

# The Future of Sustainable Business

New Agenda, New Approach, New Advocacy



BSR<sup>®</sup>

CELEBRATING  
**25 YEARS**

The top half of the page features an abstract background of overlapping, semi-transparent blue geometric shapes, including triangles and polygons, in various shades of cyan and light blue. The shapes create a layered, dynamic effect.

## **ABOUT THIS REPORT**

This report was published by BSR in October 2017. BSR maintains a policy of not acting as a representative of its membership, so the views expressed in this publication do not necessarily reflect those of BSR members.

On the occasion of BSR's 25th anniversary, we have taken the opportunity to consider the ways the world has changed since our founding and the systemic changes that are shaping the world today. This paper offers our thinking on where to go next. It also serves as an invitation to join us over the coming year as we work to shape a new agenda, new approach, and a new voice for business that will meet our unique moment.

This report was written by Aron Cramer, Jacob Park, Eric Olson, and Elisabeth Best. Any errors that remain are those of the authors. Please direct comments or questions to [connect@bsr.org](mailto:connect@bsr.org).

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# Introduction

On the occasion of BSR's 25th anniversary, we have taken the opportunity to consider our accomplishments.

With our member companies and other partners, we are proud to have imagined and worked toward a new vision of business that creates prosperity and fairness for all and preserves the natural environment on which we all depend.

Looking back is important; there is much to learn. But it is even more essential to look ahead: BSR, and the sustainable business movement more broadly, have always been about the future, and we must maintain that focus. This focus on what's next is even more urgent today, when so many aspects of business, the economy, and culture are changing in profound ways.

And as we look ahead, it is clear that the time is here for a new approach to sustainable business. Many of the conditions that inspired the creation of BSR—a growing sense of resource scarcity and climate change, an increasingly interconnected world, and the rise of the purpose-driven business—have only accelerated over the past 25 years.

The need to reinvent, however, is shaped by three big developments that are creating a new context. First, business is undergoing systematic change—disruption—that is challenging every enterprise to reorient its strategy and approach. Second, we have a clear and universal roadmap for sustainable development, best expressed through the Paris Agreement on climate change and the UN Sustainable Development Goals (SDGs). Third, governance gaps—and failures—create the need for business to lead the way, often in partnership with others, if we are to achieve our shared goals.

Business as usual won't get the job done—and sustainability as usual won't suffice. If we are to avoid catastrophic climate change, build truly fair and inclusive economic growth, and navigate a radically reshaped world, it is time for change. Put more positively, we have within our grasp the ability to reorient business and turn the tide on climate change, deliver economic opportunity for all, and build connected societies in which all people can live in dignity and with respect.

BSR was founded on the belief that a just and sustainable world is within our grasp, and that business is central to realizing that vision. We are as just as motivated today by this belief as BSR's founders were a quarter century ago.

Business as usual won't get the job done—and sustainability as usual won't suffice.

This paper offers our thinking on where to go next. It also serves as an invitation to join us over the coming year as we work to shape a new agenda, new approach, and a new voice for business that will meet our unique moment. Together, we can set a course for sustainable business, for business more broadly, and for the world.

# Looking Back

## How BSR and the World Have Changed since 1992

Business for Social Responsibility (now BSR) was launched in 1992 with 51 member companies and a new vision: a vision of business as a force for positive change—a force that can preserve and restore natural resources, ensure human dignity and fairness, and operate transparently.

The world has changed in myriad ways since 1992, when *Time* magazine published a story outlining what, exactly, the future might look like. Inevitably, there were robots, but some of the other predictions were even more specific. Nobel Prize winner Arno Penzias, vice president of research at AT&T Bell Laboratories, projected: “Every phone customer will have long since been issued a personal number that follows him everywhere—home, the office, the beach.”<sup>1</sup>

Simply put, while some of these predictions were surprisingly accurate, the world is very different today than it was when BSR began in ways that would have been difficult to imagine. The global population, which was approximately 5.5 billion in 1992, is 7.4 billion today.<sup>2</sup> This increase is 50 percent more than all the people in the world in 1900. And we are now urban dwellers: More than 55 percent<sup>3</sup> of the world’s

population lives in urban areas (this was true for only 44 percent in 1992<sup>4</sup>). In fact, the number of megacities with more than 10 million residents has more than doubled<sup>5</sup> in the past 25 years: Today, there are 31, and most of these are in the Global South, which was not the case in 1992.<sup>6</sup>

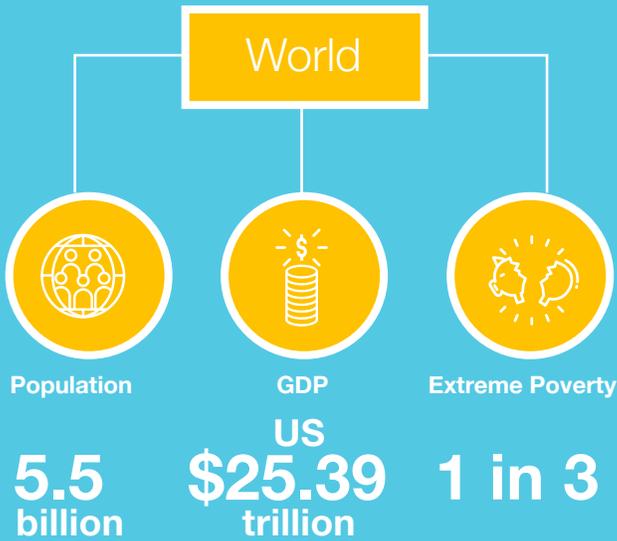
The global economy has also grown dramatically. In 1992, global GDP was US\$25.39 trillion. As of 2016, that number had almost tripled, to more than US\$75 trillion.<sup>7</sup> This growth has had a major impact on quality of life, with extreme poverty falling fast: In 1992, one in three people suffered from extreme poverty; today only one in 10 faces that situation.

The geography of the world’s economy also looks very different today. The story of this period is the now

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1 <http://content.time.com/time/subscriber/article/0,33009,976734-1,00.html>  
2 [https://www.census.gov/population/international/data/worldpop/table\\_population.php](https://www.census.gov/population/international/data/worldpop/table_population.php)  
3 <http://www.un.org/en/development/desa/news/population/world-urbanization-prospects-2014.html>  
4 <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?end=2016&start=1992>  
5 <http://www.unep.org/geo/assessments/specialized/keeping-track-our-changing-environment>  
6 [http://www.un.org/en/development/desa/population/publications/pdf/urbanization/the\\_worlds\\_cities\\_in\\_2016\\_data\\_booklet.pdf](http://www.un.org/en/development/desa/population/publications/pdf/urbanization/the_worlds_cities_in_2016_data_booklet.pdf)  
7 <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2016&start=1992>

# 1992



7.4 billion

US \$75 trillion

1 in 10



250

8

120+

800+

# 2017



Stepping back to catalogue these changes reminds us how fundamentally different the world looks today than it did at the time of BSR's founding.

well-understood shift of economic activity from North to South and West to East. The number of Fortune Global 500 firms coming from emerging economies has exploded from 4 percent in 1992 to more than 25 percent today,<sup>8</sup> and China is poised to surpass the United States as the world's largest economy very soon.

Stepping back to catalogue these changes reminds us how fundamentally different the world looks today than it did at the time of BSR's founding. At BSR, we have seen major changes across all six of our areas of expertise. Consider the area of climate change: At the time of the groundbreaking Rio Summit in 1992, the UN Framework Convention on Climate Change (UNFCCC) was launched. This framework is now matched by specific commitments from 190 countries aiming to turn the vision of the Paris Agreement into reality. What's more, since the Paris Agreement was signed, business has moved swiftly, with more than 300 companies embracing science-based targets and more than 100

businesses committing to using 100 percent renewable energy.

We have seen the proliferation of similar standards and commitments on social issues. According to the International Trade Centre, today there are 230 sustainability standards initiatives applicable to more than 80 sectors and 180 countries<sup>9</sup> — the majority of which were not in place 25 years ago. Similarly, the number of companies with an explicit human rights policy or commitment in 1992 was likely in the single digits; today, more than 350 organizations have published human rights statements on their websites.<sup>10</sup>

To keep pace with the dramatic shifts in sustainability, the private sector, and the global economy, BSR has evolved considerably since our founding in 1992. Here's a look at where we've been — and where we are today.

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8 <https://www.weforum.org/agenda/2012/06/rio20-what-has-changed-in-20-years/>

9 <http://www.intracen.org/itc/market-info-tools/voluntary-standards/standardsmap/>

10 <https://business-humanrights.org/en/company-policy-statements-on-human-rights>

The last 25 years have really seen the emergence, traction, and now maturing of corporate sustainability as a whole, and this has been a transformational process. Allocating staff and resources to sustainability issues was very unusual in 1992; now, most large companies have **a dedicated sustainability function.**

**Alison Taylor**  
Director, Sustainability Management



## SUSTAINABILITY MANAGEMENT



## CLIMATE CHANGE

For climate practitioners, the emergence of **the Paris Agreement** as an international standard is the most important development of the past 25 years. It makes clear that businesses should implement emissions reductions and build resilience to climate impacts.

**David Wei**  
Director, Climate

When considering what has driven global businesses to pay attention to and invest in this field, it is clear that the cementing of the **business and economic case for women's advancement** has been critical.

**Aditi Mohapatra**  
Director, Women's Empowerment



## WOMEN'S EMPOWERMENT

# What has been the single most important innovation in sustainable business for your field in the last 25 years?



## HUMAN RIGHTS

The easy answer is that the single most important innovation in the human rights and business field in the last 25 years was the **UN Guiding Principles on Business and Human Rights (UNGPs)**, unanimously endorsed in the UN in 2011.

**Margaret Jungk**  
Managing Director, Human Rights



## INCLUSIVE ECONOMY

Looking back just 50 years, it is astounding to see how much attitudes have changed around **diversity and inclusion** in the workplace. Today, new business commitments to advance the rights of women, refugees, the LGBTQ community, and others are announced almost every week. Nonetheless, much work still needs to be done.

**Susan Winterberg**  
Associate Director, Inclusive Economy

The first innovation came in the 1990s, with **companies' realization that the rights of workers in their global supply chains were their responsibility.**

**Tara Norton**  
Managing Director



## SUPPLY CHAIN SUSTAINABILITY

# How the World Is Changing Today

If the past quarter century has brought profound change, this process is only accelerating today. The scale and urgency of the challenges we face are growing, but so is the power of the tools at our disposal to address these challenges.

Businesses that thrive in the future will be those that figure out how to harness these emerging innovations to address real human needs—placing sustainability at the heart of business strategy.

Three broad categories of change are transforming what business and sustainability mean:

- **Climate change:** The turbulent planetary changes we have unleashed—and our collective response or lack thereof;
- **Technology:** Powerful new technologies that are poised to redefine the nature of work and create urgent philosophical questions about humanity; and
- **Structural economic change:** Mounting pressure to equitably meet the needs of a growing, urbanizing global population at a time of massive change.

While none of these is new, and while many more changes are unfolding, these systemic changes are remaking the world as we've known it.

## Climate Change: Doing Business in the Anthropocene

The steady increase in extreme weather confirms that our planet is changing. Humanity has stepped decisively into the Anthropocene—the current, relatively recent period of the Earth's history in which humans have irreversibly changed the planet. The critical questions now center on how to build resilience into human and natural systems while mitigating further damage, and how to adapt and thrive amid the inevitable disruption.

No business will be left untouched. While severe weather events are the most dramatic illustration of climate change, less visible climate impacts will have consequences that are just as profound. Among other things, a warming Earth will disrupt long-standing agricultural patterns, undermine ecosystem health, contribute to the spread of novel pathogens,

exacerbate water scarcity, and ratchet up pressure on scarce land. Every large company will feel the impacts of these changes—on its people, in its operations, and across its supply chains.

At the same time, innovations in technology, business models, and policies offer powerful new tools to address these challenges. Steady advances in battery storage and photovoltaic efficiency, along with dramatic price reductions and an accelerating shift to electric cars, are poised to unleash a clean energy revolution—and hasten the inexorable decline of fossil fuels.<sup>11</sup> While entrenched political interests work to slow progress in the United States, China and India are making increasingly large bets that their future economic growth will be built on clean technology, and cities and states around the world are stepping up with ambitious climate goals.

And the Paris Agreement has set the agenda for national emissions reductions for the foreseeable future. Although insufficient to contain warming within entirely safe levels, it nevertheless provides a coherent framework for the vast majority of the world's nations to stop arguing about who is to blame and get on with the business of climate mitigation.

However, critical uncertainties remain. The Trump administration's threats to pull out of the Paris Agreement could undermine the commitments of other signatory nations (although early indications are reassuring in this

regard). The complex secondary and tertiary effects of climate change—such as armed conflict triggered by drought or agricultural disruption—are unpredictable in their details, though foreseeable in aggregate. The U.S. Department of Defense views climate change as a “threat multiplier” and warns that “climate-induced stress can generate new vulnerabilities [that] contribute to instability and conflict even in situations not previously considered at risk.”<sup>12</sup>

As climate impacts become more apparent, cities, states, and nations may decide to act more aggressively and abruptly to promote sustainability policies. The spate of countries that have announced their intention to enforce an outright ban on gasoline-powered vehicles may well be a harbinger of things to come.<sup>13</sup>

## Technology: Smarter Everything

When Google DeepMind's AlphaGo artificial intelligence program beat world champion Go player Lee Sedol in March of 2016, the layperson may have mistaken this for an incremental improvement on the victory of IBM's Deep Blue over Garry Kasparov two decades earlier. In reality, this event heralded a sea change in our approach to artificial intelligence—one that is on the verge of reshaping human systems as profoundly and rapidly as climate change is altering natural ones.

11 <https://www.weforum.org/agenda/2012/06/rio20-what-has-changed-in-20-years/>

12 <http://archive.defense.gov/pubs/150724-congressional-report-on-national-implications-of-climate-change.pdf?source=govdelivery>

13 <http://money.cnn.com/2017/09/11/autos/countries-banning-diesel-gas-cars/index.html>



### THE FUTURE OF THE AUTO INDUSTRY

In September 2017, China announced its intention to join India, France, Britain, and Norway in eventually banning the sale of petrol-fueled cars. With sales of 28 million vehicles per year, China is the world's largest auto market, and any such move would have profound consequences for the global auto market, and greenhouse gas emissions, over the next two decades. As China and India move to embrace the clean economy, how might their policy decisions change the landscape for global business?

This new paradigm results from the convergence of three separate developments in technology: 1) continued improvement in processor speed, power, and miniaturization; 2) vast and exponentially increasing amounts of data generated by human and machine activity; and 3) a shift in our approach to artificial intelligence from top-down, rules-based systems relying on brute force computation to neural networks and machine learning algorithms that feed on data to infer rules from the bottom up. In the past, artificial intelligence had to be told what to do. Now, it can learn what to do—and this is making it radically more capable.

From driverless cars to facial recognition to language translation, this new approach to artificial intelligence is rapidly changing the world around us and is enabling the creation of powerful new tools to address some of humanity's most pressing challenges. In medicine, artificial intelligence is already outperforming humans in the detection and classification of lung cancer<sup>14</sup> and skin cancer.<sup>15</sup> In transportation, the improved safety of autonomous vehicles could reduce traffic fatalities by up to 90 percent by midcentury.<sup>16</sup> An improved version of Google's DeepMind artificial intelligence identified novel ways to reduce energy consumption for cooling in data centers, leading to a 40 percent reduction beyond what human engineers had been able to come up with.<sup>17</sup> In Australia, an underwater robot powered by artificial intelligence is able to identify invasive starfish on coral reefs and dispatch them by lethal injection.<sup>18</sup>

Despite these advances, artificial intelligence and automation are creating thorny new practical, ethical, and human rights challenges. For example, one important consequence of the new approach to artificial intelligence is that its cogitations are increasingly opaque, distributed throughout a neural network rather than described by rules. This often makes it impossible for humans to parse the underlying process.<sup>19</sup> In addition, machine learning algorithms and the datasets used to train them can reflect and perpetuate prevailing social inequalities. Already, “algorithmic bias” has been discovered in software used to grant parole, evaluate loan applications, and rank teachers.<sup>20</sup> Finally, the combination of artificial intelligence and our ever-proliferating data footprints raises troubling concerns around privacy. For example, a controversial Stanford study purports that an algorithm can detect a person's sexual orientation. The algorithm bases this determination—which has up to an 81 percent accuracy rate, far outperforming human judges—on an analysis of a single photograph.<sup>21</sup> As a growing portion of decision-making is given over to machines, new frameworks will need to be developed to protect the human rights of consumers and citizens that may be threatened unintentionally by the machines' inscrutable inferences.

14 <https://med.stanford.edu/news/all-news/2016/08/computers-trounce-pathologists-in-predicting-lung-cancer-severity.html>

15 <https://www.newyorker.com/magazine/2017/04/03/ai-versus-md>

16 <https://www.theatlantic.com/technology/archive/2015/09/self-driving-cars-could-save-300000-lives-per-decade-in-america/407956/>

17 <https://deepmind.com/blog/deepmind-ai-reduces-google-data-centre-cooling-bill-40/>

18 <https://www.theatlantic.com/science/archive/2017/03/artificial-intelligence-the-park-rangers-of-the-anthropocene/520713/>

19 <https://www.technologyreview.com/s/604087/the-dark-secret-at-the-heart-of-ai/>

20 <https://www.technologyreview.com/s/608248/biased-algorithms-are-everywhere-and-no-one-seems-to-care/?set=608263>

21 [https://www.washingtonpost.com/news/morning-mix/wp/2017/09/12/researchers-use-facial-recognition-tools-to-predict-sexuality-lgbt-groups-arent-happy/?utm\\_term=.6f69946e6d98](https://www.washingtonpost.com/news/morning-mix/wp/2017/09/12/researchers-use-facial-recognition-tools-to-predict-sexuality-lgbt-groups-arent-happy/?utm_term=.6f69946e6d98)



## THE RISKS OF AI

Risk assessment algorithms are increasingly being used in the criminal justice system to inform everything from bond assignments to sentencing. A ProPublica investigation found the algorithm falsely flagged black defendants as potential future criminals at nearly twice the rate of white defendants.

Businesses that thrive in the future will be those that figure out how to harness these emerging innovations to address real human needs—placing sustainability at the heart of business strategy.

The impact of artificial intelligence and automation on jobs is another area of concern, although estimates vary widely as to the speed and scale of the potential displacement. McKinsey finds that more than half of all paid human activities (not occupations) could be automated based on currently demonstrated technology.<sup>22</sup> Meanwhile, a report from Oxford University economists projected that 47 percent of U.S. jobs, 57 percent of Organisation for Economic Co-operation and Development (OECD) country jobs, and 77 percent of Chinese jobs are at risk of automation.<sup>23</sup> In the United States, the automation of long-haul trucking could threaten the livelihoods of 3.5 million professional truck drivers and 5.2 million people who work in the trucking industry.<sup>24</sup> A new apparel robot called the Sewbot can produce a T-shirt in just 22 seconds, which shows how automation might radically disrupt the global apparel industry.<sup>25</sup>

Artificial intelligence and automation have the potential to help usher in a radically safer, healthier, cleaner, and more productive world. They could also exacerbate income inequality, threaten our privacy, and erode civil and human rights. The speed and power of these changes mean that now is the time for business, government, and civil society to discuss these issues and chart a positive path into the future.

## Structural Economic Change: A Global New Deal?

We are experiencing an economic shift that appears to rival the significance of the industrial revolution a century and a half ago. A digital, connected economy is profoundly changing business today, and this will only accelerate in the decades to come. This transition is already reordering daily life, the nature of work, and the competitive landscape for business.

These changes come alongside important progress in the global struggle for equitable and inclusive growth—notably in the reduction of absolute poverty, the improvement of women’s health outcomes and educational attainment, and the expansion of LGBTQ rights. Access to clean water and sanitation also has improved, the incidence of malaria has been curtailed significantly, and income inequality among nations is falling.

However, inequality within nations is on the rise, and there is growing frustration with an economic system that enables a tiny fraction of the population to control most of the world’s resources. Today’s stagnating

22 <https://www.mckinsey.com/global-themes/digital-disruption/harnessing-automation-for-a-future-that-works>

23 <http://www.g20-insights.org/wp-content/uploads/2017/03/1899-2.pdf>

24 <https://medium.com/basic-income/self-driving-trucks-are-going-to-hit-us-like-a-human-driven-truck-b8507d9c5961>

25 <http://www.innovationintextiles.com/automated-sewbot-to-make-800000-adidas-tshirts-daily/>

wages and rising costs mean that only half of U.S. 30-year-olds are better off than their parents were at the same age; this is compared with 90 percent for whom this was true in 1970.<sup>26</sup> This has created a pessimistic climate in the West, where 60 percent of Americans believe their children will be worse off than they are, and 64 percent of Europeans harbor similar sentiments. That frustration is being channeled into a rising tide of nationalism and other reactionary political currents that threaten to undermine the liberal democratic order. Also mounting is a distrust of platform monopolies and business models that rely on consumers sharing vast amounts of personal data in exchange for “free” goods and services.

Demographic shifts over the next 15 years will add to these strains. By 2030, the global population is projected to add a billion more people, ratcheting up the pressure on already scarce resources. Aging populations in most of the world will test social security and healthcare systems, while a projected “youth bulge” in sub-Saharan Africa could prove to be a demographic dividend or a population time bomb, depending on job availability. The global population is also growing more urban, with most growth projected to take place in midsize cities of the Global South. By 2030, roughly two-thirds of humanity will live in cities. And while urbanization is often associated with innovation and lower resource intensity, the inadequate infrastructure characteristic of rapidly growing slums exacerbates poverty and poor health outcomes.

The scale of basic human needs to be met—to be fed, clothed, sheltered, educated, moved around, meaningfully employed, and cared for—is far greater than what we deliver today. This constitutes an enormous opportunity for those who see it as such, and new technologies and business models are emerging that make it more feasible to meet these needs sustainably.

However, it remains to be seen whether business and government are up to the task—and, if they’re not, how humanity will respond. New technologies, such as digital fabrication, distributed solar, and blockchain, are making it easier for people to self-organize and provide for their own needs. As these develop, it may become increasingly feasible for individuals and communities to circumvent corporations and governments.

We may also see an expansion of populist political movements to include demands such as a tax on robots or a universal basic income. Alternative legal entities like cooperatives and benefit corporations could scale to become important economic players, as they already have in some parts of Europe.

Finally, it’s plausible that a growing sense of disenfranchisement will fuel the fires of nationalist and xenophobic reaction. This could imperil global economic and political relationships, drive internecine conflict, and thwart efforts to collectively address pressing systemic challenges.

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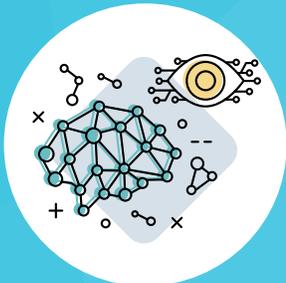
26 <https://www.vox.com/2017/10/13/16431502/america-democracy-decline-liberalism>

# Three broad categories of change are transforming what business and sustainability mean.



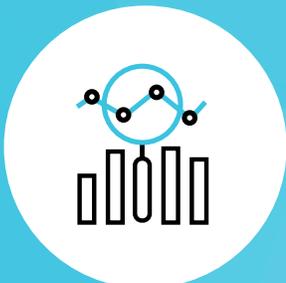
## Climate Change

- Humanity has stepped decisively into the Anthropocene—the current, relatively recent period of the Earth’s history in which humans have irreversibly changed the planet.
- Among other things, a warming Earth will disrupt long-standing agricultural patterns, undermine ecosystem health, contribute to the spread of novel pathogens, exacerbate water scarcity, and ratchet up pressure on scarce land.
- At the same time, innovations in technology, business models, and policies offer powerful new tools to address these challenges.



## Technology

- In the past, artificial intelligence had to be told what to do. Now, it can learn what to do—and this is making it radically more capable.
- From driverless cars to facial recognition to language translation, this new approach to artificial intelligence is rapidly changing the world around us and is enabling the creation of powerful new tools to address some of humanity’s most pressing challenges.
- Artificial intelligence and automation could also exacerbate income inequality, threaten our privacy, and erode civil and human rights.



## Structural Economic Change

- We are experiencing an economic shift that appears to rival the significance of the industrial revolution a century and a half ago.
- By 2030, the global population is projected to add a billion more people. The scale of basic human needs to be met—to be fed, clothed, sheltered, educated, moved around, meaningfully employed, and cared for—is far greater than what we deliver today.
- This constitutes an enormous opportunity for those who see it as such, and new technologies and business models are emerging that make it more feasible to meet these needs sustainably. However, it remains to be seen whether business and government are up to the task—and, if they’re not, how humanity will respond.

# The Implications for Business

The previous sections of this paper make clear that the business environment is undergoing fundamental change, with broad and deep impacts on both business overall and the direction of sustainable business.

Here, we provide our thinking on the implications for companies everywhere, along with an invitation to engage with BSR over the coming year to help redefine sustainable business.

At the BSR Conference 2018, we will present a vision of the decade ahead—one that we hope will include opportunities for transformative progress.

## A New Business Environment

The wave of changes sweeping our world is coalescing to create a new operating environment for business. In BSR's 25-year history, there has never been a time when companies everywhere have faced such all-encompassing change. Nearly every business we know is asking itself fundamental questions about the nature, shape, and future of its business.

In our work with member companies, we are encountering big questions like these:

- What business sector are we in, and who will be our non-traditional competitors in a time of change?
- How can we build new business models that deliver value for consumers consistent with environmental limits?
- How should businesses respond to an emerging revolution in the nature of work?

- How will micromanufacturing, reshoring, and other developments upend the global supply chains that have defined the past 25 years?
- Will massive middle classes in the Global South mimic Western tastes?
- What is the role of business in a world where governments often move more slowly than the changes reshaping our world, and where trust in both business and government is at an all-time low?
- And ultimately, how can large companies remain sufficiently nimble in era of rapid change?

For the companies that are addressing these questions head on, there is the promise of remarkable innovation—not only in technology, but also in business models, partnerships, products and services, and ways of engaging consumers. What's more, many of the new strategic imperatives for companies have the potential to bring massive improvements in sustainability. The changes that are emerging could deliver great leaps forward—through both direct and indirect means.

How can we build new business models that deliver value for consumers consistent with environmental limits?

What business sector are we in, and who will be our non-traditional competitors in a time of change?



How will micromanufacturing, reshoring, and other developments upend the global supply chains that have defined the past 25 years?

In our work with our member companies, we are encountering big questions like these.

How will artificial intelligence, augmented reality, and virtual reality change consumer behaviors?

Will massive middle classes in the Global South mimic Western tastes?

And ultimately, how can large companies remain sufficiently nimble in era of rapid change?

What is the role of business in a world where governments often move more slowly than the changes reshaping our world, and where trust in both business and government is at an all-time low?



With all this in mind, we believe it is time to relaunch sustainable business.

For example, progress on climate is coming through ambitious targets and through technological innovation that is enabling a clean energy revolution, and digital payment systems have the potential for greater transparency and financial literacy for people in all corners of the world.

## **Redefining Sustainable Business: New Agenda, New Approach, New Advocacy**

With all this in mind, we believe it is time to redefine sustainable business.

In this report, we have covered the changes in the world and in business that show the need for a new agenda, new approach, and new advocacy. In other words, it is time for business and other partners to embrace new issues, new ways of pursuing sustainability, and a new—and more assertive—voice.

The shifts in the environment, technology, and economics suggest the need to emphasize a new set of issues. Moreover, the variations on familiar topics present different questions today and will continue to do so into the next decade.

## **New Agenda**

First, business needs a new agenda. This should include areas where sustainability issues have converged with business issues and where new topics have emerged, and it should allow for the reinvention of sustainability to meet the needs of a new reality.

Our objective here is not to present an exhaustive set of issues, but rather to identify topics we believe deserve greater attention. The starting point for these topics is the need to face head on the three systemic changes affecting business: climate change, technological innovation, and the need for more inclusive economies.

These conditions create three big issue sets that we believe need to be front and center on the business agenda—not only for sustainability reasons, but because these questions will be increasingly central to business performance. They will dominate the global public debate. And they will define the economic vitality of people, communities, and the world.

Sustainable business leadership will come to be defined by how well companies approach the following three issues:

## The Challenge

## The Opportunity

## The Uncertainties



### Climate Resilience

The impacts of climate change are being felt today. Extreme weather has introduced new levels of financial, operational, and human vulnerability.

Companies need to build resilience in the face of climate change, water scarcity, and related disruptions, both in their own operations, infrastructure, and supply chains, and in the communities in which they operate and invest.

Attending to this issue will mitigate risk, ensure business continuity, and involve business in parlaying its skills and knowledge as part of the overall climate solution.

Creating resilience requires broad collaboration for a benefit that cannot be predicted with certainty. While some aspects of resilience can be measured tangibly (e.g., infrastructure that can withstand extreme weather), other elements of resilience are difficult to measure (e.g., community resilience).

Additionally, climate resilience efforts will be influenced by many uncertain factors, including the policy landscape, the ability of stakeholders to coordinate, the pace of mitigation efforts, and the development of new technological solutions.



### Technology, Human Rights, and Ethics

New technologies continue to offer world-changing benefits in terms of health, connectedness, efficiency and productivity, transparency, and access, with business models to match. They also present fundamental questions about identity, privacy, and security, with new norms usually evolving more slowly than the technologies.

Companies need to develop human rights policies and practices that address big new ethical questions about the application of new technologies. Almost every business today depends on using personal data. Almost every company is exploring the use of artificial intelligence, augmented reality, and other technologies, and there is very little agreement on how to apply these tools fairly.

Business has much to gain through these innovations, and many technologies can also unlock solutions to climate change and other societal issues. Business also has much to lose if society does not accept these big innovations. Individual companies need a clear-eyed assessment of how to ensure that technologies are adopted consistent with human rights principles and in a way that contributes to building social consensus so we are all able to capture the benefits of a connected world.

Human rights principles were largely developed 75 years ago, in a very different reality from ours. In addition, technology moves faster than social norms and official regulations. This leaves gaps in our understanding of the implications of technologies that bring profound change and creates strains for a global governance system that is not able to anticipate and address new technologies.

Additional uncertainty exists around the potential capabilities of artificial intelligence and how quickly these will be developed and deployed. We also have yet to fully understand consumer attitudes toward these new technologies and the technical feasibility of ensuring alignment with ethical and human rights norms. Business has a key role to play in proactively considering these issues and building social consensus around best practices.



### Inclusive Automation

By many accounts, we are at the dawn of an economic transition as profound, or more profound, than the transition from an agricultural economy to the industrial world.

This new world—especially when coupled with a global economy experiencing fundamental demographic change—means that the need to generate quality employment in an era of automation is fundamentally important.

Automation presents opportunities to increase efficiency on a massive scale while improving work safety and other benefits. Business has much to gain if it develops a clear vision of what it can do to generate quality employment and participates in a broader discussion about a social contract fit for the 21st century.

For the first time since the industrial revolution, labor and economic productivity appear to be delinked. The implications for individuals and societies are immense. And even if the most dire predictions fail to materialize, there is little doubt the nature and amount of work is shifting faster than people can adapt. If business is only the propagator of change that society rejects, we all lose.

How the quest for inclusive growth plays out in the coming years will be shaped by critical uncertainties, including the capabilities of automation, government intervention to shore up social safety nets, the ability of educational systems to keep pace with change, the potential growth of alternative economic models, and the possible rise of social and political movements demanding more equitable growth.

## New Approach

In addition to a new agenda, we also believe that it is time for a new approach by sustainability leaders. In the coming months, we will publish a report that will outline new approaches to how businesses implement sustainability.

In our view, the role of the Chief Sustainability Officer will evolve in the coming years. Many of the core activities that are the hallmarks of sustainability leadership today—seeing across issues and perspectives, building partnerships, and more—will remain important. Indeed, there will always be times when the voice of sustainability needs to be heard to define the right thing to do—even when there is no business case.

But in our changing world, new skills will be even more important parts of the puzzle. Helping companies navigate the emerging world means building and contributing to resilient business strategies, not simply integrating sustainability into business strategies built by others. This also means demonstrating how topics like women's empowerment, climate resilience, and quality employment are business issues, not “only” sustainability issues. In this way, sustainability leaders will create and generate revenue, not just minimize cost and risk. This also means sustainability leaders will need to focus more on how business and the world are changing, and less on what stakeholders are demanding. All business leaders will need to be more fluent in how sustainability and business issues are converging. This will need to be augmented by world-class foresight to navigate the emerging issues that will continue to reshape the business agenda.

Business also will need new approaches because growing governance gaps may prevent a clear and consistent policy approach globally. This is not to say that business should become a substitute for

government. Instead, it is a call for business leaders to consider the changing business and sustainability agenda, with a view to creating solutions that both benefit their own companies and to broader social consensus.

## New Advocacy

We see the need for a new voice for business. In many parts of the world, societies are growing more fragmented, and the rapid pace of change is increasing a sense of disconnection for many people. Often, governments are slow to adapt to changing conditions. In many parts of the world, we have increasingly seen backlash against open societies.

It is crucial that companies advocate for outcomes that leverage all of the changes we are discussing for broad social benefit. In the past two years, many business leaders have stood up for diversity, climate action, open borders, and human rights. This will continue to be important in the years ahead. Business will have the platform to play this role only if it champions an agenda that resonates with the public, and only if it is seen to be acting for the benefit of the greater good—for reasons that go beyond short-term financial gain. The payoff for business is substantial: the opportunity to help build support for progress on crucial issues, the creation of a more predictable operating environment, and, ideally, the restoration of trust.

# Invitation to Engage

Over the coming 12 months, we will be launching a series of dialogues and events to hear your thoughts on what is changing—and what needs to change—to achieve a just and sustainable world. Key topics to be developed will include:

- 1 What are the most significant external trends disrupting your business, and what new opportunities and challenges are they likely to create?
- 2 What are the best roles for the corporation—as well as other major sectors and players—in addressing these new global opportunities and challenges?
- 3 In light of the “mainstreaming” of agendas such as climate resilience, the energy transition, income inequality, and the future of work, what should be the focus and role(s) of sustainability leaders within companies?
- 4 How can sustainability teams use their core competencies and networks to help their companies anticipate and address new issues that will be created by rapid changes in the global climate, technology, and the role of business?
- 5 What new capabilities and partners (internal and external) will sustainability teams need to successfully collaborate and navigate this new environment?
- 6 How can all business leaders develop competencies to lead their companies at a time of massive change, when new questions are being raised about the intersection of business and society?



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In pursuing this plan, we will be making use of our new Sustainable Futures Lab and some of the valuable (and fun) methodologies that the team is bringing to BSR. We will engage with our member companies and an array of other thought leaders relevant to the world of sustainability, including “unusual suspects” at the forefront of change.

as well as radical collaboration with other organizations and sectors—to create prosperity for all within the boundaries of natural capital.

This action agenda and plan will play a key role in creating and scaling the projects and collaborative initiatives that will power BSR’s own strategy and impact through 2025.

## This Time Next Year

We hope this paper prompts new thinking, identifies opportunities for new approaches, and encourages you to join with us in redefining sustainable business. Never in BSR’s 25-year history has there been a time when the opportunity for impact has been so great, and the broad imperative for change so clear. That is a potent combination, and one that we aim to make the most of by working with you.

With that in mind, we intend to develop these ideas further, hear new perspectives, and build a shared agenda and action plan for 21st century business. This plan will make wise use of the private sector’s assets—

BSR is a global nonprofit organization that works with its network of more than 250 member companies and other partners to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.

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