SUMMARY REPORT

5TH INTERNATIONAL REPORTING 3.0 CONFERENCE 2018
Context For Thriveable Transformation

12th & 13th June 2018 | KPMG Amsterdam, The Netherlands
INTRODUCTION

The 5th International Reporting 3.0 Conference gathered 250 speakers and participants for two days at KPMG’s Dutch Headquarters in June 2018. This report collects the materials, photos, presentations and feedback into a concise, high-level summary, linking to resources on the Conference Website, social media, and other online materials. As this fifth Conference of r3.0 marks the end of the first developmental cycle of Blueprints, this report also points forward to the second developmental phase of r3.0: implementation of Blueprint Recommendations by constituencies globally. From ‘design-time’ to ‘do-time’. From ‘Blueprinting’ to ‘Hand-printing’. The Transformation Journey is starting, and we invite all to join!
CONTENT OVERVIEW

The documentation of the 5th International Reporting 3.0 Conference in Amsterdam consists of the following materials:

1. **Content Summary:** This Report summarizes the proceedings of the two days in chronological order, with links to presentations of the speakers who have granted permission to publish them on the Reporting 3.0 Conference Website, as well as real-time Tweets.

2. **Visual Documentation:** The Conference Website also offers a full complement of photos (with a small selection in this report), a summary film about the conference including interviews with various speakers, plus John Elkington’s Opening ‘Intervention’.

3. **Blueprint Releases:** The Reporting 3.0 Conference Website also offers downloads of final reports of all Reporting 3.0 Blueprints: the Reporting Blueprint, Data Blueprint, Accounting Blueprint and New Business Models Blueprint. Finally, we offer the Transformation Journey Blueprint as a step-by-step Implementation Guide to all constituencies in all parts of the world.

4. **Program Overviews:** Furthermore, the Reporting 3.0 Conference Website also offers downloads of the various Program two-pagers that Reporting 3.0 referred to during the Conference: the Advocation Partner Program, Academic Alliance, the Government / Multilateral / Foundation Support Group and the Investor Support Group (forthcoming).
A MILESTONE REACHED – A NEW MILESTONE DEFINED

The fifth Reporting 3.0 Conference celebrated the first ‘lustrum’ of Reporting 3.0 conferences – a Dutch word of celebrating something for the 5th time. It also marked the finishing line of the content development process of r3.0 Blueprints, our work ecosystem, and kicked off the dissemination of the outcomes of that. We labeled that the ‘Transformation Journey Program.’ This underscores the dynamic relationship between reporting, which is embedded in r3.0’s name, and the management, measurement, accounting, impact, and value creation transformations that the disclosure imperative can trigger. So, we see the Transformation Journey Program as a significant opportunity for all organizations and enterprises – a step-by-step program for Organizational ThriveAbility and System Value Creation. This is the outcome of r3.0’s Work Ecosystem and our ‘Global Public Good’ offer to the world.

Reporting 3.0 has visibly changed its public face by redesigning its logo into ‘r3.0 – Context for Thriveable Transformation’ to underline the fact that our pre-competitive and market-making mission transcends the disclosure realm, with our sights set higher on redesign of the global economy to regenerative and distributive multicapitalism. As a modest startup not-for-profit, we know that we cannot achieve this bold goal alone, but rather that we must tap into the collaborative spirit of what we call the ‘New Collective Consciousness.’ By tapping into this spirit, we can leapfrog together in a coordinated structure and process outlined in the Transformation Journey Program. This will in the end lead to a new generation of reporting and disclosure, a third generation as we said in the Blueprints (‘Integral Reporting,’ after siloed reporting and integrated reporting as generations 1.0 and 2.0). We refer to ourselves as ‘r3.0’ throughout this document.
DAY 1

INTRODUCTION

Ralph Thurm, r3.0 Managing Director, welcomed the participants to the ‘lustrum’ r3.0 Conference, laying out the red thread and anticipated outcomes of the Conference, before handing over to Wim Bartels, KPMG Partner, and host of the conference for the second year in a row. Bartels explained why he hosts r3.0 Conferences: learning on next-generation practices and how to include that into KPMG’s future developments.

To celebrate the 5th r3.0 Conference, we offered a surprise guest, John Elkington, Founder and Chief Pollinator of Volans and Keynote Speaker at the → 2014 r3.0 Conference, to reflect on progress made in the intervening years. John’s comments by video (see → Conference Website for his speech) offered a ‘big bang’ – he announced a ‘product recall’ of the Triple Bottom Line concept that in his view didn’t deliver what it was expecting to do in the quarter century since he coined it. As the #Reporting3 Twitter feed nicely summarized it:
John’s announcement then led to an article released about 10 days later in the Harvard Business Review:

‘25 Years Ago I Coined the Phrase “Triple Bottom Line.” Here’s Why It’s Time To Rethink It.’

While there have been successes, our climate, water resources, oceans, forests, soils and biodiversity are all increasingly threatened. It is time to either step up — or to get out of the way.

The TBL wasn’t designed to be just an accounting tool. It was supposed to provoke deeper thinking about capitalism and its future.

The bewildering range of options now on offer can provide business with an alibi for inaction. Worse, we have conspicuously failed to benchmark progress across these options, on the basis of their real-world impact and performance.

Fundamentally, we have a hard-wired cultural problem in business, finance and markets. Whereas CEOs, CFOs, and other corporate leaders move heaven and earth to ensure that they hit their profit targets, the same is very rarely true of their people and planet targets. Clearly, the Triple Bottom Line has failed to bury the single bottom line paradigm.

The focus was on breakthrough change, disruption, asymmetric growth (with unsustainable sectors actively sidelined), and the scaling of next-generation market solutions.

Hence the need for a “recall.”


PANEL 1
Introductory Keynotes

It is no wonder that Panel One, following John Elkington’s wake-up call, was entitled The Time for Bold Movement Is Upon US: Spurring the Shift from Monocapitalism to Multicapitalism. Keynote speaker Richard Howitt, CEO of the International Integrated Reporting Council, announced a collaboration between the IIRC and r3.0 to tackle that necessary shift, starting with a White Paper that will be published by end of the year. This announcement was supported by an → article co-authored by Richard and Ralph published on Thomson Reuter’s ‘Executive Perspective’ site.

We are unapologetic multi-capitalists.

We believe this is how businesses best thinks about value creation and how they can best communicate to investors and other stakeholders how that value will be maintained over time.

We think the shift to multi-capitalist thinking, the emphasis on integration in business models and strategy, and the requirement for measurement to standards required by investors and in the world of financial reporting, all suggest real impact on the capitals at an aggregate level as well as for the business. This has been termed the ‘context.’

We see in this approach the potential to bring about new thinking on thresholds and allocations — how to ensure the sustainable use of capitals that are in limited supply or are non-renewable or need to be continually regenerated — in more technical terms,
within the “carrying capacities” of the capitals themselves. Indeed, Reporting 3.0 is already considering this in the context of ecological ceilings and social foundations through the Global Allocations and Thresholds Council (GTAC).

This is consistent with the <IR> Framework, which says: “The overall stock of capitals is not fixed over time. There is a constant flow between and within the capitals as they are increased, decreased or transformed.” As a thought paper on value creation, published by the IIRC, noted: 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.”

Summing up the paper claims:

“However, it will require a conscious effort to universally realign our capital market system towards multi-capitalism. The question is, how do we move this new way of thinking – this new form of capitalism – from individual examples into a permanent shift in how we assess the components of value creation for a modern economy? This is a challenge that all of the organizations that participate in the coalition of the International Integrated Reporting Council, including Reporting 3.0, are committed to taking on.”
Luckily, as Richard was able to show in his keynote, multicapitalist thinking is already being piloted in many companies, basing their work on the <IR> Framework.

Lois Guthrie, World Business Council for Sustainable Development: Lois updated us on the activities of the WBCSD, especially their ‘Redefining Value’ Program, its structure and projects. She particularly focused on the growing number of reporting requirements, posing a problem since reporting and management provisions remained unchanged. Together with the fact that frames collide in focus or ignore intergenerational equity, societal expectations, or even corporate purposes, she demanded ‘connectivity, integration, systems and hence multicapitalism’ to bring back focus on the transformation challenge we haven’t yet fully grasped.

Bastian Buck, Global Reporting Initiative: The audience was expecting GRI Standards Director Bastian Buck to respond to the plea for multicapitalism as the basis for the ‘bold movement’ r3.0 has engaged GRI for many years, asking for more robust support for implementation of the ‘Sustainability Context Principle’, one of the 4 Content Principles for GRI-based sustainability reporting. Bastian spoke about the importance of the audience to link to sustainable development and the relevance of impacts for responsibility (Responsibility – expectation that companies demonstrate accountability for impacts that a company has caused or contributed, or is directly linked to the impacts through its business relationships). He also touched on greater context inclusion in new standards, e.g. the new water standards and a forthcoming tax & payment to governments standard. The plea for multicapitalism and what that would mean for GRI wasn’t addressed, whereas a commitment to planetary boundaries and norms was reaffirmed.
Frank Blasio, Coalition for Inclusive Capitalism: Frank gave an overview of the activities of the Coalition, and specifically focused on the mechanics of the different groups in the investment chain, focusing on a need to break though silos between:

- **Asset Owners** that have a need to invest over a long-term horizon to match their liabilities and responsibilities, but this has to be balanced against keeping Asset Managers accountable in the short term;

- **Asset Managers** that are pressured to conform to benchmarks over a 3-to 5-year period, and they lack reliable and comparable non-financial information, which inhibits them from forming long-term value judgements;

- **Asset Creators** that are pressured to report quarterly earnings and have difficulty adopting longer term strategies that conflict with short term-earnings targets. This is exacerbated by their ability to communicate meaningful non-financial indicators due to the lack of accepted models and standards and a limited understanding of what Asset Managers need and in what format to better understand the value created by companies;

Frank reported about the Embankment Project that the Coalition has instigated to break-through such silos and first learnings from that project:
This first panel showed that context-based multicapitalism is supported by most players in general, but that there is much to do still to not only embark, but also implement these ideas on broad scale. It needs the necessary players to speak with one voice and willingness to pilot-test and discuss results. It also needs the interplay between reporting and accounting standard setters, data architects and companies that build new business models on the ultimate litmus test question for sustainability, namely ‘has financial success been built on the back of any other capital – yes or no?’
SESSION 1
Introduction and Release of the Accounting Blueprint

r3.0 released its Accounting Blueprint in Session 1 and Cornis van der Lugt of r3.0 and Wim Bartels of KPMG presented an overview. Starting with a revised set of Accounting Principles, the Accounting Blueprint then presented multilayered / multicapitalist balance sheets, profit & loss accounts, and a Statement of long-term Risk & Opportunity. All this is bound together by Narrative Reporting.
### EDUCATION WORKSHOP: A deeper dive into the Accounting Blueprint and its links to other Blueprints of Reporting 3.0 as well as a focus on consistent tooling

**Shari Littan**
Thomson Reuters: Accounting supports an investment in choices and is based on perception. A rumor can influence reputation; and a news item can have huge impact. So, what information does the user need to make resource allocation decisions? Does ‘the system’ provide information that facilitates efficient, collective resource allocation? At the moment, none of the major companies has delivered any sufficient context about sustainability. But studies show that accountants want to incorporate more sustainability. Burdens are lack of knowledge, competing priorities, lack of investor recognition, lack of support from senior management, and still no clear link to business management. What’s needed is competition for talent (Millennials and post-Millennials), growing regulatory attention, development of new standards and evolving understanding of the connection between sustainability and value. In many of these areas r3.0 makes considerable contributions.

**René Orij**
Nyenrode Business University: More sustainability is needed in the regulated curriculum of accounting education. Unfortunately, there is no awareness (and developing it takes a long time). The national system is not going to change quickly. Therefore, we need an overall paradigm and mindset shift. Do we need to look at the government or the accounting firms? People need to change, the curriculum needs to change and then education needs to change. In sum, there needs to be a broader societal change that instigates the change of curricula as a consequence, and that will help change the accountants perspective on accounting for value.

### WORKSHOPS 1
The Accounting Blueprint

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<tr>
<td>A deeper dive into the Accounting Blueprint and its links to other Blueprints of Reporting 3.0 as well as a focus on consistent tooling</td>
<td>A focus session on how to engage with internal accounting, controlling and audit experts to implement the tooling recommended by the Accounting Blueprint</td>
<td>An assessment of how the broader Accounting ecosystem can push innovation on integrating thresholds &amp; allocations into multicapital accounting</td>
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| **Moderation:**  
  • Paul Hurks – Dutch National Federation of Accountants (NBA) | **Moderation:**  
  • Cornis van der Lugt – Reporting 3.0 | **Moderation:**  
  • Bill Baue – Reporting 3.0 |
| **Speakers:**  
  • Shari Littan – Thomson Reuters  
  • René Orij – Nyenrode Business Universiteit  
  • Ben Carpenter – Social Value International | **Speakers:**  
  • Tjeerd Krumpelman – ABN AMRO  
  • Adrian de Groot Ruiz – True Price Foundation  
  • Claudine Blamey – The Crown Estate  
  • Frank Verbeeten – University of Amsterdam | **Speakers:**  
  • Lois Guthrie – World Business Council for Sustainable Development (WBCSD)  
  • Tony Rooke – CDP  
  • Caterina Camerani – AkzoNobel |
Ben Carpenter. Social Value International: Only together can we reduce inequality and environmental degradation and improve wellbeing, e.g. by changing the way the world accounts for value! In 2 decades, we need to have a cohesive discipline and integrated accounting! We need to go across legislation, audit and assurance, standards and decisions being made to maximize value. What do we need in particular? We need to add more (mandatory) modules on social & environmental accounting to degree courses and to accountancy CPD, more analysis of the basis that underpins accountancy – for investors seeking maximum financial return, and a campaign about accounting to reflect the changing public attitudes towards investment.

Frank Verbeeten. University of Amsterdam: Frank started out from the perspective of intangible assets and how current reality changes the way of internal collaboration and need for skills. Today many still believe in liability over relevance: if something is on the balance sheet, one should be able to calculate its cost – other relevant assets should be put in the notes. But the drivers of value have shifted from fixed to intangible assets. If we fail to incorporate intangibles in the balance sheet, it runs the risk of being outdated or backward-looking. On the other hand, one can only put an intangible on the balance sheet if it meets three conditions: identifiability, controllability and potential to produce future benefits. Many intangibles do not meet these conditions. Therefore, trying to express intangibles in terms of financial measures in order to put them on the balance sheet leads to an unreliable picture. What does this mean for the finance professional? Different departments (HR, marketing, general management, finance and control, etc.) should be integrated. Technological developments may enable this. Finance managers will need to have technical skills, be data savvy in order to combine data from different systems/departments and discuss this with data scientists, interpersonal skills in order to successfully communicate with management as well as ability to manage finance professionals from different backgrounds (e.g. conventional ‘breed’ and those with a background in sustainability).
Tjeerd Krumpelman, ABN AMRO, and Adrian de Groot Ruiz, True Price Foundation: Tjeerd agreed with Frank Verbeeten that many things have value, even if they’re not on the balance sheet. But Tjeerd thinks that we should try to express these things in terms of money. He illustrated this using an example: ABN’s chief HR Officer spends 50 million euros on employee training. Right now, this is seen as an expense. Yet it creates value. ABN tried to express this value in terms of money, and concluded they created between 400 and 800 million Euros based on that expense of 50 million Euros. If there is a number on it, we can go to the HR chief and tell the board he’s the biggest value creator within the company! This effect one will only get if you put a number on the value created here – not with fifty pages of ‘qualitative’/narrative reporting. After all, business people are better at reading numbers. He also discussed pilots conducted by ABN AMRO with integrated profit/loss accounts on mortgages, cocoa trade, diamonds and human capital/employee development to find out real value (positive or ‘negative’) created to make the same point, using multicapital accounting.

Adrian, working with ABN AMRO in a project, seeks to standardize a list of impacts that is more or less complete and that avoids overlap. This is done by firstly looking at all 6 capitals of the IIRC.

How to measure value creation for all stakeholders?

1. Identify the material impacts on all capitals

<table>
<thead>
<tr>
<th>Natural capital</th>
<th>Social capital</th>
<th>Human capital</th>
<th>Financial capital</th>
<th>Produced capital</th>
<th>Intellectual capital</th>
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<tr>
<td>CO2 and energy savings due to bank activities</td>
<td>Benefits of use of renewable energy</td>
<td>Facilitation of payment system</td>
<td>Payments to employees</td>
<td>Value of financial services to consumers</td>
<td>More and better data</td>
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<td>CO2 and energy use in retail chains</td>
<td>Social impact of bank activities</td>
<td>Reputation and trust of sector</td>
<td>Taxes paid</td>
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<td>Low risk of loan</td>
<td>Human capital</td>
<td>Impact on community</td>
<td>Internalization opportunities</td>
<td>Payments to suppliers</td>
<td>Increase in transparency of ABN AMRO</td>
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<tr>
<td>CO2 and energy use in retail chains</td>
<td>Employee retention</td>
<td>Increased life satisfaction of employees</td>
<td>Internalization costs</td>
<td>Value of Intellectual capital</td>
<td>Intellectual capital creation due to training</td>
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<td>Stakeholder satisfaction</td>
<td></td>
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<td>Opportunity cost of labor</td>
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<td>Cyber security concerns</td>
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Qualitative estimate of ABN AMRO’s material impacts as found in an internal expert session

Next, he looks at the same impacts, but ‘dices’ them up according to stakeholders – society at large, clients, investors etc. This helps clarify many discussions. For instance, it is easier to take negative externalities on board if you put it next to value created for other stakeholders (clients, employees, investors etc.). It is important to do this in an integrated way, involving the whole supply chain to ensure consistency, it is easier to take into account negative impacts. Looking at the investor side, we don’t have all additional parts, but we can add e.g. brand value. Finally, the numbers are definitely going to be off total
precision – but putting numbers on these impacts creates more accurate indication of value created for stakeholders than nothing. He leaves open whether nonfinancial impacts should already be incorporated in financial statements; perhaps better to put them in an additional section for now.

Claudine Blamey. The Crown Estate: To create a climate-proof business, with healthy places and known for super-efficiency, The Crown Estate designed a business model to measure the total contribution and impact of the business. Why does The Crown Estate do this? It uses natural resources and other assets from societies (such as employees). It can’t keep taking from these, they may run out and the company won’t be able to keep running as a business. The Crown Estate business model rests on the six capitals (renamed, but basically the same as in the IIRC language).

Total contribution is not just about the numbers but especially about the trends: this helps boards make decisions about the future, and question previous decisions. It is important to not just aggregate information from different capitals (the ‘totals’), but also show them separately. Claudine’s model focuses on flows, not stocks. Moreover, for every metric, she measures negative and positive impacts as well as internal and external impacts, some of which are beyond the organisation’s control. The finance team has taken over total contribution – it is no longer part of the sustainability team.

Remaining challenges: it is great and easy reporting this, once you have the methodology. The difficult thing is for the organisation to make decisions on the basis of these numbers. As soon as we implemented it, people didn’t know how to use the new measures. In particular, they found the timing difficult: it is hard to start thinking more long-term. So, they went back to the drawing board and used fewer metrics, going down to 12/13. These are reported on a regular basis in the integrated report. “We want our new metrics to measure our purpose. And we take economic factors that lots of other people are using (accountants like that).
ACCELERATION WORKSHOP: An assessment of how the accounting ecosystem can push innovation on integrating thresholds & allocations into multicapital accounting

Caterina Camerani, Akzo Nobel: Caterina spoke about Akzo Nobel’s multicapital accounting and reporting, and how they relate to the three original capitals (economic, environmental, social). The measurements for the project were based on environmental (CO2 and pollution) and social (social knowledge, skill development, future salary and injuries at work) factors, optimized based on the results of a PESTEL/SDG analysis of the company and its markets.

Looking at Akzo Nobel, the external positives include supply-chain innovation, community building and participation whilst internally, management education and employee internal engagement grew along with the different projects. Akzo Nobel questions remain around ethical and sector specificity/materiality factors; can Akzo Nobel make an improvement on their previous projects? Should these projects only be based in Akzo Nobel’s field of expertise?

Tony Rooke, CDP: The biggest challenges in communicating material impacts are: What is impact? What is material? This complexity is what the CDP and CDSB focus on reducing by improving comparability. Different companies answer the same questions in different ways due to a lack of management education, and common language between the scientific and business communities. Monetization of projects sets the scene for communication between sustainability and accounting professionals, builds the business case for sustainability progress that in the end helps value the externalities. The one major danger/con is due to the fungibility of the different capital: you cannot treat financial, environmental and social capitals as an absolute same type of value, because they do not renew at the same pace.

But things are changing:
- Investors: previous signs of resiliency in the past indicate possible signs of fragility nowadays (ex: Oil reserves);
- Finance: TCFD enabled the financial world to be transparent, they switched to super transparency to achieve market leveraging and acquisition of risk knowledge (particularly banks).

R3.0’s Blueprint on Accounting came at exactly the right time, with political instability and financial crisis risks on the rise.
Lois Guthrie, WBCSD: The work Reporting 3.0 brought out is crucial in many ways. Lois discussed a whole spectrum of aspects that need attention and where action is already underway, such as:

- Measurement and communication of material impacts: We can and do measure, we can and do communicate. There is no shortage of information, but what is material? Is materiality static or dynamic? Can materiality be interpreted without a shared purpose and shared understanding of context?
- Valuation and alternative measures: Monetization is useful for some purposes e.g. as measure of relative magnitude, but filter bubbles and quantification bias can jeopardise usefulness. What about alternative measures and do we need a deeper understanding of conditions and factors that determine impact?
- Science and accounting: Challenges of uncertainty, boundaries, thresholds, tipping points, idiosyncratic relationships, redundancy and allocation. What are meaningful measures of resilience and rejuvenation?
PANEL 2
How can Accounting Standard Setters help spur the emergence of Integrated Accounting?

Wrapping up the launch of the Accounting Blueprint a short session was organized to hear back from the profession on how they saw the development in the accounting standard setters realm. Paul Hurks from NBA, Richard Martin from ACCA and Alain Mulder from IMA discussed with moderator Cornis van der Lugt what now needs to happen to see movement towards future-ready accounting. The discussion went from awareness-raising of accountants to education needs and creation of the right level of urgency in a profession that is used to react, but not act. Would the accounting profession be well equipped to support concepts like the circular economy or the sharing economy? How would p/l/s and balance sheets look and how would they be understood in such instances? As one of the participants in the room was asking: ‘well, you now have a great Accounting Blueprint in hand, so what now?’ The question was answered very reluctantly, so at r3.0 we see it as a clear challenge, but also task, to continue to be bridge-building.
Congrats to #reporting3 fascinating conversations at event with friends from @FutureFitBiz and @socialvalueuk. Now discussing the challenge of coordinating the alphabet soup of accounting and standard setting bodies - thats just the ones that fit on the slide!

"Accountants could be losing the plot in the new (circular) Economy " @aheadahead1 at #reporting3
SESSION 2
Introduction and Release of the New Business Models Blueprint

**Ralph Thurm and Bill Baue** from r3.0 introduced and officially released the New Business Models Blueprint. Based on a concise literature review and clustering of the existing literature, the 40-member Working Group dealt with the need for another leapfrog moving from the existing to the ideation level and design an 'integral business model' from ontology and backcasting into the here and now.

Integral Business Models

Business Model Development

This process benefitted from the existing three other Blueprints and was able to design eight general characteristics, a process flowchart, an implementation template and various case examples (see later workshops) that can now guide entrepreneurs and intrapreneurs to design new business models or adapt existing business models with an integral design in mind. Various subchapters also discuss consequences of an integral business model design for governance & strategy, risk & innovation, scenario planning & transition planning as well as roles & strategic leadership.
WORKSHOPS 2
New Business Models Blueprint

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<td>A focus session on case studies of how the Reporting 3.0 tooling to help entrepreneurs design and implement ‘integral business models’</td>
<td>An assessment of how intra-preneurs and external analysts can use scenarios and transition planning to instigate and scale the design of new integral business models</td>
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| **Moderation:**  
Josephine Matthews – Sustainable Value Creation (SVC) | **Moderation:**  
Ralph Thurm – Reporting 3.0 | **Moderation:**  
Bill Baue – Reporting 3.0 |
| **Speakers:**  
Katie Hill – B Lab UK  
Niels Faber – Radboud University Nijmegen  
Antony Upward – Edward James Consulting | **Speakers:**  
Anita de Wit – ReBlend  
Lisette van der Maare – ReBlend  
Lynn Benander – Co-op Power  
Henk de Man – VDMbee | **Speakers:**  
Raj Thamotheram – Preventable Surprises  
Salomon Billeter – Swiss Re  
Mark van Baal – Follow This |

EDUCATION WORKSHOP: A deeper dive into the New Business Model Blueprint with a focus on translating awareness into action

Antony Upward, Edward James Consulting: Antony was very active and of great help in designing the New Business Model Blueprint. He thinks it’s a great compendium of the latest thinking on this vital topic of new business models. So now what? The blueprint highlights that if we want our enterprises to create integral, flourishing, and future-ready outcomes... socially, environmentally and economically, we must intentionally create our enterprise strategies and design our business models with this goal in mind. And that means to cross the threshold that in today’s economic condition there isn’t an integral business yet. It needs viability to constantly evolve when contexts change. It’s worth highlighting that this is exactly what the B Corporation and co-operatives movements are doing; they are changing the context for, and the very definition of successful business. From our work on the blueprint we now understand that the trick is going to be to change the way we do strategy and the way we design our business models. Antony recommends the 3-step process mentioned in the slide below and closes with the good news that we now know how to do it.

Future viability requires strategy and business model design to intentionally aim for integral flourishing...

![Diagram](image-url)
Katie Hill, B Lab UK: Started with showing the overlap between BCorps integrated approach and how the r3.0 Blueprints can create fitness at various instances. She then explained the BCorp Impact Assessment in more depth and showed examples of implementation at companies from various sectors (The big issue, Carbon Analytics, JoJo Maman Bébé, One, Pukka, Elvis&Kresse, Patagonia).

Niels Faber, Roadboud University Nijmegen: Faber focused his contribution on the difference the New Business Model Blueprint makes and mentioned it:
• departs from business models (and value creation) as we know it;
  (Re)education is needed
• change in business models is needed to address wicked problems;
  Difficult to put in operation in current economies
• changes value creation to gradually become value preservation;
  We are nowhere near value restoration or revitalisation

He then interpreted many of the archetypical structures from the perspective of Reporting 3.0’s thinking:
All three presentations addressed the need to actively ‘design the future we want’ in confronting the dilemma of the entropy of the status quo in contrast to the transformative potential of the emerging future.

IMPLEMENTATION WORKSHOP: A Focus session on case studies of how the Reporting 3.0 tooling can help entrepreneurs design and implement ‘integral business models’

This session featured the three organizations that are covered in the New Business Models Blueprint through case examples:

Henk de Man, VDMbee: VDMbee helps companies implement their Business Models through a Value Management Platform that designs the ideas and challenges of the business and analyze them in a process (define-measure-control-analyze-improve-control). Initially the tool was not designed for sustainability business model design, but rather a universal BM tool. VDMbee sees an opportunity in the tools as recommended in the New Business Model Blueprint and aims at using elements as input into their tool, for example the r3.0 Strategy Continuum, the eight general characteristics and the Multicapital Scorecard.

Anita de Wit & Lisette van der Maarel, ReBlend: ReBlend is a start-up company in the textile industry, tackling the problem of textile waste as less than 1% reenters the textile chain & 3% of water on earth goes to textile per year with projections of a 40% increase in water demand if we keep the status quo. A social cost and benefit analysis based on LCA data and environmental P&L framework (using Kering/PWC) showed the potential positive environmental impacts of the ReBlend textiles as significant. These outcomes were monetarily quantified to make it understandable how to keep textiles within the textile value chain. They analyzed the eight general characteristics of the New Business Model Blueprint as follows:

- Context: Preserving resources by using existing material;
- Purpose: Remove negative impact of fashion industry (create from waste);
- Micro/Meso/Macro: Working with small designers / attract bigger fashion companies / Possible policy of price changes (tax resources rather than labor);
- Scalability: Creating demand rather than waiting for it;
- Multi-capital: Natural & social capital already included, plans to expand;
- Leadership: Sustainability officers have interest but don’t get through to board;
- Synergies: cross industry (e.g. fashion to interior design industry);
- ThriveAbility: Absolute focus through combination of other characteristics.
Lynn Benander, Co-op Power: Co-op Power is an energy cooperative on the US East Coast. It’s a multi-class & multi-racial initiative and a network of energy cooperatives that share on a cooperative level. The aim is to enable communities to access energy and benefit from the energy transition. Members join through a fee and/or equity that is invested into jobs and products/services. While it’s difficult to keep everything under control and difficult to quantify because there are so many volunteers, 90% of value is intangible mainly because of the volunteers. In looking at the eight general characteristics Coop Power showed a high level of inclusion of integral thinking already. More specifically:

- Micro/Meso/Macro Basis – positive impact on all three levels;
- Context-based: clear context know-how creating sustainable, regenerating activities;
- Purpose-driven: clear purpose understood throughout the organization;
- Scalability-focused: effective mission-driving business model that could work for communities across our region once we solve the thriveability challenge;
- Multicapital based: focus on making good use of natural capital, human capital, social capital, manufactured capital, and intellectual capital. We value them all highly in our multi-class context, respecting the contributions of every person and the environment;
- Leadership-driven: Co-op Power leaders aim high and are focused on these eight general characteristics. They are also committed to justice and equity;
- Thriveability-based – We have often been thwarted by utilities, banks, and other businesses who see us as competitors instead of allies, more to be done here;
- Synergy-focused: Co-op Power does make the most use possible of collaborations with other organizations. We are as committed to the success of other mission aligned organizations and businesses as we are to our own.

ACCELERATION WORKSHOP: An assessment of how intrapreneurs and external analysts can use scenarios and transition planning to investigate and scale the design of new integral business models.

Raj Thamotheram, Preventable Surprises: Thamotheram commenced with a reminder of the challenge posed by climate change, characterizing it as a blessing – a system feedback signal that creates economic and social transformation opportunities. Focusing on the utility sector as a key strategic lever for change, he identified shortcomings of change strategies such as ESG Integration and Impact Investing. This points to the need for “Forceful Stewardship” by investors, using their muscle to convince corporate boards and executives to develop transition plans aligned with a <2°C pathway.

Utilities need to implement transition plans now

- Investors are still asking for scenario analysis disclosure and this isn't sufficient or fit for purpose today.
- Many scenarios assume the economy/society function at 3-4°C as it does today.
- Scenarios encourage one way thinking – ‘how will the external world affect us?’
- The big challenge is to ensure corporations realise they affect the external world.
- A transition plan is the basis of action. It’s a normative approach to strategizing, sets in motion a series of holistic changes to a business in terms of operations, investment, governance, policy influence and remuneration, setting out clear targets and plans for change.
Salomon Billeter, Swiss Re / scaling4good: Billeter first laid out Swiss Re’s rationale for shifting to full ESG Integration last year: “We are convinced that including ESG criteria into the investment process makes economic sense, especially for long-term investors, because it improves risk/return profiles and hence reduces downside risks.” He listed a few obstacles the company has encountered, including lack of consistent company-level ESG reporting. He then pivoted to describe his work while on sabbatical from Swiss Re: a computer simulation program (that the company employs but is also available to external users) that enables translation of scenarios into transition plans.
Mark van Baal mentioned FollowThis’s strategy of leveraging the proxy ballot to press Shell to take more assertive climate action. In order to meet ownership thresholds for filing shareholder resolutions, FollowThis tapped into the retail investor market by encouraging activists to buy shares expressly to support the resolution. He then laid out the campaign’s success, noting shifts in voting support by the top 10 largest Dutch shareholders. For his pièce de résistance, he played a video exchange with Shell CEO Ben van Beurden where van Baal counters the claim that Shell’s carbon targets align with the Paris Accord.

### Climate Resolution Shell

#### Top 10 investors Netherlands

<table>
<thead>
<tr>
<th>Investor</th>
<th>Total Assets</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEGON</td>
<td>€ 816 million</td>
<td>○</td>
<td>√</td>
</tr>
<tr>
<td>apg</td>
<td>€ 470 million</td>
<td>x</td>
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<tr>
<td>NN investment partners</td>
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<tr>
<td>MN</td>
<td>€ 129 million</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>achmeo</td>
<td>€ 120 million</td>
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<td>○</td>
</tr>
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<td>VAN LANSCHOT KEMPE</td>
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<td>√</td>
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<td>actiam</td>
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<td>√</td>
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<tr>
<td>Blue Sky Group</td>
<td>€ 22 million</td>
<td>√</td>
<td>#</td>
</tr>
</tbody>
</table>

- **✓** for
- **x** against
- **○** abstain

### Source

<table>
<thead>
<tr>
<th>Source</th>
<th>Relative reduction (CO2/MJ)</th>
<th>Absolute reduction (CO2) by 2050</th>
</tr>
</thead>
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<tr>
<td>IPCC</td>
<td>-65%</td>
<td></td>
</tr>
<tr>
<td>Science</td>
<td>-100%</td>
<td></td>
</tr>
<tr>
<td>Nature</td>
<td>-100%</td>
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<td>-60%</td>
<td></td>
</tr>
<tr>
<td>Shell ‘New Lens’ (2013)</td>
<td>-60%</td>
<td></td>
</tr>
<tr>
<td>Shell ‘Sky’ (2018)</td>
<td>-46%</td>
<td></td>
</tr>
<tr>
<td>Shell’s net carbon footprint ambition</td>
<td>-50%</td>
<td>-30% (*)</td>
</tr>
</tbody>
</table>
This was the last session of Day 1 of the Conference. To summarize the day, let’s turn to audience voices:

Huge congratulations to @reporting3org on this "Lustrum" Launch of the Blueprints for Thriveable Transformation #Reporting3

Delighted to be in Amsterdam for #Reporting3 5th conference & launch of blueprints on accounting, new business models & synthesis- moving far beyond reporting

I love this! Cheering on friends at #Reporting3 where positive & prosperous business is being recreated

#Reporting3... How do we move from just doing better on sustainability, to actually thriving and creating true regenerative sustainability? Thanks for a thrilling series of stories, methods, evidence, presentations, very meaningful. And just a start. @aheadahead1

#reporting3 A very interesting first day! First we learned that next year the concept of the Triple Bottom Line concept will be 25 years old next year and will face a "product recall" and be revised.
DAY 2

Day Two started before attendees even arrived back at KPMG, with Advocation Partner Henk Hadders of Impact in Context invoking mountain climbing images from the Transformation Journey in an early morning tweet.

Just woke up in my little yellow tent at #Reporting3 Base Camp. It’s cold on the mountain this morning. Heading to the big red tent now to be briefed on the climb today by those two great sherpas @bbaue & @aheadahead1

7:47 AM - 13 Jun 2018
INTRODUCTION

The Day started in earnest with Ralph and Bill summarizing Day One, then formally launching Blueprint Five with Conference Ambassadors distributing printed copies of The Transformation Journey to all attendees.

To support community input, the Reporting 3.0 Team displayed posters around the room of the Transformation Journey stages, asking Conference participants to add their creative ideas for implementing the Journey.
THE r3.0 TRANSFORMATION JOURNEY PROGRAM
- A MOUNTAIN CLIMB -

The r3.0 Transformation Journey Program is an step-by-step approach to implement r3.0’s Blueprints on Reporting, Accounting, Data and New Business Models and their solutions developed over the last 2.5 years. It is divided into different stages to allow a tailored but comprehensive approach. The analogy of a mountain climb symbolizes the different actions needed, by when and through whom. It is an expedition into unknown territories.

The here presented concept is excerpted from the new Blueprint 5 ‘The Transformation Journey’ and we are seeking for your feedback and inputs for best implementation, which will ultimately be a collaboration of Reporting 3.0 and all its positive maverick partners.

Additionally, we are looking for new fundraising opportunities to further develop the necessary infrastructure and support for the journey.

THE BASECAMP

Understanding the fundamental concepts and obstacles representation and thinking are facing. It is a prerequisite for the journey ahead, as a common vision facilitates collaboration and creates the momentum needed to overcome the shortcomings of the current system as the CLient Cap, the Business System Design, Target setting framework and their limits, as well as the needed new economies.

THE RIGHT FRAMEWORKS

What type of frameworks and tools are needed for a successful transformation? What new systems will need to be built to support a successful transformation? What are the key drivers for a successful transformation? How can we ensure that the right framework is in place for a successful transformation?

THE CLIMB

Deepening understanding of current state and the impact of the new economy, new rules, and the future. How to position the role in the context of the new economy. What changes in governance and leadership are needed?

NEW REPORTING AND DATA SYSTEM

How do we create a new data management system that is fit for the future? How do we create a new reporting system that is fit for the future? How do we create a new reporting system that is fit for the future?

THE MOUNTAIN TOP

Effectiveness of the climb and the impact of the transformation. What are the key takeaways from the transformation? What are the key learnings from the transformation? How can we ensure that the transformation is successful?
This led into the first panel of the day, bridging back to Day One to focus on new business models (addressed in the New Business Models Blueprint) with a set of Keynotes followed by a plenary discussion.

→ Designing Regenerative Cultures Author Daniel Christian Wahl delivered the first keynote exploring alternatives to the current model of our degenerative economy, transcending the Rio +20 aspiration of the “future we want” with a more proactive vision of the “future we design.”

“We have been eroding planetary systems for 5,000 years – especially in the last 250, since the industrial revolution,” Wahl said. “We need to reverse our anthropocentric mindset. We are nature. If we can change our mindset to understand this, we will begin to create conditions conducive to life.”

Following the Socratic strategy of his book, Wahl framed his Keynote as a series of provocative questions to Positive Mavericks in the audience:

Wahl also introduced the Three Horizons framework as a lens for strategizing smart prioritization amongst concurrent innovation pathways. The 3H framework distinguishes between sustaining innovation (H1) that optimizes the status quo; “disruptive innovation” (H2) with its “disruption for disruption’s sake” approach within the current economic paradigm; and transformative innovation (H3) focused on shifting the overarching economic paradigm toward regeneration. He also distinguished between H2- innovation, which disrupt “business as usual” through technological developments without creating structural change, and H2+ innovations, which bridge to H3 by triggering systemic transformation.

“For example, providing power to the national grid via large-scale wind-farms is on the one hand part of the H2+ strategy of moving towards a 100% renewable energy based system, and on the other hand an H2- innovation locked into an H1 mindset as it is still structurally supporting a centralized energy system,” Wahl writes in his book. “An example of a genuine H2+ innovation in this area would be a blend of diverse and decentralized renewable energy technologies that combine stand-alone and grid-connected options in order to increase the flexibility, efficiency and resilience of our energy system overall.”
Questions for positive Mavericks:
How do we fundamentally redesign the human presence on Earth, while keeping the lights on, people in jobs, and kids in school?

How do we innovate sustainable businesses incrementally, while needing to address the structural dysfunctionality of our economic and monetary systems?

Transforming worldviews & narratives while redesigning whole systems.

Nurturing scale-linking health & resilience while building capacity for local & bioregional participation.

Questions for positive Mavericks:
How do we create redundancies and capacities at and across multiple scales to increase diversity and resilience?

How do we help people to co-create shared meaning, so their insights affect their actual behaviour?

How do we design for individual, community, ecosystems and planetary health?

Questions for positive Mavericks:
How do we create diverse regenerative cultures that are carefully adapted to the biocultural uniqueness of place?

How do we redesign the human impact on Earth from being by and large degenerative to being predominantly regenerative?

How do we design as Nature - creating conditions conducive to life?

Designing as nature, while transitioning to regionally circular bio-materials economies.

Increasing planetary bio-productivity while improving healthy ecosystems functions.

Questions for positive Mavericks:
How do we regenerate the soils, grasslands, forests, waterways and oceans of planet Earth while restoring healthy ecosystems functions?

How do we co-create shared abundance for all, moving from competitive advantage of a few to collaborative advantage for humanity and the community of life?

The 3 Horizons of Innovation
Three Horizons Framework Applied to the Transition Towards a Regenerative Culture

Transformative rather than sustaining innovation

Evaluating Disruptive Innovation

Solving symptoms in isolation to maximize short-term benefits for isolated parts.

Building bridges to H3.

Transforming causes and meaning while aiming to optimize the whole.

Degenerative Culture: H2 + Innovation helps transition to H3

Regenerative Cultures
Next, B Lab UK Executive Director Katie Hill narrowed the focus to actual company business models, explaining how the B Corporation movement (and B Lab UK in particular) is spurring transformation. She first covered B Lab’s theory of change, then discussed how B business models create transformation.

**Theory of Change:** A virtuous circle towards a redistributive economy underpinned by a broader commitment to value creation, focusing on three broad types of businesses: a) start ups and early stages: be Born B and stay B! b) businesses already B in essence, now joining a community to create a collective voice; and c) those businesses in transformation (often larger, complex) and who need a lot of support to integrate this across their entire operations.

Katie sees 23 areas of integrated business models in B Corps, and she called out three broad areas where B Corps can spur transformative change:
1. **Decarbonize the economy**

- Huge area for employment and for higher quality work; investment opportunities abound;
- Growing 17 x faster than the average US employment growth;
- In China, 35% more people employed in renewal energy than in fossil fuel economy now;
- Impact is far reaching: changing transport provision and usage that drives other behavior changes;
- Improving health outcomes from cleaner air;
  - examples: aspects of Fairfone HUSK power station, Climate Care Generation Investment Management, and many B Corp prospects operating in this field either directly (carbon sequestration and carbon reduction - eg Coop power or indirectly e.g. food waste company such as Winnow).

2. **Circular Business Models**

- Regenerative is the gold standard; circular is on the route towards regenerative economy;
- Plastics dominating thinking in the UK at moment;
- Waste management, education, collection, alternatives are all key drivers - need to map the system to understand where the problems lie;
  - Examples: Elvis and Kresse recycling leather and fire hose; Trycyclos, creating jobs through educating communities on "waste"; Winnow, reducing food waste through analytics, Patagonia recycling and reusing and therefore changing customer behavior through worn wear program; Fairphone, reuse rare minerals in phones with replaceable parts;
- Makes great economic sense - all of these businesses are profitable and well supported by customers;
- EMF Circular Economy 100 businesses are future pipeline of B Corps.

3. **Employment Communities and Education**

- Employee ownership schemes esp in retail growing in popularity - one solution to engagement but needs to dig deep into governance and not just profit sharing;
- Community coops especially in energy sector (Coop power again) is a mechanism for creating values based solutions in place around an inclusive environmentally positive business model;
- Education and business link ups - B Corp EdComms specializes in bridging this gap, but much more could be done to bring to the classroom at schools vision of future leaders of business; we are working with a number of business schools (including LSE) on getting specific B Corp modules into the curriculum;
- Democratizing education more generally from Kahn Academy to ATM learning, opening up availability is now ever possible;
- Changing mindsets about lifelong learning - example of Public.hq which has helped prisoners develop own record company, new initiatives in care homes to build skills for economic resilience;
- Urban farming opportunities - including Growing Underground (mushroom farms in disused underground tunnels) and other forms of hydroponic farming options.

All requires:

- Clear vision of a future economy and society - the 3.0 version that inspire;
- Data and analytics to show it is resilient and sustainable;
- Underpinned by incentives, policies and our legal frameworks;
- Driven by inspiring men and women - leaders or non-leaders who get up and go through collaboration and imagination.
P2P Foundation Founder and Vision Coordinator Michel Bauwens scoped back out to explore business models in the context of the Commons, or “cultural and natural resources accessible to all members of a society – held in common, not owned privately,” per Wikipedia. Bauwens noted that “every provisioning system is becoming available in Commons-based mechanisms,” thus establishing a robust “market” for Commons-based “business” models. However, he also noted the distinct realms of market, state, and Commons, and provocatively asked if the relationships between these realms are “extractive, or generative”? Underlining this line of inquiry, Bauwens introduced the notion of biocapacity accounting to track the carrying capacities of bioregions. “We need to shift from economies of scale to economies of scope,” said Bauwens.
Ralph and Bill then gathered the three keynoters together for a Plenary Panel with questions from the audience. One question addressed the sustainability of circular business models, picking up on a theme introduced in Wahl’s Keynote about “endangered elements” in the Periodic Table.

“The startling insight from material depletion curves and the economic, mineralogical and energetic limits of efficient mining operations is that by 2050 we will have to be a long way towards a circular economy that almost entirely creates products from carbon, hydrogen, oxygen and nitrogen (CHON),” stated Wahl in the article. “These are the only abundant materials that nature recycles at relatively low energy inputs.”
After a networking break, the Conference reconvened for a second round of Keynotes focused on leading edge examples of next generation practices from Reporting 3.0 community members. ABN AMRO Head of Business Advisory, Reporting and Stakeholder Management Tjeerd Krumpelman presented the opening Keynote on long-term value creation through integrated thinking and reporting.

He started with the foundations of ABN AMRO’s strategy, asserting the distinction between a sustainability strategy, which focuses on external impacts, and a sustainable strategy, which extends this focus to also encompass the sustainability of the company itself, as driven by its strategy. He also presented the company’s multicapital value creation model, which he called the ‘washing machine’ (with its ‘inputs’ and ‘outputs’ and ‘outcomes’).
Krumpelman then walked the audience through ABN AMRO’s modular reporting, including its Human Rights Report – the first from a financial institution to implement the UN Guiding Principles on Business and Human Rights – which won awards, thereby garnering board attention. Called “Core and More,” this modular approach is anchored in the company’s Integrated Report, but also includes stand-alone sustainability disclosures such as the Sustainable Development Goals Report, as well as alternative financial disclosures, such as its Integrated P&L (that aligns with r3.0 Accounting Blueprint Recommendations). He concluded that integrated thinking and reporting leads not only to long-term value creation, but also, ultimately, to better decision-making.

Next up, Romie Goedicke of the International Union of Conservation of Nature, Netherlands, presented on the One Planet Thinking, which applies a Context-Based approach that embraces fair-share allocations of responsibility for meeting ecological thresholds.
“One Planet Thinking is a normative learning program committed to advancing science, to better understand where the planetary boundaries are, including feedback mechanisms and tipping points, and ethical questions,” said Goedicke. “It’s also committed to advancing business, supporting relevant business and financial institutions to pilot the use of a One Planet Thinking approach in their businesses and thereby enable sustainable and systemic decision making based on planetary science.” She presented the following graphic on the 4-tier progression from incremental to systemic change:

Rounding out the session was Mark Van Clieaf of Organizational Capital Partners, who presented on strategic leadership architecture and future value systems. He addressed four major issues:

- Corporate Life Cycle of Business Models & Levels of Innovation;
- Organization Design Risks for Sustainable Business Models;
- Organization / Talent & Fit-to-Role Risks for Sustainable Business;
On the first two issues, Van Clieaf illustrated corporations’ natural lifecycle, which typically increases future value in early stages until maturation and then fading toward a pivot point where future value submerges into the negative zone, signaling the need for business model redesign. He presented examples of companies in each of nine lifecycle phases, and then cited probability statistics for companies to degrade into failed business models, compared to companies that optimize to “star” or later cash cow business models.

On the third issue, Van Clieaf presented the Work Levels research that seeks alignment between level of challenge (business model, industry ecosystem, economic system), leader cognitive capacity, length of strategic horizons, and future value. Mismatch between roles and individual capacity cause organizational gaps and jam-ups, while alignment fuels innovation to spur enterprise-level as well as industry-level and economy-level transformation.

“Less than five percent of the world’s adults have the cognitive hard wiring and systems thinking to conceptualize, plan out, resource and implement business model and industry ecosystem transformations,” said Van Clieaf.
Van Clicel finished with some brand-new research around lack of long-term strategic planning and long-term incentive plans (LTIP), creating significant mismatches between executive compensation and corporate performance. What’s more, asset managers and asset owners are rubber-stamping these compensation plans, while opposing proxy measures to address long-term ESG issues such as climate change. This research has significant implications for fiduciary duty accountability for companies (or “asset producers,” to use the Coalition for Inclusive Capitalism’s language), asset managers, and even asset owners.

**Disconnected Corporate Governance for Sustained Long Term Cash Flows & Viable Business Models**

- 85% of companies the longest strategic planning horizon is < 5 yrs
- 92% of companies the longest performance period is 3 yrs or less for LTIP design for CEO + other Named Executive Officers
- 70% of companies have NO capital efficiency / balance sheet performance metrics in LTIP design
- 85% of companies have NO Innovation, R&D, or Customer performance metrics in LTIP design
- 85% of companies have NO Environment, Employee, Health or Safety performance metrics in LTIP design
- 600 S&P 1500 companies top 5 officers were EXCESSIVELY Paid $15 Billion more than Warranted over 5 years based on 5 yr relative ROIC performance

**Which Asset Managers Approved Metrics / Incentives For Excessive Executive Pay, Quarterly Capitalism & Locking In High Carbon Business Models**

<table>
<thead>
<tr>
<th>Fund Name</th>
<th># Most Overpaid S&amp;P 1500 Companies Owned</th>
<th># Most Overpaid Companies Voted “FOR” Say on Pay</th>
<th>% Voted “FOR” S&amp;P 500</th>
<th>Tendline Vote Support for 20% OVERPAY</th>
<th>S&amp;P 500 Average of Percent Support Say on Pay</th>
<th>% &quot;FOR&quot; Votes (Average) 2G / ESG Shareholder Resolutions</th>
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<tbody>
<tr>
<td>Northern Trust Investments</td>
<td>300</td>
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<td>BlackRock</td>
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<td>5%</td>
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<td>Fidelity Management &amp; Research Co</td>
<td>229</td>
<td>214</td>
<td>95.0%</td>
<td>92.0%</td>
<td>92%</td>
<td>11%</td>
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<tr>
<td>Morgan Stanley Investment</td>
<td>245</td>
<td>229</td>
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<td>Invesco Advisers, Inc.</td>
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<td>Vanguard Group, Inc.</td>
<td>300</td>
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<td>ClearBridge / Legg Mason</td>
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<td>Wellington Management Company</td>
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<td>174</td>
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<td>91%</td>
<td>59%</td>
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<td>74.0%</td>
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<td>Henderson Global Investors Ltd.</td>
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<td>AXA Investment Managers</td>
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<td>84.0%</td>
<td>72.1%</td>
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<td>Allianz Global Investors</td>
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<td>Schroders</td>
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<td>65.0%</td>
<td>88%</td>
<td>61%</td>
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<td>T. Rowe Price Associates, Inc.</td>
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<td>70.4%</td>
<td>90%</td>
<td>11%</td>
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<td>Hermes Equity Ownership Services</td>
<td>298</td>
<td>238</td>
<td>80.0%</td>
<td>70.1%</td>
<td>unavailable</td>
<td>unavailable</td>
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</tbody>
</table>

| 75th | 90.0% | 81.8% | 93.5% | 56.8% |
| Median| 64.0% | 73.9% | 91.1% | 31.5% |
| 25th | 50.0% | 64.7% | 88.3% | 17.8% |
Van Clieaf’s provocative presentation, which rounded out the session, was enthusiastically received by the audience:
LUNCH BREAK & NETWORKING OPPORTUNITY

The KPMG foyer featured several Booth Sponsors displaying their products and services, adding to the overall scope of learning opportunities for Conference participants. Booth Sponsors included KPMG, ReBlend, WeSustain, IUCN Netherlands, and Regen Network (some of them pictured below).

The Conference also featured a Book Booth with recent publications by Daniel Christian Wahl (Designing Regenerative Cultures); Mark McElroy (The MultiCapital Scorecard); and Robin Lincoln Wood (Making Good Happen: Pathways to a Thriving Future).
Mark McElroy, Center for Sustainable Organizations: McElroy commenced by asserting that capitalism is not the problem; monocapitalism is. The solution? Multicapitalism, a theme that resonated with Richard Howitt’s opening Keynote on Day 1. To illustrate how this translates into practice, McElroy explained how organizations should determine materiality: identify impacts on the multiple capitals, and compare them to norms for those impacts to be sustainable. In other words, apply Context-Based Sustainability. Specifically, this calls for applying performance accounting via Context-Based Metrics that determine the thresholds or carrying capacities of the capitals, and allocations of an organization’s fair share of responsibilities to ensure the sufficiency of capitals for stakeholder wellbeing. He ended by pointing to the MultiCapital Scorecard as an open-source, context-based, multicapital performance accounting framework.
Kevin Horgan, Future Fit Business Benchmark: Horgan characterized the Future Fit Business Benchmark as a Context-Based reporting framework with 23 “Break-Even” indicators (i.e. “zero” thresholds such as no waste, no employees below minimum wage, etc…) and broader “Positive Pursuit” goals for transcending “doing less bad” to actually “do good.” Identifying dependencies on nature and society allows companies to thrive holistically. Horgan presented a number of case examples of companies in different industries (such as Novo Nordisk and Body Shop) piloting the framework, applying materiality in different ways to help improve and refine the process.

A new kind of business benchmark is needed

1. Assessing company performance relative to a past year doesn’t tell us where it is going.
2. A focus on best practice by sector (e.g. current ratings) only drives a case to be “least bad.”
3. Progress toward short-term goals matters only if they contribute to the right long-term aims.
4. For the full story, we must assess progress toward and beyond an extra-financial break-even point.

Development Council – Novo Nordisk

Stress-testing existing policies/processes
Baselining and monitoring performance holistically
Articulating positive impacts in a credible way

“... the Future-Fit approach is helping us to think through how we can have an even greater impact on society.”

Susanne Stormer
VP of Corporate Sustainability
David Plummer, Triage AG: Plummer presented on Triage’s new Green Paper on the business case for redesigning the food system. Triage’s theory of change is that the food system is broken and needs to change. Furthermore, food has the potential to solve the world’s most intractable problems, from hunger to poverty to the economy and the environment. The majority of the poor live in agricultural areas, and farmers are disconnected from technology & markets. So, Triage puts the poor at the center of its strategy. Triage’s FarmView methodology uses technology to aggregate all the data to identify the highest value use of the land (nutritionally, environmentally, etc.). Plummer ended with an application case example in Zimbabwe, where the situation changed in November last year, opening an opportunity to redesign the food system at the center of the government plan.

IMPLEMENTATION WORKSHOP: Practical examples of leveraging collaboration in reporting and metrics for scaling transformation

Sarah Grey, International Integrated Reporting Council: Sarah built on the opening Key-note by IIRC CEO Richard Howitt, filling in more detail on how companies are actually enacting multicapitalism in practice. First, in applying integrated thinking to the multiple capitals, they are advancing multicapitalist thinking – in other words, visualizing the big picture of the value creating process, focusing on the use of all the relevant capitals (financial and non-financial). She noted that multicapital decision-making is happening, citing the examples of BASF and Anglo American. Furthermore, investors want multi-capital reporting – not necessarily through an integrated report, but they want information on the multiple capitals. Finally, she cited ACCA research finding that multicapital reporting is improving over the years – though there’s still a long way to go. Ultimately, better reporting leads to better evaluation and decision-making by financiers and other stakeholders, so the IIRC / Reporting 3.0 joint project is sorely needed to amplify understanding and uptake of multicapitalism.

Findings from IIRC/ACCA Report Critique project

- Overall reporting on capitals improved
- Evidence of multi-capital decision making eg, BASF and Anglo African
- Performance measures more consistent
- Innovation: measuring value created for others (as well as organisation itself)
- Significantly more integrated reports were externally assured – 46% 2016 > 60% 2017
- Using integrated report to start to demonstrate commitment to SDGs
**Flexible DISCLOSURE & TRANSPARENCY Framework**

<table>
<thead>
<tr>
<th>Type of Company</th>
<th>Content of Report</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Small/Early Stage:</strong></td>
<td><strong>Strategy</strong></td>
<td>Governance</td>
<td>Performance</td>
</tr>
<tr>
<td>Basic management &amp; ownership</td>
<td>Strategy objectives &amp; risk</td>
<td>Board structure &amp; functioning</td>
<td>Financial statements</td>
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<tr>
<td><strong>Medium Size:</strong></td>
<td><strong>Add</strong> Business model &amp; environment</td>
<td><strong>Add</strong> Internal control &amp; audit</td>
<td>n.a.</td>
</tr>
<tr>
<td>More complex management &amp; ownership</td>
<td><strong>Add</strong> Sustainability opportunities &amp; risks</td>
<td><strong>Add</strong> Risk management</td>
<td><strong>Add</strong> Performance report</td>
</tr>
<tr>
<td><strong>Large but Private/ National:</strong></td>
<td><strong>Add</strong> Sustainability opportunities &amp; risks</td>
<td><strong>Add</strong> Risk management</td>
<td><strong>Add</strong> Performance report</td>
</tr>
<tr>
<td>Size, complexity, E&amp;S impact, and capital needs grow</td>
<td><strong>Add</strong> Sustainability opportunities &amp; risks</td>
<td><strong>Add</strong> Risk management</td>
<td><strong>Add</strong> Performance report</td>
</tr>
<tr>
<td><strong>Publicly Listed/ International:</strong></td>
<td><strong>Add</strong> KPIs</td>
<td><strong>Add</strong> Sustainability governance</td>
<td><strong>Add</strong> Sustainability performance</td>
</tr>
<tr>
<td>Public expectation, part of global value chain</td>
<td><strong>Add</strong> KPIs</td>
<td><strong>Add</strong> Sustainability governance</td>
<td><strong>Add</strong> Sustainability performance</td>
</tr>
</tbody>
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Note: “Add” indicates that the number of relevant topics for the annual report increases with the company size.

**Ralitza Germanova** presented on the IFC Toolkit For Disclosure And Transparency, which provides a practical view on how to unlock investment in emerging markets by integrating emerging best practices in environmental and social assessment into corporate governance standards in order to provide investors with robust information. “Consistent with IFC’s strategy to create capital markets, the Toolkit seeks to help companies in emerging economies access global capital markets; help global investors better price the risk of investing in emerging markets; and help stock exchanges, regulators, and market authorities in developing countries improve local market infrastructure,” Germanova said. The Toolkit engages the entire cycle: investors, regulators, stock exchange, and companies themselves. And it focuses on the synergy and intersections between governance, sustainability, and financial performance.
Sven Herrmann, Ellen MacArthur Foundation: Herrmann first outlined the defining characteristics of the Circular Economy: an economic system that is restorative and regenerative by design, based on three Principles: Design out waste and pollution; Keep products and materials in use; and Regenerate natural systems. This led to showing the “Butterfly Diagram” on retaining value in technical and biological cycles. This teed up his presentation of EMF’sCircularity Measurement and Indicators regime, including mapping out their relevance at micro, meso, and macro levels. He ended pointing to the key role of collaboration, including with Reporting 3.0.

CIRCULARITY MEASUREMENTS ARE RELEVANT FOR A MULTITUDE OF STAKEHOLDERS ON VARIOUS LEVELS

<table>
<thead>
<tr>
<th>Micro level</th>
<th>Meso level</th>
<th>Macro level</th>
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<tbody>
<tr>
<td>Companies, projects, products</td>
<td>Industries, regions</td>
<td>Economies, global ecosystems</td>
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<td>Companies</td>
<td>Governments, legislators, public bodies, cities</td>
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<tr>
<td>Financial institutions, investors</td>
<td>Financial institutions, investors</td>
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<tr>
<td>NGOs and non-profits</td>
<td>NGOs and non-profits</td>
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<tr>
<td>Academic institutions, standard setters, consulting, data analytics providers</td>
<td>Academic institutions, standard setters, consulting, data analytics providers</td>
<td>Academic institutions, standard setters, consulting, data analytics providers</td>
</tr>
</tbody>
</table>
**ACCELERATION WORKSHOP**: Technological advances in big data, artificial intelligence, and blockchain for activating acceleration.

**Danielle Jiskoot**, Supply Chain Information Management (SIM): Danielle explained PowerChain, SIM’s blockchain-based solution to gaps in supply chain data, including the inability to visualize supply chain journeys and data concentration / inaccessibility. Enter blockchain, enabling different groups of people to add their own elements of data to aggregate a more complete and accurate picture of reality. This brings radical transparency to the entire chain as everyone has access to the same information, which guarantees cooperation. Benefits include:

- Easier adaption of correctness;
- Democratize reporting beyond the self-interest of supply chain actors;
- More accurate performance of supply chain and immutability;
- Helps gather framework data;
- Insight on product journey;
- Direct impact and implementation of sustainability strategies.

She ended describing a novel implementation: the ability for consumers to directly tip farmers.

**Christian Shearer**, Regen Network: Agriculture has about the same greenhouse gas contribution as fossil fuels at the moment, Shearer pointed out. This is exciting news, because you can’t unburn fossil fuels, but you can regenerate the damage with proper farming practices. For example, shifting from tilled land to a non-tilled land makes a huge difference in emissions. Other examples include agroforestry, or farming within a forest: the combined biodiversity keeps the land fertile and secures the flora and fauna in the area. But the question arises of how to track these regenerative impacts. The answer is blockchain. Regen Network uses blockchain to audit pieces of land with smartphones, which are ubiquitous globally. Farmers can now geocoordinate their pastures by walking along their property line and identify the sustainability of their farms through a series of protocols within the app which checks the ecological status, verifies the change of state and offers an immediate reward for their efforts. This creates decentralised governance with a consortium of non-actors to help govern the blockchain.

There is a potential €290B in supply certification and €20+B in CSR opportunities. Companies could offer a certain price per hectare of reward if a farmer were to switch to more sustainable practices (Ex: wet land to dry land rice farming practices). The fulfilment of these practices is first checked via Satellite imagery and then transferred either through a RegenCoin or in a normal currency. The company is a start-up, and is currently looking only at minimum viable protocols to demonstrate the viability and business case of their work. Shearer ended by pointing out current challenges: interconnectivity needs to be improved, and technology needs to be spread and readily available.
Verdorie......alweer een volle bak voor de workshop over #blockchain at #Reporting3

#Regeneration beyond #sustainability! Christian Shearer @PanyaChristian of @regen_network presents the Regen Network. About carbon, soil, farmers and regenerative agriculture as use case......also brought to us by @reporting3org at #Reporting3 in Amsterdam
Bill Baue introduced the Global Thresholds & Allocations Council (GTAC), explaining the instigating imperative – the necessary reconciliation of impact with capacity. He first established the historical pedigree of the concepts of thresholds (ecological ceilings, social foundations, and economic bars) and allocations (fair shares of responsibility and opportunity), then explained the foundational importance of the GRI Sustainability Context Principle – first introduced in the second generation of Sustainability Reporting Guidelines (or G2) in 2002.
Sustainability (S) is best contextualized as a quotient, with the numerator representing actual impact (A) and the denominator representing normative impact (N) – the level needed to achieve sustainability. Drawing on the concept from ecology, Mark McElroy defined the norm as the carrying capacities of the multiple capitals in his conceptualization of → Context-Based Sustainability, an implementation framework for the Principle of Sustainability Context.

Unfortunately, Context has yet to be activated, according to a → recent study by Danish researchers, creating what we at r3.0 call the Sustainability Context Gap – or the Sustainability Gap, or even just the Context Gap:
A 2015 UNEP study of sustainability reporting called Raising the Bar embraced the concepts of thresholds & allocations, and called for corporate uptake – as well as the creation of a global governance body to vet, validate, adjudicate, and advocate for threshold and allocation matters across the full Triple Bottom Line.

After waiting for others to take up the mantle, last year r3.0 decided to take the reins by floating the idea of a Global Thresholds & Allocations Council (GTAC) in a Concept Note laying out the need, mission, composition, activities, and governance of the body. In January 2018, r3.0 convened a Kick-Off Meeting of the GTAC, hosted by new Steering Board Member Paul Hurks at the Dutch Federation of Accountants in Amsterdam. Speakers included GRI Co-Founder Allen White, Planetary Boundaries Conceiver Johan Rockström, Doughnut Economics Author Kate Raworth, and many others amongst the 40-odd participants.
Next, GRI Co-Founder and r3.0 Advocation Partner Allen White asserted the need for a GTAC, contextualizing the historical arc bending toward this moment of opportunity:

**WHY GTAC?**

- Amidst multiple, rolling ecological, social, economic crises...
  - Better is not enough
  - Defining enough requires thresholds that define
    - Maximum/minimums
    - Ceilings/floors
  - Implementing enough requires equitable allocation across responsible parties

Needed: A trusted, independent global body to enrich, aggregate and disseminate the expanding body of knowledge and norms pertaining to threshold and allocations.

**Evolution**

- 1948 UDHR
- 1972 Limits to Growth
- 1987 Brundtland Report
- 2002 GRI Sustainability Context Principle
  - The reporting organization should seek to place its performance in the larger context of ecological, social, or other limits or constraints, where such context adds significant meaning to the reported information
- 2009 Planetary Boundaries: “Safe” operating space
- 2012 Doughnut Economics: “Just” operating space
- 2016 SDGs
- 2016 TIP - The Investment Integration Project
- Multicapitalism, IRRC, SASSB, R3.0

...A moment to translate disparate efforts into unified action.
White then articulated his own vision for GTAC, raising the bar with the aspiration that “By 2025, thresholds and allocations is generally accepted practice in ‘soft law’ and ‘hard law.’”

**VISION**

By 2020, creation of a trusted, authoritative multi-stakeholder entity to research, disseminate and certify application of thresholds and allocations across all dimensions of sustainability. By 2025, thresholds and allocations is generally accepted practice in “soft law” and “hard law.”

White further proposed three institutionalizing options for GTAC:

**ALTERNATIVE GTAC STRUCTURES**

- Option 1: Augment mission of existing entity
- Option 2: Joint venture involving multiple existing initiatives
- Option 3: Stand-alone entity

Precedents: IPCC, Science Based Targets Initiative, GRI, Natural Capital Coalition, R3.0...

Key attributes: Integrity, Independence, Inclusiveness

White concluded by characterizing this as a “Moment for Action” – “widespread and mounting violations of safe and just operating spaces threaten global well-being, so we now have a shared grievance, combined with ripe timing, and finally leadership from Reporting 3.0. I often point to these three elements as necessary for transformative movements to emerge.”

Mark McElroy rounded out the session with some nuts and bolts of how to apply thresholds and allocations. He grounded his own comments in the historical context of his collaboration with Limits to Growth Co-Author Donella Meadows, as Chair of the Sustainability Institute that she founded. Near the end of her life, Dana was in the process of translating her work on thresholds into applicability at the organizational level. Unfortunately, she passed away before completing this task, passing the torch to McElroy to continue the work of articulating approaches for allocating thresholds.
McElroy then walked us through a "tutorial" of the mechanics behind applying thresholds and, more particularly, allocations.

Thresholds and Allocations

- Sustainability performance is capital-based
  - Sustainability of an organization is a function of what its impacts on vital capitals are
  - As in whether or not its impacts, if generalized to a responsible population, would put a capital resource (stocks and flows) or the well-being of humans who rely on it at risk
- Carrying Capacities of Capitals
  - Capitals have carrying capacities: The level of demand for their stocks and flows they can support, which is either given (as in natural capitals) or human-made (all other capitals)
  - The carrying capacity of a capital is its threshold

Thresholds and Allocations (cont.)

- Allocations
  - Fair, just and proportionate shares of available natural capitals, or else the shared or exclusive burden to continually produce them (the other anthropogenic ones)
  - 3 primary methods: Economic, Per-Capita, and Output-Based
- All three involve units that are measured at both the organizational (micro) and sectoral (meso) or societal (macro) levels (e.g., gross margins and GDP)
  - Their proportionate contributions can be used as proxies
- Allocations = Organization-Specific Standards of Performance – mostly self-determined (until GTAC?)
This Session led seamlessly into the final Panel, which appropriately pointed toward the future. James Quilligan, Senior Fellow with both Economic Democracy Advocates and P2P Foundation, picked up where he had left off with his presentation at the January GTAC Kick-off Meeting in Amsterdam linking supply and demand with thresholds and allocations. In his Conference presentation, he advanced his thinking by applying the three laws of thermodynamics to “resource thresholds and population allocations.”

3 Laws of Thermodynamics

- **Energy**: Energy cannot be created or destroyed
  - FREEDOM

- **Entropy**: All systems seek to be in equilibrium
  - EQUALITY

- **Syntropy**: No system can be without energy
  - COOPERATION
Quilligan noted that the first two Laws of Thermodynamics have been applied to sustainable economics (without achieving sustainability), pointing to the work of Paul Hawken (Natural Capitalism and Drawdown) on the First Law and Herman Daly (Ecological Economics) on the Second Law. The missing link, thus far, has been the Third Law, which he associated with the work of Jeanine Benyus (Biomimicry) and Mathis Wackernagel & Bill Rees (Ecological Footprint). He noted that each application seeks to optimize human values of freedom and equality for the First and Second Laws (respectively), with the key being the neglected value of cooperation embedded in the Third Law.

“The first two laws are necessary but not sustainable,” says Quilligan in the paper upon which his presentation was based. “They’re not sustainable because they have not been unified through cooperation. Cooperation is clearly a moral value, but it’s also the evolutionary outcome of the Third Law of Thermodynamics. The unleashing of mass and energy through entrepreneurship and the mitigation of entropy through material welfare will flourish only when these principles are modified through the cooperative applications of biocapacity.”

“In recent years, biocapacity has replaced the term carrying capacity where dynamic ecology and demography are primarily involved. 25 Biocapacity measures the intrinsic equilibrium of an ecosystem through the relationship between resources and population.”
Quilligan demonstrated this concept through a second paper he presented: Agricultural Sustainability in the San Francisco Bay Watershed: A Pilot Study in Bioregionalism. In it, he maps out the three laws of thermodynamics as they pertain to agriculture.

### Agricultural Sustainability

#### Energy
Energy cannot be created or destroyed

Pounds & Calories

#### Entropy
All systems seek to be in equilibrium

Sufficiency -> Well-Being

#### Syntropy
No system can be without energy

Absorption & Activation of Sunlight by Living Beings

The study found:

“Before 2050, the prodigious agricultural production of the San Francisco Bay Watershed will fail to produce sufficient quantities of agriculture for its population due to uncertain rainfall, flooded coasts and inlets, depletion of aquifers, topsoil loss, an export-led business model and a lack of cooperative dialogue among its political subdivisions.”

The final presenter, City of Palo Alto Chief Sustainability Officer and Natural Logic Chair Gil Friend presented an atomistic view of the enterprise, examining business models from an energy and material flows perspective.
Picking up the red thread running through the two days, Gil presented case examples of past applications in agricultural systems, and also in regional metabolism instances – including the San Francisco Bay Area.
**CLOSING** (Synopsis of the Conference)

*Bill and Ralph* closed out the Conference with a Review, touching on the highlights as we have done in this Summary.

After that, Host Wim Bartels of KPMG returned to the stage for final thoughts on his takeaways from the Conference. Interestingly, he reiterated what he said at the beginning:

The Conference concluded with Ralph inviting the whole Reporting 3.0 Family onstage for a round of appreciative applause – and the r3.0 Team returned the applause to all participants.
Tjeerd Krumpelman
Head of advisory, reporting & engagement at ABN A...
19h
Great to have been invited to the Reporting 3.0 conference at KPMG HQ. Inspiring presentations and discussions on multi-capital long term value, integrated thinking & reporting. Great feedback on the ABN AMRO Bank N.V. journey that we have been on for a few years now. Special credit to Ralph Thurm and Bill Baue for organising this wonderful event for the fifth time!

Michel Bauwens @mbauwens · 31m
RT @henkhadders: Deeply enjoyed the presentation by mbauwens and I loved to see a deep dialogue emerge and start here at #Reporting3 between Market and Commons......way to go !!

Rob Jacobs
21st Century Financial
34m
Thank you Ralph Thurm, Bill Baue and Cornis Van Der Lugt for organizing the 5th edition of the #reporting3 conference, hosted by Wim Bartels of KPMG. A conference with great speakers and different views on sustainability, Value Creation, New Business Models, Cooperative Advantages, Technology (Blockchain), Tresholds & Allocations, etc. My mind is still ‘digesting’ so I would use the word ‘mindblowing’! The transformation journey continues. I myself would specifically like to take part in sharing the knowledge, views, blueprints etc with students in the Accountancy and Finance&Control area (at Universities and Universities of Applied Sciences in The Netherlands). In order to get the next generation of Finance Professionals involved in the New Economy and possibly create new ‘positive mavericks’😉

Daniel Christian Wahl is with Bill Baue.
2 hrs ·
Thank you Bill Baue and Ralph Thurm for organizing the Reporting 3.0 conference in Amsterdam ... what an opportunity to share my work and vision with people from WBCSD, IUCN, GRI, Future Fit, World Bank, KPMG, IIRC, B Lab, P2P Foundation, OCAD, Ellen MacArthur Foundation, Regen Network, BSD, CDP and many other organisations that have been working on making businesses more sustainable for many year. ... so nice to meet Michel Bauwens Antony Upward Henk Hadders and Robin Lincoln Wood in person after knowing them online for some time. ... great to see Jenny Andersson and James Quilligan again and meet so many new folks who share a vision for a better world. Looking forward to exploring how I can support the amazing work of Christian Shearer and team at the Regen Network. Regeneration Rising! Trim-tabs unite!

Gratitude! (also for the pictures that I harvested from peoples tweets and posts) :-)

The slides of my keynote will be on the Reporting 3.0 site in a week or so.

Transition Consciousness
10 hrs ·
Great to see this news this week from Reporting 3.0

transitionconsciousness.wordpress.com
Reporting 3.0 Launch their Transformation Journey Blueprint
IMPRINT

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Peter Teuscher
Bill Baue
Cornis van der Lugt
Cleophea Michelsen
Nina Thurm
Alexandra Thurm
Raul Vazquez

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Jelle van Asperen
Charles Bonnaire
Christina Nakhle
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