



Future-Fit
Business

Pioneer Disclosure Guide

Publishing an annual
Statement of Progress

Release 1.0



Future-Fit
Foundation

About this document

This document provides supplementary guidance for Future-Fit Pioneers.

Pioneer Disclosure Guide

This document is for Future-Fit Pioneers: organizations which publicly commit to using the Future-Fit Business Benchmark, and to disclosing regular updates on their journey to future-fitness via an annual Statement of Progress.

The text is written to be accessible to a general audience, but some knowledge of the Benchmark is assumed.

Readers of this document should also read the **Pioneer Pathway Guide** which will be available shortly.



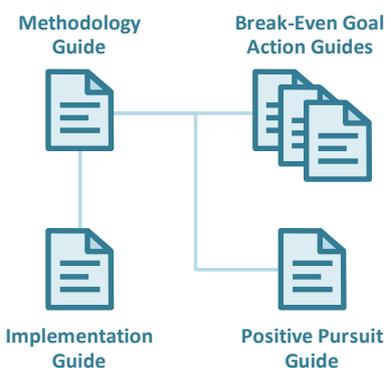
Pathway Guide



Disclosure Guide

Pioneer Guidance

Core Benchmark



Core Benchmark Documents

Methodology Guide

The scientific foundations and concepts underpinning the Benchmark, together with details of its key components and how they were derived.

Break-Even Goal Action Guides

Guidance on how to transform business operations, procurement practices, and products in pursuit of future-fitness. There is one Action Guide for each of the 23 Break-Even Goals.

Positive Pursuit Guide

The kinds of activities that any business may undertake – above and beyond its pursuit of Break-Even – to speed up society’s transition to future-fitness.

Implementation Guide

Supplementary guidance on how to begin pursuing future-fitness and how to assess, disclose and assure progress.

All core Benchmark documents are available for download [here](#).

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1. Introduction

Missing information flows is one of the most common causes of system malfunction. Adding or restoring information can be a powerful intervention.

Donella Meadows

This document presents the approach users of the Future-Fit Business Benchmark should follow to inform key stakeholders about where they are on their journey to future-fitness – via a concise, comparable and forward-looking Statement of Progress.

This approach has been co-created from the ground up with companies and investors on the [Future-Fit Development Council](#). It seeks to better serve the needs both of those disclosing data and those seeking to use it, by providing a different perspective and avoiding the shortcomings of today’s sustainability reporting standards and ESG ratings. The approach is also flexible and scalable enough to be used by organizations of all shapes and sizes, from small social enterprises to global corporations, and from impact investors to pension funds.

[Chapter 2](#) identifies the limitations of traditional approaches to extra-financial disclosure. Feel free to skip this if you already have a solid grasp of what companies and investors really need.

[Chapter 3](#) introduces the Future-Fit Statement of Progress, explaining its key elements and describing the four possible levels of disclosure it affords.

Any business can become a Future-Fit Pioneer with a low-touch Level 0 commitment, which requires no numerical indicators to be calculated or published.

In successive years, companies can incrementally increase the breadth and depth of the information they share, up to a full Level 3 disclosure which offers unparalleled insight to investors and other stakeholders.

[Chapter 4](#) offers thoughts on how to begin preparing a Statement of Progress.

Note that this document does not describe what the Future-Fit Business Benchmark is or how to use it. If you are not already familiar with these topics we recommend that you watch the free video [Crash Course](#) on our website.

Throughout the text, orange boxes like this offer further context or explanations of the concepts discussed, and link to supporting resources. In some cases resources may only be available in the [Changemaker Community](#), which is free to access for any organization interested in becoming a Future-Fit Pioneer. If you don’t already have access to the community, please email us [here](#).

2. Extra-financial disclosures today

The Future-Fit Business Benchmark has been designed to enhance extra-financial disclosure, building upon the decades of work and experience that have already been invested in this continuously developing area. As explained in the core documentation, the Benchmark is a strategic management tool – not a

sustainability reporting standard, nor a rating system – which naturally interacts with all of these existing approaches. Before exploring what Future-Fit disclosure looks like, it is therefore worth reviewing the state of the market today and identifying the shortcomings that the Benchmark seeks to address.

2.1 Sustainability & integrated reports

The Global Reporting Initiative (GRI) [1] and others have worked for years to encourage companies to report on their extra-financial performance.¹ Such disclosures have traditionally been in the form of a sustainability report, although it is increasingly common to find such information presented alongside financial data in an integrated report [2].

Reporting standards have done much to improve corporate transparency on environmental, social and governance (ESG) issues – and there is some evidence that integrated reporting can drive integrated decision-making within

a business [3]. Yet despite these successes, current approaches are limited in several key respects:

- **Lack of precision:** Many ‘standard’ indicators are not defined with enough precision to ensure that they will be applied consistently by every business. In particular, it is often left up to each organization to decide what to include in its assessments, and exclusions are often not clearly explained.² Hence it is hard to make any meaningful performance comparisons between businesses.

¹ Historically, environmental and social data has often been referred to as *non-financial*. This is a misnomer: from a systems view, business can only thrive if society flourishes, and society can only flourish if the natural world is capable of supporting our collective needs. When such interdependencies are recognized, it is clear that a company’s environmental and social performance is not *divorced* from its financial success, but rather shapes and supports it. Hence the term *extra-financial* is used throughout the

Future-Fit guidance. For more information on this systems perspective see the [Methodology Guide](#).² For example, should a company reporting on its water use measure only that which it consumes, or should it also include that which it extracts from a watershed for cooling purposes and then immediately returns to its source unaltered? If two companies take these two very different approaches, there is no way that readers of their respective reports can make any meaningful comparisons between the reported volumes.

- **Lack of context:** Many indicators also lack the context needed for readers to deduce the significance of a business' impacts. *Current* performance is not framed in the context of *necessary* performance, so it is difficult to tell how well a company is really doing.³
- **Insufficient structure:** Reports vary in length, substance and format, and change year on year. Extracting specific data points – to compare companies to their peers, or to track progress over time – is thus a manual, effort-intensive process.
- **Selective focus:** Current reporting tends to devote most narrative attention to those areas where a company already has a good story to tell. A more holistic approach is needed to shed light on any major

challenges – particularly in situations where the business has not figured out how to solve them.

- **Backward-looking:** Reporting standards typically focus on where a company is now. Investors are at least as interested in forward-looking information: where a company is going and why, and how and when it intends to get there.

As a result of these shortcomings today's sustainability and integrated reports are not sufficient to meet the needs of those investors seeking concise, meaningful and comparable extra-financial data.

The situation is not ideal for companies either, since the creation of such reports is a highly effort-intensive process which must be repeated annually.⁴

2.2 ESG data aggregators

Few investors have the time, expertise or appetite to read, digest, and extract the salient points from hundreds of sustainability reports. Unsurprisingly, several organizations have emerged to do that work on their behalf. These data aggregators extract a wide range of ESG datapoints from company reports, and compile them into online databases which investors can pay to access.

Such ESG databases are widely used by banks, pension funds and asset managers, because they make ESG data as easy to access and query as financial data. But while the data points may be more usable, they are not always more useful. That's because most of the information is derived from company reports, and so it suffers from all of the same limitations identified in section 2.1 in terms of meaning and comparability.⁵

³ Consider water again: the same volume of water used may have vastly different environmental and social implications, depending on whether or not it is consumed in a water-stressed region.

⁴ This is not to suggest that such reports are worthless. On the contrary, good reporting can be

instrumental in growing trust and engagement among employees, partners and customers.

⁵ If the quality and consistency of available ESG data available today were better, it would be easier to examine the correlation between extra-financial performance and financial performance.

2.3 ESG ratings

The need for better extra-financial information is a key factor in the emergence of around six hundred ESG ratings⁶ over the past two decades [4]. Each seeks to provide an at-a-glance way for investors and other interested parties to identify sustainability leaders – and to encourage companies to improve their relative standings year-on-year [5].

While the idea of ‘scoring’ a company’s performance may seem sound, third-party ratings have some major issues:

- **No recognition of systemic risks:** Raters typically score companies relative to *current best practice* within industries rather than *necessary future practice* across all industries – so they are blind to wider systemic risks. This can lull business leaders and investors into a false sense of security, as even a company with a fundamentally unsustainable business model might achieve high scores and be labelled a ‘leader’ – just so long as it is doing less badly than all its peers.
- **Opaque scoring offers little insight:** A company may receive many requests each year from third-party raters to complete exhaustive questionnaires about its business – often seeking commercially sensitive

information. Most methodologies are opaque, so when scores are eventually announced, companies often struggle to interpret them and gain little actionable insight on how to improve. Questionnaires and scores also differ wildly between ratings, frustrating companies and eroding investor confidence [6] [7].⁷

- **Bold leadership isn’t rewarded:** Today’s ratings emphasize governance and the reduction of negative impacts, rather than radical commitments, rapid progress and game-changing solutions [8]. Hence companies that really *are* taking transformative steps aren’t being systemically recognized for doing so.
- **Companies can become distracted:** Peer comparison and public recognition are worthy objectives, but rated companies can become distracted by choosing to prioritize box-ticking efforts which improve their scores, rather than strategic actions which drive real progress.

All of this means that today’s ESG ratings – however well-intentioned – can be highly counterproductive, as they are sending the wrong signals both to the companies being scored and to the investors using those scores.

⁶ For simplicity we use the term ‘ratings’ here also to encompass ‘rankings’ and ‘indices’, since those mechanisms rank companies based on relative performance and suffer similar shortcomings.

⁷ By way of illustration, as of 17 September 2018 FTSE rated Tesla worst for ESG performance in the global automotive sector and MSCI rated it best, with Sustainalytics ranking it roughly midway. [36]

2.4 The evolving disclosure landscape

The extra-financial disclosure landscape is evolving. This section explores how some of the most prominent recent initiatives are approaching the problem, and how Future-Fit complements them.

EU NFRD

The EU Non-Financial Reporting Directive (NFRD) requires large companies based in the EU to disclose information relating to the environment, social and employee issues, human rights, and bribery and corruption [9]. Any reporting framework may be used. Supplementary, non-binding guidelines seek to encourage alignment with other initiatives, most recently TCFD (see below). [10]

In late 2019, the European Commission acknowledged the limitations of the NFRD and committed to a full review [11]. The first public consultation ended in June 2020, and surfaced many of the issues identified in section 2.1. Respondents called for: a common disclosure standard which reduces the complexity for companies, and which can be used even by SMEs; data which is more comparable, reliable and relevant; all disclosures to be machine-readable and available via a single point of access; and stricter audit requirements [12].

The NFRD review is ongoing, but the Future-Fit disclosure model aligns well with these initial recommendations.

EU Taxonomy

In March 2018, the European Commission published its Action Plan on Financing Sustainable Growth [13]. This called for

the creation of an EU Taxonomy: a list of economic activities that are considered environmentally sustainable for investment purposes. Regulation to implement the EU Taxonomy came into force in July 2020 [14]. Technical Expert Groups (TEGs) are now working to establish which kinds of activity qualify for inclusion.

The EU Taxonomy will span six areas: climate change mitigation; climate change adaptation; sustainable use and protection of water and marine resources; transition to a circular economy, waste prevention and recycling; pollution prevention and control; and protection of healthy ecosystems.

To qualify, an activity must *contribute substantially* to at least one of these six areas, *while doing no significant harm* to any of the others. Certain performance criteria must be met, and these must be science-based, qualitative and/or quantitative, and specify thresholds where possible. The initial focus is on climate change, and the full EU Taxonomy is scheduled to be ready for widespread use by investors by the end of 2022 [15].

This effort has the potential to catalyse changes in how markets allocate capital, but that is by no means guaranteed.

Even if all the right activities are covered, and progressive enough thresholds are set, to be useful the EU Taxonomy relies upon the widespread availability of consistent, high-quality data – both to verify an activity's positive impacts, and to confirm that they do not come at the cost of negative impacts elsewhere.

Future-Fit can play a key role here, by equipping companies to identify what ‘no harm’ means, to manage impacts holistically, and to disclose relevant details in a concise, comparable way.

To the Future-Fit team’s knowledge, no other initiative is better-placed to help businesses prepare to report against the EU Taxonomy. Moreover, we will evolve our guidance wherever possible to align with the final TEG recommendations.

SASB

The Sustainability Accounting Standards Board (SASB) “connects businesses and investors on the financial impacts of sustainability” [16]. It offers a set of 77 industry-specific standards that tell companies which handful of metrics⁸ they should report on, based on the issues deemed to be most financially material⁹ in their industry.

Many investors have welcomed SASB standards as a way to drive disclosures which are more comparable and relevant to their needs. However, companies are free to publish their data in any format, and there is no guidance on what threshold of performance is ‘good enough’ for any given issue. Moreover, many issues which are very significant to people and planet are not included in the standards, because they are not deemed to be financially material.¹⁰

SASB’s focus is on identifying risks to a business. To solve society’s biggest

challenges we must also consider risks *from* a business. All negative social and environmental impacts must be addressed – even those which markets do not currently ‘price in’ and which are thus not yet seen as financially material.

Future-Fit disclosures are concerned with *extra-financial materiality* – what matters at a societal level – and so offer a natural complement to SASB. This is particularly true for investors seeking to drive systemic change, and for universal owners whose portfolios depend on the continuing good health of the global economy as a whole [17].

Science-Based Targets

The Intergovernmental Panel on Climate Change (IPCC) [18] tells us what level of action is needed worldwide to adapt to and mitigate the worst effects of climate change. The Science-Based Target (SBT) [19] initiative aims to help any business play its part in this transition, by setting an appropriate trajectory to eliminate its greenhouse gas (GHG) emissions.

Setting SBTs involves a ‘fair share’ approach to dividing up the global carbon budget, so *every* business will have to step up. Any organization which commits to an SBT should thus be recognized – and Future-Fit disclosures offer the means to do so, by providing a consistent way for all users to explain the extent of and reasons for their GHG elimination commitments.

⁸ On average there are 13 metrics per industry.

⁹ Events or facts are considered to be *financially material* if knowledge of them would affect the judgment of an informed investor.

¹⁰ Consider, for example, pharmaceutical companies. Post-use plastic waste (due to

reliance on single use equipment and packaging), and water stress (due to water-intensive manufacturing of some mass-produced medicines) can be highly significant, but neither these nor any other environmental issues meet the standard’s materiality threshold [37].



TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) is working to establish consistent, meaningful climate reporting, driven by the realization that “changes in climate policies, new technologies and growing physical risks will prompt reassessments of the values of virtually every financial asset” [20].¹¹

With over 824 signatories (July 2019) the TCFD is pushing companies to disclose details of their efforts to respond to climate opportunities and risks in four key areas: governance, strategy, risk management, and metrics and targets.

Despite growing momentum, the TCFD’s 2019 Status Report [21] notes that many more companies must explain the

potential financial impact of climate-related issues on their business if TCFD disclosures are to meaningfully inform investment decisions. Furthermore, of those companies already reporting, very few disclose information on the resilience of their strategies.

It is hoped that when a company seeks to implement the full TCFD guidelines, many key business functions will have to be engaged – leading to greater awareness and action across the organization. The Future-Fit Business Benchmark can play a supporting role here, in helping people across the business see where their climate-related vulnerabilities lie, and how they relate to their other systemic challenges.

2.5 From disclosure to management

It ought to be as straightforward for a business to disclose extra-financial information as it is to publish financial statements. This is not the case today: writing sustainability reports and completing rater surveys tend to require a ‘drop everything’ response to collate the required data.

It is an over-simplification to say that financial statements today are produced at the push of a button. However, all but the smallest SMEs rely on some form of integrated management systems, dashboards and reports to monitor their financial health and guide day-to-day decisions on everything from

procurement to marketing. And those same systems are used to produce financial statements.

To embed the pursuit of extra-financial success into how business is done, this degree of integration must be replicated. That’s why the Future-Fit Business Benchmark is designed to guide day-to-day decisions. When the tracking of Future-Fit indicators is embedded into an organization’s management systems, it becomes far easier to publish an annual summary of progress. We’re not – yet – at the point of enabling ‘one click’ disclosures, but that’s the vision the Future-Fit team is working towards.

¹¹ The TCFD was set up by in response to a G20 request to understand the financial implications of climate change. [38].

3. Future-Fit disclosures

3.1 A new approach

Success in the 21st Century is about being truly responsible, regenerative and resilient – and extra-financial disclosures must reflect that.

Data alone, however good, will never transform our economy. The goal of the system – to maximize GDP – is far too entrenched for that. But unfettered and ubiquitous access to *comparable* and *consequential* extra-financial information is a pre-requisite for success. That’s because any attempt to shift markets onto a new trajectory is doomed unless all socioeconomic actors have a way to spot the ‘best’ performers.

Companies must be able to find and favour the best suppliers. Investors must be able to steer their capital toward the best companies. And everyone must be able to tell where best to spend and save their money.

To empower all socioeconomic actors to make the right choices, two questions must be answered: *what* extra-financial information to share, and *how* to share it.

As for the ‘what’, Figure 3.1 offers a set of criteria to aim for. These criteria have informed development of the Future-Fit Business Benchmark since Release 1.

In terms of the ‘how’, better data can only improve decisions if they are available in a useful and usable form. Unstructured reports are not the answer (see section 2.1). Online databases offer enhanced flexibility and structure (see section 2.2), and with the right content could drive far more effective action.

Working with companies and investors in our [Development Council](#), the Future-Fit team has developed a new approach to extra-financial disclosures which seeks to address both the *what* and the *how*.

Figure 3.1: Requirements for effective extra-financial disclosures.

Comparable		Consequential	
Are the data easy for users to understand and interpret, and thus factor into their decisions?	Concise	Contextual	Do key indicators relate to real outcomes, and place <i>current</i> performance in the context of <i>necessary</i> performance?
Are key indicators defined precisely enough to ensure that companies will apply them in the same way?	Consistent	Complete	Do the data explain where a company is now across all critical issues, where it’s going, and how it aims to get there?
Can users of the data be confident that they offer an accurate picture of performance?	Credible	Core	Do progress indicators link to core business activities in a way that can inform and drive day-to-day decisions?

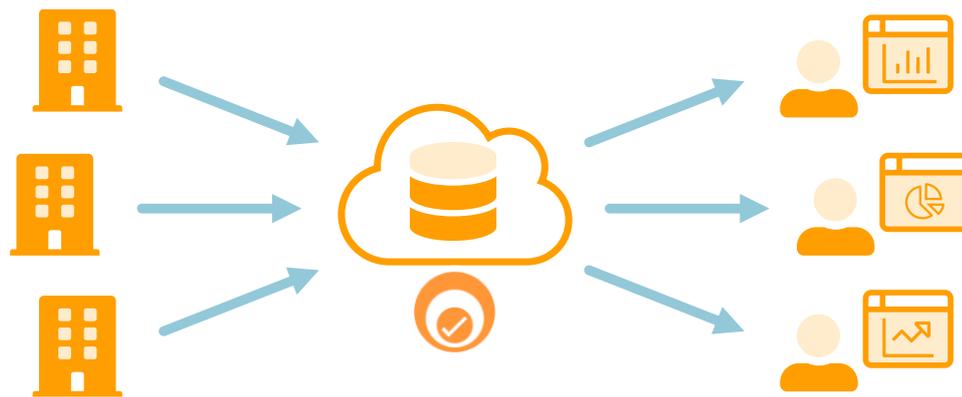


Figure 3.2: All Future-Fit disclosures are hosted in the cloud and freely viewable via any web browser.

This approach offers a straightforward way for any business to prepare a structured summary of its progress to future-fitness – and to submit that summary to a global, cloud-based repository. All submitted summary data can be freely accessed, queried and

visualized in flexible ways via the Future-Fit website (see Figure 3.2).

The remainder of this chapter explains the structure and content of this new kind of extra-financial disclosure: the Future-Fit Statement of Progress.

How Future-Fit disclosures complement financial statements

The International Financial Reporting Standards (IFRS) Foundation develops high-quality global accounting standards that bring transparency, accountability and efficiency to financial markets to foster trust, growth and long-term financial stability. Use of IFRS Standards for financial reporting is mandatory in 140+ jurisdictions around the globe [22].

IFRS guidance encourages companies to publish *Management Commentary*: supplementary information which offers “additional investor-focused insight into long-term business value creation and stewardship” [23] [24]. This should:

1. Provide management's view of the entity's performance, position and progress (including forward looking information);
2. Supplement and complement information presented in the financial statements.

These requirements align closely with Future-Fit’s vision for extra-financial disclosures, which illuminate a company’s efforts to become responsible, regenerative and resilient.

The Future-Fit Statement of Progress aims to uphold the IFRS management commentary principles, employing a template-based model to enhance credibility and comparability of forward-looking information. It is hoped that this approach may afford an opportunity to increase the usefulness of this often under-utilized aspect of financial reporting.

3.2 Introducing the Future-Fit Statement of Progress

The Future-Fit Statement of Progress (SoP) is designed to enable businesses to explain exactly how they are contributing to a flourishing future. The SoP approach addresses the criteria introduced in Figure 3.1 for effective extra-financial disclosures, as follows:

- **Contextual:** The Break-Even Goals translate social and environmental imperatives into thresholds that every business must aspire to reach, and the progress and context indicators capture progress toward these thresholds.¹² Depending on the industry, a lack of progress on certain goals may pose a significantly higher risk to society than others. The SoP surfaces such priorities – and requires a disclosing business to explain how it is responding to them.
- **Complete:** The Positive Pursuits and Break-Even Goals encompass all of a business’s impacts, both positive and negative. Furthermore, the SoP places as much emphasis on where a business is going and how it’s going to get there as on where it is now.
- **Core:** Future-Fit’s self-assessment methodology enables a business to calculate and monitor its progress and context indicators continuously, to drive day-to-day decisions. The Positive Pursuits also provide the means for a company to explain how

its core activities are speeding up progress to a Future-Fit Society.

- **Concise:** The SoP uses a template-based model, with well-defined placeholders for both numerical indicators and supporting narrative. This affords a high-level and holistic view of impacts, while enabling SoP users to drill-down into specific issues, to compare a business to its peers or to track progress over time.
- **Consistent:** When creating the progress and context indicators, a key design constraint was to ensure that they were defined with enough precision that they would be applied consistently across all businesses.
- **Credible:** By articulating progress relative to necessary thresholds rather than current best practice, the Benchmark avoids signalling that a business is ‘good’ just because it is less bad than its peers. Furthermore, the [Break-Even Goal Action Guides](#) and [Implementation Guide](#) offer advice on how to implement effective policies, procedures and controls, to facilitate and encourage independent assurance (see below).

Disclosure levels and areas

Ease of use is critical – both for disclosing companies and users of the disclosures – and the SoP achieves this in two ways.

¹² The Break-Even Goals were derived to align with what system science tells us about planetary

boundaries and social foundations. For more details, see the [Methodology Guide](#).

The first relates to the depth of information disclosed. Some companies are only just beginning to tackle social and environmental issues, whereas others have been working to transform how they do business for many years. To accommodate companies wherever they are on the journey, the SoP supports four *levels* of disclosure. These are described in [section 3.3](#).

The second way involves segmenting disclosures into five distinct *areas*, each focusing on a key aspect of performance to build up an overall picture of where the business is, where it's going and why, and how it's going to get there. These areas are described in [section 3.4](#).

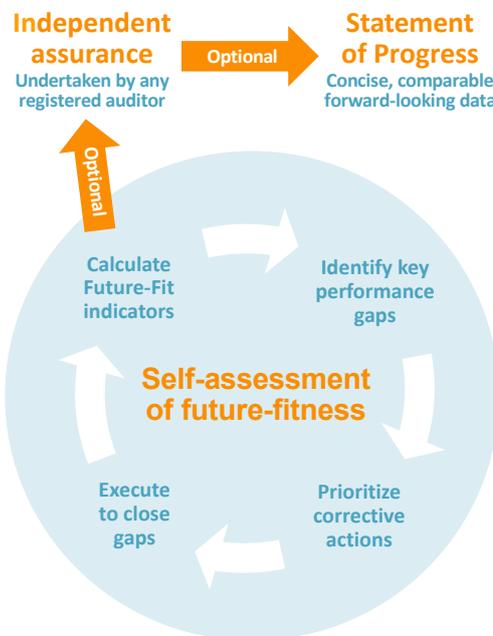
A note on assurance

The Future-Fit Business Benchmark is not a reporting standard or a rating, but rather a self-assessment methodology which can simplify and facilitate extra-financial disclosures (see Figure 3.3).

As with any self-assessment (including the preparation of financial accounts), users generally have more confidence in published data if the information has been independently assured [25]. To that end, the Benchmark has been written to help facilitate assurance engagements using the ISAE 3000 standard [26].¹³

Assurance is optional but encouraged. Any SoPs which have been independently assured are visibly labelled as such on the Future-Fit website to give users additional confidence in the submitted information.

Figure 3.3: Future-Fit's self-assessment and independent assurance approach.



¹³ See the [Assurance](#) sections of the [Implementation Guide](#) and Break-Even Goal

[Action Guides](#) for guidance on how to prepare effectively for assurance engagements.

3.3 Levels of disclosure

The information a company is willing to disclose typically depends on a range of factors. These include the company size, the time and expertise it has available, and what steps it has previously taken to embed social and environmental considerations into how it does business.

Some companies are only just getting started, while others may have worked over many years to transform their operations, products and supply chains in response to a range of issues. The Future-Fit Business Benchmark is designed to support any organization, no matter where it is on the journey. The SoP approach reflects this too, offering four levels of disclosure.

Level 0 is simply a clear articulation of a company’s *Intention* to pursue future-fitness.

Levels 1 to 3 – *Initial*, *Intermediate*, and *In-depth* respectively – demand successively greater degrees of transparency and the inclusion of richer, more quantitative data. Future-Fit Pioneers can start at any level, but should aim to move up as quickly as

possible, until they are routinely publishing Level 3 disclosures.

The levels of disclosure are outlined in Figure 3.4 and are described below.

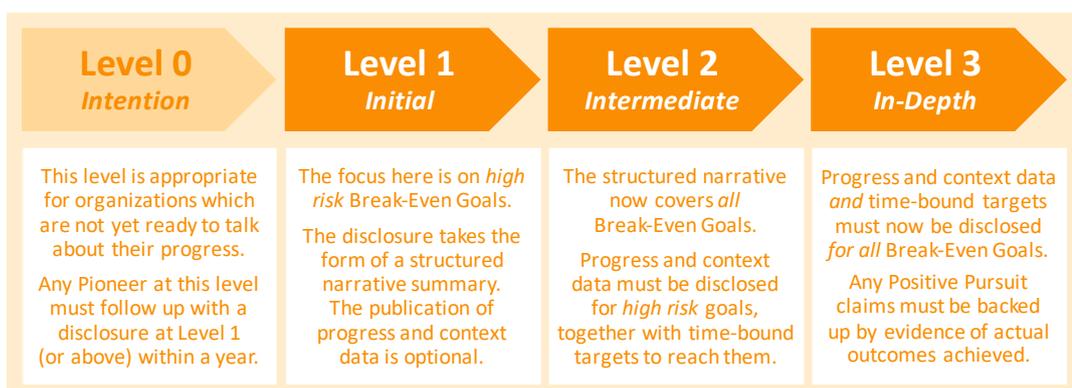
At every level, more disclosure is always better

Each level defines the *minimum* disclosure threshold which must be reached. Figure 3.5 shows which areas of the SoP must be completed to qualify for each of the disclosure levels, from 1 to 3.

Sometimes a business may be ready to publish substantial detail for a few Break-Even Goals, even if it is not ready to do so for others. This might happen, for instance, if a particular issue (such as employee health) has received a lot of management attention over a period of several years, before the organization began using the Benchmark.

Publishing extra information is *always* encouraged. No data user will complain if a company makes an initial (Level 1) disclosure while providing more in-depth (Level 2 or 3) data for some goals.

Figure 3.4: The four possible levels of disclosure for a Future-Fit Statement of Progress.



ID	Required once...	Disclosure Level			
		0	1	2	3
1	Purpose: How are you helping to create a Future-Fit Society?	○	○	○	○
1.1	Commitment	●	●	●	●
1.2	Positive impact – Revenue-generating goods and services	○	○	○	○
1.3	Positive impact – Operations	○	○	○	○
1.4	Positive impact – Supply chains	○	○	○	○
1.5	Positive impact – Other	○	○	○	○

ID	Required for each Break-Even Goal...	Disclosure Level			
		0	1	2	3
2	Priority: How significant is this for society, and why?	○	●	●	●
2.1	Risk to society	○	●	●	●
3	Progress: Where are you now?	○	○	○	●
3.1	Data awareness	○	HP	●	●
3.2	Current progress	○	P	HP	●
3.3	Alignment with expectations	○	○	H	●
4	Pathway: Where are you planning to get to, and by when?	○	○	○	●
4.1	Public commitment	○	H	●	●
4.2	Targets and expectations	○	○	H	●
5	Preparedness: How are you going to get there?	○	○	○	●
5.1	Governance and management	○	○	H	●
5.2	Financial alignment	○	○	H	●
5.3	Company influence	○	○	H	●

Figure 3.5: Successive disclosure levels require more transparency and richer data.

○ Optional ● Mandatory H Mandatory for high risk goals
P Mandatory for goals whose risk is downgraded due to company progress

3.3.1 Level 0: Intention to disclose

Level 0 requires nothing more than a public articulation of a company's *intention* to pursue future-fitness.

This level is appropriate for any business which is not yet ready to publish details of where it is and where it's going, but which wants to signal its commitment to play its part in society's transition to a Future-Fit Society. Sample commitment text is provided in Figure 3.6.

A business may use this example as a starting point, or may create its own version from scratch. Whichever approach is taken, the commitment should be no longer than a few paragraphs, and should:

1. Clearly state the company's ambition to become a Future-Fit Business;
2. Call out any negative impacts which are deemed to be of critical

- importance given the company's business model, and acknowledge the need to eliminate them;¹⁴ and
3. Make explicit the company's intention to publish a Statement of Progress annually, with a Level 1 (or above) disclosure within 12 months.
- A published commitment adhering to the above criteria meets the minimum threshold for a company to be recognized as a Future-Fit Pioneer.

Figure 3.6: Sample text for a Level 0 commitment.

Our Intention to be a Future-Fit Business

We recognize the crucial role every business must play in creating a Future-Fit Society – one that is environmentally restorative, socially just and economically inclusive – and we are committed to playing our part.

We aspire to become a Future-Fit Business because we believe that our long-term success is tied to the value we provide to society. That means we must eliminate all of the potential negative impacts associated with what we buy, what we sell, and what we do.

Example of an additional paragraph for any company-critical negative impacts:

In particular, as a pharmaceutical business most of our products today rely on the use of single-use plastics, many of which cannot be recycled. This is an industry-wide challenge and we commit to doing all we can to eliminate it.

In addition, we will seek to create positive impact wherever we can, to speed up society's transition to future-fitness through our own actions and by assisting others on the journey.

Example of an additional paragraph for any company-specific positive impacts:

In particular, as a pharmaceutical business we sell life-saving medicines at marginal cost to communities that would otherwise struggle to access them.

We acknowledge that incremental improvement of the status quo isn't enough, so we intend to transform the way we do things. We will lead by example and encourage other businesses to do the same by sharing our progress annually. We will publish our first Future-Fit Statement of Progress within the next 12 months.

¹⁴ For example, an automotive company selling vehicles powered by fossil fuels would be expected to state its ambition to eliminate all product-related greenhouse gas emissions. A

metal mining company, in contrast, would be expected to acknowledge the need to eliminate any mining practices which disrupt ecosystems.

3.3.2 Level 1: Initial disclosure

The emphasis of a Level 1 SoP is on disclosing an *initial* view of what aspects of future-fitness matter most.

For all Break-Even Goals, a business must complete the Priority area [SoP-2].

In addition, if any Break-Even Goals are deemed to pose a high risk to society, then a business should disclose details of its data awareness [SoP-3.1] for those goals, and publicly acknowledge that it intends to achieve them [SoP-4.1].

A Level 1 SoP does not typically require a business to calculate or disclose details

of its progress on any Break-Even Goals, but there is an exception to this.

Sometimes a business may downgrade the risk level associated with a particular Break-Even Goal (to low or unlikely) because it has already made substantial progress toward it. In this case details relating to data awareness and progress must be disclosed, to back up the claim of risk mitigation [SoP-3.1] and [SoP-3.2].

See [section 3.4.2](#) for information on how to determine the degree of risk to society posed by each Break-Even Goal.

3.3.3 Level 2: Intermediate disclosure

A Level 2 SoP is an *intermediate* disclosure. It requires the publication of full details – across the Priority, Progress, Pathway and Preparedness areas – for all high risk Break-Even Goals.

For all medium and low risk goals, a business should disclose details of its data awareness [SoP-3.1] and publicly

acknowledge that it intends to achieve them [SoP-4.1].

As for a Level 1 SoP, data awareness and progress must also be disclosed for any goal whose risk is downgraded because the business has already reached it or is close to doing so [SoP-3.1] and [SoP-3.2].

3.3.4 Level 3: In-depth disclosure

A Level 3 SoP includes *in-depth* information for all Break-Even Goals, across the Priority, Progress, Pathway and Preparedness areas.

Each successive level of disclosure is only ‘better’ than the last in terms of the breadth and depth of information it provides. The levels are about transparency rather than performance. In theory a company publishing a Level 3 SoP could be further away from

becoming Future-Fit than another company making a Level 0 commitment.

That said, every business is encouraged to get to Level 3 as quickly as possible – and should be applauded for doing so – because that means any investor or other informed SoP user can tell exactly where it is on its journey to future-fitness, how and when it intends to get there, and whether it is well-positioned to make the transition.

3.4 Areas of disclosure

The SoP covers five areas of disclosure. The first of these is *Purpose*, which focuses on the part a business aims to play to deliver a Future-Fit Society. Any positive impact a business seeks to create – through its revenue-generating goods and services, or other key activities – are also captured here, and expressed via the Positive Pursuits.

A business may invest a lot to save water, reduce emissions, improve working conditions, use less plastic, and so on. At first glance, such initiatives may often seem like they have a *positive* impact, but from a systems perspective

they are in fact serving to reduce the organization’s *negative* impact. That makes them no less important, however. In fact, the best thing businesses in most industries can do is strive continuously to identify and eliminate whatever harm is being caused across their value web.

That’s why the other four areas of the SoP – *Priority, Progress, Pathway, and Preparedness* – focus on the Break-Even Goals. Together they paint a picture of where any business is on its trajectory to becoming Future-Fit. Figure 3.7 shows how all five areas of the SoP fit together.

Figure 3.7: The five areas covered by the Future-Fit Statement of Progress.

Purpose <i>How are you helping to create a Future-Fit Society?</i>	How are you striving to create a Future-Fit Society, and how are your revenue-generating goods and services and other key activities contributing to this ambition?
Priority <i>How critical is this to society, and why?</i>	What level of attention do each of the Break-Even Goals demand, based on the potential risk of negative impacts if you do not adequately address the issue?
Progress <i>Where are you now?</i>	How systematically and comprehensively does your business gather data relating to each Break-Even Goal? How much progress has your business made toward reaching each Break-Even Goal?
Pathway <i>Where are you planning to get to, and by when?</i>	Has your business explicitly acknowledged the importance of the Break-Even Goals? What plans do you have for reaching the Break-Even Goals, and what progress do you expect to make?
Preparedness <i>How are you going to get there?</i>	What is being done to embed pursuit of Break-Even Goals into your core business, so that interested parties can be confident you will progress as planned?



For every SoP question, a company may submit a standardized response (following the guidance) *and* augment this with any supporting information or explanatory notes as free-form text.

This enables the company to furnish users of the data with any brief explanation or other commentary which is relevant to that response. All five areas of the SoP are now described.

Each of the five SoP areas comprises one or more sections, which in turn contain one or more questions to be answered. Every question has a unique identifier of the form **SoP-area.section.question** (e.g. **SoP-3.1.2** refers to question 2 in section 1 of the SoP *Progress* area). Such identifiers appear throughout the text below. [Appendix 1](#) lists all questions.

3.4.1 Purpose

How are you helping to create a Future-Fit Society?

An ever-growing range of businesses claim to be *purpose-driven* or *purposeful*, but is this just a case of greenwashing?

Any organization which considers itself to be truly purposeful should be able to clearly articulate how it is working to create a flourishing future.

At the very least, this means committing to identify and eliminate any harm the organization in some way contributes to or depends upon, across its value web. But many businesses go further, by actively striving to deliver positive outcomes¹⁵ which *speed up* our collective progress.

This SoP area highlights such ambitions and key achievements (see [Table A1.1](#)).

Commitment SoP-1.1

A company should provide a succinct narrative explanation of its role in ushering in a Future-Fit Society – both in terms of its commitment to eliminate harm, and its ambition it create positive impact [SoP-1.1.1].

Note that SoP-1.1 is the only section that *must* be answered for a [Level 0 SoP](#). For a sample commitment see [Figure 3.6](#).

Positive impact – Revenue-generating goods and services SoP-1.2

A company’s ambitions to be a force for good might be realized in a wide range of ways. One is via the use of the revenue-generating goods and services it offers. Here a company should describe any

systems perspective – and the ways in which a business can deliver them.

¹⁵ See the [Positive Pursuit Guide](#) for further detail on what constitutes a positive outcome from a



positive impact(s) it *intends* to have from these – whether they can be verified or not [SoP-1.2.1].

Intentions are important, but to be credible a company should explain how it aims to monitor success [SoP-1.2.2]. Credibility increases significantly if a company can verify that positive impacts have previously occurred [SoP-1.2.3]. Any evidence supporting such claims should also be summarized [SoP-1.2.4].

Positive impact – Operations SoP-1.3

A company may deliver positive impact in and around its own operations, for example through the use of regenerative production processes. The information required here mirrors that for SoP-1.2.

Positive impact – Supply chains SoP-1.4

A company might also seek to have a positive impact through supply chain interventions, for example by sourcing its raw materials in ways that restore and build resilience within the ecosystems and/or communities from

which they derive. The information required here mirrors that for SoP-1.2.

Positive impact – Other SoP-1.5

Even if its core business activities have no direct positive impact, a company may have a positive impact in other ways, for example through purposeful philanthropy or advocacy designed to encourage and accelerate adoption of progressive behaviours. The information required here mirrors that for SoP-1.2.

In sections [SoP-1.2] to [SoP-1.5], if a company contributes to multiple Positive Pursuits then it should list all of those which apply, and answer the required questions for each of them.

Sections [SoP-1.2] to [SoP-1.5] are always optional. If a company *does* choose to include one or more of them, for a Level 1 or a Level 2 disclosure it is sufficient to focus only on *intended* impacts. However, a Level 3 disclosure requires *all* questions in a section to be answered, to show that positive impacts are actually occurring.

3.4.2 Priority

How significant is this for society, and why?

Every business eventually has to reach all of the Break-Even Goals to be sure it is in no way undermining our transition to a Future-Fit Society. But every business is unique, and so affects people and planet differently depending on what it buys,

what it sells, where it operates, and how it undertakes its day-to-day activities.

A company’s journey to future-fitness is thus as important as the destination. For society to make progress at speed and scale, every organization must focus on



where its risks of having a negative impact are greatest. This is about *extra-financial materiality*: identifying which Break-Even Goals are most critical for a business to address to safeguard people and planet.¹⁶ That’s the focus of this part of the SoP (see [Table A1.2](#)).

Risk to society

SoP-2.1

The significance of each Break-Even Goal to a particular business depends on multiple factors:

- **The type(s) of economic activity a business engages in:** Businesses servicing similar market needs in similar ways often resemble each other, in terms of the activities they undertake¹⁷ – and thus the negative impacts they are likely to incur.
- **A business’s operating model:** Even businesses which engage in similar activities may have markedly different risk profiles, due to variations in the specific products they offer, the market segments they target, and how they operate.
- **A business’s operating context:** The risk of negative impact may also depend on where a business operates, for example due to local variations in regulation and infrastructure.

- **A business’s progress to date:** A potentially severe impact risk may be mitigated if a business has already acted to address or avoid its cause.

These factors have been translated into a single checklist of high-risk, low-risk, and progress-to-date characteristics.

[Appendix 2](#) offers more information on this checklist and how to use it to assign one of four risk levels (*high*, *moderate*, *low* or *unlikely*) to each Break-Even Goal.

All such risk levels must be disclosed [SoP-2.1.1]. Supporting explanations should ideally be provided, particularly if specific checklist characteristics apply.

This helps SoP users to see which goals should be receiving most attention from the business, and why. The remaining SoP areas – *progress*, *pathway* and *preparedness* – serve to show where the business’s attention is actually focused.

The progress-to-date characteristics apply only when a business has reached a Break-Even Goal, or when it is very close to doing so. In such cases the likelihood of causing a negative impact has been greatly reduced, and so the risk level is downgraded. However, to ensure that such claims of mitigated risk are credible, a business must also provide details of the progress it has made by completing [SoP-3.2]. This special requirement applies irrespective of the SoP disclosure level.

¹⁶ As mentioned in [section 2.4](#), extra-financial and financial materiality are not the same, though the two can overlap. In a Future-Fit Society, all negative social and environmental externalities would be properly ‘priced in’ to global markets, to

the extent that every extra-financially material issue would also be financially material. We are of course a long way from that point today.

¹⁷ Examples include retailing, manufacturing goods, mining minerals, cultivating crops, etc.

3.4.3 Progress

Where are you now?

This part of the SoP is concerned with how much progress a business has made toward future-fitness (see [Table A1.3](#)).

Data awareness

SoP-3.1

When a business starts out on its journey to future-fitness, it may find significant gaps in its internal knowledge. Such gaps can impair an organization's ability to identify the full extent of its negative impacts – and therefore where it might be exposed to unforeseen risks.

Closing all data gaps is critical to assessing and disclosing progress with any confidence.

For each Break-Even Goal, a company can select one of four possible degrees of data awareness [SoP-3.1.1] ranging from 'unknown' to 'systematic tracking across the whole business'. Anything less than systematic tracking should be explained, as any data gaps may affect investor perceptions of business risk.

Current progress

SoP-3.2

Each Break-Even Goal has one or more *progress indicators* – expressed as a percentage – and one or more *context indicators*. Together these give an at-a-glance view of where a business is now relative to where it needs to be.

When progress [SoP-3.2.1] and context indicators [SoP-3.2.2] are disclosed, they should be accompanied by a short explanation for why the business is where it is.

Alignment with expectations

SoP-3.3

The SoP seeks to show investors whether the business is moving in the right direction and according to plan. This means that it is important not only to disclose current progress, but also whether that progress reflects where the business *expected* to be by this point.

If performance is better or worse than anticipated, an explanation should be provided [SoP-3.3.1].

3.4.4 Pathway

Where are you planning to get to, and by when?

Where a business is heading is as important as understanding where it is now. This part of the SoP is concerned with that trajectory (see [Table A1.4](#)).

Public commitment

SoP-4.1

Many companies may be quick to say that a particular environmental or social issue matters, while stopping short of publicly acknowledging the extent of the part they must play to overcome it.¹⁸

Whenever the imperative expressed by a Break-Even Goal has been recognized publicly, a business should make that clear [SoP-4.1.1].

Whenever a time-bound commitment has been made, the year the company is aiming for should be stated [SoP-4.1.2]. If no time-bound commitment has been set, an explanation should be given.

Targets and expectations

SoP-4.2

Every journey is a series of steps, which is why interim targets are important. If a business has such a target, it should say so [SoP-4.2.1] and also state the target year [SoP-4.2.2] and progress it expects to have made by that point [SoP-4.2.3].

Whether or not time-bound targets exist, a business should explain how it expects its progress to change over the next year [SoP-4.2.4].

As with financial information, investors can use such expectations and a company's retrospective analysis of them¹⁹ to get a sense for how effectively the business is managing its performance.

Note that if a business has already reached a Break-Even Goal, it need not complete the Pathway part of the SoP.

¹⁸ For example, sustainability reports almost invariably note the urgency of addressing climate change, but few go on to acknowledge that the

company must therefore eliminate its own greenhouse gas emissions as quickly as possible.
¹⁹ See [Sop-3.3.1].

3.4.5 Preparedness

How are you going to get there?

The final part of the SoP concerns how deeply the Break-Even Goals have been embedded into the way a company does business. The more that is being done, the more confident an investor will be that the organization's commitments will be met (see [Table A1.5](#)). Each question follows a consistent format, with a response which indicates one of four degrees of integration. These range from 0 (indicating nothing is being done) to 3 (indicating full, systemic embedding).

Governance and management

SoP-5.1

Here a business should explain the degree to which governance and management mechanisms are used to help ensure the goal is met. Questions cover these topics:

- Board oversight [SoP-5.1.1];
- Alignment of management and employee incentives [SoP-5.1.2];
- Supportive policies and processes [SoP-5.1.3];
- Strategic planning and risk management [SoP-5.1.4];
- Employee training and support [SoP-5.1.5];
- Enabling culture [SoP-5.1.6];
- Use of leading third-party standards [SoP-5.1.7]; and
- Integrated information systems [SoP-5.1.8].

Financial alignment

SoP-5.2

Here a business should explain the degree to which key business decisions – and thus its day-to-day allocation of financial resources – support its pursuit of the goal. Questions cover these topics:

- Investment in relevant research and development [SoP-5.2.1];
- Aligned capital expenditure and allocation [SoP-5.2.2];
- Strategic acquisitions and/or divestments [SoP-5.2.3]; and
- Aligned purchasing decisions [SoP-5.3.3].

Note that it is possible to specify *Not applicable* if a particular type of activity is not relevant to a business (e.g. law firms typically don't invest in research and development).

Company influence

SoP-5.3

Here a business should explain if and how it engages stakeholders throughout its value web to help it reach the goal. Each of the following stakeholder groups are considered:

- Suppliers [SoP-5.3.1];
- Industry bodies / peers [SoP-5.3.2];
- Governments [SoP-5.3.3];
- Customers [SoP-5.3.4];
- Civil society / NGOs [SoP-5.3.5]; and
- Investors [SoP-5.3.6].

4. Preparing a Statement of Progress

You can make a system work better with surprising ease if you can give it more timely, more accurate, more complete information.

Donella Meadows

As noted in [section 2.5](#), extra-financial disclosures will only become as useful, usable and ubiquitous as financial statements if companies can generate them with relative ease from the management systems they use daily.

This realization is what led to the creation of the Future-Fit Business Benchmark in the first place – and the same philosophy has informed the design of the Statement of Progress presented in this document.

As a consequence of this approach, the five areas of disclosure which comprise the SoP – *Purpose, Priority, Progress, Pathway* and *Preparedness* – should be seen as more than just a set of prescriptive reporting requirements. Together they cover the key areas *any* business would be well advised to explore, to understand how well positioned it is to thrive in the years ahead. Every company – whether it has decided to embark on the journey to future-fitness or not – is therefore encouraged to ask itself a deceptively simple question:

If we were to publish a Statement of Progress today, how would we look?

This line of enquiry can be very revealing, shedding light on a wide range of opportunities across an organization: to identify and close key knowledge gaps, to improve the alignment of employee incentives, to reduce supply chain risks, to ensure R&D budgets are spent effectively, and so on.

Insights like that may very well be enough to convince a leadership team that it's time to step up and join other Future-Fit Pioneers, with a commitment to work toward an environmentally restorative, economically inclusive, and socially just future for us all.

An Excel workbook has been created to guide any company through the process of completing a Statement of Progress. If you would like a copy, please [contact us](#). For more information on what it takes to become a Future-Fit Pioneer, see the forthcoming **Pioneer Pathway Guide**.

Appendix 1: Disclosure details

*Table A1.1: Details required for the **Purpose** area of the SoP.*
○ *Optional* ● *Mandatory*

ID	Question	Response	Additional Info	Disclosure Level			
				0	1	2	3
1.1	Commitment						
1.1.1	What is your ambition to usher in a Future-Fit Society?	Summarize your commitment to eliminate harm and your ambitions for positive impact.	Optionally link to any relevant supporting materials, such as company webpages.	●	●	●	●
1.2	Positive impact – Revenue-generating goods and services ²⁰						
1.2.1	Intended impacts?	The amount of impact the business expects to deliver, across one or more Positive Pursuits.	Provide a brief explanation of how the impact(s) are expected to arise.	○	○	○	○
1.2.2	Measurement approach?	For each Positive Pursuit, select one of: Input, Output, Outcome, Impact.	Provide a brief explanation of how the intended impact(s) will be monitored. ²¹	○	○	○	○
1.2.3	Actual impacts?	The amount of impact the business actually delivered, across one or more Positive Pursuits.	Provide a brief explanation of the approach taken to assess the impact(s) generated.	○	○	○	○
1.2.4	Evidence of results?	For each Positive Pursuit, select one of: Input, Output, Outcome, Impact.	Provide a brief explanation of how actual impact(s) have been verified.	○	○	○	○
1.3	Positive impact – Operations						
1.3.1	Intended impacts?	As for section 1.2.		○	○	○	○
1.3.2	Measurement approach?						
1.3.3	Actual impacts?						
1.3.4	Evidence of results?						
1.4	Positive impact – Supply chains						
1.4.1	Intended impacts?	As for section 1.2		○	○	○	○
1.4.2	Measurement approach?						
1.4.3	Actual impacts?						
1.4.4	Evidence of results?						
1.5	Positive impact – Other						
1.5.1	Intended impacts?	As for section 1.2		○	○	○	○
1.5.2	Measurement approach?						
1.5.3	Actual impacts?						
1.5.4	Evidence of results?						

²⁰ If a company contributes to multiple Positive Pursuits, it should list them and respond to [SoP-1.2] for each one. The same applies for [SoP-1.3] to [SoP-1.5].

²¹ The [Positive Pursuit Guide](#) offers advice in this area drawing on that of the Impact Management Project [39].

Table A1.2: Details required for the **Priority** area of the SoP.
○ Optional ● Mandatory H Mandatory for high risk goals

ID	Question	Response	Additional Info	Disclosure Level			
				0	1	2	3
2.1	Risk potential						
2.1.1	What is the risk of negative impact?	Select one of: Unlikely, Low, Moderate, High.	Provide a brief explanation of the risk level, particularly if it was up- or downgraded due to specific low-risk, high-risk, or progress-to-date checklist characteristics (see Appendix 2).	○	●	●	●

Table A1.3: Details required for the **Progress** area of the SoP.
○ Optional ● Mandatory H Mandatory for high risk goals
P Mandatory for goals whose risk is downgraded due to company progress

ID	Question	Response	Additional Info	Disclosure Level			
				0	1	2	3
3.1	Data awareness						
3.1.1	Has the business collected the data necessary to measure progress for this goal?	Choose one of: 0. Not tracked and/or unknown. 1. Data is tracked in some parts of the business. 2. Data is tracked across the majority of the business. 3. Data is tracked systematically across the whole business.	Provide any relevant supporting information, for example to explain what is being done to identify and close significant data gaps.	○	H	●	●
3.2	Current progress						
3.2.1	What is your progress indicator?	State your progress indicator(s). <i>Note that some goals have multiple progress indicators, and in such cases all of them should be disclosed.</i>	Provide any relevant supporting information, for example to explain why progress is more challenging in some areas of the business than in others.	○	P	HP	●
3.2.2	What is your context indicator?	State your context indicator(s). <i>Note that some goals have multiple context indicators, and in such cases all of them should be disclosed.</i>		○	P	HP	●
3.3	Alignment with expectations						
3.3.1	Was actual progress in line with expected progress for the period?	Choose one of: ● Better than expected. ● As expected. ● Worse than expected.	Provide a brief explanation of why actual progress was or was not in line with expectations.	○	○	H	●

Table A1.4: Details required for the **Pathway** area of the SoP.
 ○ Optional ● Mandatory H Mandatory for high risk goals

ID	Question	Response	Additional Info	Disclosure Level			
				0	1	2	3
4.1 Public commitment ²²							
4.1.1	Do you have a public commitment to reach this goal?	Choose one of: <ul style="list-style-type: none"> • Yes, and it is time-bound. • Yes, but it is not time-bound. • No. • In preparation for next year. 	Provide any relevant supporting information, for example to explain why a commitment has not yet been made, or why a particular year has been chosen. Links to other resources (such as reports or webpages) may be included if useful.	○	H	●	●
4.1.2	If so, when do you plan to reach this goal?	If time-bound, state the year.		○	H	●	●
4.2 Targets and expectations ²²							
4.2.1	Do you have an interim target that will move you closer to this goal?	Choose one of: <ul style="list-style-type: none"> • Yes. • No. • In preparation for next year. 	Provide any relevant supporting information, for example to explain why a specific target has been set.	○	○	H	●
4.2.2	If so, when do you plan to reach this interim target?	State the year.	Links to other resources (such as reports or webpages) may be included if useful.	○	○	H	●
4.2.3	What will your progress be at that point?	State the progress indicator(s).		○	○	H	●
4.2.4	How do you expect your progress to change over the next year?	Choose one of: <ul style="list-style-type: none"> • Expected to decrease. • Expected to stay the same. • Expected to improve. • Expected to reach goal. 	Provide a brief explanation of the expected change.	○	○	H	●

²² Note that if a goal has already been achieved then [SoP-4.1] and [SoP-4.2] do not need to be completed.

Table A1.5 (page 1 of 3): Details required for the **Preparedness** area of the SoP.

○ Optional ● Mandatory H Mandatory for high risk goals

ID	Question	Response	Add. Info	Disclosure Level			
				0	1	2	3
5.1	Governance and management						
	What governance and management mechanisms are in place to help you meet this goal?						
5.1.1	Board oversight?	Choose one of: 0. No board oversight is in place to support this goal. 1. The board considers this topic only when a specific incident arises. 2. The board receives regular reports on progress toward this goal and/or the topic is frequently on the board agenda. 3. This goal is considered a strategic imperative and/or one or more board members are accountable for understanding and managing progress.	Provide any relevant supporting information. Links to other resources (such as reports or webpages) may be included if useful.	○	○	H	●
5.1.2	Aligned management and employee incentives?	Choose one of: 0. No compensation is linked to this goal. 1. Compensation is linked to this goal only for people in designated sustainability positions. 2. Compensation for some senior executives and/or operationally relevant employees is linked to this topic, but not tied to specific progress. 3. Compensation of key senior executives and employees is linked to this goal.		○	○	H	●
5.1.3	Supportive policies and processes?	Choose one of: 0. No formal policies or processes are in place to support this goal. 1. Some policies or processes exist which relate to this topic, but they are mostly related to regulatory compliance and/or are not widely communicated and adopted. 2. Policies and processes to support progress toward this goal exist, but have not yet been fully integrated across the organization. 3. Policies and processes to support this goal have been effectively integrated into day-to-day operations across the entire organization.		○	○	H	●
5.1.4	Strategic planning and risk management?	Choose one of: 0. No strategic planning or risk management activity relates to this goal. 1. This topic is considered during strategic planning and/or risk management only if a specific incident arises. 2. This topic is often considered in our core strategic planning and risk management approaches, but not with a view to ensuring specific progress. 3. Ensuring progress toward (and ongoing alignment with) this goal is a key factor in our core strategic planning and risk management approaches.		○	○	H	●

Table A1.5 (page 2 of 3): Details required for the **Preparedness** area of the SoP.

○ Optional ● Mandatory H Mandatory for high risk goals

ID	Question	Response	Add. Info	Disclosure Level			
				0	1	2	3
5.1	Governance and management						
(cont)	What governance and management mechanisms are in place to help you meet this goal?						
5.1.5	Employee training and support?	Choose one of: 0. No explicit steps have been taken to improve employee capacity or competencies with respect to this goal. 1. Training on this topic is primarily focused on issues of compliance. 2. Steps have been taken to encourage employees to learn about this topic, for example by signposting useful resources or providing optional training. 3. All relevant employees receive training or other developmental support, to increase their ability to contribute to this goal.	Provide any relevant supporting information. Links to other resources (such as reports or webpages) may be included if useful.	○	○	H	●
5.1.6	Enabling culture?	Choose one of: 0. No explicit effort is made to create an enabling culture in support of this goal. 1. Some leaders within the company encourage employees to proactively engage, but the practice is ad hoc and informal. 2. Some enabling channels and/or procedures exist, but engagement on this goal is primarily driven by passionate individuals. 3. Enabling channels and/or procedures exist, and the corporate culture fosters active, company-wide engagement on this goal.		○	○	H	●
5.1.7	Use leading third-party standards?	Choose one of: 0. No use is made of leading third-party standards to support this goal. 1. The company uses leading third-party standards to raise internal awareness or understanding of a topic. 2. The company actively works to adhere to leading third party standards in some areas of the business. 3. The company adheres to or exceeds leading third-party standards across all relevant areas the business.		○	○	H	●
5.1.8	Integrated information systems?	Choose one of: 0. No information systems are in place to support this goal. 1. The company collects, stores and manages data, but the primary focus is to ensure regulatory compliance. 2. Information relating to this goal is collected and stored, but it may reside in disconnected systems and require some degree of manual integration. 3. Integrated information systems are in place across the business to collect and manage data relating to this goal, to guide ongoing business decisions.		○	○	H	●

Table A1.5 (page 3 of 3): Details required for the **Preparedness** area of the SoP.

○ Optional ● Mandatory H Mandatory for high risk goals

ID	Question	Response	Add. Info	Disclosure Level			
				0	1	2	3
5.2	Financial alignment						
	How do you allocate financial resources to help you meet this goal?						
5.2.1	Investment in relevant research and development?	For each of these questions, choose one of: 0. No decisions are expected to consider this issue.	Provide any relevant supporting information. Links to other resources (such as reports or webpages) may be included if useful.				
5.2.2	Aligned capital expenditure and allocation?	1. Relevant teams have some awareness of the issue, but there is no requirement to consider it in their decisions.					
5.2.3	Strategic acquisitions and/or divestments?	2. Relevant teams are well aware of the issue, and are encouraged to consider it at their discretion.		○	○	H	●
5.2.4	Aligned purchasing decisions?	3. Controls are in place to ensure that relevant teams prioritize the issue in all key decisions. OR It is also possible to specify <i>Not applicable</i> if a type of activity (e.g. R&D) is not relevant to the business.					
5.3	Company influence						
	How do you engage others throughout the value web to help you meet this goal?						
5.3.1	Suppliers?	For each of these questions, choose one of:	Provide any relevant supporting information. Links to other resources (such as reports or webpages) may be included if useful.				
5.3.2	Industry bodies / peers?	0. No engagement is expected on this issue.					
5.3.3	Governments?	1. Relevant teams have some awareness of the issue, but there is no requirement to engage on it.					
5.3.4	Customers?	2. Relevant teams are well aware of the issue, and are encouraged to engage on it at their discretion.		○	○	H	●
5.3.5	Civil society / NGOs?	3. Controls are in place to ensure that relevant teams prioritize the issue in engagement efforts.					
5.3.6	Investors?						

Appendix 2: Goal prioritization

A step-by-step process for assessing risk levels

All Break-Even Goals matter, but each organization should prioritize those which are most *extra-financially material* given the unique characteristics of its business, to reduce its biggest negative impacts first. A risk assessment checklist has been created to guide prioritization efforts. It can be downloaded [here](#).

The checklist takes the form of a series of yes/no questions, each describing a specific characteristic which may or may not apply to the business. By default, each Break-Even Goal is deemed to be of *moderate* risk. Three types of characteristic may cause the risk level to be upgraded or downgraded, as follows:

- **Progress-to-date characteristics** apply only if a business has reached a goal (in which case the risk is downgraded to *unlikely*), or when it has made enough progress toward a goal to ensure that negative impact has been largely mitigated (in which case the risk becomes *low*).
- **Low-risk characteristics** capture aspects of a business’s activities, operating model or operating context which *decrease* the potential for negative impact. If one is true, the risk for the corresponding goal is downgraded to *low* (or in some cases to *unlikely*).

- **High-risk characteristics** only need to be considered if no low-risk or progress-to-date characteristics apply. They capture aspects of a business’s activities, operating model or operating context which *increase* the potential for negative impact. If one is true, the risk for the corresponding goal becomes *high*.

Some characteristics affect multiple goals. For example, when the high-risk characteristic “*Our business is dependent on fossil fuels as a key operational input*” holds true, it upgrades the risk for both **BE01: Renewable Energy** and **BE06: Operational GHG Emissions**.

Figure A2.1 illustrates how the checklist works by means of a flowchart.

The risk assessment checklist is provided in the form of a Microsoft Excel workbook, which presents each characteristic as a yes/no question. The risk levels of all 23 Break-Even Goals are upgraded or downgraded based on the answers given. Sometimes one characteristic may override another. For example, a goal may pose a high *potential* risk due to a business’s operating model, but pose a low *actual* risk if substantial progress has been made toward it. The checklist handles such logic automatically.

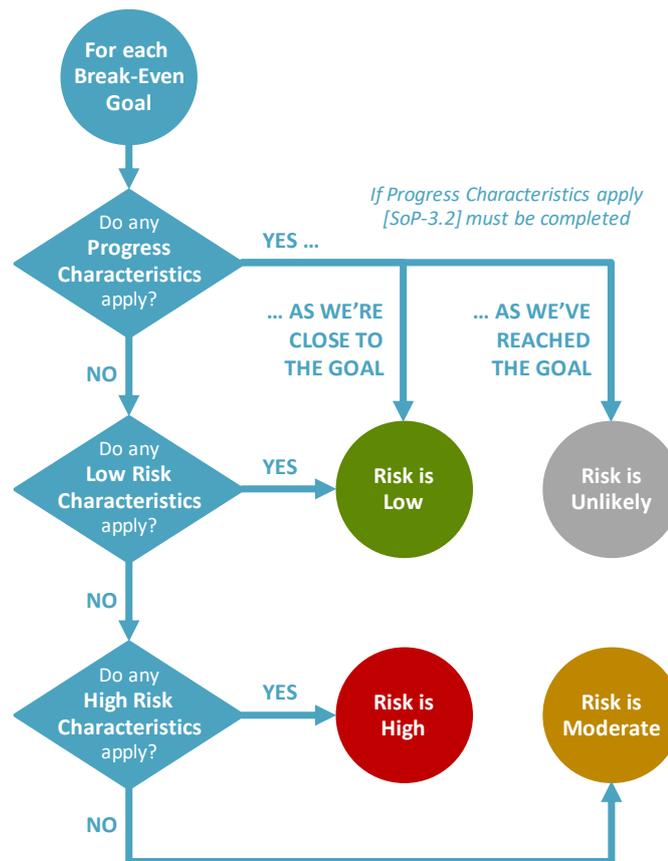


Figure A2.1: Understanding how the risk assessment checklist works.

The Future-Fit team is developing a suite of ‘heatmaps’ which define the risk profiles for all types of economic activity in the United Nations’ International Standard Industrial Classifications (ISIC) taxonomy [27].

These will provide any organization with a starting point to identify where its biggest negative impacts are likely to be.

If you are exploring the possibility of preparing a Statement of Progress please [contact us](#) for a pre-release draft of the relevant heatmap(s).

Appendix 3: References

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