Embedding
PROJECT

The Road to Context

Contextualising your Strategy & Goals

A GUIDE

Stephanie Bertels
Rylan Dobson

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Prepared by Stephanie Bertels and Rylan Dobson

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Introduction

A contextual strategy acknowledges the need to operate within a set of socio-ecological thresholds, considering longer timelines and a broader understanding of value creation.

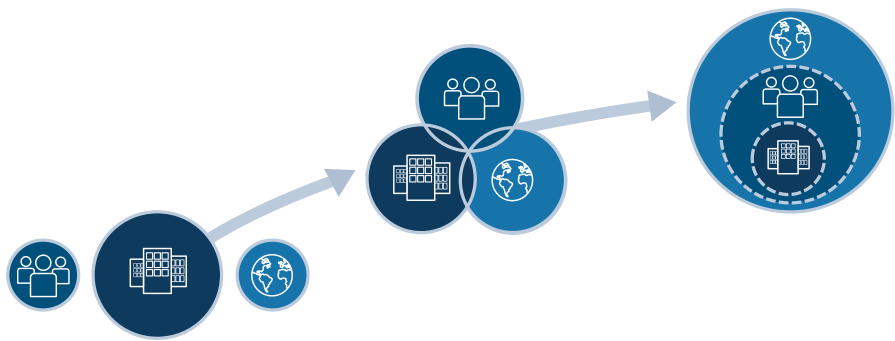
We wrote this guide for companies interested in understanding more about context. Several of the corporate members of the Embedding Project were eager to understand how they could factor socio-ecological thresholds into their corporate strategy and goal setting processes. These companies were increasingly being asked to 'contextualise' their sustainability performance and were being directed towards different initiatives and tools in various stages of development designed to aid this process. They needed help to make sense of it all.

As a result, we assembled a Global Community of Practice (CoP) on Contextual Strategy-Making where interested companies could participate in a process to bring these ideas and tools together under an overarching framework that explains how companies can approach the concept of context. Our "Road to Context" framework lays out four key steps to contextualising your strategy and goals. At each step, we review some of the methodologies, frameworks, tools, and ideas that are shaping how companies are developing contextual strategies. Finally, to help you see how these steps are being applied in practice, we developed a casebook celebrating the efforts of early adopters of context. We use the steps in the framework to illustrate their efforts, not as an evaluation, but rather to help companies understand how others are progressing on this journey.

This guide benefitted from interviews and discussions with early corporate leaders in the application of context; interviews with senior executives, CEOs, board chairs, and independent directors about how they see socio-ecological thresholds being considered in their company's strategy and goal setting processes; and interviews with the organisations and people developing concepts and tools to guide companies in this process. It is our hope that our guide and framework are useful to you in supporting your own journey toward context. This guide and the casebook will continue to be updated. Please reach out with suggested additions and improvements.

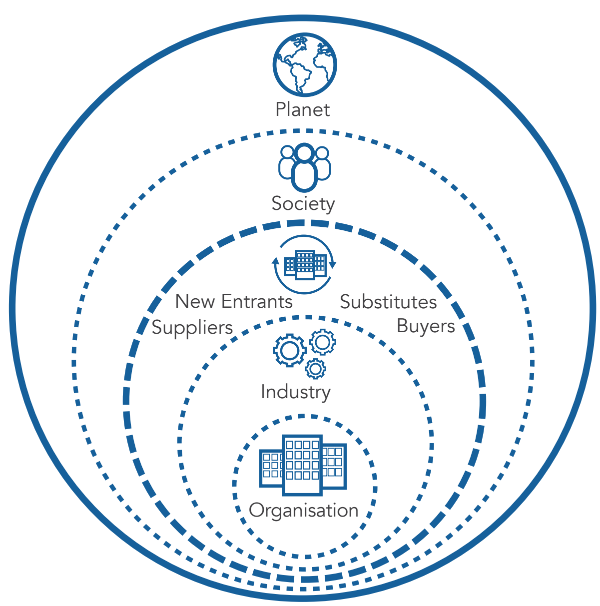
Considering context

> *I would say that most companies and boards are still stuck in […] that compliance mentality of minimising one's footprint, rather than reimagining the very mission of the business in terms of planetary boundaries, in terms of the opportunities that those factors may create around the definition of the business.*
>
> - (Non-Executive Director, global oil and gas company)



While many companies are making the shift to 'triple bottom line' thinking, leading companies are beginning to view their operations as part of a nested system bounded by the social and environmental systems that surround them (what is starting to be called a 'nested view', 'sustainability context', 'contextual', or simply 'context').

Almost 40 years ago, Michael Porter alerted companies to the need to look beyond their own corporate boundaries by factoring their industry environment into their strategy-making process[1]. Fast forward to the present, and increasing resource scarcity, heightened social uncertainty, and continued instability in the financial markets are driving executives and boards to broaden their contextual understanding to include key environmental and social megatrends and the constraints these thresholds create for their businesses.



[1] Porter, Michael, E. Competitive Strategy: Techniques for Analyzing Industries and Competitors. New York: Free Press, 1980.

As a result, the consideration of sustainability context and key socio-ecological trends is edging its way into corporate practice. An increasing number of firms are starting to articulate public positions with respect to impactful global trends (such as climate change, water scarcity, and human rights) and to describe and disclose their exposure to socio-ecological risks, particularly those that could be material for investors.

> “*It's about institutionalising, in the strategic planning process, key global mega-trends including trends around planetary boundaries and sustainability. Then what's also really important is once you set out these frameworks how do you make sure that on an ongoing basis you communicate them, measure them, and then link your reward systems to the delivery of strategy?*”
> - (CEO, banking)

Many of the early leading voices on context have stressed the need to understand how global issues such as climate change, increasing income inequality, and increasing political instability will constrain their growth, and how the risk and opportunities that they present will impact financial returns and the welfare of both shareholders and stakeholders over the long term. There is a growing sense that in the future, companies will need to both consider and disclose their performance with respect to key environmental and social thresholds determined with reference to natural and social science understandings of the limits of ecosystems and social systems.

> Exercising responsible strategic oversight includes ensuring that the strategy process led by management acknowledges, analyses, and institutionalises the need to address social and environmental constraints.

A key part of integrating contextual thinking into a company's strategy involves developing an understanding of socio-ecological trends and their related thresholds and of the magnitude of change required to adhere them. But it also involves determining the portion of the change that is within the company's responsibility to address (and in what timeframe). Some companies are already starting to set corporate goals in line with these principles.

The idea is to move beyond asking what your company 'could do' and instead to engage in an analysis of what your company 'needs to do' to play its part in maintaining and enhancing key environmental and social systems.

WHAT COULD WE DO? → **WHAT DO WE NEED TO DO?**

These are complicated questions, no doubt. But leading companies are beginning to move beyond simply reporting on their environmental and social contributions, and instead are contemplating their own interests and roles in upholding resilient ecosystems, resilient social systems, and resilient economies. Early leaders are engaging in structured processes that help them prioritise which strategic investments will help increase their own resilience and bring positive impact to the communities in which they operate.

When asked why they were taking a more contextual approach, senior executives and directors in these companies cited three key benefits:

MANAGING DISRUPTIVE RISK – Anticipating complex and potentially disruptive risks requires thorough engagement and proactive scanning. A systematic consideration of socio-ecological thresholds as a key part of a long-term risk conversation surfaces potential sources of disruption, helping to ensure a more proactive response.

ENHANCING SOCIETAL ACCEPTANCE – Considering ecological and social constraints and opportunities will also help companies understand and anticipate shifting societal expectations, thus helping them to maintain and enhance their societal acceptance.

SETTING CLEAR AND DEFENSIBLE LIMITS TO YOUR INVOLVEMENT – Through adopting a more systemic approach to understanding the company's key socio-ecological impacts and its biggest levers for positive change, the company can prioritise where it makes the most sense to allocate scarce resources, helping it to develop a clear narrative about where and why it will direct its efforts.

So, for instance, instead of asking "how much could we reduce our emissions?" the question becomes "how much do we need to reduce our own greenhouse gas emissions (and in what timeframe) to do our part in meeting the long-term goal of keeping the increase in global average temperature to well below 2°C above pre-industrial levels?" Companies are already starting to be asked to set 'science-based' or 'context-based' goals and targets. For instance, as part of their annual disclosure process, the CDP (formerly known as the Carbon Disclosure Project) has started asking companies whether they are committing to greenhouse gas emissions reduction targets that support the global effort to limit warming to 2°C [2].

Another key trend is that companies are expanding their sphere of influence. Leading companies are setting goals to bring their own direct operational performance in line with socio-ecological thresholds, but they are also realising that much of the true impact of their business lies in their supply chains and in what their customers do with the products and services they supply, or in their investment holdings. They are also asking "what role could we play in helping others reduce their emissions?" As a result, it is becoming more common to see companies set goals with respect to how they will try to influence the behaviours of their suppliers, their customers, companies in their investment portfolios, or even their competitors within their industry.

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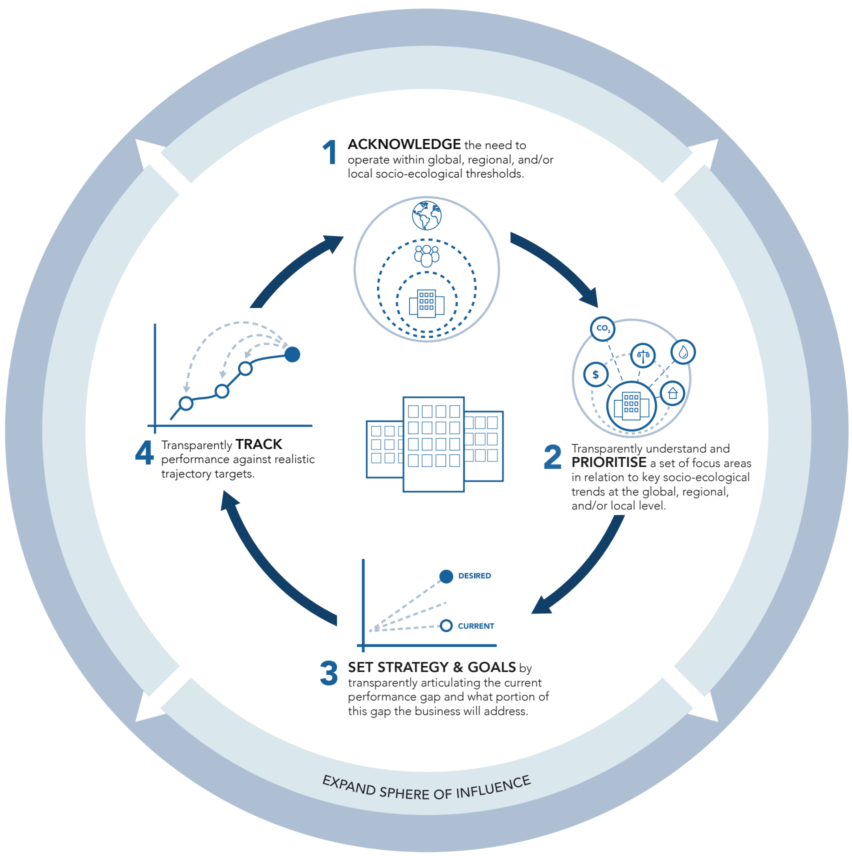
[2] Science-based Targets (n.d.). About us. Accessed at: http://sciencebasedtargets.org

Developing contextual strategies and goals

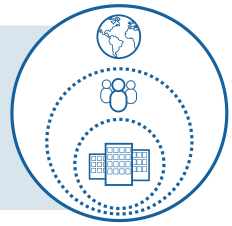
As a Community of Practice, we began to structure our conversations around four iterative steps. These steps are illustrated in the framework below and, while they have been separated out to better illustrate key elements of the road to context, we recognise that progress through the framework will be an iterative journey.



We describe each of these steps in more detail. Within each step, we outline different levels of maturity that help to illustrate how companies move towards contextualising their sustainability strategies and at later stages, expanding their sphere of influence.

1 ACKNOWLEDGE

Acknowledge the need to operate within global, regional, and/or local environmental and social thresholds.



While many companies acknowledge the importance of a set of material issues or make reference to the need to participate in maintaining the health of environmental and social systems, leading companies publicly acknowledge the need to adhere to key socio-ecological thresholds and commit to operating within them over the long-term. Some companies go even further by committing to work with their value chains to support them in adhering to these thresholds.

A key part of this step is for your company to gain an understanding of the various socio-ecological thresholds, to transparently articulate your understanding of them, and eventually, to publicly acknowledge the need to operate within them. While strong scientific consensus has emerged around some thresholds (for instance, greenhouse gas emissions), other thresholds (for instance, water) will need to be defined at the watershed level. This means that it is important for companies to participate in open conversations with stakeholders that clarify how they are conceiving of particular thresholds. For instance, with respect to greenhouse gas emissions, companies are beginning to issue climate policy statements that clarify their position on the scenarios outlined by the Intergovernmental Panel on Climate Change (IPCC) by acknowledging the need to limit warming to 2°C above pre-industrial levels. In contrast, as they work to develop a better understanding of key water thresholds, companies may simply pledge to operate within an informed understanding of ecological limits, regional issues, and the collective demands on water at each of their operations. It then falls to the company to transparently articulate how that informed understanding is evolving and what it is doing to improve its understanding of those limits.

Take a moment to reflect on your own progress, note as you do so that most companies need to iterate through all four steps several times as they build up their maturity:

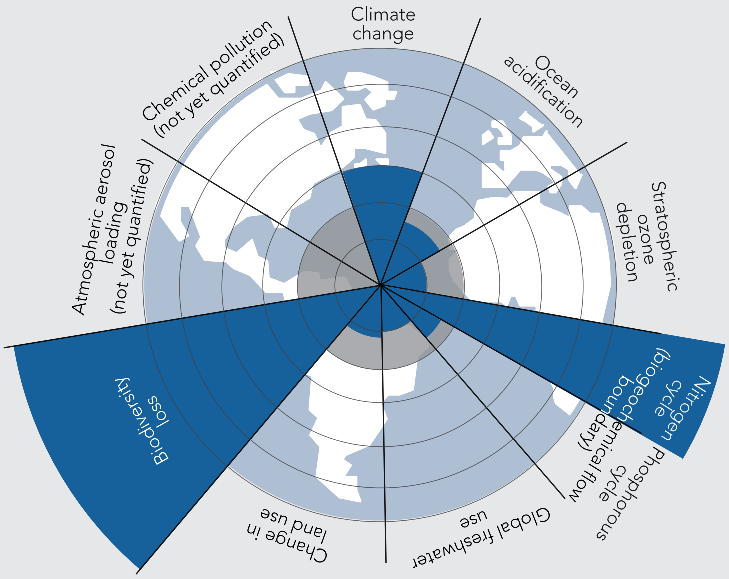
EXPLORING CONTEXT	RECOGNISING CONTEXT	APPLYING CONTEXT	INFLUENCING CONTEXT
You discuss the importance of an issue only in general terms.	You formally acknowledge the existence of the threshold(s) but do not commit to operating within them.	You formally commit to operating within the threshold(s) for this issue.	You also formally commit to working with your value chain and/or industry to support adherence to the threshold(s).

Helpful Resources

A starting point to the 'acknowledging' step involves helping your company's leadership to understand underlying socio-ecological trends and their associated thresholds. In our interviews with companies, the resources listed below were cited as helpful in moving these conversations forward.

THE PLANETARY BOUNDARIES FRAMEWORK

The Planetary Boundaries framework, developed by Johan Rockström and colleagues, identifies nine tightly coupled processes that regulate the stability and resilience of Earth's ecological system boundaries and, for each of these systems, attempts to quantify the boundaries at which human survival is threatened[3]. Several companies have found that the framework helps to introduce the idea of 'thresholds' that have the potential to create real strategic constraints as they limit access to resources or increase weather-related risks. The framework has also been useful in sparking a conversation about the limits to growth. As these conversations progress, however, some of the issues will need to be reframed from planetary boundaries into thresholds. For instance, in many cases, it is a challenge to discuss a planetary boundary for water. Instead, companies will need to contemplate watershed level and even seasonal thresholds for water quantity and water quality in the areas where they operate. Nevertheless, at early stages, this framework can provide a strong conceptual anchor point.



Adapted from http://www.stockholmresilience.org/research/planetary-boundaries/planetary-boundaries/about-the-research/the-nine-planetary-boundaries.html

[3] Rockström, J. et al. (2009). Nature. Vol. 461. pp. 472 – 475. Accessed at: http://www.nature.com/news/specials/planetaryboundaries/index.html

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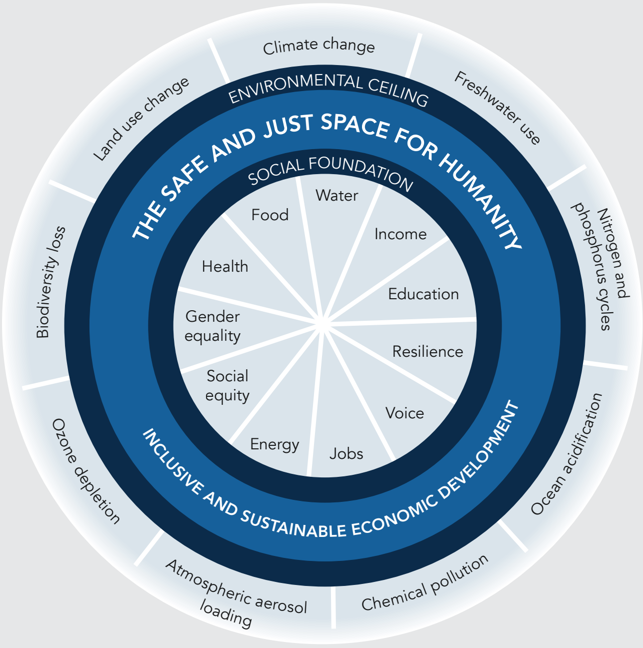
THE DOUGHNUT OF PLANETARY BOUNDARIES AND SOCIAL FOUNDATIONS

While the Planetary Boundaries framework focuses primarily on environmental thresholds, Kate Raworth has proposed The Doughnut model that adds an inner ring (The Social Foundation) to the Planetary Boundaries framework[4,5]. Together with the Planetary Boundaries framework, this can be useful in helping to introduce the role companies play in maintaining and enhancing social resilience or conversely, how their actions contribute to social instability in the regions where they operate.



Adapted from https://www.kateraworth.com/doughnut/

THE NATURAL STEP'S FOUR SYSTEM CONDITIONS

Several companies have also been influenced by their exposure to The Natural Step's System Conditions, which were developed and refined through multiple successive consultations with natural and social scientists over a period of three decades. The framework outlines the boundary conditions within which society must strive to operate: three that must be met to maintain the essential natural resources, structures, and functions that sustain human society, and a further five that identify the structural obstacles to wellbeing that must be overcome to maintain the social fabric. The conditions include[6]:

1. Nature is not subject to systematically increasing concentrations of substances extracted from the Earth's crust;
2. Nature is not subject to systematically increasing concentrations of substances produced by society;
3. Nature is not subject to systematically increasing degradation by physical means;
4. People are not subject to structural obstacles to health;
5. People are not subject to structural obstacles to influence;
6. People are not subject to structural obstacles to competence;
7. People are not subject to structural obstacles to impartiality; and
8. People are not subject to structural obstacles to meaning-making.

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[4] Oxfam (2012). A Safe and Just Space for Humanity: Can We Live within the Doughnut? Accessed at: https://www.oxfam.org/sites/www.oxfam.org/files/dp-a-safe-and-just-space-for-humanity-130212-en.pdf

[5] More details about the framework can be found in Kate Raworth's book "Doughnut Economics: Seven Ways To Think Like a 21st-Century Economist"

THE FUTURE-FIT BUSINESS BENCHMARK

It has been widely acknowledged that The Natural Step system conditions, while written to be clear scientifically, can be confusing to non-scientists who try to apply them in a business setting. The Future-Fit Business Benchmark seeks to address this, by identifying how a specific company must operate to ensure that it in no way breaches the system conditions through its own actions, and that its success in no way depends on breaches elsewhere in its value chain. In so doing, the Future-Fit Business Benchmark defines what we might think of as the environmental and social break-even point for business: the cause-no-harm state that any company must eventually reach, no matter what its size or sector, to ensure that it in no way undermines progress toward a flourishing future for all.

Release 1 of the Benchmark identifies a set of break-even goals – plus indicators to measure progress toward each one - that can serve as a starting point to determine what it would take for a company to adhere to socio-ecological thresholds. Release 2 (scheduled for September 2017) builds on this foundation to guide the positive pursuits that any company can undertake to go beyond break-even and increase the possibility that humans and other life will flourish on Earth forever [6].

THE UNITED NATIONS (UN) SUSTAINABLE DEVELOPMENT GOALS

The UN Sustainable Development Goals (SDGs) are a set of seventeen global goals, underpinned by 169 targets, generated through a multi-year deliberative process involving UN Member States and global civil society. They are a universal call to action to end poverty, protect the planet, and ensure all people enjoy peace and prosperity by the year 2030 [7].While originally designed to inform national sustainable development agendas, companies have also started to discuss how their corporate actions aim to contribute to the attainment of these goals. The goals, and their associated targets, can serve as an inventory of key environmental and social issues and can also provide a reference point when trying to establish socio-environmental thresholds.

THE WORLD ECONOMIC FORUM RISK REPORT

Every year The World Economic Forum produces a Global Risks Report aimed at drawing on the perspectives of experts and global decision-makers to highlight the most significant long-term risks that face the world. While this report does not approach theses issues from the perspective of socio-ecological thresholds, several corporate sustainability leaders indicated that for executives or directors new to these issues, it can be a useful document to help your corporate leadership understand how these social environmental trends may translate into business risks.

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[6] Future-Fit Business Benchmark (2017). Creating System Value: Concept Paper. Accessed at: http://futurefitbusiness.org/wp-content/uploads/2017/04/Future-Fit-Business-Benchmark-Creating-System-Value-Concept-Note-V1.pdf

[7] UNDP (n.d.). Sustainable Development Goals. Accessed at: http://www.undp.org/content/undp/en/home/sustainable-development-goals.html

Exploring specific issues

Through the course of our research we have observed that companies have also referenced the following resources when exploring specific environmental and social issues.

THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE SCENARIOS

The Intergovernmental Panel on Climate Change (IPCC) is an international body that assesses the science related to climate change, such as GHG emissions. Their assessments can provide the scientific basis for the development of climate-related policies and goals.

EXPLORING THE CASE FOR CORPORATE CONTEXT-BASED WATER TARGETS

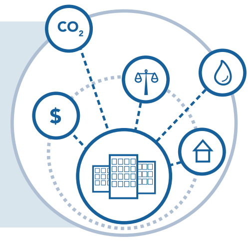
Released by a group of leading NGOs, this paper is the start of a broader project that aims to develop guidance for companies seeking to employ meaningful water metrics and targets. The authors make the case that to effectively contribute to long-term risk mitigation and tackle increasing water challenges, corporate water targets must be informed by the best available science on hydro-ecological conditions at the basin level, informed by contextual social needs, and aligned with local to global public policy objectives.

THE BUSINESS AND BIODIVERSITY OFFSET PROGRAMME (BBOP)

The members of the BBOP aim to develop and share best practice that follows a mitigation hierarchy (avoid, minimise, restore and offset) to support the achievement of no net loss of biodiversity. The organisation has developed resources of standards and guidance notes that support companies in assessing and quantifying biodiversity loss or gain.

2 PRIORITISE

Transparently understand and prioritise a set of focus areas in relation to key socio-ecological trends at the global, regional, and/or local level.



The next step is for your company to understand where it makes the most sense to focus its efforts. Any company has limited resources – it makes sense to prioritise where you will allocate them. To do this, you need to build on the understanding of the thresholds you gained in Step 1 to understand their relevance to your business activities. Where do you have the greatest impacts and the most potential to contribute to system value? As your understanding of your own operations grows, you also need to think about where these impacts reside within your value chain and where you might be able to exert the most influence.

Unfortunately, most companies still rely on what we would call a “classic” materiality process, which involves ranking issues on the basis of their importance to stakeholders and their importance to the business. This process, often depicted in the form of a materiality matrix, was originally developed to help define the content of a company’s reporting, not as a process to determine their strategy. While many companies have grown accustomed to a process centred around materiality matrices, without a shift in thinking, this process often does not lead to contextual strategies because companies continue to describe and prioritise their material issues based on the impact the threshold(s) have on their company – not by the impact the company has on the threshold(s).

The Global Reporting Initiative (GRI), the International Integrated Reporting Council (<IR>) and the Sustainability Accounting Standards Board (SASB) all emphasise that materiality is crucial to reporting and disclosure on sustainability. The problem is that while the GRI note the process should be underpinned by a consideration of “context” and the <IR> and SASB ask companies to approach their strategy from a multi-capital perspective, none of these reporting frameworks offer practical guidance on how companies should consider key thresholds in their prioritisation process.

Here is what we have learned about how this process may need to shift:

First, build a better understanding of your own impacts with respect to key socio-ecological thresholds along with your potential to influence the impacts derived from your supply chain, the use of your products and services, and/or the companies that you finance.

Indeed, some companies are starting to redeploy or restructure their stakeholder engagement processes to help inform this step. Instead of asking stakeholders simply to identify and rank issues, they are asking them to provide input as the company builds its understanding of how its activities might positively or negatively impact key socio-ecological thresholds. These stakeholder or community of interest panels become an invitation to others to act as partners in challenging the companies' thinking around how they define key thresholds and how they determine their impacts with respect to them.

We have also observed that when companies turn their attention to setting contextual goals, they often discover that they need more information on their own baseline performance. As a result, we found that companies at early stages are commonly setting short-term goals related to gathering the data that will help them better understand their own impacts and the impacts derived from their supply chain, the use of their products and services, or the companies that they finance.

Next, your company needs to clearly articulate how you are prioritising among the key socio-ecological thresholds and where you will focus your efforts within them.

Companies applying a contextual approach are also becoming more transparent in sharing their understanding of their own impacts and the impacts derived from their supply chain, the use of their products and services, and/or of how the companies that they finance impact key threshold(s). This includes addressing regional and operational differences in how these companies set their priorities. For instance, a company might place more of an emphasis on operations in water stressed regions.

The result is that companies are more clearly articulating their decision to prioritise the issues that are most relevant to their business based on where they anticipate they have the greatest potential for positive impact, whether it be within their direct control or through their broader influence. Underpinning this is the need for a clear narrative of where you are directing your efforts and why, along with a clear articulation of how you are conceptualising key thresholds, how you are determining your impacts on those thresholds, and the rationale you are using to prioritise between them.

Note that this contextual approach to prioritisation still remains consistent with key reporting frameworks. As an example, the Global Reporting Index already requires that "determining materiality for a sustainability report also includes considering economic, environmental and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations[8]."

EXPLORING CONTEXT	RECOGNISING CONTEXT	APPLYING CONTEXT	INFLUENCING CONTEXT
You are developing a better understanding of the threshold(s).	You understand and explain the relevance of the impacts you have on threshold(s) as a result of your business activities.	You explain how you prioritise among the threshold(s) and why.	You also explain how you will expand your sphere of influence with respect to the threshold(s) and why.

Helpful Resources

Building on the resources outlined in Step 1, the following resources may help you to better understand your company's impacts with respect to key socio-ecological issues.

CORPORATE SUSTAINABILITY MANAGEMENT: THE ART AND SCIENCE OF MANAGING NON-FINANCIAL PERFORMANCE

Mark McElroy's book laid some of the foundational concepts and language introducing the ideas of sustainability context and contextual goals. Using a stepwise and systematic approach, this book focuses on defining thresholds by considering a company's impact on vital capitals and its duty to stakeholders.

LIFECYCLE ANALYSIS

Using a Lifecycle analysis approach can support a systems-based identification of the socio-ecological impacts of products and processes. The assessments typically account for all the inputs and outputs throughout the life cycle of a product (design, raw material extraction, production, use, and disposal or reuse) [9].

NATURAL CAPITAL ASSESSMENTS

Natural capital is often impacted by business activities. Using frameworks such as The Natural Capital Protocol (specifically the Scope stage) can help identify which natural capitals should be considered when prioritising the socio-ecological issues most relevant to your business.

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[8] Global Reporting Index (n.d.). Materiality. Accessed at: https://g4.globalreporting.org/how-you-should-report/reporting-principles/principles-for-defining-report-content/materiality/Pages/default.aspx

[9] Life Cycle Initiative (n.d.). Life Cycle Sustainability Assessment. Accessed at: http://www.lifecycleinitiative.org/starting-life-cycle-thinking/life-cycle-approaches/life-cycle-sustainability-assessment/

Exploring specific issues

THE GREENHOUSE GAS PROTOCOL (GHGP)

The GHGP was developed by WRI and the World Business Council for Sustainable Development (WBCSD). The standard helps companies measure their GHG emissions so they can manage, report on, and reduce them. The Corporate Value Chain Standard can help a company identify which parts of its value chain it should target to reduce emissions. The Product Life Cycle Standard can be used to develop new low-carbon product lines or pinpoint climate-related risks in a product's life-cycle.

THE ALLIANCE FOR WATER STEWARDSHIP

The Alliance for Water Stewardship has developed a globally recognised standard and framework that enables water users to correctly select appropriate catchment boundaries and understand their use of water and their impact on water within a catchment context. The standard encourages users to expand their collaboration and be more transparent in their disclosure.

CEO WATER MANDATE

The CEO Water Mandate aims to mobilise businesses to advance water stewardship and sanitation practices by creating a forum for corporate water discussions and access to water stewardship resources that cover areas such as operation, context, strategy, engagement, and communication.

THE LIVING PLANET INDEX

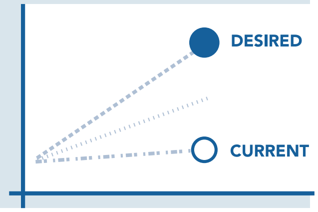
The Living Planet Index (LPI) aims to measure the state of the world's biological diversity and uses the trends in the populations of vertebrates living in terrestrial, freshwater, and marine habitats. Its database holds time-series data for over 18,000 populations that are aggregated to produce indices of the state of biodiversity.

BIODIVERSITY OFFSETS

The Biodiversity Offsets report examines the key design and implementation features that need to be considered to ensure that biodiversity offset programmes are environmentally effective, economically efficient, and distributionally equitable. Biodiversity offsets are being increasingly used in a wide range of sectors as a mechanism to help compensate for the adverse effects caused by development projects in a variety of ecosystems. In this report, insights and lessons learned are drawn from more than 40 case studies from around the world, with an additional 3 in-depth country case studies from the United States, Germany, and Mexico.

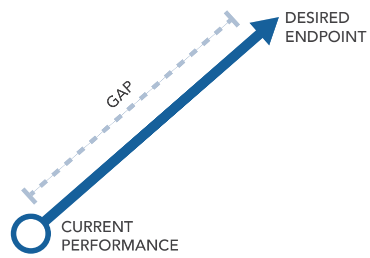
3 SET STRATEGY & GOALS

Set strategy and goals by transparently articulating the current performance gap and what portion of this gap the business will address.



Many companies have a strategy that outlines their approach to sustainability; however, these are often based on the answer to the question of what the company could do rather than what the company must do. Therefore, goals that are set under this approach often fail to consider the gap between the company's current performance and what is needed to operate within key socio-ecological thresholds. Leading companies are developing strategies, and subsequently goals, that transparently outline how they have quantified the boundaries of their relevant threshold(s), what they see as the overall gap, and how they have determined what portion of this gap they will aim to address. These companies are also setting goals for how they will work with other companies in their value chains to support them to adhere to these thresholds.

A contextual goal is made up of three components: (1) a clear desired endpoint; (2) an understanding of the starting point; and (3) an articulation of the company's commitment to help bridge the gap.



1. Determining your desired endpoint needs to be anchored in a backcasting process. Your endpoint should be grounded in your contextual understanding of the future, supported by natural and/or social science understanding, and should include a clear timeframe. For your goals to have credibility, it is important that you transparently share your rationale for selecting both the endpoint and the timeframe.
2. The starting point for your goal needs to be determined by collecting and analysing systems level performance data or by transparently estimating current performance (or performance in a stated baseline year).
3. The difference between the desired performance and the current performance creates a performance gap. Your goal needs to signal what portion of this gap you intend to address (others have referred to this as apportioning or allocation). This is often accomplished by projecting forward a business-as-usual case and calculating (through scenario planning or other means) the scope of change required to shift the performance trajectory towards the intended goal. This may involve changes to your company's own operations and performance or may involve using your influence to shift the actions of others.

The result of this process should be a time-bound goal that clearly articulates what role the company intends to play in addressing this particular threshold (their allocation). Note that companies are approaching the development of contextual goals using a variety of methodologies. At this stage, there is no 'best way' to set contextual goals. The most important thing is to be as transparent as possible in how and why you are setting your goals so that stakeholders can provide input into your methodology and other companies can learn from your efforts.

Below we outline some observations about early efforts to set contextual goals with respect to particular thresholds:

THRESHOLD	EFFORTS TO SET CONTEXTUAL GOAL
CO_2 GHG EMISSIONS	• Currently the most commonly addressed threshold • While not a requirement, contextual GHG emissions goals appear to be most frequently anchored in the IPCC's recommendation to keep the increase in global average temperature below 2°C above pre-industrial levels • These goals are developed using a range of methodologies such as The 3% solution, C-Fact, Carbon Stabilisation Intensity (CSI), Context-Based Metrics, or the Sector Decarbonisation Approach • Other examples of contextual goals include commitments to become "carbon-neutral" or "net-positive" accompanied by a clear explanation of how the company defines this commitment • Contextual GHG emissions goals often include commitments for reductions in scope 1, 2, and 3 emissions (with a movement towards expressing scope 3 goals in terms of measurable efforts to support and/or influence suppliers) • Companies are increasingly providing a clear description of how they applied the above methods and the assumptions they used during the development of their goal • Companies also increasingly reference the links between this issue and other ecological issues such as land-system change
WATER	• While groups are working to develop guidance, thus far, there appears to be limited consensus on how to develop contextual water goals • Contextual water goals are beginning to address both water quantity and quality and recognise that water must be managed at a geographically appropriate level (often a local scale) • Discussions of threshold limits increasingly address the collective impacts on water by all users and are supported by multi-user efforts to set, measure, and monitor these limits

BIODIVERSITY	• Companies are increasingly making "net positive" biodiversity commitments • Many companies have yet to disentangle biodiversity and land-system change (deforestation) • Companies need to consider what aspect of biodiversity is included within their goal (genetic or ecological) and how their biodiversity goals might be linked to other socio-ecological thresholds (e.g. Land-system change, Air quality, Chemicals etc.)
LAND-SYSTEM CHANGE	• These goals are at early stages of development; current examples include "zero-deforestation" commitments
WASTE	• Current examples include "zero-waste" commitments • Best practices include clearly defining what types and sources of waste are being included within the goal • Some "zero-waste" commitments also address how waste reduction will be integrated into the company's product development cycle (and those of its value chain)
CHEMICALS	• These goals are at early stages of development; companies that are beginning to explore the contextual nature of this issue acknowledge this • Some companies are starting by setting time-bound goals to develop a contextual goal
AIR QUALITY	• These goals are at early stages of development; companies that are beginning to explore the contextual nature of this issue acknowledge this • Some companies are starting by setting time-bound goals to develop a contextual goal
WAGES	• Companies developing contextual goals for wages often use the concept of a living wage as the foundation for their goal • The goal often includes a clear description of which groups of employees and locations are included within the goal • In cases where local wage regulations may already consider the concept of living wages, companies explain how they account for this within the goal

ACCESS TO CAPITAL	• These are most commonly addressed in the financial services sector • Contextual goals relating to access to capital need to specify the socio-ecological issue or issues that aim to be addressed through the availability of capital, such as funding for renewable energy or micro-enterprises • Often expressed in terms of a lending gap • Market share of debt provision has been used as way to determine the portion of the lending gap that falls to the provider of capital
COMMUNITY RESILIENCE	• These goals are at early stages of development; companies that are beginning to explore the contextual nature of this issue acknowledge this • Some companies are starting by setting time-bound goals to develop a contextual goal
HUMAN RIGHTS	• Companies developing contextual goals for human rights are using resources like the UN Guiding Principles on Business and Human Rights • Companies are exploring how Human Rights manifest within their own business activities and those of their value chain; this process is being undertaken to identify metrics and data that can be used to compare current performance to threshold limits
DIVERSITY	• Diversity is commonly addressed in sustainability reporting but rarely accompanied by specific goals • Some companies have started to compare their diversity profiles against regional or national diversity data

Note that as our project develops further, it is our aim to develop more specific guidance with respect to particular thresholds.

EXPLORING CONTEXT	RECOGNISING CONTEXT	APPLYING CONTEXT	INFLUENCING CONTEXT
You are working to understand the gap needed to operate within the threshold(s).	While you have set a contextual goal for the threshold(s) you have not explained how and why you set it.	You have set contextual goal(s) for the threshold(s) and have a clear and transparent rationale for how it was set.	You have also set one or more goals that include(s) influencing others to help them adhere to the threshold(s).

Helpful Resources

Building on the resources presented in earlier steps, the following resources may be helpful to you as you envision possible futures to select your desired endpoint, understand your starting point, and determine (apportion) your commitment to bridging the gap between the two.

FUTURE-FIT BUSINESS BENCHMARK

The Future-Fit Business Benchmark (referenced earlier in step 1) offers a set of indicators aimed at supporting companies in determining the gap between their current performance and where their performance needs to be in relation to key threshold(s).[10]

CONTEXT-BASED SUSTAINABILITY

Developed by The Centre for Sustainable Organizations, context-based sustainability metrics help companies to assess their impacts on vital capitals in relation to what they would need to be in order to be sustainable, taking into account factors such as the needs of stakeholders, the sufficiency of these capitals, and competing uses of these capitals.

NET POSITIVE

Companies adopting a Net Positive approach aim to achieve net gains with respect to a threshold stemming from their business activities. Early proponents of this concept (many of whom were in the extractives sector) focused on net positive biodiversity. Resources on Net Positive Biodiversity have been produced through partnerships between the International Union for Conservation of Nature (IUCN) and the International Council of Mining & Metals (ICMM). Of late, the concept of Net Positive has been taken up by Forum for the Future, BSR, and SHINE as "a new way of doing business which puts back more into society, the environment and the global economy than it takes out." Together, through the Net Positive Project, these organisations have pledged to develop resources and tools outlining "a standard way for companies to quantify, assess and enhance their positive impacts."

[10] Future-Fit Benchmark (2016). Part 2: Indicators. Accessed at: http://futurefitbusiness.org/resources/downloads/

Exploring specific issues

CONTEXT-BASED CARBON METRIC

Developed by The Centre for Sustainable Organizations in 2006 and was the first contextual GHG metric developed. It supports the inclusion of scopes 1, 2, and 3 emissions and can take individual organisational changes into account.

SCIENCE-BASED TARGETS

Launched in 2015, the Science-Based Targets initiative is a partnership between CDP, UN Global Compact, World Resource Institute (WRI), and the WWF aimed at helping companies determine how much they must reduce their emissions to prevent the impacts of climate change [11].

THE 3% SOLUTION

The WWF and CDP partnered to create The 3% Solution, an online calculator that helps companies apportion their responsibility for Greenhouse Gas emissions in a way that is aligned with current climate science data[13]. By focusing on cost savings, the project tries to build a compelling business case for US companies to set ambitious carbon targets.

C-FACT

Developed by Autodesk, Corporate Finance Approach to Climate-Stabilising Targets (C-FACT) uses the IPCC climate stabilisation recommendation of reducing GHG emissions by 85% by 2050 as its foundation. The methodology consists of four steps that aim to enable companies to develop contextual GHG emissions goals that are verifiable, flexible, and fair.

BT- CLIMATE STABILISATION INTENSITY

Developed by the BT Group, the Climate Stabilisation Intensity (CSI) Target model uses the 2007 Bali Climate Declaration as a baseline to develop a straightforward calculation that illustrates the absolute GHG emissions reductions needed to achieve the declaration, in relation to GDP. This allows companies to develop a GHG emissions goal that is aligned with their contribution to GDP.

CONTEXT-BASED WATER TARGETS GROUP

Set up by a group of leading NGOs, in collaboration with the UN Global Compact's CEO Water Mandate, this group aims to establish a framework to support the development of contextual water goals. The group recently published a white paper describing the business case for setting contextual water goals and is now working to develop its framework.

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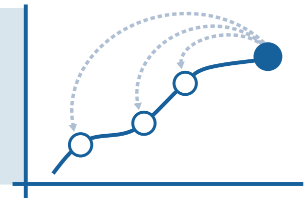
[11] Science-Based Targets (n.d.). About us. Accessed at: http://sciencebasedtargets.org/about-us/

[12] The 3% Solution (n.d.). Overview. Accessed at: http://www.worldwildlife.org/projects/the-3-solution

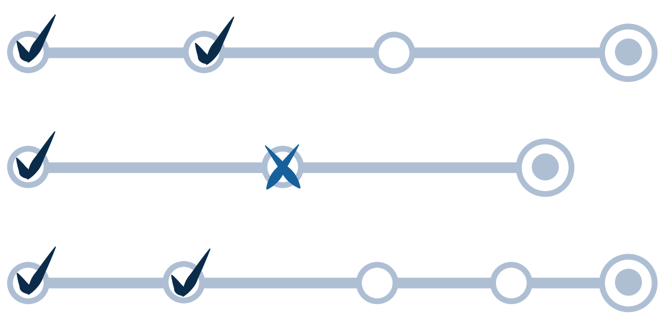
4 TRACK

Transparently track performance against realistic trajectory targets.



These days, most companies still only report on their incremental progress in a given period (usually on an annual reporting cycle) rather than anchoring their performance in a realistic set of trajectory targets. Few have set out a clear set of trajectory targets that can be used to assess their progress towards achieving their long-term, ambitious goals.

Developing a realistic set of trajectory targets uses the output from your backcasting process to identify a set of incremental targets that, if successively achieved, would enable your company to monitor and manage its progress towards achieving its contextual goal. Note that targets need not be set annually, nor do they need to be linear extrapolations of your final goal. Setting realistic 'best estimate' trajectory targets allows you to convey to stakeholders your expectations around the pace and resources required to deliver on your goals. For instance, your projections may include step changes that reflect your belief that key technological innovations or regulatory shifts will play a part in shaping your trajectory. Where realistic trajectory targets have been set, and are subsequently not met in a given period, leading companies will respond by transparently adjusting their targets to recalibrate their efforts to ensure they remain on track to meet their long-term goal. Leading companies are also developing metrics that help them evaluate their influence in helping others adhering to key thresholds.



When companies (or units within companies) have set transparent, realistic trajectory targets, it becomes easier to track and compare progress across goals that address different socio-ecological thresholds, goals that are set with respect to different timeframes, or goals set by different business units or different companies.

Comparing performance becomes a matter of first evaluating the underlying trajectory and then evaluating whether the company is meeting its trajectory targets. (This concept sits at the heart of the MultiCapital Scorecard approach and Reporting 3.0, outlined below in more detail in the resources section).

EXPLORING CONTEXT	RECOGNISING CONTEXT	APPLYING CONTEXT	INFLUENCING CONTEXT
You have a history of reporting performance against the issue but have not yet set trajectory targets.	You have set trajectory targets but don't provide a clear rationale or have not yet built a track record of meeting your targets.	You have set clear trajectory targets and have established a history of meeting them and of adjusting future targets if they go unmet.	You also monitor your influence in supporting others to adhere to the threshold(s).

Helpful Resources

The following resources may be helpful to practitioners to support them in tracking their performance and better aligning their reporting with other global companies.

Tracking contexual performance

MULTICAPITAL SCORECARD

The MultiCapital Scorecard is based on the idea that in order to perform well, an organisation must not put either the sufficiency of vital capitals or the well-being of stakeholders who depend on them at risk. This resource seeks to support the development of a contextual approach to sustainability reporting that measures an organisation's impacts on vital capitals relative to organisation-specific norms or standards for what they should be in order to be sustainable. The method then lays out how trajectory targets might be used as a basis of comparison between different reporting entities.

REPORTING 3.0

Reporting 3.0 aims to create a pre-competitive and collaborative space to explore, build, and pilot new approaches to reporting that address the current shortcomings of corporate sustainability reporting. At its core, it seeks to support the integration of context into company sustainability reports. The integration of context into reporting touches on various areas within a business. To address this, Reporting 3.0 uses a series of Blueprints to focus its work on four of these areas, namely: Reporting, Accounting, Data, and New Business models.

CDP

CDP (formerly the Carbon Disclosure Project) runs a global disclosure platform that enables companies to measure, manage, and self-report on their environmental impacts. CDP offers specific disclosure platforms for Climate, Water, and Forest impacts with companies completing and submitting the CDP questionnaires on an annual basis. CDP is a participant in the Science-based Targets Initiative, has started asking companies whether they are setting science-based climate targets in their annual Climate Questionnaire, and is participating in work to explore context-based water targets [13].

Context and its relationship to existing reporting frameworks

G4 REPORTING GUIDELINES

The G4 reporting guidelines lay out a set of reporting principles, standard disclosures, and implementation guidelines that support the development of corporate sustainability reports. GRI asks companies to report on how they contribute, or aim to contribute in the future, to the improvement or deterioration of key socio-ecological issues[14]. Reporting that only focuses on the performance trends of the company in the absence of context fails to respond to GRI's principle of sustainability context[13]. Yet, despite addressing the concept of contextual sustainability, context is not reflected in the GRI indicators or well spelled-out in the current guidance on materiality[13].

INTEGRATED REPORTING

The Integrated Reporting (<IR>) framework seeks to guide companies to produce reports that concisely communicate how their strategy and performance leads to the creation of value over the short, medium, and long-term while considering the multiple capitals that affect their business activities[15]. <IR> also encourages companies to explain how they create value and impact on these capitals. While adopting a multi-capital approach, in its current format, <IR> does not directly address the concept of contextual sustainability and does not propose the use of contextual indicators[13].

[13] Reporting 3.0 (2017). Reporting & Data Blueprint Working Group Meeting II slides. Accessed at: http://reporting3.org/wp-content/uploads/2017/03/R3-WG-MeetingII_Reporting_SlideDeck.pdf

[14] GRI (n.d.). Sustainability Context. Accessed at: https://g4.globalreporting.org/how-you-should-report/reporting-principles/principles-for-defining-report-content/sustainability-context/Pages/default.aspx

[15] Integrated Reporting (2013). The International Framework. Accessed at: http://integratedreporting.org/resource/international-ir-framework/

SUSTAINABLE ACCOUNTING STANDARDS BOARD

The Sustainable Accounting Standards Board (SASB) has developed sustainable accounting standards primarily designed to support publicly listed companies to disclose material and decision-useful sustainability information to shareholders and potential investors[16]. The framework's prioritisation process is anchored in a set of 30 universal sustainability issues organised across five capital dimensions (Environmental, Social, Human, Business model and Innovation, and Leadership and Governance) prioritised with respect to 79 different industries. While SASB does not preclude the consideration of context, it currently does not take an explicit position on it[13].

This guide is part of a series of resources that we have developed for practitioners working to embed sustainability at their organisations.

Our resources are co-created with our members based on an extensive review of current corporate practice, academic research, practitioner guidance and feedback from experts. Preliminary versions of our resources are trialled in workshops and in pilot projects with our partner companies, through working with global practitioners in executive, sustainability, operations, human resources, marketing, and communication roles in a range of industries. Feedback is then incorporated into successive versions of the resource.

It is important to note that our research is ongoing. We recognise that the knowledge presented here is provisional and we invite you to participate in improving these resources.

Learn more

This "Road to Context" framework lays out four key steps to contextualising your strategy and goals. To help you see how these steps are being applied in practice, we developed a companion casebook celebrating the efforts of early adopters of context. We use the steps in the framework to illustrate their efforts, not as an evaluation, but rather to help companies understand how others are progressing on this journey. We encourage to access this evolving resources at www.embeddingproject.org/resources/the-road-to-context

For more resources to help you embed sustainability, please visit us at: www.embeddingproject.org

[16] Sustainable Accounting Standards Board (SASB) (n.d.). SASB Materiality Map. Accessed at: https://www.sasb.org/materiality/sasb-materiality-map/

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