

# Gold-standard Benchmark for Sustainable Business

September 11 Workshop Summary

October 9, 2013





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## What Happened?

On September 11th in Toronto, an inspiring group of individuals representing a who's who of organizations working to help business achieve breakthrough sustainability performance came together to create a powerful experience.

They were invited to explore an issue of importance to all of us there, but that we knew could not be solved by any of us alone. It would require collaboration. Here is the issue in a nutshell:

- Business' environmental, social and governance (ESG) performance are of growing interest to investors and other decision-makers because it is becoming increasingly clear how material ESG performance is to financial performance.
- There are ratings and ranking agencies that evaluate and share ESG performance that investors and decision-makers pay attention to.
- The criteria used by raters and rankers are often not transparent and not based on scientific understanding of what is required for a sustainable society.
- This leads to confusion and frustration by the businesses being evaluated, the investors and decision makers trying to evaluate performance, and in fact everyone on the planet who has a stake in business' ESG performance.



**Imagine if...**we were able to co-create with the scientific and business communities a set of transparent ESG criteria, indicators and benchmarks that defined a truly sustainable business; one that creates positive social, ecological and financial value. Furthermore, imagine if these criteria were used by raters and rankers to evaluate and share ESG performance so that investors could have a clear idea about who the best performing businesses were, and therefore, were better informed about where to place their capital. What could that mean? We think it could mean a lot.

This was the context for the [“Towards a Gold-standard Benchmark for Sustainable Business”](#) workshop on September 11th. The workshop included representatives of the [MaRS Centre for](#)

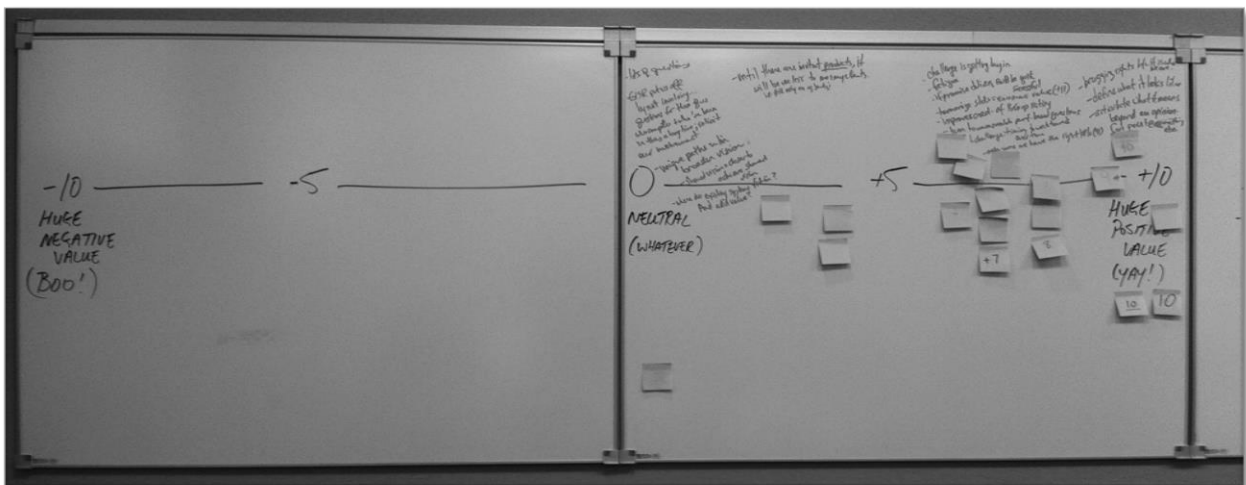


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[Impact Investing](#), [Corporate Knights](#), [SustainAbility](#), [Sustainalytics](#), [B Lab](#), the [UN Global Compact](#), [CBSR](#), [The Natural Step Canada](#), [GlobeScan](#), [KPMG](#), [The Sustainability Advantage](#), [Edward James Consulting](#), [Stratos](#), [Comparison International](#), [PwC](#), [Strategic Sustainable Investments](#), [Genuine Wealth](#), [Wilfred Laurier University](#), [The University of Guelph](#), and [Green Living Enterprises](#).

Here is what happened at the workshop:

- **Why?** - The first stage was to check in with ourselves regarding the importance of the issue to society at large, to each of us as individuals, and also for the organizations we represented. We were essentially trying to get at the heart of the “why” for collaboration.
- **What?** - The second was to discuss “what” a Gold-standard Benchmark for Sustainable Business could look like (i.e. how would we know a truly sustainable business if we saw one?). For this, a set of working notes were sent to the participants in advance that provided an early draft of what this could look like. As a group we discussed what was good (a lot!) and what could be improved (a lot!).
- **How?** - This set the backdrop for the third stage, which was to explore “how” we could work together and who else needed to be engaged. Essentially, where would we go from here?



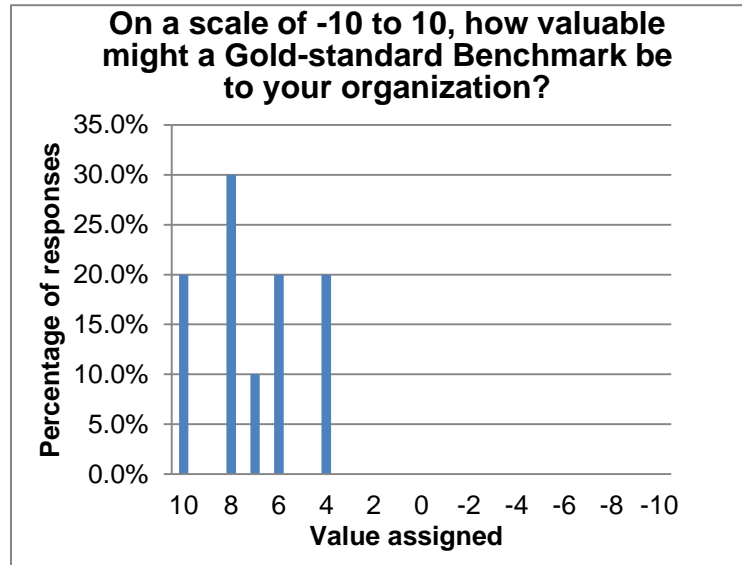


# The Top 7 Things we Learned

## #1: The Gold-standard Benchmark for Sustainable Business offers a lot of potential to enable breakthrough sustainability performance.

We overwhelmingly agreed that a Gold-standard Benchmark for Sustainable Business (GSB) would be of real value to our organizations and enabling breakthrough sustainability performance. Reasons for this include the potential of the GSB to enhance the conversation around business sustainability

ratings, set a higher bar for such ratings, and provide real clarity around the finish-line, i.e.; what a truly sustainable business would look like. If early adopters of the GSB can demonstrate a competitive advantage, then this could greatly build momentum towards a change in business culture and enable profound collective impact



## #2: A clear link to science-based boundaries is key to ensuring that the Gold-standard Benchmark for Sustainable Business is perceived as robust and correct.

We also acknowledge the importance of basing the GSB on science-based boundaries, so that the benchmarks represent a truly sustainable business. This speaks to the need to engage with the scientific community to refine the GSB and the importance of the GSB to be perceived as not owned by any single organization.

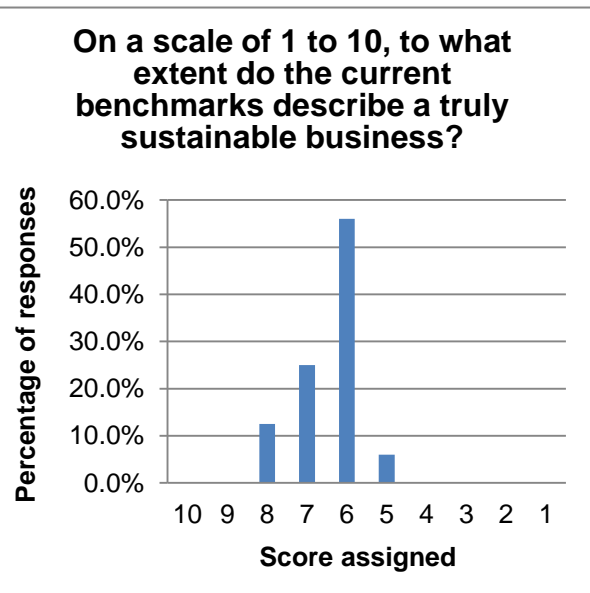
## #3: The Gold-standard Benchmark for Sustainable Business can't be positioned as "another" standard and add to the clutter.

There are a lot of sustainability ratings; 108 according to the Global Initiative for Sustainability Rating. It was clear that the GSB should not be positioned as the 109<sup>th</sup>. Rather, it should be an open-source set of science-based benchmark goals and indicators that can be used by any rating agency to refine and enhance existing models. This also has the potential to harmonize existing sustainability ratings by providing a common definition of what it means to be a truly sustainable business.



#### #4: The current benchmarks are an excellent start, but there is lots of work to be done.

We agreed that the draft version of the benchmarks and indicators circulated in advance of the meeting were a great start. It was equally clear that while much good work had been done, much more would be necessary to arrive at a version of the benchmarks and indicators that would be necessary and sufficient to describe a truly sustainable business. A summary of the key insights and questions on the KPIs are found in *Appendix A: 7 Key Questions for the Gold-standard Benchmark for Sustainable Business*.



#### #5: Now is the time to proactively and strategically expand the circle of stakeholders

A point of universal agreement was that as soon as possible, input, buy-in, and collaboration would need to be sought from a wider circle than has been engaged so far. We will need to better define a core set of stakeholders with whom momentum must be maintained (e.g. investors, standards organizations, raters and rankers), and at the same time expand the overall stakeholders involved including those that may represent barriers to the project. In short, a more well thought-out engagement plan is necessary.

#### #6: How we communicate and frame the Gold-standard Benchmark to reach the intended audiences needs to be thought through

To engage key groups effectively, we will need to be very clear and concrete when we make our “asks” of what it is we want them to do. For example, a number of key questions arose from raters that would need to be carefully considered: how well would a GSB align with the business offerings and revenue generation prospects of those whose buy-in will be critical? How could various products be developed around, or in coordination with the GSB?

Related, and perhaps even more fundamental, is the how the GSB initiative is framed to reach its key audiences (e.g. investors and rating agencies). A popular suggestion is that it may be necessary to frame the GSB as a business initiative (the goal is better investments) rather than a sustainability initiative (the goal is sustainability).



## #7: It is necessary, it is time, and it is doable...if we work together

We found that the excellent discussion and dialogue had instilled a feeling of great purpose. The reservations that many of us arrived with had not disappeared, but at the same time, a desire to accomplish this huge task had taken hold in the room. We demonstrated a genuine desire to be involved in the initiative, even if we were not fully clear about how. Overall, a remarkable alignment revealed itself, both in terms of how important the project is, the desire to contribute to its development, and how possible it was if we could work together.

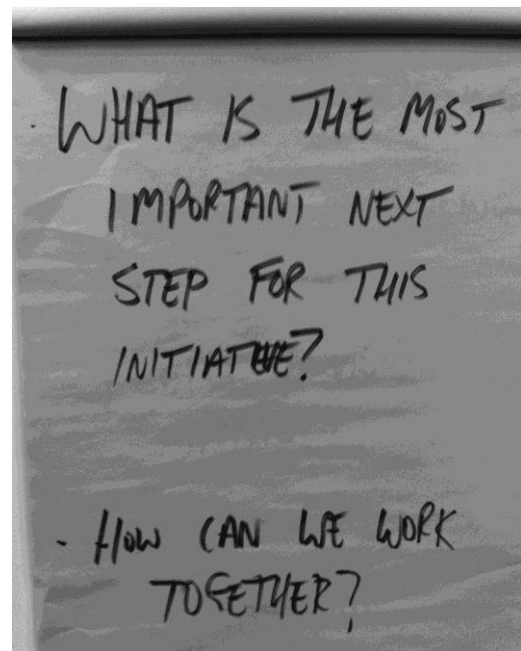
As the GSB project moves from the exploratory phase (i.e. “Is this a good idea?”) and into a planning and engagement phase (i.e. “Yes it is, so now what?”) we agreed strongly on the need for a detailed project plan that outlines key milestones and the sequence of events moving forward to clarify how we can work together.

## What Next?

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Based on the lessons from the workshop, we are moving ahead on three main areas of activity with the aim of a “launch” in mid-2014.

- The first area focuses on **refining the Gold-standard benchmarks and indicators** through a public consultation process. The intention is to open the latest version of the working draft to public comment in the fall, revise, and then again in early 2014, with the aim of reaching a “beta-version” mid-2014.
- The second area focuses on **clarifying the governance model** for the GSB initiative. Currently, The Natural Step Canada is positioned as the convening body. Based on comments from the workshop, it is important that the GSB not be perceived as owned by any one organization. As such, the question we are asking is “what governance model best serves the issue and purpose of the Gold-standard Benchmark for Sustainable Business?” For example, is it necessary to set up an independent organization to further develop it in an open-source manner? This may also form part of the narrative for the launch in mid-2014. The Natural Step Canada will continue to play a stewardship role for now.
- The third area focuses on **engagement and communications planning**. The need for more robust and proactive engagement was clear during the workshop. In the near term





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this will consist of exploring the best way to brand the GSB initiative to reach the intended audience, proactively reaching out to all of you to follow-up on ideas for collaboration, and create a plan to widen the circle of stakeholders and prepare for the eventual launch in mid- 2014.

The items above will form the basis for a detailed project plan and fundraising case for support, which will also be key activities in the near term.

### Call to Action - Advisory Council

We are exploring the possibility of setting up an advisory council to help us further develop the Gold-standard Benchmark for Sustainable Business. The role of council members would likely encompass the following:

- Review and provide written comments on the working drafts of the Gold-standard for Sustainable Business, when requested.
- Help to promote the Gold-standard Benchmark for Sustainable Business initiative (e.g. mentioning future events in newsletters, Twitter feeds, and so forth) when requested.
- Meet with the Gold-standard Benchmark for Sustainable Business team to discuss how it might open up opportunities with your organization.
- Attend future events related to the development and launch of the initiative.

If you believe your organization would be interested in exploring such a commitment further, please email [pleung@naturalstep.ca](mailto:pleung@naturalstep.ca).







# Appendix A: 7 Key Questions for the Gold-standard Benchmark for Sustainable Business

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## #1: What is the right level of detail?

While some participants were impressed with the comprehensive, systematic and multi-dimensional character of the draft key performance indicators (KPIs) and their associated goals, others felt that they were lacking a level of detail they would need in order to be effective as a tool. Still others questioned whether the current level of detail was necessary or even appropriate. Were there too many KPIs or not enough? Some requested clarification of how the draft KPIs had been arrived at.

## #2: How absolute should it be?

There were also mixed feelings about the absoluteness of the KPIs emerging from its science-based roots in the [System Conditions of a Sustainable Society](#). Some felt that this was a strength of the model, while others questioned whether it would negatively impact buy-in or leave room for raters to adequately recognize/evaluate shades of grey.

## #3: How to capture the importance of leadership?

Some wondered whether a sustainable business must bring positive value to society, and if so, were the KPIs capable of capturing that? Could the KPIs capture a business' leadership that mobilizes others and catalyzes changes in behaviour? Were they not missing the potential advocacy role of business, and do they not share a responsibility for helping to positively shape public policy? There seemed to be little in the draft model that specifically rewarded leadership and vision, innovation and R & D, or management and employee incentives.

## #4: How to capture both the local and global nature of sustainability?

While some appreciated the emphasis that certain KPIs put on the local economy, others felt that it was not enough. Still others thought that the model was too geographically constrained to be realistic for certain kinds of businesses. Certainly the balance between local and global issues is important to the definition of sustainable business, and more thought and research will be necessary.

## #5: How to capture the whole company and entire value chain?

There was a perception among some participants that the KPIs were not comprehensive enough to capture the whole company, and would miss external impacts made through a business' value



chain, during consumption and use. Could they be made to encompass a full-cost accounting perspective?

#### **#6: How can we better define key terms?**

Clearly, the KPIs will present serious measurement challenges. It was pointed out that certain terms, such as 'stakeholder', 'procurement', and 'community benefit' were inadequately defined. There were questions about how the KPIs would interact with each other, as well as how and whether or not they should be weighted. The issue of proxies was raised, and it became clear that more thought would need to be put into what these would look like and how they would be measured. Will the GSB be limited in its usefulness if a measurement methodology both for raters and business, is not explicitly defined? Would measurement require a level of disclosure on the part of businesses that may not only be unrealistic, but also detrimental to their competitiveness?

#### **#7: How can we better refine the social KPIs?**

It was widely agreed that the areas in need of the most work were the KPIs that dealt with the social side of sustainability, and the issue of governance. For example, is there a need for qualitative indicators? Is there need for an ethical framework to support the system conditions? How could we find ways to creatively measure these difficult social dimensions?

Finding ways to incorporate such diverse advice into the GSB model will be a challenge to say the least, but that is what collaboration is all about. We've gotten this far with our current way of thinking, but this is a stepping stone in our effort to transcend old models.