



reporting 3.0
context for thriveable transformation

Reporting 3.0 Blueprint Series - New Blueprint Project Outline for Blueprint #6: Sustainable Finance

- Purpose of the Blueprint

Aspect	Explanation
Introduction	<p>This Blueprint seeks to define Sustainable Finance, and identify best practices for achieving this goal. Simply speaking, financial sustainability results from the creation of positive current and future value; more holistically, achieving sustainability through finance entails aggregate positive (or “regenerative”) impacts on social and ecological systems, many of which are currently on degenerative trajectories toward collapse.</p> <p>Current “state of the art” ESG Integration (which assesses environmental, social and governance factors across all asset classes and investment strategies) moves in the right direction, but by definition falls short. “ESG does not, by nature, carry a true sustainability gene,” says Global Reporting Initiative Co-Founder Allen White, due to its focus on incremental progress. “Incrementalism alone, at the end of the day, is insufficient. Sustainability requires contextualization within thresholds. That’s what sustainability is all about.”</p> <p>So, Sustainable Finance requires a systems-level approach that assesses sustainability thresholds (or the carrying capacities of the capitals) to create what’s called “system value” across financial, social and ecological systems in order to transcend the “predatory delay” of incrementalism.</p>
Focus	<p>This Blueprint sets out to identify existing mechanisms and trends, as well as recommending necessary developments and innovations, to transform finance into a regenerative model. It will focus on transcending existing shortcomings in the financial realm (systemic short-termism), as well as shortcomings in the social and environmental realms (endemic incrementalism.) The goal is to identify the “sweet spot” where long-term (“durable”) financial value creation converges with regeneration of social and ecological systems (“system value”).</p> <p>The Blueprint will cover all three primary areas of finance: equity, debt (fixed income), and insurance.</p>

Link to other r3.0 Blueprints	<ul style="list-style-type: none"> ● Reporting Blueprint: Redefine the purpose of finance; Integrate threshold-based success measurement; Activate scalability of sustainability through financial intermediation. ● Accounting Blueprint: Influence transformation of financial accounting to assess multi-capital, long-term system value creation ● Data Blueprint: Drive transformation of data market from incrementalist ESG focus to threshold-based sustainability focus ● New Business Models Blueprint: Leverage investor / financier influence to spur transformation to sustainable business models ● Transformation Journey Blueprint: Provide pathways of change that can be disseminated, piloted, and scaled through the Transformation Journey Program
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● **Areas the Blueprint will cover**

Aspect	Explanation
Thresholds & Allocations	Sustainable finance and investing requires systemic support for economic, social and ecological thresholds, allocated to the portfolio level. This was labelled “ threshold investing ” as early as 2013. This also ties into the Reporting 3.0 Global Thresholds & Allocations Council (GTAC), which calls for aligning with thermodynamic & ethical thresholds -- such as the carbon budget and gender equity in representation & pay.
Fiduciary Duty → Strategic Duty	Current interpretations of fiduciary duty obsess on short-term shareholder value creation (profit maximization); a proper interpretation (enforceable through redefined case law) calls for a “strategic duty” to ensure long-term system value creation.
Monocapitalism → Multicapitalism	Current decision-making in finance predominates on a single capital – financial; sustainable finance bases its decisions on the multiple capitals – particularly respecting their carrying capacities (i.e. Multicapitalism .)
Systemic Risk & Existential Risk	Traditional finance assesses portfolio risk; sustainable finance assesses systemic risk and existential risk -- including the risks of predatory delay .
Forceful Stewardship & Beta Activism	Transforming finance to achieve sustainability requires fiduciaries to shift from what’s called “tea & biscuits” or “tummy tickling” engagement to “ Forceful Stewardship ” pressing for transformative change of the business models of portfolio holdings. Similarly, “ Beta Activism ” acknowledges that systemic risks / dynamics at the beta level now transcend enterprise- and portfolio-level risks / dynamics at the alpha level, prompting forward-looking investors to engage on systemic issues.
Scenario Analysis → Transformation Planning	Building on Recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) to conduct climate scenario analyses, investors should take the next step of using their influence to encourage portfolio companies to produce transformation plans to new business models that create future value in the context of the SDGs and Paris.

- **Resources the Blueprint will build upon**

Resource	Explanation
UNEP Inquiry	This is the most comprehensive research in the field, which this Blueprint will build upon in order to advance the implementation of Recommendations.
EC High-Level Expert Group on Sustainable Finance	This group is at the forefront of translating understanding into action at the policy level.
Global Initiative for Sustainability Ratings (GISR)	GISR folded, opening up its assets for inheritance by other initiatives. The Reporting 3.0 Sustainable Finance Blueprint has secured permission to inherit the GISR Principles.

- **Expected outcomes of the Blueprint**

Outcome	Detail
Repository	Blueprints typically result in a repository of source materials numbering in the hundreds, compiled into a repository.
Infographics from virtual dialogue	Blueprint development typically involves a virtual dialogue on Convetit for each Exposure Draft, resulting in infographic reports.
Public comment	After vetting two Exposure Drafts with the Working Group of 20-40 global experts, a Public Comment period precedes final publication.
Blueprint #6	The final version of Blueprint #6 will be published as a Reporting 3.0 Blueprint Report.

- **Parties who should be involved**

Main role – (S)=sponsors; (W)=work/research partners; (D)= Data providers; (V)=validating / networking partners	
Sponsors (S)	Finance-oriented foundations, governments, multilaterals; finance firms
Research partners (R)	Research universities and think tanks; individual experts
Work partners (W)	Advocaton Partners and Transformation Journey Program Participants
Data providers (D)	ESG Data Providers
Validating / networking partners (V)	Reporting 3.0 involves influential players that aren't in a position to contribute formally in this Blueprint Project to reflect and add opinions where deemed necessary. This increases the visibility of the project and recognition of the outcome

- **Management of the Blueprint project**

Function	Role Description
Program manager	Ralph Thurm
BP Lead(s)	Bill Baue
Corporate Participants	7-10
Network Representatives	7-10
Non-Profit Representatives	7-10

- **Timeline**

Month	Activities
1	Call for participation, set up of working group, budget check, official launch
2-3	Literature collection, analysis, 1:1 expert interviews
4	Structuring of outcomes, 1st meeting working group
5-6	Development of first draft blueprint with participants
7	Online Think Tank, infographic development
8	Structuring of outcomes, 2nd meeting working group
9-10	Final draft to working group, public comment period
11-12	Final version of blueprint and release

- **Resources**

Contributions	Description
Funding	200k EUR, accepting donations as matching funding, and corporate contributions between 10k and 20k EUR
In-kind	possible

- **Contacts**

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- **About Reporting 3.0**

Reporting 3.0 fulfills an R&D function for the broader reporting and transformation field. It catalyzes extensive collaborative research and innovation into next generation solutions. We focus on the triggers transforming economic and business ecosystems. It is an answer to the need for consolidation, convergence, innovation and acceleration in a fragmented reporting market. Hence, Reporting 3.0 serves as a neutral, pre-competitive and market-making actor and delivers research, recommendations and tools for the public good.