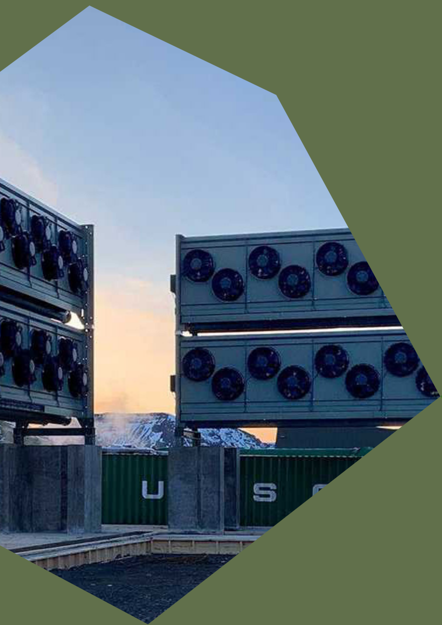
The Case for *Beyond-Value-Chain Actions*



World Business Council for Sustainable Development

BAIN & COMPANY

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01.

01. Introduction

Our world faces escalating environmental and societal crises, with global temperatures set to rise by over 1.5 degrees Celsius from pre-industrial levels. The increasing frequency of wildfires, floods, and extreme weather events signals a rapidly worsening climate crisis further compounding the threats to nature, biodiversity, and society. To address these formidable challenges, we must transcend the confines of individual company efforts and instead, engage in systemic collaboration to scale existing knowledge, experience, and technology. Our choices today can either exacerbate these crises or contribute to their mitigation.

To achieve the ambitious 2030 global targets for people, planet, and prosperity, we must confront substantial financing gaps. If we are to achieve the 2030 global targets, the private sector must annually allocate a staggering $2.2 trillion to tackle climate change and $160 billion to tackle nature loss beyond the present level of commitments. Based on recent trends, an even further capital injection will be needed to reverse the trend in inequality, although that figure has not yet been calculated. Beyond-value-chain actions can help mitigate shortfalls and scale of private funding.

Companies worldwide are already acting on a wide array of environmental and social imperatives, responding to their many stakeholders including regulators, employees, investors, NGOs, and communities. They are digging deep into their operations, supply chains and product lifecycles. Yet, this is not enough. To combat planetary degradation and foster a thriving planet, companies must take actions that extend beyond their traditional boundaries, specifically beyond their value chains.

Beyond-value-chain actions refer to actions or investments outside a company's physical value chain that contribute to societal targets in climate, nature, and equity.

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Only a small percentage of businesses have taken concrete actions beyond their physical value chains to help bridge the gap needed to achieve global net zero, nature positive and equity targets. Most companies remain focused on their in-value-chain objectives or are waiting for clearer incentives and standards to emerge.

Yet, the rationale for companies to expand beyond their value chains is gaining momentum. Stakeholders are increasingly calling upon companies to enhance their contributions to sustainability.

- Policymakers around the world recognize the need to mobilize private capital to address societal challenges beyond corporate value chains and are establishing regulatory frameworks to incentivize action and penalize inaction. Businesses that act today will be more resilient to potential regulatory shocks and better positioned for policy tailwinds on the horizon.
- Investors are increasingly evaluating a company's dependencies on nature and its impact on climate, nature, and equity when assessing business health and risk. Forward-thinking businesses that embrace beyond-value-chain actions are more likely to gain additional competitive advantages, such as strengthening their brand reputation, demonstrating resilience, and securing access to lower-cost capital.
- According to multiple studies, awareness of climate, nature and equity issues is steadily rising, and the public expects companies to address these issues. In-value-chain action to address a company's own impact on nature, climate and people is rapidly becoming the expected baseline for corporate action. When companies act beyond their value chains in alignment with their brand purpose, the potential to attract and retain valued consumers and employees increases.

To truly move the needle and accelerate shared environmental and societal ambitions, we need collective action to unleash private financing at scale. Businesses must play a vital role in helping to close the significant financing gaps for climate, biodiversity, and equity action worldwide. Companies that join this effort now, at the developmental stages, can genuinely distinguish themselves as leaders in the beyond-value-chain marketplace.

This report delves into the actions companies can undertake beyond their value chains to support global targets in climate, nature, and equity. This report aims to:

- Introduce the concept of beyond-value-chain actions across climate, nature, and equity
- Illustrate the business case for immediate commitments and actions
- Provide a roadmap to assess impacts, set ambitions, and identify effective actions
- Outline rigorous processes to guide these actions

Taken together, this report offers tangible ways for a diverse set of stakeholders to work together to catalyze and scale private sector contributions. We acknowledge that business participation in the marketplace may remain limited without clear economic benefits and incentives. Therefore, we aspire to catalyze collaboration and action among businesses, policymakers, investors, and the public to drive meaningful change in addressing our global challenges.

This report is a collaborative effort between the World Business Council for Sustainable Development (WBCSD) and Bain & Company.

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Laying *the foundation*

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02.

02. Laying *the foundation*

Private sector investment is critical to reaching global targets

The world is currently off track to reach global climate, nature, and social targets and ambitions are rising across efforts to tackle climate change, nature loss, and rising inequality. Although global action is on the rise to mitigate the worst effects of climate change, the current level of effort has proven insufficient to limit the global temperature increase to within the critical 1.5-degree-Celsius threshold.[1] We are also standing at a precarious juncture for nature loss, witnessing a close to 70% decline in wildlife populations since the 1970s while continuing to stretch planetary boundaries.[2, 3] Rising inequality, as evidenced by the widening income gap between the top 10% and the bottom 50% over four decades, runs in the opposite direction of collective commitments to foster respect for human rights, well-being, diversity, equity, inclusion, and belonging[4] (Figure 1).

To ensure sustainable and profitable growth for all, we must achieve the goals of net zero, nature positive, and social equity at the global, community and individual levels. A substantial 7-10% of global gross domestic product (GDP) is susceptible to potential missteps in how our society addresses the climate crisis.[5] Nature loss places a further 15% of GDP that are highly dependent on nature at risk.[6] Moreover, a slight increase in the Gini coefficient – an indicator that rises in relation to increasing income inequality – can translate into a 8.5% decline in global GDP in 25 years.[7]

Photo credits: Muswema Chanda, BCP

Figure 1: Global issue and target for climate, nature, and equity

Issue	**Climate change**	**Ecological degradation**	**Inequality of wealth, wellbeing & opportunity**
Target	**Limit global temperature** rise to well below **2°C**, and strive to keep it at **1.5°C above pre-industrial level**	**Halt and reverse nature loss** and create a world of **living in harmony with nature**	**Foster an environment** that is conducive to **respecting human rights**, wellbeing, diversity, equity, inclusion and belonging

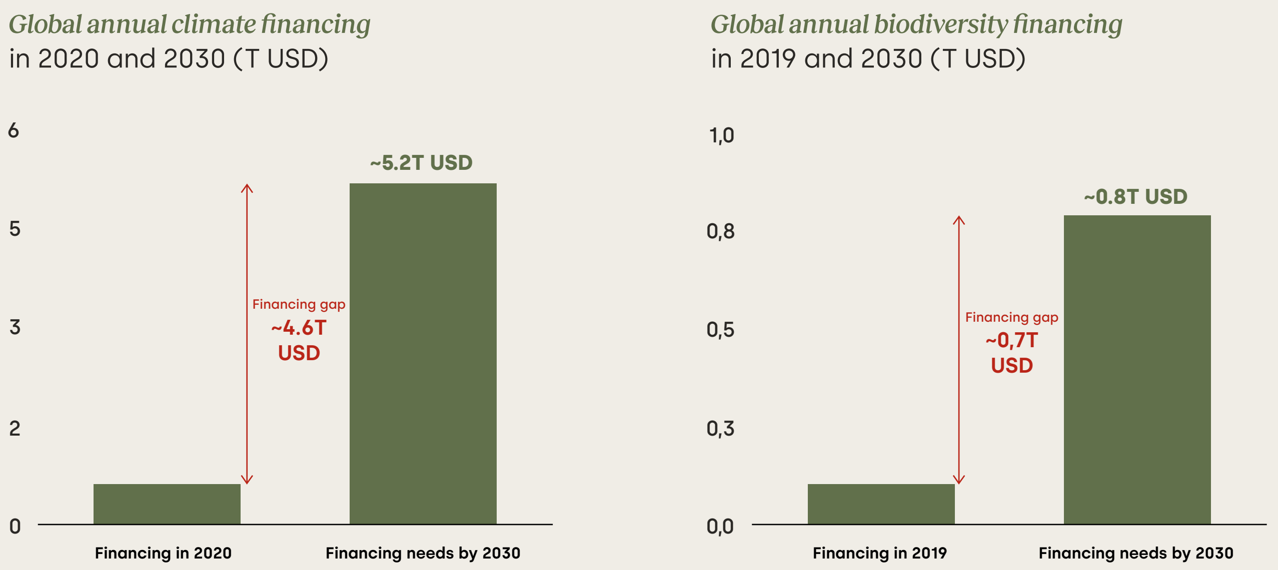
For businesses, failure to meet these targets can directly disrupt their day-to-day operations in the following ways:

- → **Climate change** introduces tangible risks to corporate assets, supply chains, and operations due to increasing instances of extreme weather events and rising sea levels.
- → **Nature loss** will compromise the provision of ecosystem services and threaten the delivery of critical products and services and continuity of operations.
- → **Rising inequality** can lead to social discord in communities integral to the corporate value chain, jeopardizing the consistent performance of businesses.

We urgently need to close the significant financing gaps if we are to reach the 2030 global targets. Realigning with the 1.5-degree-Celsius pathway requires total annual climate finance to grow by almost tenfold, increasing from $0.6 trillion in 2020 to $5.2 trillion by 2030.[8] Meeting global biodiversity conservation total needs by 2030 will require us to bridge the $0.7 trillion annual financing gap from the current level[9] (Figure 2). Based on trends, an even further capital injection will be needed to reverse the trend in inequality, although that figure has not yet been calculated.

In-value chain investments, though pivotal, remain insufficient to meet our financing needs. While some companies are actively addressing their negative impacts, most worldwide are not yet taking any action to address their GHG emissions, nature footprint or social impacts. Furthermore, there are numerous emissions sources that sit outside of corporate value chains altogether.

Figure 2: **Total financing needs for climate and biodiversity by 2030**[8, 9]



Responding to the challenge through beyond-value-chain action

Beyond-value-chain actions – actions or investments outside a company's physical value chain – can mobilize much-needed private finance to help deliver societal targets such as net zero, nature positive and global equity. Introduced by the **Science Based Targets initiative (SBTi)**, the Beyond Value Chain Mitigation (BVCM) concept recognizes the need to finance otherwise unviable actions to reach environmental and societal goals.

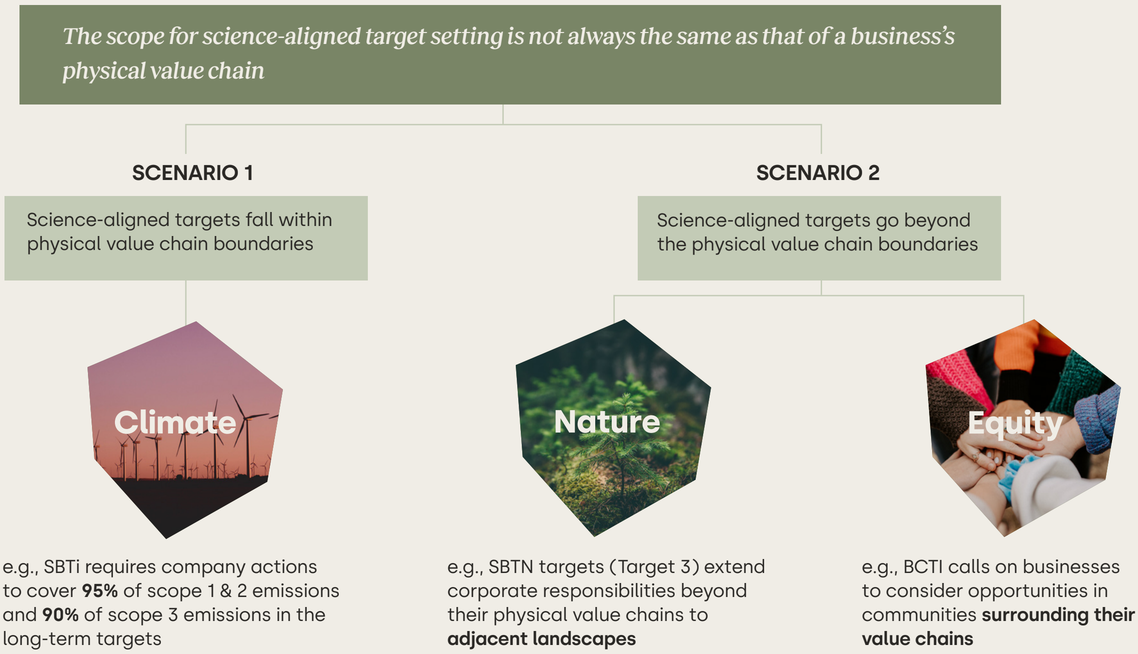
Beyond-value-chain actions are incorporated in different ways and degrees by the climate, nature and equity target setting standards (Figure 3):

→ **Climate:** in the context of climate action, it's widely acknowledged that businesses' value chains consist of scopes 1, 2, and 3 (as defined by the **Greenhouse Gas Protocol**).[10] SBTi (and most frameworks) uses this definition and guides businesses to set individual targets within their physical value chain. However, activities beyond the value chain are not included in a company's GHG inventory (scopes 1, 2, or 3), and therefore cannot be used to meet a company's net-zero targets. Nevertheless, the standard recommends companies to take action or make investments outside their own value chains to mitigate GHG emissions in addition to their science-based targets, recognizing these actions as vital for supporting global climate ambition.

→ **Nature:** the Science Based Targets Network (SBTN) defines the areas beyond a business' value chain as "value chain-adjacent landscapes". **SBTN's Land Technical Guidance** calls for businesses to engage in multi-stakeholder processes to enable regenerative, restorative, and transformational actions for improving ecological and social conditions in value chain-adjacent landscapes (Target 3).

→ **Equity:** the **Business Commission to Tackle Inequality (BCTI)** urges all business leaders to prioritize the most impactful opportunities for their organizations. It encourages companies to act, not only among stakeholders within their value chain but also in the surrounding communities, thereby expanding their responsibilities beyond their physical value chains.

Figure 3: The scope of beyond-value-chain across climate, nature, and equity



Call *to action*

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03.

03. Call *to action*

Business case

Scaling investments in beyond-value-chain actions is of paramount importance. Around the world, policymakers, NGOs and other key players are responding to this challenge by creating conditions that encourage broader beyond-value-chain actions.

Currently, there are no agreed forecasts of the potential value of beyond-value-chain actions. However, partial estimates indicate that substantial funding could be mobilized for actions that would otherwise not be financed. For example, if companies with Science Based Targets take actions beyond their value chain at the same rate at which companies adopted Science Based Targets, and they increased their investments beyond their value chain over time to fully match the tCO2e of unabated emissions in a given year (i.e. ton-for-ton), beyond-value-chain actions could unlock mitigation of approximately 5Gt in 2030, 3.7Gt in 2040 and 2.4 Gt in 2050.[11]

However, several factors are currently preventing companies from investing in beyond-value-chain actions, especially concerning net zero climate related targets. One significant issue is the exclusion of emissions reductions achieved beyond the value chain from Scope 1, 2 and 3 inventories, through for example the purchase of voluntary carbon credits. This limitation greatly reduces incentives for companies to make such investments. Furthermore, doubts around the integrity of the reduction outcomes create additional reputational risks for companies, thus further hindering the investments.

If these roadblocks were removed, companies could unlock various business benefits through beyond-value-chain actions on climate, nature and equity (Figure 4 and Table 1). This approach would likely lead to greater overall action on carbon reduction than if companies were to proceed on the current net zero approach.

Figure 4: Business case for beyond-value-chain actions

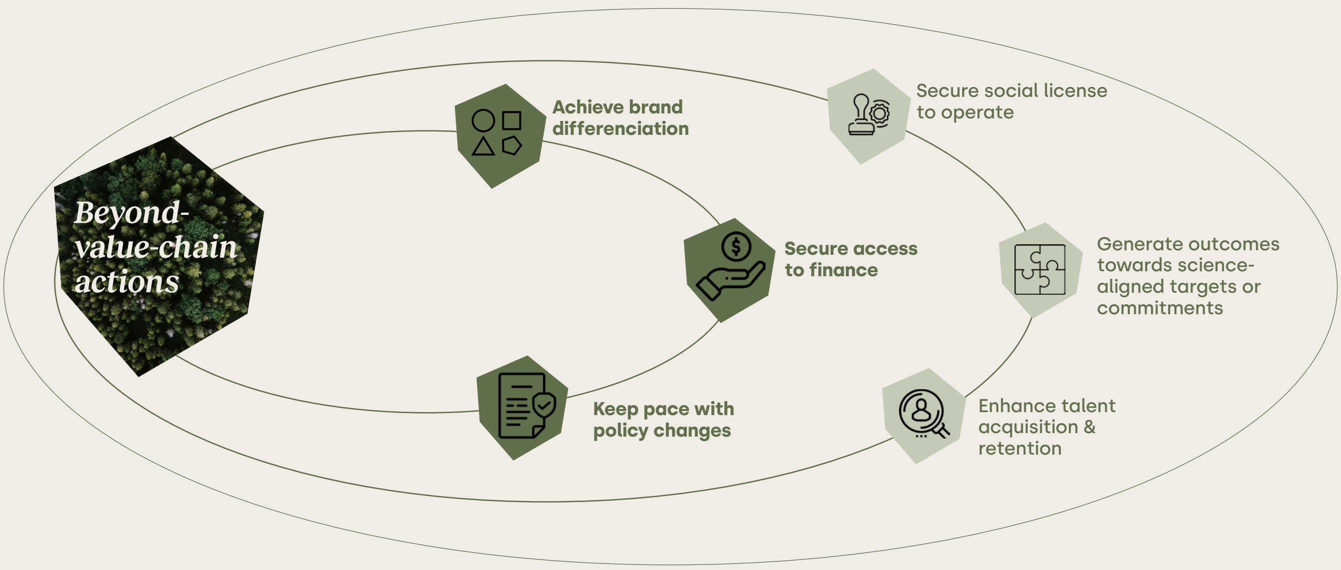


Table 1: Companies can unlock various business benefits through beyond-value-chain actions on climate, nature and equity

Business benefits	*Climate change*	*Nature loss*	*Rising inequality*
Stay ahead of policy changes	The UK government's funding to VCMI and the US's Energy Transition Accelerator Financing Platform are examples of early policy moves to promote businesses' beyond-value-chain actions in climate.	The Australian government's launch of biodiversity certificates and UK government's explicit action to enlist private finance for nature recovery[15] suggest heightened regulatory expectations for private capital contributions in nature.	Similar regulatory moves may emerge in the future to catalyze corporate beyond-value-chain actions for tackling inequality.* **benefits have lower relevance today*
Secure access to finance	The **TCFD framework** guides businesses to disclose climate actions (e.g., carbon credit purchase). Businesses that take beyond-value-chain actions demonstrate greater resilience, thus appealing to investors.	The **Taskforce on Nature-related Financial Disclosures** framework (equivalent of TCFD for nature) guides businesses to disclose nature actions (e.g., biodiversity offset purchase in voluntary credit market schemes), and is expected to bring similar benefits to businesses as TCFD.	The **Taskforce on Inequality and Social-related Financial Disclosures (TISFD)** framework (in progress, to launch in 2024) is expected to bring similar benefits to businesses as TCFD and TNFD.
Achieve brand differentiation	Given growing customer expectation for corporate contributions to tackle climate change, businesses that invest beyond their value chains can strengthen their credibility and legitimacy as leaders.	Beyond-value-chain actions in nature are expected to create similar benefits for businesses as in climate.	Beyond-value-chain actions to tackle inequality are expected to create similar benefits for businesses as in climate.
Obtain social license to operate	By deploying resources and finance into beyond-value chain-actions in their communities, consumer markets, and even globally, businesses can enhance their social license to operate and their brand reputation.	The localized and visible impact from actions in nature can help businesses obtain local community support in existing markets or during market entry.	Beyond-value-chain actions in equity are expected to create similar benefits for businesses as in nature.
Enhance talent acquisition and retention	As corporate sustainability commitments gain importance in job selection, businesses with beyond-value-chain actions will be more adept at attracting and retaining talent.	Beyond-value-chain actions in nature are expected to create similar benefits for businesses as in climate.	Beyond-value-chain actions in equity are expected to create similar benefits for businesses as in climate.
Generate benefits towards science-aligned targets or commitments	Beyond-value-chain actions in climate (e.g., reforestation adjacent to value chain) may create simultaneous benefits in nature or equity, thereby contributing to fullfilling those commitments.	Beyond-value-chain actions in nature (e.g., restoring wetland adjacent to value chain) may count towards science-aligned targets (e.g., Target 3 of SBTN), providing inherent incentives for such investment.	Beyond-value-chain actions in equity are expected to create similar benefits for businesses as in nature.

Key benefits for business include:

1. **Keeping pace with policy changes.** Policymakers across the world are introducing more targeted policies to halt and reverse the current trajectory for climate, nature and equity. To motivate private sector actions, regulators have expanded legally binding climate and nature targets for businesses. Recent moves – such as the Australian government's launch of biodiversity credits[12] and the UK government's sponsorship of the Voluntary Carbon Markets Integrity (VCMI) initiative[13] – are encouraging and rewarding businesses to proactively go beyond their physical value chain. **As such, businesses priming themselves to navigate the future policy landscape can take advantage of policy tailwinds.**

2. **Securing access to finance.** Voluntary disclosure frameworks, such as the Task Force on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD), are starting to request information on beyond-value-chain actions as part of their scope (Figure 5). This suggests that financial institutions and investors are increasingly paying attention and recognize that such actions can help mitigate physical and transition risks. This interest, in turn, is driving businesses to undertake more concrete beyond-value-chain actions and investments. **Companies that undertake consistent efforts on climate, nature, and equity issues – including those beyond their value chains – will not only strengthen their overall business resilience but also better position themselves for stable financing.**

3. **Achieving brand differentiation.** Public awareness of environmental and societal crises is at an all-time high. With 83% of consumers now expecting businesses to actively shape environmental, social, and governance (ESG) practices, the case for action is clearer than ever.[14] While in-value-chain mitigation to address a company's own footprint on nature, climate and people is becoming the expected baseline for corporate action, **businesses that go above and beyond to take beyond-value-chain actions that align with their brand purpose can set themselves apart and win the hearts of customers.**

   In addition, businesses acting beyond their value chain are also better equipped to secure a social license to operate in their downstream markets, enhance talent acquisition and retention, and generate benefits towards their in-value-chain science-aligned targets and commitments.

Photo credits: BioCarbon Partners

Figure 5: Beyond value chain actions references from TCFD and TNFD

→ **Climate**

Standards released by **International Sustainability Standards Board (ISSB)**, influenced by **TCFD**, require a company to disclose **the number of carbon offsets necessary to reach the company's net zero goals**, including certain factors required for users to understand the credibility and integrity of the offsets intended to be used by the entity.

→ **Nature**

Frameworks like **TNFD** and **ESRS** (European Sustainability Reporting Standards) guide businesses to disclose on metrics such as **total purchased and sold biodiversity offsets and voluntary ecosystem and/or species restoration.**

Taking action today

In order to capture these business benefits, companies should start to take action today to position for the future state that is on the horizon.

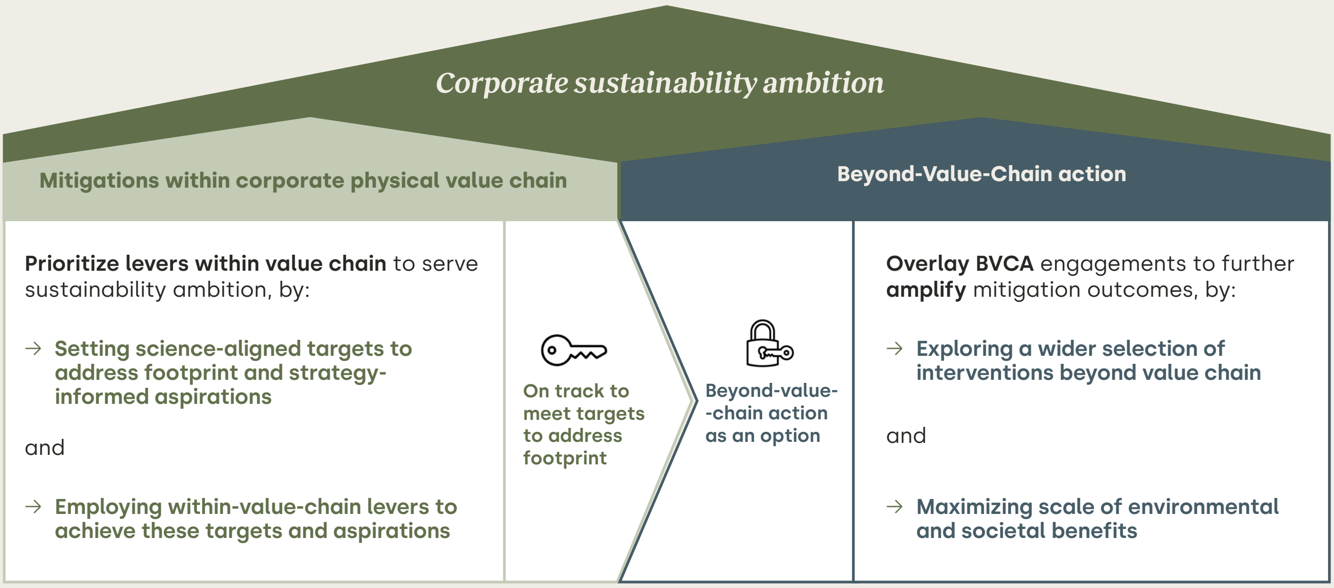
To kick off their beyond-value-chain efforts, businesses should start by considering the following two key steps:

1 *Address your in-value-chain business climate, nature and equity impacts*

Taking action to address in-value-chain impacts (and dependencies, in the case of nature) should always precede substantial undertaking of actions beyond the value chain. Therefore, businesses should first and foremost deploy in-value-chain mitigations. This means actively avoiding and/or minimizing a company's negative impacts on climate, nature, and equity in line with science-aligned targets like SBTi and SBTN. Meeting these science-aligned targets before pursuing beyond-value-chain actions is crucial to better fullfilling and elevating existing corporate ambitions for sustainability. While beyond-value-chain actions can complement a business' in-value-chain mitigations, they are not a replacement (Figure 6). For example, once a company is on track to deliver their near-term climate mitigation targets, they can consider addressing annual remaining emissions by investing in actions beyond their value chain (i.e., through the voluntary carbon market).

This first step is crucial as it sets the foundation for prioritizing beyond-value-chain actions. These actions should work alongside in-value-chain efforts to achieve the most significant results. Businesses may refer to widely accepted frameworks like SBTi and SBTN for guidance when measuring their progress.

Figure 6: Beyond-Value-Chain action complements value-chain mitigations and responsibilities



2

Define your ambitions

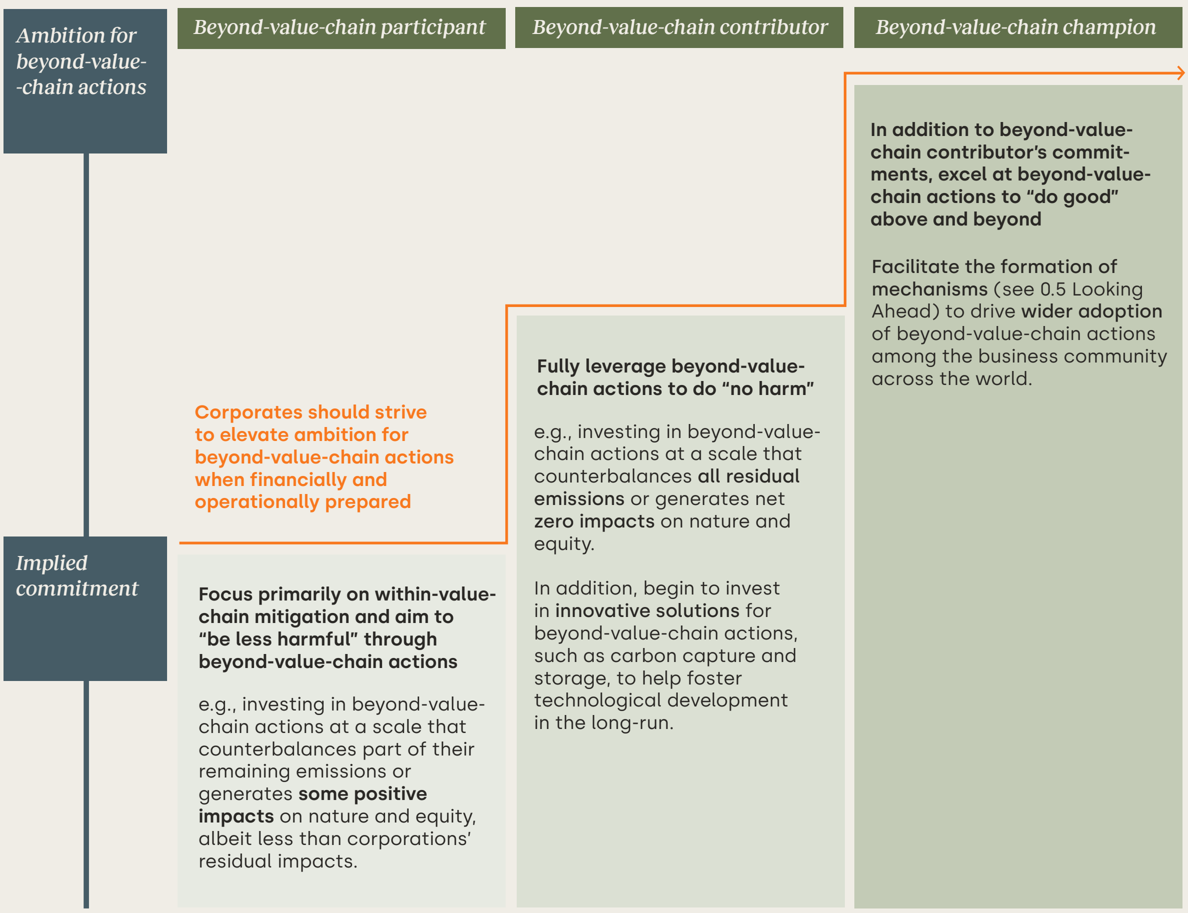
Building on overarching sustainability ambitions, businesses can then determine their ambitions for engaging in beyond-value-chain actions, which can be categorized into three tiers: beyond-value-chain participant, beyond-value-chain contributor, or beyond-value-chain champion (Figure 7).

Generally, as the level of ambition increases, so does the required investment. For instance, a beyond-value-chain champion not only allocates resources to counterbalance remaining emissions and/or to promote positive impacts on nature and equity, but also spearheads engagement at the systems level.

Developing a strong business case is key to supporting more ambitious beyond-value-chain actions. Influencing factors may include addressing sector or landscape specific challenges that directly affect the company and/or the ability to make specific sustainability claims. Companies can align with the **VCMI's Claims Code of Practice**, which provides a rulebook on the credible use of high-quality carbon credits and associated climate claims that can be used to publicly communicate the use of voluntary carbon credits.

Photo credits: Keo Seima Wildlife Sanctuary REDD+ Project by Filip Agoo, on behalf of Everland LLC

Figure 7: Three tiers of corporate ambition for beyond-value-chain actions



Pathways to *realizing ambitions*

Photo credits: Muswema Chanda, BCP

04.

04. Pathways to *realizing ambitions*

Exploring feasible beyond-value-chain actions

After defining sustainability ambitions and developing a strong business case, the focus will shift to identifying effective actions.

Beyond-value-chain actions can take three forms:

- **Direct Impact Initiatives:** These encompass actions that directly deliver positive and measurable outcomes. Examples include ecosystem restoration, ecosystem protection, or infrastructure development to combat nature loss and climate change.
- **Capacity-Building Programs:** This category focuses on actions that facilitate outcomes by empowering individuals and driving behavioural change. For instance, programs promoting women's empowerment and skills development.
- **Innovative Solutions:** These include investments in innovation, such as technological advancements and enhancements in project and/or program design. These innovations expand the range of cost-effective solutions, extending beyond corporate value chains. Examples include research and development for carbon capture and storage technologies or the redesign of sustainable farming programs. R&D effort in innovation solutions that are aimed for deployment at net zero state can be considered as beyond-value-chain until there is substantial evidence demonstrating such solutions' material contribution to in-value chain abatement.

Ideally, beyond-value-chain actions should complement in-value-chain mitigation. Figure 8 illustrates this concept using the example of a fictional beverage company. The company takes mitigation actions like sustainable sourcing and resource efficiency, which can be complemented by initiatives beyond the value chain, such as forestry conservation and investments into emerging climate technologies. This figure serves as an example of how a company can strategically implement actions both within and beyond its value chain to simultaneously achieve its targets and contribute to the global climate, nature, and equity goals.

Beyond-value-chain actions can be financed in different ways. The purchase of voluntary carbon credits and voluntary biodiversity credits on the voluntary (nature) markets offers the most effective and scalable way to finance actions beyond the value chain. Other forms of support, such as direct finance or in-kind support, are less resource efficient, and therefore less scalable, and don't have a common measurement framework compared to high-integrity carbon credits available on the voluntary carbon market.

Photo credits: FUNDAECO

Direct Impact Initiatives examples:

Forestry conservation: Investing in forestry conservation projects, e.g., jurisdictional REDD+ within the region of the company's signature commodity, to reduce carbon emission.

Water stewardship: Supporting watershed restoration and implementing water replenishment projects in downstream markets' key water-stressed regions with stakeholders including local community members.

Raw material sourcing and procuring

Forestry conservation: Partnering with certified farms that follow responsible agricultural practices and support organic farming methods reduce carbon emission.

Distribution and delivery of beverage products

Efficient transportation and fuel-switch: Using fuel-efficient vehicles, substituting to lower or zero-carbon fuel sources (hydrogen, biofuels, etc.), optimizing transportation routes, and implementing green logistics.

Procurement → Production → Distribution → Retail → End use →

Beverage production and packaging

Efficient resource use and circular economy practices: Circular design (modularity, Ecodesign, durability), using energy-efficient facilities, using renewable energy, and engaging in reusing and remanufacturing.

Sale of beverage products

Efficient energy use and renewables: Investing in energy-efficient facilities, e.g., refrigeration, and implementing new solutions at retail stores, using renewable energy (solar, wind, hydropower, etc.).

Capacity-building program example

Sustainable farming: Providing farming technique training (e.g., rain recycling, pest management) to farmers in areas nearby the company's sourcing farms to preserve the provision of ecosystem services in the landscape.

Innovative solutions example

Emerging climate technology innovation: Investing to support the commercialization of emerging GHG removal technologies e.g., methane destruction and long duration energy storage.

Beyond-value-chain actions | **Within-value-chain mitigations** | **Contribution:** Climate, Nature, Equity

Crafting unique portfolios

Businesses should concentrate time and resources in areas where they have the greatest impacts — while also considering where management seeks to drive positive outcomes beyond its value chain.

As a guiding principle, businesses should always allocate resources toward issues where they have the most significant negative impacts, whether related to climate, nature or equity. However, it's also important to identify actions with the greatest potential to generate multiple positive outcomes. For example, designing and implementing effective natural climate solutions can simultaneously deliver climate mitigation outcomes, biodiversity gains, and benefits for local communities.

Businesses can prioritize their actions by asking pivotal questions, like "How quickly do we need to start realizing outcomes?". For example, businesses with a strong preference for near-term outcomes may prioritize direct intervention projects over innovation-based solutions (Figure 9).

This process will help design an integrated portfolio supporting ambitions across climate, nature, and equity (Figure 10) and ensure that beyond-value-chain action is aligned with a company's business strategies, maximizing outcomes and minimizing reputational risks.

Figure 9: **Critical questions for businesses to inform portfolio design**

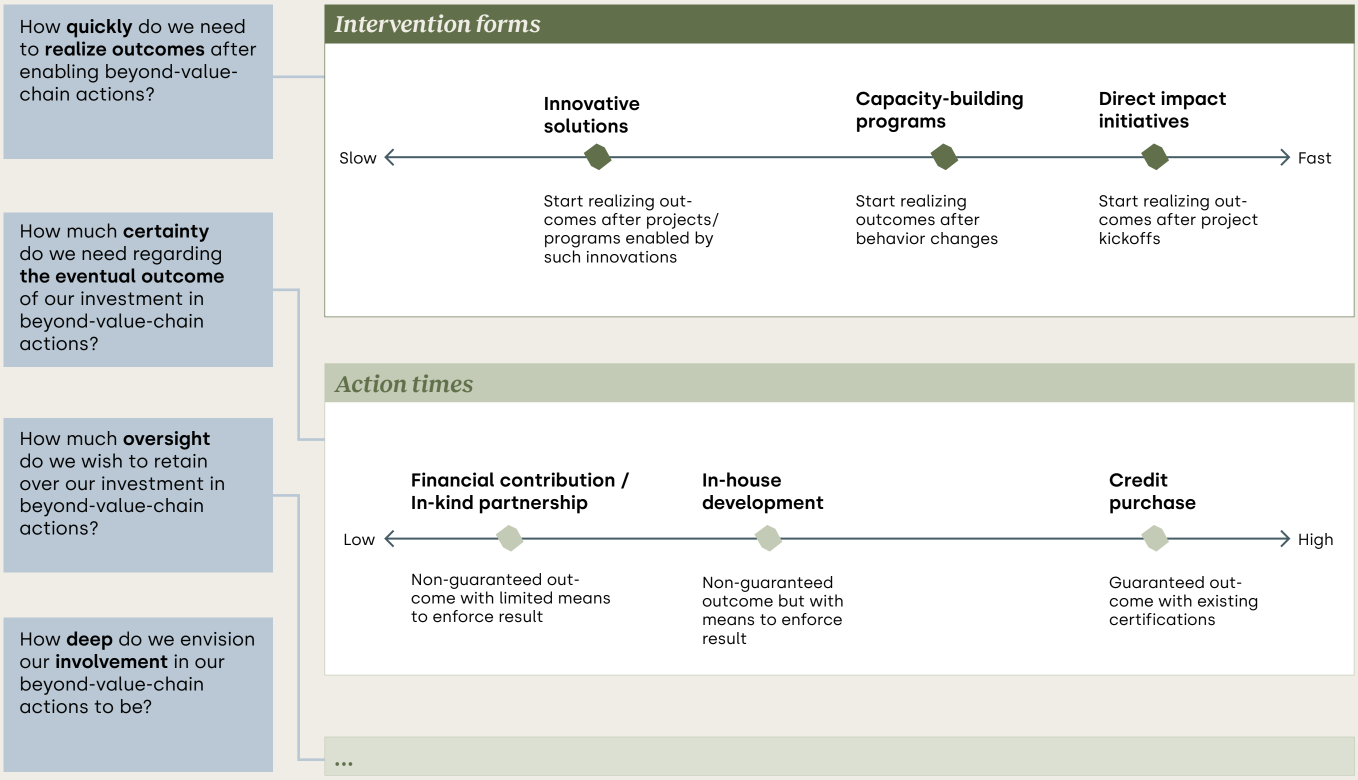


Figure 10: Example of a beyond-value-chain action portfolio

Societal challenges		 Climate			 Nature			 Equity		
Intervention forms		Direct impact initiatives	Capacity building programs	Innovative solutions	Direct impact initiatives	Capacity building programs	Innovative solutions	Direct impact initiatives	Capacity building programs	Innovative solutions
Action types	Financial conntribution			15%					10%	
	In-kind partnership				10%					
	In-house development					40%				
	Credit purchase	25%								

Example of a costumized portfolio

Action types not applicable

Successfully executing portfolios

Once the planning stage is completed, the next step is to execute the planned portfolio, which includes the identification, evaluation, management, and reporting stages. Throughout these stages, maintaining the highest integrity and transparency standards is key to maximizing positive impacts and minimizing greenwashing and green-hushing risks. A successful approach includes:

1. Identifying high-integrity interventions

Three elements contribute to high integrity:

→ **Independent and science-based standards to quantify outcomes.** Apply rigorous scientific methodologies deemed credible and certified to accurately quantify outcomes of beyond-value-chain projects, programs, and solutions.

→ **Proper governance of project or program operations.** Institute reliable procedures for decision-making, accountability, and oversight to safeguard project delivery, promote equitable benefit sharing with local communities, and ensure comprehensive disclosures about operations and outcomes to local stakeholders and the public.

→ **Multiple benefits.** Generate outcomes beyond project's primary purpose, simultaneously contributing to global goals in climate, nature, and equity. For instance, invest in carbon credits that offer biodiversity benefits and address income inequality via providing jobs to local communities and Indigenous Peoples.

2. Evaluating opportunities

To safeguard their investments, businesses will need to conduct a comprehensive assessment of beyond-value-chain investment opportunities:

→ **Project development plan.** Examine overall action plans and specifications, including implementation strategy, verification standard used, expected benefits, risk mitigation plans, governance and disclosure frameworks, and stakeholder engagement plans.

→ **Developer.** Evaluate the developer's capabilities and relevant experience, including track records, technical expertise, reputation, organizational capacity and risk management expertise.

→ **Performance to-date.** Assess the project or program's operational conditions beyond written documents to identify potential risks, considering reputation in local communities and compliance with legal requirements.

Photo credits: Keo Seima Wildlife Sanctuary REDD+ Project by Filip Agoo on behalf of Everland LLC

3. Careful on-going management

Even after careful assessment, several risk factors may surface during the management process, for example:

- **Crediting may be prone to overestimation.** The contribution to climate, nature or equity outcomes of projects or programs may still be prone to overestimation, despite adherence to credible scientific accounting protocols and standards.
- **Governance may be poorly executed.** Even when robust governance and disclosure procedures are in place, the implementation of these procedures may fall short of expectations.
- **Additional benefits may become empty promises without real results.** Even if core benefits are planned as an integral part of the engagement, they may end up as unfulfilled promises with no tangible results.

To avoid these pitfalls, businesses can implement a series of targeted measures upfront (Figure 11).

4. Responsible reporting and disclosure

To ensure coherent communication and further protect themselves against potential reputational risks and criticisms, businesses should report outcomes from their investments in beyond-value-chain actions separately from their in-value-chain mitigations. Frameworks such as the International Sustainability Standards Board (ISSB), the Carbon Disclosure Project (CDP), VCMI, and TNFD are integrating guidance for reporting beyond-value-chain investments tackling climate change and nature loss.

In areas where there is still a gap in reporting standards (e.g., in equity), businesses are encouraged to begin disclosing transparently and responsibly today by consulting and adapting from existing reputable guidelines.[16]

Figure 11: Solutions for tackling challenges beyond-value-chain actions

	Examples of solutions
Additionality may be prone to overestimation	→ **Partner with reliable 3rd party credit rating providers** that use latest technologies to increase measuring accuracy and **request timely adjustment** on estimation of additionality → **Assess** the developer's plan for selecting and utilizing **certifier services**, and recommend strategies to **prevent conflicts of interest**
Governance may be poorly executed	→ **Evaluate** project/program/solution's **governance structure and disclosure framework** and recommend potential improvements → **Monitor and participate** in developer's decision making through requesting seats within governance committees → **Engage Indigenous Peoples and local communities** throughout the governance process for effective execution and long-term sustainability
Core benefits may become empty promises without real results	→ **Leverage contract terms** and **pre-condition of full-payment** to mandate developers to deliver promised co-benefits → **Co-design engagement** with developers to ensure action plan is capable of delivering promised core benefits → **Require regular reporting** on latest progress of core benefit generation

Looking *ahead*

Photo credits: Mai Ndombe REDD+ Project by Filip Agoo on behalf of Everland LLC

05.

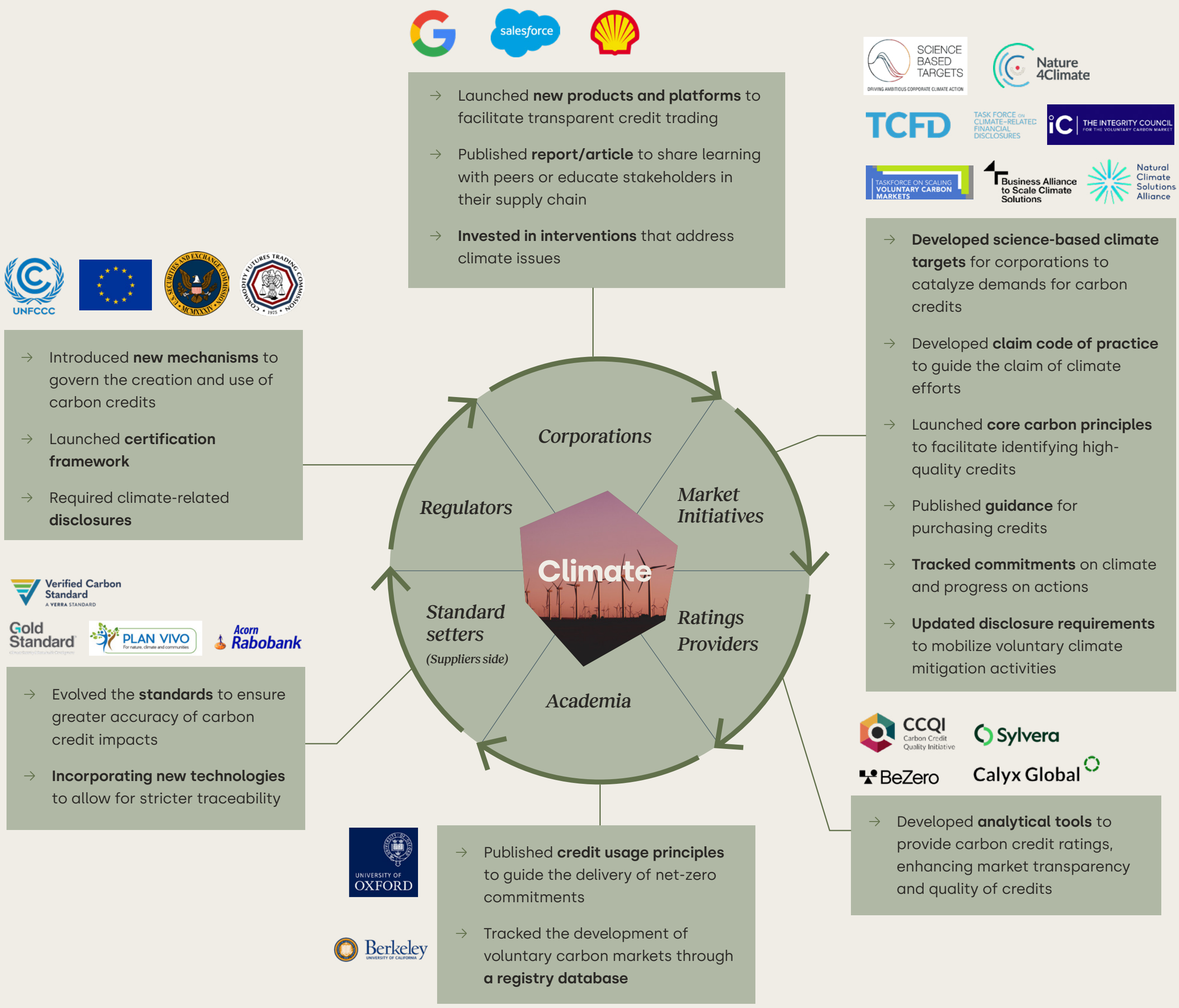
05. *Looking ahead*

Current efforts to support beyond-value-chain actions

There are a number of key actors who are catalyzing beyond-value-chain actions to tackle climate change, nature loss, and rising inequality. They include regulators, standard-setters, and academia, along with some newer players like ratings providers.

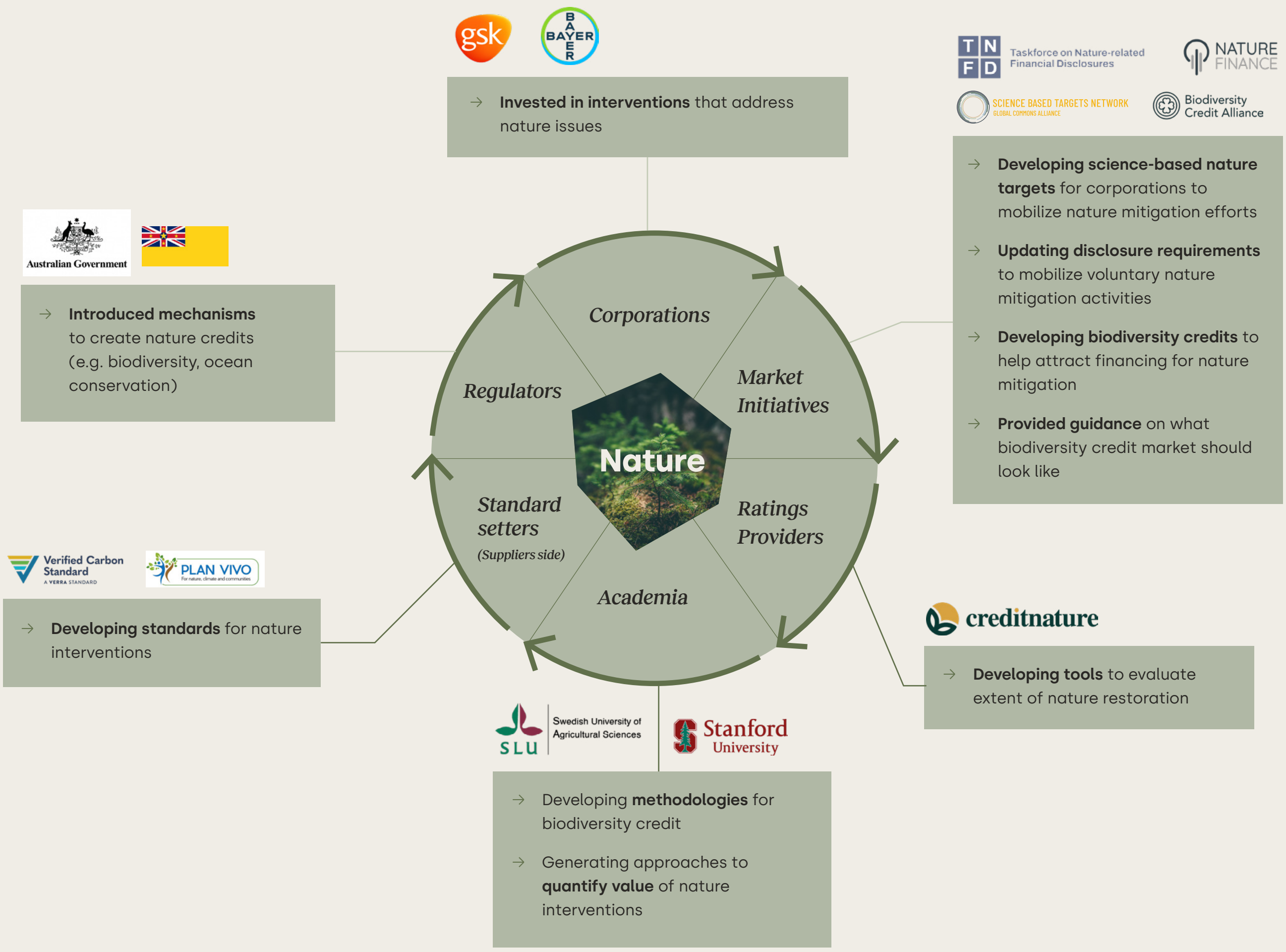
Development of enabling conditions for climate initiatives. Among climate, nature, and equity issues, actions addressing climate change have seen the most vigorous push on a global scale and are thus more advanced today. We are witnessing a concerted global effort by key actors to develop products, tools, frameworks, guidelines, databases, and infrastructures to enable effective beyond-value-chain actions (Figure 12).

Figure 12: Key actors' contributions to enable beyond-value-chain CLIMATE actions



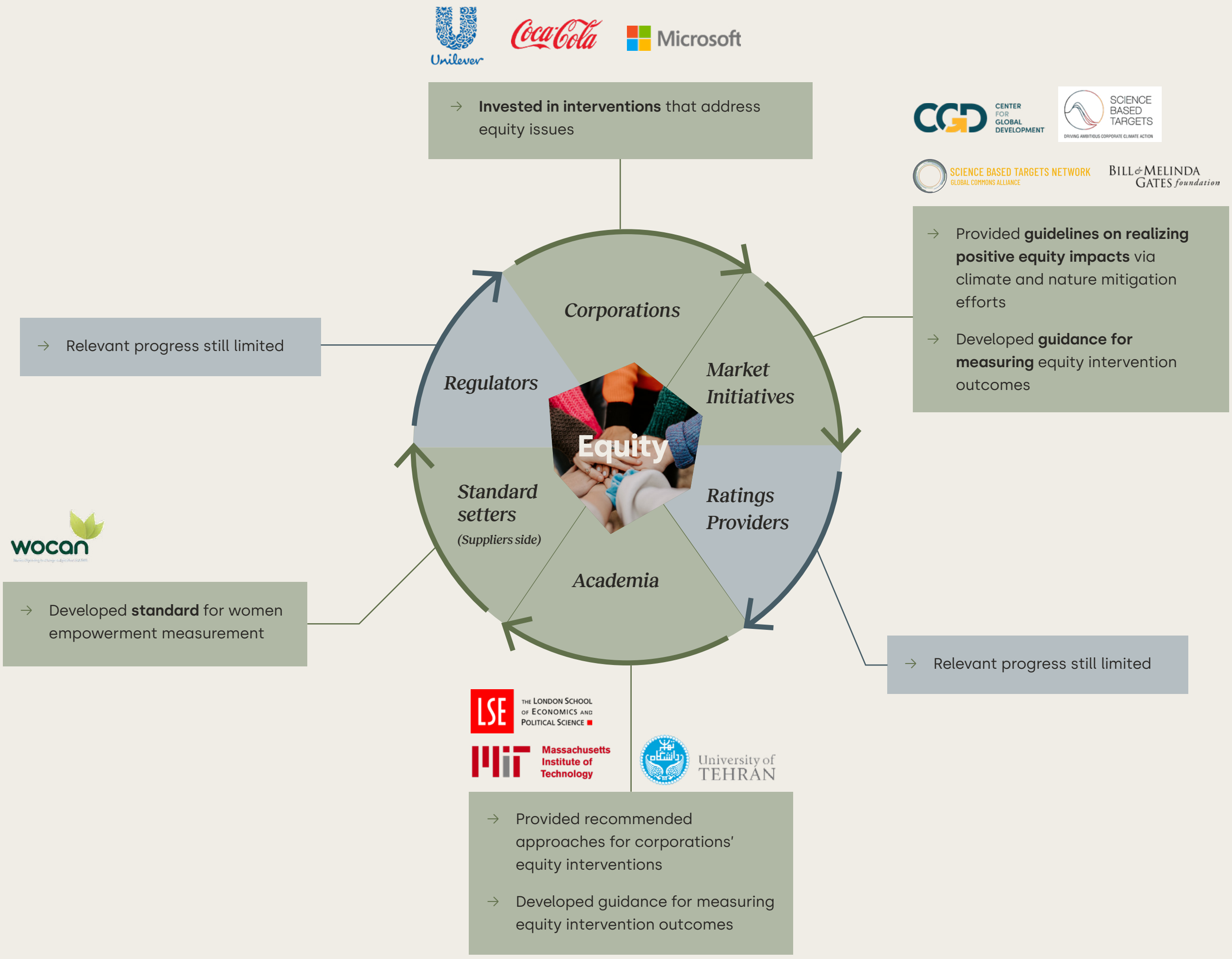
Development of enabling conditions for nature initiatives. The conditions for beyond-value-chain action in nature are not as advanced as in the climate change space. However, the 2022 United Nations Biodiversity Conference (CBD COP15) rekindled a sense of urgency for halting nature loss and called for global cooperation, which has motivated key stakeholders to set in motion a global discourse on relevant standards, mechanisms, and guardrails (Figure 13).

Figure 13: Key actors' contributions to enable beyond-value-chain NATURE actions



Development of enabling conditions for equity initiatives. Inequality is a long-standing and deep-rooted global challenge that requires unique types of interventions. The interlinked challenges of addressing inequality, compounded by the absence of a universally accepted, quantifiable target, mean that efforts by key stakeholders are more fragmented compared to those for tackling climate change and nature loss (Figure 14).

Figure 14: Key actors' contributions to enable beyond-value-chain EQUITY actions



The World Business Council for Sustainable Development has played a pivotal role in advancing the understanding of how a company can take action beyond its value chain. This contribution includes the publication of reports like the Roadmaps to Nature Positive, which offer detailed, step-by-step guidance for companies seeking to engage in credible and impactful nature action. Additionally, WBCSD has provided guidance on the emerging topic of avoided emissions, describing how businesses can actively reduce emissions beyond their value chain through their products and services. Furthermore, WBCSD actively leads the Natural Climate Solutions Alliance and participates in the Biodiversity Credits Alliance, with the aim of fostering the growth of these markets.

However, despite these developments, there is much still to be done by all key actors to accelerate the progress to tackle the climate, nature, and equity crises.

If we are to achieve the 2030 global targets, the private sector must annually allocate a staggering $2.2 trillion to tackle climate change[17, 18] and $160 billion[19] to tackle nature loss beyond the present level of commitments.[20] These figures do not yet account for the additional financing needed to address social equity challenges.

Scaling for the future

Businesses taking action beyond their value chain play a crucial role in achieving climate, nature, and equity 2030 goals by channeling private finance towards the substantial financing gaps. However, it is essential to recognize that without clear economic returns, business efforts in beyond-value-chain-actions will remain limited.

To truly move the needle on corporate contribution to beyond-value-chain actions, there is a need for more explicit and substantial incentives, such as the recognition of investments in beyond-value-chain actions to complement their in-value chain mitigation actions, as an integral part of a company's contribution to climate, nature and equity societal targets. Concurrently, reliable supply side integrity mechanisms are critical to facilitate beyond-value-chain actions and safeguard businesses from potential reputational risks (Table 2).

Table 2: Key mechanisms to facilitate investment in beyond-value-chain actions at scale

Incentive mechanisms	→ Recognition of corporate contributions beyond value chains to societal climate, nature, and equity targets from key stakeholders → Policies that directly or indirectly promote beyond-value-chain actions (necessary to encourage scaled participation)
Market mechanisms	→ Clear rules of game to evaluate attractiveness of opportunities for beyond-value-chain actions → Well-defined participation criteria and method for both supply and demand sides → Infrastructures to facilitate beyond-value-chain actions
Assurance mechanisms	→ High-integrity standards for beyond-value-chain actions → Reporting & claiming framework for investments to and outcomes from beyond-value-chain actions → Tools to evaluate outcomes from beyond-value-chain actions

Policymakers will need to play an active role and launch incentive policies to reward leaders for their actions. And, the private sector can act now to accumulate learnings through their voluntary participation today and help policymakers to iterate and refine future frameworks for such incentives (Table 3).

Both regulators and individual businesses have critical roles to play in assurance and market mechanisms. Regulators can leverage their authority to champion, either directly or by empowering third-party entities, the establishment of these enabling mechanisms. Business leaders can tap into their corporate influence to co-shape standard-setting for future beyond-value-chain actions.

Both policymakers and businesses can help generate greater momentum and encourage broader private sector involvement. These are essential toward making beyond-value-chain actions a significant component in the collective efforts to attain global societal goals. With public and private sectors and civil society collaborating to set these mechanisms in place, we may finally be able to set a path to reach the 2030 global targets.

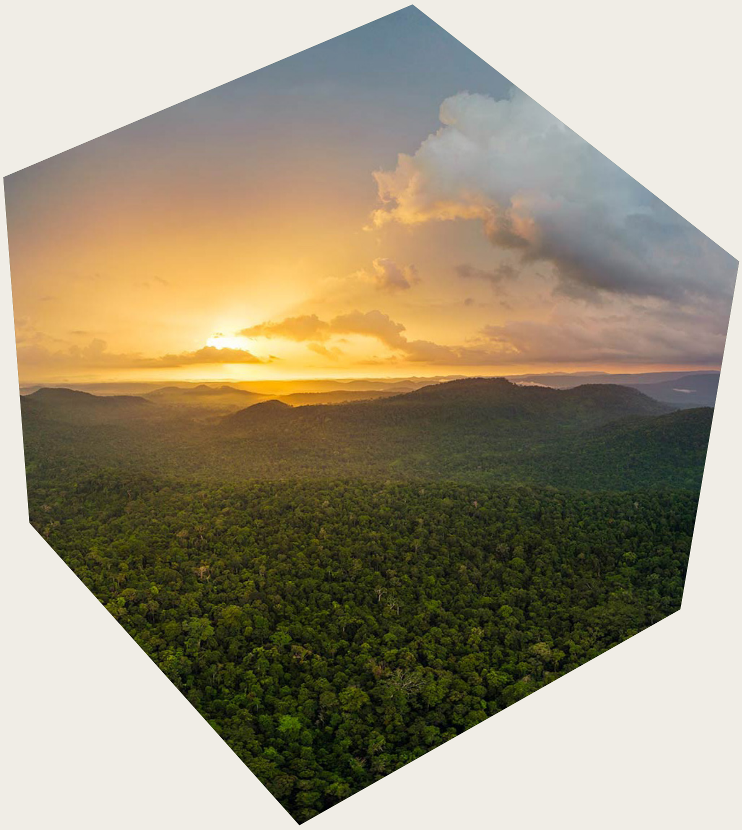


Photo credits: Southern Cardamom REDD+ Project by Filip Agoo on behalf of Everland LLC

Table 3: Actions for policymakers and businesses to rapidly scale up beyond-value-chain actions

Potential actions for policymakers	*Potential actions for businesses*
Project policy certainty on government-level commitment to a net-zero, nature-positive, and harmonious future	Launch campaigns and share own sustainability stories to educate the general public on the importance and added benefits of businesses' actions beyond value chains
Provide direct financial incentives to promote corporate beyond-value-chain actions (e.g., tax breaks, subsidies)	Strengthen investors' recognition of beyond-value-chain actions as effective value creations measured by providing empirical evidence
Introduce requirements for corporate disclosure, including adverse impacts and relevant mitigation, aligned with international standards	Co-shape frameworks for voluntary reporting and claiming through own practices or dialogues with policymakers and standard setters
Sponsor and accelerate the standard-setting for voluntary reporting and claiming	Influence policymakers to accelerate the setup of more explicit incentives and the necessary infrastructure for corporate actions
Establish national compliance climate and carbon markets	Fund research to push the forefront of outcome evaluation methodologies and toolkits

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About the WBCSD

The World Business Council for Sustainable Development (WBCSD) is a global community of over 220 of the world's leading businesses, representing a combined revenue of more than USD $8.5 trillion and 19 million employees. Together, we transform the systems we work in to limit the impact of the climate crisis, restore nature and tackle inequality.

We accelerate value chain transformation across key sectors and reshape the financial system to reward sustainable leadership and action through a lower cost of capital. Through the exchange of best practices, improving performance, accessing education, forming partnerships, and shaping the policy agenda, we drive progress in businesses and sharpen the accountability of their performance.

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