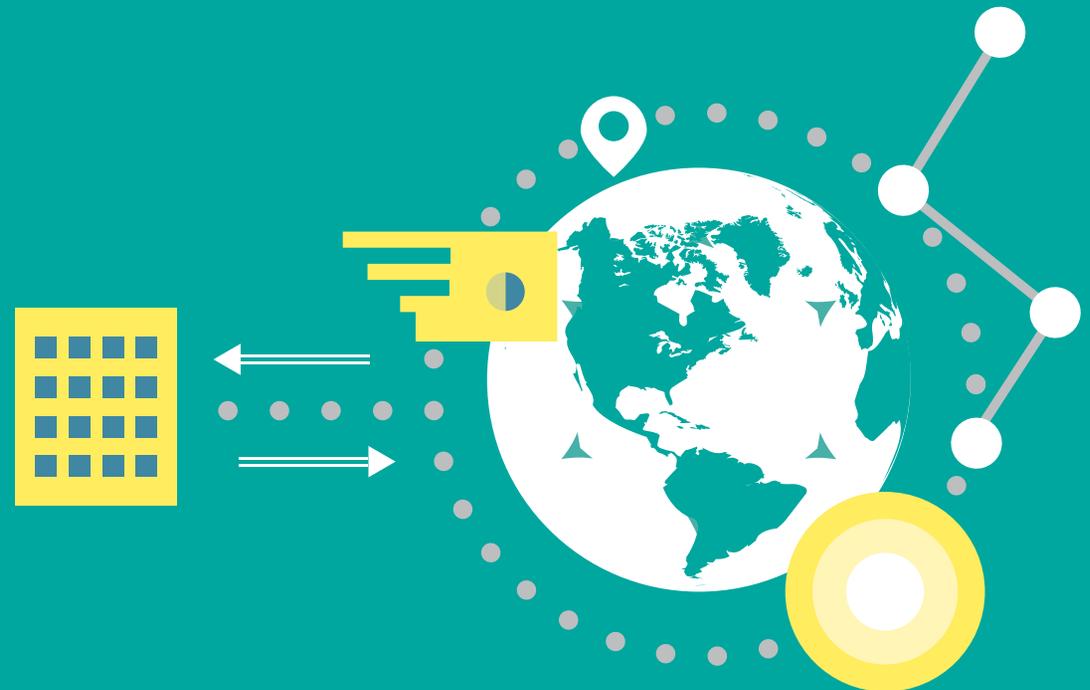


MEASURING TRUE IMPACT:

HOW SCIENCE IS DEFINING WHAT BEING A TRULY SUSTAINABLE COMPANY REALLY MEANS

We explore the value of science-based goals with the Co-Founder of the Future-Fit Foundation, Martin Rich



BIG CHANGES FOR BETTER OUTCOMES

Businesses today are realizing that to truly address the environmental and social challenges affecting our planet, a major shift in the way they produce and market products or services is required. This level of process change involves system thinking – a way of defining what the social and environmental break-even point is. With this scientific framework in place, companies are learning that simply focusing on reducing their operational footprint, although extremely important, may not be enough - so bigger questions need to be asked: What does a 4% reduction in carbon emissions really mean in the context of long-term sustainability? Are companies' targets taking into consideration the full life-cycle of their products? Are we only acknowledging relative improvement and not real progress? And, how do we truly measure one company's performance against another's?

Science-based goals challenge businesses to rethink how they measure their true impact. It requires them to look at their whole “system value,” and to understand the balance and connection between their business practices, society and the environment. Because the results of this analysis probably require a fundamental shift in the way they operate, this approach is a scary proposition for many organizations.

We sat down with Martin Rich, Co-Founder of London, UK-based Future-Fit – a radically new sustainability business benchmark initiative – for an interview to find out why science-based targets work and how companies are applying this framework for long-term sustainability.

Jeff Sutton, VP Client Strategy



JEFF SUTTON, thinkPARALLAX: Hi Martin, I really appreciate you taking the time to answer some questions about what it means to be a Future-Fit company. Let's start by explaining what Future-Fit is and how companies are applying Future-Fit Goals to their business.

MARTIN RICH, Future-Fit: Sure, that's a great place to start. The Future-Fit Business Benchmark is grounded in environmental, social, and system science. Right from the get-go we recognized that system thinking was the only sound basis for defining what social and environmental break-even looks like. Thankfully, a globally accepted scientific framework already existed - the Framework for Strategic Sustainable Development. Our role involved translating the FSSD principles into an easily understandable set of steps for any business to follow. The result of that work was 21 goals, which, when achieved together, would mean a business is not breaching any of the FSSD principles and thus not damaging society or the planet.

The best news is now that we've created the goals, companies don't need to understand all the underlying science if they don't want to. The goals are clear and concise and can simply be embraced as they are. The business can instead focus its efforts on understanding its impact in light of the goals and seek to change its actions for the better.

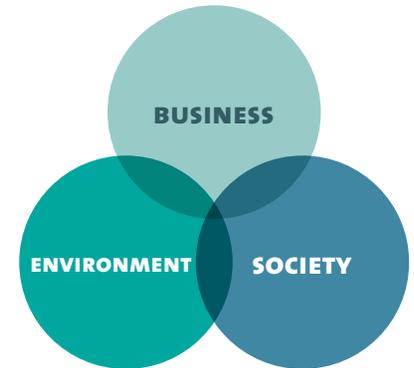
SHAREHOLDER VALUE

Business is all that matters: companies privatize gains while socializing losses



SHARED VALUE

Business comes first: negative impacts are justified by 'doing good' elsewhere



SYSTEM VALUE

Business in no way hinders — and ideally accelerates — the transition to a prosperous future for all



Source: futurefitbusiness.org

Q2

JEFF: OK, so with a baseline understanding of how the Future-Fit Business Benchmark is designed, could you describe what a Future-Fit company looks like.

MARTIN: Simply put, a company's journey towards Future-Fitness begins by seeking to understand its full environmental and social impact from the way it does business - from suppliers to operations to product usage and disposal. Once the company understands how parts of its operations or processes are having a negative impact, it makes the commendable choice to eliminate those things that are causing damage. But it's only once all those negative elements are gone that a company can call itself Future-Fit. Ideally, a company on this journey will also be striving to repair past damage and to help other businesses do the same. Believe me, we recognize that's a big ask and most companies are a long way from there today, but it doesn't change the fact that it's where we need to be for the future.

ENVIRONMENT



We are disrupting and degrading Earth's natural processes, upon which we as a species and all other life depend.

SOCIETY



The basic needs of billions of people around the world are not being met, while the gap between the haves and have-nots grows.

BUSINESS



We are failing to adequately value business in a way that encourages companies to tackle these systemic problems.

Source: futurefitbusiness.org

JEFF: As you mentioned, your benchmark centers on a set of 21 Future-Fit Goals. Can you explain that a bit? And how would a company set and measure its performance against them?

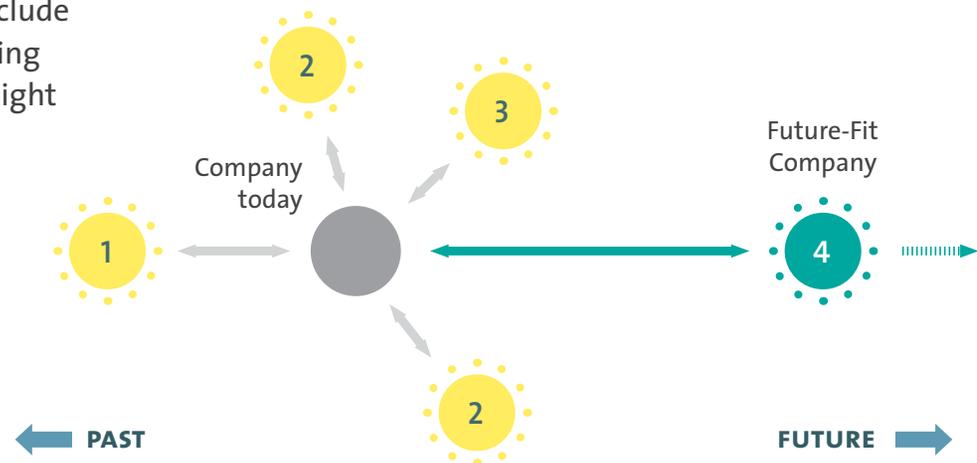
MARTIN: The Future-Fit Business Benchmark defines the “north star” to aim towards through a set of 21 goals. As with any journey, once you know where you’re going, you can start to plan a route, the time it will take, and the tools you need to help along the way.

Companies go through the process of studying each of the goals to identify their short, medium and long-term priorities. Building on any work already completed is an obvious starting point, as well as addressing the areas of material risk. Then, as goals are agreed upon, the metrics that accompany each goal enable the business to start measuring its progress.

Reaching these goals can be difficult, so it’s important to view Future-Fitness as a journey. No one expects a company to just dive in and get there tomorrow – there will be hurdles along the way. Just starting down the right path is an enormous step, followed by setting ambitious but realistic targets. It’s important to include a good representation of your organization in the target-setting process. Empower your most visionary colleagues and you might be amazed with what they come up with!

FUTURE-FIT BUSINESS BENCHMARK

- 1 Assessing company performance relative to a past year doesn’t tell us where it is going
- 2 A focus on best practices by sector (e.g. current ratings) only drives a race to be ‘least bad’
- 3 Progress toward short-term goals matters only if they contribute to the right long-term aims
- 4 For the full story, we must assess progress toward and beyond an **extra-financial break-even point**



JEFF: I'm sure there is some powerful resistance to taking on such a huge and disruptive task. I mean, this could fundamentally change the way a company operates. What do you say to companies who feel some of these 21 goals may be impossible for them to reach?

MARTIN: I think first we have to analyze the word "impossible." Is the company saying the Future-Fit Goals are technically impossible or is it more likely an anxious response that really means, "We can't imagine going there"? Through our workshops, we've found that employees usually believe the majority of the goals could be achieved if they had unlimited management support and resources – so "impossible" is really saying, "We've never done anything like this, but perhaps we could if we tried and were supported in reaching these goals."

I understand the reality, however. Undoubtedly, there are goals that are technically impossible within the constraints of the current business model. That qualifier is important because sometimes to achieve difficult sustainability goals, a business model must shift. In these cases, we say focus on the goals that are achievable in the current business model now, but also start thinking about how you could change your model for delivering products or services without compromising the goals. I realize the fear because this may well look radically different to where you are today, but true business leadership is about spotting the challenges ahead and finding a solution to surmounting them. After all, Henry Ford didn't focus on making horses go quicker, right?

JEFF: OK, but many businesses are literally in the business of sourcing and selling unsustainable resources. What would you suggest to companies whose business models rely on finite resources - oil companies for example? What would committing to Future-Fit look like for them? It seems like they could strategize themselves right out of business, correct?

MARTIN: Well, despite what people may think, there are very few industries we would like to see vanish! Of course, certain industries face very significant challenges, but Future-Fitness doesn't say they can't exist. Rather, it says these companies need to find a way to do business that doesn't breach the Future-Fit Goals. Since you mentioned it, let's look at the oil industry. There's nothing wrong with oil itself, it's the emissions from burning it that are the main problem. We say the industry needs to strategize itself into the flourishing future – finding ways to extract oil without environmental degradation and using it in closed loop cycles, for example. Their future activities need to be established with this endgame in mind.

JEFF: Now let's talk about consumer behavior. We all know that businesses are inherently driven by the buying habits of their customers. That said, what role does demand and/or consumer behavior play in the equation? If there is continuing demand in the market for unsustainable products (e.g. oil or plastics), or conversely, a lack of demand for sustainable alternatives - does "meaningful action" on the part of the business require them to walk away from proven, lucrative revenue streams deemed "unsustainable?"

MARTIN: Great question and one that we hear a lot, particularly from business leaders. The answer is not an easy one, though. Firstly, education is essential for changing consumer demand and behavior, which absolutely play a critical role in the decisions that corporations make. Collectively, we need to recognize that all of us interact with this problem on multiple levels – as employees, as consumers, as investors, and as citizens. It’s very easy - and very dangerous - to disassociate ourselves and simply blame “them” for our choices and behavior.

We need to wake up and stop sleepwalking towards the cliff edge! If we choose to continue working for companies that manufacture or source unsustainable products, purchase those products ourselves and/or invest in those self-same companies, then we shouldn’t be surprised by ever-worsening levels of environmental degradation and social inequality. Will those “lucrative revenue streams” look so great then? Alternatively, just think what we could do by starting with the person in the mirror – working for positive change in our workplace, buying more sustainable products and demanding more sustainable investments and pensions. The potential is limitless and that’s what gives me hope we can make the necessary changes together.

JEFF: Science can often be a complicated message for marketers to lead with, and frankly, consumers to connect with. Considering that reality, how have communication teams reacted to the Future-Fit framework? Have you seen closer alignment with their internal sustainability teams because of a well thought-out framework? With the benchmark in place, I’m guessing this is an easier sell.

Q7

MARTIN: The clearest example we can give is The Body Shop’s “Enrich not Exploit” campaign with its 3 pillars and 14 underlying commitments to positive outcomes. This has been received extremely well by employees and consumers alike, and it’s all designed from Future-Fit principles. People like stories of companies doing what they can to lessen their impact. We believe the pursuit of Future-Fitness creates a genuinely positive story with endless possibilities for marketers to use, which is surely a great incentive for working more closely together.

The screenshot shows the top portion of The Body Shop's website. At the top is a black navigation bar with the brand name 'THE BODY SHOP.' in white. Below it is a white horizontal menu with categories: NEW, GIFTS, SKIN CARE, BATH & BODY, MAKEUP, HAIR, FRAGRANCE, MENS, INGREDIENTS, and OFFERS. The main content area has a bright yellow background. On the left, a large, realistic hand is shown with its fingers spread, and from the palm and fingers, a lush garden of various flowers, butterflies, and a bird is growing. To the right of the hand, the text reads: 'ENRICH NOT EXPLOIT.™ (It's in our hands)'. Below this, a short paragraph states: 'Our story started with Anita Roddick's belief in something revolutionary, that business could be a force for good, and in 1976 The Body Shop was born.' This is followed by the statement: 'Today our commitment is stronger than ever'. Below that are three columns of text: 'ENRICH OUR PEOPLE', 'ENRICH OUR PRODUCT', and 'ENRICH OUR PLANET'. A final paragraph says: 'We are proud to be original, irreverent and campaign for what's right, together we can do it.' At the bottom of this section is a black button with the text 'OUR COMMITMENT' in white. Below this is a white rectangular area with a green border, featuring a product advertisement for 'HEMP ULTRA-MOISTURIZING BUTTER'. The text in this section includes: 'HEMP ULTRA-MOISTURIZING BUTTER MOISTURE HIGH FOR THE VERY DRY', 'Our hydrating cold-pressed hemp seed oil gives hard working hands a fix of moisture & protection. Four times more effective at capturing CO² than trees, the hemp we grow supports local biodiversity by providing a habitat for everything from birds to spiders.', and 'GOOD FOR YOUR HANDS, GREAT FOR THE PLANET'. At the bottom of this section is a black button with the text 'SHOP HEMP' in white. To the right of the text are images of the product packaging, including a jar of butter and a tube of cream.

Q8

JEFF: Now let's get to the roots of achieving Future-Fit status. What are the key steps to implementing the Future-Fit Business Benchmark?

MARTIN: Assuming the chief sustainability officer (or equivalent) is on board, the first real step is to ensure the buy-in of the CEO and CFO. We need them to understand and champion the idea that business rooted in system thinking is good business. The concept of Future-Fitness needs to be a mindset that's embedded in the way the company does business, not just something done on the side to look good. The idea, support and drive have to come from the top.

Second, companies need to set ambitious but realistic targets and timelines across a few goals, business areas or product lines. Trying to do everything at once will inevitably lead to overwhelmed staff and a failure to execute. That said, start to simultaneously embed Future-Fit principles into as many business processes as possible, particularly in areas like design and procurement. In five years' time you'll suddenly find that all your new products are halfway to being Future-Fit without even setting that as a target!

Third, measure your progress, acknowledge and celebrate the success and keep pushing forward to achieve your goals. Keeping the motivation high is essential.

JEFF: OK Martin, I'm going to put you on the spot now. If you had to pick one - what's the biggest barrier to companies embracing Future-Fit?

MARTIN: Ha! Well, I think the biggest barrier is facing the reality of the scale of the challenge and realizing how far the company

probably is from being Future-Fit today. It can be a daunting prospect and might seem like a never-ending journey at the onset. The good news is that most people understand that these issues are not going to go away. But even with this awareness, it takes courage and commitment to not ignore problems and decide to do more than the bare minimum. The true winners, though, will ultimately be the ones who grasp the opportunity first and innovate most quickly. Very few would bet against Tesla, for example.

JEFF: Future-Fit, Net Positive, Circular Economy, UN SDG's, GRI, 100+ sustainability ratings. The list goes on and on. With so many alternate and potentially competing frameworks/theories circulating around, will corporate sustainability ever achieve a "unified theory" of change?

MARTIN: Fair question, but history would suggest we won't ever reach a "unified theory" of anything, and if we wait until we have complete agreement on sustainability, we're all doomed as a species! Seriously, we have to start making changes now.

By seeking to define the social and environmental breakeven point in the way we have, Future-Fit has certainly pushed the boundaries. No question. However, by starting from a systems perspective and collaborating with as many experts as possible, we've sought to build on and reinforce, rather than contradict, other credible frameworks. Future-Fit aligns extremely well with the SDGs, for example, and provides a usable set of targets by which corporations can help to achieve them. Additionally, many of the other methodologies out there are about how to become more sustainable, and again we see ourselves as being complementary by providing greater clarity about the required destination.

Q10

Q9

Q11

JEFF: Very good. I like the message that to achieve sustainability in the future, it's imperative that even though we may think we're making progress to a sustainable planet and society, we have to do so much more. I definitely see how the science-based goals concept helps businesses stay focused on their sustainability plans for the future. So, any final thoughts?

MARTIN: Scale and success in the digital economy will be achieved through (big) data, pre-competitive collaboration and open-source methodology. The world of sustainability is no different, which is why we've chosen to go down this same route. We look forward to many more companies joining us on this journey. Together we make a difference.

JEFF: Thanks Martin. I really appreciate you taking the time to explain what it means to be a Future-Fit business and why science-based goals and targets are so important for creating real change. I look forward to working with you and your organization as more and more businesses strive towards Future-Fit sustainability.

Measuring true impact

The emerging influence of science on business strategy is helping company leaders better understand the impact that social and environmental challenges have on their current business model. Scientific data is establishing a more definitive idea of what a truly sustainable company looks like and helping to put goals in place for realistic, long-term success. Through this lens, consumers, employees, investors and all corporate stakeholders receive a clear view into which companies are making a real impact versus the ones simply doing less harm. As Martin explained in his compelling article, without a benchmark grounded in scientific understanding, we're simply celebrating today's success without planning for the needs of tomorrow.

WHY IT'S TIME FOR A NEW KIND OF METRIC

The Future-Fit Business Benchmark

Think of a company. Now ask yourself this: Is the company truly sustainable, in everything it does and sells? If not, then how must the company change before it is?

If you're struggling to answer these questions, you're not alone: It's hard to assess real progress if the destination is unclear. And until now, we've had no clear, credible and actionable definition of what being a truly sustainable company really means.

Unfortunately, the 100+ corporate sustainability ratings in existence don't hold the answer, because they focus on today's best practices rather than tomorrow's required practices. To see why this is a problem, let's look at an example. The Dow-Jones Sustainability Index currently awards Thai Oil a total sustainability score of c.87%. I have no reason to doubt that this particular oil company is doing more than its peers. But in the face of climate change and a de-carbonized future, the very nature of the oil sector's current business model is unsustainable. In that context, is such a celebration of relative performance warranted? Can we really expect Thai Oil's CEO and investors to question the carbon-intensive nature of their business if that's the kind of signal they're getting?

Current extra-financial metrics lull decision makers into believing that doing better than last year – or better than 'the next guy' – is sufficient. (VW as Automobile Industry Group Leader anyone?) But given the scale and complexity of the problems we face as a species, being less bad is just not good enough.

That's why we need a new kind of metric. Rather than merely focusing on today's best practices, we must measure the gap between where business is now and where it needs to be.

We need a benchmark grounded in a scientific understanding of how the world works. One that identifies the minimum acceptable level of

environmental and social performance every company must attain if society – and thus their business – is to prosper long term. One that defines the breakthrough point beyond which a company starts delivering positive value. One that inspires business leaders and investors to push for truly innovative solutions.

That's the purpose of the Future-Fit Business Benchmark. Published in May 2016 after two years of global collaborative development, it comprises a set of 21 Future-Fit Goals that collectively draw a line in the sand that marks the transition point beyond which a business starts helping – rather than hindering – society's transition to a sustainable future.

Each goal has an accompanying Key Fitness Indicator – a metric to tell a company how far it is from each goal based on its current performance. Together, the goals and metrics enable business leaders to set targets and prioritize effectively and will, in time, empower investors to make meaningful comparisons between companies and integrate this data into their investment decisions.

Of course, this is only half the story. We're now developing Release 2, which will extend the benchmark beyond this extra-financial break-even point to additionally capture positive behavior, which we describe as 'Creating System Value.' The first draft should be published in May this year.

Ultimately, our goal is to change the way extra-financial business performance is measured – and thus managed – and reported in pursuit of a flourishing future. We hope you'll join us on the journey. To get started, you can sign up for our newsletter and download Release 1 of the Future-Fit Business Benchmark for free at futurefitbusiness.org.

Martin Rich, Co-Founder & Executive Director





thinkPARALLAX is a sustainability communications consultancy committed to building brands with purpose. We work at the intersection of business strategy, sustainability, and communication. Our values stem from the belief that profit and sustainability are not mutually exclusive – good business means doing the right thing.

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