W2B | DATA BLUEPRINT ADVOCATE | INTRODUCTION

Piloting new data approaches to integrate context and capitals gaps in materiality, carbon accounting and net positive

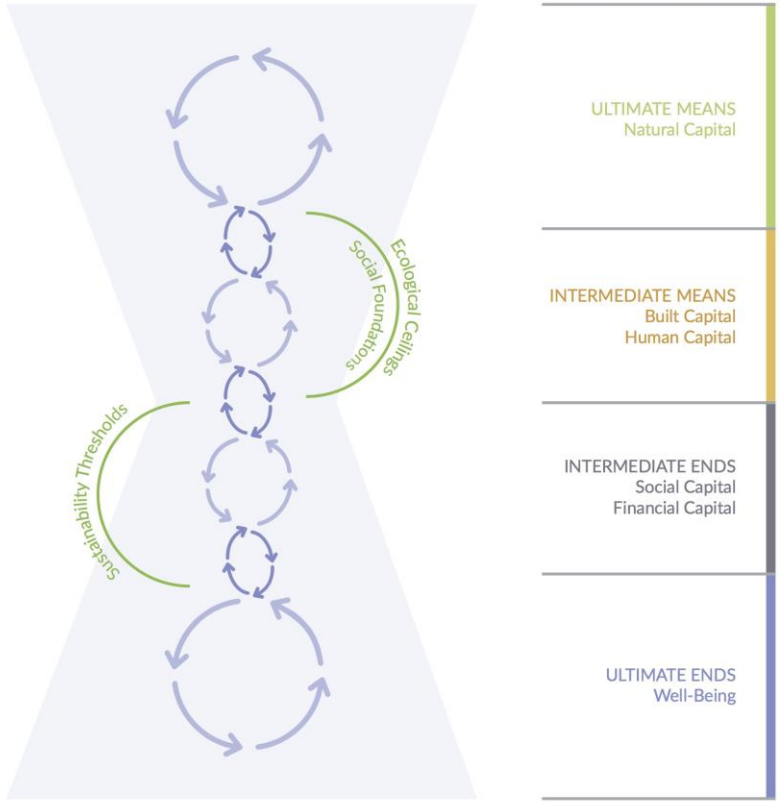
Bill Baue
(Reporting 3.0)

Chapter 5: Contextualization– "Time for Aggressive Movement"

In Meadows' vision, truly integral information systems do three things. They

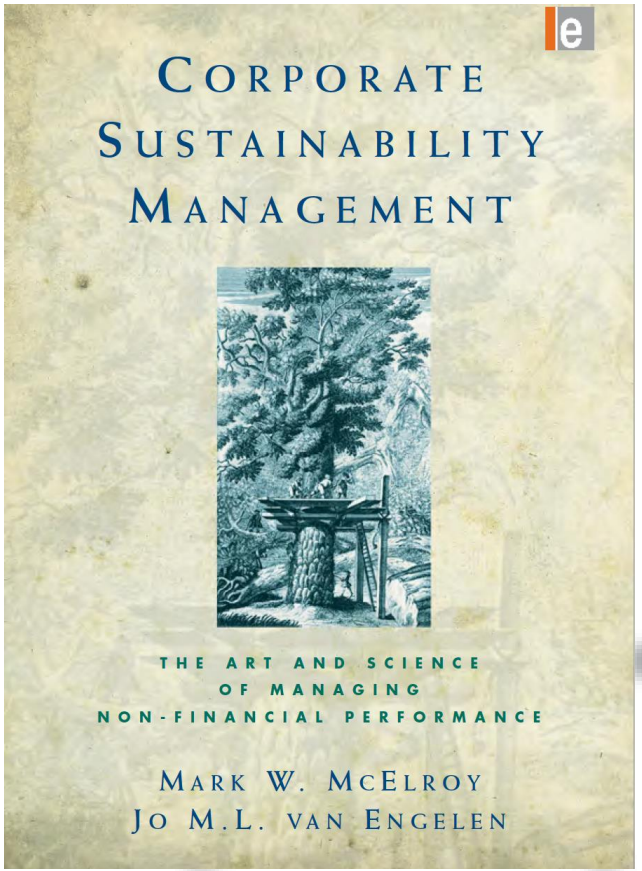
- **Integrate the multiple capitals to link Ultimate Means (natural capital) through Ultimate Ends (well-being);**
- **Contextualize company impacts on the carrying capacities of the capitals; and**
- **Activate responses when the sustainability of any capitals – and hence the potential for biota well-being and human fulfillment – is placed at significant risk.**

DALY HOURGLASS



The information system…will measure capital stocks at every level and the flows that increase, decrease and connect these stocks. [S]ustainability indicators should be related to carrying capacity or to threshold of danger or to targets.

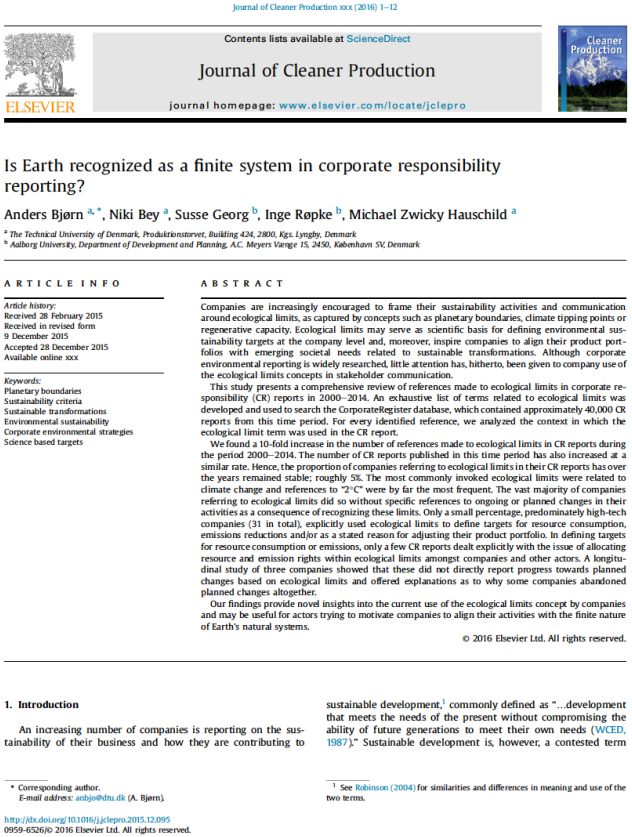
Context-Based Sustainability



- **Thresholds demarcate the carrying capacities of vital capital resources (natural, social, human, constructed, financial) and therefore divide sustainable from unsustainable performance**

- **Allocations apportion to companies fair shares of responsibility and accountability for their positive and negative impacts on common capital resources that are vital to stakeholder well-being.**

Context Gap



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

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ABSTRACT

Companies are increasingly encouraged to frame their sustainability activities and communication around ecological limits, as captured by concepts such as planetary boundaries, climate tipping points or regenerative capacity. Ecological limits may serve as scientific basis for defining environmental sustainability targets at the company level and, moreover, inspire companies to align their product portfolios with emerging societal needs related to sustainable transformations. Although corporate environmental reporting is widely researched, little attention has, hitherto, been given to company use of the ecological limits concepts in stakeholder communication.

This study presents a comprehensive review of references made to ecological limits in corporate responsibility (CR) reports in 2000–2014. An exhaustive list of terms related to ecological limits was developed and used to search the CorporateRegister database, which contained approximately 40,000 CR reports from this time period. For every identified reference, we analyzed the context in which the ecological limit term was used in the CR report.

We found a 10-fold increase in the number of references made to ecological limits in CR reports during the period 2000–2014. The number of CR reports published in this time period has also increased at a similar rate. Hence, the proportion of companies referring to ecological limits in their CR reports has over the years remained stable; roughly 5%. The most commonly invoked ecological limits were related to climate change and references to "2 °C" were by far the most frequent. The vast majority of companies referring to ecological limits did so without specific references to ongoing or planned changes in their activities as a consequence of recognizing these limits. Only a small percentage, predominately high-tech companies (31 in total), explicitly used ecological limits to define targets for resource consumption, emissions reductions and/or as a stated reason for adjusting their product portfolio. In defining targets for resource consumption or emissions, only a few CR reports dealt explicitly with the issue of allocating resource and emission rights within ecological limits amongst companies and other actors. A longitudinal study of three companies showed that these did not directly report progress towards planned changes based on ecological limits and offered explanations as to why some companies abandoned planned changes altogether.

Our findings provide novel insights into the current use of the ecological limits concept by companies and may be useful for actors trying to motivate companies to align their activities with the finite nature of Earth's natural systems.

1. Introduction

An increasing number of companies is reporting on the sustainability of their business and how they are contributing to sustainable development,[1] commonly defined as "…development that meets the needs of the present without compromising the ability of future generations to meet their own needs (WCED, 1987)." Sustainable development is, however, a contested term

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[1] See Robinson (2004) for similarities and differences in meaning and use of the two terms.

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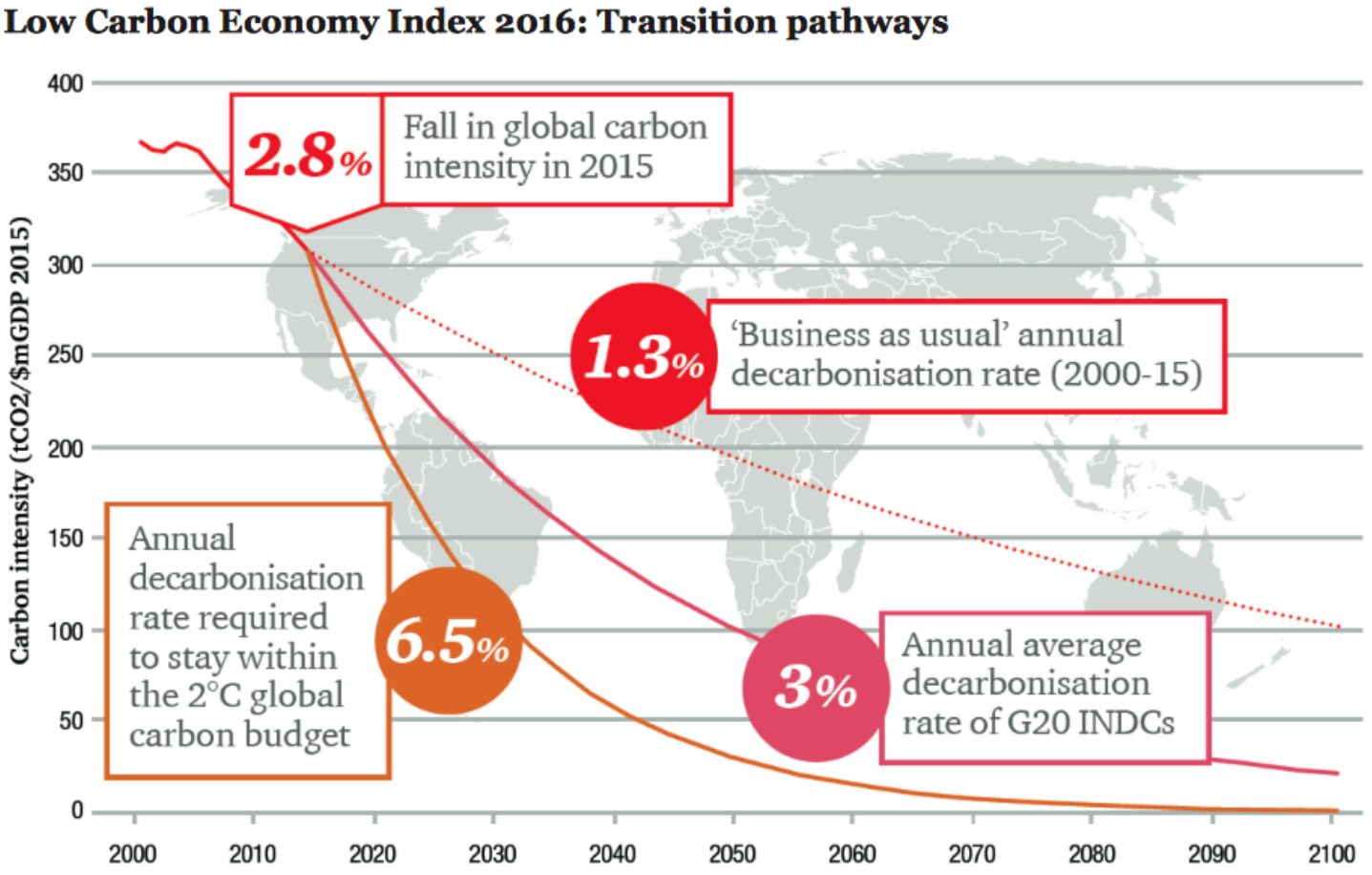
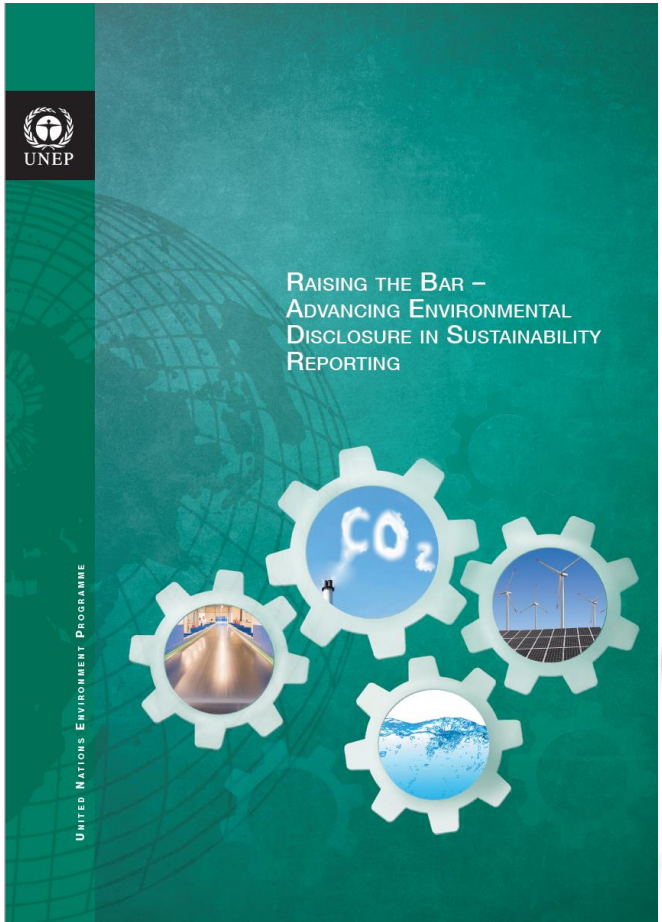
A January 2016 study by Danish academics examined 40,000 corporate responsibility (CR) reports from 9,000 companies issued between 2000 – 2014, and found only 5% referred to ecological limits, with a mere 31 companies (0.3%) explicitly using ecological limits to define targets for resource consumption, emissions reductions and/or as a stated reason for adjusting their product portfolio

Closing the Context Gap



Closing the Context Gap

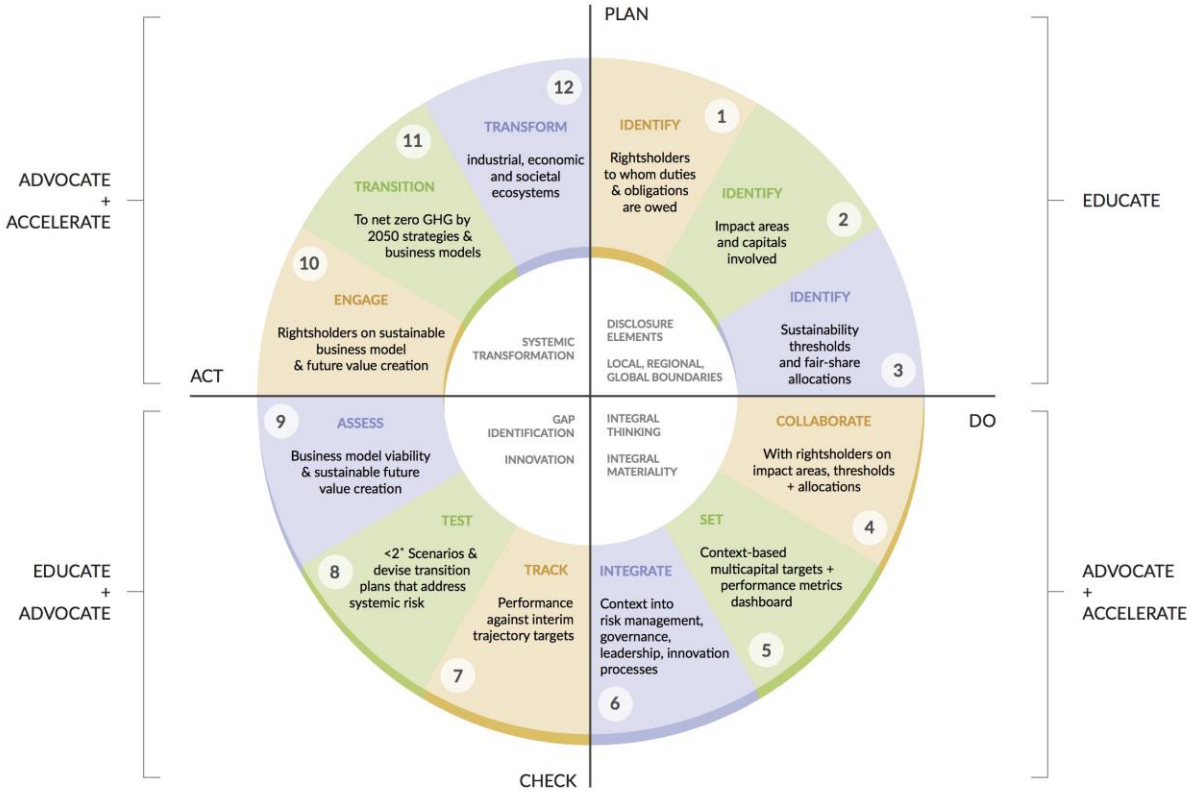


A November 2015 report by the United Nations Environment Programme (UNEP) made the following Recommendation:

All companies should apply a context-based approach to sustainability reporting, allocating their fair share impacts on common capital resources within the thresholds of their carrying capacities.

Context-Based Materiality

REPORTING 3.0 INTEGRAL MATERIALITY PROCESS
EMBEDDED P-D-C-A



Session context and focus questions:

- How do we engage and empower stakeholder groups to advocate for sustainability?
- How does risk play a role in advocation? (risk tolerance v. avoidance v. management)
- What are the metrics and context for data, such as carbon and water measures?
- Acknowledging current gaps and challenges in current data systems,

Recommendations in Chapter 5

3 Maturities:

- Educate
- Advocate
- Accelerate

4 Constituencies:

- Reporting Standard Setters
- Corporations
- Governments & Multilaterals
- Investors

Stage	Recommendation
Educate	1 – Gain understanding of sustainability thresholds that demarcate the carrying capacities of vital capital resources and allocations that apportion to companies fair shares of responsibility and accountability for their positive and negative impacts on common capital resources that are vital to stakeholder well-being
	2 – Deepen understanding of value of multicapital, context-based data in protecting and preserving the stocks and flows of capital resources in the commons.
	3 – Following Context-Based Sustainability, identify "rightsholders" to whom companies owe a (moral/ethical) duty and/or (legal) obligation to manage impacts on vital capitals that (materially) affect stakeholder well-being
	...
Advocate	1 - All companies should apply a context-based approach to reporting, allocating their fair share impacts on common capital resources within the thresholds of their carrying capacities (UNEP Raising the Bar)
	2 - There needs to be more guidance and practical examples of how organizations can report against the GRI's Sustainability Context principle [Article 13 *Planetary Boundaries and Social Thresholds*]
	3 - Reporting standards / guidance bodies such as GRI, IIRC, SASB, CDP, etc. should integrate Sustainability Context more explicitly into their frameworks, for example by applying the concept of carrying capacities to multiple capitals-based frameworks [UNEP *Raising the Bar*]
	4 - Public and Private Sector actors should collaborate on context-based multicapital data
	5 - Significant investments in data collection and disclosure are needed.
	6 - Shift from concepts of shareholder value and shared value to system value
	7 - Adopt Science-Based GHG Targets
	8 - Adopt Context-Based Water Stewardship Targets
	9 – Redefine handprints from a "weak sustainability" to a "strong sustainability" definition, with the baseline of net positive pinned to the carrying capacities of capitals instead of the full capital stock
	10 – Contextualize net positive methodologies and approaches, assessing carrying capacities of capitals before netting positive / negative performance in a capital / area of impact
	11 – Sponsor research on applying context on other areas of impact
Accelerate	1 – Examine the approaches, strategies, and cultures that help explain why the Science Based Targets initiative have spurred such growth in implementation, compared to the GRI Sustainability Context Principle
	2 – Accelerate the profusion of context-driven stakeholders
	3 – Mature from science-based targets to context-based goals
	4 – Deepen from context-based targets / goals to context-based strategies
	5 – Design information systems that integrate data from different areas of impact to enable tracking of how interventions in different areas of impact synergies and cross-pollinate, allowing for detection of both desirable and undesirable feedback loops