Transcending ESG

June 12, 2022 - June 16, 2022

113 posts | 18 participants

FOCUS OF THE **PROJECT**

Background

In this asynchronous virtual dialogue, r3.0 gathered a hand-selected group of Positive Mavericks who have shared diverse critiques of ESG. Our goal was to survey the broad spectrum of ESG critique to develop a preliminary taxonomy or typology of critiques, as a means of mapping synergies, intersections, and complementarity between lines of critque, as well as divergences. The ultimate goal was to test for potential alliances where those who advocate for various lines of critique can understand and align on areas of common ground, to enable a more unified front of collective action to better leverage positive change in transcending ESG

Agenda

- **Day 1:** Framing the ESG Critique Landscape
- **Day 2:** Transcending the Consequences of ESG Dissent
- **Day 3:** Co-Creating a Typology of ESG Critique
- **Day 4:** Synthesis – Alliance & Advocation Opportunities

Facilitator

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Founder, Center for Sustainable Organizations

Lisa Sachs
Director, Columbia Center on Sustainable Investment

Jérôme Tagger
CEO, Preventable Surprises | ESG, sustainability, impact finance |

EXECUTIVE **SUMMARY**

Key Learnings

Perhaps the biggest “key learning” of this virtual dialogue was the unexpected *validation* of Environmental Social Governance (ESG) — but only insofar as it “stays in its lane” as an incrementalist toolset for assessing risks and opportunities related to enterprise value, and doesn’t “stray out of its lane” into the lane of sustainability impact assessment affecting system value — as **Mark McElroy** of the Center for Sustainable Organizations points out: "We can encourage ESG and sustainability to co-exist and stay in their respective lanes, while also taking steps to (a) crack down on ESG whenever it illicitly crosses the line, and (b) by doing everything we can to ensure that sustainability, for its part, is authentically practiced as well… [with] thresholds and allocations in its formulations.”

The big problem, in other words, is not ESG *per* se, but rather the *conflation* of ESG with sustainability, often taking the form of claims that ESG can “make the world better.” It can do no such thing — as Columbia Center on Sustainable Investment Director L**isa Sachs** asserts — but sustainability *can*.

The problem is that the conflation of ESG and sustainability is rampant — and to be expected, as Ethical Systems Executive Director **Alison Taylor** points out: *“The existence of ESG suggests we are being naive about how our dominant systems co-opt and reframe ideas with a certain valence.”* As virtual dialogue Provocateur **Desiree Fixler** stated, *“ESG was originally a well-intentioned attempt to widen investors’ aperture, but we all know that ESG has ended up turning into a detrimental tax on society.”*

How is ESG detrimental? Former Generation Investment Management Partner **Duncan Austin** and former Timberland COO **Ken Pucker** — as Provocateurs in this dialogue — proposed a typology of ESG critiques, the centerpiece of this dialogue’s intended outcomes.

Picking up from here, r3.0 Advocation Partner **Alice Kalro** proposed a Minimum Viable Outcome (MVO) of “mainstream awareness of the two-lane system” and then she mapped the ESG critique typology categories into an MVP ESG Critique that aimed at securing the above MVO, and other possible packages of critique around which alliances could be built, to chart a path toward the ideal Ultimate Outcome.

In terms of when our field may be ready to pursue Ultimate Outcomes, r3.0 Advocation Partner **Glenn Frommer** had a sobering perspective: “Unfortunately, it is my opinion that we will need to wait for the crises to become considerably worse before anyone will listen to our r3.0 cult of mavericks.” That said, Kalro identified the Ultimate Outcome as mainstream adoption of Context-Based Sustainability. And we at r3.0 would add, riffing on *Limits to Growth* Lead Author Dana Meadows' embrace of the Daly Triangle (first proposed by Ecological Economics Co-Founder Herman Daly), which articulated the Ultimate Ends of Wellbeing.

Day 01

Framing the ESG Critique Landscape

Daily Summary

The first day of this virtual dialogue on Transcending ESG kicked off with a “provocative provocation” (as **Jyoti Banerjee** called it) from Ethical Systems Executive Director **Alison Taylor** that prompted a wide diversity of responses, ranging from reflections at the systemic and existential levels to assertions of very pragmatic tactics. On the former front (systemic and existential level to assertions), we had the following high-level inputs:

• “One important comment on this is whether a transition is possible at all. If one were to look at it from an Ecologist / Darwinian approach, one can argue that the symbiosis between capital and the current environment based on profitability first is so strong that it has driven itself to extinction, which would also possibly be Marx's conclusion about the end of capitalism being capital itself.”

• “ESG is simply seeking to add a notional corrective to the dysfunction inherent in a degenerative system. And that corrective is not functioning - apart from being gamed all the time. So my personal impetus has shifted towards asking the question ‘How would a regenerative investment model work, and how can we catalyse it into existence?’”

On the latter front (pragmatic tactics), we had the following suggestion: “Shall we start simply by redefining all credit scores to include ESG (or a simple proxy), and augment the probability of default and credit swaps by referring to Scopes 1,2 and 3 GHG emissions?”

Most responses ranged between these two extremes, clustered into thematic explorations along the following lines:

- **Defining ESG**
- **Responses to ESG**
- **Moral & Ethical Dimensions**
- **Government / Politics / Culture**
- **Government Role: Regulation / Legislation**
- **The Role of the Corporation**
- **Corporate Governance**
- **The Role of Stakeholders**
- **Internalization of Externalities**
- **Visioning**

Redesign
Resilience
Regeneration

DAY 1

Framing the ESG Critique Landscape

Experts Insights

Key Point

Defining ESG

"ESG is an unhelpful / imprecise signifier. It is a composite adjective, which when used without a noun that would represent the subject / object, lacks any inherent meaning. Environmental, Social and Governance WHAT? It lacks a definition."

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

"For me [ESG] has come to mean something like, in plain English, 'trying to do better than we were before on some social and/or environmental and/or governance issue...we think/hope'. That feels some way off from more authentic conceptions of 'sustainability'."

Duncan Austin
Sustainability Research

"All of the criticisms of ESG in terms of its failure to address the sustainability performance of organizations fall flat, since that is not what it was intended to do. Of course when its users or advocates claim otherwise, that's when they get into trouble. They should just refrain from doing so."

Mark W. McElroy
Founder, Center for Sustainable Organizations

"Frankly ESG is just an interim approach, and if it stays that way over time single materiality ESG will lose its special status"

Anonymous

DAY 1

Framing the ESG Critique Landscape

Experts Insights

Key Point

Responses to ESG

"As far as ESG is concerned, those of us committed to sustainability should just ignore it."

Mark W. McElroy
Founder, Center for
Sustainable Organizations

*""ESG *" is inward-looking, which is 1 degree worse than merely incrementalist."*

Alice Kalro
Associate Director - Business
Strategy & Practice Lead - Corporate
Sustainability - Goodera

"Whatever the origin, ESG now is used to describe too many very diverse goals and approaches to comfortably sit under the same umbrella. It can mean simply accounting for ESG factors in normal risk-adjusted-return investment decision-making; it can mean values-alignment; it can mean an attempt to mitigate risks or harms; it can mean an attempt to have impact."

Lisa Sachs
Director, Columbia Center on
Sustainable Investment

"One could say, "while striving to maximise shareholder value, there are certain corners we pledge not to cut". The corners not to be cut are however clearly derived from financial materiality, and hence do not really go beyond shareholder interest primacy in any way."

Alice Kalro
Associate Director - Business
Strategy & Practice Lead - Corporate
Sustainability - Goodera

DAY 1

Framing the ESG Critique Landscape

Experts Insights

Key Point

Moral & Ethical Dimensions

"A life-affirming economy for all must resolve racism, colonialism, imperialism, misogyny, etc. not just measure and report it. And this must be done within the framework set out in Limits to Growth."

Glenn Frommer
Managing Partner at ESG Matters
IVS

"We need to have a serious discussion about the moral and practical limits of what corporations should and shouldn't do about systemic social and environmental problems. [...] We are stuck in an unhelpful binary between banal ESG "business case" arguments and empty entreaties that corporations must "solve" democracy, climate change, inequality, poverty, and so on."

Alison Taylor
Executive Director, Ethical Systems

*"One of the real front lines of the sustainability challenge is to re-legitimize the idea that society is built on 'enabling constraints' - i.e. laws, norms etc. - and that periodically we need to act morally (i.e. in costly, effortful ways) to update our constraints of what we should **not do** to keep up with our understanding of what the world or society cannot absorb."*

Duncan Austin
Sustainability Research

"There are two parallel tracks in business ethics discourse, one about the law and regulation and "ethics" and the other about voluntary action and "corporate responsibility". It is fascinating, and I believe a feature not a bug, how separate those two conversations still are today."

Alison Taylor
Executive Director, Ethical Systems

DAY 1

Framing the ESG Critique Landscape

Experts Insights

Key Point

Government / Politics / Culture

"From where we are today, I firmly believe that only government-led policy change and cultural-led norm changes can secure the universal, binding responses that sustainability problems characterized by thresholds require."

Duncan Austin
Sustainability Research

"I don't find the ESG boom as having been an indictment on the failures of regulation (more that the proliferation has happened in an anti-regulatory political period)."

Lisa Sachs
Director, Columbia Center on Sustainable Investment

"I do think choices with worse impacts / footprints should be taxed higher to incentivise sustainable lifestyles and consumption patterns. Many countries anyways have multiple VAT tax rates, so it's no reinventing of the wheel. To make this simple yet effective change, we'd however need either the political system/culture change [...] or a global governance authority that national governments would be accountable to for lack of their progress towards sustainability."

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

DAY 1

Framing the ESG Critique Landscape

Experts Insights

Key Point

Government Role: Regulation / Legislation

"Suggesting that market forces will not solve our environmental and social problems and we need to refocus on regulation [...] is an ahistoric perspective that fails to account for the fact that the rise of SRI/sustainability/ESG was originally a response to regulatory failures."

Alison Taylor
Executive Director, Ethical Systems

"Is it correct to say that ESG was a response to regulatory failures? Or was it a response to the result of regulatory failures – that is, a response to the growing environmental and social crises and a recognition of business' contributions, as well as the opportunities to find 'opportunity' in crisis? My perception was rather the latter —that in its original usage, it was used to define opportunities for businesses to succeed by paying more attention to ESG risks and opportunities."

Lisa Sachs
Director, Columbia Center on Sustainable Investment

"Can we rely on legislation on the way forward? I would say not in the existing economic system design, that would be a hopeless endeavor."

Ralph Thurm
Managing Director,
r3.0

"I would be in favour of regulation mandating context-based sustainability reporting and accountability."

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

DAY 1

Framing the ESG Critique Landscape

Experts Insights

Key Point

The Role of the Corporation

"ALL current concepts of ESG and sustainability have failed to develop coherent arguments about the role of corporations within wider political, environmental and social systems, and what the conceptual or practical limits of corporate action should be."

Alison Taylor
Executive Director, Ethical Systems

"What I have been trying to think about is the following: a) what is the business/corporate purpose and form that aligns with human wellbeing and environmental sustainability? How should the business relate to and account for its stakeholders b) what is the role of finance in sustainable development? Where is financing needed? What impact does financing have? What leverage do various financial actors play? c) what role must government play in shaping the economy, in protecting the public interest, in determining what costs can be 'externalized' and who pays those costs? In redistributing the benefits of market gains? In shaping the relationships between businesses and its stakeholders?"

Lisa Sachs
Director, Columbia Center on Sustainable Investment

DAY 1

Framing the ESG Critique Landscape

Experts Insights

Key Point

Corporate Governance

"Corporate reporting is worth focusing on if corporate governance works. I can now confidently state that corporate governance is broken - so the reporting and data that comes out of a broken system is not worth all that attention."

Jyoti Banerjee
Co-Founder, North Star Transition

"All that happens now -- BNY Mellon, HSBC, DWS, RWE, Polar Springs -- are not coincidences, they are the long-term consequences (call it collateral damage) of the neglect to add thresholds and allocations to the ESG numerator data."

Ralph Thurm
Managing Director,
r3.0

"The G in ESG is the wrong level of G to my mind - it should be national and international governance. That it is corporate governance is just a reinforcer of the underlying idea that corporations are the right unit of influence for sustainability. I don't think that's possible."

Duncan Austin
Sustainability Research

DAY 1

Framing the ESG Critique Landscape

Experts Insights

Key Point

The Role of Stakeholders

*""ESG *" fails to look beyond human stakeholders (employees, customers, suppliers). In fact, business and shareholder value do rely on ecosystem services, and hence either ecosystems should be considered stakeholders, or all individual ecosystem participants should, to more relevantly account for external forces that may be material to shareholder value."*

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

"The owner of capital can focus on his/her skills and delegate to others and the law the maximisation of financial return. The law / government is 'supposed' to protect employees, society, environment, customers, suppliers. We try to apply the stakeholders concept at the corporation level, but may be it is best to apply it at society level"

Anonymous

"I would say that all organizations should be held accountable for their performance relative to duties owed to their stakeholders, where stakeholders are anyone to whom duties to perform in one way or another are owed. For whatever it may be worth, this particular interpretation of stakeholder theory is not what Ed Freeman was talking about, nor is it what proponents of stakeholder capitalism have in mind today."

Mark W. McElroy
Founder, Center for Sustainable Organizations

DAY 1

Framing the ESG Critique Landscape

Experts Insights

Key Point

Internalization of Externalities

"If we wish to become more sustainable, we need: 1) economic capital (however it is financed) to bear the full costs of the negative impact it has on society and environment; 2) to integrate knowledge from society and the environment into finance in an appropriate manner (not just through index providers or finance people driving it) 3) make sure that the approach we implement is easy to implement and commonly understood."

Anonymous

*"One way to think about Friedman's still-influential statement is that he missed out two key words. If one amends his claim to: the social responsibility of business is to increase its **fully costed** profits, then this imposes not one but two responsibilities on business, in nested fashion. First, they must work together - with society - to ensure 'generally accepted' profits are fully costed, unlike today. Then, they can compete to maximize those fully costed, now safe, profits."*

Duncan Austin

Sustainability Research

DAY 1

Framing the ESG Critique Landscape

Experts Insights

Key Point

Visioning

"I see merit in defining a proper and reliable regime of conventions, governance and measurement - including ESG - built into a 'vision' of what we all want to achieve in the end with sustainability and regeneration. ESG in this is necessary, but not sufficient -- it needs a new grounding in the principles of regeneration."

Ralph Thurm
Managing Director,
r3.0

"Regarding a 'future space' and back casting mentioned by Ralph: The Al Gore approach: We could envision what life-affirming quality would mean for 8-10 billion people and our planet. We have the World 7 model providing the timing for our end goal. Divide the necessary changes into wedges, region-wide, country-wide, race-wide, resource-wide. Let the regions, countries, governments prepare the portfolio of initiatives and get moving (The UN SDGs, PA NDCs and all the rest of the good intentions will not get us there!)."

Glenn Frommer
Managing Partner at ESG Matters
IVS

"Regarding a 'future space' and back casting mentioned by Ralph: The TCFD approach: Figure out how we are to govern the changes. Assume scenarios: Regions with starvation, too little water, climate refugees, too many overly fed, entitled white people etc. Let the regions, countries, governments prepare the portfolio of measures needed to meet the vision and how it will be financed. Set the metrics, start implementing. A visioning exercise then as a first step?"

Glenn Frommer
Managing Partner at ESG Matters
IVS

Day 02

Transcending the Consequences of ESG Dissent

Daily Summary

Day Two's deliberations were triggered by Provocations from two prominent ESG whistleblowers: former BlackRock Chief Investment Officer for Sustainable Finance **Tariq Fancy**, and former DWS Chief Sustainability Officer **Desiree Fixler**. Fancy focused on *Going from Talk to Action: How to Accelerate Change*, and Fixler focused on *Overcoming the Obstacles to ESG Dissent: Co-Creating Alliances & Strategies*.

Fancy asserted that "the battle over ESG reform is only just beginning" but that real change will not come from those of us in this dialogue agreeing on an idea, but from "figuring out how to put that idea in front of the world and getting them to agree." This may be more challenging than anticipated – even in this dialogue, there is lack of agreement on the definitional clarity of the fundamental concepts at play: ESG, sustainability, and regeneration.

The discussion clustered around the following themes:

- **Definitional Clarity**
- **Structural Defects of the Economic System**
- **Mindset Shifts, Cognitive Recalibration & Tipping Points**
- **Enabling Constraints**
- **The ESG / Sustainability Gap**
- **Outside-In (ESG) v Inside-Out (Sustainability)**
- **Residual Value of ESG**
- **Solution Frameworks**
- **Needed Expertise**

Fixler asserted that "ESG was originally a well-intentioned attempt to widen investors' aperture, but we all know that ESG has ended up turning into a detrimental tax on society." The question she asks is: how can we collectively – and effectively – express dissent over ESG in strategic ways that lead to the "kinds of transformation needed."

The discussion in this thread clustered around the following themes:

- **Protecting & Leveraging the Value of Whistleblowing**
- **Solution Strategies**
- **ESG's Insufficiencies: Whither Next?**

Redesign
Resilience
Regeneration

DAY 2

Transcending the Consequences of ESG Dissent

Experts Insights

Key Point

Definitional Clarity

*"I am still confused about the definition of ESG that this dialogue assumes. I have been assuming that "ESG *" here refers to the practice of inherently incrementalist, financial materiality focused, outside-in risk assessment and management, and the related ratings, rankings, investment tools, etc. -- and equally assuming that this was distinct and separate from (corporate) sustainability."*

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

"It seems that we are now faced with a choice: accept perpetual lexical ambiguity and jump between islands of shifting sands, or insist on lexical accuracy, even in the face of inevitable attempts to obfuscate."

Bill Baue
Systems Change Catalyst

"All I mean in saying that sustainability is a devalued currency is that it has reached the point I almost never use it any more because I am unsure how people will interpret its meaning. Hence the search for a word with better lexical reach. I am drawn to regenerative, not because it is a better word - in fact, I state that I am not sure what a regenerative system would look like. What attracts me is that it feels the opposite to degenerative, which feels a perfectly good description of the world we currently live in."

Jyoti Banerjee
Co-Founder, North Star Transition

"Comparing 'regenerative' to sustainability, I found usefully jolting. On reflection, I realized that 'regenerative' is probably a more useful/productive concept than 'sustainability as conceived in practice' (i.e. the massively diluted conception of sustainability that many are working to), but that 'regenerative' is only one necessary aspect of a genuine conception of sustainability, where 'sustainability is the successful perpetuation of human life on a thriving planet."

Anonymous 2

DAY 2

Transcending the Consequences of ESG Dissent

Experts Insights

Key Point

Structural Defects of the Economic System

"The problem the West has had over the last 50 years is that we've been listening to the World Economic Forum, not the Club of Rome."

Anonymous 2

"I'm concerned that these reform efforts -- Shareholder capitalism, Conscious Capitalism, Democratic/Cooperative capitalism, Multicapitalism, Regenerative Capitalism -- fail to directly and adequately address what I call the "structural defects of capitalism: - Accumulation without limit - Extraction without reciprocity - Alienation without care - Abstraction without ground - Generation without regeneration - Privatization without solidarity"

Gil Friend
CEO, Natural Logic
Managing Director, Critical Path Capital

"The current economic framework is based on growth and stability. When looking at an investment company or a government, the criteria are longevity, stability of the process, experience. In a Darwinian approach, these factors are detrimental to deal with systemic changes, because they lead to inertia, which is lethal when dealing with structural changes. But the same applies to politicians, management, etc. We have a system that incentivises stability."

Anonymous

DAY 2

Transcending the Consequences of ESG Dissent

Experts Insights

Key Point

Mindset Shifts, Cognitive Recalibration & Tipping Points

"In the absence of changing mindsets, I think we have to circumvent that problem by finding ways to change the incentives. Changing incentives from the outside I think boils down to mass civil disobedience and general high external stakeholder pressures - and hence to building a critical mass on this front."

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

"I think a key aspect of the dismantling of ESG is not about finding the decisive argument that wins the day, but thinking about this psychological problem and how to overcome it."

Anonymous 2

"[The solution space needs to include] representatives who understand the severity and urgency of the situation. Whether they are regulators, politicians, or so on -- unless they have already made the cognitive recalibration, they will obstruct the dialogue / process and legitimise lack of action more than contribute."

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

"We are all describing the dilemmas of mainly the wrong economic system, with the wrong incentives, and the wrong education. It's all culminating to what we more and more see: collapse. I am not a doom thinker, but it will be much worse (and probably has to) before it's getting better. And that points to the question: will there be a tipping point all this has to reach?"

Ralph Thurm
Managing Director, r3.0

DAY 2

Transcending the Consequences of ESG Dissent

Experts Insights

Key Point

Enabling Constraints

"Sustainability is innately bound up with the recognition that we need new constraints. Complex systems become complex through the establishment of 'enabling constraints' or 'constraints that deconstrain' that allow the system not to destroy itself - true of the architecture of all complex systems. In the complex system of human society, we call these 'enabling constraints' laws ('thou shalt nots') and norms ('we don't do that'). But we haven't accepted that we need constraints to address sustainability. Culturally we under-appreciate and under-value constraints. And, of course, any new constraint is an infringement on the current 'power' of some actors to behave in a systems-jeopardizing manner in the unconstrained status quo. All speaks to a greater understanding that is needed of how complex systems work"

Duncan Austin
Sustainability Research

DAY 2

Transcending the Consequences of ESG Dissent

Experts Insights

Key Point

Outside-In (ESG) v Inside-Out (Sustainability)

"ESG is essentially an outside-in risk management framework. What it provides to investors -- its primary constituents -- is a means of taking more than just financial factors into account when making buy-sell-hold decisions (i.e., environmental, social and governance factors, in addition to financial ones). I say 'outside-in' in the sense that ESG is intended to weigh the risks posed by the outside world on organizations, and not so much the risks posed by organizations on the outside world (inside-out)."

Mark W. McElroy
Founder, Center for
Sustainable Organizations

"[On the environmental side] we need experts who can indisputably and credibly link inside-out impacts to outside-in impacts and risks; this would help ESG move beyond its inward-looking orientation, which I think is the main obstacle to "saving the world";"

Alice Kalro
Associate Director - Business
Strategy & Practice Lead - Corporate
Sustainability - Goodera

DAY 2

Transcending the Consequences of ESG Dissent

Experts Insights

Key Point

The ESG / Sustainability Gap

"ESG is still necessary, but not sufficient -- ESG has potential to continue, all that's done was not in vain, it just needs context, adding denominators to the nominator management called ESG"

Ralph Thurm
Managing Director,
r3.0

"The gap in sustainability action boils down to 4 interrelated factors: 1) lack of awareness (of the severity and urgency of the situation) 2) lack of available capacity / capability to address the situation 3) incentive schemes that cement the status quo 4) mindset barriers"

Alice Kalro
Associate Director - Business
Strategy & Practice Lead - Corporate
Sustainability - Goodera

"To be clear, ESG is not sustainability accounting, nor was it even intended to be. It is when users or advocates of the term suggest otherwise that they get into trouble."

Mark W. McElroy
Founder, Center for
Sustainable Organizations

"Our r3.0 plea has always been to finally make visible and implement thresholds and allocations, multiple capital system value creation and context-based materiality determinations."

Ralph Thurm
Managing Director,
r3.0

DAY 2

Transcending the Consequences of ESG Dissent

Experts Insights

Key Point

Residual Value of ESG

*"I see some of the actions under the ESG framework as being helpful, but the **overall framing** of ESG as being effective resistance to deeper changes."*

Duncan Austin
Sustainability Research

"Much as we imho rightly critique ESG as a (more than nebulous) practice, I think that we are too quick to dismiss ESG finance professionals and the knowledge they bring to the table. If not systems thinkers, one could argue that they are proto-systems practitioners."

Jérôme Tagger
CEO, Preventable Surprises | ESG, sustainability, impact finance |

"Even with a growing drumbeat of criticism that ESG is not a sustainability solution, hardly any recognized financial leaders have yet supported that view. A key reason is that it requires a very public change of mind, which as many in this dialogue know, is a fraught thing to go through."

Duncan Austin
Sustainability Research

DAY 2

Transcending the Consequences of ESG Dissent

Experts Insights

Key Point

Solution Frameworks

"I propose to use Steven Keen's ideas related to a parallel dual digital currency involving real money and a national carbon allowance. - The digitized currency could be used to rationalize and restrict energy usage and other relevant ESG performance in the rich world. - The developing world, naturally rich in carbon credits, could sell them to the rich world for the rich world's consumption."

Glenn Frommer
Managing Partner at ESG Matters
IVS

"I've seen little discussion here of power, and the power that would much prefer to hold things in place. I think of the other Michael Mann's work on "four "overlapping and intersecting sociospatial networks of power". These networks are ideological, economic, military, and political -- "The IEMP model" for short." I'd like to see us discuss each of those explicitly (since I suspect they each call for different strategies)."

Gil Friend
CEO, Natural Logic
Managing Director, Critical Path Capital

"We need to define new frameworks where we create compensation systems for nature and society and push towards companies and governments being sued out of this internationally -- they should pay the full costs of remediating the damage. The moment that you bring back the costs on the P&L, then asset managers will have scientific committees that start to drive integration of science and society into an economic framework."

Anonymous

"The ESG community can sometimes appear like an echo chamber focused more on ideas, theories, frameworks, standards, new models, and so on, and insufficiently on real-world results and capital flows."

Tariq Fancy

DAY 2

Transcending the Consequences of ESG Dissent

Experts Insights

Key Point

Needed Expertise

"[On the environmental side] we need experts who can neutralise bias / tendency to ignore hell scenarios. Once exposed to a truer version of the compounded emergency, the most likely reaction will be denial. We need to actively account for this phenomenon and plan to mitigate it, otherwise we won't get anywhere."

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

"On the social side [we need] at minimum someone who is fluent in human rights. Few people are aware that even for example "adequate rest from work" is considered a human right, and hence that suppliers in countries where unreasonable working hours and very limited leave allowance are the legislative or cultural norm are permanently in breach of this and other human rights."

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

DAY 2

Transcending the Consequences of ESG Dissent

Experts Insights

Key Point

Protecting & Leveraging the Value of Whistleblowing

"It might be useful if the incumbent organizations, e.g. PRI, GIIN, Ceres, etc. formally created recognition and spaces for whistleblowers. Because one important message to them and to the outside world is something that says: "you're (still) a revered part of the family.""

Jérôme Tagger

CEO, Preventable Surprises | ESG, sustainability, impact finance |

"Can we (credibly, with data) link whistleblowing to accumulating the momentum and critical mass that the IPCC WGIII report said we needed to achieve a systems change? (I believe it specifically points out that when 10-30% of people demonstrate commitment to - in short - sustainable choices, there will be a systems change)."

Alice Kalro

Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

"Your comments re. careeer risk and your second question at the end both speak to a need to create institutions, 'safe spaces' and alliances that people speaking out can gravitate to and find support from. A safe harbor for recovering ESG workers?!"

Anonymous 2

"If hesitant prospective whistleblowers could rely on data that demonstrate the impact their action is going to have on accumulating the critical mass, and achieving the snowball effect, they might be more likely to go ahead."

Alice Kalro

Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

DAY 2

Transcending the Consequences of ESG Dissent

Experts Insights

Key Point

Solution Strategies

"I wonder whether some public letter or statement might serve as a useful rallying point around the bigger, deeper problem that even meeting approved ESG requirements wouldn't be sustainable. By setting out this bigger/deeper problem, could such a statement jolt people out of the intra-ESG dynamics that are consuming so much time and anxiety?"

Anonymous 2

DAY 2

Transcending the Consequences of ESG Dissent

Experts Insights

Key Point

ESG's Insufficiencies: Whither Next?

"ESG is confused with Sustainability and some institutions are not doing anything to address that issue (ISSB) and regulators and policymakers are not doing enough to distinguish between ESG and Sustainability. In my case, I try and promote a shift from ESG to Sustainability."

Anonymous

"Much as we might rightly critique ESG as a (more than nebulous) practice, I think that we are too quick to dismiss ESG finance professionals and the knowledge they bring to the table. If not systems thinkers, one could argue that they are proto-systems practitioners."

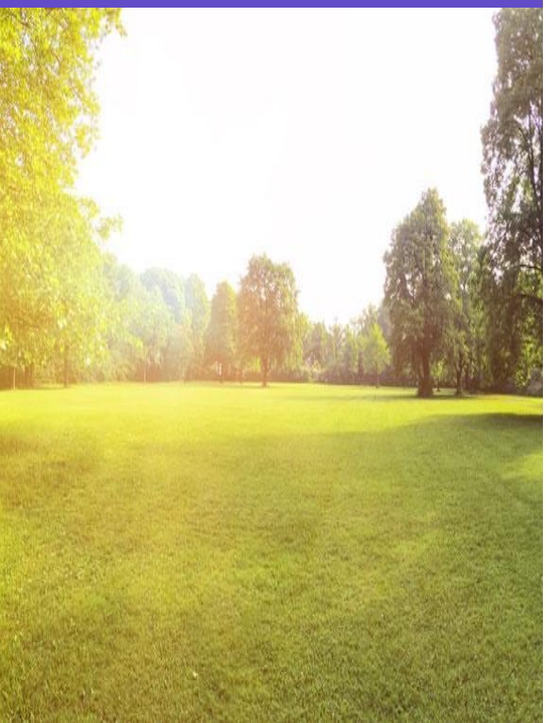
Glenn Frommer
Managing Partner at ESG Matters
IVS

"Even with a growing drumbeat of criticism that ESG is not a sustainability solution, hardly any recognized financial leaders have yet supported that view. A key reason is that it requires a very public change of mind, which as many in this dialogue know, is a fraught thing to go through."

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

Day 03

Co-Creating a Typology of ESG Critique



Daily Summary

Former Generation Investment Management Partner **Duncan Austin** and Tufts Fletcher School Senior Lecturer **Ken Pucker** instigated a Provocation that proposed the following Typology of ESG Critique: ESG…

1. … assumes market based voluntary actions are sufficient to address challenges that are costly and vulnerable to free riding.
2. … assumes entity-level (individual or corporate) efforts will be sufficient to address system-level issues.
3. … assumes sustainability can be largely a 'win-win' proposition, obviating the need to contemplate or develop moral and political support for costly or disruptive interventions.
4. … is implicitly biased towards technological solutions.
5. … implicitly overvalued 'growth' and more 'doing' and undervalues or forecloses on 'degrowth' and less or slower 'doing'.
6. … goals and targets overwhelmingly do not work back from the thresholds intrinsic to the overall system to the fair entity-level allocations that would make such targets credibly 'sustainable'.
7. … encourages non-binding, long-dated, back-end-loaded pledging and committing.
8. … (from climate deniers/right-wing): is the illegitimate venture of corporate activities into political, 'woke' issues.
9. … encourages reactive policy interventions (e.g. EU's SFDR, SEC actions) that are poor proxies for authentic sustainable policies, which might take a bigger view that investment is not even the right tool to secure certain goals.
10. … has been co-opted/conflated with sustainability creating the misimpression that it will address planetary welfare.

The ensuing dialogue vetted this typology, augmenting it with additional suggestions. Austin and Pucker also asked:

is it better to challenge ESG by explicitly engaging with the concept (at risk of legitimizing some of its innately unsustainable premises, e.g., voluntary, 'win-win', 'markets can do it'?) **OR** *Would it be better to try and focus on the system change required to deliver genuine sustainability – or 'regeneration' or 'resilience' – such that ESG could be ignored or brushed off in toto as simply resting on too many false premises relative to what is needed? Does ESG need to be actively squashed or can it be starved of attention?*

In addition to engaging directly with these questions, participants also offered "third way" answers.

The categories of discussion included the following:

- **Augmenting the ESG Critique Typology**
- **ESG / Sustainability Coexistence: Mind Your Lane!**
- **ESG = Distracting Time Suck**
- **ESG ≠ Sustainability (≠ Regeneration?)**
- **ESG Shortcomings**
- **ESG Ratings: Sound & Fury, Signifying Nothing**
- **Backcasting from a Positive Vision**
- **Imperatives**
- **Productive v Perverse Incentives**
- **Resolving the ESG / Sustainability Divide: CSR?**

Redesign
Resilience
Regeneration

DAY 3

Co-Creating a Typology of ESG Critique

Experts Insights

Key Point

Augmenting the ESG Critique Typology

"Other critiques of ESG (which I deem as being single materiality / risk management): - it is backward looking - it is complex - there are several definitions - it is primarily driven by index providers that are conflicted in their role - it adds a significant cost to consumer and industries without a clear economic benefit for consumer / environment and society - there is not single accepted standard, but left to the market that means that several definitions can be accepted and the importance is to be internally consistent - it is not based on science, but on finance people and index providers making sense of what matters - it does not consider the price of the risk and opportunity"

Anonymous

"I wonder whether a possibly helpful way of defining ESG is not by what it is, but rather by what it opposes or is not?"

Duncan Austin

Sustainability Research

DAY 3

Co-Creating a Typology of ESG Critique

Experts Insights

Key Point

ESG / Sustainability Coexistence: Mind Your Lane!

"Why can't we do both at once -- keep ESG and sustainability in their respective lanes? I don't want to kill ESG, I just want it to be honest about itself and stick to its knitting, not mine."

Mark W. McElroy
Founder, Center for
Sustainable Organizations

"We can encourage ESG and sustainability to co-exist and stay in their respective lanes, while also taking steps to (a) crack down on ESG whenever it illicitly crosses the line, and (b) by doing everything we can to ensure that sustainability, for its part, is authentically practiced as well, i.e., using context-based accounting and what many of us now regard as Generally Accepted Integrated Accounting (GAIA)."

Anonymous

"We can encourage ESG and sustainability to co-exist and stay in their respective lanes, while also taking steps to (a) crack down on ESG whenever it illicitly crosses the line, and (b) by doing everything we can to ensure that sustainability, for its part, is authentically practiced as well, i.e., using context-based accounting and what many of us now regard as Generally Accepted Integrated Accounting (GAIA) Principles."

Mark W. McElroy
Founder, Center for
Sustainable Organizations

"The idea that ESG and sustainability can happily coexist as long as ESG stays in its lane seems to rather skate over the uncomfortable reality that ESG is what happens when the existing systems, mindsets and processes get hold of the idea of sustainability, because it is hot, and try to translate it into something that "works" with the tools and concepts we have already. There is an implicit idea here that sustainability can triumph if it maintains purity. The existence of ESG suggests we are being naive about how our dominant systems co-opt and reframe ideas with a certain valence."

Alison Taylor
Executive Director, Ethical Systems

DAY 3

Co-Creating a Typology of ESG Critique

Experts Insights

Key Point

ESG = Distracting Time Suck

"I agree, ESG can co-exist with sustainability, but given the 'single materiality focus' on maximisation of profitability, it should be a much easier framework to assess and implement and not take the lions share of attention and resources at the detriment of Sustainability."

Anonymous

"If ESG persists as a broadly accepted proxy for sustainability, it will continue to draw finite human energy, effort, financial resources, and brain power to insufficient efforts that crowd out genuine solutions."

Duncan Austin

Sustainability Research

DAY 3

Co-Creating a Typology of ESG Critique

Experts Insights

Key Point

ESG ≠ Sustainability (≠ Regeneration?)

“Ken and I are firmly of the view, and suspect others in this dialogue are, that ESG does not equate – at all – with ‘sustainability’, even as it absorbs considerable attention on the basis that it does. Essentially, it ‘crowds out’ a truer vision of sustainability and creates a false comfort of progress."

Duncan Austin
Sustainability Research

"I agree with Bill et al that Sustainability ought to remain the goal...however, I 100% agree with Jyoti that its meaning has been coopted and confused."

Ken Pucker
Senior Lecturer

DAY 3

Co-Creating a Typology of ESG Critique

Experts Insights

Key Point

ESG Shortcomings

"ESG has no 'ethic' apart from aiming at less degeneration. In its degenerative form, ESG has often been instrumentalized to defend a bit of palliative care."

Ralph Thurm
Managing Director,
r3.0

"To my mind, 'ESG' is merely the most recent, but now leading, umbrella term/permissioning concept that allows people to believe that voluntary, market-based, growth-maintaining measures will be sufficient. Some of the actions ESG stimulates may be genuinely helpful, but it is a narrative that is ultimately 'Do Anything But Not Regulation or Policy.' ESG as a paradigm is mainly a pre-emptive protection of growth, profits and 'markets as usual'. It forecloses on some/much of what might be needed."

Duncan Austin
Sustainability Research

"ESG was (and is) always blind to transformative politics. It's not able to change the existing economic system logic. It was built to create comfort in the existing economic system logic. The fact that there can't be a sustainable organisation in an unsustainable economic system design was always ignored, at least for the last 20 years."

Ralph Thurm
Managing Director,
r3.0

DAY 3

Co-Creating a Typology of ESG Critique

Experts Insights

Key Point

ESG Ratings: Sound & Fury, Signifying Nothing

"It's not at all clear what ESG ratings are measuring. ESG ratings seem to not converge at all—perhaps a result of their developmental immaturity, perhaps as a result of flaws in their fundamental approach. Without someone "rating the raters," it's caveat emptor out there."

Gil Friend
CEO, Natural Logic
Managing Director, Critical Path Capital

"'Progress' in ESG is mainly to do 'less bad', and benchmarks or ratings can only say who is best in class of those that became less bad. But as there are too many black box approaches, even that becomes random. Again, this says nothing about sustainability."

Ralph Thurm
Managing Director,
r3.0

DAY 3

Co-Creating a Typology of ESG Critique

Experts Insights

Key Point

Backcasting from a Positive Vision

"I really like Duncan's call for a positive vision: what does an economy look like that contributes to societal well-being, protects the commons, reduces inequality. What is the role for companies, finance, law, politics?"

Lisa Sachs
Director, Columbia Center on Sustainable Investment

"ESG information gathering doesn't use backcasting from an ideal and therefore can't imagine the unknown (when it was never at least envisioned)."

Ralph Thurm
Managing Director, r3.0

DAY 3

Co-Creating a Typology of ESG Critique

Experts Insights

Key Point

Imperatives

"My strong view is that we need to incorporate the concept of 'materiality' in the language of both ESG and Sustainability"

Anonymous

"Whatever will get the rich white folks to: - reduce consumption of renewables to the level that they are renewed, - eliminate use of non-renewables, - reduce pollution to a level the earth can accept it - reduce human population and - encourage democracy and equity works for me."

Glenn Frommer
Managing Partner at ESG Matters
IVS

"Some part - maybe even the largest part - of our response to the environmental sustainability problem must be the slowing of our aggregate transformation of the Earth, i.e. we need to restrain or constrain ourselves. Such constraints are likely to be initially growth-reducing and freedom-impinging compared to today, and so unpopular and vulnerable to free-riding efforts."

Duncan Austin
Sustainability Research

DAY 3

Co-Creating a Typology of ESG Critique

Experts Insights

Key Point

Productive v Perverse Incentives

"We need to think how to incentivize the changes we want. Why can't we establish a system whereby those who want additional ESG (or other) KPIs sets according to say GRI, ISSB, TCFD etc should pay for them? (Non-mandatory KPIs primarily). I have written elsewhere about using NFTs and tokens for this privilege, and for attaching further tokens for assurance of information and processing."

Glenn Frommer

Managing Partner at ESG Matters

IVS

"People in finance think they deserve to be paid a ton of money to do ESG (or anything for that matter). It's a bit of a self reinforcing loop with win-win. Maybe call it win-win-win, e.g. win for sustainability, win for business, win for myself. Look, revenue capture in finance is real."

Jérôme Tagger

CEO, Preventable Surprises | ESG, sustainability, impact finance |

DAY 3

Co-Creating a Typology of ESG Critique

Experts Insights

Key Point

Resolving the ESG / Sustainability Divide: CSR?

"I wonder if there aren't three things (now all jumbled leading to confusion). 1. Sustainability -- about the state of the system. 2. ESG -- outside-in risks to a company's P&L 3. CSR (oft also called Sustainability, Responsibility and increasingly ESG) -- the work that companies endeavor to respond to ESG risks and opportunities...ideally (though rarely) in the interests of achieving sustainability. Were we able to rebrand "CSR" ...perhaps it would help clarify and create distinction."

Ken Pucker
Senior Lecturer

"I was never a fan of CSR, largely because it was usually seen as something peripheral not core to the business. We've always, in contrast, approached "sustainability" as a generative source of both near term and long term value. Sometimes massive."

Gil Friend
CEO, Natural Logic
Managing Director, Critical Path Capital

Day 04

Synthesis – Alliance & Advocation Opportunities

Daily Summary

The final day of this virtual dialogue on *Transcending ESG* explored to idea of *Leveraging ESG Critique Typologies to Identify Advocation Alliances* in response to a Provocation by **Bill Baue** and **Ralph Thurm** of r3.0. The Provocation posed the questions: *Are ESG critiques cursed to isolationism? Or are there viable alliances between diverse lines of ESG critique?* To pursue the possibility of the latter, they posed four further questions:

- *What ESG critique alliances represent "low hanging fruit" possibilities?*
- *Which lines of ESG critique represent more of a stretch in terms of forging alliances – and how might the respective advocates reconcile their differences?*
- *What are the "minimal viable product" elements of a comprehensive ESG critique – what arguments must be on the table, without which the critique fails to sufficiently address the ESG conundrum?*
- *If not through alliance, then what are alternative visions of resolving the ESG problem?*

The resulting discussion crystallized clarity on the distinctions between ESG and sustainability, identifying the validity of the former so long as it doesn't claim to be the latter, and supported focusing less on critiquing the former and more on advocation for the latter. As well, the question of the sufficiency of voluntary actions arose again, with support favoring mandated action.

There was strong support for the idea that creating alliances amongst proponents of various critiques was less important than shifting into active advocation through the emergence of "coalitions of the willing" to pursue either the Minimum Viable Outcome (MVO) of "mainstream awareness of the two-lane system", or other lines of critique. To help map the landscape, r3.0 Advocation Partner **Alice Kalro** mapped the ESG critique typology categories into an MVP ESG Critique that aims at securing the above MVO, and other possible packages of critique around which alliances could be built, to chart a path toward the ideal Ultimate Outcome.

In terms of when our field may be ready to pursue Ultimate Outcomes, r3.0 Advocation Partner **Glenn Frommer** had a sobering perspective: "Unfortunately, it is my opinion that we will need to wait for the crises to become considerably worse before anyone will listen to our r3.0 cult of mavericks." That said, Kalro identified this Ultimate Outcome as mainstream adoption of Context-Based Sustainability. And we at r3.0 would add, riffing on Limits to Growth Lead Author Dana Meadows' embrace of the Daly Triangle (first proposed by Ecological Economics Co-Founder Herman Daly), which articulated the Ultimate Ends of Wellbeing.

As usual, we reflect the voices of dialogue participants in this Summary, clustered into the following categories of Key Takeaways:

- ESG Performance --> Financial Performance? No Correlation & Causation
- ESG ≠ Sustainability: Stay in Your Lane!
- Voluntary --> Mandatory
- From Critiques to Advocation & Alliances
- From Insufficient / Isolated Advocation to Collaborative Advocation "Coalitions of the Willing"
- Minimum Viable Outcome and the MVP ESG Critique
- Additional Critique Packages (beyond the MVP Critique): A to E
- Ultimate Outcome

Redesign
Resilience
Regeneration

DAY 4

Synthesis – Alliance & Advocation Opportunities

Experts Insights

Key Point

ESG Performance --> Financial Performance? No Correlation & Causation

"I have yet to see a causal argument made that persuasively makes the case that strong ESG performance somehow causes strong financial performance!"

Mark W. McElroy
Founder, Center for
Sustainable Organizations

"In the article "ESG & Alpha: Sales or Substance," Andy King and I conclude the same thing as Mark (albeit with more words) when considering the relationship between ESG and Alpha."

Ken Pucker
Senior Lecturer

DAY 4

Synthesis – Alliance & Advocation Opportunities

Experts Insights

Key Point

ESG ≠ Sustainability: Stay in Your Lane!

"When ESG strays out of its lane and illegitimately crosses the line into the sustainability space, we should call attention to the absence of thresholds and allocations in its formulations."

Mark W. McElroy
Founder, Center for
Sustainable Organizations

"The main trouble with ESG investing is when it purports to relate to impact or that ESG investing/portfolios can effect change -- which it cannot. This is particularly problematic because it distracts from - or indeed deters - the necessary policy/regulatory measures."

Lisa Sachs
Director, Columbia Center on
Sustainable Investment

"We should stop worrying about ESG and focus on the problems of sustainability. I would start from the 'sustainable investor', because you need to bring it to finance and providing capital with an economic purpose. You need to attach the concept of materiality, so that you are seen as you are getting on with what matters. Stop the fragmentation in approaches. The concepts are there (boundaries, thresholds, Mark's work). It needs to be built on science for E and sound democratic principles for S and G. But then it needs to be implemented in education, academic courses, in independent auditing, etc. Then it becomes legit and it all starts with 'we are doing this because we are simply satisfying the needs of the sustainable investors'"

Anonymous

"ESG is neither a measure of, nor an approach to, sustainability. It is rather a large set of non-financial characteristics of businesses that investors may wish to consider in their investment decision-making. "ESG" investors may use this data to try to optimize risk-adjusted returns; they may construct 'values-aligned' portfolios, etc... The use of ESG data in this way is fine - why not?"

Lisa Sachs
Director, Columbia Center on
Sustainable Investment

DAY 4

Synthesis – Alliance & Advocation Opportunities

Experts Insights

Key Point

Voluntary --> Mandatory

"So aren't two main messages those that Mark and Duncan have stated and reiterated above: a) ESG is not designed or implemented to effect change and improve sustainability. It may serve other investor purposes, but it will not alone effect change. b) the crises our world is facing requires real government action (and international cooperation, in fact)."

Lisa Sachs
Director, Columbia Center on Sustainable Investment

"'Voluntary' as a strategy has huge flaws for tackling threshold/deadline problems that are effortful and costly to achieve, because it leads to free-rider and defection behaviours as people or entities compete to contribute as little as possible or spot opportunities to take advantage of others. What would make me more optimistic in a hurry is if there was a mass shift of attention from the entity layer to the policy layer as the appropriate layer of intervention for whole system sustainability."

Duncan Austin
Sustainability Research

DAY 4

Synthesis – Alliance & Advocation Opportunities

Experts Insights

Key Point

From Critiques to Advocation & Alliances

"The micro-critiques and concerns of ESG criteria (including the many problems around what is measured, what risks are considered, what data is used, the inconsistency of ratings, the correlation of ESG ratings and performance, and so on) are secondary to the bigger point that ESG as currently implemented, even if those problems were addressed, would not effect the necessary change."

Lisa Sachs
Director, Columbia Center on Sustainable Investment

"The advocation issue is rather more important to me than critiques. I see critiques of all kinds of things every single day, most of which are destined to be shelfware. Advocation gets us to the point of working out what we are going to do."

Jyoti Banerjee
Co-Founder, North Star Transition

"I would like to make an appeal for alliances and advocation to be directed and evolved with the citizens, workers, unions, salaried workers, refugees etc. What we produce must resonate and be used by them."

Glenn Frommer
Managing Partner at ESG Matters
IVS

"We should turn our attention to advocation primarily with the younger generation (under 30) encouraging - problem solving and critical thinking - situation awareness - skills to engage and hold dialogues with those we disagree with, and - maintaining a positive and flexible disposition while confronting adversity."

Glenn Frommer
Managing Partner at ESG Matters
IVS

DAY 4

Synthesis – Alliance & Advocation Opportunities

Experts Insights

Key Point

From Insufficient / Isolated Advocation to Collaborative Advocation “Coalitions of the Willing”

"Four typical responses to the demands for action: 1) More of the same 2) Fix and patch 3) Repair innovation 4) Sectoral revolution None of these responses are effective in solving the types of problems we face."

Jyoti Banerjee
Co-Founder, North Star Transition

"What would happen if we all continue to pursue our own focus areas in ESG critique, and aren't visibly aligned in some way. I think the following is a fair outlook: 1) We would all continue to be seen as the lonely shouters in the quicksand. 2) The standard setters will continue to create incremental ESG Progress standards, and will call them sustainability standards. 3) What will happen if we do not address the terrible governance failures that ESG produces, if we not collectively 'whistle blow'? Can it all be left to the Desirees and Tariqs of this world and give them a clap on their shoulder afterwards for their stamina? 4) Finally, I'd love to see you accept an invitation to backcast from the vision of a regenerative and distributive economy design. Can it lead to a 'minimal viable product' of joint activation?"

Ralph Thurm
Managing Director,
r3.0

"I think attempting to reconcile differences will delay action and prolong intellectual debate. Instead, we should look for a "coalition of the willing" / try to put forward a program (Bill's MVP) or multiple possible programs and see which participants are willing to back which with action,"

Alice Kalro
Associate Director - Business
Strategy & Practice Lead - Corporate
Sustainability - Goodera

DAY 4

Synthesis – Alliance & Advocation Opportunities

Experts Insights

Key Point

Minimum Viable Outcomes and the MVP ESG Critique

"We should have a clear outcome in mind - perhaps a minimum viable outcome (MVO) and ultimate outcome."

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

"Minimum Viable Ooutcome: mainstream awareness of the two-lane system. Why? ESG coopting sustainability and speaking on behalf of sustainability jeopardises the context-based sustainability agenda / science based rapid systems change agenda. While ESG may go down of its own doing, as Mark suggested, it may take sustainability with it, unless the two are clearly distinct and ESG forced back into its lane. Both critique and advocation could play a role."

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

"For the Minimum Viable Outcome, a suggested Minimum Viable Product critique 1 / low hanging fruit alliance options: ESG - is inward-looking, single-materiality based, hence does not equal or result in sustainability - it is backward looking (I assume this means is incrementalist - focused on nudging business as usual / nudging a system that's not fit for purpose (and hence:) 7. … encourages non-binding, long-dated, back-end-loaded pledging and committing. - it is not based on science, but on finance people and index providers making sense of what matters 6. … goals and targets overwhelmingly do not work back from the thresholds intrinsic to the overall system to the fair entity-level allocations that would make such targets credibly 'sustainable'. 10. … has been co-opted/conflated with sustainability creating the misimpression that it will address planetary welfare. - it is primarily driven by index providers that are conflicted in their role"

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

"The benefit I see in the Minimum Viable Outcome package is that it: - may have widespread support (strengths in numbers) - if executed well stops ESG from co-opting and in turn jeopardising sustainability - it contains the concepts of context-based sustainability - adding the advocacy angle, creating awareness and hence paving the way for working towards the Ultimate Outcome - the two-lane approach offers ESG a face-saving mechanism, which could help finding a way for others to agree with you / adopt the change, which is critical as Jyoti and others have pointed out."

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

DAY 4

Synthesis – Alliance & Advocation Opportunities

Experts Insights

Key Point

Additional Critique Packages (beyond the MVP Critique): A to E

”Critique Package A: need for degrowth 5. … implicitly overvalues ‘growth’ and more ‘doing’ and undervalues or forecloses on ‘degrowth’ and less or slower ‘doing’. 4. … is implicitly biased towards technological solutions. 3. … assumes sustainability can be largely a ‘win-win’ proposition, obviating the need to contemplate or develop moral and political support for costly or disruptive interventions. (included in both Package A and B)"

Alice Kalro
Associate Director - Business
Strategy & Practice Lead - Corporate
Sustainability - Goodera

"Critique Package B: need for a strong political / regulatory intervention 9. … encourages reactive policy interventions (e.g. EU’s SFDR, SEC actions) that are poor proxies for authentic sustainable policies, which might take a bigger view that investment is not even the right tool to secure certain goals. 1. … assumes market based voluntary actions are sufficient to address challenges that are costly and vulnerable to free riding. 3. … assumes sustainability can be largely a ‘win-win’ proposition, obviating the need to contemplate or develop moral and political support for costly or disruptive interventions. (included in both Package A and B) 2. … assumes entity-level (individual or corporate) efforts will be sufficient to address system-level issues."

Alice Kalro
Associate Director - Business
Strategy & Practice Lead - Corporate
Sustainability - Goodera

"Critique Package C: the practical deficiencies of ESG - it is complex - there is no single accepted standard, but left to the market that means that several definitions can be accepted and the importance is to be internally consistent

Alice Kalro
Associate Director - Business
Strategy & Practice Lead - Corporate
Sustainability - Goodera

“Critique Package D: the intellectual bankruptcy of ESG - it does not consider the price of the risk and opportunity - it adds a significant cost to consumer and industries without a clear economic benefit for consumer / environment and society - there are several definitions / and a lack of a clear widely accepted definition"

Alice Kalro
Associate Director - Business
Strategy & Practice Lead - Corporate
Sustainability - Goodera

"Critique Package E (E for Elon) :) 8. … (from climate deniers/right-wing): is the illegitimate venture of corporate activities into political, ‘woke’ issues."

Alice Kalro
Associate Director - Business
Strategy & Practice Lead - Corporate
Sustainability - Goodera

DAY 4

Synthesis – Alliance & Advocation Opportunities

Experts Insights

Key Point

Ultimate Outcome

"Unfortunately, it is my opinion that we will need to wait for the crises to become considerably worse before anyone will listen to our r3.0 cult of mavericks."

Glenn Frommer
Managing Partner at ESG Matters
IVS

"Ultimate outcome: mainstream adoption of context-based sustainability."

Alice Kalro
Associate Director - Business Strategy & Practice Lead - Corporate Sustainability - Goodera

Transcending ESG

June 12, 2022 - June 16, 2022

113 posts | 18 participants