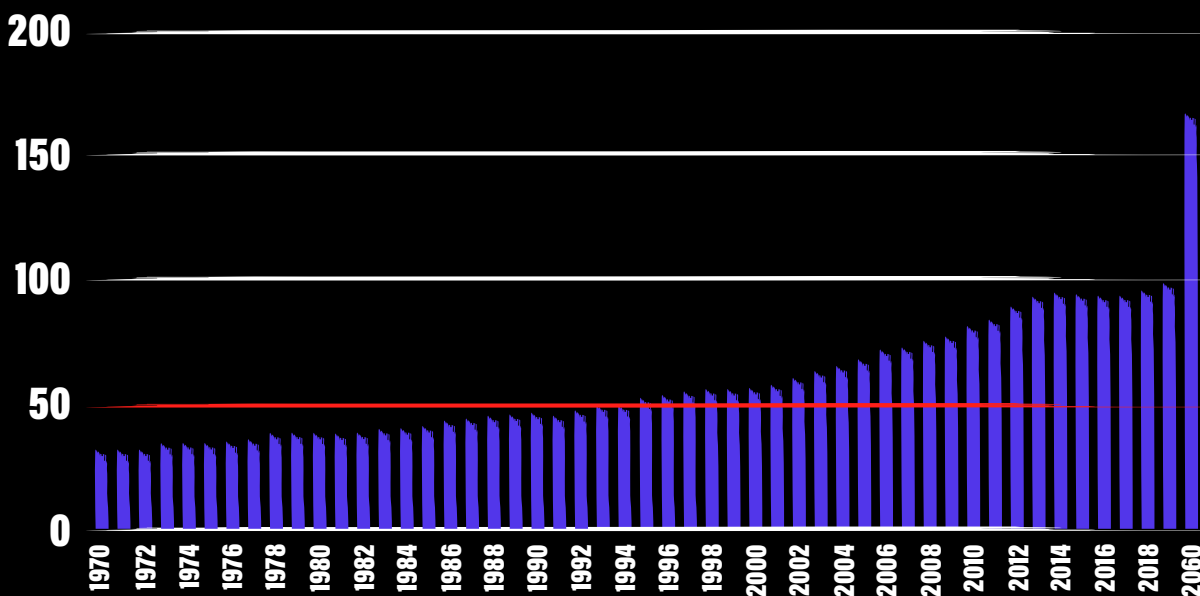
Sources: UNEP and OECD ■ Global material footprint (Gt) ■ Sustainable level of resource use

SUSTAINABILITY-AS-USUAL ISN'T WORKING

Biodiversity is crashing, too, with a 69 percent decline in the abundance of monitored wildlife populations since 1970.[8]

The current rate of extinction is between 100 and 1,000 times higher than the pre-human background rate.[9]

While the COVID-19 pandemic should have been a wake-up call for preserving wild habitats, 2020 was the third worst year on record for primary forest loss (42,000 km^2) and global deforestation continues at an alarming rate.[10]

A 'human-centred' economy has driven economic profit at all costs. We need to re-set and focus on a 'life-centred' economy: one that accounts for all species and nature. We need more businesses to advocate for True Cost and internalising the externalities.

8 Almond, R.E.A., Grooten, M., Juffe Bignoli, D. & Petersen, T. eds. (2022). *Living Planet Report 2022 – Building a nature positive society*. WWF, Gland, Switzerland.
9 Begum, T. (2021). *What is mass extinction and are we facing a sixth one? Natural History Museum, London*. [online] Available at: https://www.nhm.ac.uk.
10 Global Forest Watch (n.d.). *Global Deforestation Rates & Statistics by Country*. [online] Available at: https://www.globalforestwatch.org.

Living planet index
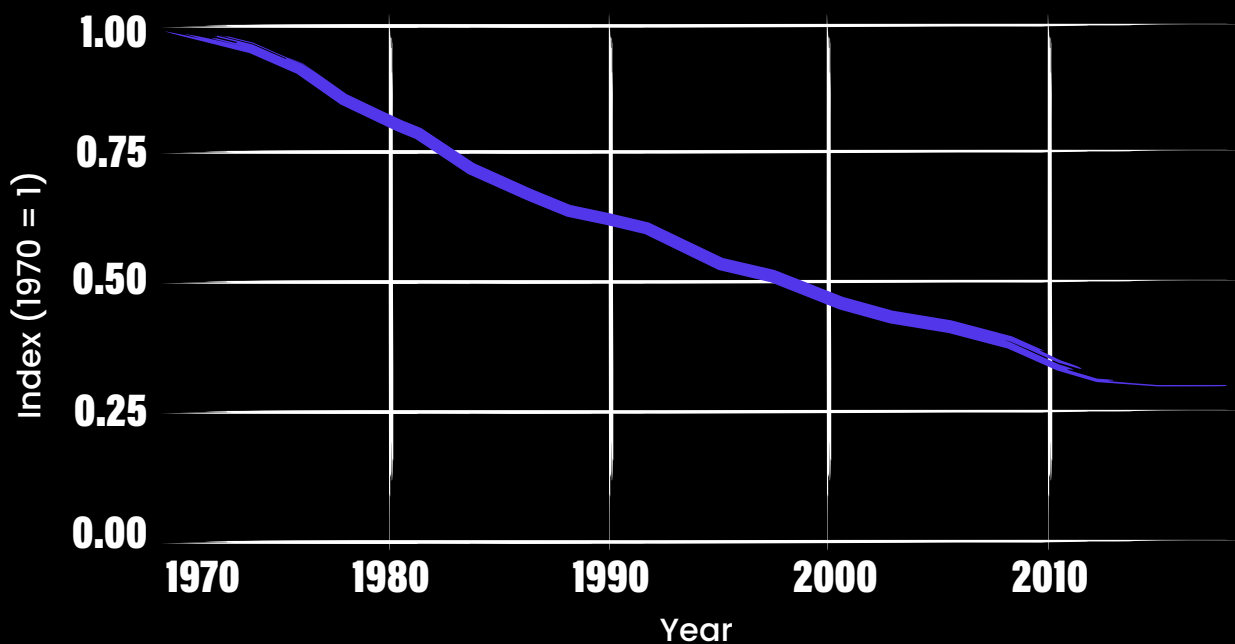
Sources: Living Planet Index

Global inequality is as stark today as it was at the height of Western imperialism,[11] with the richest one percent accumulating 38 percent of all new wealth created since the 1990s vs. just two percent captured by the poorest half of humanity.[11]

We have only seven years left to achieve the Sustainable Development Goals (SDGs), yet billions of people remain without access to life's essentials – such as safe drinking water, clean energy and safely managed sanitation – and, on current trends, there will still be 575 million people living in extreme poverty come 2030.[12]

Not only that, the richest in society also emit a disproportionally large CO_2 footprint. The world's top one percent of emitters produce over 1000 times more CO_2 than the bottom one percent.[13]

11 Chancel, L., Piketty, T., Saez, E. and Zucman, G. eds. (2022). *World Inequality Report 2022. World Inequality Lab.* [online] Available at: wir2022.wid.world.

12 United Nations (2023). *The 17 Sustainable Development Goals.* [online] Available at: https://sdgs.un.org.

13 Cozzi, L., Chen, O. and Kim, H. (2023). *The world's top 1% of emitters produce over 1000 times more CO_2 than the bottom 1% – Analysis.* [online] IEA. Available at: https://www.iea.org.

Global income and wealth inequality (measured at Purchasing Power Parity)
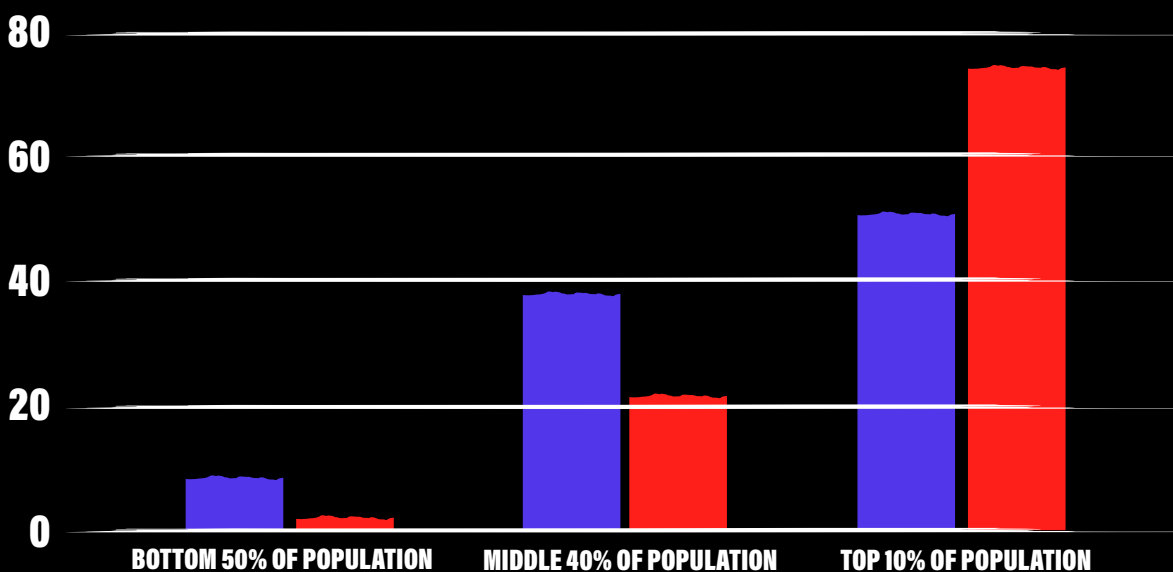
Sources: World Inequality Report 2022

Legend: ■ % of income ■ % of wealth

REBOOTING OUR WORLDVIEW

Worldview describes our basic beliefs and assumptions about how the world works, and it matters because it's what shapes our relationship with the world – how we think, how we act, what problems we see and what solutions we find.

Arguably, our biggest challenge isn't climate change, biodiversity loss or deepening inequality. It's unlearning the centuries-old worldview that underpins all these crises – one rooted in the idea of humanity's separation from, and dominion over, nature. Turbocharged during the Enlightenment, it's this illusion of separation that permits us to see the natural world as merely a store of resources to be exploited and for mainstream economics to ignore the negative externalities produced by doing so.

Enlightenment-age misconceptions about the natural world have long since been debunked (e.g. if you think nature is more competitive than collaborative, or lacks sentience and intentionality, just google 'wood wide web'), but the 'markets-first, planet-second' perspective it spawned still

persists. Yet while it may once have been plausible to dismiss externalities such as pollution, emissions, habitat and species loss as negligible market failures, that no longer works when the associated costs, which are paid for by society and not the producing company, become too great. Then the externalities become the main event.[14]

When those externalities aren't fully costed, we're not seeing the world as it truly is. In fact, according to a startling Trucost report that's been bubbling back up to the surface recently, if the world's top industries paid for the US$7.3 trillion of unpriced natural capital they burn through each year, none of them would be profitable.[15]

This underscores the urgent need to reboot our worldview if we're to successfully drive action that addresses the polycrisis at the pace

and scale required. We may think we understand the world, but our ways of seeing and being bear little relation to how living ecosystems actually sustain themselves. And while we may think that we can reliably predict and control the outcomes of our actions – that as long as we have a plan, everything will work out alright in the end – that's not the reality of complex dynamic systems.

In order to see and better respond to the world as it truly is we must acknowledge that current business reality is one of complexity, unpredictability and interconnection – and this is where concepts like BANI (Brittle, Anxious, Non-linear and Incomprehensible) can help.

14 Austin, D. (2022). *The Towering Problem of Externality-Denying Capitalism*. [online] Available at: http://bothbrainsrequired.com.
15 Grist (2013). *None of the world's top industries would be profitable if they paid for the natural capital they use*. [online] Available at: https://grist.org.

B.A.N.I.

Brittle –
the illusion of permanence

In our interconnected world, the ripple effect of sudden and unforeseen shocks can cause even apparently stable systems to collapse. From the Amazon rainforest tipping to become a source of carbon emissions, to the impacts of the pandemic and war in Ukraine, we're finally waking up to this reality.

When we let go of the illusion of permanence, we see the fragility of nature, of our economy, even of peace, and we learn to fully appreciate the importance of agility and resilience.

Anxious –
the illusion of control

Increasing brittleness also makes the world more frightening. Rising eco-anxiety reflects feelings of powerlessness and helplessness – the fear that the ripple effects of the strains and stresses we've placed on the ecosystems that support us are beyond our control.

But the truth is, we've never been in control. The difference is that we're now finally starting to realise that – in no small part because of the strains we've been placing on the systems we depend upon. But we shouldn't allow fear and anxiety to paralyse us. When we embrace these feelings as an essential part of the transformation process, we can transmute them into a positive force for action.

Non-linear –
the illusion of predictability

The realm of 'tipping points' and 'feedback loops', non-linearity explains why interactions in complex dynamic systems will always produce emergent outcomes that are difficult (if not impossible) to predict in advance. A natural feature of any complex system, it's always been there; what's new is our increased awareness and understanding of the non-linearity of our world.

When we recognise that there's no simple straight route from A to B – and let go of the illusion of predictability – we can mirror this with more emergent and iterative approaches to strategy.

Incomprehensible –
the illusion of knowledge

Bewildering complexity makes it difficult to grasp what's happening and why. We thought we understood how the world worked, but we didn't, and our habit of trying to reduce complexity by breaking things down into parts hasn't helped. It's what leads us, for example, to focus on carbon emissions in isolation, rather than recognising how climate change, resource use, biodiversity loss and social inequality are all deeply interconnected.

When we let go of the illusion of perfect knowledge, we realise it's okay to wrestle with complexity, that we don't have to pretend to have all the answers, and that we shouldn't rush to simplistic solutions.

Acknowledging a BANI state also helps us understand why so many business leaders are forced into short-term thinking, short-term risk avoidance and a paralysis of bigger action. It's not just the world that's changing rapidly; our perceptions about how it works are changing rapidly too. BANI provides a much-needed reality check and a reminder that transformation starts with us and our own worldview. It also emphasises the importance of the words and concepts we use to understand the world around us, which is particularly true of the word 'sustainability'.

TRANSFORMATION STARTS WITH US AND OUR OWN WORLDVIEW

WHERE CORPORATE SUSTAINABILITY WENT WRONG

Starting from the premise of prolonging the status quo, most businesses' framing of sustainability runs something like: how can we continue to grow without causing irreparable harm to people and planet (see definition A on page 18)?

This tends to lead towards incremental improvement – reducing the harm of existing business models, products and services as quickly as possible, without compromising growth and profitability. We must take a step back and accept that making these incremental changes within an existing system on a business as usual trajectory is bound to fail – high investment for low return, undifferentiated, barely keeping ahead of legislation. And there's a human cost too – it's very hard work with limited impact and emotional reward.

In fairness, it's not hard to see why incrementalism rules. Committed sustainability teams, inspired and driven to create positive change, still find themselves swimming against the tide of organisational silos, outdated governance models and a historical lack of boardroom clout – not to mention the persistence of a system that, whatever may have been said about 'stakeholder capitalism', still prioritises maximising short-term shareholder returns over everything else.

There was a point where incrementalism might have got us there. We're now past that. Yet we remain on its path, leading us to a challenging and frightening world for future generations – those generations that, as yet, don't have a say in the decisions that we make and the course corrections we decide, or decide not, to take. Somewhat ironically, the consequences of those decisions will affect them more than anyone. As environmental campaigner Clover Hogan puts it neatly, anything that isn't transformation is tokenism – and there's no hope in another decade of tokenism. It's time to recognise that the assumptions businesses have relied upon no longer stand.

THE CURRENT PATH ISN'T ONE WORTH STAYING ON

Environmental, economic, sociopolitical and technological pressures are combining in unprecedented ways to disrupt business as usual.

We've already transgressed six out of nine planetary boundaries,[16] and Earth Overshoot Day keeps coming sooner every year.[17] Risks and adverse impacts, and related losses and damages, rise with every increment of global warming; and only deep, rapid and sustained GHG emissions cuts can limit or avert abrupt and irreversible change.[18] In that context, reactive management just isn't a strategy. Proactive leadership is what's needed to adapt and build long-term resilience, and there are plenty of reasons for showing it – from protecting against price volatility, reputational damage and supply chain disruption, to providing the impetus for innovating new products, services and business models.

A COMPLIANCE-BASED APPROACH NO LONGER MAKES COMMERCIAL SENSE

An era of reputation-driven sustainability is giving way to a regulation-driven one, and it's taking ever more time, energy and resources to keep pace with the rapidly evolving landscape of standards. Even before new International Sustainability Standards Board (ISSB) global disclosure standards and EU Sustainability Reporting Standards (ESRS) have landed, the next generation of 'context-based' methodologies and metrics is already emerging, such as the UN Sustainable Development Performance Indicators (SDPIs).[19] Throw in UK and EU plans for tough new rules to clamp down on misleading environmental claims and planned obsolescence of products, and it's clear we're at an inflection point. Why get stuck on the treadmill of constantly reacting to the latest regulatory advances when you could be getting ahead of them by affecting deeper and more lasting transformation?

PEOPLE WON'T BE SATED BY SUSTAINABILITY-AS-USUAL

Criticism of 'outside-in-only' ESG (i.e. only concerned with the financial impact of social and ecological disruption) is rife among sustainability experts. Climate activism – in the shape of movements such as Extinction Rebellion and Just Stop Oil – is on the rise. Organisations such as ClientEarth and the Good Law Project are taking governments and companies to court for the inadequacies of their climate strategies. And, increasingly, employees aren't afraid to speak up and call out their companies for not doing enough. Companies' sustainability claims and credentials will only be subjected to ever-increasing levels of scrutiny – not just from outside, but from within as well.

16 Gendry, I. (2022). *All you Need to Know about the 9 Planetary Boundaries.* [online] Available at: https://www.greenly.earth.
17 Earth Overshoot Day (2023). *Last year, Earth Overshoot Day fell on July 28.* [online] Available at: https://www.overshootday.org.
18 IPCC (2023). *AR6 Synthesis Report: Summary for Policymakers Headline Statements.* [online] Available at: https://www.ipcc.ch.
19 SDPI (2023). *Online Platform to Achieve the Sustainable Development Goals.* [online] Available at: https://www.sdpi.org.

DEFINITIONS OF SUSTAINABILITY

MODERN MEANING:
ENVIRONMENT-CENTRIC; 'DO NO HARM'

Harvesting or using a resource so that it is not depleted or damaged

Able to continue without harming the environment

Capable of being maintained without causing severe ecological damage

ORIGINAL MEANING:
LONG-TERM VIABILITY; SYSTEMIC RESILIENCE AND REGENERATIVE VITALITY

The ability to endure; to be maintained at a certain rate or level

Pertaining to a system that maintains its own viability

Able to be maintained or kept going without interruption or weakening

THE ONLY WAY

FORWARD

Sustainability wasn't always framed like definition A. In fact, this is a relatively recent development, as awareness of man-made climate change has increased over the last half century or so. Compare and contrast this with the original meaning of sustainability in definition B and you see the marked difference.

The more recent definitions are more heavily environment-centric, with the implication that continuity refers to the ability to sustain business as usual.

This framing is unfit for purpose. Its emblematic question – 'What's your business case for sustainability?' – automatically makes sustainability a secondary concern. At best, sustainability strategy is 'integrated into' core business strategy; at worst, they remain separate, if not completely at odds with one another. Sustainability ultimately remains a bolt-on to business as usual – a 'nice to have' and an additional cost of doing business, which is inevitably put on hold whenever times get tough.

And while regulations are being implemented to ensure that companies manage the risks of our changing and uncertain world – and to do so responsibly – it is up to the business not to fall into the trap of a compliance-led approach to sustainability. Enhanced transparency and accountability must be viewed as an opportunity for a business to lead their industry's revolution, claim the white space, and capitalise on the ROI as it evolves and repositions itself to thrive in this BANI era.

The original definitions speak much more broadly to the health, resilience and regenerative capacity of the systems in which business (and all life) is embedded.

This is what we need to get back to: understanding that sustainability is fundamentally about long-term viability and the capacity to thrive; and that the resilience of any business, and the resilience of the social and ecological systems it's part of, are interdependent. For example, if a company consumes more than its fair share of limited resources today, it's not only compromising others' ability to meet their needs, but also cannibalising its own future. In a world of biophysical limits, resource use is necessarily a zero-sum game, which is why there can be no such thing as a sustainable business in an unsustainable system.

Going back to the original framing begs a different question: 'What's the social/environmental case for your business?' With sustainability becoming the primary concern, there are no separate sustainability and business strategies – only a 'sustainable business strategy'. Sustainability is baked in as a basic design value and operating principle for everything the business does – a 'must have' and an essential value driver, which only increases in importance as a means to navigate through and succeed in tough times.

THERE CAN BE NO SUCH THING AS A SUSTAINABLE BUSINESS IN AN UNSUSTAINABLE SYSTEM.

FIVE VITAL STRATEGIC SHIFTS

Shifting our application of sustainability from business continuity to systemic resilience is big.

It has profound implications for business strategy and operations, impacting everything from defining scope and ambition to ensuring the ability to implement effectively. Yet, while this probably sounds daunting, it needn't feel overwhelming. When you get down to it, as we'll explore here, the challenge can be boiled down to five key differences in perspective and approach.

Hopefully, that's already starting to feel more manageable. And when you read through each of these shifts below – and contemplate the lists of questions and actions that naturally emerge – it will feel more manageable still. While these are just prompts and suggestions (and we encourage you to think about and add your own), they offer a checklist for decision making.

From investment to product development to future talent planning, they suggest practical steps for strengthening your business' long-term viability and resilience. Used as the start of an ongoing process of active strategy development – one that embraces agility, involves multiple stakeholders and builds in regular inflection points to reflect and iterate as you go – we think this is the best way to adapt and thrive in today's BANI environment.

#1 FROM SILOED TO HOLISTIC

Too often, sustainability is seen as separate from the business of making money, rather than recognising that no business can thrive over the long term if the social and environmental systems it is part of – and dependent upon – are in danger of collapsing.

To make matters worse, this illusion of separation is then often compounded by addressing key sustainability issues – e.g. climate change, resource use, biodiversity loss and social inequality – in isolation from one another, rather than recognising that they are all deeply interconnected.

You'll recognise this if you are thinking (or being asked) only about the ROI and cost-savings of mitigating actions. However uncomfortable, this is where we must all counter with the necessary cost of staying in business.

Reactive, siloed, issue-specific approaches increase the risk of misalignment, not just between

sustainability and business objectives, but across sustainability objectives themselves. In turn, the friction this causes disempowers employees and increases pressure to fall back on old ways of working when times get tough.

Building real adaptability and resilience depends on a much more holistic outlook – seeing the bigger picture and seeking to map and fully understand the connections between issues, rather than focusing on each issue on its own. It also requires those integrated sustainability ambitions to be developed in symbiosis with other business goals, so that long-term business success supports – and is supported by – the achievement of those objectives.

This is what developing a sustainable business strategy is all about. When you find the 'sweet spot' where creating long-term value for the business goes hand-in-hand with creating long-term value for society and the planet, sustainability strategy and business strategy become indivisible. This will need to be balanced with the short termism approach that exists for public companies subject to quarterly results, but provides a lever to measure progress quarter-on-quarter and have relevant touchpoints to course correct.

WHAT'S NEXT?

INITIAL QUESTIONS TO CONSIDER

– On your current trajectory, will you still be in business in the next decade?

– How will realising your sustainability ambitions drive your financial success, and vice versa?

– Do you have a clear view of all your externalities and what might happen if you internalised them and had to pay for all the services that nature does for free?

– Would the continued growth of your existing business model lead to a net increase in negative impacts (e.g. emission and resource use)? If so, how can you work to better unite commercial and sustainability objectives?

– Are your sustainability goals set as part of your core business planning process, to ensure effective prioritisation and allocation of resources?

– Do you have a business of empowered employees working towards delivering your sustainability strategy, or do you have a sustainability team trying to change the world in isolation?

– How do you actively involve your sustainability team in your core business planning process? And how are all key business functions (e.g. marketing, finance, R&D) involved in setting, and held accountable for, sustainability objectives?

– Do you communicate consistent messages with all stakeholder groups, or would someone who reads your sustainability report get a different impression of your priorities vs. someone on an investor call?

MAKING A PLAN TO MOVE YOU TOWARDS 'HOLISTIC'

– Make your ESG data as readily available as financial data so you can balance your decision-making across the business. Your financial/integrated/sustainability reports contain all this information so bring it into the day to day and not just the once-a-year reporting.

– Step 1: Work out the E-S-G interconnections and re-align your business and sustainability commitments accordingly: how do your key social issues impact your environmental efforts and vice versa? Step 2: Work out the connectivity between your sustainability and your growth targets. Identify the points where delivering on one accelerates the other and align everything into one hit list.

– Add climate crisis and social inequity to your corporate risk registers – and don't put them at the bottom of the list. Then ensure these are standing agenda items for board meetings.

– Approach materiality/double materiality with a view to identifying positive impact areas and to raising upcoming risks rather than demonstrating a stable risk picture year on year. This means asking different questions and engaging radically different stakeholders. Use the findings of this exercise to bring key internal stakeholders along and then leverage the findings to raise awareness with investors and funnel investment differently.

Bugaboo's Push to Zero: sustainability and business objectives working in harmony

Push to Zero isn't just a sustainability slogan; it's the common rallying call, created by Salterbaxter, that unites sustainability and business strategy at Bugaboo.

It's not only the big idea driving product innovation, including increased use of recycled fabrics and bio-based plastics. It also stands to reshape Bugaboo's business model and operations, with an ever-growing emphasis on circularity and delivering products as a service.

Already with a strong reputation for modular design, Bugaboo is introducing leasing models, buy-back schemes and a growing network of refurbishment centres, extending the lifespan of products, while also making them more accessible and affordable to a wider customer base.

Bugaboo's journey towards net-zero may only recently have started, but its efforts to make sure that sustainability and commercial objectives work in harmony should greatly improve its chances of success.

To see more, please visit: https://www.salterbaxter. com/our-work/bugaboo.

#2 FROM POSITIVE TO NECESSARY

There's a vital distinction to be made between positive and necessary progress – between incremental improvement and change at a pace and scale sufficient to avert compound and cascading risks.

Too often, companies fixate on progress vs. past performance or relative to peers, rather than focusing on their proportionate role in achieving a state of 'one planet thriving'. These only tell stakeholders about where companies have been and how they compare to others. They say nothing about where they're going, nor whether the actions they're taking are consistent with what the science tells us is necessary to secure a liveable future for all.

Frameworks and metrics, such as the Future-Fit Business Benchmark and the previously mentioned UN SDPIs, reflect the need to embrace a more context-based approach to goal-setting, measurement and reporting e.g. setting targets and disclosing performance relative to planetary boundaries and a company's fair share of scientifically determined budgets.

Shifting attention from positive progress compared to the past, to what's necessary to achieve a sustainable future should also radically shift the focus of communications. Note how sustainability leaders tend to be humble, focusing more on how far they still need to go to reach true sustainability. They're also not afraid to talk openly and honestly about the challenges they face, nor to acknowledge when things haven't gone to plan – as in the 'High (and low) lights' section of Oatly's sustainability report, for example.[21]

This level of authenticity goes way beyond just avoiding all forms of greenwashing. It's about balanced communications, with clarity on where the business is going and why, how it intends to get there and the barriers it expects to encounter along the way. This is essential to building trust with stakeholders, and to fostering relationships with organisations – even competitors – who might collaborate to address shared challenges.

In addition, the topic of greenwashing has now moved beyond the communications and marketing space (misleading claims/advertising) and into the shareholder and investor space. This is changing the level and type of scrutiny companies face – not just on product level but at a corporate sustainability level.

As more companies communicate their ESG commitments and actions at a corporate and brand level, there is concern the gap between perception and reality is getting wider. There is recognition that this gap is, in part, being created by the immaturity and inconsistency of approaches in corporate sustainability practices, e.g. carbon offsetting, and in their evaluation or impact measurement and communications (corporate and brand). It is also the result of a lack of systemic collaboration and coordination from across stakeholder groups which limits the commonality in reasoning of what good looks like and how it is measured and evidenced. As a result, greenwashing is fuelling distorted views on corporate action which is creating false impressions of progress.

In short – greenwashing is fast evolving to be viewed and legislated as embedding liability and storing risk for investors.

21 Oatly (2022). *Sustainability Report.* [online] Available at: https://www.oatly.com.

WHAT'S NEXT?

INITIAL QUESTIONS TO CONSIDER

– Are your sustainability goals framed in terms of absolute or relative improvements (e.g. absolute GHG emissions reductions in line with science-based targets vs. reducing emissions per unit of production)?

– How do you consider science-based frameworks in your target setting beyond GHGs?

– Is it more important to you to set long-term/stretch goals that may require development of new and better ways of working, or to set short-term/incremental targets that you feel certain are achievable?

– When you tell stories about the part you're striving to play in building a better world, and when you measure and report your progress, how do you make explicit links to the context of planetary thresholds and social foundations?

– Does your reporting offer an honest, balanced and comprehensive view of the journey you're on, as well as how far you've come and what's gone well? How much do you say about how far you still need to go and what didn't go to plan?

MAKING A PLAN TO MOVE YOU TOWARDS 'NECESSARY'

– Apply reverse-thinking to your sustainability ambition setting exercise. Your main line of challenge needs to shift from how much will this action cost, to how much does this action secure my future?

– See Salterbaxter's ProgressPoint tool to help set direction and understand the actions needed now to secure a positive future state. At the heart of ProgressPoint is the premise that the only business benchmark that matters is whether we are delivering a sustainable future. Are you creating the conditions to stay in business for the future? This mindset gets you out of looking left and right at what competitors are doing, as being the best of a lagging bunch doesn't give you an accurate picture of necessary action and investment.

– Apply True Cost thinking – what would your balance sheet and margins look like if you priced in your externalities. Revisit Puma/Kering's early approach to Environmental P&L for inspiration on setting up a shadow P&L. Some concepts in sustainable business were just ahead of their time and missed the opportunity to go mainstream – this was one.

– Provide contextual business information for your sustainability goals and commitments that demonstrates how hard or easy they are to achieve. This is critical to creating support for when goals aren't quite met – most recently with the case of Unilever transparently acknowledging that they would not meet their climate goals. To which the resounding response in market has been 'yes but damn, those were some great goals'.

– Equip your workforce with the knowledge, skills and permissions they need to make decisions differently. Most internal engagement campaigns for sustainability focus on awareness but fall short of empowering and encouraging people to make decisions differently in order to deliver against the strategy.

ProgressPoint: Benchmarking progress towards the necessary future

Businesses continue to trade in long-term promises and incremental action rather than true transformative progress and action, with broad and often generic strategies that fail to move the dial. Too many businesses focus on staying within the pack or being slightly better than peers, measuring 'success' against self-established benchmarks and milestones businesses have set for themselves rather than the only baselines that matter – the planetary boundaries and social foundations that define the safe operating space for humanity.

ProgressPoint was designed in response to this reality, providing sustainability professionals with a practical tool for understanding and evaluating how their businesses can accelerate progress towards true sustainability, benchmarking progress against the future.

Spanning Performance (systems and structures), Proactivity (leadership and communications) and Reputation (metrics), assessment of these factors helps identify where companies can make the greatest impact and the fastest gains, providing an actionable roadmap for change needed to drive genuine progress for business and society.

For more information on ProgressPoint, please visit **https://www.salterbaxter.com/progress-point.**

#3 FROM MITIGATING TO REIMAGINING

Recognising the interdependence of business and systemic resilience changes the frame. It calls on companies to consider how to pivot core business capabilities towards profitably solving the problems of people and planet, rather than causing them – not as an 'add-on', but by reimagining products, services and business models.

The problem with risk-based thinking is that it's too often anchored in working forward from the present, motivated by the desire to protect and preserve business as usual. This tends to result in approaches that are limited to making the existing business model 'less bad'. By contrast, backcasting from a desired future state – e.g. net-zero emissions, no deforestation, equitable access to life's essentials – provides the freedom to let go of 'what is' and to imagine 'what might be'.

Initially, such lofty ambitions might feel wildly out of reach, but that's what moonshots are for – they inspire and galvanise people to act, not because they're easy to achieve, but precisely because they're hard. They can become the ultimate purposeful endeavour, not only providing a clear and compelling aspiration for everyone to align behind, but also unlocking new ways of thinking about how to get there.

And that's the key point, because merely envisioning a transformative future doesn't change anything. In

fact, it can even hamper progress if people get too absorbed in imagining that future and lose sight of the urgency of action in the here and now. It has to be followed through with the effort to figure out what would have to be true, from this point forward, to make that future state a realistic destination. In this way, companies can plot their journeys over multiple time horizons – simultaneously holding in mind the present, the future and the innovation space between.

Whereas efficiency often rests on being hyper-adapted to the current environment, resilience depends on adaptability to changes in the environment. Businesses that truly invest in their capacity to foresee and shape the future – and to reorient their strategies, structures and systems accordingly – are the ones that will remain agile and resilient enough to create and sustain value over the long term. By approaching sustainability as the ultimate innovation imperative, they throw open new opportunities to create long-term value, both for the business

and for society, rather than just reducing harm.

Far too much potential is being squandered by a lack of creative thinking. When creativity isn't deeply embedded in the strategy development process itself, that's when we end up with dry strategies that may be logically sound and technically correct, but which lack the spark that truly inspires audiences and empowers decision-makers.

Identifying what motivates the people who'll be responsible for activating the strategy is key. Figure that out from the get-go and your ambition, commitments and storytelling are so much more likely to resonate when it comes time to communicate it.

Credibility and creativity – these things must be engaged in unison. Only then can powerful, actionable strategies emerge that realise their full potential to shape minds, transform business and drive progress at the pace and scale the planet is crying out for.

WHAT'S NEXT?

INITIAL QUESTIONS TO CONSIDER

– Does your strategy assume a strong and stable operating environment, or do you factor in the possibility of abrupt and significant disruption?

– Do you view global challenges through the lens of business opportunity rather than just risk?

– In considering how to solve sustainability challenges via your products and services, how do you go about exploring ideas beyond your current business model and offerings?

– If your people, your communities, future generations and the natural world were represented in your boardroom, what would they make of your ambition and strategy?

– What long-term ambitions/goals/projects might you set in motion that extend beyond your tenure with the company?

MAKING A PLAN TO MOVE YOU TOWARDS 'REIMAGINING'

– Set a North Star, a 'meta commitment' that sits above all the others and sets a transformational direction for the business. E.g. Bugaboo mantra of no new buggies, P&G Moonshot for no P&G plastic in the ocean. This has to be aspirational and understood by all. Done well, it will set your business on a different path whilst inspiring bold innovation and attracting new partners to join your journey.

– Reimagining has to go beyond Scope 3 upstream (too close to business as usual) and must get closer to Scope 3 downstream (thinking about how products will be used and how we will live in society).

– Do something radical: Stop consumer testing your new sustainable products (cf. Henry Ford and faster horses) and instead funnel that money into helping people create sustainable lifestyles around your new products and services.

– Revisit the legal thinking around the right to future generations (see what the government of Wales implemented in 2015) and question how the decisions we make now short-change future generations. Bring in a youth activist voice, put them on the Board, empower them through your organisation and you will increase your innovation and future readiness.

– Remember, this is not meant to be easy, but it will be great.

The Kalundborg Symbiosis: reimagining an entire industrial community

For more than 50 years, something extraordinary has been going on in the Danish municipality of Kalundborg – sixteen public and private companies having self-organised, over time, into a unique circular system of production.

The basic organising principle is that waste flows from one company becomes the food for another. For example, nutrient-rich 'yeast slurry' from Novo Nordisk's insulin production is converted and upgraded by Kalundborg Bioenergy into biomethane and fertiliser products.

Just one of more than 30 different exchanges of water, energy and materials taking place across the interconnected web of companies, these collectively support recycling and reuse of more than 62,000 tonnes of materials each year, as well as avoiding use of 4 million m^3 of groundwater and 586,000 tonnes of CO_2 emissions.

#4 FROM GENERIC TO TAILORED

What's relevant to any given company will vary, according both to its activities as a business and the issues that most affect people in the specific markets where it operates.

Too often, that market-based dimension of materiality assessments doesn't get the attention it deserves, leading to 'one-size-fits-all' strategic prioritisations that fail to honour the unique characteristics of different people and places. This is a big reason why top-down global strategies (however well-meaning) often fail to make their mark at a local or regional level.

Any strategy is only as effective as its implementation. However compelling the story may be, if it's not sufficiently actionable, it's unlikely to motivate employees and will have a limited impact on company success. As well as being anchored in the core capabilities of the business and

backed by sufficient resources to deliver on its objectives, it needs to be clear, practical and relevant enough for people to internalise it and use it to guide everyday decision making.

Understanding and honouring plurality is key to this – not making everyone follow a single recipe, but rather facilitating diverse and locally relevant approaches to achieving common strategic goals. This way, subsidiaries and suppliers can more easily translate corporate ambition into meaningful action, in tune, for example, with different regulatory environments and stakeholder expectations.

This is particularly relevant given the onslaught of corporate ESG disclosure regulations. While generic reporting may be optimal for regulatory responses, it's not what inspires and mobilises other stakeholders. Now more than ever, it's important to distinguish what content is intended for whom, and to what end. That's why we recommend developing a coherent, all-inclusive data index, in addition to branded storytelling – so the task of responding to general, regulated or standard investor asks doesn't distract from driving business transformation and communicating benefits to the brand.

WHAT'S NEXT?

INITIAL QUESTIONS TO CONSIDER

– Do you regularly seek to review and update plans to reflect shifting business realities and regional priorities?

– How do you bring in perspectives from across and beyond the organisation to incorporate a diverse range of views on what success should mean?

– Do open lines of communication exist to ensure that leadership learns as quickly as possible of changes in your operating environment, and do people feel empowered to share their insights?

– How are top-level goals translated into contextually-relevant objectives for each business unit and region? Do employees at all levels, and across the entire business, have key sustainability objectives?

– Are sufficient resources (personnel, technology, financial investment) allocated to ensure that sustainability goals can be achieved?

MAKING A PLAN TO MOVE YOU TOWARDS 'TAILORED'

– Conduct bespoke stakeholder engagement per business unit and department, for example, using materiality assessments.

– Global averages are a shackle to progress – they are necessary but are not enough on their own and need to be completed with a localised approach for key regions and markets. The same is true for Corporate and Brand level sustainability strategies. Both levels are necessary, and a global/corporate level is the best place to start, but the work cannot stop there. **See our opinion piece on global to local sustainability.**

– Build reflection and inflection points into your strategy. See Salterbaxter's Active Strategies publication which is available on request.

– Set sustainability commitments that are rooted in technical credibility but also apply the creativity needed to inspire and drive action. **See SB article on goal setting.** Then be explicitly and overly clear on roadmaps and expectations for delivery and action at an individual level, building those expectations into formal KPIs.

– Could a direct competitor set the same commitment? (If yes, go back to the drawing board). Could a non-expert understand your commitment to the extent that they could come with an idea to help solve it? (If no, go back to the drawing board).

Localising global sustainability strategies

The challenge that multinational businesses face is that centralised global sustainability strategies need to be broad and high-level enough to cover all the nuances of their different markets. That strategy is then, in essence, a global company average – but global averages are holding us back. They don't give a full picture of the varying levels of change needed across differing locations to drive necessary progress. This is taking away focus and investment from the solutions and the regions that need it most and where the greatest impact and progress can be made.

In localising and rolling out global strategies, the different regulatory, cultural, risk and economic contexts of each market will influence its focus, approach and effectiveness. Implementing ambitious net-zero or single use plastic targets, something that is simply compliance in one market, may be bold and transformational in another. Risks and opportunities also differ by market, as do consumer and stakeholder expectations when it comes to ESG.

This reinforces the importance of designing bold and brilliant strategies that are not top-down but that are agile and adaptive. They must be built to allow tailored roadmaps and supported by strong internal and external governance models, which are based on constant feedback loops across the company ecosystem. This will ensure global and local teams have the flexibility to respond to internal and external priorities, can create relevant and actionable narratives that go beyond averages and set a clear direction so that everyone, regardless of location, can get behind them and be a part of delivering progress.

#5 FROM ACCEPTING TO CHALLENGING

All of the previous shifts centre on the attitude and approach of individual organisations. But shifting systems also requires something else. It needs companies to advocate in favour of reforms that address risks and failures at the market level too.

Rather than accepting the status quo as it is and engaging passively or defensively in political or social movements, companies need to stand up and be counted as voices for positive systemic change. This is essential to getting the most out of all the other shifts, because it's about changing the stories and rules that every business operates by.

Challenging the status quo is a means not only to elevate your standing as a sustainable brand, but also to de-risk more progressive strategies by working to create the optimum conditions for those strategies to succeed. It also reflects the reality – as demonstrated during the pandemic – that strategies limited to improving the sustainability performance of individual companies may provide little insulation from systemic risks.

WHAT'S NEXT?

INITIAL QUESTIONS TO CONSIDER

– Do you speak out publicly and honestly on the systemic challenges facing your business and industry, and the barriers to overcoming them?

– Do you actively convene and collaborate with external stakeholders – including competitors – to tackle those systemic challenges?

– Do you seek to influence customers, and challenge norms, to catalyse positive behaviour change?

– Do your products and services help create the conditions for change, challenging the status quo rather than serving it?

– Do you advocate for government policies that make it easier for your industry to deliver sustainable outcomes?

MAKING A PLAN TO MOVE YOU TOWARDS 'CHALLENGING'

– Take a step back and rethink how you view business in Society. What's your right to exist? Then take a bolder and broader view of the business ecosystem (who are your stakeholders, who are you accountable to?) and ask the same questions.

– Work with your in-house legal team to ensure they have an updated view of risk so they support bold action.

– Create a governance model that reflects the scale and pace of change required. A shadow sustainability board with some expert and executive critical voices is a great way to get started. Prioritise and bring exec management along.

– Give Nature a voice and bring Nature onto your Board – take inspiration from Patagonia and Faith in Nature.

Making slave-free chocolate the norm: how Tony's Chocolonely aims to transform the cocoa industry

Chocolate's dark secret is that more than 1.5 million children have to work illegally on cocoa plantations, because their parents are unable to earn sufficient income from their cocoa harvest.

Tony's Chocolonely is on a mission to change that, with five key sourcing principles that include: paying higher prices (well above Fairtrade premiums), so farmers can earn a living income; strengthening farmer cooperatives by building long-term relationships and buying directly from them; and having full 'bean-to-bar' traceability of all the cocoa it uses.

Crucially, the mission to make chocolate 100% slave-free doesn't just apply to its own bars. It extends to all chocolate, worldwide. To that end, Tony's Chocolonely hasn't just built its own business on its five sourcing principles; it's made them open source in an effort to set new industry standards for the whole chocolate industry to follow.

Already the biggest chocolate brand in its home market of the Netherlands, awareness of its mission and market share are also growing throughout new markets including Germany, the UK and the US, demonstrating that it's possible to both uphold the highest ethical principles and be commercially successful.

LET'S CREATE CHANGE

AND UNLEASH OUR INNER ACTIVISTS

Changing our worldview is vital to changing the trajectory of business. When we let go of the illusions of permanence, control, predictability and perfect knowledge, we can start to see the world as it truly is and to better understand where we've been going wrong.

This is going to take courage and conviction – and community. A community of corporate activists.

At Salterbaxter, we know that the scale and pace of change needed will require creativity and credibility in equal doses. It will also require honesty about Progress and transparency on what is and isn't working. It's in this spirit that we share our learnings each year. Last year we open-sourced our methodology for ProgressPoint. This year we have distilled decades of advisory work into five key actions.

Five shifts in the way we perceive and approach sustainability – separate to holistic, positive to necessary, mitigating to reimagining, generic to tailored and accepting to challenging – hold the key to delivering the transformation required to secure an equitable, liveable future for all. They are what can enable companies to play their full part in building a more just and regenerative future, and to become more adaptable, resilient and successful businesses in the process.

Taken together, along with the questions and planning suggestions we've provided, we hope to offer a valuable checklist for decision making. From investment to product development to future talent planning, they suggest practical steps to kickstart the process of reimagining strategy and operations, and strengthening your business' long-term viability, resilience and capacity to thrive in disruptive times.

What next? Tell the shareholders and the financial analysts that in 2024 they will prioritise mitigation, adaptation and remaining their exact same size, to deliver on the 'best interests' of their shareholders, as opposed to prioritise short-term financial profit. It feels like it only happens when everyone does it at once, and sustainability isn't the battleground, it's where radical collaboration happens.

Remember, too, that you're not alone in this. Firstly, this is a challenge facing virtually every business on the planet. And secondly, we're here to help. If you'd like to discuss anything you've read here, do get in touch. We'd be delighted to hear from you.

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