

## Sustainable Finance Blueprint



forthcoming



# Sustainable Finance Blueprint Virtual Dialogue

February 17, 2020 - February 23, 2020

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227 posts | 20 participants

# FOCUS OF THE PROJECT

## Background

In this week-long, asynchronous virtual dialogue, r3.0 engaged its Working Group for the *Sustainable Finance Blueprint* to assess the First Exposure Draft. In particular, we look to identify key Recommendations to include in the *Blueprint*, focused on each of the 10 Activation Factors. The feedback from this dialogue will inform the Second Exposure Draft.

This Blueprint is the sixth in the r3.0 series, and the first of four in the Second Phase of Blueprint development (2019 – 2022). As a global common good, pre-competitive, market-making not-for profit organization, r3.0 has created a templated process for creating Blueprints in diverse fields that identify 1) current practice and 2) current ambition in the field in question, then compare this practice and ambition to 3) necessary ambition (based on science and ethics) for spurring the emergence of a regenerative and distributive economy.

In other words, the Blueprints conduct gap analyses. The Blueprints then backcast from the desired future on the far side of the gap to propose a set of Recommendations of hands-on approaches that different actors can take to fill the gaps, thus building foundations for the sustainable structures of a new economy

r3.0 piloted this process in a First Phase (2015 – 2019), including Blueprints on 21st Century Reporting, Accounting, Data, and New Business Models, plus a fifth Transformation Journey Blueprint that synthesizes these first four into an implementation framework to trigger necessary transformation. The Second Phase covers the fields of Sustainable Finance, Value Cycles, Governments / Multilaterals / Foundations, and Education.



## Agenda

### • Day 1: Introductory Sections

- Role of Finance
- Existing Initiatives - Current Practice & Gaps

### • Day 2: Scope

- From ESG Integration to Threshold Investing
- From Monocapitalism to Multicapitalism
- From Impact Valuation to System Value Creation

### • Day 3: Policy & Engagement

- From Fiduciary Duty to Strategic Duty
- From Alpha Generation to Beta Activism
- From Dirty Lobbying to Positive Lobbying
- From Tea & Biscuits Engagement to Forceful Stewardship
- From Competitive Advantage to Collaborative Advocation

### • Day 4: Practice & Performance / Conclusions & Synthesis

- From Outside-In Enterprise & Portfolio Risk to Inside-Out Systemic & Existential Risk
- From Scenario Analysis to Transformation Planning
- Conclusions & Synthesis

## Co-Facilitators



**Bill Baue**

Senior Director, r3.0



**Ralph Thurm**

Managing Director, r3.0



**Sanford Lewis**

Sanford Lewis, Attorney



**Trae Ashlie-Garen**

I mentor Leaders to handle change with greater ease & less angst,



**Jérôme Tagger**

CEO, Preventable Surprises



**Joe Brewer**

Executive Director at Center for Applied Cultural Evolution



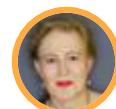
**Astrid Kaag**

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**Salomon Billeter**

Founder Simulated Action Analysis for Sustainable Impact



**Jessie Henshaw**

Scientist



**Dirk Schoenmaker**

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**Will Szal**

President Of The Board Of Directors at Regen Network Development, Inc.



**Mark Van Cleef**

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**Adam Garfunkel**

Principal at Junxion Strategy UK



**Dr Raj Thamotheram**

Founder & Chair, Preventable Surprises



**Radoslav Georgiev**

ESG Disclosure Lead at ING



**Jan Köpper**

Head of Impact Transparency & Sustainability



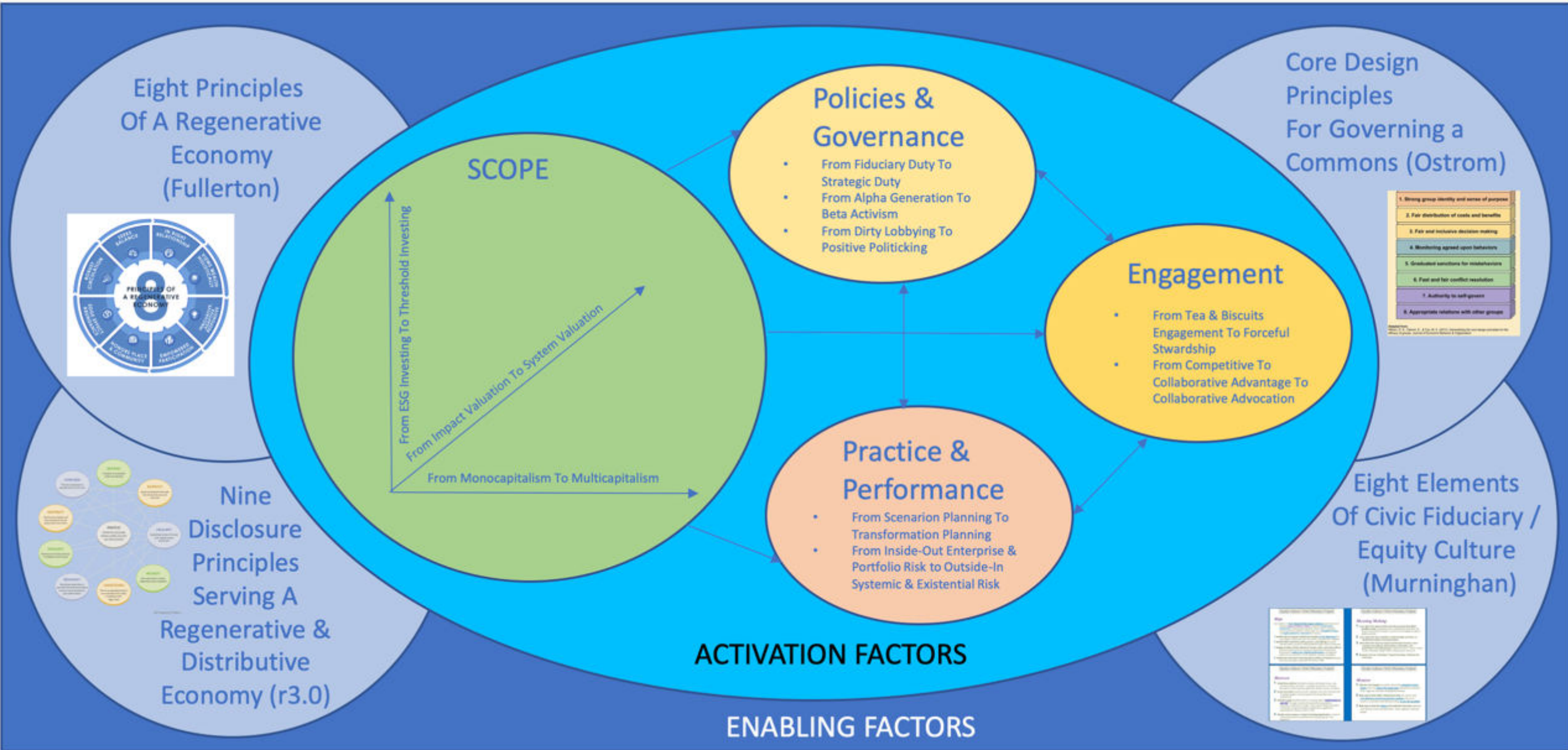
# PARTICIPANTS

# Day 01

Role of Finance & Existing Initiatives  
*(Current Practice & Gaps)*



# Blueprint Overview



**Day 1 Discussion** focused on two sections of the **Sustainable Finance Blueprint**: The Role of Finance and Existing Initiatives in Sustainable Finance.

On the first section, discussion focused on first principles, stepping back to ask fundamental questions about the meaning and definition of finance. It also considered what levers can be pushed to trigger positive change – such as the role of government as a provider of finance.

On the second section, discussion touched on one existing government initiative that may warrant mention in the Blueprint, as well as more generalized statements about sustainable finance initiatives.

Finally, an *ad hoc* discussion thread emerged on defining the Blueprint's audience.

The following slides summarize the Key Takeaway quotes from participants in each of these areas.

## Sustainable Finance Blueprint



forthcoming

# Role of Finance & Existing Initiatives

## Expert Insights



### Key Point

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#### Role of Finance: The Meaning & Definition of Finance

*"People know, instinctively, that Finance is how we, as a society, direct our cash flows. And they want voice in Finance. But in Modern Finance, we do not have a voice. Not really. How can we adaptively evolve a new form of Finance that does give people a voice, and a place where we all can participate in conversations that matter?"*



**Tim MacDonald**  
Co-Founder, Project Law Group, PLLC

*"Another topic I would like to see introduced in the "statement of problem" for this blueprint is the role of interest-bearing debt for enslaving people to their debt burdens -- as described so powerfully in David Graeber's book "Debt: The First 5000 Years.""*



**Joe Brewer**  
Executive Director at Center for Applied Cultural Evolution

*"We cannot simply treat finance like a set of mechanisms or an abstraction. In fact no one can change finance without thinking about agency. Why does finance do what it does? And if so how can I/we/anyone make it so something different?"*



**Jérôme Tagger**  
CEO

*"The multi-capital approach offers a possibility of a partial restart (without the huge effort of offsetting the effects of an extractive and therefore exclusive system by design), compensating mechanisms such as the ones proposed by Piketty and others (which once have been quite effective in most parts of the Western world), and finally, many mature parts of the real economy would work without any need of injection and subsequent extraction of financial means."*



**Salomon Billeter**  
Founder Simulated Action Analysis for Sustainable Impact

# Role of Finance & Existing Initiatives

## Expert Insights



### Key Point

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#### Role of Finance: Levers of Change

*"As governments have an important role to play in sustainable finance it will be strategic to mention them more in depth in the beginning of this blueprint as well."*



**Astrid Kaag**

Senior policy advisor Province of Noord-Brabant

*"There are six different and unique channels of Finance through which we aggregate surpluses saved by individuals, and deploy those aggregations as investment in enterprise. Each of those different channels has its own unique moral code by which it recognizes common interests: Family & Friends (IMPACT); Church & Philanthropy (MISSION); Taxing & Spending (POLICY); Banking & Lending (PROFITS); Exchanges & Funds (PROGRESS); and Pensions & Endowments (PEACE). When all of these channels are functioning correctly, according to their design, we prosper in peace. When any one of them falls into dysfunction, we get a false prosperity that does not bring peace."*



**Tim MacDonald**

Co-Founder, Project Law Group, PLLC

*"We think that government has less to do with finance directly, but to support the 'enabling conditions' for markets to function sustainably, and that financial market players can follow accordingly (e.g. through change from ESG Investing to Threshold Investing). In other areas we need more direct government involvement (e.g. how to redefine fiduciary duty to strategic duty). So it will be a mix of direct and indirect government involvement."*



**Ralph Thurm**

Consultant

*"Another issue: The system of financing ex ante with the expectation of an adequate compensation for the risk taken (and possibly an expectation of a profit beyond compensation for risks taken) only works as long as there are exponential processes fueling it."*



**Salomon Billeter**

Founder Simulated Action Analysis for Sustainable Impact



# Role of Finance & Existing Initiatives

## Expert Insights



### Key Point

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#### Existing Initiatives: General

*"Organizational developments of transformations tend to follow a common sort of "S" curve, that will only yield insights on what is happening if you dive in and find out what makes them tick."*



**Jessie Henshaw**  
Scientist

*"Very few initiatives have common interest at heart - that's part down to overall disdain for sustainability, part conservatism, part misunderstanding finance."*



**Jérôme Tagger**  
CEO

*"Real transformation will only happen if we learn by doing in practice."*



**Astrid Kaag**  
senior policy advisor Province of Noord-Brabant

# Role of Finance & Existing Initiatives

## Expert Insights



### Key Point

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#### Existing Initiatives: Specific

*"I personally like the work of the Impact Management Project which provides a (sort of) formula for assessing impact. It aligns well with the concept of context by taking into account how underserved the beneficiary of the impact is, as well as the scale, depth and duration of the impact. It also requires an assessment of any potential risks associated with the impact."*



**Radoslav Georgiev**  
ESG Disclosure Lead at ING

*"The Brabant Outcomes Fund is an example of a transformative practice that should be mentioned in this blueprint. Not because [it] led already to systems-change, but because it is an example of how governments can learn in practice together with private investors and entrepreneurs how to change the existing financing system."*



**Astrid Kaag**  
senior policy advisor Province of Noord-Brabant

# Role of Finance & Existing Initiatives

## Expert Insights



### Key Point

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### Audience

*"WHO is our audience for THIS document? Because to me it is not clear."*



**Trae Ashlie-Garen**

I mentor Leaders to handle change with greater ease & less angst,

*"[On the question of how to reach the High Net Worth (HNW) community:] The consensus ... at the Family Office Conference (those who participated were Family Offices with holdings between 400M and 1B+), were 4 key points: 1) Respect my time; 2) I'm only looking for the top 1% of deals; 3) I'm looking for "Whitespace"; 4) What's the collateral?"*



**Trae Ashlie-Garen**

I mentor Leaders to handle change with greater ease & less angst,

*"It is my hope that this Blueprint will ... be read by (at least) these seven different audiences: 1) People Who Care; 2) Social Change Advocates; 3) Finance Professionals; 4) Government Regulators; 5) Visionary leaders of collaboratively co-creative enterprises; 6) Academics, Politicians and Policy Makers; 7) Individual learners, earners, spenders, savers and investors"*



**Tim MacDonald**

Co-Founder, Project Law Group, PLLC

*"Right now this document is incredibly academic, and feels like we are big on ourselves and our intelligence, and at times it feels like it talks down to our audience."*



**Trae Ashlie-Garen**

I mentor Leaders to handle change with greater ease & less angst,

# Day 02

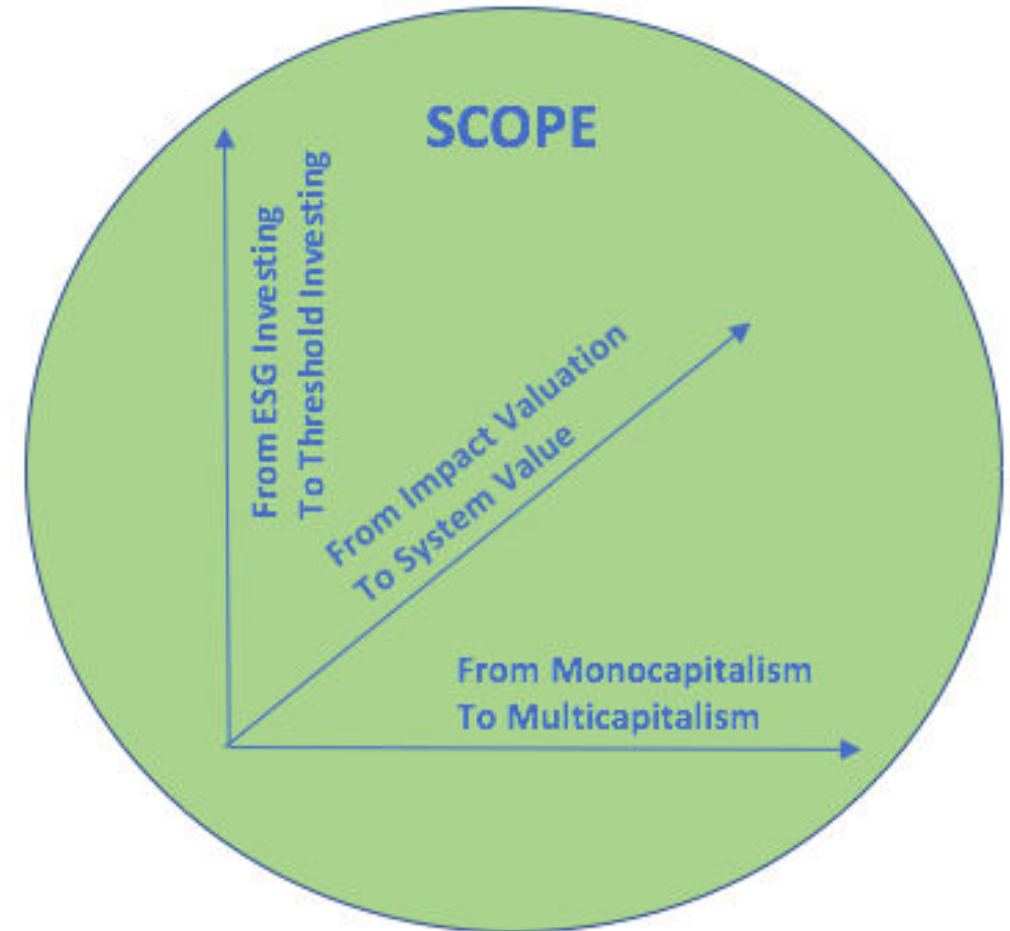
Scope



The discussion focussed on the 3 axes of the Sustainable Finance Scope:

- The vertical axis of **ESG Integration to Threshold Investing**;
- The horizontal axis of **Mono Capitalism to Multi Capitalism**; and
- The longitudinal axis of **Impact Valuation to System Value Creation**

The next step is to distill these into Recommendations harvested from the surveys.



## Key Point

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### From ESG Integration to Threshold Investing

*"Who is going to be enacting threshold investing? And why are they going to do that? One answer is ... Pensions & Endowments, because threshold investing drives intergenerational equity, and Pensions & Endowments, as super fiduciary stewards of society's super funds, are rewarded for delivering intergenerational equity."*



**Tim MacDonald**

Co-Founder, Project Law Group, PLLC

*"I think the biggest challenge is not to make people aware of the importance of the use of thresholds in investing and finance, I think the biggest challenge is to make people really comfortable in using them for decision making."*



**Astrid Kaag**

senior policy advisor Province of Noord-Brabant

*"Some day in the future, if a company is truly more "sustainable" as R3.0 is defining and has good disclosures, it should have a higher company valuation multiple like Enterprise Value / EBITDA and thus higher expectation for future value creation including by working WITHIN ecological limits and potential regulation risks and license to operate from society."*



**Mark Van Cleef**

Managing Director Organizational Capital Partners

*"The issue with ESG is that it is now largely used as an investor centric term, as opposed to an impact centric term. In that sense it needs to be transcended."*



**Jérôme Tagger**

CEO

## Key Point

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### From Monocapitalism to Multicapitalism.

*"I came to realise that we have to move from a Monocapital perspective to a Multicapital one when I spoke to several entrepreneurs with integrated solutions for wicked societal challenges: for example making products from plastic waste with lonely elderly, creating local green energy also for the citizens with a low income etc."*



**Astrid Kaag**

senior policy advisor Province of Noord-Brabant

*"I both really like this move [from mono- to multi-capitalism] because I understand what multi-capitalism does to the myopia of singular measures for the reductionism of systemic health and am always bothered by the word "capital" because it is so deeply connected to the closing off of the commons historically and the conversation of life into commodities."*



**Joe Brewer**

Executive Director at Center for Applied Cultural Evolution

*"A compounding and sustained industrial growth model when there are finite resources and limits does not work."*



**Mark Van Cleef**

Managing Director Organizational Capital Partners

*"As long as one of the capitals is "legal tender" and the other capitals are more or less voluntarily respected, the "legal tender" will win over the others as soon as it is getting scarce for the actors unless there is some way of making the other capitals binding as well."*



**Salomon Billeter**

Founder Simulated Action Analysis for Sustainable Impact

## Key Point

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### From Impact Valuation to System Value Creation

*"It feels quite right to shift the emphasis away from attempts to measure impact that tend to become myopic in their measurement and optimization processes. Instead there needs to be focus on cultivation of systemic capacities associated with overall systemic health."*



**Joe Brewer**

Executive Director at Center for  
Applied Cultural Evolution

*"Systemic value is non-local and therefore locally non-additive. Acknowledging this, we recognize the tremendous leverage of producing "co-benefits" (and avoid the pitfalls of well-meant but mutually cancelling actions."*



**Salomon Billeter**

Founder Simulated Action Analysis for  
Sustainable Impact

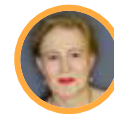
*"Does System Value = the system at a country level or at a global level rolled up from national levels?"*



**Mark Van Cleef**

Managing Director Organizational Capital  
Partners

*"Part of what is left out are 1) the approach of environmental thresholds we don't know about until after they have been crossed. Another part is 2) the systemic impacts of the economy as a whole, lost in the fat tails, and so not assignable to individual businesses."*



**Jessie Henshaw**

Scientist



# Day 03

Policy & Engagement



The Day Three dialogue focused on five Activation Functions in two categories as follows:

#### Policy & Governance

- From Fiduciary Duty to Strategic Duty
- From Alpha Generation to Beta Activism
- From Dirty Lobbying to Positive Lobbying

#### Engagement

- From Tea & Biscuits Engagement to Forceful Stewardship
- From Competitive Advantage to Collaborative Advocation

An ad hoc contribution explored the question of Sustainable Growth.

As well, sprinkled throughout the discussion were Broad Inputs that warranted summarization.

### Policy & Governance

- From Fiduciary Duty to Strategic Duty
- From Alpha Generation to Beta Activism
- From Dirty Lobbying to Positive Politicking

### Engagement

- From Tea & Biscuits Engagement to Forceful Stewardship
- From Competitive Advantage to Collaborative Advocation

### Key Point

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#### Policy & Governance: From Fiduciary Duty to Strategic Duty I

*"[This] wholesale - systemic change to the performance metrics, performance periods and incentives ... should be OK with Fiduciary Investors if they are truly investing for a more sustainable planet and societies for generations to come. These fiduciaries need to communicate this and live this in their governance policies and actions. Today Blackrock, Vanguard and others are not. See the R3.0 deck. Same with many of the largest Asset Owners."*



**Mark Van Cleef**

Managing Director Organizational Capital  
Partners

*"You need to look at exactly how corporations would become sustainable ... by converting them from wealth concentration machines to wealth distribution machines. That is the only path to sustainability for the economy as a whole, so it needs parts that fit the mold too."*



**Jessie Henshaw**

Scientist

*"Physical enterprise does not have the unlimited life of the legal contract that is the corporation. Therein lies the source of many problems for society. We cannot fix these problems by changing what the corporation is. We can fix them by changing the way we choose to finance enterprise... There is only one channel of finance that is created by design to finance such stewardship. That is the Pensions & Endowments channel."*



**Tim MacDonald**

Co-Founder, Project LawGroup, PLLC

*"We could show how, in 1972, the Pensions & Endowments channel got plugged into the Exchanges & Funds channel, so that instead of using its own fit for purpose mechanism it uses the corporation. Then we get into the weird morality of Modern Finance, because Pensions & Endowments are hard-wired for intergenerational loyalty, which requires them to be good stewards of today and tomorrow, equally, which makes them also fit for the purpose of valuing sustainability within Thresholds."*



**Tim MacDonald**

Co-Founder, Project LawGroup, PLLC

### Key Point

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#### Policy & Governance: From Fiduciary Duty to Strategic Duty II

*"Speculation, we have learned, simply cannot deliver the required cash flows. Enterprise can. Pensions need to abandon speculation as their mechanism for investing in pursuit of fiduciary stewardship, and embrace the more fit-for-purpose mechanism of custom-crafted agreement on formula-based sharing in free cash flows that has proven to work reliably well in Real Estate."*



**Tim MacDonald**  
Co-Founder, Project Law Group, PLLC

*"What we need to do is outfit Pensions & Endowments with their own fit-for-purpose machinery for manufacturing investments in enterprise that fit the fiduciary purposes, and a moral code for screening enterprise to invest in. One of the core features of that moral code, I believe, has to be Threshold Investing."*



**Tim MacDonald**  
Co-Founder, Project Law Group, PLLC

*"CPPIB ( Canada's national governmental pension fund ) [has] a legal "Investment Only" mandate: "We have a singular objective: to maximize long-term investment returns without undue risk, taking into account the factors that may affect the funding of the Canada Pension Plan and its ability to meet its financial obligations." Maybe this needs to be disrupted as it is NOT Fit for Purpose finance / investment in the current climate crisis?"*



**Mark Van Cleef**  
Managing Director Organizational Capital  
Partners

*"Unless the largest Asset Owners (including public pension funds and sovereign wealth funds) legally contract for Investment management / and related Stewardship / Governance to be managed within Thresholds and in turn align proxy voting, shareholder resolutions and investee company engagement to include the social value of enterprise for society / planet in their policies + processes, it will almost never happen at scale across most asset classes or key industries (to Net Zero GHG planet)."*



**Mark Van Cleef**  
Managing Director Organizational Capital  
Partners

### Key Point

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#### Policy & Governance: From Alpha Generation to Beta Activism

*"A priority is creating Net Zero GHG emissions business models and industry ecosystem transformation plans and forceful fiduciary investors need large scale industry level engagement (beta activism) to ask for transformation plans with clear must year milestones to get to Net Zero GHG Emissions, and push for executive pay for sustainable performance alignment."*



**Mark Van Cleef**

Managing Director Organizational Capital  
Partners

*"If we really want to exercise stewardship in finance, we need to find a channel and mechanism of finance that is created by design for stewardship. Right now, we have Pensions & Endowments plugged into corporation, Corporate Finance and speculation... We need to pull Pensions & Endowments out of the Exchanges & Funds channel, where they do not belong, and give them their own proper mechanisms for pursuing their own proper moral code, of stewardship."*



**Tim MacDonald**

Co-Founder, Project Law Group, PLLC

### Key Point

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#### Engagement: From Tea & Biscuits Engagement to Forceful Stewardship I

*"Forceful stewardship - and general stakeholder assertiveness - remain the best channels to address conflicts of interest and put companies in line with the broader economy / society where they can't or won't do it themselves. What's needed is to convince or require more investors and managers to take on the practices."*



**Jérôme Tagger**  
CEO

*"There are efforts underway to attempt to channel shareholder engagement and voting toward only considering the impact on value for the company, rather than the broader economy. But that is not an accurate understanding of investor interests and we need vehicles and information to Reframe the discussion."*



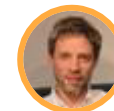
**Sanford Lewis**  
Sanford Lewis, Attorney

*"If we really want to exercise stewardship in finance, we need to find a channel and mechanism of finance that is created by design for stewardship. Right now, we have Pensions & Endowments plugged into corporation, Corporate Finance and speculation... We need to pull Pensions & Endowments out of the Exchanges & Funds channel, where they do not belong, and give them their own proper mechanisms for pursuing their own proper moral code, of stewardship."*



**Tim MacDonald**  
Co-Founder, Project LawGroup, PLLC

*"Jessie, I agree with your statement on investors not (yet) realizing their natural fiduciary duty in the interests of the commons. Here, the "by design" in Tim's statement on "channel and mechanism of finance that is created by design for stewardship" seems to me of utmost importance."*



**Salomon Billeter**  
Founder Simulated Action Analysis for Sustainable Impact

### Key Point

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#### Engagement: From Tea & Biscuits Engagement to Forceful Stewardship II

*"We need a wholesale - systemic change to the performance metrics, performance periods and incentives and this needs to be led by forceful super fiduciary investors and their stewardship"*



**Mark Van Cleef**

Managing Director Organizational Capital  
Partners

*"Engagement is much like the phenomenon of Collaboration in my mind... It can happen at the level of tools, processes, environments, or aspirations... it's a move from the concrete to the abstract, where the abstract is desired more and more over narrow "solutions" / problem solving mindsets... I'd like to offer up that perhaps it rests in the HOW we are engaging, more than the WHAT we are engaging about, and in the favourable conditions that support interaction."*



**Trae Ashlie-Garen**

I mentor Leaders to handle change with  
greater ease & less angst,

*"Tim, I like your post on civic engagement in super fiduciary stewardship finance, especially the local community gatherings."*



**Salomon Billeter**

Founder Simulated Action Analysis for  
Sustainable Impact

*"TCIF has a policy to vote against board directors at companies that fail to address climate change issues. BLK and State Street have made a soft commitment in the same direction."*



**Jérôme Tagger**

CEO

### Key Point

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Engagement: From Competitive Advantage to Collaborative Advocation.

*"[Forceful Stewardship] or other approaches can single out keystone sectors and provide a backdrop for collaborative approaches. This also requires new or advanced forms of collaborative leadership and supportive legal frameworks."*



**Jérôme Tagger**  
CEO

*"Astrid, supporting your call to "experience with our heart, mind and body", I guess we all are somehow immersed in our own experiments, trial-and-error, and we might use this to synthesize these two sides in the blue print, i.e., we connect design with practice, discussion with example, and theory with experiment"*



**Salomon Billeter**  
Founder Simulated Action Analysis for Sustainable Impact

*"real transformation starts in practice, it needs a learning by doing approach from individuals in cooperation with each other. We need to step into the complex system ourselves and experience with our heart, mind and body how it feels to interact with others in this system. We need to experience ourselves how difficult it sometimes is to open up to others who have other perspectives, other backgrounds, other expertise. We need to experience ourselves that we need each other, because for this wicked problems we need our collective wisdom."*



**Astrid Kaag**  
senior policy advisor Province of Noord-Brabant

*"Collective advocation a la Ca100+ or Follow This works as well - provided they use adequate objectives, are well coordinated, etc."*



**Jérôme Tagger**  
CEO



### Key Point

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#### Sustainable Growth

*"There are three levels [of growth] 1) growth that exhausts its seed resource without building anything; 2) growth that allocates a steady share of its resources for expanding its capture of more resources, but having no way to end that, just ends up starving or disrupting itself; 3) growth that like #2 invests a share of its resources in building new structures for capturing resources, but when it senses strains ahead,, abandons the compound growth strategy for a chance to create a secure niche in its environment."*



**Jessie Henshaw**  
Scientist

*"Most CEO and CFOs probably have limited to / no insights on specific E&S thresholds ( boundaries ) and related metrics / targets to consider as they are too focused on growth, economic returns and short term stock price. [The necessary] wholesale - systemic change to the performance metrics, performance periods and incentives ... probably means trading off growth (for low to no growth), economic profits and returns on invested capital at investee companies (industries) to achieve living within E&S thresholds and to be invested in creating for society."*



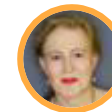
**Mark Van Clieaf**  
Managing Director Organizational Capital  
Partners

*"One of the most powerfully empowering purposes of the Blueprint is to guide the enterprise on this [sustainable growth] journey within Thresholds"*



**Tim MacDonald**  
Co-Founder, Project LawGroup, PLLC

*"Raise profits taxes and then give discounts to people who invest their profits in sustainability, to culture a responsible community of investors."*



**Jessie Henshaw**  
Scientist

### Key Point

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#### Broad Input I

*"According to the research of Caroline Hummels (Technical University Eindhoven) transformation requires three levels of change: - realise change: knowledge, data, stories, governance etc. - work change: collect, analyse, cooperate etc. - be(come) change: act, reflect, embody"*



**Astrid Kaag**

senior policy advisor Province of Noord-Brabant

*"Threshold Investing, as I understand it, is essentially a set of rules for guiding investors in NOT cannibalizing our future in order to live well in the present. It is, therefore, a core value of Investment Only super fiduciary mandates, that carry with them a core requirement of intergenerational loyalty."*



**Tim MacDonald**

Co-Founder, Project Law Group, PLLC

*"So education is needed about what is true "sustainable finance" and sustainable measurement and reporting that incorporates ecological and social thresholds. Asset Owners, Asset Managers and Investee Companies need to align this with a NEW PERFORMANCE MEASUREMENT, Incentive Design and reporting paradigm. R.3.0"*



**Mark Van Cleef**

Managing Director Organizational Capital Partners

*"Maybe the disruptive backwater is to sue the public pension funds (create new case law) for their breach in fiduciary duty to their beneficiaries in failing to include key threshold targets in their investment and corporate governance decision making, and who have to live in the resulting society / planet."*



**Mark Van Cleef**

Managing Director Organizational Capital Partners

### Key Point

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#### Broad Input II

*"Why not try pushing on Pensions to stop using Asset Managers and Corporations entirely, and instead engage with physical enterprise directly?"*



**Tim MacDonald**  
Co-Founder, Project Law Group, PLLC

*"The new Canada expert panel on "Sustainable Finance" report ( June 2019 ) on what would need to be included to make finance in Canada sustainable follows the EU Taxonomy of Sustainable Finance -- NO where in the expert panel report is the idea of a carbon budget and Canada's portion of the carbon budget and or CO2 / GHG thresholds outlined to stay within budget and the key risks if exceeded."*



**Mark Van Cleef**  
Managing Director Organizational Capital  
Partners

*"In politics, if we want different policies, laws and practices, all we have to do is change the norms that we agree, as a population, are good. In Finance, if you want to be valuing different social values in enterprise, you have to use a different form of Finance. Because Finance is structural and normative; not just normative."*



**Tim MacDonald**  
Co-Founder, Project Law Group, PLLC

*"How does Thresholds Investing enhance or impair market liquidity? Until we understand the answer to that question, we cannot understand IF or HOW Thresholds can be infused as a core value in the Exchanges & Funds "Finance Factory". So, I recommend that the Blueprint explore the answers to that question as part of its work to design Activation Factors for infusing Thresholds Investing into the Exchanges & Funds "Finance Factory"."*



**Tim MacDonald**  
Co-Founder, Project Law Group, PLLC

# Day 04

Practice & Performance / Conclusions  
& Synthesis



The final day of this Virtual Dialogue on the r3.0 *Sustainable Finance Blueprint* focused on the realm of Practice & Performance, specifically addressing two Activation Factors:

- **From Outside-In Enterprise & Portfolio Risk to Inside-Out Systemic & Existential Risk;** and
- **From Scenario Analysis to Transformation Planning.**

The discussion also proposed some final Recommendations, as well as asserting some final Conclusions & Synthesis.

## Practice & Performance

- **From Scenarion Analysis to Transformation Planning**
- **From Outside-In Enterprise & Portfolio Risk to Inside-Out Systemic & Existential Risk**

## Key Point

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### From Outside-In Enterprise & Portfolio Risk to Inside-Out Systemic & Existential Risk.

*"One thing I've been working on is the integration of financial flows with landscape regeneration and the social learning processes among humans as the regenerative practices emerge, spread, and improve. At the core of this is an emergent systemic understanding for what the existential risks are for living in that particular place. There has been some deep dialogue and early experimentation for how to employ various investment tools to the management of risk across portfolios of projects -- leading to a "platform cooperative" model of bioregional investments for the material flows of entire territorial economies."*



**Joe Brewer**

Executive Director at Center for Applied Cultural Evolution

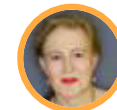
*"There is no legal basis for saying that a corporation has an overarching obligation to all of society, or to future generations (which is the same thing, in the end) to infuse the values of social and environmental justice into how they conduct commerce. We can, of course, put social pressure on them to conform to socially popular norms."*



**Tim MacDonald**

Co-Founder, Project Law Group, PLLC

*"I suggest a general list of needed systemic stewardships follows from our fiduciary duty to make effective responses to the economy's current systemic plague of 100+ Crises. They're all interconnected, so I organized the list into eight categories: General Threats of System Overuse -- Eight Wide Categories of Growing World Crises: 1) Crowding, Overload, Congestion, Imbalance; 2) Misunderstanding, Information Overload, Misread & Changing Signals; 3) Increasing Solution Failures; 4) Economic And Social Disruption; 5) Environmental Disruption; 6) Human Resource Depletion And Degradation; 7) Natural Resource Depletion And Degradation; 8) Unmanageability And Loss Of Resilience."*



**Jessie Henshaw**

Scientist

*"Regen Network is blending inside-out and outside-in for the creation of asset classes pertaining to systemic health measures by employing blockchain together with remote sensing to track changes in land forestation, carbon capture, biodiversity levels, and embodied carbon in general. There seems to be a solid capacity to develop their models into bioregional investment platforms capable of de-risking investments across entire ecosystems."*



**Joe Brewer**

Executive Director at Center for Applied Cultural Evolution

## Key Point

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### From Scenario Analysis to Transformation Planning

*"Companies need a very clear understanding of what level of transition planning they are setting strategy and developing Biz models for and then aligning metrics, and pathways / targets and by when."*



**Mark Van Cleef**

Managing Director Organizational Capital  
Partners

*"The transition plans and disclosures MUST be clear on which Environmental & Social categories are they planning for "Sufficient Absolute Decoupling" and related planetary thresholds as part of keeping their societal license to operate within the Donut. They must do this while still generating cash flows to sustain the business model and cash reinvestment ( including dividends for shareholders & investment for society)."*



**Mark Van Cleef**

Managing Director Organizational Capital  
Partners

*"THIS is where really large scale thinking about Existential Impacts and Transition Planning can happen in truly locally accountable ways. The Pensions & Endowments channel, properly outfitted with a formula-based sharing mechanisms through which to direct investment into enterprise that fulfill its fiduciary duties of intergenerational loyalty, gives us the social structure for social decision making at truly global, intergenerational scale that we need meet this global challenge of reinventing the energy inputs into the global economy."*



**Tim MacDonald**

Co-Founder, Project Law Group, PLLC

*"For Pensions & Endowments, as stewardship investors with a fiduciary duty of intergenerational loyalty, the choice of which enterprises to be investing in can, should and must include assessments of fiscal, physical and social impacts of invested enterprises (aka sponsored enterprises/companies) on this generation and the next, across a regenerative succession of "this" and "next" generations."*



**Tim MacDonald**

Co-Founder, Project Law Group, PLLC

## Key Point

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### Kate Raworth's 3 Categories of Decoupling

*"In the Doughnut Economics book by Kate Raworth, she does a very nice job of addressing the issue of growth vs the myth of decoupling growth from negative impacts on the environment. She outlines relative decoupling, absolute decoupling, sufficient absolute decoupling within Planetary Boundaries."*



**Mark Van Clieaf**

Managing Director Organizational Capital  
Partners

*"2) Absolute environmental impact decoupling (including absolute GHG emission reductions) from growth and GDP and seen / named as leading Sustainability Companies but their pathways do NOT align to the required GHG reduction by 50 % by 2030 and to Net Zero by 2050: Dow, Kelloggs, Ford, GM, Apple, Cisco, Nike, VF Pepsico, Danone, BHP, Astrazenca, McDonalds (appears to be a leading company but you have to dig in obscure reporting to see they are NOT really on plan to transform biz model in time to Net Zero emissions)"*



**Mark Van Clieaf**

Managing Director Organizational Capital  
Partners

*"1) Relative environmental impact decoupling from growth and GDP and seen as good / responsible CSR companies: BASF, BP, John Deere, Shell, Caterpillar, Eaton, Emerson, Xerox, Motorola, Ball Corp, Ingersoll Rand, Intel, etc (doing something but not a high ambition re environmental impact reduction)"*



**Mark Van Clieaf**

Managing Director Organizational Capital  
Partners

*"3) Kate creates a third category she calls "Sufficient Absolute Decoupling" and only this category of companies aligns to and fits within Planetary Boundaries and the Doughnut. Very few companies are here and declare this as part of their transition planning, biz model design, strategy and enterprise purpose. This includes companies with 50 % or greater GHG reduction plan by 2030 or earlier, and net zero GHG absolute emissions Target by 2050 or earlier and 100% renewable energy plans: Microsoft, Alphabet, Xcel Energy, NRG Energy, Nestle, Unilever, Novo Nordisk, Siemens, Signify, Interface, Cummins. They may not meet all the planetary boundaries targets but at least have solved for GHG and 100% clean energy transitions as top priorities."*



**Mark Van Clieaf**

Managing Director Organizational Capital  
Partners



## Key Point

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### Recommendations

*"Envision how monetary systems might be built up from the planetary-scale measures of net primary production -- the aggregate measure for how much sunlight gets converted into biomass via photosynthesis for an entire geographic region. I would love to see financial systems that are built up from real biophysical flows in the Earth System. It can be incorporated into value-chains and measures of "wealth/health creation" in a number of ways. And it becomes foundational for the material flows of bioregional economies."*



**Joe Brewer**

Executive Director at Center for Applied Cultural Evolution

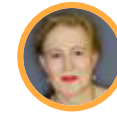
*"In this phase of cooperation (between investors, governments, enterprises, citizens etc.) the 8 core principles of Elinor Ostrom can help to structure this cooperation and makes sure that everyone (also citizen) will have a strong voice in decision making about investments."*



**Astrid Kaag**

senior policy advisor Province of Noord-Brabant

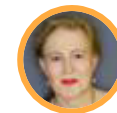
*"If that's possible to calculate, "Net Primary Production", the graph showing historical decline of that metric would be great to add to the list of systemic impacts that all businesses have a share of responsibility for, roughly in proportion to their share of the economy."*



**Jessie Henshaw**

Scientist

*"What puzzles me about Ostrom's 8 principles for managing the commons is that she seems to leave out the ecological system principles that managers need to understand, like the warning signs of imminent threshold crossing, the three phase process of new system growth. and our current dilemma of having an economy demanding exponentially escalating economic performance from everything."*



**Jessie Henshaw**

Scientist

## Key Point

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### Conclusions & Synthesis

*"It has to start with us, with the new commons of common sense and common wisdom, and with local community participation in globally curated conversations about what future energy choices we can, should and will make, and how we will implement them."*



**Tim MacDonald**

Co-Founder, Project LawGroup, PLLC

*"Transformation is a matter of both theory and practice: in the words of Caroline Hummels, first try to analyse the problem, find data, listen to different perspectives: realise change. And then work change: dive into the system, cooperate and learn from and with each other."*



**Astrid Kaag**

senior policy advisor Province of Noord-Brabant

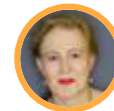
*"My point in using the decoupling concept and Kate's donut is most of the company environmental disclosures are BS from a TRUE sustainability point of view and have no link or recognition of the planetary boundaries / thresholds. So the environmental footprint reductions in disclosures seem good until they are put into context of the Limits / Thresholds as a clear "do no cross" boundary."*



**Mark Van Cleef**

Managing Director Organizational Capital Partners

*"Problem is not individual boundary crossings, but the diversity of boundary crossings growing with the economy, as a tidal wave of systemic failures of all kinds."*



**Jessie Henshaw**

Scientist

## Sustainable Finance Blueprint



forthcoming



# Sustainable Finance Blueprint Virtual Dialogue

February 17, 2020 - February 23, 2020

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