

Shifting Pace: From ESG Progress to Sustainability Reporting

*Zur notwendigen
Anpassung der
Berichterstattung*

27. Juli 2021

Ralph Thurm, Managing Director, r3.0
@aheadahead1

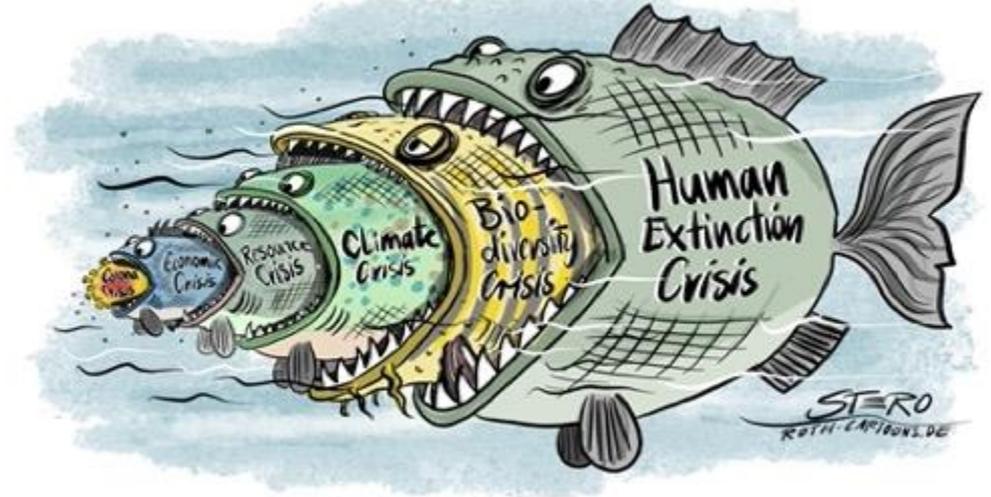
CRIC

27. JULI 2021 | 14:00

POLITIK IM FOKUS

Von der Nachhaltigkeits-Berichterstattung, die wir brauchen

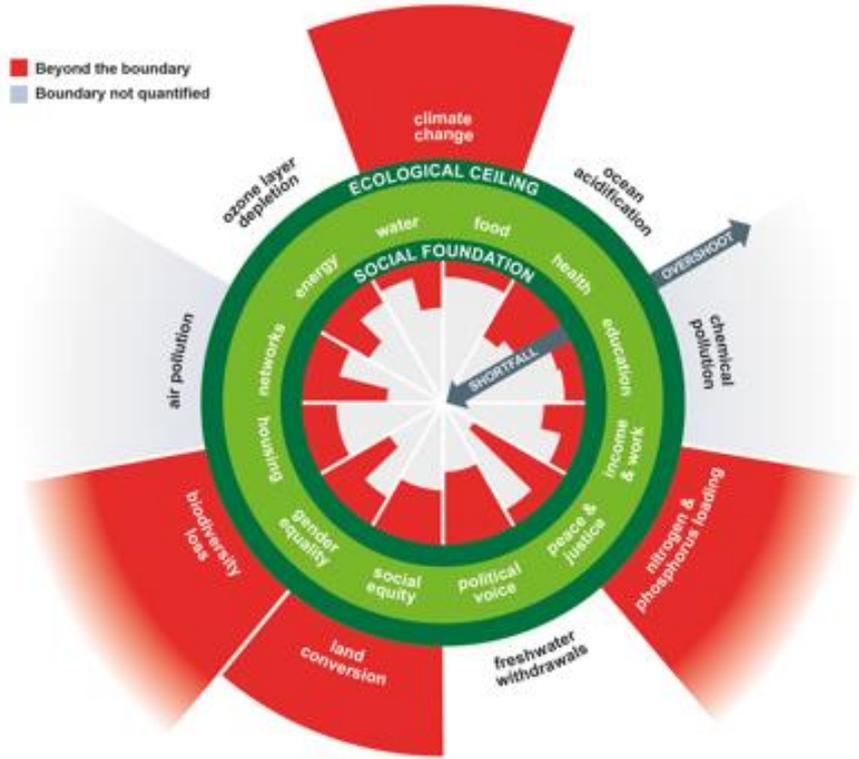
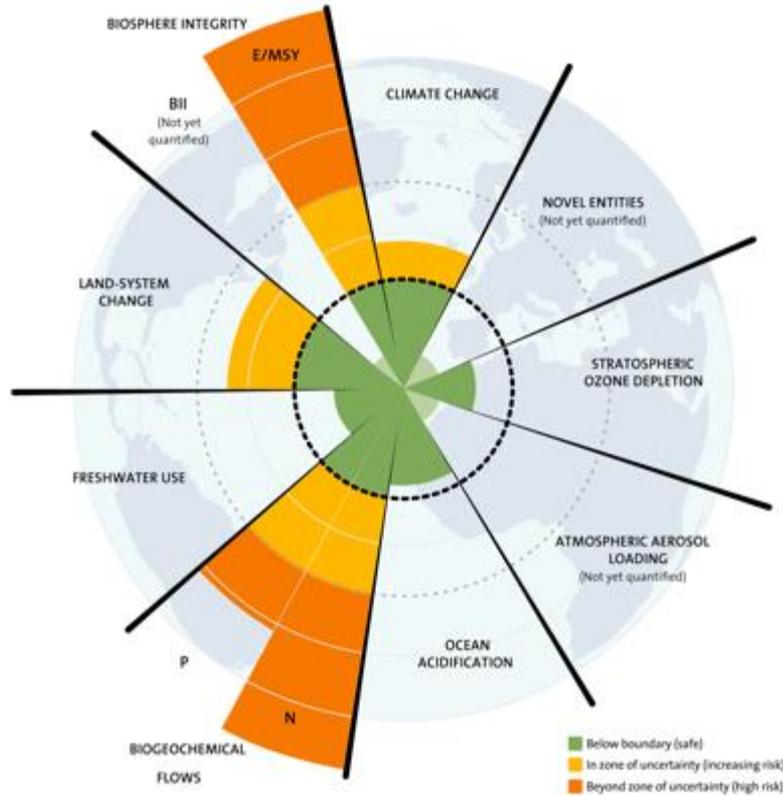
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Das r3.0 Work Ecosystem – ein systemisches Set an Blueprints



Overshooting Planetary Boundaries (Ecological Thresholds)... ...and Shortfalling Social Foundations (Social Thresholds)



$$\text{Sustainability Quotient: } S = \frac{A}{N}$$

$$\text{Sustainability} = \frac{\text{Actual Impacts}^*}{\text{Normative Impacts}^*} \left(\frac{\text{Numeration}}{\text{Denomination}} \right)$$

**On the Carrying Capacities of Vital Capital Resources*

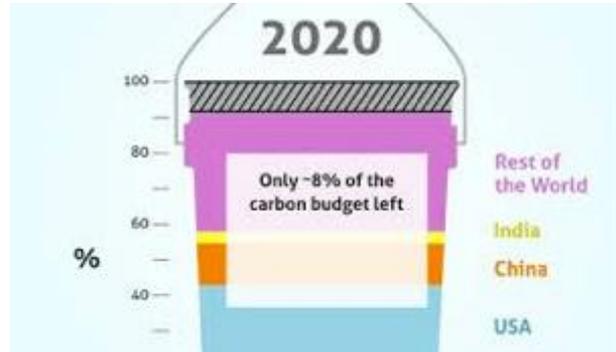
Sustainability Quotient Example: Carbon

Carbon Footprint



Numerator

Carbon Budget



Denominator

The facts: 99.7% of Sustainability reporters ignore context



Journal of Cleaner Production

Volume 163, 1 October 2017, Pages 106–117



Is Earth recognized as a finite system in corporate responsibility reporting?

Anders Bjørn^a,  , Niki Bey^a, Susse Georg^b, Inge Røpke^b, Michael Zwicky Hauschild^a

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<https://doi.org/10.1016/j.jclepro.2015.12.095>

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0.3%

A MERE 31 of 9,000

Highlights

- We systematically reviewed references to ecological limits in 40.000 CR reports.
- In 2000–2013 \approx 5% of companies referred to ecological limits in any year.
- Of these 5%, only 31 companies planned to align performance or products to limits.

The EU Taxonomy for Sustainable Finance Growth...Really?

“To ensure the broadest usability of the Taxonomy possible, the TEG had to **arbitrate between granularity and flexibility** as well as between **complexity and clarity**. A very granular Taxonomy, which uses **precise metrics and thresholds**, is expected to provide clarity and to minimize the risk of greenwashing. Nevertheless, there is a **risk that requirements that are too granular and stringent lower the willingness of stakeholders to take up the Taxonomy**, due mainly to the costs to access the necessary data and adapting their internal processes. On the other hand, more flexibility in the definition of screening criteria may facilitate the use of the Taxonomy but **increase significantly the risk of divergent interpretations and greenwashing**. Another challenge regarding the definition of the screening criteria is setting the **adequate level of thresholds**. **Setting too low or too high thresholds, which do not reflect best market practices**, would undermine the Taxonomy’s ultimate goal of redirecting financial flows towards sustainable investments. Consequently, the selection of the Taxonomy’s **thresholds has been carefully considered**, based on existing standards and consultation processes with experts in the relevant sectors.”

Unfortunately, this is incrementalism par excellence. There is no negotiation possible with Gaia!
Furthermore, the taxonomy sees allocation only as an item for financial investment redirection.

So...does 'Sustainable Finance' Exist?



The goal of creating **Sustainable Finance** is predicated on the assumption that we currently live in an Unsustainable Finance regime. Empirical evidence – such as the Planetary Boundaries, Doughnut Economics, Ecological Footprint, and Great Acceleration research streams – substantiate systemic unsustainability as fact. Indeed, our current system is best defined as inhabiting advanced stages of *overshoot-and-collapse*. So clearly, *transformation* is required, if humanity wishes to create a truly sustainable finance system that can fuel the transition to a Regenerative & Distributive Economy.

The fundamental question this *Blueprint* asks is: do current Sustainable Finance initiatives set us on a path of transformation to such new and sufficient finance and economic systems?

The fundamental answer: A resounding no.

This Blueprint proposes an alternative pathway that shows promise of achieving *bona fide* Sustainable Finance.

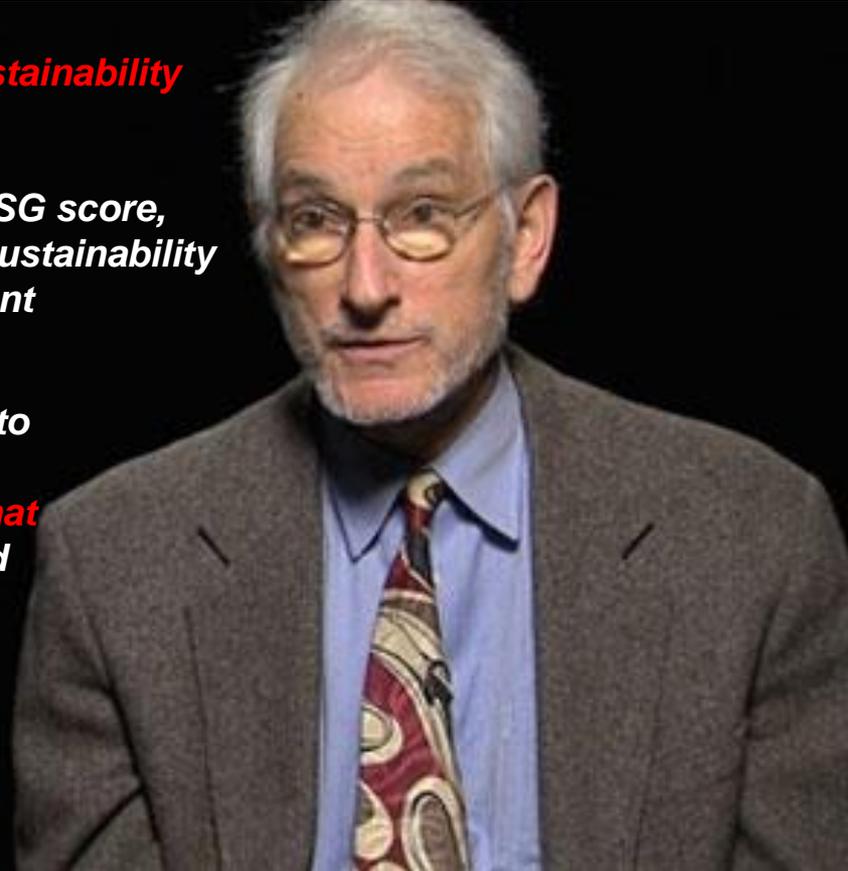
ESG = Incrementalism; ESG ≠ Sustainability

ESG does not, by nature, carry a true sustainability gene.

A company may rate very highly on an ESG score, but to say this company is an excellent sustainability performer is a very fundamentally different statement.

It means that the company is positioned to prosper for the long-term in a way that respects limits, thresholds, and norms that are externally defined, not simply defined by peer group comparison or internal targets and goals.

**Allen White
Co-Founder
Global Reporting Initiative**





“The only thing more dangerous than no progress is the illusion of progress.”

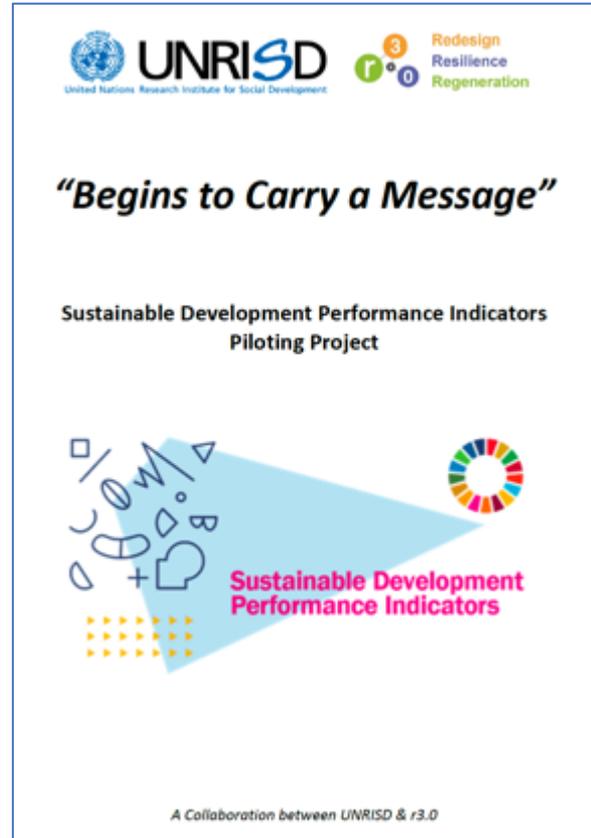
Brendan LeBlanc, EY

r3.0 Steering Board 2015– 2020

UNRISD/r3.0 Sustainable Indicators Project (2019-2022)



- **Tier One: Incrementalist Numeration:** comprises “numerator” indicators focused on actual impacts. Numerator indicators include absolute indicators, as well as “relative” or “intensity” indicators that are non-normative in nature.
- **Tier Two: Contextualized Denomination:** comprises “denominator” indicators, which contextualize actual impacts against normative impacts. Denominator indicators are also known as “Context-Based” indicators, which take into account sustainability thresholds in ecological, social, and economic systems, as well as allocations of those thresholds to organizations and other entities.
- **Tier Three: Activating Transformation:** comprises “transformative” indicators, adding the element of implementation policy to normative “denominator” indicators to instantiate change within complex adaptive systems.



Participating, amongst Others:

- Anglo American
- Manulife
- Weleda
- GLS Bank
- World Bank
- WBA
- IMP
- Cabot Creamery
- Mondragon Group
- Vancity
- iCoop
- SAOS
- Elecom
- Sancor Seguros
- ...

Biodiversity Performance Index (BPI) Pilot Project

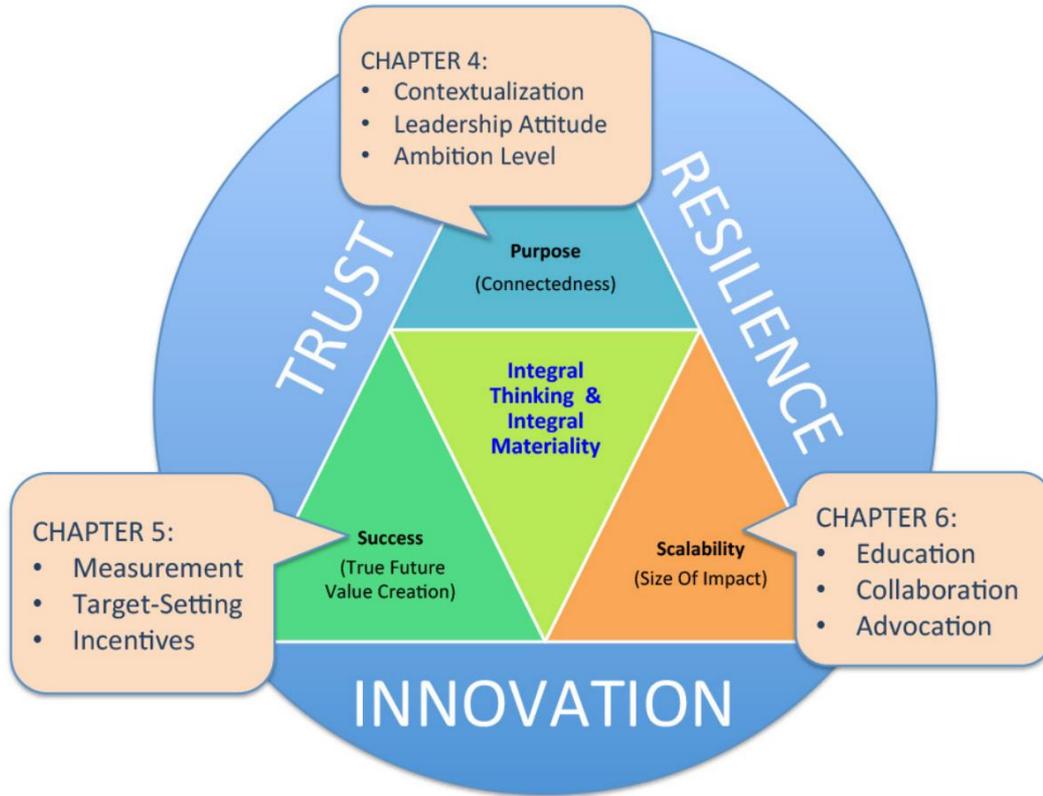


A composite metric as Biodiversity Performance Index, looking at three causal Dimensions of loss. The only context-based metric on Biodiversity globally:



Biodiversity Performance Index (BPI)					
Biodiversity Areas of Impact	Sub-Areas of Impact and Their Individual Context-Based Metrics		Individual Metric Scores ¹	Biodiversity Performance Scores ²	
Habitat Loss	Abiotic Impacts	Air		1.20	50%
		Land (Cover)		0.10	
		Water	Quantity	1.35	
	Quality		1.00		
	Ecosystem Impacts	Climate System		1.65	
		Terrestrial		0.95	
		Freshwater		1.25	
Marine		0.34			
Non-Native Species	Non-Native Species Introduction		1.10	0%	
Harvesting/Predation	Harvesting/Predation		0.00	100%	
			¹ All scores of ≥ 1.0 signify conformance to sustainability norms. ² Proportion of individual scores that conform to sustainability norms.	Overall BPI Score³ 50%	

The r3.0 New Impetus in Reporting



The *new impetus for integral thinking and integral materiality* means disclosure on purpose, success and scalability, essentially needed for future-ready disclosure.

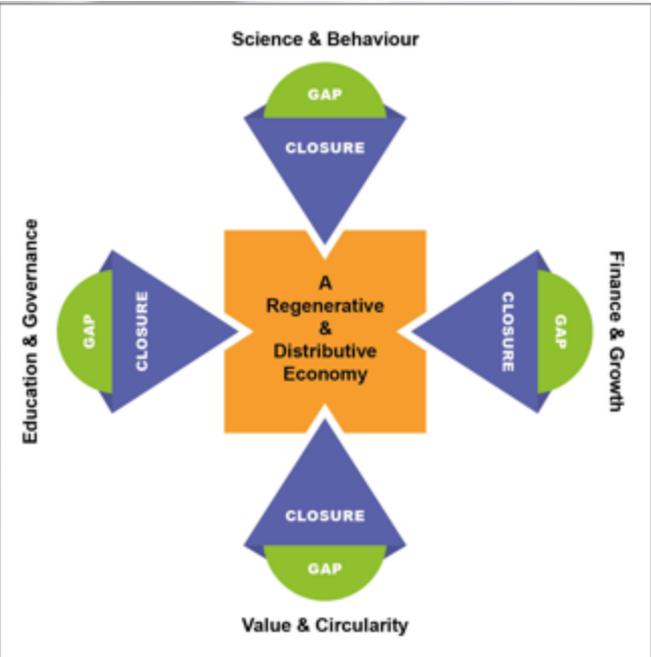
Viel Dank!

Genug Input für eine
tiefergehende Diskussion ;-)

8th International r3.0 Conference 2021

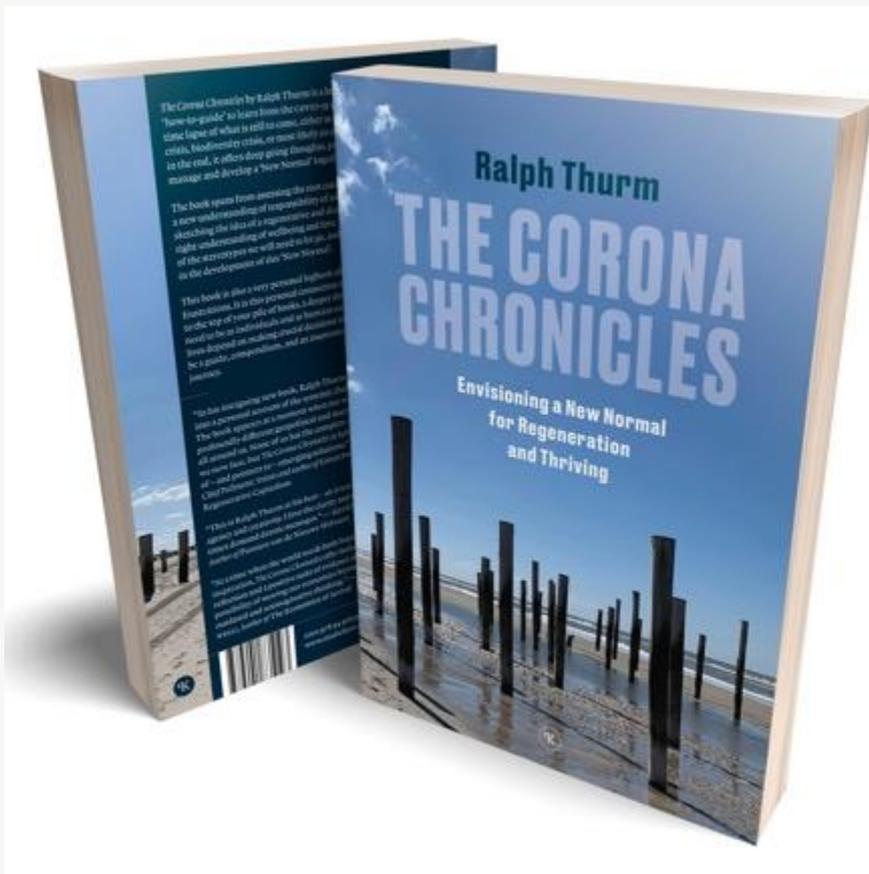
Thresholds of Transformation – Piloting Regenerative and Distributive Economies and Cultures

A Virtual Global Conference from 7th to 8th of September 2021



<https://conference2021.r3-0.org/>

The Corona Chronicles (ebook + print)



The Corona Chronicles by Ralph Thurm is a book about hope, but also a 'how-to-guide' to learn from the COVID-19 crisis. Seeing this crisis as a time lapse of what is still to come, either as economic crisis, ecological crisis, biodiversity crisis, or most likely an existential crisis for humanity in the end, it offers deep going thoughts, patterns and solutions of how to manage and develop a 'New Normal' together.

The book spans from assessing the root causes of COVID-19, to developing a new understanding of responsibility of and for all of us, and finally sketching the idea of a regenerative and distributive economy, based on the right understanding of wellbeing and love. Ralph carries us through many of the stereotypes we will need to let go, and other ideas we need to pick up, in the development of this 'New Normal'.

"In his intriguing new book, Ralph Thurm distills decades of experience into a personal account of the systemic challenges our species now faces. The book appears at a moment when our world is in flux – and when a profoundly different geopolitical and macroeconomic order is evolving all around us. None of us has the complete answer to the existential crisis we now face, but *The Corona Chronicles* is full of pointers as to examples of – and pointers to – emerging solutions." — *John Elkington, Founder & Chief Pollinator, Volans and author of Green Swans: The Coming Boom in Regenerative Capitalism*

"This is Ralph Thurm at his best – an irresistible combination of wisdom, agency and creativity. I love the clarity and urgency of this book. Drastic times demand drastic messages." — *Kees Klomp, Founder, Thrive Institute, Author of Pioniers van de Nieuwe Welvaart*

"At a time when the world needs both hope and practical ideas and inspiration, *The Corona Chronicles* offer both. It is simultaneously a personal reflection and a positive suite of evidence and proposals that bring the possibility of moving our economies beyond the bottleneck created by outdated and unimaginative thinking." — *Katherine Trébeck, Founder, WEALL, Author of The Economies of Arrival*