CAPITALS COALITION | CETEX Centre for Economic Transition Expertise, Research and Policy at LSE | rewired earth | value balancing alliance | BRAE | ICAEW CHARTERED ACCOUNTANT

Rewiring for Success

Our values based economy

May 2024, London

Table of Contents

Authors:

Mark Manning, Centre for Economic Transition Expertise, Grantham Research Institute, London School of Economics and Political Science; Mark Gough, Capitals Coalition; Suzy Glass and James MacPherson, BRAE; Rupert Pearce and Zsuzsanna Schiff, Rewired Earth; David Marriage, PwC; Christian Heller, Value Balancing Alliance; Sarah Reay, ICAEW.

Contact: **constellation@rewired.earth**

Executive Summary

Alarm bells should now be ringing for all of us:

On 17th November 2023 the global average daily temperature breached 2°C warming relative to pre-industrial levels for the first time. And in February 2024 the 365-day average warming level exceeded 1.5°C for the first time. These striking statistics underscore the message in the UNFCCC's 2023 global stock-take report that we are off-track and need "urgent action and support to keep the 1.5°C goal within reach and to address the climate crisis in this critical decade".

We need to make business and finance a positive and regenerative force to avert catastrophe - and to do so fast. Substantial progress has been made towards enabling systemic change across a range of initiatives. But boards and key decision makers are often hamstrung by lack a compelling business case to move early on climate and sustainability, especially against a backdrop of challenging economic headwinds. And without an obvious reward for taking early action or a clear path to regulatory change or new capital market norms, individual companies are reluctant to be 'first movers'.

Change-makers from more than 20 organisations came together at Chartered Accountants' Hall in February 2024 to explore how we can tackle some of these headwinds and unlock systemic change by effectively valuing sustainability impacts in business and finance*.

The discussions highlighted **three key barriers** to a common system response:

* A list of participating organisations is provided in Annex 1.

1: Lack of societal voice, engagement, and buy-in.

Information on both societal sustainability preferences and the sustainability characteristics of products and services is insufficient and unreliable. Consumers are therefore not offered the sustainable choices they need and the market is not operating effectively. The same is true in the political realm, as frictions in the electoral process lead to missed opportunities to align policy with widespread support for climate action.

2: Mis-valuation, risk mispricing, weak incentives, and uncertainty regarding legal duties in business and finance.

Organisational factors including short investment timelines and inappropriate performance criteria, shortcomings in knowledge, data, and capabilities (e.g. in climate scenario analysis), and lack of clarity over the legal and fiduciary duties mean that companies and financial services firms are often underestimating – or ignoring – the rising economic, human, and environmental costs of climate inaction. As a result, finance is not yet creating a sufficiently strong impetus for change in the real economy and boards and key decision makers do not see a compelling case to accelerate their efforts.

3: Insufficient policy clarity, coherence, and commitment.

We lack clear and coherent national (and sub-national) policy frameworks for action on climate and wider sustainability. This leaves corporates and capital providers with insufficient confidence to commit capital at sufficient scale to deliver on climate goals.

Against this backdrop, we have identified one overarching priority action area:

Steering, coordinating, and supporting actions towards whole-of-economy transition.

While a wide range of actions across the system were identified that support this - many already being advanced by various organisations – we also home in on three nested action areas in particular that can enable impact:

Steering, coordinating, and supporting actions towards whole-of-economy transition		
We need a systemic, practical and collective response to whole-of-economy transition. By encouraging governments to take ownership and incorporate strategic national implementation plans to the next iteration of NDCs, including mechanisms by which government can steer, coordinate and support private sector actions towards aligned climate and sustainability goals **we can deliver a dynamic blueprint for whole-of-economy transition.**		
Societal preferences	**Narratives for accelerated change**	**Valuation, pricing and market practice**
Capture and cascade demand signals across the economy	Create and amplify compelling value propositions and narratives for business and finance	Fix failures in the valuation of impacts, risks and opportunities

The landscape of activities in this space is rapidly evolving, including both new and well-established players. But it is lacking in a critical component - the 'connective tissue' - which connects actors and actions, supports coherence, and catalyses change.

To this end, we commit to ongoing engagement with others to connect, support, and continue to build capacity to advance a shared agenda, and invite interested parties to register their support*.

After providing some background and context, the remainder of this document elaborates on the frictions discussed in the workshop and the action areas that we have identified.

* Contact: constellation@rewired.earth using the subject: Rewiring for success: our values-based economy.

1 Background

Sustainability impact valuation is increasingly recognised as a fundamental driver of systemic change and vital to ensure prosperous economies and societies over the long term. But while valuation of the relationship that business has with nature, people, and society is a new subject for many in the mainstream, a lot of work has been done in this area over several years. Many of the organisations and initiatives that have advanced this agenda were represented at the workshop.

The Capitals Coalition is a global collaboration of the 450 or so leading organisations from both the public and private sectors and has been consolidating practice and learning for many years producing harmonised standardised frameworks – such as the Natural Capital Protocol and associated guidance and tools. The Coalition aims to redefine value so that all capitals (produced, natural, social, and human) are considered, thereby changing the way that we make decisions. The movement that the Coalition curates has matured a lot in recent years, moving from a language of 'we could' to 'we should' act. It is now pivoting into a phase of 'we must', which includes an embedding of practice in financial markets, regulations, and systems.

Across the community, a variety of valuation and decision-making approaches have been developed to 'nudge' and eventually 'transform' corporate and financial market behaviour to consider sustainability impacts in a holistic way. Some, such as the Value Balancing Alliance and the International Foundation for Valuing Impacts, have made great strides in developing impact valuation methodologies, and to embed these in corporate decision-making. Much of the community's work is now focusing on standardization rather than experimentation as it pushes to make valuation a new normal.

But ultimately such efforts to price and integrate sustainability impacts into economic decision making will only be impactful at scale where there is confidence in robust consumer demand for sustainable products and services, where those demand signals can be effectively cascaded across the economy, and where appropriate know-how can be embedded into corporate functions and systems.

Rewired Earth is working with actors across the system to build a Constellation of coalitions, organisations, institutions, and individuals focused on improving information flow on supply chain characteristics and societal preferences. To facilitate this, they are building a simple, accessible, and inclusive cross-market platform that maps the sustainability priorities and preferences of millions of people in relation to the UN SDGs and compares it against a company's actual impact – utilising a methodology that enables verification, assurance, and ultimately action. With higher quality information, demand signals can be transmitted across the economy*, empowering agents to invest in developing products, services, and activities that better align with the needs of their customers, investors, employees, and voters.

"Truly systemic change hinges not only on changes to the 'rules of the game' and other structural elements, but also changes to relational elements (such as mechanisms to connect, collaborate and co-create solutions) and cultural elements (including the mental models that underpin individual, corporate, and political decisions and actions)"

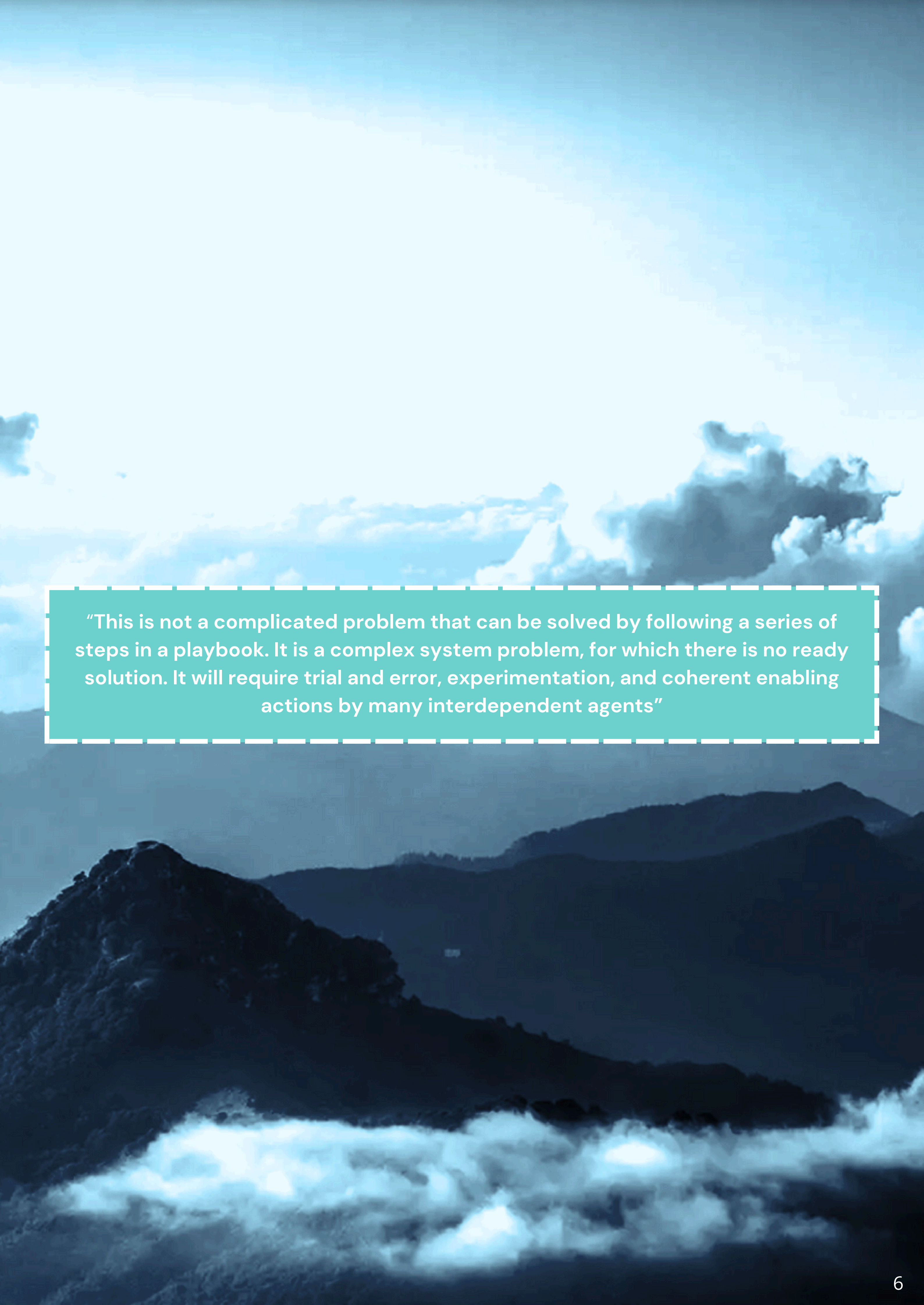
And if new valuation methodologies are to move into the mainstream, a raft of established practices will need to adapt – for instance, approaches to intrinsic/fundamental valuation, calculation of discounted cashflows, net present value, and weighted-average cost of capital. Other challenges will also arise, including in relation to internal capacity, capability, and bandwidth; and securing management buy in and governance.

As new methodologies and practices are implemented, they will almost certainly evolve in response to market learning. For example, as quantitative approaches to scenario analysis have become embedded, they have been criticised as failing to reflect the scale and nature of the challenges ahead – an issue perhaps related to the disconnect between actors in business and finance and those in the scientific and sustainability world, as well as the changing nature of economic thinking and practice. Recent research from the Institute and Faculty of Actuaries and the University of Exeter makes for sobering reading.

Criticisms of voluntarism are also important context to this work. We recognise that integrating impact valuation into standards and regulation represents an enormous opportunity to mainstream sustainability in business and finance, building from the rollout of new international sustainability-related reporting standards by the IFRS Foundation. But we also recognise that **truly systemic change hinges not only on changes to the 'rules of the game' and other structural elements, but also changes to relational elements (such as mechanisms to connect, collaborate and co-create solutions) and cultural elements (including the mental models that underpin individual, corporate, and political decisions and actions).**

Recognising this, alongside the importance of inclusive decision-making and inter-disciplinary collaboration, we emphasise the importance of bringing people together and centring human connection to enable change.

*Collaborations are emerging that indicate how the cascading of such consumer preference data across the economy might be supported. For example, Frontier is an Advance Market Commitment (AMC) that aims to accelerate the development of carbon removal technologies by guaranteeing future demand for them. Similarly, the First Movers Coalition advances emerging climate technologies by leveraging members' collective purchasing power. Such approaches are powerful tools for channelling innovation and investment towards defined parameters such as price, quality and impact, making them well suited to targeting positive tipping points.



"This is not a complicated problem that can be solved by following a series of steps in a playbook. It is a complex system problem, for which there is no ready solution. It will require trial and error, experimentation, and coherent enabling actions by many interdependent agents"

2 Key findings: Interdependent actions and barriers to systemic change

It is widely accepted that a just and equitable transition away from fossil fuel-based energy systems – as was agreed at COP 28 in Dubai – will require a fundamental transformation of business, finance, and the wider economy.

This is not a ***complicated*** problem that can be solved by following a series of steps in a playbook. It is a ***complex system problem,*** for which there is no ready solution. It will require trial and error, experimentation, and enabling actions by many interdependent agents.

Interdependent actions

The theme of interdependent actions across an integrated system was present throughout the workshop. An organising theory that has been agreed on by many of the complementary initiatives (including TNFD, Business for Nature, World Economic Forum, WBCSD, Science Based Targets Network and others) is based around a model of Assess, Commit, Transform, and Disclose (ACT-D; see Figure 1).

The important thing about this model is that it requires a common vision of value throughout business, finance, and government to create the positive feedback loop.

Figure 1. Visualising an interdependent system

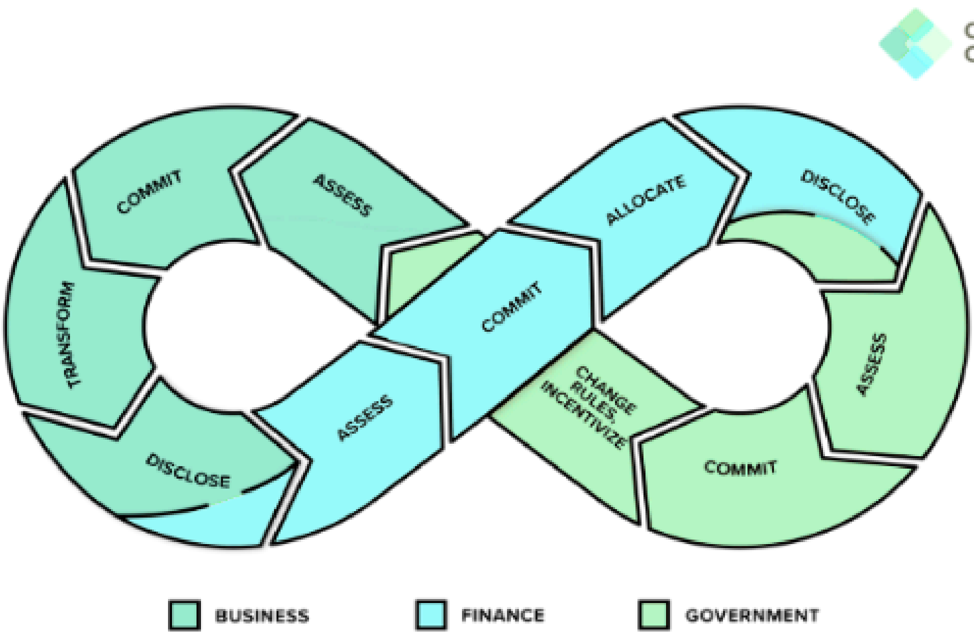


Figure 2 identifies four desirable features of an effective interconnected system. All flow from a common understanding of societal preference: clear direction; aligned delivery; informed deployment of capital; and demand for sustainable business, products, and services. These insights align well with recent work by the World Benchmarking Alliance (WBA) on closing the corporate accountability gap.

Figure 2. Aligning actions across the system with societal preference

Clear Direction

Government clarifies national ambition and strategy; aligned with international agreements and societal preferences; and provides direction, incentives, funding, and support for action on climate and sustainability across the economy

Aligned Delivery

Companies deliver products and services aligned with societal preferences and integrate sustainability risks, opportunities, and impacts in corporate decision making and accounting

Informed Deployment of capital

Financial Services firms deploy capital to support economic activities that align with societal preferences; and accurately value, price, and manage sustainability risks, opportunities and impacts.

Demand for sustainable business, products and services

Society demands sustainable business, products, and services; and in their roles as citizens, workers, asset owners, and consumers, individuals advocate for action on climate and sustainability by government and actors across the economy

Barriers to effective system response

But this interdependent system is not currently operating with a common vision. The discussion highlighted the following key barriers to an effective system response to sustainability-related risks, opportunities, and impacts.

Barrier 1: lack of societal voice, engagement and buy in

- With insufficient and unreliable information on both societal sustainability preferences and the sustainability characteristics of products and services, consumers are not offered the products they need and the market is not operating effectively.

- Frictions in our political system – including for example corporate capture, identity politics, insufficient government communication, poor policy design, dysfunctional media systems, and fiscal constraints - create a mismatch between government policy and societal preferences. Accordingly, there is insufficient government commitment to act on climate change and other sustainability imperatives. A recent global study reveals broad-based support for more climate action across 125 countries, but the disconnect between government and society leaves delivery falling short.

- There is insufficient investment in building buy-in and engagement across the economy – including among the public – for positive change, which manifests in only very slowly shifting mindsets towards a common purpose and a robust sense of collective responsibility.

- Counterproductive narratives and influence must also be addressed. Greenwashing, while now being addressed through legislation in progressive jurisdictions, remains commonplace. Political lobbying by companies to protect private interest at the expense of public goods is also common, even where this conflicts with those same companies' publicly stated positions (e.g. on climate targets). And politicisation of key issues such as the ESG agenda are leading to 'greenhushing'. This is hampering progress towards a shared consensus.

Barrier 2: mis-valuation, risk mispricing, weak incentives and uncertainty regarding legal duties

- Although robust methodologies have been developed, performance evaluation and capital investment horizons – in both the corporate and financial services sectors – remain short, and integration of sustainability impact valuation into mainstream investment processes is, while developing rapidly, in its infancy. Insurers and investors are not yet creating a strong impetus for change. That said, initiatives such as GFANZ and SDG benchmarking in the insurance sector could be catalysts for change, especially if progress continues towards more effective application of scenario analysis that recognises the severe real-world economic and human cost of climate inaction – see work by the University of Exeter and USS on new narratives for action on climate change.

- For now, boards and key decision makers do not see a compelling case to accelerate efforts to embed impact valuation into their decision-making and accounting processes. **Until we observe a cultural reset and mindset shift, progress may be slow**. We may also remain held back by obfuscation and ignorance (sometimes wilful, sometimes due to a failure to educate directors or promote the right people to the board).

- For now, boards and key decision makers do not see a compelling case to accelerate efforts to embed impact valuation into their decision-making and accounting processes. Until we observe a cultural reset and mindset shift, progress may be slow. We may also remain held back by obfuscation and ignorance (sometimes wilful, sometimes due to a failure to educate directors or promote the right people to the board).

- Uncertainties remain regarding directors' legal duties and asset owners' (particularly pension scheme trustees') fiduciary duties to their beneficiaries in respect of sustainability impacts; and in the complex issues surrounding legal liability and the 'corporate veil'. Recent legal and accounting judgements, some published since the workshop, are addressing some of these uncertainties.

- Published in February, the Financial Markets Law Committee (FMLC) guidance on fiduciary duty should remove any remaining doubt for pension scheme trustees that systemic climate and sustainability risks must be considered as part of their fiduciary duty. By emphasising that systemic risks are not diversifiable, the FMLC guidance steers trustees firmly towards taking a systemic perspective. And in March, we saw a precedent-setting legal opinion, commissioned by Pollination Law and the Commonwealth Climate and Law Initiative, confirming the relevance of nature-related risks and considerations for directors when discharging their duties under corporate law.

- Antitrust legislation is also an important barrier to consider. Many corporations are expressing reluctance to engage in collaborations that move beyond transition planning (e.g. joint ventures or collaborative procurement) citing competition law. Regulators in progressive jurisdictions have taken steps to clarify rules over sustainability collaborations, but activity remains sluggish.

- There have also been important accounting-related clarifications: a legal opinion issued in January confirmed that directors should consider whether additional disclosures need to be made on sustainability-related matters in the company's financial statements in order to present a "true and fair view"; and the IFRS Interpretations Committee concluded in March that climate-related commitments could under certain circumstances be regarded as constructive obligations.

- Another constraint lies in a deficit of knowledge, data, and capability. Today's board members and executives haven't been trained to oversee the scale of transformation required. And business-relevant data on sustainability impacts are not yet made systematically available to support corporate decision making and capital allocation. Data on sustainability impacts are not captured in business management software, and hence are not incorporated routinely in activities such as scenario modelling, strategy-setting, financial planning, or capital allocation. Where businesses are valuing sustainability impacts, this typically remains a siloed activity.

Barrier 3: insufficient policy clarity, coherence and commitment

- Corporates and investors alike highlighted the importance of a clear, supportive, and coherent policy environment at national and sub-national level, along with clear political commitment, as prerequisites for decisive action on climate and other sustainability goals.

- To date, NDCs and other targets under international agreements have not typically been supported by strategic, well-articulated implementation, and committed plans. Decision-makers across the economy have therefore often lacked the confidence to commit sufficient capital to climate and other sustainability action.

- Without incorporating strategic national implementation plans (essentially country-level transition plans) into NDCs that inform and support action on sustainability across the economy, resources and capital are misdirected, and the disconnect between government and society persists.

- At the same time, private sector actors need clarity on expectations of their role in meeting intergovernmental sustainability ambitions, e.g. the UN Guiding Principles on Human Rights, and Target 15 of the Global Biodiversity Framework. WBA is advocating for this clarity.

3 Action areas

Given these barriers, we see a strong case for a **series of actions** to create a common vision of societal preference and **cascade that vision** through business and finance. This will require first and foremost a leading role for government. Our priority action area, therefore, is government action to steer and coordinate actions towards whole of economy transition.

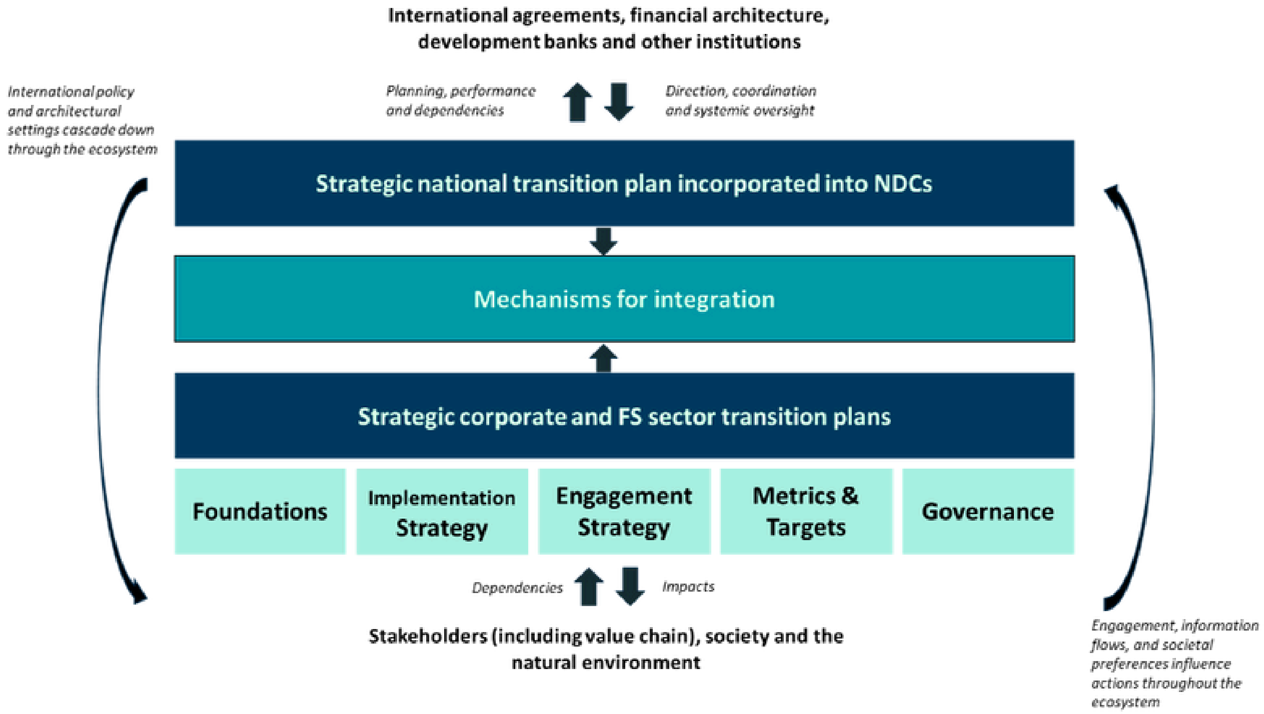
Priority action area:

Steering and coordinating actions towards whole-of-economy transition

By encouraging governments to take ownership, we can deliver a **dynamic blueprint** for action across the economy. The starting point is strategic transition planning at the national (and sub-national) level – along with mechanisms for integration, whereby governments would steer, coordinate, and support transition planning across the corporate and financial services sectors (see Figure 3, below). National plans could be incorporated into enhanced NDCs, also integrating other sustainable development commitments.

"By encouraging governments to take ownership, we can deliver a dynamic blueprint for action across the economy. The starting point is strategic transition planning at the national (and sub-national) level – along with mechanisms for integration, whereby governments would steer, coordinate, and support transition planning across the corporate and financial services sectors"

Figure 3. A strategic and integrated approach to transition planning across the ecosystem



Note: The figure uses the five pillars of the **Transition Plan Taskforce** and **GFANZ** transition planning frameworks as the basis for the content of strategic corporate and financial sector (FS) transition plans.

By setting a clear direction and establishing a strong coordinating and enabling environment, such a strategic and integrated approach can be expected to accelerate, scale, and crowd-in private finance to support climate action, and other sustainable development and growth objectives.

Several policy and industry initiatives have developed frameworks for effective transition planning and transition plan disclosure. And in 2024, transition planning remains a priority for the G20 Sustainable Finance Working Group (G20 SFWG).

To date, much of the focus on transition planning has been on corporate and financial sector efforts – notably GFANZ and the Transition Plan Taskforce. But the case for clear policy direction from government is increasingly recognised. The UN Climate Change Executive Secretary, for instance, recently remarked that "NDCs 3.0 which double as national investment plans can steer economies towards growth-driving industries and services fuelled by renewable energy". New policy work is also emerging at the G20, the Coalition of Finance Ministers for Climate Action. And extensive work is underway on country platforms such as JETPs and Climate Prosperity Plans. LSE, WBA, and others have advocated for a strong focus on a just energy transition by the G20 under the Brazilian Presidency.

Research is also currently underway at the London School of Economics and Political Science, Grantham Research Institute, in collaboration with others, to develop a framework on the lines of that sketched above. Connected work is also in train at the World Business Council for Sustainable Development and the NDC Partnership, among others. Conceptual work should be well-advanced in H1 2024, with scope for engagement later in 2024.

Nested action areas

There is then a cluster of enabling actions – many of which are already being designed and advanced by various organisations – embedded or nested at different points in the system. Figure 4 identifies three nested action areas in particular that can variously validate, support, complement or amplify the impact of the integrated transition planning ecosystem described above.

We further unpack these nested actions in Annex 2, demonstrating the channels by which these actions can support a strategic and integrated approach to transition planning across the system. And we explore a wider range of interrelated supporting actions in Annex 3.

Figure 4. Nested actions across the system

1. Societal preferences	2. Narratives for accelerated change	3. Valuation, pricing and market practice
•Capturing and underlining societal preferences and demand •Cascading information through the economy to inform product design and delivery •Giving society a voice and reconnecting government	•Reinforcing compelling narratives for accelerated behavioural change •Creating a value proposition for business and society	•Correcting misvaluation and mispricing of impacts, risks, and opportunities •Highlighting and building momentum around real-world scenarios and new valuation methodologies

By nested, we mean that these areas are interlinked through cascading responses. Mechanisms to reveal and harness **societal preferences**, for instance, could feed a connected sustainability data ecosystem that directly informs the development of a national Strategic Ambition to anchor a national transition plan that:

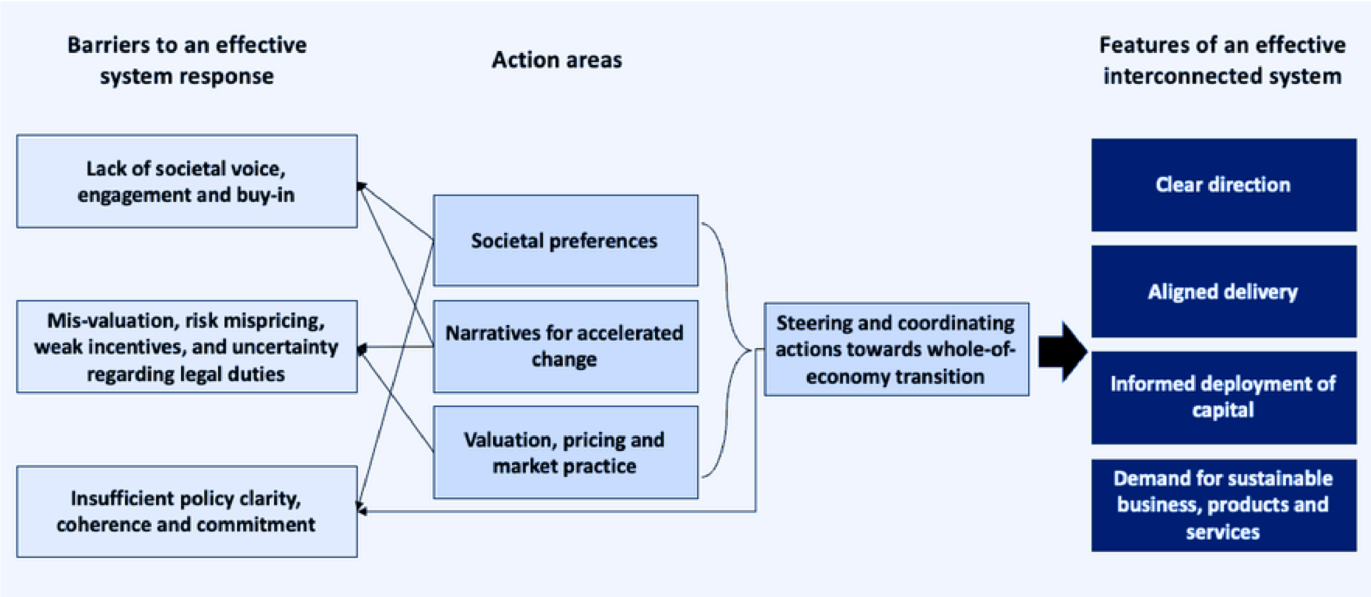
- directly (and indirectly, via integrated national and corporate transition planning) supports the design and delivery of sustainable products and services across the economy;

- underpins compelling **narratives for accelerated change** in line with the national Strategic Ambition;

- supports the design, piloting, and eventual systematic implementation of new approaches to **valuation, pricing, and market practice**, embedding the consideration of sustainability risks, opportunities, and impacts in corporate strategy, decision making, and reporting.

Figure 5 brings all of the elements together, illustrating how the identified action areas aim to address the barriers identified in Section III, and linking these to the desirable features of an effective interconnected system.

Figure 5. Bringing it all together



4 Next steps

In thinking about our priority and nested action areas, we are mindful of: a) the range of more detailed actions that inevitably underpin them; b) the interdependencies between them, including positive and negative synergistic effects and critical paths among activities; and c) the need to frame these activities within a broader view of transition that manages the decline of unsustainable activities and nurtures new sustainable ones. These are ongoing challenges, but we have started to explore them - see our initial exploration of this in Annex 2.

We are also mindful of the continual and rapid evolution of the landscape of initiatives in this space, which cannot practically be captured in full. While we recognise and hope that these will flourish and grow independently, we also recognise the importance of at least an informal mechanism to hold and evolve a strategic thread.

The organisers of the workshop therefore commit to continued engagement with others, directly or via other collective initiatives, to help connect, support, and continue to build capacity to advance a shared agenda. We now invite those working along similar lines to register their support by getting in touch.

We will further explore opportunities to formalise our work by:

1. **More fully articulating a common vision** that will increase effectiveness by connecting and aligning linked initiatives.
2. **Building buy-in** for the common vision across the system through engagement and advocacy.
3. **Identifying opportunities for further collaboration.** We are excited that Rewired Earth Constellation is going to drive forward the coordination of the nested actions outlined in this paper. There will be further announcements on next steps at Houses of Parliament on Wednesday 19th June 2024. Spaces are limited, so please follow this link to confirm your attendance.

   We will also be convening a further discussion, bringing partners together to coordinate and accelerate progress hosted by the Institute of Chartered accountants in England and Wales (ICAEW) on 12 September 2024. For more information, please contact Sarah Reay (Sarah.Reay@icaew.com).

Annex 1

Paricipating organisations

Accounting for Sustainability (A4S)

Aviva Investors

BRAE

Capitals Coalition

Centre for Greening Finance and Investment, Oxford Smith School

Chapter Zero

Chartered Institute of Management Accountants

Deloitte

Encompass Earth

IFRS Foundation

Institute of Chartered Accountants in England and Wales

International Cooperative and Mutual Insurance Federation

Centre for Economic Transition Expertise, Grantham Research Institute, London School of Economics and Political Science

King's College Centre for Climate Law and Governance

Ordnance Survey

PwC

Real Economy Progress

Reframe Capital

Rethinking Capital

Rewired Earth

Transition Plan Taskforce Secretariat

UNEP-FI

Value Balancing Alliance

WBCSD

World Benchmarking Alliance

Annex 2

Nested action areas

1: Societal preferences

The Issue

The current marked absence of a compelling business case to adopt transition plans discourages early action and prevents widespread adoption of sustainability practices that would enable systemic change in the markets.

Financial markets have the power to accelerate the change required, but businesses (and indeed policymakers) do not have clarity over demand for sustainable products and services to have confidence that their investments will be worthwhile.

We need mechanisms for citizens (as consumers, investors, employees, and voters) to express simply and comparably what they care about most when it comes to sustainability and the trade-offs they are willing to accept in order to support a just transition. Innovative forms of participatory democracy such as citizens assemblies are developing in Europe, but better data for decision makers in business and finance is needed.

This challenge is further illuminated in the seeming mismatch between government policy and societal support for action on climate and sustainability.

Proposed Action

Develop a shared, cross-market approach and accompanying tools, to reveal and harness the societal sustainability preferences necessary to demonstrate the consumer buy-in for positive change.

With higher quality information and clearer demand signals, agents across the economy will be empowered and enabled to invest in developing products, services, and activities that better align with the needs of their customers, investors, employees, and voters. This information must be cascaded effectively between, for example, consumers, businesses, and their value chain stakeholders, investors, and governments.

Societal engagement and consensus building has twofold value in this system: firstly by creating the conditions for innovative corporate behaviour, and secondly in informing national strategy.

A potential opportunity

Rewired Earth working with CodeGreen, OnePlanet, Youth4Planet and many other organisations from across its Constellation has developed a practical framework, engagement approach, and technical data architecture using the UN SDGs to access the diverse voices across communities necessary to establish consensus for transition plans and understanding of consumer preferences.

By building holistic enfranchisement into transition plans through an understanding of sustainability priorities at scale, we can foster crucial dialogue between government, business, and communities: policymakers will gain rich understanding of popular sentiment towards environmental stewardship initiatives; voters will gain elevated roles in determining the characteristics of climate policy; and businesses will have a much clearer reason to invest in the just transition.

WBA's open source sustainability assessments of 2000 of the world's most influential companies also have the potential to be used more by media and directly by citizens.

Timelines

Alignment with, and mapping against, other effective approaches is underway and the development of complementary community of action is taking shape.

The intention is to start testing practically the combined approach throughout 2024, with a clear intention to scale a joined-up approach in 2025 and beyond.

2: Narratives for accelerated change

The issue

At present there are no coherent sets of narratives pertaining to this work that resonate clearly with citizens, consumers, workers, and decision makers. While there is clear evidence of buy in, particularly among certain demographics, and efforts to persuade abound, we lack strategic communication efforts focused on shifting beliefs and values at a systemic level.

"Narrative strategy is a long term effort to raise certain values and diminish others in ways that engage diverse types of narrators and audiences, and that are not bound by short term communications needs" Convergence Partnership, Funding Narrative Change

Strategic narratives, in contrast, support us to challenge the prevailing systemic and structural norms, and to critique underlying assumptions. They help shift mental models: reframing our understanding of the systems within which we are embedded, as well as introducing levers that can support behavioural change.

Without strategic, saturating narratives that compel people to support and engage with change, it will remain difficult to persuade crucial decision-makers to adjust their thinking and actions. If there is no mandate from shareholders and citizens, then board members and ministers will not act. Indeed, even if the mandate were to exist, mindset and behavioural change across the board is vital. Technical solutions are important but not enough: charting this path also requires shared mental models and associated conviction to act.

This work is underway in pockets. For example, the SHAPE project by the Potsdam Institute on Climate Impact Research developed three different narratives through a co-creative process to model different transition pathways, enabling buy in and engagement in the technical outputs. Futerra have worked extensively on sustainability narratives and storytelling. And Cambridge Institute for Sustainability Leadership (CISL) have focused on charting sustainable corporate worldviews, purpose, governance and culture, including a focus on marketing.

Clearly, a systems shift will involve diverse stakeholders. Developing an (intra) narrative will become fundamental as a way of facilitating effective communication, ensuring coordination and collaboration among and between communities of practice, and further facilitating efforts to align and utilise financial resources efficiently.

By developing narratives alongside coordinating intervention practices, we will create a systemic process that succeeds in identifying and removing blockages while building and maintaining broad consensus for sustainable behaviours.

Proposed action

No single entity can or should take a lead on developing the stories that come together in a compelling narrative for change. Powerful narratives emerge from diverse entities finding points of coherence, and co-ordinating well to communicate consistently and widely. As part of the transition planning work identified above, we anticipate mapping effective existing activities, contributing through extension and amplification where possible, and enhancing through strategic systemic interventions if appropriate.

It seems likely that a transition planning approach will lead to targeting of key leverage points (e.g. financial materiality for boards, consumers) in the system. We can speculate that narrative efforts developed through this programme of work may well be designed to reach and affect people working at these points of leverage, to influence belief and behaviour with a view to dissolving blockages in the system.

A potential opportunity

Rewired Earth, the Constellation and several universities are developing a Behaviour Change Framework to understand the conditions necessary for accelerating action and closing the 'say-do gap' when it comes to sustainability. A key part of this work is to understand effective narratives, stories, and metaphors for engaging different stakeholders more impactfully in sustainability. There is the potential to integrate this research with the nested actions and priority action area outlined above.

3: Valuation, pricing, and market practices

The Issue

When the Natural Capital Protocol was released in 2016, it harmonised the 40 or so initiatives that were in existence at that time into an internationally accepted standardised framework. Although this has helped to establish the movement, it is by no means mainstream yet.

There have more recently been advances in the disclosure of sustainability-related risks and opportunities issues for business, with the establishment of the ISSB and significant progress in the EU. Following the TCFD, the TNFD has changed the conversation around nature in the board room and has embedded the Natural Capital Protocol in its framework. With the ISSB having decided to develop a research project on biodiversity, ecosystems, and ecosystem services it is hoped that the TNFD will inform a future ISSB standard in due course.

So, the question is now changing from 'What could I do?' to 'Is what I am doing good enough?'. A lot of work is planned for the next year. Steps are being taken by NGOs, much of this curated by the Capitals Coalition, and also by the accounting and standards communities. We highlight some key initiative below.

NGO community

- The Value Commission is an independent body hosted by the Capitals Coalition. It plans to release requirements and criteria to build accountability of valuation in 2024.
- The International Foundation for Valuing Impacts has brought together work around the monetization of impacts and is standardizing the processes related to this, and the Value Balancing Alliance is testing the methods with business to demonstrate that it is possible to produce integrated accounts.
- The World Business Council for Sustainable Development has a workstream underway on has a workstream underway on Corporate Performance and Accountability, which builds on its established collaborative work on Redefining Value. This workstream aims to provide practical support to companies in incorporating sustainability performance into their business and finance systems – ultimately bringing a values lens to decision making and reporting.
- A group of leading thinkers in the Coalition community-led work on Corporate Natural Capital Accounting is looking at how to account for the stock of capital.

Standards community

- The UN System of Environment Economic Accounts became a standard in 2021 and is already being applied by more than half the countries in the world to produce national level accounts, and ISO 14054 is developing Natural Capital Accounting for Organizations.

Accounting community

- The accountancy bodies, including ICAEW, are updating their certification and training requirements to include impact valuation.
- Accounting 4 Sustainability is advancing application and understanding in the Finance and Accounting sectors.

Proposed action

With all this activity underway, there is a challenge in understanding how each element fits into the system and how it advances the common vision. This requires building trust between the different actors, but also with the community of users. It will involve testing, piloting, and proof of concept.

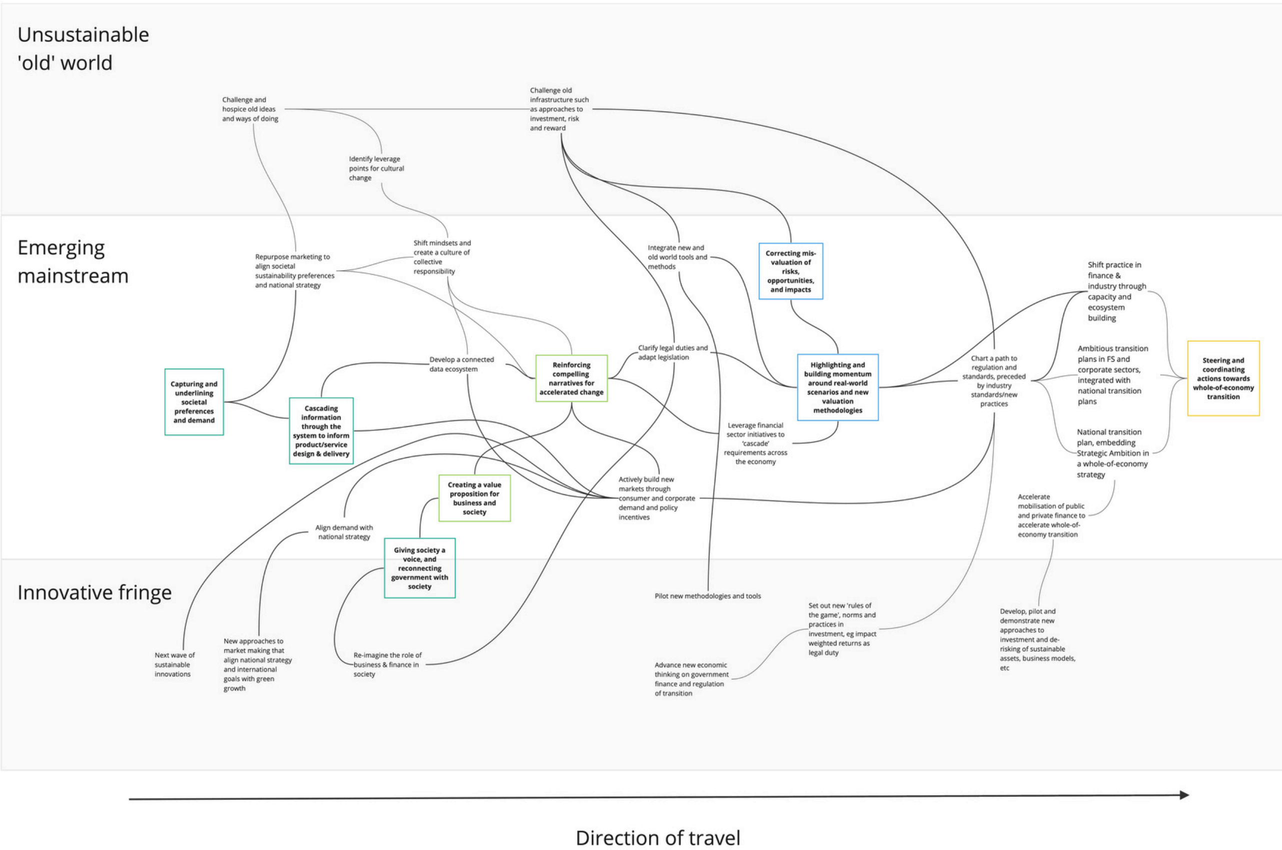
One of the biggest challenges will be to understand how standardised impact valuation can be embedded into the existing system, including key data and ratings providers. It will also be important to consider more fully how this work interconnects with the other nested action areas, and how it can support efforts to steer, coordinate, and support actions towards whole-of-economy transition.

Annex 3

Exploring candidate systems interventions

Figure 6. Exploration of the actions highlighted in Figure 4 and the priority action in relation to wider interdependent actions. The emerging 'sustainable' mainstream is formed by retiring aspects of the 'old' unsustainable economy and filtering in innovations from the emerging future.

Expand or zoom in to view.



Get involved.

Join the Rewired Constellation and work with us to make the financial markets the most protective force on the planet.

Rewired Earth
116 Pall Mall
London
SW1Y 5ED
rewired.earth

constellation@rewired.earth