

The Lost Decade: Sustainability Standards Sabotage Sustainability

*Audencia Workshop on multi-capital
accounting and positive impact:
practice, challenges, and perspectives*

9 November 2023

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The Lost Decade: Sustainability Standards Sabotage Sustainability



By Bill Baue

August 2023

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- Sustainability reporting draw significant meaning from the larger context of **how performance at the organizational level affects economic, environmental, and social capital formation and depletion at a local, regional, or global level.**
- Simply reporting on **the trend in individual performance** (or the efficiency of the organization) leaves open the question of an organization's contribution to the total amount of these different types of capital.
- Placing **performance** information in the broader biophysical, social, and economic context lies at the **heart of sustainability reporting.**
- Reporting organizations should consider their **individual performance .. in the context of the limits and demands** placed on economic, environmental, or social resources at a macro-level.

2008: Sustainability Context → Sustainability Quotient

Sustainability Quotient:

$$S = \frac{A}{N}$$

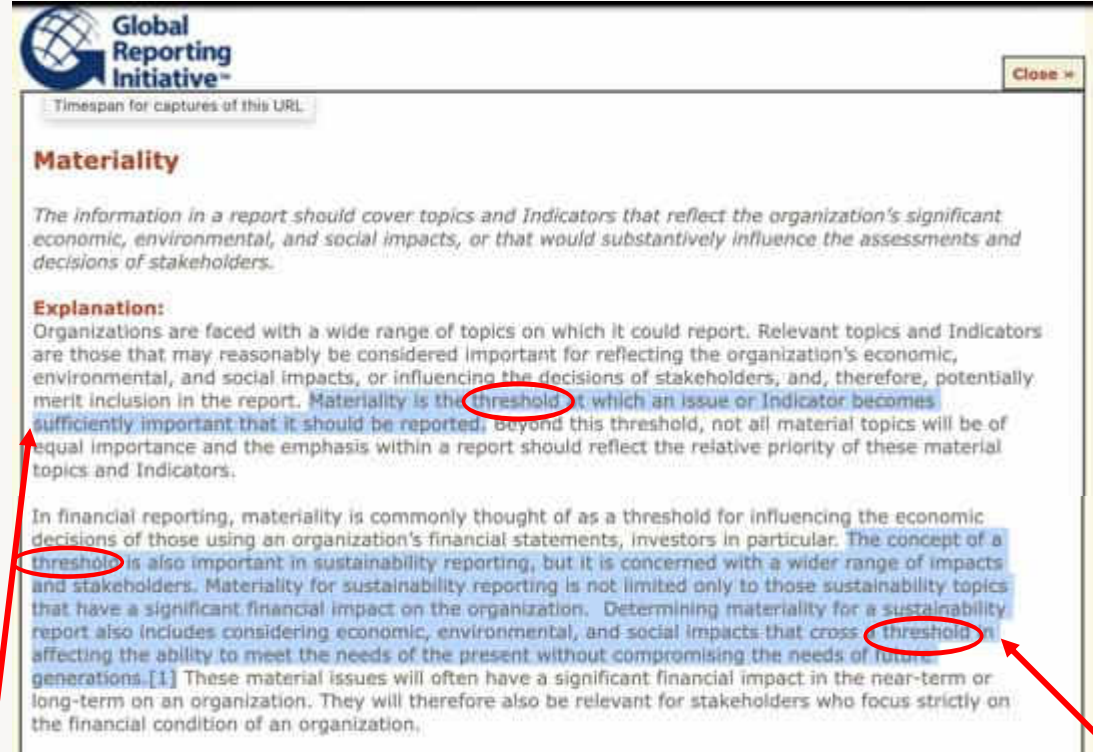
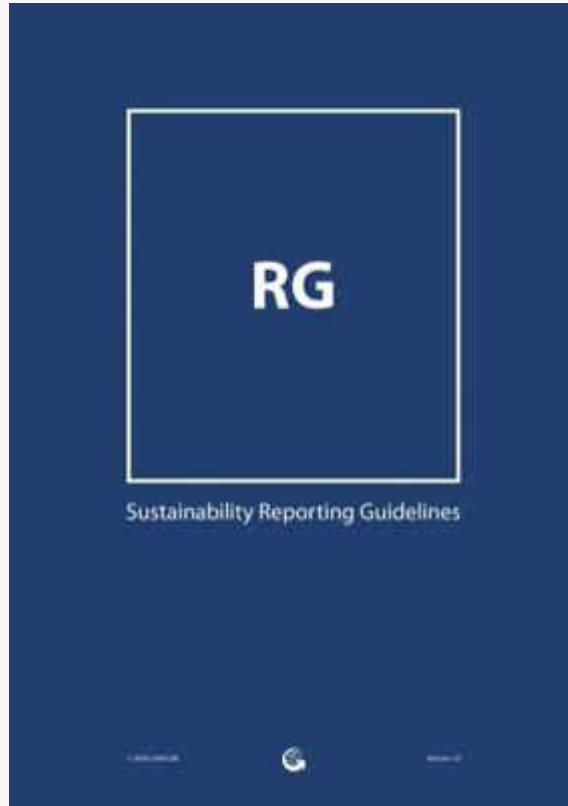
Sustainability =

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

**On the Carrying Capacities of Vital Capital Resources*

Source: Mark McElroy, [Social Footprints](#), 2008

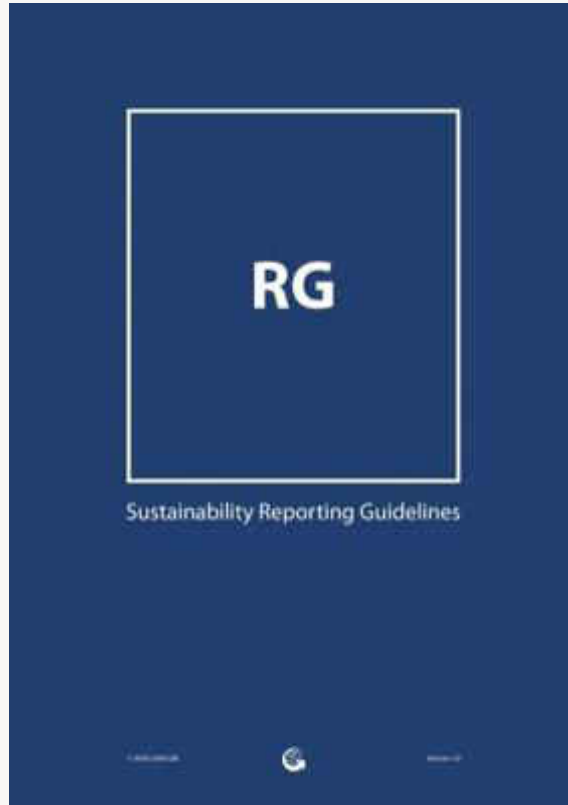
GRI 2006: Enter Context-Based Materiality (G3)



Materiality Thresholds

Sustainability Thresholds

GRI 2006: Inside-Out + Outside-In (Double) Materiality (G3)



“The reporting organization should provide two concise narrative sections on key impacts, risks, and opportunities.

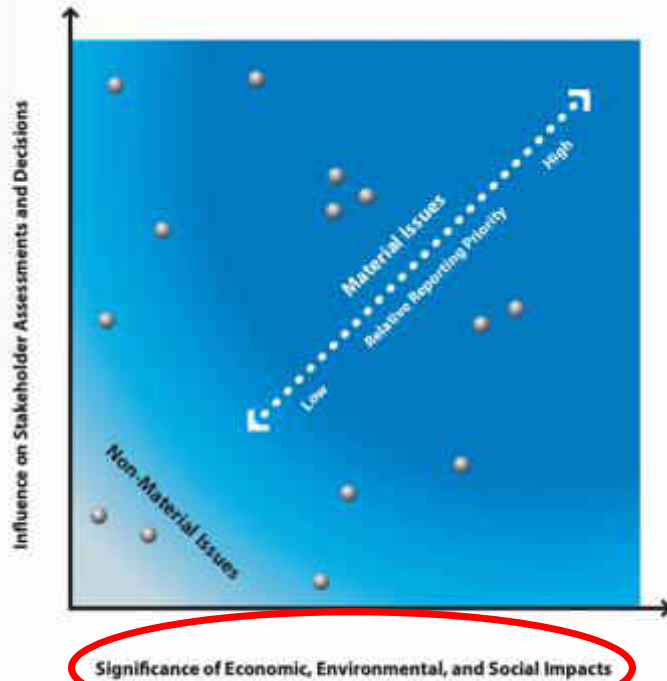
Section One should focus on the **organization’s key impacts on sustainability and effects on stakeholders**, including rights as defined by national laws and relevant internationally agreed standards. This should take into account the range of reasonable expectations and interests of the organization’s stakeholders...

Inside-Out

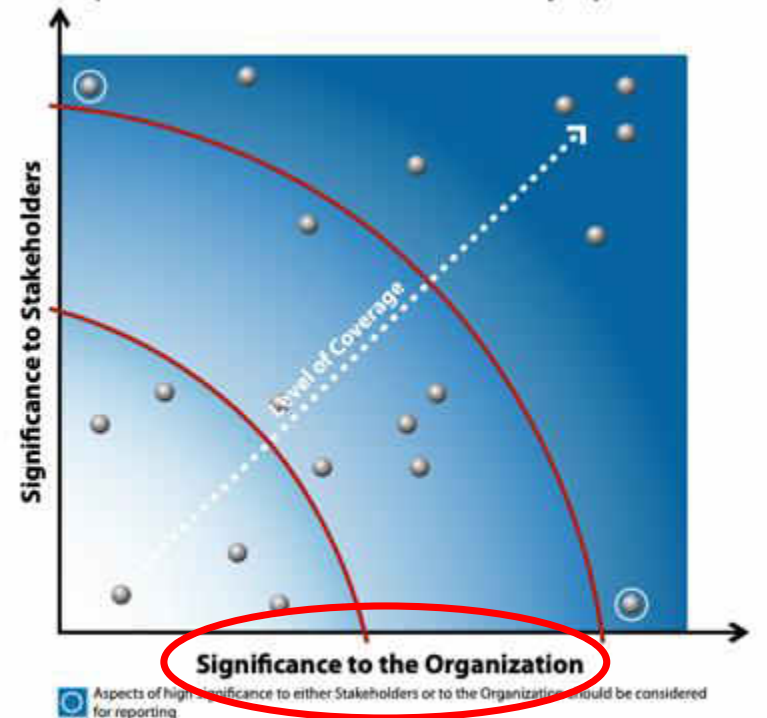
Section Two should focus on the **impact of sustainability trends, risks, and opportunities on the long-term prospects and financial performance of the organization**. This should concentrate specifically on information relevant to financial stakeholders or that could become so in the future.”

Outside-In

GRI 2011: Enter the Sustainability Sabotage (G3.1)



“quick
sleight
of hand”
–Stephanie
Bertels,
Embedding
Project



SCG 2012: 66 Experts Urge GRI to Enhance Guidance on Context



Signatories to September 24, 2012 Public Comment by SCG to GRI
During 27th Public Comment Period re: G4 Exposure Draft

1. Michele Andriano, University of Trento
2. Alan Arkison, The Arkison Group
3. Andy Barker, Social Mission Specialists, Bari & Jerry's Homebased, Inc.
4. Bill Beave, Corporate Sustainability Activist
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8. Stephanie Bernini, Simon Fraser University
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19. John Elkington, Vitae Ventures
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57. Chris Tuppen, Advancing Sustainability LLP
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59. Jo van Engelen, TU Delft
60. Wayne Visser, CSR International & Kaleidoscope Futures
61. Dimitar Vlahov, Sustainable Life Media
62. Mathis Wackernagel, Global Footprint Network
63. David Waldron, Synapse Strategies
64. Allen White, Telus Institute
65. Andrew Winston, Winston Eco-Strategies
66. Jennifer Woolter, Strategic Sustainability Consulting*

Rationale and Background on the Issue of Context

Although GRI's *Guidelines* currently do advocate for the inclusion of *Sustainability Context* in organizational reports, they fail to provide specific guidance for how to do so. Because of this lack of guidance, very few GRI-based sustainability reports have ever actually included such context – and yet without it, there can be no true or authentic sustainability reporting, in our opinion. For the sake of the credibility – and *usefulness* – of sustainability reporting, it is vitally important that this shortcoming be resolved, and that GRI take steps to include specific guidance in G4 for how to implement *Sustainability Context* in contemporary reporting.

2000 - 2013: Sustainability Context Gap | Where are the Thresholds?

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

In a 2017 study published in the peer-reviewed *Journal of Cleaner Production*, Danish researchers systematically reviewed references to “ecological limits” (and similar keywords) in 40,000 corporate responsibility reports issued between 2000 and 2013.



Note on sizing: percentages represented accurately to scale.

Data: Bjorn et al [Is Earth Recognized as a finite system in corporate reporting?](#) 2017

Image: Baue [Compared to What?](#) 2019

SASB 2013: “Sustainability” Standard Rejects Sustainability



Accounting for a Sustainable Future

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Home > Approach > Context

APPROACH

What is "Sustainability?"
SASB Principles
What we produce
Education
Research
Evidence
Key Relationships
Integrated Reporting
Context

LATEST NEWS & EVENTS

SASB On-the-Air KALX 90.7 FM
Responsible Investor article on SASB
SASB is hiring!
Wall Street Cares if Companies Are Sustainable - Environmental Leader
US companies urged to put natural capital in accounts

Context

SASB recognizes the importance of context, incorporating it into our approach in several ways:

Peer to peer comparison. First and foremost, SASB standards allow for the comparison of a company's performance on key dimensions of sustainability with respect to its peers. Benchmarking with respect to industry norms provides essential context for stakeholders, and helps investors to discern differences between how companies manage resources that are vital to the business continuity of impacts and opportunities.

Industry to industry comparison. In terms of resource presentation, the relative materiality of impacts and opportunities is concerned with the effect of investors can weight portfolio.

Materiality Adjustment. SASB considers long term, systemic issue in response to risks posed.

Context Statements. SASB's These industry briefs will describe the attributes of a sustainable industry, the drivers of value, systemic material issues facing the industry (including resource depletion), and the key metrics by which sustainable value creation can be measured for material issues. Qualitative descriptions will be provided that interpret material sustainability issues in the context of each industry. For example, climate change may be material in real estate, insurance, and health care, but it means very different things in terms of mitigation and adaptation, and therefore business risks and opportunities, for each of those industries.

Proponents of context-based sustainability argue for the measurement, management, and reporting of sustainability performance in terms of impacts on vital capital resources. This view interprets sustainability performance as a function of the impacts of an organization relative to the carrying capacity of local, regional, and global systems.

SASB is setting minimum standards for an entity to report material sustainability impacts in their Form 10-K. The data that will be included must be of similar high quality as financial data, and auditable. Therefore, SASB will not, as a rule, ask entities to report on the carrying capacity of local, regional, and global systems at this time. Use of SASB standards

SCG 2013: 37 Experts Urge SASB to Embrace Context



Public Comment to the Sustainability Accounting Standards Board re: its Conceptual Framework Exposure Draft

Submitted by Members of the Sustainability Context Group
July 26, 2013

Signatories to July 26, 2013 Public Comment to SASB
Signed Public Comment Period re: Conceptual Framework Exposure Draft

[Note: All signatures are signed in their personal capacity; organizational affiliations are included for identification purposes only, except for attributed entities that indicate signing in organizational capacity.]

1. Ayot Aladi, Responsible Investment at Harvard
2. Michele Andriani, University of Trento
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7. Stephanie Bertels, Simon Fraser University
8. Charles Chu, EBC Business School
9. Jackie Cook, Cook ESG Research
10. Jed Davis, Cabot Creamery Cooperative
11. Olivia Füssel, CIRC*
12. Alexandra Gosselink, Cabot Creamery Cooperative
13. Hank Hadden, University of Groningen
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15. Barbara Helms, www.sasb.org
16. Adrian Hertenstein, Middlesex University
17. Patrick Hess, Blagen AG
18. Gary Hirsch, Network for Sustainable Financial Markets
19. Chris Landry, Landry Communications
20. Laurie Lane-Zucker, Hotfrog
21. Chris Lantz, Case Western Reserve University
22. Prasant Marfat, Financial Technologies India
23. David Mayne, Newt Analytics
24. Mark McElroy, Center for Sustainable Organizations*
25. Giovanni Michelin, University of Padua
26. Marcy Mummingham, MumminghamPost
27. Dan Olson, Ecolife
28. Dan Patten, Illinois State University
29. Karl Peltz, BPA Worldwide
30. William Russell, SustainAbility
31. Mohamed Saad, Kaele University
32. Roger Salient, Case Western Reserve University
33. James Sells, Truist
34. Lorna Stevens, University of St. Andrews
35. Rayn Thurn, A | HEAD | ahead
36. Corin Van Der Lugt, Delft University Business School
37. Tim Woodell, Addison Design

The *Conceptual Framework's* commitment to the multi-capital model could stand to be strengthened. The underlying reason for measuring and managing impacts on capitals in all forms – which constitute the very foundations of value creation – is to enhance or maintain the stocks for future use in supporting shareholder value and stakeholder well-being, or at a minimum, to signal when their availability and/or quality is threatened to such a point that adaptive management actions are needed to maintain continuity of business operations. By creating a framework that instructs companies to report their use of a shared capital stock with no supporting acknowledgment of the size of that capital stock, its health, or the reporting company's claim of share for the stock in question, SASB is, in our opinion, missing a critical step in helping companies and investors better evaluate sustainability risks and opportunities—namely, the step of placing corporate sustainability metrics in their appropriate supporting “context”.

Conceptual Framework

RECORD OF PUBLIC COMMENT

"Comment noted. The context of [a] company's operation [is] crucial to understanding the impact of that company on sustainability issues. However, SASB believes that the analysis and reporting of such context information is not within the boundary of current disclosure requirements. Contextual information is not auditable or comparable, nor is it within the control of corporations and therefore it does not meet the criteria we set out for good metrics. Complete accounting to provide context is not SASB's objective. SASB provides context by enabling investors to benchmark performance. **Understanding limits and aggregate impacts is the work of analysts, policy makers, and regulators.**"



*Three Stooges approach to accountability:
point the finger at anyone else but me!*

58 Ultimately value is to be interpreted by reference to thresholds and parameters established through stakeholder engagement and evidence about the carrying capacity and limits of resources on which stakeholders and companies rely for wellbeing and profit, as well as evidence about societal expectations. Interconnections between corporate activity, society and the environment and the purpose of the corporation should therefore be understood in terms of what the corporation, society and the environment can tolerate and still survive – that will be the main determinant of value. The challenges will be to reach agreement at corporate, national and international level on what those thresholds and limits are, how the resources within those limits should be allocated, and what action is needed to keep activity within those limits so that value can continue to be created over time.

SCG 2013: 63 Experts Urge IIRC to Add Carrying Capacities of Capitals...

Signatories to July 8, 2013 Public Comment by SCG to the IIRC
During Public Comment Period re: <IIR> Consultation Draft*

1. Arnt Matti, Responsible Investment at Harvard
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5. Andy Barker, Social Mission Specialist, Ben & Jerry's Homemade, Inc.
6. Bill Baan, Corporate Sustainability Architect
7. Niki Bellamy, Climate Counts
8. Lilly Bensch, Trivest
9. Stephanie Berube, Simon Fraser University
10. Heather Burns, Barry & Hameed
11. John Rynd, University of Colorado Denver
12. Kyle Cahill, Blue Cross Blue Shield of Massachusetts
13. Karlo Chamberlain, First Peoples Worldwide (consultant)
14. Charles Cho, ESSEC Business School
15. Robert Contant, The Australian National University
16. Peter Corwell, Mulholland College and Antwerp University Sustainability MBA program
17. Chelsea Davidson, Cabot Creamery Cooperative
18. Jed Davis, Cabot Creamery Cooperative
19. Gil Friend, Natural Logic
20. John Fullerton, The Capital Institute
21. Oliva Fuenf, GNGS
22. Nave Gaudana, Global Development and Environment Institute, Palla University
23. Alexandra Greeninger, Cabot Creamery Cooperative
24. Marc Gumbel, Author/Journalist
25. Ruth Haddock, University of Groningen
26. Sheng Haimwood, Burns & Matarazzo
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28. Adriane Hurligues, Mulholland University
29. Bert Houtman, B Lab
30. Chris Lantini, Case Western Reserve University
31. Deborah Leipziger, Sustainability Liaison Project
32. Rick Lewis, United Technologies Corporation
33. Eric Lowitt, www.ecolowitt.com
34. Puneet Madan, Financial Technologies India
35. Sarah Mayne, New Angles
36. Mark McElroy, Center for Sustainable Organizations
37. Giovanna Mulheisen, University of Padua
38. Markus Mäkelä, University of Canterbury
39. Mary Warrington, The Warrington Post
40. Ivan Olson, Elvira
41. Dan Patten, Illinois State University
42. Karl Pfleger, BPA Worldwide
43. Matthew Polley, Institute for Sustainable Enterprise
44. James Rumbold, Knight Exchange
45. William Russell, StanfordEdge
46. Muhammad Samad, Kadir University
47. Roger Sealfon, Case Western Reserve University
48. James Sels, Trivest
49. Stephen Sakretz, Ben & Jerry's Homemade, Inc.
50. Rickie Skrymgeour, Sustainable Life Media
51. Chris Soderqvist, Peritika Consulting
52. Ralph Thorne, AHEADGlobal
53. Chris Tuppen, Advancing Sustainability LLP
54. Wood Turren, Springfield Farm
55. Elizabeth Ulin, Independent Human Rights Researcher
56. Corine Van Der Lugt, Delft University Business School
57. Jo van Engelen, TV Balf
58. Brandon Vidoni, Sustainable Life Media
59. David Wallace, Science Strategies
60. Andy Whitson, Museum Center for Conservation Science
61. Andrew Wixson, www.andrewwixson.com
62. Tim Woodall, Address Design
63. Jennifer Wuerfel, Strategic Sustainability Consulting



Public Comment to the IIRC re: its April 16, 2013 Consultation Draft of the International Integrated Reporting <IIR> Framework

Submitted by Members of the Sustainability Context Group
July 8, 2013

The Framework's commitment to the multi-capital model could actually stand to be strengthened. The relevance of vital capitals to organizational performance, of course, is that such capitals are relied upon by stakeholders for their well-being. An organization's impacts on the quality or sufficiency of capitals for stakeholder well-being, therefore, is what must be taken account of in integrated measurement and reporting. Why? Because many vital capitals are actually shared by organizations with others, who also depend on them for their well-being.

Here it should be clear that the conceptual commitment to vital capitals as a key principle in performance measurement and reporting necessarily entails a co-commitment to the principle of carrying capacity, since it is precisely the fact that capitals are limited in their scope and supply that makes them so relevant. Thus, measuring and reporting the effects of organizational activities on the carrying capacities of vital capitals should be encouraged in the *Framework*, while deferring to organizations themselves to innovate and experiment with alternative means of doing so.



3. When IIRC released the [International <IR> Framework](#) in December 2013, it retained its commitment to the multiple capitals, but it did not integrate the carrying capacities of capitals. While the <IR> Framework may seem to integrate the carrying capacities of capitals, a careful read reveals that the <IR> Framework goes to pains to explicitly *exclude* this interpretation (i.e., it explicitly excludes the carrying capacities of capitals). Quoting three key passages helps illuminate this fact (with emphasis added, and commentary appended, to aid in this understanding); the first two quotes skirt the possibility of calling for the integration of the carrying capacities of capitals, but the third quote hammers nails into the coffin of the possibility of integrating the carrying capacities of capitals.

- c. “4.46 This Framework **does not require** an integrated report to provide an exhaustive account of all the complex interdependencies between the capitals such **that an organization’s net impact on the global stock of capitals could be tallied.**”
 - i. **Commentary:** This is the “smoking gun” proof that the Framework does not embrace the carrying capacities of capitals, but rather demonstrates active antipathy to the concept. And we find it quite shocking to read this, given that it creates a kind of intellectual incoherence and cognitive dissonance. On the one hand, the <IR> Framework robustly advocates for companies to account for their impacts on the multiple capitals in nearly all of the 150 times the term is mentioned in its 37 pages. but in this one instance – arguably the *most* relevant and important instance, as the global stock of capitals is what we as humanity have as our collective resources – the <IR> Framework unequivocally advocates *against* companies accounting for their “net impact on the global stock of capitals...”.

So, to summarize, the year 2013 commenced with the greatest opportunity to *advance* sustainability standards, with one existing (*de facto*) standard (GRI) and two emerging standards (SASB and IIRC) enacting Public Consultations on how to align their standards with the public interest. It seems fair to expect the outcome to be *enhancement* of the sustainability standards landscape.

Unfortunately, instead of delivering on this promise by *improving* sustainability standards, these three standard setters demonstrably *eroded* the quality of sustainability standards:

- **GRI** inexplicably *refused* to provide guidance for enacting the Sustainability Context Principle;
- **SASB** *insisted* on advancing an approach to “sustainability” accounting that *consciously rejected* the thresholds & allocations that *define* sustainability; and
- **IIRC** embraced the multiple capitals but *explicitly opted against* taking the next logical step of embracing the carrying capacities of the capitals.

EU NFRD 2019: Double Materiality = GRI G3 Sans Context

The double materiality perspective of the Non-Financial Reporting Directive in the context of reporting climate-related information



* Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements

EU sustainable Finance Taxonomy 2019: “Thresholds...”



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.**



This explanation makes it clear that the **EU Technical Expert Group is approaching thresholds not as biophysical realities that must be abided in order to achieve sustainability in the real world, but rather as political variables open to negotiation amongst those with diverse positions of power.** Therefore, it's vital to understand that the term “thresholds” used throughout the 400+ page document is not sustainability thresholds, but rather thresholds as defined to “reflect best market practices” with the “ultimate goal of redirecting financial flows towards sustainable investments.” **Of course, this raises the question of just how those investments can possibly be “sustainable” if the thresholds used to measure them are divorced from biophysical reality?**

r3.0 2022: The Fatal Flaw in ESRS



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European Financial Reporting Advisory Group (EFRAG)
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8 August 2022

Dear EFRAG,

We respectfully submit this Public Comment Letter on the Exposure Drafts (EDs) of the European Sustainability Reporting Standards (ESRSs) to the European Financial Reporting Advisory Group (EFRAG) with an intention of strengthening the existing Drafts, which contain many strong elements, but also, importantly, contain a **fatal flaw** — namely, its inconsistent (and most often inexistent) integration of sustainability **thresholds, and allocations** of responsibility for respecting these sustainability thresholds (across ecological, social, and economic dimensions) at the organisational level (i.e., the level of the “undertaking,” to use EFRAG’s language). Ecological, social, and economic thresholds *define* sustainability, and allocations enable assessment of performance at the organisational level in terms of respecting these thresholds, which typically apply at higher scales (e.g., macro systemic levels).

In other words, **sustainability reporting requires integration of thresholds and allocations.**

Accordingly, the ESRSs will need to integrate thresholds and allocations comprehensively, if EFRAG wishes for the ESRSs to be **authentic Sustainability Reporting Standards.**

- **The fatal flaw**, however, is that this integration of thresholds and allocations (i.e., Sustainability Context) is applied *only* to this Standard (E4), as if sustainability thresholds (and allocations to respect these thresholds to the organizational level) apply only in the case of the sustainability of biodiversity and ecosystems — which is self-evidently *not* the case. **Sustainability Context (i.e., thresholds and allocations) should apply across the entire CSRD initiative, in particular the overall ESRS framework**, including *all* 11 Standards (5 Environmental Standards — E1-E5; 2 Governance Standards — G1-G2; and 4 Social Standards — S1-S4), as well as the 2 General Standards (ESRS 1 and ESRS 2), and of course the bookending Cover Letter and EU Final Agreement. **Unfortunately, our in-depth analysis of these documents finds scant evidence of integration of thresholds and allocations (i.e., Sustainability Context).**

GRI 2020: Erasing “Performance” from Sustainability Context



GSSB Global Sustainability Standard Board

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GRI Universal Standards: GRI 101, GRI 102, and GRI 103 – Exposure draft

11 June 2020

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performance

Sustainability context

Requirement

a. The organization shall report information on its impacts in the wider context of sustainable development.

Guidance

To apply the Sustainability context principle, the organization should:

- draw on objective information and authoritative measures of sustainable development, where available, when reporting on its impacts (e.g., scientific research or consensus on ecological limits, societal expectations);
- report information on its impacts with reference to broader sustainable development conditions and goals, as reflected in recognized sector-specific, local, regional, or global instruments (e.g., reporting total GHG emissions as well as reductions in GHG emissions with reference to the Paris Agreement);
- report information on its impacts with reference to expectations of responsible business conduct set out in internationally recognized instruments with which it is expected to comply (e.g., OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights);
- if operating in a diverse range of locations, report information in a way that communicates its impacts in appropriate local contexts (e.g., reporting total water use as well as water use relative to the sustainable thresholds and the social context of given catchments).

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performance

Assessing the organization's sustainability context provides the organization with critical information for identifying and reporting on its material topics and related impacts (see [GRI 103: Material Topics](#)). The GRI Sector Standards describe the sustainability context for organizations in a given sector.

Timeliness

Requirement

a. The organization shall report information on a regular schedule and make it available in time for information users to make decisions.

Guidance

The usefulness of information is closely tied to whether it is available in time for information users to integrate it into their decision-making. The Timeliness principle refers to how regularly information is reported, as well as how up to date the information is in relation to the reporting period.

To apply the Timeliness principle, the organization should:

- make information available in a timely manner;
- balance the need to make information available in a timely manner with the need to ensure that the information is reliable;
- ensure consistency in the frequency of reporting and the length of reporting periods;
- clearly indicate the time period covered by the reported information, for example, when presenting information for several periods;
- indicate when the reported information was last updated and when it will be updated next.

See [Section 5.1](#) of this Standard for information on aligning the reporting periods and the publishing schedules of sustainability reporting with other types of reporting.

SCG 2020: Sustainability: *Metaphorical* or *Literal*?



Specifically, the *GRI Universal Standard Exposure Draft* definition of the Sustainability Context Principle completely erases mention of the term “performance,” which has been a prominent aspect of the Principle since its introduction in the Second Generation (G2) of [Sustainability Reporting Guidelines](#) that GRI released in 2002.¹

The original definition of the Sustainability Context Principle includes five mentions of the term “performance.”

The *Universal Standards Exposure Draft* employs the term “performance” 16 times – but *not once* in the revised Sustainability Context Principle definition!

This is a striking and frankly scandalous reversal, shifting from *seven* mentions of the term performance (in the 2016 Standards, which currently hold force) to *zero* mentions of the term performance in the *Universal Standards Exposure Draft*.

In place of the term “performance,” the *Universal Standards Exposure Draft* employs terms such as “draw on” (“draw on objective information and authoritative measures of sustainable development, where available, when reporting on its impacts (e.g., scientific research or consensus on ecological limits, societal expectations)”) and “with reference to” (“report information on its impacts *with reference to* broader sustainable development conditions and goals, as reflected in recognized sector-specific, local, regional, or global instruments (e.g., reporting total GHG emissions as well as reductions in GHG emissions with reference to the Paris Agreement)”). (Emphasis added)

The difference between the terms *draw on / with reference to* on the one hand, and *performance* on the other, is the difference between sustainability as a metaphor, and sustainability as a literal state of being in the real world.

GRI 2020: Eviscerating the Heart of Sustainability Reporting



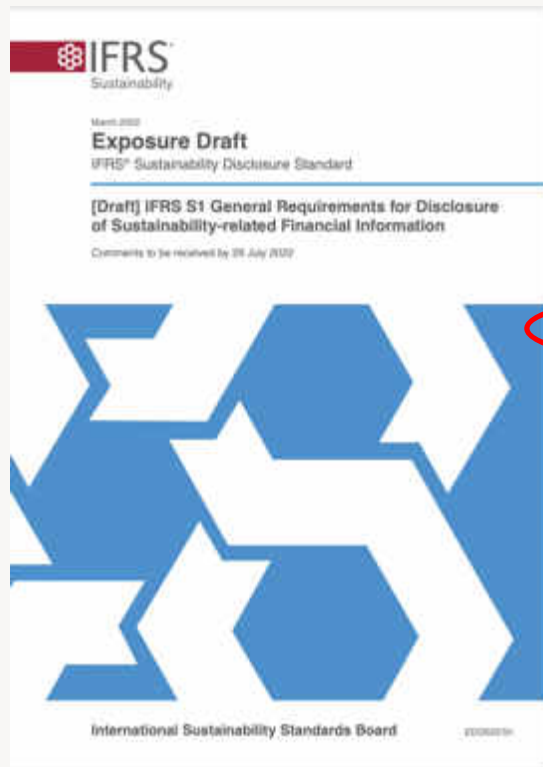
The GRI Standards are based on expectations for responsible business conduct set out in authoritative intergovernmental instruments, such as the *Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises* [3] and the *United Nations (UN) Guiding Principles on Business and Human Rights* [5] (see the Bibliographies of the GRI Standards for a list of authoritative instruments used in developing the GRI Standards). Information reported using the GRI Standards can help users assess whether an organization meets the expectations set out in these instruments. It is important to note that the GRI Standards do not set allocations, thresholds, goals, targets, or any other benchmarks for good or bad performance.

What is particularly odd about this final assertion is that nobody has ever asked GRI Standards to **set** thresholds & allocations (or goals / targets / benchmarks etc) – but, GRI *has* been asked repeatedly, over more than a decade, to **provide sufficient guidance** on how to **assess sustainability performance** as a means of **implementing** its Sustainability Context Principle.

It warrants explicit noting that the *Universal Standards* failed to resolve this shortcoming, and retained GRI's irrational obstinance in continuing to refuse to provide the guidance necessary to operationalize the very Principle (Sustainability Context) that **lies at the heart of sustainability reporting**.

Stated more plainly, **GRI has eviscerated the heart of sustainability reporting...**

I?SB 2022: Sustainability Definition & “Adverse External Impacts”



Appendix A Defined terms

This appendix is an integral part of [draft] IFRS S1 and has the same authority as the other parts of the [draft] Standard.

Reporting entity

An entity that is required, or chooses, to prepare general purpose financial statements.

Sustainability?

Sustainability-related financial disclosures

Disclosures about sustainability-related risks and opportunities that are useful to users of general purpose financial reporting when they assess an entity’s enterprise value, including information about its governance, strategy and risk management, and related metrics and targets.

When an entity’s activities result in adverse, external impacts—on, for example, local communities—it could be subjected to stricter government regulation and consequences of reputational effects—for example, negative effects on the entity’s brand and higher recruitment costs. Furthermore, when an entity’s business partners face significant

r3.0 2022: Nonsensical Definition / Definitional Cooptation...



29 July 2022

r3.0 Public Comment Letter on International Sustainability Standards Board Draft Standards

Dear Chair Emmanuel Faber and Vice Chair Suzanne Lloyd,

We address you directly by name, in hopes of appealing to your humanity and encouraging you to transcend the sociopathic nature of your initiative (which we clearly document below).

We also preface this Public Comment Letter with an explicit acknowledgement of the utter futility of this Consultation exercise, as historical precedent¹ — combined with toothless Due Process² — essentially ensures that you will ignore Public Comments that identify the fatal flaws in your ideological reasoning and predetermined outcomes. We submit this Public Comment purely for the record, without an ounce of faith that the strength of its case will hold sway. Of course, we wish it were otherwise, and would be glad to eat our words if you prove us wrong.

We believe that the International Sustainability Standards Board in general, and its Sustainability Disclosure Standard Exposure Drafts on General Requirements for Disclosure of Sustainability-related Financial Information (S1) and Climate-related Disclosures (S2) in particular, are all fatally flawed for two essential, intertwined reasons: 1) **Nonsensical Definition / Definitional Cooptation**; and 2) **Sociopathic Materiality**. These fatal flaws are all-encompassing, mooted the need to respond to your detailed questions. We will address each of these fatal flaws in turn.

Nonsensical Definition / Definitional Cooptation

The International Sustainability Standards Board and the *Sustainability Disclosure Standard Exposure Drafts* use the term “sustainability” in ways that clearly contravene its core essence, in two primary ways:

- **Thresholds:** first, they fail to integrate normative thresholds, which are definitional to sustainability;³ and
- **Outside-in / Inside-out:** second, they focus only on effects of the external operating environment on the enterprise (ie *outside-in*), not the enterprise’s effects on its external operating environment (ie *inside-out*).

In practical terms, I2SB (we use this acronym in recognition that this Board lacks any legitimate claim to use the term “sustainability”) obfuscates its definition of “sustainability,” and thereby seeks to co-opt the term “sustainability” for use in ways that actually *counteract* the achievement of sustainability.

By defining “sustainability” only within the bounded space of “financial disclosures” and “financial information,” S1 shrinks the definitional scope in ways that eliminate key vitalizing aspects of “sustainability” — namely, its focus on internal and external environmental, social, and economic impacts.

The notion of enterprise value, divorced from the notion of system value, is *nonsensical*.

This much is clear to anyone who takes the notion of sustainability seriously — there is no such thing as a sustainable enterprise in an unsustainable system — an economic system, a social system.

Clearly, the I2SB does *not* take the notion of sustainability seriously, but rather approaches the notion opportunistically, seeking to co-opt the “sheen” of sustainability to lend life-support to the dying ideas of ESG (inaccurately conflated with sustainability) and isolated enterprise value.

r3.0 2022: ... & Sociopathic Materiality

Sociopathic Materiality

Wikipedia asserts that sociopathy is characterized by “a long-term pattern of disregard of, or violation of, the rights of others,”¹³ as well as “manipulative self-serving behaviors with no regard for others” and “a selfish world view that precludes the welfare of others.”¹⁴

We will demonstrate how I?SB’s approach to materiality precisely fits this definition of sociopathy, warranting the labeling of its approach as “Sociopathic Materiality.” We propose, in contrast, a form of “prosocial” materiality that shows “regard” for “the welfare of others,” not only for a snapshot in time, but sustainably over time.

“When an entity’s activities result in adverse, external impacts—on, for example, local communities—it could be subjected to stricter government regulation and consequences of reputational effects—for example, negative effects on the entity’s brand and higher recruitment costs.”

In this example, a local community experiences *adverse impacts at the hands of the reporting entity*, and the I?SB’s concern — its scope of materiality for disclosure — is the “*negative effects on the entity...*” The I?SB literally does not give a damn about the welfare of the local communities, which we know has experienced adverse impacts.

Indeed, these adverse impacts perpetrated by the reporting enterprise could be so severe as to place the *sustainability* of the vital capital resources that those local communities rely on for their wellbeing at risk. Yet to the I?SB, this is *utterly immaterial* — it does not factor into the I?SB’s so-called “*Sustainability*” Disclosure Standard.

Elsewhere, I’ve likened this to “*attending to the gunpowder burns on the trigger finger*”: instead of attending to the mortal wounds of the victim from the gunshot, focusing instead on the tangential harm to the perpetrator (gunpowder burns) incurred in the course of inflicting much greater harm (pulling the trigger).

This scope of materiality is *by definition sociopathic*: it advances “a selfish world view that precludes the welfare of others” and endorses “self-serving behaviors with no regard for others.”

When the welfare of others is clearly impacted, the I?SB “*Sustainability*” Disclosure Standard enacts a classic narcissistic move, shifting attention from the primary adverse impact the enterprise has caused for the victim, to the secondary *adverse impact that the enterprise has brought onto itself*. It is as if the I?SB is writing a script for gas-lighting.

What is perhaps most troubling is that the I?SB lives in a world where it conceives of its primary users exclusively as sociopaths. We have *no doubt* that a significant percentage of I?SB’s intended audience are, indeed, certifiable sociopaths, given that they operate in the sociopathic economic system of late stage monocapitalism.

However, we just as strongly believe that a significant percentage of I?SB’s audience — providers of capital — are actually loving, caring, moral human beings. Indeed, we believe that the “reasonable” investor *should*, by definition, be concerned with material issues that extend well beyond the scope of enterprise value. We assert that it is *unreasonable* to conceive of “primary users” as exclusively a kind of caricature of *homo economicus*. To conceive of users as only those with narrow pecuniary interests shows a kind of contempt for humanity that we find depressing — we feel sorry for the I?SB for its stunted imagination and inability to appreciate the value and beauty of humanity and the miraculous natural world we are blessed to inhabit.

ESRS 2022-2023: Our Best Hope??



Brussels, 31.7.2023
C(2023) 5303 final

ANNEX 1

ANNEX

to the

Commission Delegated Regulation (EU) .../...

supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards

The ESRSs differ significantly from the GRI Universal Standards by **insisting on performance assessment**, as covered in the Application Requirements for Entity-Specific Disclosures in the Appendix A of [Annex 1](#):

AR 3. When determining the usefulness of **metrics** for inclusion in its entity-specific disclosures, the undertaking shall consider whether:

“(a) its chosen **performance metrics** provide insight into:

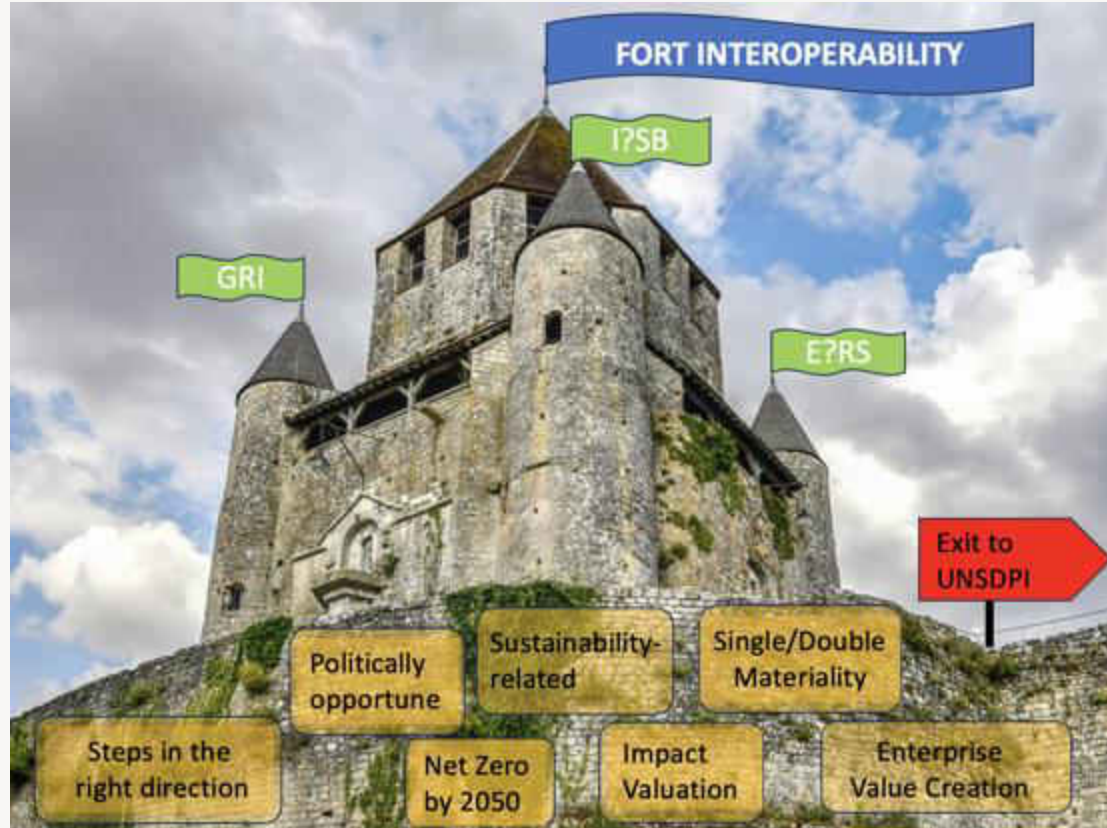
i. how effective its practices are in **reducing negative outcomes and/or increasing positive outcomes for people and the environment (for impacts)**; and/or

[...]

(c) it has provided **sufficient contextual information to interpret performance metrics appropriately**, and whether variations in such contextual information may impact the comparability of the metrics over time.” [emphasis added]

The fact that ESRS commits to **performance metrics** shines a critical light on the claim that GRI could not identify a sufficient definition of performance... Accordingly, despite the significant shortcomings of ESRS, it appears that it is the sustainability standard that may be our best hope to strengthen itself and become an *authentic* sustainability standard.

The Next Decade: Fort Interoperability or...

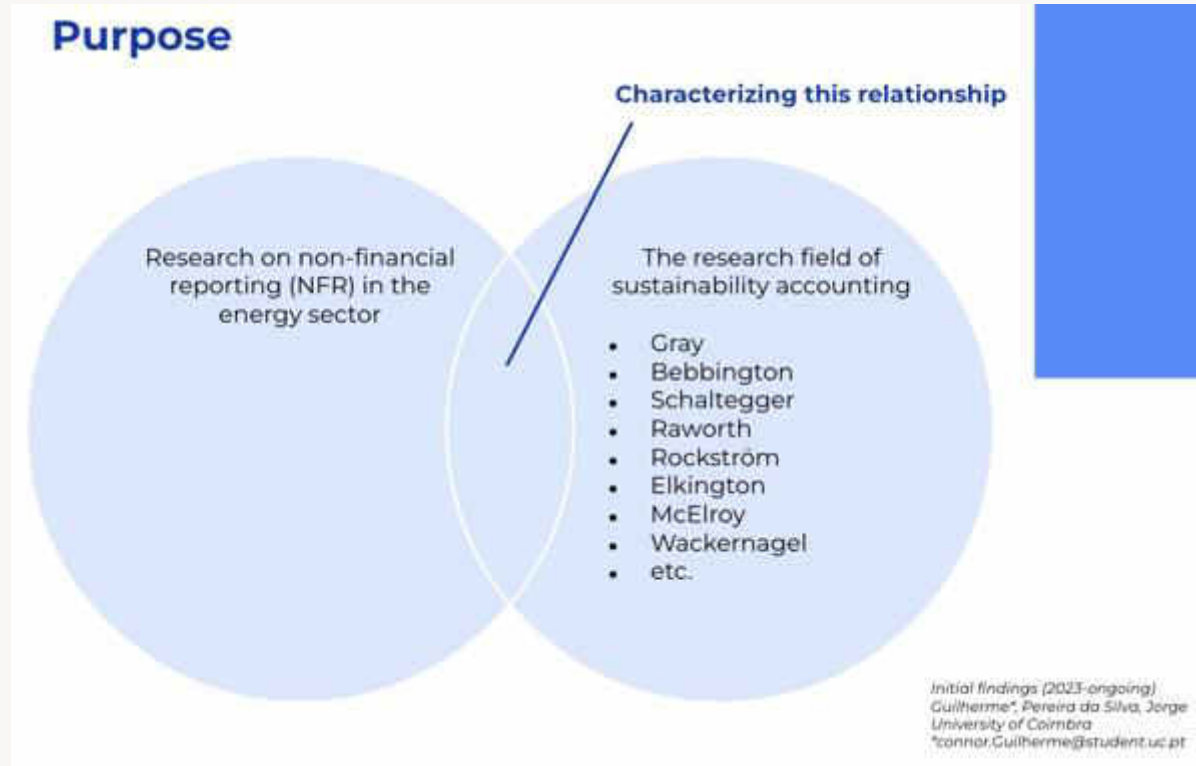


The Next Decade: ...Authentic Sustainability Reporting System

The latter (an *Authentic Sustainability Reporting System*) would have to overcome an incredible amount of inertia, in the form of institutional lock-in, embedded incrementalism and predatory delay, political intransigence, ego entrenchment, corporate capture, systemic bias against sustainability thresholds, shareholder primacy, economic growth fetishization, and ultimately, the inherent [violence and unsustainability](#) of the predominant colonizing economy and culture.

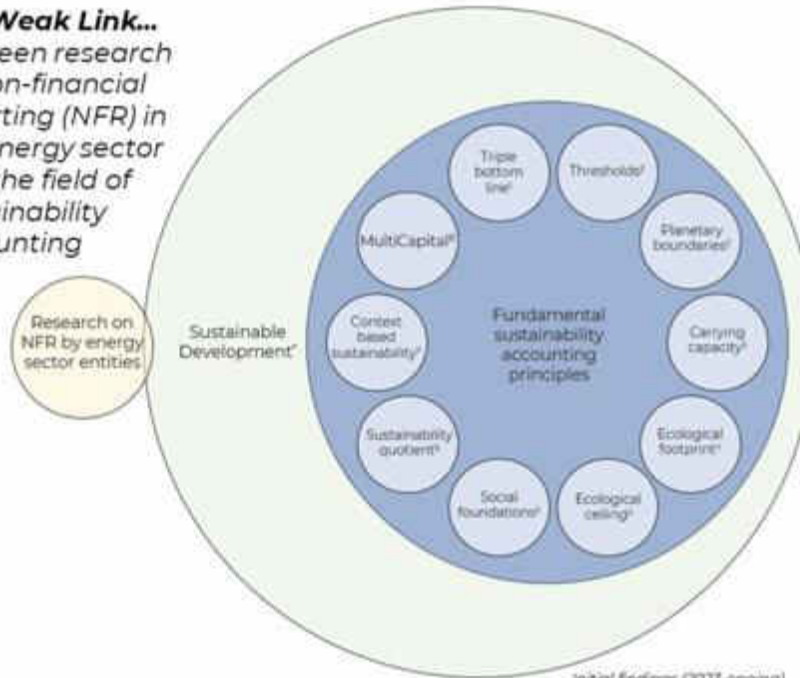
- **GRI** re-embraces *Sustainability Context* as a *Performance Standard*, and provides sufficient guidance for robust implementation. GRI would also need to become mandatory.
- **ESRS** expands thresholds & allocations across the board, starting with its top-level standards (ESRS 1 and ESRS 2) and cascading through *all* its Environmental, Social, and Governance Standards, while simultaneously providing implementation guidance that integrates its performance orientation. Finally, ESRS would need to abandon its capitulation to voluntary implementation of select elements, and re-commit to a mandatory approach.
- **I?SB** could essentially remain as it is, with a slight name change to add “related” to its name (as the various [Taskforces](#) on Climate-related and Nature-related and Inequality-related Financial Disclosure do); or, if it took seriously the commitment to integrated reporting of the IIRC that it enveloped, it could bolster its approach to sustainability, insisting on accountability for (and accounting of) inside-out impacts contextualized by sustainability thresholds, recognizing that providers of financial capital *should* take such information into account.

The Role of Academics?: Get Normative...



The Role of Academics?: Get Normative...

The Weak Link...
between research
on non-financial
reporting (NFR) in
the energy sector
and the field of
sustainability
accounting



Initial findings (2023-ongoing)
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Questions & Answers

Thank you!



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