GLOBAL INITIATIVE
FOR SUSTAINABILITY RATINGS (GISR)
STANDARD AND ACCREDITATION PROCESS

Component 1: Principles

Beta Version for Public Consultation

May 2013

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Background

The year 2012 marked the 20th anniversary of the seminal 1992 Conference on Environment and Development (UNCED). Many of the Earth's vital signs – environmental, social, and economic – are perilously fragile. Ecosystems destruction continues with minimal abatement. Climate volatility is intensifying. Human and labor rights are under assault in many parts of the world. Although value shifts and technological advances promise to temper these ominous trends, the political will to undertake systemic changes is in short supply. The future prosperity of companies, investors, and society at large hinges upon aggressive efforts to address these threats to the long-term well-being of people and the planet.

The opportunity and urgency for business to elevate and accelerate its contribution to the global sustainability agenda has never been greater. Companies that move toward embedding sustainability into core business practices will, in the long term, emerge as innovation leaders poised to prosper in the inevitable turbulent decades that lie ahead. To realize this advantage, a fundamental rethinking of the definition and measurement of corporate value is required, along with the creation of instruments, standards, and incentives that induce movement beyond incremental change that encourages a "race to the top" among companies worldwide. Sustainability ratings are one such force for driving transformational change.

At present, approximately 100 sustainability raters administer questionnaires to thousands of companies worldwide, comprising a mix of investor and consumer-facing instruments ranging from issue-specific (e.g., climate change) to multi-issue (integrated environmental, social, and corporate governance factors) ratings, rankings, and indices. A single large company may receive two dozen or more surveys annually, all of which seek information – often duplicative – tailored to meet the data needs of various ratings. Companies question whether the requested data is material to their business and express skepticism that the outcomes will actually drive performance improvement. A company may be scored a sustainability leader by some ratings and a laggard by others, creating difficulties for users to understand the causes of such variability.

Survey fatigue also is a concern among companies. It commonly leads to selective responses to those deemed most trusted or impactful among stakeholders. For a company, a selective response is rational but risky since a non-response to portions of the survey may adversely affect a company's rating. In general, companies seek ways to streamline data collection to reduce resources required to respond to the many surveys they receive.

From an investor perspective, sustainability ratings offer a valuable instrument for assessing a company's capacity to anticipate and manage risks that may undermine its long-term competitiveness, reputation, and/or its license to operate. Such ratings also provide valuable insights into the quality of a company's strategy in terms of identifying and creating new markets for goods and services as well as its capacity to innovate. For these reasons, investors typically utilize multiple sources for ESG information and ratings to meet their specific needs. Missing from this investor-rating relationship is a trusted, external, non-commercial party that provides guidance on what constitutes excellence in ratings. Such an entity would help inform investor decisions regarding use of various ratings products as well as expand the global market for high-quality ratings. Overall, uptake of sustainability ratings among mainstream investors has been uneven and has yet to achieve its full potential.

The above conditions – survey fatigue, varying degrees of transparency, and the absence of a standard for ratings excellence – has resulted in sluggish uptake among investors, curbing ratings' uptake and utility. Addressing these conditions in a collaborative fashion has the potential to dramatically expand the market for high-quality sustainability ratings, unlocking their full potential as a market mover while delivering sizeable benefits to all players.

From the raters' perspective, users are best served with transparent and customizable ratings to meet specific purposes. Raters also face economic incentives and pressures from their investor clients to expand company coverage. But such expansion may come at the expense of deeper analysis in terms of issues and indicators. This dilemma often impedes raters' ability to improve and enhance issues and coverage.

Different types of investors bring different needs to the ratings community. Long-term institutional investors, private equity funds, and social investors may have different time horizons, appetite for risk, and tolerance for volatility. Responding to these differences is both an opportunity and a challenge for raters; the opportunity to innovate and expand markets with new products concurrent with the challenge to do so profitably in the face of investor underinvestment in sustainability-related products.

Understanding and reconciling company, investor, and rater perspectives – all valid and compelling in isolation – is prerequisite to realizing a future in which ratings achieve their full potential to drive markets toward sustainable outcomes. Where interests diverge, compromise and harmonization will be necessary such that all parties view solutions as reasonably aligned with their respective needs and objectives at the same time the market for rigorous ratings benefits all actors.

Vision and Mission

Launched in June 2011 as a joint project of Ceres and Tellus Institute, the Global Initiative for Sustainability Ratings (GISR) is a new participant in the family of initiatives aimed at making capital and other markets agents of, rather than impediments to, achieving the Post Rio+20 global sustainability agenda. As a global, multi-stakeholder initiative, its vision is to transform the definition of corporate value in the 21st century such that markets reward the preservation and enhancement of all forms of capital – human, intellectual, natural, social, and financial.[1] Its mission is to build and steward a generally accepted, world-class corporate sustainability ratings, ranking, and index standard and associated accreditation process. By so doing, GISR will elevate the rigor, transparency, and utility of corporate sustainability (i.e., Environmental, Social, and Governance – ESG) ratings, thereby realizing their full potential to drive markets toward recognizing and rewarding true excellence in sustainability performance.

Underlying GISR's vision and mission is the core premise that a globalizing and resource constrained world will be well served by convergence around a generally-accepted definition of what constitutes corporate sustainability excellence. Just as such norms have evolved in the fields of human rights, labor practices, and sustainable forestry, so too should a common understanding of the core elements that define excellence in sustainability performance. GISR believes that achieving this goal through an inclusive, adaptable process will serve as a powerful driver in moving companies and markets alike toward continually higher levels of contribution to long-term, global social and ecological well-being.

Landscape

Complementary to the disclosure focus of the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC), GISR is one player in the evolving suite of initiatives that collectively define the emerging sustainability information value chain (Figure 1). These functions fall into three, linked clusters:

1. Information **sources** – e.g., companies, assurers, aggregators;
2. Information **intermediaries** – e.g., researchers and raters; and
3. Information **users** – e.g., investors, indexers, regulators.

In some instances, such as researchers and raters, sources and users, organizations serve multiple functions. As information flows from sources to intermediaries to users, value is added at each step of the way as raw data is transformed into decision-support tools for various user communities. The final link in the value chain is the influence of user outputs on the behavior of companies, the initial link in the chain. As in any system, impulses triggered by a change in any one link reverberates throughout the system.

Linked to a number of functions are externally developed standards – GRI, SASB, ARISTA and IIRC, depicted in the outer circle of Figure 1 – which seek to advance the credibility and impact of sustainability information through the creation of norms for defining excellence in relation to the various functions in the system.

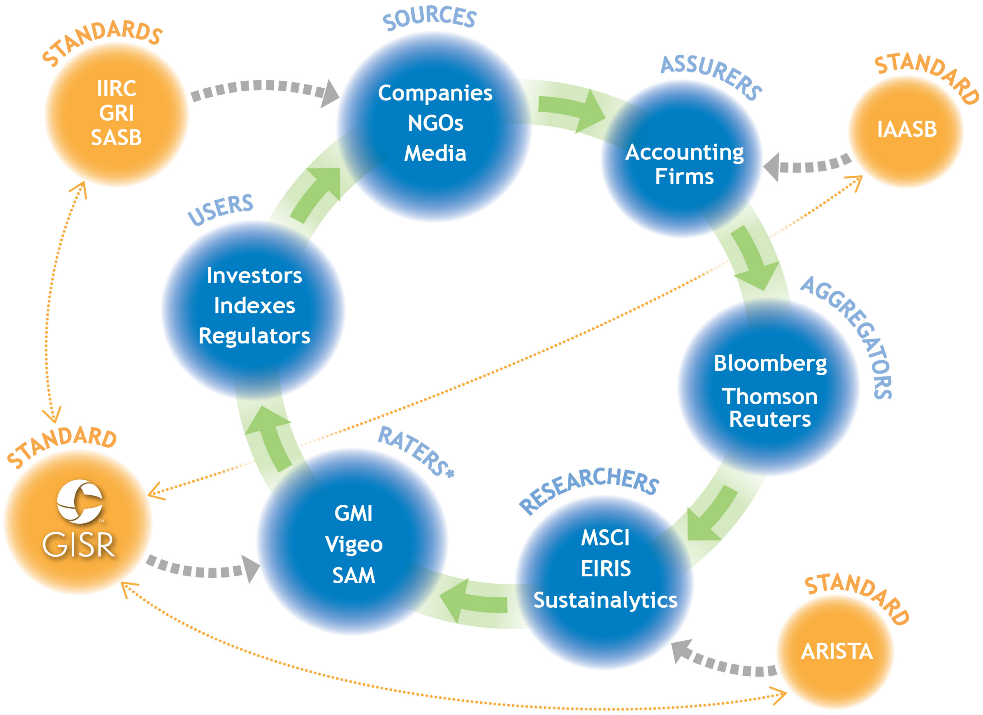
GISR is one such player, complementary but distinct from the others, focusing on creating a benchmark of excellence for corporate sustainability ratings in harmony with other standard-setting entities. Whereas IIRC, GRI, and SASB are primarily focused on enhancing the "supply" of sustainability information in this "ecosystem", GISR's focus is to bolster the "demand" side by expanding the investor and consumer market for high-quality sustainability ratings and

[1] GISR's focus is on the first four of these capitals. However, it recognizes the value and promise of a future in which financial capital is blended with other capitals to create an "integrated rating" of a company.

information, thereby fostering long-term business prosperity and human and ecological well-being in the decades ahead. Achieving this objective will require collaboration with three critical actors in the information value chain; namely, companies, investors, and raters, including financial market raters that are at the early stages of exploring how to tap the value of sustainability information.

At the same time, GISR's cooperation with other players in the system – assurers, aggregators, and other standard setters – synchronizes its activities and thus strengthens prospects for achieving its vision and mission. An integrated approach of this nature offers the most promising pathway to optimizing the system and realizing the full potential of ratings to accelerate the integration of sustainability into financial markets worldwide.

Figure 1: Sustainability information value chain, with illustrative players and linkages



* Ratings is shorthand for sustainability (ESG) ratings, rankings and indexes.

GISR seeks to both influence and serve the rapidly evolving field of sustainability ratings. Historically, investor-facing ratings have largely focused on publicly listed equities in developed nations. In these settings, the gradual emergence of empirical evidence that environmental, social, and governance performance influences reduced risk and volatility has fueled interest in sustainability ratings. In contrast, companies in emerging economies, where private/group/sovereign ownership and/or control is the rule, have been subject to little ratings activity. In the future, however, these companies may well see ratings as an instrument for reputation enhancement, risk management, identifying new market opportunities, and attraction of a lower cost of capital. Meanwhile, the fields of "mission investing" and "impact investing" have spawned a new form of ratings geared to measurement of social value creation. In short, the era of large public equities as the sole focus of sustainability ratings is fading. This shift creates the need and opportunity for an independent, non-commercial standard of what constitutes ratings excellence. GISR is designed for that purpose.

GISR will accredit ratings, not raters, against the three components of its standard. That is, in building and implementing its standard, the goal is to advance excellence in ratings (defined below) that measure corporate sustainability performance. In cases where a rater offers single-issue coverage, it is the methodology that will be the subject of GISR's voluntary accreditation program. Where a rater offers multiple methodologies, issues, or indicators that are substantively different, GISR will invite accreditation of each methodology.

Finally, GISR will **not** rate companies. It is a standard-setter, not a standard implementer. Implementation of the GISR standard will be the task of entities equipped to competently and faithfully apply the standard to companies for which user communities seek a sustainability performance assessment. Toward this end, GISR will offer training programs to ensure implementation of its accredited ratings in a way that conforms to the spirit and intent of the standard.

Architecture

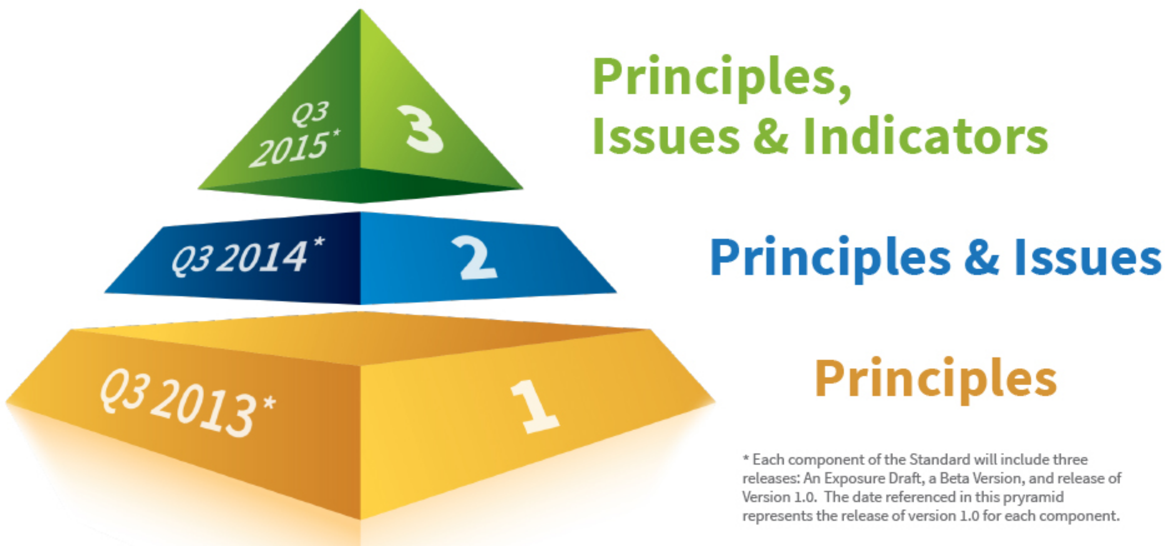
GISR recognizes the diversity of purposes and audiences that ratings serve. The design and stewardship of the standard will proceed with attention to this diversity, while simultaneously striving to create a globally recognized benchmark for assessing sustainability performance excellence.

The GISR standard will comprise three components: *Principles*, *Issues,* and *Indicators* (Figure 2):

- **Principles**: The core attributes of a ratings framework required to achieve credibility among key stakeholders.
- **Issues**: Themes, topics, or aspects of sustainability material to assess a company's sustainability performance.
- **Indicators**: Metrics applied to issues that measure a company's sustainability performance.

The process for staging the three components of the standard begins with a mapping of the state-of-play salient to each. In the case of Principles, such mapping covered a representative sample of kindred initiatives wherein principles are either the centerpiece or one aspect of the program (Appendix 1). A similar approach applies to Issues and Indicators; that is, mapping a representative sample of hundreds of issues and roughly 2,000 indicators to detect those most commonly used, uncommonly used but significantly in play, and gaps where a sustainable issue or indicator is deemed material but entirely or virtually absent from the relevant map. GISR will conduct these exercises with an eye towards maximum harmonization with leading, complementary standard setters, most notably, GRI, SASB, and IIRC, and informed by best practices among leading raters.

Figure 2: Components of the GISR ratings standard and levels of accreditation



Release of each component of the standard will occur in three steps: an Exposure Draft, a Beta Version, and a Version 1.0. The first two steps will be followed by a global public consultation period. The target date for Version 1.0 of each component is:

1. Principles – Q3 2013
2. Issues – Q3 2014
3. Indicators – Q3 2015

GISR views its phased release strategy as essential to promoting market understanding and uptake, and to harmonizing its standard with kindred initiatives now underway. Adjustments to the schedule will be made as needed to ensure a rigorous vetting of each interim product.

Accreditation

Accreditation of ratings against the future standard is integral to GISR's mission. It is the vehicle for activating the standard as the benchmark for ratings excellence. As a voluntary standard, GISR will invite ratings to apply for accreditation that will comprise specific criteria for evaluating the alignment of a rating with the three components of the standard.

Each component will be accompanied by an accreditation process by which GISR will use a transparent set of criteria to assess the degree of alignment between a rating and the standard at one of three levels (Figure 2):

Level 1 – Principles
Level 2 – Principles + Issues
Level 3 – Principles + Issues + Indicators

Accreditation levels will be cumulative; i.e., Level 2 will include adherence to Level 1 requirements, and Level 3 will include adherence to Levels 1 and 2.

GISR views its Principles, Issues, and Indicators and associated accreditation levels as complementary and interdependent aspects of its mission. The step-wise implementation of the standard's three-part architecture – and the cumulative structure of the accreditation process – seeks to foster steady progress toward ratings excellence. Over time, protocols and tools will accompany the Principles, Issues, and Indicators to assist raters and ratings users in faithfully applying the three components of the standard.

GISR will seek to balance a state-of-the-art standard that sets a high bar of excellence for ratings with the current practices that characterize the contemporary field. Achieving this balance will require gradualism and gradation in accreditation for all types of single- and multi-issue ratings, rankings, and indices developed by for-profit and not-for-profit entities that are eligible for accreditation.

GISR is committed to designing an accreditation process that invites and encourages all sustainability (ESG) ratings, rankings and indices to accredit against the standard at one of the three levels depicted in Figure 2. GISR commits to a process that is flexible, structured to incentivize a drive toward ratings excellence, and free of conflicts of interest.

Review Process

GISR commits to a rigorous internal and external multi-stakeholder review process of all aspects of its work, including for this Beta Version of Component 1: Principles. A typical process comprises the following:

Step 1. Internal development and oversight

GISR's interim governance structure comprises a Secretariat, Steering Committee (SC), Technical Review Committee (TRC), and Expert Advisors (EA). The Secretariat researches and drafts initial technical documents for presentation to the TRC. The TRC reviews and modifies content that the Secretariat integrates in preparation for SC review. EAs periodically review portions of working documents connected to their area of expertise. Working drafts are shared with sustainability raters engaged at various stages of discussions with GISR. The SC, in consultation with the Secretariat, determines the readiness of interim products for public consultation.

Step 2. Public consultation

Draft products, including both Exposure Drafts and Beta Versions, are released for public comment and are accompanied by structured instruments to facilitate efficient reception and processing of public comments. GISR strives to attract diverse and global feedback from all stakeholders. The Secretariat compiles and synthesizes comments for consideration by the TRC. The TRC recommends changes to interim work products which the Secretariat implements. Revised products are transmitted to the SC for final review prior to release.

Step 3. Release of products and programs

As various products are released, GISR designs a mechanism for continuous feedback from investors, companies, raters, and other stakeholders. Where appropriate, GISR will issue interim guidance documents, supplemental protocols, and related documents to ensure that users of the standard are able to optimize their ratings activities.

Role of Principles

Principles, the subject of this document, are the foundation of the three-part standard. In the course of designing sustainability ratings, developers encounter a multitude of branch points and will have to make critical choices that will determine the character, content, and, in the long run, the uptake of their products. A comprehensive set of principles provides a compass for navigating these many choices, informs the selection of Issues and Indicators, and signals to financial markets and other users that their practices are of the highest quality in terms of process and content.

Principles are widely accepted as foundational to various information initiatives aimed at advancing the global sustainability agenda. In designing its Principles, GISR benefits from the rich legacy of organizations that have developed principles as part of their activities; for example: the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), the International Integrated Reporting Council (IIRC), UN Principles for Responsible Investment (UNPRI), and ARISTA, the standard for responsible investment research. Appendix 1 contains a map of major initiatives used to inform GISR's deliberations in identifying principles relevant to its ratings standard.

The key lesson drawn from these initiatives is that effective principles should be limited in number, crisp in language, and broadly understandable and usable by key stakeholders. Principles should define the core attributes of a ratings framework essential to achieving a high level of credibility and utility across user groups.

It is, of course, impossible to anticipate every question, ambiguity, and choice point that ratings developers encounter in the process of designing their methodologies. Nonetheless, a thoughtful set of principles plays a pivotal role in guiding information providers, researchers, raters and ratings users toward decisions that align with the spirit and intent of the GISR standard.

Definitions

1. **Rating.** A set of methodologies, rules, and procedures, including, but not limited to, principles, issues, and indicators, used to assess one or more aspects of the sustainability performance of a company.

2. **Rater:** Any entity that applies a rating to companies. Rating may be the exclusive, principal, or minor activity of such entity and may be a single or multi-issue coverage. Ratings also encompass both single and multi-issue rankings and indices, developed by for-profit and not-for-profit enterprises, all of which will be eligible for accreditation to the three components of the standard.

3. **Corporate Sustainability:** Stewardship and enrichment of all forms of capital by companies in ways that enhance human and ecological well-being for the present and future generations.

Applicability

1. The Principles apply to any rating, ranking, or indexing of companies in relation to, or based on, their sustainability performance.

2. The Principles apply to any rating, whether existing or future, regardless of whether it is owned by a for-profit, non-profit, or other entity.

3. The Principles intend to guide the development of ratings as well as inform the decision-making of rated entities and ratings users.

4. The Principles apply to both multi-issues ratings, rankings, and indices and single-issue and sector-specific ratings for assessing sustainability performance.

The Principles

The GISR Principles appear in two categories: *Process and Content*. (Figure 3) Interpretive guidance follows each principle to explain its rationale and application. In the future, GISR will develop a protocol for each principle that will provide additional details on its application to the process and content aspects of ratings.

Figure 3: The 12 Principles

PROCESS	CONTENT
Transparency **Impartiality** **Continuous Improvement** **Inclusiveness** **Assurability**	**Materiality** **Comprehensiveness** **Sustainability Context** **Long-Term Horizon** **Value Chain** **Balance** **Comparability**

BETA VERSION

PROCESS

PRINCIPLES PERTAINING TO THE DESIGN, APPLICATION AND MAINTENANCE OF A RATING TO ENSURE EXCELLENCE, CREDIBILITY AND INTEGRITY

1. **Transparency:** A rating should be transparent to those whose decisions are affected by the application of such rating.

The Transparency Principle addresses the need for stakeholders to understand a rating's data sources, assumptions, extrapolations (in cases where data gaps exist), and scoring methodology. Transparency is essential for users to make informed decisions as to which ratings are best suited to their needs and how such ratings generate the resulting performance outcomes.

Companies, raters, and investors hold different views on the degree of transparency for which ratings should be held accountable. From the company perspective, transparency is indispensible to driving performance. Adequate understanding of the methods, algorithms, issues, and indicators and analytical models embodied in a rating provides a company with the lens on how performance is measured and what interventions will most directly enhance performance. Companies generally respect the boundary between information essential to understanding a rating and information that raters regard as intellectual property.

However, a key caveat applies. Complete transparency does have one notable downside. It may direct company priorities to shift toward practices that improve its rating at the expense of what it regards as most impactful and beneficial performance improvement. Ideally, there will be little or no divergence between the company's priorities to strengthen performance and those implied by being embedded in a rating. But in the real world, this is not always the case.

From the investor perspective, transparency to clients should be sufficient to grasp the underlying structure and key variables of a rating at a level sufficient to intelligently select and apply the rating to their investment decisions. Whether a rating is constructed solely on company data or data from company plus media, NGO and other sources should be disclosed. Investors purchase ratings from outside vendors to augment the analytical models they develop internally precisely because they prefer to outsource the data collection and development of analytical tools. In cases where they do, confidential disclosure of a rating may be negotiated with the client on a confidential (Non-Disclosure Agreement-NDA) basis. Resistance to such a request may be costly to a rater.

From the rater perspective, rating indicators and models are generally viewed as intellectual property (IP) that must be protected first and foremost from the competition. Disclosure of ratings' methodologies, indicator selection and scoring models to companies is uneven. This often creates frustration and pushback from such companies that view opacity as an unfair bargain since they are asked to be fully transparent in providing data to the rater. At the same time, an emergent trend among some topic- and sector-specific ratings, especially those that are non-profit, is full disclosure to all parties seeking such transparency.

Determining the level of transparency a rating pursues and to whom, involves trade-offs between credibility and trust, and protection and competiveness. Too much transparency can undermine a critical element of the raters' business model, as well as suppress the incentive to innovate. Too little transparency leaves both companies and investors with insufficient understanding as to why companies' scores emerge as they do. Further, year-to-year fluctuations in performance scores associated with the same rating, or comparison of the same company subject to different ratings in the same year, are often viewed as incomprehensible and difficult to understand in the absence of adequate transparency.

Taking into account the above trade-offs, the Transparency Principle subscribes to a nuanced approach that seeks to reconcile competing views. The core of such reconciliation lies in the idea that transparency should be adjusted for: (a) the legitimate needs of companies and investors to understand the inner-workings of a rating; and (b) the legitimate need for raters to protect IP from appropriation by competitors. Confidentiality agreements between rated companies and investors (and other users) are valid instruments for protecting IP. Toward this end, the Transparency Principle calls for a compact among parties that honors the need for understanding a rating while respecting the need for IP protection. Where circumstances are such that a rater believes confidential disclosure will adversely affect its interests, it should explain on what basis such judgment rests, pursuant to a "Disclose or Explain" process. In general, all ratings should be subject to a publicly available Transparency Policy that details what is disclosed, to whom, and why.

As a general observation, worldwide all enterprises are facing a steadily higher standard of transparency. In the ratings field, most non-profit and consumer-facing standards referenced above are raising the bar on transparency by making methodological details available to any and all interested parties. Of course, the business model of such parties differs from most investor-facing raters in that full transparency is integral and expected as part of their mission. If recent trends continue, it is likely that even commercial, investor-facing raters will feel increasing pressure to gradually expand their transparency practices.

As GISR develops its accreditation program for the Principles component of its standard, it will incorporate a spectrum of options that reflect the diverse perspectives detailed above including best practices in balancing the sharing of information with clients, rated entities, and the public while safeguarding intellectual property.

2. **Impartiality:** The design and application of a rating, whose primary users are external to the rated organization, should be protected from undue influence by the rated company.

The Impartiality Principle addresses the need for raters to remain independent from rated organizations to avoid the perception or reality of conflicts of interest that may impact the structure and application of the rating. Maintaining such impartiality is a balancing act. Raters benefit from – indeed, require – regular interaction with rated companies in the process of data collection and quality assurance. Similarly, engagement with investors and other stakeholders enriches the quality of the rating. At the same time, interaction between the rater and rated that compromises the integrity of the outcome through undue influence will, at some point, undermine credibility. Instances where a rater establishes a consulting, advisory service, or other commercial relationship with a rated company without proper transparency impair credibility among those seeking a truly independent, impartial assessment of performance.

Pre-empting such a situation begins with transparency. Raters that market their products to third parties (investors, consumers, NGOs) should establish and publicly disclose a code of conduct that fully describes the nature of such relationships and the associated policies and procedures, even if names of specific companies are withheld for competitive reasons. Even with such disclosure, however, stakeholders who seek an unequivocal detachment between rater and company may view the relationship between the two parties as problematic. To address this issue, rating organizations should further safeguard against conflicts of interest by establishing a "Chinese wall" between the rating department and departments focusing on the commercial relationship with a rated company. Recognizing the trade-offs in implementing this principle, raters should disclose any material commercial relationship with rated companies, as well as their procedures for ensuring that ratings remain untainted by conflicts of interest

3. **Continuous Improvement:** Through periodic update, a rating should track and integrate the best-available science and measurement techniques, issues, and indicators.

The Continuous Improvement Principle speaks to the need for periodic enhancement of a rating in light of methodological and scientific innovations, as well as the emergence of new issues and associated indicators on the corporate sustainability agenda. Responding to these changes involves trade-offs. Too much change exacerbates the problem of excessive volatility and incomparability, whereas too little change runs the risk of stagnation amidst changing definitions of corporate value and value creation.

The decision rules for continuous improvement are two-fold: (1) clustering, and (2) disclosure. Clustering suggests implementing multiple, significant changes at the same time, judiciously timed at regular, predictable intervals. Minor adjustments, defined as small departures from an existing practice, may occur more often. Clustering mitigates the problem of investors, companies, and other stakeholders facing a frequently moving target that undermines a rating's utility, credibility, and uptake.

Raters should inform companies, investors, and other users in a timely and understandable fashion as to why and how a change in the rating will be (the preferable option) or has been (second-best option) implemented as well as the anticipated frequency of future changes in coverage, methodology, issues, and indicator selection. Such transparency links closely to the Inclusiveness Principle (below). Alerting stakeholders well in advance to major intended changes – e.g., a new issue in the rating or a major adjustment in weightings among indicators – serves as a valuable engagement tool and creates shared value and understanding of the rating among its stakeholders in terms of feedback, and trust-building, and managing stakeholder expectations.

4. **Inclusiveness:** Development and stewardship of a rating should identify and systematically engage those stakeholders whose decisions are influenced by the application of the rating.

The Principle of Inclusiveness is common to many contemporary standards such as GRI, IIRC and ARISTA. It signifies that relevant stakeholders and experts be identified and engaged on a continuing basis in the development, application, and evolution of the research that underpins a rating, whether it is a general or user-defined rating. Stakeholder engagement is a prerequisite to ensuring that research behind the rating is credible, informed, and useful to its intended audiences. It should be viewed as an asset that may be deployed to strengthen relevance and usability. Engagement builds trust in the user community that the rating's coverage, methodology, content, and other attributes are aligned with the desired outcomes and interests of stakeholders.

Engagement encompasses both the governance and technical aspects of the rating. Governance engagement implies an active and continuing role for stakeholders in supporting the development of a rating to understand and reflect the needs and priorities of its user community. Engagement in the technical aspects of the rating helps ensure continuous improvement by tapping the knowledge and insights of stakeholders that might otherwise be overlooked. Thus, relevant stakeholders may include parties whose interests are directly affected by the rating; e.g., investors and companies, as well as those whose interests are affected by the sustainability performance of rated companies; e.g., employees, consumers, communities. Limits to stakeholder involvement should be put in place in so far as to maintain balanced and impartial development and application of the ratings research.

Stakeholder engagement takes many forms, ranging from focus groups to surveys to specialized workshops to standing advisory committees. Documentation of all approaches serves the dual purpose of guiding continuous improvement as well as demonstrating to external parties that the rating reflects the views of those whose decisions are affected by its application.

Stakeholder engagement entails trade-offs. Deciding the optimal depth and breadth of engagement within limited financial and human resources necessitates a trade-off between the scope of engagement, its frequency, and the instruments used for information-gathering. Documentation and communication of these trade-offs helps strengthen credibility among users

5. **Assurability:** A rating should be designed to allow for independent, third-party assurance of its application in accordance with the GISR standard by qualified parties.

The Principle of Assurability concerns the structure within which assurance of a rating takes place. Its objective is to encourage ratings be "assurance-ready" in the event users request such verification. The goal is to assure rating users that the rating methodology adheres to the requirements embodied in each component of the GISR standard for which the rating is accredited; i.e., Levels 1 (Principles), 2 (Principles + Issues), or 3 (Principles + Issues + Indicators) and, moreover, that the results of ratings are based on data and analysis that has been subject to rigorous quality assurance procedures.

Assurability-ready requires the use of objective and verifiable criteria for assessing alignment of a practice with a specific standard. Investors and others who elect to rely on GISR-accredited ratings may seek assurance that such ratings in fact align with GISR's Principles, Issues, and Indicators. Further, assurance may play a role for GISR itself to assess, after initial accreditation, that such rating is being faithfully applied at the level of accreditation GISR grants.

Assurance assumes a variety of forms and scopes, the details of which vary across countries and the professional assurance bodies that operate therein. Assurance by independent entities, and the attestation statements they prepare, should align with the objective of the exercise and the needs of the user communities. Because GISR is global in scope, international auditing and verification standards should be applied wherever possible, either internally or with assistance from a third party, regardless of the geographic location of the assurance body. For some users, assurance of a rating at accreditation Level 1 – Principles may be adequate. For ratings accredited at Levels 2 or 3, assurance will require more extensive investigation to determine whether a rating in practice adheres to Issues and Indicators contained in components 2 and 3 of the standard. Assurance at Level 3, comprising adherence to Principles, Issues, and Indicators, will indicate that a rating has achieved a "gold standard" in both its accreditation and its application.

Evidence of suitable governance and oversight of the rating process, including data quality, documentation procedures, and the expertise and objectivity of those who implement a rating, is a dimension of assurance users may seek. An example of assurance of some of these key process attributes is the ARISTA 3.0 standard for sustainability research. In the absence of governance and oversight, it will not be possible for accredited assurers to provide the confidence expected by ratings users at whichever accreditation level is in question.

CONTENT

PRINCIPLES PERTAINING TO THE SCOPE, QUALITY, AND MEASUREMENT ASPECTS OF A RATING

6. **Materiality**: A rating should assess performance based on sustainability issues and indicators relevant to the decision-making of investors, and companies, consumers and other stakeholders for which a rating is designed.

Materiality varies across stakeholders and over time. The use of terminology such as "Material Business Impacts" versus "Material Sustainability Impacts," or "Financial Materiality versus Sustainability Materiality" connotes a distinction that may be valid in the short term but misleading in the long term, the horizon inherent to all matters pertaining to sustainability (see the Long-term Horizon Principle below). Companies whose vision and strategies are rooted in long-term horizons recognize that business/financial materiality and sustainability materiality converge and harmonize over time as business-society relations march toward higher expectations of responsibility and accountability. Business prosperity in the long term is inseparable from healthy and productive workers, communities, societies, and ecologies. Under these circumstances, business/financial materiality and sustainability materiality are on a path toward convergence. While ratings will always be customized to user needs, it behooves raters – in their self-interest and the interest of their clients – to not simply respond to, but to help foster market interest in ratings that reflect this convergence trajectory.

Materiality assessment begins with identification of the universe of sustainability issues germane to a company's core activities. Such a compendium should encompass the multiple capitals referenced above. Evidence of materiality may be found in multiple sources, including academic literature, company reports, the media, and shareholder actions. Following this assessment is a prioritization of the universe of issues most likely to impinge upon stakeholder decision-making.

Evidence of both short-term and long-term performance is useful to this process. From the standpoint of investors, for example, deficient sustainability management that leads to crises – major product recalls, environmental disasters, supplier factory accidents and fatalities – have both near-term effects on share price and long-term effects on reputation, in addition to harming consumers, communities, and workers. On the other hand, evidence that strong sustainability management systems both avoid and mute the adverse repercussions of such crises speaks to the interdependence of sustainability materiality and financial materiality. Understanding these connections is in the interest of both ratings and the users they serve, though actions that may follow will vary even within a user group. For example, public equities, private equity, retail investors, and pension funds typically seek different information and apply different time horizons in managing assets.

For ratings purposes, a starting point for identifying universal issues are the "aspects" contained in the GRI G4 framework. For sector-specific materiality relevant to investor decision-making, indicators under development by SASB are a valuable starting point. Further, as GRI strengthens its sector-specific program, additional rating-relevant issues may emerge. A review of the issues covered by existing ratings also offers critical guidance, though such analysis should not prevent a rating from identifying emergent issues that are absent or underrepresented in current practices. Ultimately, the best test of materiality is uptake by, and feedback from, the user community.

7. **Comprehensiveness:** Rating the sustainability performance of a company is a multi-dimensional concept that encompasses impacts on all forms of capital, including: human, intellectual, natural, and social.

The concept of multiple "capitals" refers to the stock of assets, tangible or intangible, attributable to the company's activities. The language of "multiple capitals" or "vital capitals" appears with increasing frequency in leading disclosure initiatives such as IIRC and SASB. The advantage of "capitals" language is three-fold: (1) the concept of capitals, notwithstanding measurement complexities, provides a common denominator for expressing the various forms of value that companies create; (2) "capital" in the sense of a stock of valued assets is foundational in the language of financial markets; and (3) unbundling economic, social, and environmental impacts into categories of capital provides a more precise taxonomy to guide the future development of ratings. In addition, it is believed by many that up to 75 percent of a company's market value rests in large part with these vital capitals that generally are beyond the purview of financial statements. In practice, the multiple capitals concept represents a next step in the evolution of the ESG framework that dominates the contemporary ratings. The two approaches provide different but ultimately similar lens on how company activities affect their own well-being and that of the society and ecology in which they operate.

In the course of conducting its business, a company inevitably preserves, expands, or diminishes the various forms of capital. Within the constraints of user needs and resource requirements, a rigorous rating, whether integrated or topic-specific, should attend to these multiple capitals even if its focus is more narrowly defined. Ratings, of course, are user-driven, and users may resist methodologies that reach beyond the narrow confines of measuring performance along a single dimension of sustainability. The Comprehensiveness Principle encourages raters to advocate a holistic approach when interacting with users. Failing to do so will result in ratings that may affect sustainability performance in ways that misrepresent the full range of company impacts, both positive and negative. Further, in the absence of a comprehensive approach, a rating user will be unable to detect whether enhancement of one form of capital is occurring at the expense of other forms of capital. A rigorous rating will, in effect, provide a multiple capitals “balance” sheet.

In practice, leading ratings already do this to some degree, even if the explicit reference to language of “multiple capitals” does not appear. Inclusion of issues and indicators pertaining to carbon emissions, water use, and biodiversity, for example, falls under the umbrella of natural capital. Human rights, occupational health and safety, and living wages are forms of social capital. Capacity to innovate, patent generation, and resources devoted to staff training are aspects of intellectual capital creation. When ratings speak of impacts, externalities, intangibles, and off-balance-sheet liabilities, such language expresses in different ways the concept of multiple capitals, but without the unifying thread offered by the capitals framework.

Implementation of the Comprehensiveness Principle by ratings should be gradual. Widespread adoption and general acceptance will require pilot programs, experimentation, research, and consultation with all stakeholders. GISR, through both its standard development and accreditation program, is committed to supporting this transition which it believes will yield long-term benefits to both companies and ratings users.

8. **Sustainability Context:** A rating should assess performance within the wider context of the company’s impacts at various geographic scales, incorporating scientifically based and/or widely-accepted normative thresholds and limits, applicable to such impacts.

Performance assessment may be expressed from several perspectives including: (1) evaluation or evidence of a company’s sustainability policies and procedures or governance of ESG issues; (2) performance across time periods, or time series; (3) performance relative to a peer group, e.g., recognizing “best in class” or “top 15 percent”; and (4) performance relative to externally or internally defined targets based on physical limits or thresholds or social norms commonly referred to as “sustainability context.”

The first three of these approaches dominate most ratings; together, they offer different valuable, but incomplete, perspectives on sustainability performance. The third, sustainability context, is rare but desirable if a rating is to reflect the core tenets of sustainability. Companies operate in a local, national, regional, and global milieu, part of larger ecological and social systems delineated by biophysical limits and socially defined thresholds. Without contextualization, the rigor of assessing the collective effect of individual companies on the preservation and enhancement of multiple capitals is compromised. In such cases, despite incremental progress by individual companies, the collective impact may result in the exceeding of ecological thresholds or shortfalls in such social norms.

For some ecological resources, externally defined thresholds are emerging at the global, national, regional, and local levels. Such is the case for climate change, biodiversity, and water resources. For social systems, consensus is slower to evolve, though not entirely absent. Global frameworks such as ILO Core Labor Standards and the UN Guiding Principles for the Implementation of the UN "Protect, Respect, and Remedy" Framework offer raters guidelines for assessing certain aspects of a company's social performance. Living wages, for example, exemplify a social issue where targets are best established at the national or local rather than global levels. While externally defined thresholds generally offer the advantage of independence from both companies and raters, in their absence, internal thresholds serve as valuable exercises in building familiarity with the Sustainability Context Principle.

Incorporating sustainability context in ratings should evolve slowly and in concert with the gradual emergence of scientifically-developed thresholds and limits at various geographic scales. With sufficient experimentation, improved information availability and success in the identification of such thresholds and norms, sustainability context over time should take its place alongside time series and peer group benchmarks as integral to future ratings. The GRI framework at an early stage included a Sustainability Context principle. Ratings over time should endeavor to do the same in order to provide greater value to its users by identifying long-term sustainability opportunities and risks. In an increasingly resource-constrained environment and amidst rising expectations of companies to create social value, companies that define and measure their success in a sustainability context are likely to be those with superior, forward-looking strategy and management, a key ingredient in long-term business prosperity.

9. **Long-Term Horizon:** By definition, sustainability can only be measured using a long-term perspective. A rating should enable the evaluation of the long-term prospects of the rated company while simultaneously providing insights into short- and medium-term outcomes that lie on the critical path toward such long-term outcomes.

The Long-Term Horizon Principle stresses the intrinsic long-term (e.g., > 5++ years) nature of sustainability while recognizing the role of medium- (e.g., 3-5 years) and short-term (e.g.,< 3 years) actions that align with strong long-term performance. The principle confronts conventional short-term measures of financial success – e.g., daily/weekly share price fluctuation, quarterly earnings, annual revenue growth – that dominate financial markets while drawing attention to the interdependency of sustainability performance and long-term financial success.

Some existing ratings recognize that "short-term sustainability performance" is a contradiction in terms. These ratings tend to weight outcomes associated with stewardship and enrichment of all forms of capital that materialize in the 3-5 year time horizon and beyond. This perspective does not preclude short-term considerations. Yearly R&D expenditures focused on sustainable products and services, percentage of products and services that meet sustainability standards, investments in training that elevate employee IT-competency, and development of advanced data systems that track and report the societal cost of environmental externalities – these exemplify actions that signal a company's commitment to the long term via its yearly budgeting process. Such investments, while near term in the context of the budget cycle, are long term in their consequences in the sense that they preserve and enrich multiple capitals. Ratings should recognize and reward such actions accordingly.

Long-term horizons do not come easily or automatically to all asset owners, even those such as pension funds whose mission is inter-generational in nature. Pressures to outperform near-term market benchmarks flow from beneficiaries to trustees to asset managers to companies. The Principle of Long-Term Horizon applied to sustainability ratings seeks to infuse sustainability considerations in assessing portfolio risk and opportunity and to encourage longer-term horizons among asset owners, asset managers, and companies. It signals that embrace of a long-term perspective in strategy, management, R&D, and products and services will be rewarded even if short-term financial performance may be compromised. While ratings are beholden to user demands, this principle encourages longer-term perspectives in financial markets, particularly among institutional investors whose beneficiaries stand to benefit from such practices and who have the clout necessary for changing the behavior of their asset managers.

10. Value Chain: A rating should apply to all portions of a rated company's value chain over which the company exercises control or significant influence.

The Value Chain Principle addresses the boundaries that define the rated company. Because of the complexity and reach of contemporary value chains, the question of "control" and "significant" influence looms large. Shifting impacts backwards and forwards along the value chain does not absolve the parent entity of responsibility for positive and negative impacts of the production of goods and services.

A systematic assessment of control and influence of the rated company, informed by the scale of impacts and their materiality to stakeholders, is integral to a credible rating. Such assessments represent new territory for most raters. They require data that only now is emerging as sustainability reporting continues to expand and refine its expectations of what constitutes material information. While significant data and cost barriers exist, ratings over time should be expected to incorporate the full array of outsourcing and procurement characteristics of company operations worldwide.

Delineation of the entity for rating purposes may be addressed through methodologies developed by leading standard setters. Examples include the Corporate Value Chain Accounting and Reporting Standard developed by the World Resources Institute and the Guidance for Report Boundary Setting of the Global Reporting Initiative. Transparency with regard to the methodology and data sources in delineating the boundary of the rated company is essential for both interpretation and credibility of the resulting assessment of sustainability performance.

11. Balance: A rating should utilize a mix of sources, issues, and indicators that depict both past performance of the company in relation to internally and externally defined targets as well as prospects of future performance based on leading and forward-looking indicators.

The Principle of Balance concerns the use of different types of data sources, issues, and indicators that together characterize a company's performance. Companies benefit from such diversity in translating ratings into instruments to drive continuous improvement. Investors benefit from both lagging and leading indicators, though the latter most directly speak to the question of long-term valuation. Other stakeholders – e.g., consumers, suppliers, and employees – look to both past and anticipated performance in making judgments as to the quality and prospects of a company. In general, contemporary ratings overweight backward-looking historical measures of performance and under-represent forward-looking, leading measures. Correcting this imbalance is complicated by the inherent difficulty in quantifying the future. That is, what indicators will most accurately predict the performance of a company 3-5 years in the future and beyond? Rigorous sustainability ratings should contribute to this critical challenge.

Pertinent to the Balance Principle are a number of dimensions that define performance measurement:

- **Lagging vs. leading:** Lagging indicators describe past performance at either a point in time or in time series; e.g., water intensity or dollars spent on lobbying for the prior one, two, or five years. In contrast, leading indicators anticipate future performance, most usefully in the mid- and long term

- **Process vs. outcome**: Process indicators comprise statements of sustainability-relevant strategy, policy, and procedures of the company. Outcome indicators provide measures of the actual effect or impacts on strategy, policy, and procedures.

- **Quantitative vs. qualitative:** Quantitative refers to indicators expressed in numerical form. Qualitative indicators convey the character or nature of an aspect of performance without numerical expression.

- **Absolute vs. relative:** Absolute indicators communicate performance without reference to either internal or external benchmarks. Relative indicators communicate performance relative to the company's own past or future performance, to a peer group, or to a physical threshold/limit or social target established by external parties per the above Sustainability Context Principle.

A rigorous rating contains a mix of the above. Investors and users seek insights into the mindset, culture, and quality of management no less than they need hard, quantitative evidence of the company's capacity to achieve its performance objectives. In some instances, quantitative indicators may serve as proxies for qualitative aspects of the organization; e.g., employee turnover past, present, and future may provide a valuable yardstick for the long-term prospects for attracting and retaining human capital in the form of top talent. A commitment to carbon neutrality or zero waste within 5 years, or a commitment to measure, cost, and report environmental externalities within 3 years, represents a mix of policy, forward-looking, and quantitative attributes.

A rating that comprises a balance of indicators is more likely to achieve strong market uptake compared to one that leans heavily in one direction or another. Further, ratings that rely exclusively on backward-looking, policy- and procedure-based indicators with minimal attention to forward-looking, measurable outcomes are unlikely to satisfy users who seek insights into a company's long-term prospects of becoming both a sustainability leader and prosperous organization overall.

12. Comparability: A rating should allow users to compare performance of the same company over time, and different companies in the same industry within the same period.

The Principle of Comparability seeks to bring sufficient consistency to a rating such that users can, with confidence, compare performance over time for the same company and across peer companies within the same time period. Comparability is critical to decision-making, investment or otherwise. Choices on the part of asset owners and asset managers, for example, require analysis of a time series, single company perspective as well as cross-company comparisons within specific industries. The utility of a rating is compromised when either of these conditions is not met.

Achieving comparability is a multifaceted challenge. First, for tracking performance of a single company, a rating must be reasonably stable to avoid excessive year-to-year volatility driven more by changes in the rating methodology than by objective company performance. If a substantive material change to a company occurs, for example, through acquisition, merger, or divestiture, comparability over time likely will be undermined. In such cases, a rating should both acknowledge the tradeoff between comparability and adaptability and strive for the appropriate balance between the two, in alignment with the Principle of Continuous Improvement presented above.

Second, comparability of ratings of peer companies within a single time period requires a high level of uniformity and quality of data across rated companies. Where uneven and/or incomplete data is in play, sound comparisons are not possible. Third, comparability is enhanced when the rating provides clarity and consistency as to whether increases or decreases in numerical values reflect higher or lower levels of performance. This is a non-trivial task when, for example, ratings that rely on ratios to measure performance lack adequate explication. Only through full and understandable disclosure regarding ratio data can users properly interpret shifts in company performance that are expressed as ratios.

Comparability across ratings (versus across companies or within peer groups) is a separate but equally critical challenge. Users understandably often seek multiple ratings to guide decision-making. Diversity is strength, providing a variety of perspectives based on different issues, indicators, weightings, and other features of the rating. At the same time, when performance assessment of the same company in a single time period varies dramatically across ratings, users are left wondering about the causes of such disparities. Adherence to the Transparency Principle described above will go a long way toward mitigating such confusion.

Next Steps

The Beta Version of the 12 Principles presented above incorporates public comments on the earlier Public Exposure Draft Component 1 of the GISR standard for corporate sustainability ratings. The aim of the standard is to encourage movement toward a generally accepted consensus on what constitutes excellence in corporate sustainability ratings. Gradual uptake of the Principles, and later the Issues and Indicators components of the standard, will foster a redefinition of corporate value and value creation. By so doing, GISR in the coming years will strengthen the credibility and enlarge the market for high-quality ratings in financial and other markets that use ratings as a key decision-support tool.

The Secretariat cordially invites public comment on this document (available here) commencing on June 1, 2013. The closing date for comments is July 31, 2013.

Following the public comment period, GISR will assemble, assess, and integrate comments into Version 1.0 of Principles, scheduled for release in Q3 2013. GISR will then proceed with the design and release of a Beta version of the Principles accreditation program for public comment by Q4 2013, followed by Issues and Indicators Exposure Drafts, Beta Versions, and Versions 1.0 in 2014-2015. Q3 2015 is the target date for completion of the first full Version 1.0 of the standard comprising all three components.

Your feedback is essential to ensuring the GISR standard-building process is both rigorous and credible. We look forward to hearing from you.

APPENDIX 1: COMPARISON OF PRINCIPLES IN LEADING SUSTAINABILITY INITIATIVES

	PROCESS					CONTENT						
PRECURSOR PRINCIPLES	*Transparency*	*Impartiality*	*Continous Improvement*	*Inclusiveness*	*Assurability*	*Materiality*	*Comprehen-siveness*	*Sustainability Context*	*Long-Term Horizon*	*Value Chain*	*Balance*	*Comparability*
	#1	*#2*	*#3*	*#4*	*#5*	*#6*	*#7*	*#8*	*#9*	*#10*	*#11*	*#12*
Global Reporting Initiative (GRI) G4 Principles[1] to guide reporters and report users toward rigorous application of its reporting framework.												
1. Stakeholder Inclusiveness				X			X	X		X		
2. Sustainability Context							X	X				
3. Materiality					X	X	X					
4. Completeness							X		X	X		
5. Balance											X	
6. Accuracy					X						X	
7. Comparability					X							X
8. Timeliness						X						
9. Clarity	X	X			X		X					X
10. Reliability		X			X						X	
International Integrated Reporting Council (IIRC) Principles[2] that underpin the preparation, content, and presentaion of an integrated report.												
1. Strategic focus						X	X	X		X	X	
2. Connectivity of information				X			X					X
3. Future orientation								X	X	X	X	
4. Responsiveness and Stakeholder Inclusiveness				X			X			X		
5. Conciseness, Reliability, and Materiality.					X	X	X					
Sustainability Accounting Standards Board (SASB) Criteria[3] by which it judges the suitability of indicators for inclusion in its standard.												
1. Relevant						X	X					
2. Useful						X					X	
3. Applicable						X	X					
4. Cost-effective.						X						
5. Comparable												X
6. Complete							X			X	X	
7. Directional									X	X	X	
8. Auditable					X							
Arista 3.0 "Eleven Commitments"[4] for conducting corporate sustainability and responsibility research.												
1. Independent sources	X				X							
2. Global activities				X						X		
3. Beyond legal compliance							X	X		X	X	
4. Social and environmental							X	X				
5. Balance							X	X			X	
6. Relevance/Materiality						X						
7. Consistency and comparability												X
8. Stakeholder involvement				X						X		
9. Up-to-date			X			X						
10. Transparency	X											
11. Continuous improvement			X									

UN Principles for Responsible Investment (UNPRI) Principles[5] to guide signatories toward responsible investment practices.												
1. Incorporate ESG issues into investment analysis and decision-making processes.						X	X				X	
2. Be active owners and incorporate ESG issues into our ownership policies and practices.	X					X						
3. Seek appropriate disclosure on ESG issues by the entities in which we invest.	X					X	X	X			X	
4. Promote acceptance and implementation of the Principles within the investment industry.				X								
5. Work together to enhance our effectiveness in implementing the Principles.				X								
6. Report on our activities and progress towards implementing the Principles.	X											
The Natural Step (TNS) Principles of Sustainability[6] by which corporations contribute to a sustainable society.												
1. Eliminate their contribution to the progressive buildup of substances extracted from the Earth's crust						X	X	X	X	X	X	
2. Eliminate their contribution to the progressive buildup of chemicals and compounds produced by society						X	X	X	X	X	X	
3. Eliminate their contribution to the progressive physical degradation and destruction of nature and natural processes						X	X	X	X	X	X	
4. Eliminate their contribution to conditions that undermine people's capacity to meet their basic human needs				X		X	X	X	X	X	X	
Natural Capitalism Principles[7] by which corporations will thrive in the new economy.												
1. Radically increase the productivity of natural resources						X	X	X	X	X	X	
2. Shift to biologically inspired production models and materials						X	X	X	X	X	X	
3. Move to a "service-and-flow" business model						X	X	X	X	X	X	
4. Reinvest in natural capital						X	X	X	X	X	X	
UN Global Compact Principles[8] by which businesses can help ensure that they benefit economies and societies everywhere.												
1. Support and respect the protection of internationally proclaimed human rights.	X			X		X	X	X	X	X	X	
2. Do not be complicit in human rights abuses.	X			X		X	X	X	X	X	X	
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining.	X			X		X	X	X	X	X	X	
4. Uphold the elimination of all forms of forced and compulsory labour.	X			X		X	X	X	X	X	X	
5. Uphold the effective abolition of child labour.	X			X		X	X	X	X	X	X	
6. Uphold the elimination of discrimination in respect of employment and occupation.	X			X		X	X	X	X	X	X	
7. Support a precautionary approach to environmental challenges.	X			X		X	X	X	X	X	X	
8. Undertake initiatives to promote greater environmental responsibility.	X			X		X	X	X	X	X	X	
9. Encourage the development and diffusion of environmentally friendly technologies.	X			X		X	X	X	X	X	X	
10. Work against corruption in all its forms, including extortion and bribery.	X			X		X	X		X	X	X	

Earth Charter Principles[9] for building sustainable societies.												
1. Respect Earth and life in all its diversity.				X		X	X	X	X	X	X	
2. Care for the community of life with understanding, compassion, and love.				X		X	X	X	X	X	x	
3. Build democratic societies that are just, participatory, sustainable, and peaceful.				X		X	X	X	X	X	X	
4. Secure Earth's bounty and beauty for present and future generations.				X		X	X	X	X	X	X	
5. Protect and restore the integrity of Earth's ecological systems, with special concern for biological diversity and the natural processes that sustain life.				X		X	X	X	X	X	X	
6. Prevent harm as the best method of environmental protection and, when knowledge is limited, apply a precautionary approach.				X		X	X	X	X	X	X	
7. Adopt patterns of production, consumption, and reproduction that safeguard Earth's regenerative capacities, human rights, and community well-being.				X		X	X	X	X	X	X	
8. Advance the study of ecological sustainability and promote the open exchange and wide application of the knowledge acquired.				X		X	X	X	X	X	X	
9. Eradicate poverty as an ethical, social, and environmental imperative.				X		X	X	X	X	X	X	
10. Ensure that economic activities and institutions at all levels promote human development in an equitable and sustainable manner.				X		X	X	X	X	X	X	
11. Affirm gender equality and equity as prerequisites to sustainable development and ensure universal access to education, health care, and economic opportunity.				X		X	X	X	X	X	X	
12. Uphold the right of all, without discrimination, to a natural and social environment supportive of human dignity, bodily health, and spiritual well-being, with special attention to the rights of indigenous peoples and minorities.				X		X	X	X	X	X	X	
13. Strengthen democratic institutions at all levels, and provide transparency and accountability in governance, inclusive participation in decision making, and access to justice.	X			X		X	X		X	X	X	
14. Integrate into formal education and life-long learning the knowledge, values, and skills needed for a sustainable way of life.				X		X	X	X	X	X	X	
15. Treat all living beings with respect and consideration.				X		X	X	X	X	X	X	
16. Promote a culture of tolerance, nonviolence, and peace.				X		X	X	X	X	X	X	
Corporation 20/20 Principles[10] for corporation redesign.												
1. The purpose of the corporation is to harness private interests to serve the public interest.				X		X	X	X		X	X	
2. Corporations shall accrue fair returns for shareholders, but not at the expense of the legitimate interests of other stakeholders.				X		X	X	X		X	X	
3. Corporations shall operate sustainably, meeting the needs of the present generation without compromising the ability of future generations to meet their needs.				X			X	X	X		X	
4. Corporations shall distribute their wealth equitably among those who contribute to its creation.				X			X	X		X		
5. Corporations shall be governed in a manner that is participatory, transparent, ethical, and accountable.	X			X		X	X					
6. Corporations shall not infringe on the right of natural persons to govern themselves, nor infringe on other universal human rights.				X			X	X		X		

Footnotes

[1] http://www.globalreporting.org/resourcelibrary/G4-Exposure-Draft.pdf

[2] http://theiirc.org/wp-content/uploads/2011/09/IR-Discussion-Paper-2011_spreads.pdf

[3] http://www.sasb.org/sustainability-standards/

[4] http://www.aristastandard.org/content_files/file/QS%202012/ARISTA30final09102012final.pdf

[5] http://www.unpri.org/about-pri/the-six-principles/

[6] http://www.naturalstep.org/the-system-conditions

[7] http://www.rmi.org/Natural++Capitalism

[8] http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html

[9] http://www.earthcharterinaction.org/invent/images/uploads/echarter_english.pdf

[10] http://www.corporation2020.org/