ONE

For the World's Profit: Overview

HOMI KHARAS, KOJI MAKINO, JOHN W. McARTHUR, AND JANE NELSON

We are at a pivotal historical moment for the intersection of capitalism and sustainable development. For centuries, private enterprise has been a powerful force in reducing human deprivation, promoting prosperity, and solving societal challenges around the world. The profit-driven activities of capital allocation, risk-taking, competition, innovation, and production have created countless goods and services that improve human well-being. At the same time, market forces have failed to adequately address—indeed, have often created or exacerbated—many of humanity's deepest challenges and the planet's greatest stresses.

As one indicator of how the world is doing, most of the 17 Sustainable Development Goals (SDGs)—the economic, social, and environmental targets established by all countries in 2015—are well off-track from being achieved by the deadline of 2030.[1] So too is the 2015 Paris Agreement ambition to limit average global temperature rise to 1.5 degrees Celsius above preindustrial-era levels. Meanwhile, biodiversity experts warn of ongoing

1. Kharas, McArthur, and Onyechi (2024).

species loss and the risk of mass extinctions. On some issues there may be catastrophic tipping points beyond which it will be difficult to recover.[2]

When the SDGs were designed and approved, there was a general understanding that business would be crucial to their successful implementation. There was little understanding, however, of how to involve business in practical terms, let alone how to do so on a large scale across diverse industry sectors, jurisdictions, and different goals. One could say that the goals were set first and then the question of what business should and could do came second.

Over the subsequent years, considerable public dialogue and commitments have raised awareness of the importance of business leadership on global issues. This has included a particular focus on climate change but has also extended to a strong interest among a vanguard of business leaders to be a constructive force in working with governments and civil society organizations to address other complex societal issues. These initial efforts have mainstreamed the idea that business should do more, despite significant pushback from certain industries and jurisdictions. Nevertheless, there is now momentum among business leaders, financial actors, and regulators to alter the ecosystem of how capital is allocated and used, and a growing consensus on mechanisms for holding business and the financial sector accountable for their impact.

Amid profound shortfalls in progress, the world is at an important juncture to consider how business, financial, and policy constituencies can better align to support sustainable development. Fast-changing market, policy, and regulatory frontiers mean little time remains to clarify how business can support better global outcomes by 2030. Moreover, only a narrow, near-term window exists to identify how post-2030 goals could better leverage the forces of market innovation out to 2045 or 2050.

Many of the issues boil down to considering—and returning to the origins of—the word *profit*, defined not only in financial returns but also as broader gains accruing to everyone involved in the market economy. The Latin root word *proficere* focuses on the concept of progress. This term evolved, along with the Old French word *profiter*, into the Middle English word *profit*, meaning advantage or benefit. In this spirit, no less a scribe than Shakespeare used the term around the turn of the seventeenth century, including in *Hamlet:* "Expend your time with us awhile / For the supply and profit of our hope."[3]

2. Ibid.
3. *Hamlet*, act II, scene ii, spoken by Queen Gertrude.

This edited volume does not aim to mirror the poetic brilliance of literary monuments. But it does argue that the world is at a key juncture for considering how the targeted pursuit of business profits can better add up to the world's profit, broadly defined. The book brings together a remarkable array of distinguished corporate, investor, government, academic, and nonprofit perspectives to reflect on the world's profit. The authors tackle such questions as how businesses can work more effectively with governments, financial institutions, and civil society to mitigate their own enterprise risk alongside risks to people and planet; how private resources, innovation, and networks can be mobilized to create value in solving major social and environmental challenges; and what types of accountability structures are needed to set boundaries, provide oversight, and create positive incentives for business performance. Their perspectives offer insights into how sustainability can be introduced into business practices, finance, and policymaking in a way that expands market opportunities and accelerates progress toward the SDGs.

Old Questions, New Contexts

Considerations around the role of business in society are not new. Adam Smith, often dubbed the parent of modern capitalism, discussed this in his 1759 *Theory of Moral Sentiments*. In that book, he wrote of "the virtues of justice and beneficence—of which the one restrains us from hurting, the other prompts us to promote that happiness." Smith cared deeply about the social agenda, particularly about the distribution of income between capital and labor. He felt that sustained high profits reflected cartels, monopolies, and a lack of competition, rather than good business. He similarly asserted, in his 1776 *The Wealth of Nations*, that good governance and proper taxation could only be enacted by parliamentarians suspicious of employers who "say nothing concerning the bad effects of high profits."[4] One could argue that the essence of Smithian capitalism is that individuals and businesses should be free to pursue their own interest, but only by acting in the right way.

Smith's normative emphasis on justice, beneficence, and good governance has informed many commercial, political, and legal debates over the ensuing centuries. Although most of today's social and environmental externalities were not significant when Smith was writing, it is conceivable

4. Smith (1776).

that he might have argued for such externalities to be mitigated and that any damage to others or to the environment should be compensated by the perpetrator. This concern is now firmly entrenched in tort law in many jurisdictions.

In contemporary business terms, Smith's arguments can be mapped to evolving views around risk management, value creation, and accountability, respectively. Each of these dimensions continues to engender debates over how to delineate boundaries between the responsibilities of a firm and those of governments or other actors. The search for coherent approaches for all three dimensions across the global economy lies at the heart of the world's sustainable development challenges.

Managing sources of operational and financial risk, for example, has long been at the heart of ensuring an enterprise's long-term viability. But broader sources of social, environmental, and reputational risks have become tangible business risks to a wide range of companies. A 2023 global investor survey, for example, found that more than a third of respondents considered climate change to pose a near-term risk to their portfolios over a one-year horizon.[5] Considerations of risk have also given rise to the evolving concept of "double materiality," according to which companies should explicitly assess and manage the effects of their actions on society and the environment, in addition to effects on the financial performance of the business.[6]

Issues of double materiality intersect with debates over value creation. Commercial entities have always had to create value for their customers in order to prosper. In the 1970s and 1980s, such academics as Klaus Schwab and R. Edward Freeman argued that, over the long term, companies would be more successful if they created value for all their stakeholders and thereby expanded the total economic pie.[7] This perspective stood in contrast to the shareholder primacy work of Milton Friedman, also in the 1970s, which has dominated business discourse and incentives for much of the following decades.[8] In recent years, concepts of stakeholder capitalism and shared value have regained attention, with many companies facing increasing pressure to identify and enhance the shared value or impact they are creating for all their stakeholders, not just shareholders, even as

5. Chalmers and Picard (2023).
6. European Commission (2022).
7. See Schwab (1973) and Freeman (1984).
8. See Friedman (1970) for the original argument as presented in the *New York Times*.

dissenting voices worry about excessive burdens on firms or resource misallocations among market players.[9]

These debates in turn affect outlooks on corporate accountability. Friedmanite schools of thought argue that companies' fiduciary responsibilities should be targeted to mandatory accountability structures related to issues affecting financial profit and losses and balance sheets, with further nonfinancial reporting undertaken on a voluntary basis and at the discretion of the company itself. Meanwhile, stakeholder capitalism stresses the need for companies to also identify and mitigate negative environmental and social externalities and enhance societal impacts, with growing calls for mandatory reporting and public accountability on these issues in addition to mandatory financial reporting. But there remain insufficient market incentives or regulatory requirements for the majority of companies to take on the additional costs of embedding all stakeholder considerations into their core business activities. This gap is consequential if the benefits of improved market operation occur only when a critical mass of companies is subject to the same rules.[10]

Evolving Actors and Trends

The perspectives offered in this book build on several decades of relevant initiatives and debates spanning academia, business, civil society, and the public sector. The Sullivan principles were established in 1977, for example, to drive voluntary corporate responsibility standards for U.S. companies that remained invested in apartheid-era South Africa.[11] Subsequent initiatives, such as the Fair Labor Association, various fair trade alliances, the Extractive Industries Transparency Initiative, and the Carbon Disclosure Project, are all examples of international efforts aiming to improve market alignment with key ingredients of sustainable development.[12] Regulators from diverse regional, national, and subnational jurisdictions have taken pioneering steps in this regard.

The United Nations has also played an important role in advancing normative, values-based principles and standards for business behavior.

9. See, e.g., Porter and Kramer (2011) on "creating shared value"; the Business Roundtable (2019) statement on redefining the purpose of a corporation; and Schwab (2019), presenting the 2020 Davos Manifesto on the "universal purpose of a company."

10. Fuhrmann (2024).

11. See, e.g., Boston University Trustees (n.d.).

12. One of the authors, Jane Nelson, has served as an adviser to or has served on boards related to industry alliances mentioned in this chapter, including EITI, ICMM, and the WBCSD Vision 2050 initiative.

In 1990, for example, what became the World Business Council for Sustainable Development (WBCSD) was established at the invitation of Maurice Strong, secretary-general of the UN Conference on Environment and Development, to promote sustainable development among global business leaders in preparation for the 1992 "Earth Summit" in Rio de Janeiro, Brazil.[13] In 1997, the United Nations Environment Programme supported the establishment of the Global Reporting Initiative, which initially focused on environmental issues, then broadened its mandate to include social, economic, and governance issues.[14]

In 2000, UN Secretary-General Kofi Annan launched the Global Compact, aimed at promoting "a set of core values in the areas of human rights, labour standards, and environmental practices" for companies around the world.[15] Four years later, in 2004, the Global Compact released a seminal report, *Who Cares Wins*, which presented financial industry recommendations "to better integrate environmental, social and governance issues"—thereby inaugurating the "ESG" shorthand.[16] ESG issues then provided a cornerstone of the six UN Principles for Responsible Investment (UN PRI), launched in 2006 and directed toward institutional asset owners and asset managers.[17]

Since then, the terms "ESG" and "sustainability" have evolved and often blurred to become loose catch-all phrases for responsible business practice, while still distinct from the more explicitly outcome-oriented frameworks of "shared value" and "impact investing," which accelerated through a formal global network founded in 2009.[18] The ESG label itself became associated with both corporate and financial institutions' risk management and enlightened business approaches. Many investment products and rating and ranking systems also made use of the term, often charging a premium in management fees.[19]

Meanwhile, the sustainable finance market has grown quickly. To take one component of sustainable finance as an example, sustainable bond

13. See WBCSD, "Our History" (https://www.wbcsd.org/who-we-are/our-history/).

14. Global Reporting Initiative (2022).

15. See United Nations (1999, 2000).

16. Global Compact (2004).

17. Global Compact (2004); United Nations Principles for Responsible Investment, "About the PRI" (https://www.unpri.org/about-us/about-the-pri). The 2011 UN Guiding Principles on Business and Human Rights have also been highly influential.

18. See Porter and Kramer (2011) and the web page of Global Impact Investing Network, "About the GIIN" (https://thegiin.org/about/).

19. Baker, Egan, and Sarkar (2022).

issuances grew from less than $100 billion of issuances in 2015 to more than $1 trillion in 2021.[20] Nonetheless, the issuances remain geographically concentrated in advanced economies and only a small share is going to emerging and developing economies outside China, which face private financing gaps for sustainable investments on the order of $500 billion per year.[21]

Diversity of metrics and measurement methods has also made it difficult to credibly assess and compare investor or company performance against ESG or sustainability ambitions, even within specific industries or with respect to specific topics. Among other challenges, this situation has led to "aggregate confusion," with leading rating agencies often generating different assessments of corporate ESG performance.[22] Perhaps not surprisingly, in light of the range of indicators used by different analysts, there is mixed evidence regarding the extent to which ESG- or sustainability-focused strategies drive either better market or better societal outcomes.

In the early 2020s, a growing chorus calling for enlightened private sector leadership in tackling societal challenges began running into new resistance, especially in the United States, which is still the world's largest capital market and hence carries an outsized influence in global business debates. Some critics decried the mixing of politics with business as forsaking principles of shareholder value, including for all-important public pension systems. Others expressed concern over potential "greenwashing" in the form of businesses making empty long-term pledges as virtue signaling, especially in the climate domain, with little substance to back up these pledges.[23] In many cases, a generalized murkiness around what counts as sustainable or ESG-consistent business operations rendered branded initiatives increasingly vulnerable to attack.

America's culture wars have intersected with the debates, with many Democratic voices arguing for increased private sector responsibilities and many Republicans pushing back with "antiwoke" efforts. Partisan debates over climate policies mean that recent reporting guidance from, for example, the U.S. Securities and Exchange Commission faces an unclear future.[24] State-level legislation has played an important role, too. California, for

20. Bloomberg Professional Services (2024); Cochelin, Popoola, and Sugrue (2023).

21. Independent Expert Group (2023).

22. Berg, Kölbel, and Rigobon (2022).

23. See, e.g., United Nations High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (2022).

24. See U.S. Securities and Exchange Commission (2024).

instance, passed a series of laws in 2023 requiring, among other things, climate-related disclosures from large public and private companies operating in the state.[25] That same year, Florida passed explicitly anti-ESG legislation requiring the state's pension managers and local governments to make investment decisions based only on "pecuniary factors" and prohibiting the consideration of any "social, political, or ideological interests."[26]

The political debates may be locale-specific, but the consequences can be far-reaching. California would be the world's fifth largest economy if it were a country, so international companies with an existing or aspirational footprint in the state face strong incentives to align with local reporting requirements.[27] Meanwhile, a fund manager on another continent may choose to avoid public references to ESG or sustainability in order to court investments from U.S. state pension funds operating under anti-ESG legislation. The term "greenhushing" has emerged to describe executives' avoidance of speaking publicly about their ESG initiatives.[28] The upshot is a risk that high-level political conflicts may upend many years of analytical and operational progress.[29]

Momentum has also been mixed in other major economies and jurisdictions. In the EU, progress toward encouraging corporate responsibility and sustainability has accelerated over the past five years in the form of mandatory social and environmental reporting and due diligence requirements and through such initiatives as the European Green Deal and the Carbon Border Adjustment Mechanism, but these efforts face increased political and business opposition too.[30] Countries such as Brazil, China, India, and Indonesia have also become increasingly influential in the debate over the role of business in sustainable development, especially with respect to evolving expectations of corporate accountability and the role of small and medium-size enterprises (SMEs).[31]

Nevertheless, a longer view of history underscores that a profound shift is underway in the movement toward requiring coherent norms and reporting standards across nonfinancial aspects of business activities (box 1.1). Considerable differences still exist in approaches and scope across jurisdictions, but the increasingly integrated worldwide conversation that has emerged through

25. California bills SB 253, SB 261, and AB 1305 were all signed into law in October 2023.
26. Florida bill HB 3 was signed into law in May 2023.
27. Governor of California (2024).
28. Eccles (2024).
29. Berg, Jay, Kölbel, and Rigobon (2023).
30. See, for example, *Financial Times* editorial board (2024).
31. See, for example, Confederation of Indian Industry—B20 India Secretariat (2023).

bodies such as the International Sustainability Standards Board (ISSB) provides considerable opportunity. Jurisdictions representing over half of global GDP, more than 40 percent of global market capitalization, and more than half of global greenhouse gas emissions have taken steps toward operationalizing ISSB standards.[32] Importantly, these jurisdictions include many

Box 1.1. The Shift toward Mandatory Reporting

Despite debates around "wokeness" in the United States and other key market geographies, many regulators around the world have begun to introduce a wave of new standards for mandatory disclosure of material, nonfinancial information. Following are some of the evolving reporting requirements in various jurisdictions:

- In the UK, large listed companies must now report against certain sustainability standards, following an amendment of the Companies Act in 2022, and additional disclosure requirements are expected in 2025.
- The EU's Sustainable Finance Disclosure Regulation entered into force in 2021 for the owners of financial services advisers and providers, aiming to improve transparency and reduce greenwashing. The EU's complementary and broader Corporate Sustainability Reporting Directive took effect in 2023, requiring large companies across the region to report on a range of ESG metrics as of 2024. This was followed by approval of the Corporate Sustainability Due Diligence Directive in 2024, which imposes a duty on certain companies to undertake and report on human rights issues and environmental due diligence efforts.
- In March 2023 the Financial Services Authority of Japan implemented new rules mandating all publicly listed companies to disclose sustainability information relating to strategy, governance, metrics and targets, and risk management.
- In July 2023 the International Organization of Securities Commissions (IOSCO) called on its 130 members, whose number includes many developing countries, to incorporate the ISSB's initial requirements for disclosure of sustainability-related financial information (IFRS 1) and climate-related disclosures (IFRS 2) into national regulatory frameworks. As of mid-2024, countries as diverse as Bangladesh, Brazil, Costa Rica, India, Nigeria, the Philippines, Singapore, and Turkey had all announced their intention to phase in varying degrees of mandatory reporting linked to ISSB standards.[33]

(*cont.*)

32. IFRS (2024b).
33. IFRS (2024a); Laidlaw (2024).

- In March 2024 the U.S. SEC finalized a climate disclosure regulation mandating publicly traded companies to provide standardized, quality information on risks, opportunities, and governance related to climate change. This regulation followed major climate- and social equity–focused disclosure laws passed in the State of California in October 2023.

In short, a major change in corporate reporting is taking place throughout the world. It is too early to understand how it will affect markets and companies and whether business practices will change significantly or simply absorb a paper-pushing exercise into existing practices, but there is no doubt that an unprecedented movement is underway toward expanded firm-level reporting responsibilities.

Sources: Deloitte (2024); Samans (see chapter 9); Laidlaw (2024); Lawless, Ushijima, and Hara (2023); O'Donnell (2024); Philippines Securities and Exchange Commission (2023); Sustainable Stock Exchange Initiative (2024).

developing and emerging economies. If relevant policy conversations continue to converge, the outcome may be as transformational for global business and capital markets as the consolidation of generally accepted accounting principles was after the stock market crash of 1929.

Mobilizing Business for the World's Profit: Enter the SDGs

In a contested political, definitional, and methodological space, it is worth pausing to ask some basic questions. In what areas, for example, should business contributions be measured, valued, and promoted? What are the relevant standards for benchmarking societal progress? Where should companies, investors, civil society organizations, and policymakers focus their attention and resources? In this book, we take the SDGs as a starting point, along with the 2015 Paris Agreement on climate change and subsequent core international agreements such as the 2022 Kunming-Montreal Global Biodiversity Framework.[34] For the remainder of this introductory

34. Goal 13 of the SDG framework, adopted by all 193 UN member states in September 2015, makes explicit reference to the central role of the UN Framework Convention on Climate Change, which generated the Paris Agreement in December 2015. Meanwhile, SDG 14, "Life Below Water," and SDG 15, "Life on Land," originally drew on targets established through the UN Convention on Biological Diversity (CBD) in Aichi, Japan, in

chapter, we use the term "SDGs" as shorthand for the universal goals of these key international agreements.

Even though the SDG targets were established and agreed on by governments, many of the aspirations embedded in the goals require leadership, resources, and innovation from all sectors—research, civil society, financial institutions, and business. For the private sector, every goal has some relevance from either a risk management or a value creation perspective, although not all businesses are equally relevant for all goals. Simply put, the achievement of the SDGs requires active contributions from private companies and investors around the world.[35]

Despite the engagement of business leaders who have participated in relevant bodies—including business platforms such as the UN Global Compact and the WBCSD, and multistakeholder efforts such as the UN Secretary-General's High Level Panel of Eminent Persons on the Post-2015 Development Agenda—it has been hard for many business leaders to see how, or even if, they should make investments or change their operations or business models to better support the goals.[36]

Several initiatives have sought to inform the debate. In 2016, the high-level Business and Sustainable Development Commission—the members of which came from business, finance, labor, civil society, and international organizations—emphasized the value creation side of the calculus, estimating $12 trillion in market opportunities in four sectors crucial to the SDGs: food and agriculture, cities, energy and materials, and health and well-being. The commission emphasized that business could not afford to be a bystander but had a responsibility to act on the SDGs: "The Global Goals really need business: unless private companies seize the market opportunities they open up and advance progress on the whole Global Goals package, the abundance they offer won't materialise."[37]

By 2020, through a gradual process of diffusion and heightened awareness, a broad array of business-focused enterprises and initiatives had started

---

2011. The CBD targets were subsequently updated in the 2022 Kunming-Montreal Global Biodiversity Framework, which established objectives for 2030 and has been adopted by 196 countries. We recognize the unique situation of the United States vis-à-vis these two environmental agreements, including its leaving and then rejoining the Paris Agreement and never having adopted the Kunming-Montreal framework.

35. For a broad framework on the relevance of the SDGs to business, see the United Nations Global Compact at https://unglobalcompact.org/.

36. United Nations High-Level Panel of Eminent Persons (2013).

37. Business and Sustainable Development Commission (2017).

to engage explicitly with SDG-relevant frameworks. The UN Global Compact and the WBCSD published practical guidance for companies and business leaders to implement the SDGs, and they continue to undertake surveys and share good practices. Some industry platforms followed suit, ranging from the International Council on Mining and Metals (ICMM), which brings together two dozen of the world's largest mining companies and more than thirty-five major national, regional, and global commodity associations, to the Global System for Mobile Communications Association (GSMA), which unites over one thousand mobile operators and businesses in the mobile ecosystem.[38]

Several multistakeholder or business-led platforms have also emerged to develop metrics, benchmarks, and accountability mechanisms to explicitly drive business support for the SDGs. The World Benchmarking Alliance was launched in 2018 with the aim to "develop a range of corporate benchmarks by 2023 to comprehensively assess the progress of 2,000 companies across major areas of transformation required to achieve the SDGs."[39] In 2020, the International Business Council of the World Economic Forum joined with the "Big Four" accounting firms to publish a core set of twenty-one common corporate reporting metrics to align with the SDGs as the overarching "road map."[40]

As of 2023, SDG terminology remained vastly less common than ESG jargon in public companies' earning calls.[41] At the same time, an assessment of the top one hundred companies by revenue in each of fifty-eight countries and territories found that more than two-thirds of those reporting on sustainability or ESG matters included SDG-relevant issues in 2022.[42] Thailand notably marked the largest share, with more than nine out of ten companies

38. See the following websites and pages: UN Global Compact, "Global Goals for People and Planet" (https://unglobalcompact.org/sdgs/about); World Business Council for Sustainable Development, "The Building Blocks of Transformation" (https://www.wbcsd.org/); the International Council on Mining and Metals, "Supporting the Sustainable Development Goals" (https://www.icmm.com/en-gb/our-work/supporting-the-sustainable-development-goals), and the GSM Association, "About Us" (https://www.gsma.com/about-us/). (One of the editors of this volume, Jane Nelson, previously served on an advisory council for the ICMM.)

39. World Benchmarking Alliance (2018).

40. Moynihan (2020). The world's four largest accounting firms by revenue are Deloitte, PricewaterhouseCoopers (PwC), Ernst & Young (EY), and Klynveld Peat Marwick Goerdeler (KPMG).

41. United Nations Global Compact and Accenture (2023b), 20.

42. KPMG (2022), 57.

in the sample identifying specific SDGs most relevant to their business.[43] Japan's largest business federation, Keidanren, revised its Charter of Corporate Behavior "with the primary aim of proactively delivering on the SDGs" and established an initiative to help members contribute to the goals.[44]

On the investor side of the market equation, many prominent commercial banks, pension funds, insurance companies, private equity firms, hedge funds, and fixed income managers have launched products or pledged explicit support to some dimension of the SDGs. The Principles for Responsible Investment is one of several financial sector platforms that has issued guidance to investors on implementing the SDGs.[45] In addition, the Global Investors for Sustainable Development Alliance was launched in 2019 and unites a mix of major financial institutions and corporations with UN leadership to scale up private investments in achieving the SDGs. A global group of asset owners launched the Sustainable Development Investments Asset Owners Platform in 2020.[46] In April 2021 the Glasgow Financial Alliance for Net Zero (GFANZ) launched a sector-wide coalition for financial institutions to support an accelerated transition to a net-zero global economy.[47] In November 2023, more than a dozen major financial institutions and related stakeholders launched the Impact Disclosure Taskforce to draft "voluntary guidance for entity-level disclosure and mechanisms to facilitate impact reporting, analysis, and financing in pursuit of [the SDGs]."[48]

Gaps and Obstacles to Scaling Up Business Contributions to the SDGs

Despite growing private sector awareness and efforts relating to the SDGs, the world is still far off-track relative to its 2030 ambitions. Why? From the vantage point of market actors, part of the challenge lies in the diversity of

43. Ibid., 58. The results in Thailand are likely related to the Stock Exchange of Thailand requiring sustainability reporting for listed companies beginning in 2022.

44. See Keidanren (2022).

45. United Nations Principles for Responsible Investment, "About Us" (https://www.unpri.org/about-us/about-the-pri).

46. See the SDI Asset Owner Platform web page "An Asset-Owner Led Approach" (https://www.sdi-aop.org/about/).

47. See the GFANZ web page "About Us" (https://www.gfanzero.com/about-announcement/).

48. Center for Global Development (2023).

industries in which people are working and the varying degrees of interface with different SDG priorities. A 2022 KPMG survey of more than 3,200 major companies across fifty-eight countries and territories found that more than 70 percent considered SDG 8, concerning decent work and economic growth, to be relevant to their business, as did more than 60 percent with respect to SDG 13, concerning climate action.[49] But fewer than 10 percent prioritized SDG 15, for life on land, and fewer than 20 percent noted SDG 14, for marine life, as a priority.[50]

As a further layer, the historical diffusion of ESG metrics naturally focused attention on some SDGs more than others. One recent study looked at more than two hundred common ESG metrics and found that seventy-four of these—the largest number of metrics—aligned with SDG 12, for responsible consumption and production, while sixty-nine metrics could map to SDG 16, on peace, justice, and strong institutions, but only four common ESG metrics linked to SDG 2, concerning hunger, six linked to SDG 1, on poverty, and eight linked to SDG 4, on education.[51]

Another aspect of the variation in business perspectives and practices is the extent to which companies focus and report on their positive contributions to SDG-relevant issues without considering negative or net contributions. When KPMG researchers looked at leading companies reporting on ESG or sustainability topics across fifty-eight geographies, only 10 percent were found to include both positive and negative aspects. Among the world's largest 250 companies by revenue, the corresponding figure is only 6 percent.[52]

A wider-lens assessment considered whether the private sector's net impact was positive or negative on individual SDGs and the extent to which companies' net revenue is aligned with each SDG.[53] The headline finding was a positive private sector impact on seven goals, mixed impact on three, and negative impact on another seven, especially in the environmental domain. What's worse is that private sector efforts to maximize revenue were found to be positively linked with achievement of only five goals (SDGs 4, 7, 8, 9, and 17), mixed for three, and negative for the other nine.

49. KPMG (2022), 60.
50. Ibid.
51. United Nations Global Compact and Accenture (2023b).
52. KPMG (2022), 60.
53. United Nations Global Compact and Accenture (2023b), 23–27.

This implies that, for most industries and most SDGs, a company's profit is not yet the world's profit. This is not because the two are mutually incompatible. The problem is that individual businesses cannot exploit these opportunities if there are insufficient incentives or regulatory requirements to do so and if other businesses, especially competitors and business partners, do not act in concert. A single business can do only so much to slow deforestation for palm oil production, for example, but if a critical mass of companies in the palm oil value chain commits to better practices, those companies can establish a level playing field for everyone that proscribes the production of palm oil in newly deforested areas.

What are the main obstacles to scaling up business alignment with the SDGs and broader sustainable development needs? Several differing frameworks have been proposed. One of these was developed through an extensive consultation process led by the WBCSD to survey the views of corporate leaders, policymakers, and sustainability experts. This "Vision 2050" exercise identified five broad types of constraints on achieving greater scale and systemic impact:[54]

- Inappropriate norms and values, such as the ongoing dominance of short-termism and shareholder capitalism;
- Poor information flows, including insufficient awareness of the costs of inaction and a lack of universally agreed-on metrics or accounting standards to assess corporate sustainability performance and to hold companies to account;
- Misdirected financial flows, including misaligned incentives, a lack of risk capital, and a lack of appropriate pricing signals for essential public goods and negative externalities;
- Inadequate technology owing to insufficient incentives, investments, and R&D at the nexus of digital, materials, and life sciences; and
- Gaps in policies and regulations, including uncertainty, inconsistency, weak public institutional capacities, corporate capture, and delays in needed reforms.

Some of these obstacles can be addressed by businesses themselves, individually or in coalition with each other. Others require action by

54. WBCSD (2023).

investors. And still others need to be addressed by government policymakers and regulators, with complementary attention from civil society.

Levers for Scaling Up Business Contributions and Impact

What do businesses want to see? Do they actually care about the SDGs, or is it simply too early yet to see larger-scale impact? Remarkably, many business leaders themselves are concerned about how little business is contributing to achieving the SDGs. A 2023 global survey of more than 2,800 business leaders found that fewer than half of them, only 48 percent, agreed that the private sector was "doing enough to contribute to the SDGs."[55]

Business leaders are not opposed to greater clarity and accountability. According to the same survey, business leaders' top ask of policymakers was for consistent sustainability reporting and disclosure mandates. More than three quarters of respondents commented on the need "to help ensure all businesses are held to the same standard both nationally and globally."[56] A close second ask was to adjust national minimum wages to living-wage levels. A majority of respondents also supported requirements for all business to reach net zero emissions by 2050, mandatory reporting on nature-related risks and impact (including water consumption), and mandatory disclosure of gender pay gaps.

It is in this context that many jurisdictions have initiated efforts to support mandatory corporate reporting on nonfinancial performance. While different jurisdictions have developed their own standards, many have also shared their perspectives with each other to promote interoperability and a building block approach that permits a phased implementation over time toward higher levels of reporting standards.

We invited a dozen experts to contribute their thoughts on these questions and on the topic of scaling up business contributions to the SDGs more broadly. Our aim is not to be comprehensive and exhaustive but rather to give voice to those with specific ideas that can move the needle in some way—sometimes broadly, sometimes very narrowly and specifically. Each chapter, therefore, presents its own recommended next steps. As volume editors, we have summarized a key message from each chapter in box 1.2.

55. United Nations Global Compact and Accenture (2023b), 17.
56. Ibid., 145.

Box 1.2. A Selection of Key Messages from This Book

At the risk of oversimplification, this box highlights a single leading recommendation from each of the book's twelve ensuing chapters:

Corporate Actors

1. Challenge corporate leaders to embrace a net positive mindset, giving more to the world than they take, and to publicly disclose goals and pathways for achieving this.
2. Incentivize large companies and local organizations to help micro, small, and medium-size enterprises to build capacity to act sustainably.
3. Legally require corporate boards to establish and disclose their governance structures and competencies for governing sustainability strategies, risks, opportunities, and performance.
4. Create precompetitive thematic and sectoral sustainability platforms to shape markets and scale industry-wide standards, resources and advocacy at global and local levels.

Financial Actors

5. Translate sustainability goals and metrics into explicit investment commitments or mandates by asset owners.
6. Adjust Basel III risk weights for lending to small and medium-size enterprises and sustainable infrastructure to reflect the evidence on default risk and loss-given-default in developing countries.*
7. Narrow insurance protection gaps in developing countries through concerted action to integrate risk management into public policy.

Policymakers and Regulators

8. Broaden acceptance of IFRS standards and ISSB disclosure standards and encourage more jurisdictions to tackle political and technical implementation hurdles.
9. Agree on International Standard on Sustainability Assurance (ISSA) 5000 rollout and strengthen the assurance ecosystem.
10. Learn and share lessons from India's experience with implementing mandatory requirements for corporate social responsibility financial contributions.
11. Mandate public disclosure of corporate political activities and advocacy-focused thought leadership led or funded by business.
12. Build broad political support at a national level for business sustainability through multipronged campaigns.

*The industry term "loss-given-default" estimates the amount of loss if a credit default occurs. Multiplying default risk (the likelihood of a default) and loss-given-default gives the expected loss on an investment.

Organization of the Book

The rest of this book is divided into three parts, with each exploring a different set of levers of change. Part I conveys the perspective of corporate executives, boards of directors, entrepreneurs, and business-led coalitions. The chapters in this part discuss how to move from reporting to impact, examining the role of business leadership, linkages between large and small businesses, new models of corporate governance, and large-scale partnerships that can shape markets through collective action. Part II turns to the role of the financial sector in directing capital to "better" corporations and increasing private investment to support achieving the SDGs. Here, better does not just mean more profitable but more aligned with the broad spectrum of societal well-being. The chapters in this part show that capital is not monolithic. Commercial banks, insurers, asset owners, and other financial actors have their own perspectives. Part III considers the role of policymakers and regulators in shaping the type and credibility of sustainability information that is provided by companies and investors and in establishing regulations, laws, international standards, and incentives to drive business contributions toward achieving the SDGs.

Part I: Business Actors

In chapter 2, Paul Polman makes the case that business leaders need to show more courage in mainstreaming sustainability. He acknowledges the major strides made by business in recognizing the importance of sustainability over the past few decades, but, as he puts it, "We're still trying to beat exponential problems with incremental and linear solutions, and it doesn't work." Being less bad is not good enough.

Polman sees some bright lights in the fact that most of the technology needed to incorporate sustainability in a sensible way already exists; in the growing alignment of regulations and public incentives to do the right thing, particularly in the area of decarbonization; and in a financial landscape that is directing capital toward sustainable activities. But he is also clear-eyed in recognizing that for any CEO, prioritizing sustainability is like taking a big bet that others will act in the same way so that collective societal goals are met. His challenge to corporate leaders is that they ask themselves a simple question: Is the world better off because your business is in it? If enough companies can answer yes, systemic change for the better will happen. He describes this as a shift from "less bad" to a net positive mindset. It entails a higher level of ambition with respect to sustainability, more collaboration, and constructive advocacy in place of self-serving lobbying. Ultimately, Polman's message is hugely optimistic about the change that is possible.

Large companies may lead many high-profile efforts in changing corporate behavior, but SMEs account for 90 percent of all businesses and two-thirds of the jobs and value added in most economies, so any pursuit of sustainability needs to speak to these companies' practical challenges too.[57] In chapter 3, Ndidi Okonkwo Nwuneli starts her analysis of SMEs by noting that they face more hurdles in greening their activities because of limited knowledge, talent, and funding. Consequently, only a small fraction of all SMEs have set measurable sustainability targets.

Many large companies and business associations provide support, including digital platforms, that make it easier for SMEs in their value chains or locations of operation to take strategic measures to improve their sustainability. Nwuneli gives examples of some successful initiatives in a number of sectors and suggests that these efforts grow by incentivizing local organizations that can assist SMEs in upgrading their standards. But SMEs are a highly diverse group, so there is a danger that mandating SME behavior or targets in a standardized way, as is done for large companies, could exclude many SMEs that simply lack the resources or capabilities to comply.

In chapter 4, Emily Farnworth and Eldrid Herrington focus on the role boards of directors play in accelerating changes in corporate management. Board members already have the juridical space to consider the long-term value of business activities. But only quite recently have comparative metrics permitted substantive board discussions on sustainability, especially regarding climate action and the preservation and conservation of nature. These metrics have opened up two new spaces for thought and action: (1) a greater role and responsibilities for non-executive directors, who may take upon themselves the task of representing a broader range of stakeholders beyond shareholder groups, and (2) a longer-term perspective to avoid the "tragedy of the horizon," critical during periods of major changes in business practices.[58]

57. Madgavkar et al. (2024).

58. "Tragedy of the horizon": see Carney (2015) for a discussion of how the near-term horizons of business cycles, political cycles, and monetary policy mandates impede necessary action on climate change: "Once climate change becomes a defining issue for financial stability, it may already be too late."

Farnworth and Herrington argue that the biggest hurdle faced by boards is keeping their attention focused on strategy. They regard board members as stewards of good corporate governance whose role is evolving because inevitable policy responses to climate change may well be forceful, abrupt, and disorderly, with large associated risks and opportunities. A process that looks narrowly into the future can degenerate into an operational management tool that considers what is known today rather than engaging in a broader discussion of alternative futures. That said, they also emphasize the need for consequences for not delivering on strategic goals and for clear points of accountability, including for individual board members. Absent more legally binding "have to do" things, the pace of change to embed sustainability into business practices may continue to be too slow.

In chapter 5, Jane Nelson describes ways in which companies can work together to take a systems approach to set industry standards, accelerate innovation and market development, and undertake joint policy advocacy and government engagement. She illustrates how such alliances can change systems within a sector or within a geographic space, such as a country, local area, or city.

However, Nelson also warns that operating large-scale alliances can be costly, especially as benefits only accrue over a long period of sustained engagement, and that companies can become exposed to antitrust enforcement threats or sanctions. Despite these obstacles, she forcefully advocates for multistakeholder alliances as an effective way of driving system change, especially if led by the largest companies in the sector or geography.

Part II: Financial Actors

Two goals for financial actors are to demonstrate how sustainability is being integrated into financial systems and to funnel capital to sustainable investments. In chapter 6, Sasja Beslik discusses the implications for asset owners, who operate under fiduciary obligations to promote the interests of beneficiaries in a prudent fashion. Beslik starts with a sober assessment of the current situation. After recognizing many individual examples of good practice, global initiatives, net zero commitments, and the like, across a broad range of asset owners, from pension funds to insurance companies to high-net-worth individuals, Beslik concludes that "lofty investment beliefs or statements promoting sustainability and ESG principles frequently do not translate into actionable strategies for realizing investment commitments and mandates." He attributes part of this deficit to outmoded ways of thinking about fiduciary responsibilities, part to inadequate models linking investments to impact and returns, and part to the financial system's practice of quarterly or annual assessment of returns, on which they base the compensation provided to investment advisers.

If asset owners are to overcome these obstacles, they must develop a new framework to address the SDGs. Such a framework should start with an ambitious vision of the impact that can be made, continue with practical steps, even if small, and then rapidly scale up and engage policymakers and industry associations to broaden reach. The mantra becomes "Think big, start small, and scale up fast."

In chapter 7, Liliana Rojas-Suarez looks at the unintended consequences of Basel III regulations for the activities of commercial banks with respect to sustainable development. She highlights two areas for analysis: lending to SMEs and lending for sustainable infrastructure.

Rojas-Suarez's starting point is the trade-off between financial stability and financial inclusion in many emerging economies. As she points out, poorer countries tend to overcompensate for perceived risk to the financial system by "gold-plating" the minimum capital requirements for their banks. When such overcompensation is coupled with high risk weights for SMEs, which are apportioned using a standardized approach rather than an evidence-based approach, the result may be a decline in lending to SMEs. Rojas-Suarez recommends the use of data from credit registries to improve the analysis of risk weights. However, she cautions that this approach needs the active support of the Basel Committee, and therefore urges the committee to recognize the large variation in SME repayment records in setting appropriate risk weights.

The second major issue addressed by Rojas-Suarez is the constraint on financing for sustainable infrastructure that emanates from the failure to recognize infrastructure as its own asset class. Empirical evidence suggests that infrastructure projects have lower default rates and higher loan recovery rates than general project finance loans, but this is not recognized in bank accounting standards. One solution would be to adapt the two binding Basel regulations on the net stable funding ratio and the output floor on use of internal risk models. However, Rojas-Suarez is skeptical about the political willingness to take on this adaptation and therefore recommends an alternative approach whereby infrastructure would be recognized as its own asset class and assigned a clear set of risk weights by the Basel Committee.

Chapter 8 draws attention to the particular difficulties faced by developing countries when it comes to insurance markets. Ekhosuehi Iyahen identifies the lack of attention to risk and risk-reducing behaviors as a key impediment to building sustainability. Developing countries in particular are significantly underinsured and have enormous insurance protection gaps for natural catastrophes, health care, and old age. What to do?

Iyahen recommends starting with a better understanding and management of risk. Even though science and analytical advances point to new ways of assessing risk, we are still trapped in a repeating cycle of disaster-response-rebuild instead of a more cost-effective approach of loss prevention and resilience. Nowhere is this more important than for climate-related concerns, where dialogue between and among insurers, regulators, and policymakers is still inadequate, barriers to entry are high, and innovation in products, such as microinsurance, is low.

Risk may not have received adequate attention in the design of the SDGs—appearing in only three of the 169 targets—but Iyahen argues persuasively that achievement of the goals will be impossible without tapping into the risk management expertise of global insurers.

Part III: Policymakers and Regulators

When data and information lack comparability, consistency, and assurance, they cannot be used for risk management in a useful way. In chapter 9, Richard Samans outlines recent major steps made toward the mandatory provision of nonfinancial sustainability information while cautioning that there is still a long way to go and that many obstacles remain. The complexity of the system and the materiality of different pieces of information to different stakeholders have given rise to multiple initiatives in different jurisdictions and a "patchwork quilt" of tools—so much so that some large companies' reports now have annexes reporting sustainability information in multiple different templates.

Thankfully, there is considerable overlap emerging between the standards and templates because of a process of consultation and alignment among voluntary standards-setting organizations. This process helped to enable establishment of the ISSB in 2022 under the leadership of the IFRS Foundation. An authoritative baseline global standard has begun to emerge in the form of the first two disclosure requirements issued by the ISSB that are applicable starting with companies' 2024 disclosure reports. These requirements are focused on sustainability-related and climate-related financial information; however, they are designed to be interoperable with, and can be complemented by, additional national standards, such as the EU's so-called double materiality approach.

What remains to be done requires a combination of political interest in implementation and technical work to deepen coverage and relevance. On the political side, numerous governments and regulators have welcomed the IFRS Foundation's work, but many have also expressed reservations about rapid implementation of the reporting standards owing to the perceived unreadiness of their business community to manage the rigorous standards that have emerged. On the technical front, companies have reported difficulty in complying with some aspects of the standards, such as the application of different climate scenarios. Implementation therefore will inevitably evolve in line with the practical experiences of companies as they apply disclosure rules in different contexts, and unevenness in pace is to be expected.

How reliable is the information being reported? Answering this simple question, crucial to the use of sustainability data for decision-making, is at the heart of chapter 10, by Tom Seidenstein and Warren Maroun. They note that financial accounts are audited by independent experts to reduce the risk of decisions being made on the basis of deliberate or accidental misstatements. The same applies to sustainability reporting. The International Auditing and Assurance Standard Board has therefore developed guidance for reviewing the information presented in the most common forms of sustainability reporting. This guidance, ISSA 5000, was published in November 2024. It focuses on principles and outcomes, under the general ethos of responsible capitalism, rather than on procedures.

Most large companies are already using some form of third-party assurance for sustainability-related disclosures, but the field is in its infancy. Its flexibility and adaptability are strengths, in light of the current flux in sustainability reporting, but that same flexibility means multidisciplinary teams are needed to provide proper judgments. Where skills and data are scarce, assurance may be "limited." Where they are stronger, assurance can reach a "reasonable" standard. Although still in a developmental stage, stronger assurance is in the throes of shifting from a compliance exercise to one that brings confidence to the capital market and to corporate managers and owners making decisions on how to advance sustainability through business practices.

Assurance can help companies understand their impact. In chapter 11, Katsuo Matsumoto documents a novel approach to sustainability used in

India. There, large corporations are mandated to devote 2 percent of net profits to corporate social responsibility (CSR) activities. This experiment, institutionalized in the 2013 Companies Act amendment, is now generating over $3 billion in private money for sustainable development in India, roughly comparable in size to net disbursements to India from a large development agency such as the World Bank.

Matsumoto lays out the limitations of such schemes. The target geography for CSR activities is typically close to a firm's plant or offices. The kind of CSR activities undertaken dovetail with the firm's policy rather than with community needs. And capacity to deliver effective programs can be weak. Nevertheless, there are strengths to the approach. Firms are forced to think about sustainable development in the context of discrete projects. CSR no longer becomes a theoretical reporting or compliance notion but has very practical and measurable outcomes. Through this, the beliefs and habits of mind of corporate leaders with respect to stakeholder capitalism also change. Many CEOs find the alternative of paying a higher tax and leaving sustainable development to the government to be an unattractive proposition.

Matsumoto offers some hope that partnerships with local government and with third-party nonprofit sustainable development providers will boost the effectiveness of a national CSR ecosystem. In measuring the success of this, the SDG framework provides a common language that government, business, external aid agencies, and the nonprofit community can use.

Corporate engagement in politics is the subject of chapter 12, by Alberto Alemanno. He focuses on the impact of extensive corporate political activities (CPAs), from lobbying to the funding of think tanks and research to advocacy by trade associations. Such activities can be powerful drivers of either a positive agenda of progressive legislative change or a negative agenda of resistance by vested interests. Alemanno's key insight is that there is no transparency on corporate influence and that reporting directives do not sufficiently consider this issue.

Alemanno has developed The Good Lobby Tracker to benchmark the different rating standards that have been introduced in an emerging ecosystem that monitors corporate political conduct. His conclusion: "None of the initiatives reviewed appears to contribute to their stated goals of increasing transparency and accountability in CPAs." This leads Alemanno to recommend including mandatory standards for disclosure of corporate political activities in sustainability reporting. The European Union is the first jurisdiction to take this up, but for now, corporate political reporting remains largely on a voluntary basis. It will, however, be challenging to develop a worldwide standard on such a politically fraught issue. How corporate political power is exercised and regulated will be a key issue for the era beyond the 2030 SDG deadline.

Ultimately, business will take on responsibilities for sustainable development only if there is strong social pressure to do so. In chapter 13, Ichiro Sato and Kei Endo provide an account of how Japanese society has become one of the leading forces pushing the business community to integrate sustainable development into their operations. This was not always the case. Just five years ago, awareness of the SDGs among Japanese firms, especially small enterprises, was among the lowest in the world. Three years later the Japanese business community had become world leaders, both in recognition of corporate responsibilities for sustainability and in specific activities aimed at achieving the SDGs.

A multipronged approach that included changes in school curricula, mass media campaigns, government guides and awards, and small financial subsidies at the local level drove this change. Japan's policymakers have been able to extend the coverage of sustainability to many more companies. Large companies that are mandated to abide by the Corporate Governance code account for only 0.2 percent of Japanese companies. Their influence is extended through their supply chain, but Japan's real success in creating good corporate citizens has come at the local level, where SMEs dominate. There, companies with a track record of contributing to the SDGs are given preference in local public procurement. Partnerships with local government on innovations also spur the adoption of new technologies while contributing to the SDGs. The Japanese example provides an important lesson that corporate engagement in sustainability is ultimately a societal project that must enjoy widespread support if it is to be successful and sustained.

Near-Term Implications and Ideas for Post-2030

The coming years out to 2030 offer an important opportunity for learning how better to align market players with improved SDG outcomes and how to reframe any successor goals to be more intuitively tractable and actionable for private sector actors. Learning will need to be highly iterative as new reporting frameworks, measurement techniques, policy shifts, market incentives, and political, social, environmental, and technological changes continue to emerge. New goals to guide the world out to 2045 or 2050 will need to build on the latest insights into what business is already doing, what more it could be doing, and the incremental—or transformational—contributions possible if better policy mandates and incentives are enacted.

One element of this ecosystem depends on corporate leadership: voluntary actions by individual companies to embed sustainability priorities in core business practices and corporate governance. The early tactical win-win solutions of reducing risk and economizing on material inputs to raise profitability are evolving into strategic planning in the most progressive companies whereby goals, targets, and pathways are aligned with a net positive ambition. Core business processes such as corporate governance, strategy, enterprise risk management, planning, within-enterprise capital allocation, operations and value chain management, and stakeholder engagement are all being affected in these instances.

This is easier said than done. As illustrated by the practical difficulties of implementing climate emissions reporting requirements across supply chains, new questions arise constantly. How can CEOs best think about risk management, value creation, and accountability when addressing sustainability issues? How can boards of directors provide appropriate oversight and stewardship in this new context? How can impact be broadened to include the extraordinary diversity of SMEs in the world? How can precompetitive alliances advance industry-wide practical norms and standards?

A second element of the ecosystem is the role being played by financial actors in allocating capital to companies that have superior sustainability risk management, value creation, and accountability approaches and can demonstrate impact. Impact investing, ESG financial products, sustainability bonds and credits, and other financial innovations have expanded rapidly but remain small relative to global capital markets. Moreover, only a small fraction ends up reaching developing economies that need the resources the most, partly because of the current difficulties in comparing sustainability impact in different locations. None of this may be surprising, given the practical difficulties of evaluating nonfinancial information. What is new is the emergence of standardized, mandatory, comprehensive reporting for large companies in jurisdictions representing most of the global economy.

If this information changes capital allocation processes, it will have a dramatic impact on sustainability worldwide, and potentially also on the opportunities for mobilizing sustainable development financing even in lower-income countries. It remains to be seen who will lead the change: asset owners and managers, banks, stock exchanges, insurance companies, or others. What is clear is that capital owners are worrying about risk, value, and accountability in very different ways now. The institutional structures to guide them will need to evolve in tandem.

The third element discussed in the book is public policies and regulation. It is tempting to think of policymakers and regulators as technocrats promoting more efficient markets, but the experience of the past few years shows how pervasive politics has become in the process. There is the politics of understanding the instruments that governments might use: regulation, public procurement, public investment, awareness-raising campaigns, and specific financial incentives. The politics of engaging at both central and local government levels. The politics of ensuring public awareness and support for sustainable development priorities as a basic condition for broader progress. And the politics of vested interests, lobbying, and the dissemination of misinformation by those adversely affected by change. Perhaps a fundamental question is how to build trust in the information that is provided. Are assurance standards adequate? Can more be done without undue cost? How should assurance bodies respond to malfeasance? Each of these questions involves policymakers outside the traditional range of corporate and financial regulators. But broadening the scope of relevant policymaking risks complicating the bureaucracy and stifling innovation—a trade-off that must be delicately handled to seek a balance.

The normalization of multidimensional corporate and investor metrics that extend beyond core financial accounts could mark a profound shift in how market players define longer-term success. Mandatory and comprehensive reporting for large companies might be just the tip of the iceberg of new accountabilities, societal expectations, and opportunities for the private sector. Reporting and governance standards will continue to evolve based on real-life experience. What is the right balance of factors to include in firm-level discussions of risk management, value creation, and accountability? What is the best way to engage SMEs in relevant debates and implementation efforts, in light of their crucial role in so many economies? Will environmental metrics with readily quantifiable and comparable data dominate and detract from other sustainability considerations?

How realistic is it to include suppliers in climate reporting and human rights due diligence reporting, and, if so, on what elements and how widely across complex global supply chains? How should different metrics be weighted? How will capital markets change their allocations when new information becomes available? What changes might occur in company behavior, and how can regulations best support rather than stifle innovation? What might be the unintended consequences of high and complex reporting burdens, especially for smaller companies?

Answers to these questions will continue to inform a great social movement to refine the very nature of capitalism. This movement has already begun to take shape. It goes by many names and is proceeding at different paces in different industries and jurisdictions, but with a widespread understanding that there should be some common features across diverse contexts. Within such a complex endeavor, it can be easy to become paralyzed by the desire for a perfect system, or to be disenchanted when one part of a system feels glaringly inadequate. Our purpose in this book is not to assess all the activities currently underway or to make specific recommendations. Instead, our goal is to help inform and spark debate on the wide range of changes already underway, and on the spectrum of changes needed in the future to align the unique contributions of market-based enterprise with the global needs of sustainable development. Within the next several years, the world can achieve extraordinary success if it charts a course for every private firm's success to be for the world's profit.

REFERENCES

Baker, M., M. L. Egan, and S. K. Sarkar. 2022. "How Do Investors Value ESG?" NBER Working Paper 30708. Cambridge, MA: National Bureau of Economic Research,

Berg, F., J. Jay, J. F. Kölbel, and R. Rigobon. 2023. "The Signal in the Noise." *EconPol Forum* 24:23–27.

Berg, F., J. F. Kölbel, and R. Rigobon. 2022. "Aggregate Confusion: The Divergence of ESG Ratings." *Review of Finance* 26 (6): 1315–44.

Bloomberg Professional Services. 2024. "Green Bonds Reached New Heights in 2023." February 8.

Boston University Trustees. n.d. "The Sullivan Principles." https://www.bu.edu/trustees/boardoftrustees/committees/acsri/principles/ (accessed August 28, 2024).

Business Roundtable. 2019. "Statement on the Purpose of a Corporation." August 19.

Business and Sustainable Development Commission. 2017. *Better Business, Better World*. London.

Carney, M. 2015. "Breaking the Tragedy of the Horizon: Climate Change and Financial Stability." Speech given at Lloyd's of London, September 29.

Center for Global Development. 2023. *Impact Disclosure Taskforce*. Concept note. November 28.

Chalmers, J., and N. Picard. 2023. "PwC's Global Investor Survey 2023." PwC, November 15.

Cochelin, P., B. Popoola, and D. Sugrue. 2023. "Global Sustainable Bonds 2023 Issuance to Exceed $900 Billion." S&P Global, September 14.

Confederation of Indian Industry—B20 India Secretariat. 2023. "Sustainability & Development Imperatives and the Role of Standards." Background paper for B20 India.

Deloitte. 2024. "Central Bank of India Publishes Draft Disclosure Framework for Climate-Related Financial Risks." March 4.

Eccles, R. G. 2024. "Moving beyond ES." *Harvard Business Review*, September.

European Commission. 2022. "Sustainable Finance." July 26.

Financial Times Editorial Board. 2024. "Europe's Green Backlash." June 11.

Freeman, R. E. 1984. *Strategic Management: A Stakeholder Approach*. Boston: Pitman Publishing.

Friedman, M. 1970. "A Friedman Doctrine: The Social Responsibility of Business Is to Increase Its Profits." *New York Times*, September 13.

Fuhrmann, R. 2024. "Stock Exchanges around the World." *Investopedia*, January 31.

The Global Compact. 2004. *Who Cares Wins: Connecting Financial Markets to a Changing World*. United Nations.

Global Reporting Initiative. 2022. *25 Years as the Catalyst for a Sustainable Future: 1997–2022*. Boston.

Governor of California. 2024. "California Remains the World's 5th Largest Economy." Gavin Newsom, Governor. Press release, April 16.

Independent Expert Group. 2023. *The Triple Agenda: Report of the Independent Experts Group. Volume 1*. Report of the Independent Experts Group on Strengthening Multilateral Development Banks, commissioned by the Indian G20 Presidency.

IFRS (International Financial Reporting Standards). 2024a. "Progress towards Adoption of ISSB Standards as Jurisdictions Consult." Press release, April 3.

———. 2024b. "Jurisdictions Representing over Half the Global Economy by GDP Take Steps towards ISSB Standards." Press release, May 28.

Keidanren. 2022. *Charter of Corporate Behavior*. Tokyo: Keidanren (Japan Business Federation), December.

Kharas, H., McArthur, J. W., and Onyechi, O. 2024. "How Is the World Doing on the SDGs? Four Tests and Eight Findings." Brookings Center for Sustainable Development working paper 188. July.

KPMG. 2022. *Big Shifts, Small Steps: Survey of Sustainability Reporting 2022*. KPMG International.

Laidlaw, J. 2024. "Where Does the World Stand on ISSB Adoption?" S&P Global, April 9.

Lawless, K., K. Ushijima, and K. Hara. 2023. "What's Next for Japanese Sustainability Disclosure Standards." EY, October 13.

Madgavkar, A., et al. 2024. *A Microscope on Small Businesses: Spotting Opportunities to Boost Productivity.* McKinsey Global Institute.

Moynihan, B. 2020. "We Can Now Measure the Progress of Stakeholder Capitalism. Here's How." World Economic Forum, October 21.

O'Donnell, J. 2024. "ESG Regulations: What's Coming Next?" *Compliance & Risks*, February 6.

Philippines Securities and Exchange Commission. 2023. "SEC to Issue Revised Sustainability Reporting Guidelines for Publicly Listed Companies." Press release 2023–75, October 5.

Porter, M. E., and M. R. Kramer. 2011. "Creating Shared Value: How to Reinvent Capitalism—and Unleash a Wave of Innovation and Growth." *Harvard Business Review*, January–February.

Schwab, K. 2019. "Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution." Cologny, CH: World Economic Forum, December 2.

———. 1973. *Davos Manifesto 1973: A Code of Ethics for Business Leaders*. Cologny, CH: World Economic Forum.

Smith, A. 1776. *The Wealth of Nations*. London: W. Strahan and T. Cadell.

———. 1759. *The Theory of Moral Sentiments.* London: A. Millar; Edinburgh: A. Kincaid and J. Bell.

Sustainable Stock Exchange Initiative. 2024. "SSE Materials Used to Train Bangladesh Regulatory Authority on ISSB Standards." February 28.

United Nations. 2000. "Secretary-General Welcomes International Corporate Leaders to Global Compact Meeting." Press release, July 27.

———. 1999. "Secretary-General Proposes Global Compact on Human Rights, Labor, Environment, in Address to World Economic Forum in Davos." Press release, February 1.

United Nations Global Compact and Accenture. 2023a. *Reimagining the Agenda: Unlocking the Global Pathways to Resilience, Growth, and Sustainability for 2030.* United Nations Publications.

———. 2023b. *SDG Stocktake: Through the Eyes of the Private Sector.* United Nations Publications.

United Nations High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities. 2022. *Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions.* United Nations Publications.

United Nations High-Level Panel of Eminent Persons. 2013. *The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda*. United Nations Publications.

U.S. Securities and Exchange Commission. 2024. "SEC Adopts Rules to Enhance and Standardize Climate-Related Disclosures for Investors." Press release, March 6.

World Benchmarking Alliance. 2018. "World Benchmarking Alliance Launches to Help Business Measure Progress against the U.N. Sustainable Development Goals." Press release, September 24.

WBCSD (World Business Council for Sustainable Development). 2023. *Vision 2050: Time to Transform. How Business Can Lead the Transformation the World Needs*. WBCSD Publications.