1. **An Age of Consequences and Disruptions:**
   We live in uncertain and volatile times: simultaneous population and welfare growth worldwide and the way we run our economies are major contributing factors to today’s unsustainable reality. We produce and use natural capital well beyond what our planet can sustainably provide (causing accelerating climate change, biodiversity loss, pollution, plastic waste, resource depletion). We tolerate continuing or even rising inequalities (social and digital divides) We face geo-political fragmentation & decoupling (“exits”, strategic rivalry, trade wars, de-globalization, regional military conflicts) and local societal disturbances (social strife, migration). Disrupting technological innovations further complicate our circumstances as major drivers of fundamental change in the way we live as citizens, workers, and consumers. Varying interests and views on how to address these cumulative concerns are causing rising populism, polarization and “fabulism”, and are becoming major societal de-stabilizers, including in general elections to come. These forces may further erode some fundamental features of our society: the “trias politica”, the rule of law, trust in democracy, and confidence in its governing institutions. Official (post-) Covid-19 stabilization and recovery programs are financed by public debt, further mortgaging the future performance of our economy. Hence, people are uncertain and markets are volatile.

2. **Broken Radar and Compass:**
   Markets are not efficient and are blind to our “desired state of society”. On investment decisions, the wealth of information available is bountiful yet unstructured, not comparable, and a-symmetric. Methodologies for product prices and valuations are misleading (for not including externalities and other forms of capital than financial capital: Natural, Social Human), as are GDP and IFRS/GAAP measures of economic achievement and guidance for future-fit policies and strategies. For auditors to help “save the world” they will need to redefine their scope of work (verifying beyond financial capital, becoming impact-sensitive) and strengthening their crucial role in promoting the integrity of material, evidence-based information and functioning markets.

3. **The North Star: SDG Compass and ESG Floor:**
   The generally accepted common impact standard for ”Making Markets Work for Purpose” are the aspirational, global, “doing good & well”, 2015-2030 UN Sustainable Development Goals (SDGs) in combination with the normative “do no harm” ESG floor (as reflected in the OECD MNE Guidelines and de UNGPs). Policies by governments, and strategies and interventions by business need to be tested against these comprehensive and global aspirations and standards. As with the Covid-19 virus, collectively following sound standards and guidelines in our self-interest will “flatten the curve” of harm and loss and even ultimately eliminate injustice, degradation and pollution in a much more sustainable, prosperous and peaceful “one world”. Without new national legislation and international conventions to “crowd-in” the incumbents of “industries of the past”, the skeptics and the laggards in support of such a transformative, opportunity agenda, we cannot realize this ambition.
4. **Complacency, Resilience and Black Swans:**

The Covid-19 pandemic was not a “black swan”. For some it was a predictable (and predicted) eventuality: the question being not if, but, rather, when. The real “black swan” was our total lack of preparedness for such danger. Our quest for cost efficiencies have compromised our resilience. We became too complacent about a surprise-free future or too focused on only one threat from nature: climate change. Illustratively, the World Economic Forum, in its 2020 Global Risks Report presented in Davos in January (with major attention for “green”), “infectious diseases” were plotted only in the “high societal/low business”- risk/impact category. The late and chaotic official emergency responses have caused unnecessary victims in many countries and economic damage beyond repair. Late recognition and late response is very expensive and disrupting. Prioritizing as government or business on a limited number of the 17 SDGs does not justify ignoring the other ones!

5. **Multiple Gaps to be Bridged:**

Apart from the lack of public health resilience, the pandemic has exposed us also to a number of other major gaps: (1) an international governance & leadership gap: lack of global cooperation through institutions and shared policies; (2) an equity gap: an increasing financing imbalance with all current programs financed by public debt, bringing the average Public Debt /GDP ratio to well over 100% (the earlier sustainable EU norm was 60%), further mortgaging the future in an uncertain, fragile world with already highly indebted public and private sectors (including households); a next global financial crisis (Monday 10 October 2022?) in the making, triggered by inevitable, eventual higher. inflation and interest rates; (3) a humanitarian gap, where the economies in the global South are more seriously affected, probably for a longer time, because of loss of (export)markets (loss of demand, business value chain near-shoring), domestic recession, increased poverty, hunger, health issues. These cumulative effects will weaken institutions and the rule of law and encourage civil strife, corruption and further urbanization and international migration. Covid-19 has exposed us further to other realities: the prevailing neo-liberal, light touch role given to government, and focus on short term results and cost efficiencies in government and business, have reduced our shock absorbing capacity and lack of sustainable policy direction.

6. **From Accidental Pain to Systemic Gain:**

The pandemic itself is global, however the severity of its direct and indirect impacts is unevenly distributed, with the poor, minorities and elderly in any society suffering most. Political leaders are being challenged on their leadership, their values and their priorities. Civil society and business have been disrupted, at least temporarily, but most likely for a longer term as well. However, as always after a crisis, conditions offer an opportunity to accelerate and intensify a defined and broadly agreed transformation agenda to reach “the world we want” - the SDGs. Thus, we may indeed transform “accidental pain into systemic gain.”
7. **Aftermath: A Balancing Act:**

In the aftermath of the immediate health crisis, a number of highly sensitive social, and, hence, also political, issues need to be addressed with balance: public health v public wealth; public health v personal privacy; social protection and safety nets; free v fair v sustainable trade; regional solidarity between the “rich” and the (relatively) “poor”; inter-generational interests; distribution of scarce vaccine(s); conditionality of any official relief & stabilization funding; the direction, conditionality and the pace of the long term recovery agenda; and a soft landing for emerging stranded assets and industries of the past.

8. **Together Farther & Better:**

“No planet, no people: no prosperity, no business, no profit”: notwithstanding the diversity of values, cultures, interests and roles in society, the pandemic is making us painfully aware that nature is not a servant; and that it has boundaries, but no borders. In order to live within boundaries of one planet and one humanity, the inescapable need and everyone’s self-interest is to align and cooperate “to get farther together, rather than go faster alone”. This not only applies to countries, but also within countries to societal actors: government, business, civil society. A special stewardship role to realize a new, sustainable economy must be vested in the financial sector. This sector needs to be “liberated” from its defensive, regulatory “lockdown” since the global financial crisis of 2008/9. Its stewardship role needs to be facilitated by innovative de-risking financial instruments from governments.

9. **New Social Contract:**

Clarity of purpose, direction, benefits and interests are some of the “common, yet differentiated” aspects for a development of a new Social Contract among all societal actors. Each actor needs to transform itself: 1) the government should “make a better society possible” by a pro-active, inclusive setting of long-term objectives of the society and its governance role therein, create a legislative/regulatory/fiscal/policy environment which sets, coherently and consistently, clear boundaries and is catalytic (rather than neo-liberal “additional”) with interventions and instruments for business and civil society “to make such society happen”; 2) Business should act as a responsible corporate citizen, strive for long term value creation for all stakeholders without ignoring the short term realities, guided by principles of moral, sustainable, multi-stakeholder, impact-sensitive multi-capitalism.

10. **Double Materiality:**

Business should recognize, measure its impact on, manage its relationships with, and be held accountable to, its key stakeholders and society. This will require: defining its values’-based purpose in society, integrated thinking, acting, and reporting, and consideration of the costs and benefits of each of the 6 capitals (financial, nature, social, human, manufactured, intellectual). For business, a disciplined, stakeholder-inclusive, context-sensitive, forward-looking due diligence regarding outside-in risks and inside-out impact in the entire value chain (“Scope 3”), will strengthen long term value creation for all stakeholders. This is a balancing act, with a duty to “report and explain” the material trade-offs made. This “double materiality” also has corporate governance consequences:
a more pertinent role for stakeholders as advisors to the Board on (positive and negative) impacts. Integrated reporting (including impact statements; independently verified) should become the norm, as should true pricing of products by addressing, internalizing and monetizing material externalities. The shareholders of public, resp. systemic companies should not be considered the exclusive owners of the corporation: they are rather another key stakeholder as providers of financial capital.

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