

THE GLOBAL INITIATIVE FOR SUSTAINABILITY RATINGS

Mission. The mission of the Global Initiative for Sustainability Ratings (GISR) is to continually expand the contribution of businesses and other organizations—including social enterprises, non-profits, and public agencies—worldwide to sustainable development through the creation and promulgation of a generally accepted, organization-level sustainability ratings framework.

Product. GISR's goal is to create a sustainability ratings framework through a transparent, multi-stakeholder process that uses a Web 2.0 platform which complements existing ratings tools. Investment decisions, consumer choice, civil society advocacy, government procurement and business best practices, among other applications, will be served by GISR. A credible, consensus based framework will reduce both confusion and greenwashing in the market by identifying those organizations that are true sustainability pioneers and that merit the support of various stakeholders in terms of capital access, purchasing, procurement and emulation as best practice leaders.

Background. In 2007, the Strategic Corporate Initiative, a foundation-supported NGO project, identified the development of an independent, high integrity sustainability ratings system as critical to redirecting capital to socially and environmentally responsible businesses. After presentation of this research at the 2007 Corporation 20/20 Summit (www.summit2020.org), a working group was formed to develop a “gold standard” ratings tool for universal adoption. Some 40 members comprised the Ratings Working Group (RWG) including companies, NGOs, financial institutions, government, consultancies, and academics. RWG's work since its creation has been informed by the Corporation 20/20 Principles of Corporate Redesign (www.corporation2020.org). In late 2008, the RWG transitioned into the GISR.

State-of-Play. With a multitude of tools and methods to measure the sustainability performance of organizations or aspects thereof, investors, consumers, NGOs and others face a chaotic landscape of inconsistent performance assessments. A single company may complete a dozen or more surveys annually, leading to a range of different sustainability ratings from outstanding to lagging. With competing schemes, some organizations “cherry pick” those results that are most favorable and ignore those that are most critical. The aggregate effect of these shortcomings is to slow the movement toward sustainable practices to the detriment of both society and the environment.

Process. GISR will convene a broad stakeholder alliance to create a credible, comprehensive, and globally accepted sustainability ratings framework. A survey of over 20 leading ratings initiatives revealed that, while all have strengths, none have attained the level of a publicly available, fully transparent “gold standard” to which GISR aspires. The GISR process will overcome current shortcomings among available ratings by:

- Forging a multi-stakeholder process that will involve all constituencies with an interest in a generally accepted sustainability ratings framework
- Achieving recognition and legitimacy internationally through stewardship by an independent, respected, non-profit host institution
- Serving all stakeholders including, but not limited to, the financial community. The framework will incorporate a core ratings element designed to allow customization and adaptation for specific user needs and sectors
- Creating a core product that will be a public good, accessible to all users at nominal or no cost
- Ensuring maximum integrity by focusing on a ratings framework and the process for its use in rating companies, while leaving certification, verification, advisory services and other ancillary activities to other groups
- Collaborating with existing ratings initiatives to encourage and support ventures, both for-profit and not-for-profit, to accelerate uptake of sustainability ratings among all user groups

Governance. Governance of GISR will be multi-tiered. At the first level is a Steering Committee (SC) with approximately 12-15 members. The SC, with diverse representation across stakeholder groups, will oversee development of the first generation rating framework and the process for applying it during the design and testing phase of the initiative. An Executive Committee (ExCom) will facilitate operational, non-strategic decisions and lead the recruitment of a GISR Executive Director.

The second level of governance is a council of individuals, representative of the breadth of stakeholders integral to the success of the initiative. These will be drawn in part from the 40 participants of the original RWG augmented by other Corporation 20/20 participants and other sources. The council's core mission is to serve as the voice of various stakeholder groups, in particular via the provision of feedback and guidance on plans and work in progress.

At the third level, GISR is best situated in an independent, non-profit entity with its own independent governing body. This is particularly true for a system whose public interest mission is tied to its credibility across a broad array of stakeholders. This organizational structure will evolve in a way that ensures the highest standards of independence and integrity of the parent.

Activities. Throughout the design and development phase, illustrative activities will include: research of existing rating systems; formation of working groups for specific components of the ratings system; assessment and selection of an IT platform to enable an open source environment; creation of alliances with key ratings groups and thought leaders; communications and outreach to intended user groups; and development of a long term business model to ensure financial security for the initiative.

Time Frame. The development process is expected to last up to three years. In that time frame, approximately a dozen milestones will be identified to track progress. Within three months of securing adequate funding, the GISR executive committee will hire an executive director. Within six months, a full steering committee with sub-working groups will be secured and begin to meet regularly. Within one year, an initial version of the ratings framework will be available for a beta test with approximately a dozen organizations that are committed to this process. Following the launch of the GISR, success will be defined as the full, independently audited rating of a few organizations spanning up to 10 business sectors.

The current global economic crisis calls for new forms of global governance to direct all forms of capital—financial, human, social, and natural—to organizations earnestly committed to sustainable development. We believe now is the moment in time when all stakeholders are receptive to the creation of a generally accepted sustainability ratings framework that meets the high standards of integrity, independence and transparency. This will be an indispensable contribution to elevating the efforts of organizations to meet the great sustainability challenges that lie ahead.

The Executive Committee of GISR welcomes inquiries regarding participation and financial support for GISR. Members include: Michael Marx (Corporate Ethics International – mmarx@corpethics.org), Bonnie Nixon (Hewlett-Packard – bonnie.nixon@hp.com) and Allen White (awhite@tellus.org)

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New Principles for Corporate Design

1. The purpose of the corporation is to harness private interests to serve the public interest.
2. Corporations shall accrue fair returns for shareholders, but not at the expense of the legitimate interests of other stakeholders.
3. Corporations shall operate sustainably, meeting the needs of the present generation without compromising the ability of future generations to meet their needs.
4. Corporations shall distribute their wealth equitably among those who contribute to its creation.
5. Corporations shall be governed in a manner that is participatory, transparent, ethical, and accountable.
6. Corporations shall not infringe on the right of natural persons to govern themselves, nor infringe on other universal human rights.