

Pass, Develop Further or Redesign.

*The Board's Guide to Testing Sustainability Proposals
From the Five Test Standard to the decisions that follow*



Executive Summary

You now have the standard. The question this month is sharper: What does passing it actually look like?

Last month's May [Sustainable Strategy Executive Brief](#) gave boards and CFOs a defined standard: the Five Test Standard for Sustainable Strategy, with financial consequence positioned as the approval gate. Having a standard is necessary. It is not sufficient. A board that knows the five tests exist but cannot recognise a pass, a warning sign or a fail condition in the room does not yet have discipline. They have language.

This brief operationalises the standard. For each of the five tests, it shows what a passing proposal states, what a warning sign sounds like in practice, what a clear fail looks like and, where a warning sign appears, what the board should do about it before the proposal returns.

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Dr Paul A. Phillips | Sustainable Strategy Executive Brief

Building on May 2026: Investment Grade or Just Language?

Last month's brief introduced the Five Test Standard for Sustainable Strategy: decision, evidence, financial consequence, ownership and action. This brief shows what passing each test actually looks like in practice and what a board should do when a proposal falls short.

The Problem: Knowing the Standard Is Not the Same as Applying It

Reciting a standard is not the same as applying it under pressure, in the room, against a proposal that sounds confident and is not.

The proposals that struggle most are rarely the obviously weak ones. They are the polished ones: the right language, the right structure, a confident tone, and underneath it, a gap the board has no instrument to detect until something goes wrong one year later. This brief helps to close that gap.

What 'Passing' Means

Passing is not a feeling of confidence in the room. It is a specific outcome against each of the five tests, with financial consequence acting as the gate. If financial consequence cannot be shown, development or redesign is the only responsible outcome, regardless of how strong the other four tests appear.

The table below shows three things for each test: what a pass looks like, what a warning sign looks like and what a clear failure looks like, illustrated against the supply chain transition example introduced last month. Wherever a warning sign appears, the board action is named directly.

The Five Test Passing Standard

	What good looks like	The grey zone	Approval gate not met
1. Decision test			
	<p>The board paper states the specific decision in a couple of sentences: what approval commits the organisation to, what options were considered and what changes if the board says yes.</p> <hr/> <p><i>Supply chain: The board is asked to approve Phase 1 of a three-year supplier transition at £X capital, with a stop rule at Day 90 if projected savings are not within 15% of the base case.</i></p>	<p>The proposal describes direction, ambition or alignment but does not define the actual approval choice or what commitment flows from a yes.</p> <hr/> <p><i>We are seeking support for a stronger sustainable supply chain strategy. No clarity of commitment. No alternative options considered.</i></p> <p>Board action: Return the paper. Ask management to restate the decision in a couple of sentences with alternatives before it returns to the agenda.</p>	<p>The board is being asked to endorse intent rather than make a clear decision. There is no approval choice, no commitment and no alternative considered.</p>
2. Evidence test			
	<p>A verified baseline, a clear counterfactual, transparent assumptions, named data sources, independent finance review and downside sensitivity analysis are needed. The board can see what is known, assumed and uncertain.</p> <hr/> <p><i>Supply chain: Finance has independently reviewed supplier emissions data, cost baseline, switching costs and two downside scenarios. The counterfactual, cost trajectory if no transition, is remodelled over three years.</i></p>	<p>The baseline exists but is inherited from prior reports, not finance-reviewed, built around a single optimistic scenario or does not model what happens if nothing changes.</p> <hr/> <p><i>Emissions data is from a two-year-old supplier survey. Finance has not reviewed the cost model. No counterfactual is presented.</i></p> <p>Board action: Require finance sign-off on the baseline and a modelled counterfactual before the paper returns. Name the finance owner responsible for sign-off.</p>	<p>There is no reliable basis for judging the starting point, the cost of doing nothing, the attribution of benefits or the credibility of any projected movement.</p>
3. Financial consequence test ★ — Approval Gate			
	<p>The proposal traces at least one material consequence to a named financial line, cost, margin, cash flow, risk exposure or capital efficiency, and shows how the case holds under downside assumptions. Finance has reviewed and signed off the consequence logic.</p>	<p>The financial consequence sounds plausible, resilient, valuable, and with reputational benefit, but is not quantified, not linked to a named financial line, not stress-tested or not reviewed by finance.</p> <hr/> <p><i>This will strengthen our long-term competitiveness and supply chain resilience. No</i></p>	<p>The proposal does not show a material financial, risk or strategic consequence. It should not pass the approval gate regardless of strategic or reputational merit.</p>

	<p><i>Supply chain: Reduced disruption exposure saves an estimated £Xm annually in expediting costs. Stronger supplier qualification protects £Ym of at-risk customer revenue. Modelled under 20% lower savings: still positive NPV over three years.</i></p>	<p><i>numbers. No P&L line. No downside model.</i></p> <p>Board action: Do not proceed to the approval gate. Return the paper and require a named financial consequence reviewed by the CFO or finance director before approval is considered.</p>	
<p>4. Ownership test</p>			
	<p>Named executives own the economics, delivery logic, assumptions, trade-offs and consequences. Decision rights are clear. There is a named individual accountable for variance if benefits, costs or timelines move off plan.</p> <p><i>Supply chain: Finance director owns the benefits case. The procurement director owns supplier transition risk. The operations director owns service continuity. The commercial director owns customer and margin consequences.</i></p>	<p>A senior sponsor or steering committee is named, but accountability for economics, delivery risk and trade-offs is spread too thinly. Everyone supports it. No one owns the numbers.</p> <p><i>A cross-functional team with board sponsorship will oversee the programme. No named owner for the financial model or delivery risk.</i></p> <p>Board action: Before approving, require management to name one individual accountable for the financial model and one for delivery risk. A committee is not an owner.</p>	<p>No one can be held accountable when assumptions fail, benefits do not materialise or delivery trade-offs become unavoidable. Governance exists in name only.</p>
<p>5. Action test</p>			
	<p>The proposal defines what happens in the first 30, 60 and 90 days after approval; what proof threshold must be met at each point; and a specific stop rule, the measurable condition under which the programme pauses, redesigns or exits.</p> <p><i>Supply chain: Day 30: supplier data validated. Day 60: cost and service risk stress-tested. Day 90: If projected savings are not within 15% of the model, Phase 2 capital is withheld and the programme is redesigned before proceeding.'</i></p>	<p>Monitoring is promised and a review cadence is described, but the process is not linked to capital release, redesign triggers or named decisions. The stop rule is an intention, not a condition.</p> <p><i>We will review performance quarterly and report to the board on progress. No proof threshold. No capital gate. No defined condition for stopping.</i></p> <p>Board action: Require a specific stop rule before approving. Ask management: Under what measurable condition would you recommend we stop or redesign this programme? Record the answer in the approval minute.</p>	<p>The proposal creates momentum without governance. There is no decision-linked cadence, no proof threshold and no condition under which the board would stop or redesign the initiative.</p>
<p>Board verdict</p>	<p>Approve All five tests pass. Financial consequence is material and</p>	<p>Develop further One or two warning signs. Direction is sound. Named</p>	<p>Redesign Any fail condition, or the financial consequence test is</p>

	finance-reviewed. Named owners are in place. The stop rule is defined. The board governs; it does not endorse.	gaps must be closed with a named owner and a return date.	not met. The foundational logic must be rebuilt before the proposal returns.
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Why the Grey Zone Is the Most Dangerous Zone

The proposals that fail outright are rarely the dangerous ones. A board can spot a proposal with no baseline, no owner and no financial case in the first five minutes. The proposals that cost organisations the most are the ones that sit in the grey zone: confident, well-written, broadly aligned with strategy, and just shy of the standard on one or two tests that no one in the room presses hard enough to close.

A warning sign is not a minor problem to note and move past. It is the precise point at which governance either tightens or quietly gives way. The board action attached to each warning sign in the table above exists for that reason. It converts recognition into a specific instruction, not just an observation for the minutes.

The Stop Rule in Detail

Of the five tests, the action test is the one boards most often treat as a formality. It should not be. A genuine stop rule, agreed upon at the point of approval, specifies three things: what underperformance looks like in measurable terms; the time window over which that will be assessed; and the decision options available, pause, redesign, scale back or exit, with clarity about who makes that call and when.

Most organisations do not lack a review process. They lack a stop rule. A review process asks whether the initiative is on track. A stop rule defines, in advance, the exact condition under which the board will say no to more of the same. Defining that condition before approval is not pessimism. It is the act that converts ambition into a governed investment, and it is the element most often missing when a proposal that looked strong at approval is quietly extended, unreviewed, eighteen months later.

A strategy that cannot define the conditions under which it should not proceed is advocacy, not governance.

The Case Study Programme

The Five Test Standard is now being applied to live proposals. Work is underway with organisations testing material sustainability investments against the passing standard above before those proposals reach board or CFO review, using SSBC-D Lite, the early-triage diagnostic, as the first step, and SSBC-D Full, the board-readiness diagnostic, where a proposal is approaching formal approval.

Findings from that work, anonymised unless an organisation chooses otherwise, will be reported as the evidence base builds. If your organisation has a live sustainability proposal and would value testing it against the passing standard before its next review point, the invitation remains open.

Conclusion

A standard that exists only as a list of five tests is not yet a discipline. It becomes one only when a board can look at a live proposal and say, precisely, where it passes, where it sits in the grey zone and where it fails outright, and then act on that judgement rather than simply noting it.

That is what this brief has set out: not a new framework, but the passing standard for the one boards already have. The test for sustainable strategy is no longer whether the five tests exist. It is whether your board would recognise a pass if it saw one and would have the discipline to say no if it did not.

The grey zone is not a safe place to leave a proposal. It is where governance quietly fails.

Three ways to take the next step

1. Apply the passing standard

Take one live proposal and test it against the three tiers above for each of the five tests, using [SSBC-D Lite and Full](#) to apply the standard.

2. Close one grey zone gap

If a proposal triggers any warning sign, take the named board action in this brief before it returns to the agenda.

3. Contribute to the case study programme

Findings can be anonymised. Contact: drpaulphillips.com