Beyond the Tick-Box

Collaborative Contracting for ESG Outcomes

From compliance paperwork to performance-driving contracts

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We're strong on the boxes regulators make us tick

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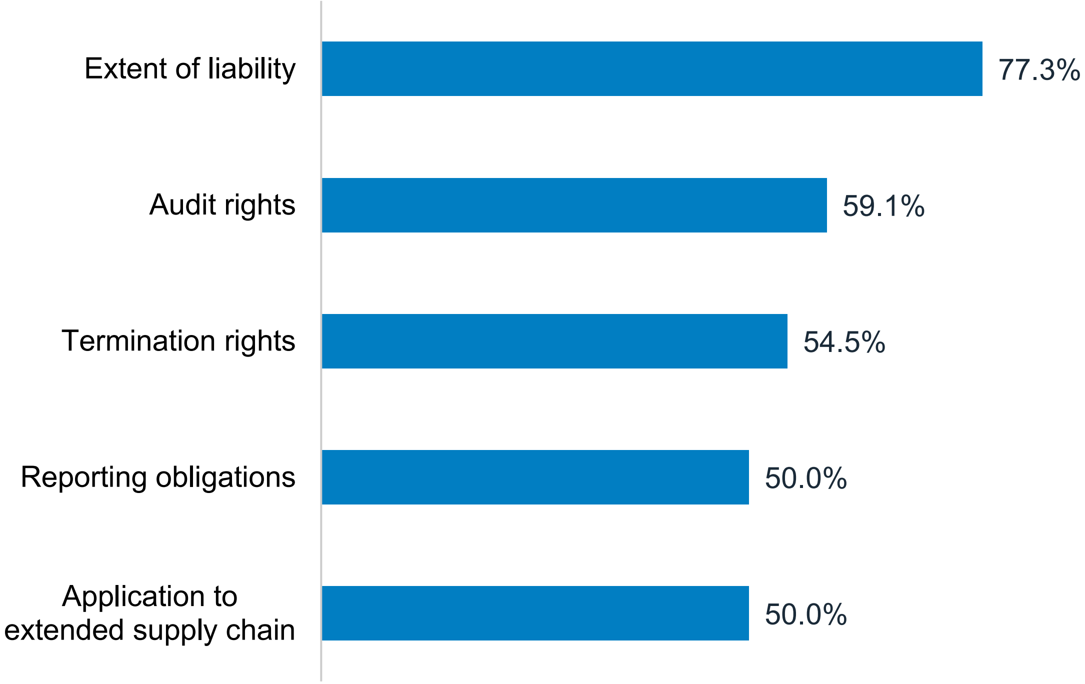
ESG commitments that actually show up in contracts

Environmental law compliance	81.8%
Pollution control measures	31.8%
Executive compensation policies	22.7%
Board diversity & structure	18.2%

ESG isn't a compliance problem — it's a performance problem

Most problematic aspects of sustainability & ESG clauses



These are all mechanisms of control

Who's liable. Who gets audited. Who can walk away. Almost none are mechanisms of collaboration - how we solve this together, how we share the upside of getting it right.

A defensive contract was never built to carry ESG's long-horizon, uncertain, interdependent reality.

Sustainability Survey Summary

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Sustainability momentum is holding, but in practical areas

Environmental sustainability: **4.00**

Governance and ethical conduct: **3.99**

Supply chain sustainability and resilience: **3.94**

Motivation is mixed, which adds to its strength

Regulatory compliance: **3.97**

Corporate values and leadership belief: **3.85**

Risk management and resilience: **3.60**

Sustainability may be quieter externally, but still active internally

"Less visible publicly but active internally": **3.17**

"Meaningfully embedded in commercial decisions": **3.64**

Accountability still lags behind intent

Embedded in decisions: **3.64**

Measurable obligations and accountability: **3.32**

Organizations are balancing self-interest and wider benefit

Primarily serves internal interests: **3.26**

Primarily aims at broader societal/environmental benefit: **3.48**

The future is selective, not retreating

Pressures narrowed priorities rather than eliminated them: **3.40**

Sustainability will remain core, but more targeted: **3.87**

The scale for questions ran 1-5, with 5 being high, so there is relatively strong positivity.

A tougher phase for sustainability and it's surviving

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Where momentum holds

- Strongest momentum: environmental sustainability, governance and ethical conduct, and supply chain resilience the areas closest to risk and continuity.

Intent outpaces accountability

- Sustainability is seen as embedded in commercial decisions, but the score drops when it comes to measurable obligations and accountability.
- The tension isn't whether businesses care, it's whether margin pressure, supply risk and fragmented regulation can be turned into workable commitments.

A balanced push

- Regulatory compliance leads as the strongest driver, but corporate values and leadership belief run close behind, with risk management and resilience not far off.
- Obligation, belief and business need are all pulling in the same direction.

Narrowed, not abandoned

- Geopolitical and economic pressure has narrowed sustainability priorities, not eliminated them
- Over the next 3-5 years it stays core to commercial decisions, but in a more selective, targeted form.

Two ways to think about a contract

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The legal-artefact mindset

A mechanism for allocating risk and recording obligations

Defensive posture - focused on protection

Built for a short-term, transactional buy

Treats ESG shifts as a breach or change order

The performance mindset

Built for long-horizon, uncertain, interdependent outcomes

Focused on driving results, not just recording them

Designed for today's commercial reality

Treats change as exactly what the contract was built to absorb

ESG is exactly this kind of reality: long-horizon, uncertain, interdependent.
A defensive contract was never built to carry it.

Four practical shifts, not exotic theory

WorldCC's guidance on agile and relational contracting

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Fixed outputs	→	**Outcomes over outputs**
Fixed specifications	→	**Flexibility clauses**
Annual check-ins	→	**Continuous communication**
One-sided liability	→	**Shared risk & reward**

Shared risk & reward, applied to a carbon target

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PENALTY-BASED

Penalty clause for missing a carbon target

The supplier's incentive becomes concealment - hide the miss, avoid the penalty.

SHARED RISK & REWARD

Both gain when the target is beaten; both absorb cost when conditions make it harder

That single design choice changes the supplier's incentive from concealment to disclosure.

Total cost of ownership works the same way - price the whole outcome, not just the unit cost.

Price the whole outcome, not just the transaction

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Lowest unit price

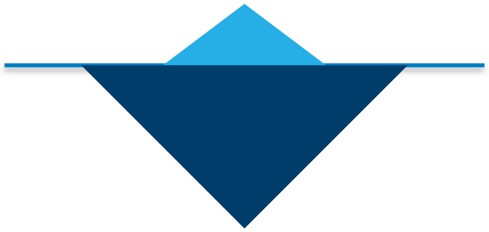
Often imports hidden costs that show up elsewhere in the business:

- Carbon exposure
- Compliance risk
- Reputational exposure

Whole-outcome pricing

Collaborative contracting asks you to price:

- The transaction
- The carbon footprint
- The delivered outcome, end to end



What you see: the unit price

What's underneath: carbon exposure, compliance risk, and reputational cost — the same spend, waiting to surface in a different budget.

Zero-based reinvention

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Building adaptive capacity is the new model for efficiency and it depends on four distinct pillars:

1
Broader situational awareness

Integrated intelligence from legal, technical, commercial, operational and supplier perspectives.

2
Rapid course correction

The ability to rethink and adjust terms, scopes, and priorities in flight without triggering extensive internal debate or opening the window to major renegotiation.

3
Cross-functional decision architecture

Decisions flow across boundaries, internal and external, not up and down chains of command.

4
Disruption absorption

Buffer capacity is established through easily adaptable terms, broad skills and instant access to data. These attributes represent protection against the shockwaves that damage and potentially ruin rigid models.

Pillars 1 & 2: seeing clearly, adjusting fast

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Broader situational awareness

Integrated intelligence from legal, technical, commercial, operational and supplier perspectives.

ESG APPLICATION

ESG data can't sit in a separate compliance system checked once a year - it needs to flow into the same daily view as supplier risk, delivery and cost.

Rapid course correction

The ability to adjust terms, scopes and priorities in flight, without triggering a full renegotiation.

ESG APPLICATION

A supplier finds a better low-carbon input, or a labour standard needs tightening after an audit. A rigid contract treats that as a breach. An adaptive one absorbs it.

Pillars 3 & 4: breaking silos, absorbing shocks

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Cross-functional decision architecture

Decisions flow across boundaries - internal and external - not up and down a chain of command.

DIFFERENT FUNCTIONS OPTIMISE FOR DIFFERENT THINGS

- Legal: risk avoidance
- Procurement: cost
- Sales: revenue & speed
- Finance: margin

Disruption absorption

Buffer capacity built through adaptable terms, broad skills, and instant access to data.

ESG APPLICATION

Resilience against the shock of a supplier failure, a regulatory change, or a target that turns out to be unachievable on the original timeline.

The Commercial Integrator

Not a new title. A capability.

- Orchestrating across functions
- Translating between disciplines
- Coordinating internal and supplier capabilities
- Dynamically adjusting the commercial model
- Exercising judgement under uncertainty

In sustainability procurement, that capability might sit with you.

The same gap, proven under a different shock

WorldCC, April 2026 survey of commercial and contract management professionals

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94%
experienced geopolitical disruption
in the past 12 months

34%
said the impact was significant or severe

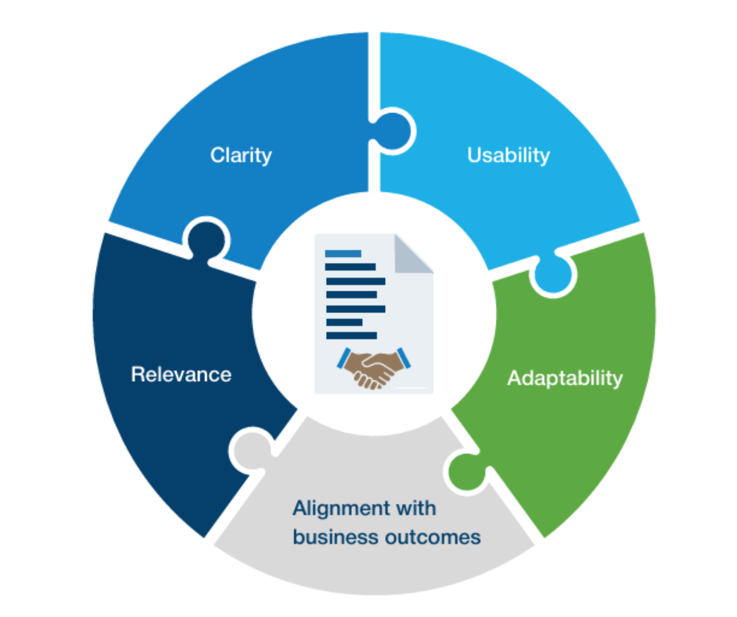
69%
said their contracts offered little help handling it

Most disruption gets resolved commercially, not legally - parties renegotiate, absorb impact, or adjust terms to keep business moving. Resilience depends on design, not on the toughest terms.

What outcome do we actually need?

Not what clause do we insert. Not what percentage do we hit. What outcome.

The desired outcome should drive the contract design, not the reverse - pulling ESG out of procurement's corner and into the room where legal, commercial, operations and sustainability all optimise toward the same result.



What this looks like in practice

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The clause: a supplier must reach 30% recycled content in packaging by year two, or the contract is subject to termination.

Written as a fixed mandate

- A recycled-resin shortage hits the whole industry mid-year
- Supplier misses the milestone through no fault of its own
- The clause reads it as breach - legal gets pulled in
- Months spent on dispute, not on solving the material problem

Written as a shared outcome

- Same target, but with a flex corridor for material-supply shocks
- Timeline adjusts automatically when the shock is industry-wide
- Both sides share the interim cost of virgin-material substitute
- Target met two quarters late - relationship and outcome intact

Contracting as competitive advantage

Build ESG into how you contract — don't bolt it on afterward

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Penalty clauses	→	**Flexible performance frameworks**
One-sided liability	→	**Shared risk and reward**
A procurement footnote	→	**Cross-functional decision rights**
Bolted on afterwards	→	**Built into the document itself**

Not a bigger rulebook. A different kind of document - one built to move with you, not against you.

Thank You

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