

# BEST PRACTICE VS NECESSARY PRACTICE

## *Transforming business and regulation*

Looking at the state of the world from a planetary boundary perspective, there is no doubt that we are on the wrong track. The system we have built is destructive – it enables the few to thrive at the cost of the many. Read on for my perspective on what is needed from corporates and regulators to protect and enable a present and a future in which we can all thrive while creating business opportunities and reinforcing positive impact.

By Cora Olsen

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### The tragedy of the commons and short-term thinking

Infinite growth cannot happen in a finite system. There is only one Earth. We have failed to understand and integrate planetary boundaries and the negative impact on people and the planet into regulation and business practice. Externalities have never been adequately internalized due to poor regulation and short-term thinking from regulators, corporates and investors. Tunnel vision focusing on short-term profit as the primary proxy for success with a total disregard for the external cost is now costing us all. Short-termism is also prevalent among politicians. They are often too focused on the next election period, failing to proactively handle longer-term issues and passing on the problem to the ones next in line out of fear of losing votes.

This failure to build a sustainable system has led us to a point in time where a transformational turn-around is critical – too much damage has been done and inequality has never been more prevalent. We are at breaking point – we are in the age of human-caused extinction. But there is also hope.

### From best practice to necessary practice

It is time for us to end unsustainable short-termism – from politicians to businesses and investors. It is time to roll out ambitious regulation and business practice that protect and restore the most valuable asset we all share – planet Earth.

What needs to be done? We must understand the practices needed from businesses and regulators. First off, the negative impact on people and planet must be mitigated. Sustainability is about the ability to sustain – understanding the break-even point, the line in the sand where no negative impact is made on people or the planet.

Politicians, regulators and business leaders claim to be focused on sustainability, with few actually understanding when performance is truly sustainable and not just “less bad”. The traditional ESG metrics of CO<sub>2</sub> emissions, energy consumption, etc. are often used as proxies for sustainability progress, but often performance is merely incrementally improved and then celebrated as sustainability. This is not sustainable – it is just “less bad” performances, as the negative impact is still there. This illusion and malpractice is further maintained through ESG indices, investment practices and regulation.



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### Creating new opportunities

Due to the extensive damage that has been done to nature, just doing no harm is not enough. Restorative and regenerative efforts must form a fundamental part of regulation and business practices going forward. Starting today. This is where massive opportunities lie.

Organizations that already understand the necessary practices and have begun to align their business models with this way of operating will have a competitive advantage – they are ahead of the curve. There is no room for “business as usual” anymore.

Science must also be taken into account when developing new regulations that enable business transformation and the establishment of restorative and regenerative practices. It is clear that market forces will not drive the needed business change in the near future. Too many old-school thinkers influence the market, hence regulation is needed to ensure that current practices are forced to change, and to reward companies willing to be part of the transformation.

With the EU regulation coming into force and the requirements regarding double materiality (risk to and from business), the focus on the negative impact of business will only increase. Accountability will be required, and action will be demanded.

A note on double materiality as it currently stands: it is deeply flawed, as it does not take into account our planet’s limitations, making it impossible to assess when performance actually does no harm. BUT including business impact in regulation is a significant break-through, and one I expect will spread outside of Europe.

### Walking the talk – becoming Future-Fit

A massive challenge is understanding what sustainable and restorative/regenerative performance actually looks like. Better Energy is committed to becoming truly sustainable and regenerative, but at what point is this achieved? Developing and operating solar parks comes with many challenges, but also opportunities for restoring nature on site.

To understand how we stack up, we are in the process of applying the Future-Fit Business Benchmark – a management tool that provides clear, actionable guidance on when performance no longer has any negative impact, i.e. is sustainable. The tool also provides principles for understanding positive/regenerative impact. We do not have solutions to all of our challenges yet, but we fully acknowledge that becoming Future-Fit is a must and see much potential and business opportunity here. We can already see how this commitment and structured approach is giving us a competitive advantage. We hope others will join us and that together we can achieve the transformation that is so desperately needed.

### Rounding off

I know that what I am suggesting is not easy due to technological short-comings, outdated infrastructure, lack of systems-thinking from business leaders and politicians, short-termism, corruption, incompetence to name a few and that there is serious ‘heavy lifting’ required through investments, R&D, etc, but we have to start the transformation – we cannot let uncertainty stop us. Regenerative practices must become “business as usual”.



**CORA OLSEN** is Director of Sustainability & Regeneration at Better Energy. Cora has 20+ years of experience working with sustainability and business integration. Before joining Better Energy, she worked 10+ years at Novo Nordisk and spend 5 years at EY prior to that – always working with sustainability, and challenging the norm to improve behavior. She is a member of the Advisory Board at the Center for Corporate Reporting (CCR) and of the ISSB technical reference group.