Towards A Definition of Organizational Sustainability: An Exploration of the Reporting of Organizational Performance for Sustainability Outcomes

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1. Introduction

A whole range of human social systems, vital for planetary flourishing, require verified information about the performance of human organizations. This information is used to make decisions: within the social systems which meet current needs and wants[1] (as currently understood), and which act to change those needs and wants and the social systems that meet them[2].

This paper explores the requirements for organizations to provide information concerning their sustainability outcomes as input to these social systems.

To do this I first review the history of organizational performance reporting relating to sustainability outcomes, touching briefly on the need to verify the information provided, i.e. ensuring the information provided by organizations is trusted, transparent, timely, and consistent and that it measures of the environmental, social, and economic outcomes of the organization over time.

Next I take my first steps towards my own working definition of overall and organizational sustainability, one of the components of my MES plan of study area of concentration (Upward, 2010). In light of these definitions, I then consider the implications for the measurement of organizational sustainability performance.

Finally, to start to apply my definitions in practice, I undertake a short critical review one of the more recent sustainability reporting and verification approaches – the B-Labs pre-cursor to the Global Impact Investor Network's (GIIN[3]) Global Impact Investment Rating System (GIIRS[4]) powered by the Impact Reporting and Investment Standards (IRIS[5]).

In this way I hope to make some small contribution to the definition and measurement of organizational sustainability, as well as provide a basis for my own subsequent research.

2. History

In 1993 noted management consultant and organizational academic Charles Handy, speaking as the then new chair of the British Royal Society for Arts, Commerce and Manufactures (RSA), asked a "seemingly innocuous question" 'what is a company for?' In the report which was subsequently produced in 1998 the "RSA asserted that business has an obligation to maintain its 'licence to operate', a privilege accorded by society through invention of the law of limited liability, and should respond to constituencies beyond its market-based partners, fulfilling a 'corporate social responsibility' ". The same RSA report went on to claim that " 'societies will become intolerant of the business community where it appears to put too large a gap between the creation of shareholder value and the creation of social value' " (Quoted in Doig, 2003, p.34).

A year later Kolk, in his review of environmental reporting felt it appropriate to states that "an environmental report fits in the development in which financial objectives are no longer the only important variables to firms" and that "the notion of stakeholders has emerged to complement, or according to a popular current in business literature, even to supersede the concept of 'shareholders' " (Kolk, 1999, p.226).

As Hubbard described in 2009, Kolk's idea was part of the broader development of "Stakeholder Theory" in the management literature in the 1990's (Germano, 2001; Hubbard, 2009). Supporting the idea that stakeholder theory has currency in working businesses today, a 2009 survey of companies who are members of Business for Social Responsibility (BSR) reported that 86% of respondents agreed that the "reputational benefits" of sustainability were increasingly important, and that these benefits were a more important driver than the tangible benefits of sustainability initiatives (BSR, 2009, p.12)! Further, 79% of BSR members agreed that stakeholder demands for sustainability initiatives were increasing.

When BSR members were asked what they should do in order to improve the trust of stakeholders in BSR member's sustainability initiatives two key actions were identified (BSR, 2009):

1. Create innovative products / business models designed for sustainability
2. Measure / demonstrate positive social and environmental impacts

This in turn begs the question on what basis should stakeholders' trust what companies do or say?

In the financial world the 3rd party verification of financial information is well established as a reliable way to establish the veracity of company's financial statements. Should the standard for verification be any different for other types of information? Discussing this matter, in the context sustainability, Roger Adams, Technical Director of the Association of Chartered Certified Accountants (ACCA) noted:

> *All organisations want to show themselves in the best possible light. ACCA believes that independent external assurance is a vital part of the credibility and trust building process. The role of independent assurance is to ensure that the reporter presents an account that is fair, complete, unbiased and relevant.* (quoted in AccountAbility, 2003, p.7)

In the introduction to a 2004 critical evaluation of leading edge sustainability reporting practice the authors noted that not only do "45% of the top 250 companies in the Global Fortune 500 now issue an environmental, social or sustainability report" (up from 35% in 1999), but that a growing proportion (approx. 30% in 2002) are verified by independent 3rd parties. In addition the report highlighted a 2002 KPMG finding that for "leading edge reporters, verification is significantly more prevalent" with "68% of the world's best sustainability reports feature some form of assurance statement" (Owen & O'Dwyer, 2004, p.3).

Indeed the recognition of the need for verified reporting on sustainability performance has moved on from whether it is necessary, to a debate about whether such verified reporting should be mandatory, and the pros and cons of integrating sustainability reporting into existing verified financial reporting processes (Dienel, 2010). Dienel, in her report of this debate, records that key issues in support of mandatory reporting are starting to emerge, and these include:

- The need to move to disclosures which are material to the company *and* to society, based on the significance of sustainability challenges. "We have to ask the question, why is the financial performance of companies given greater importance in law than sustainability performance?"
- The idea that it would be competitively unfair for some companies in some markets to be forced to report and other companies in other markets to be able to take a "free ride".
- The notion that "reporting drives changes in companies and raises the profile of sustainability issues in boards and among CEOs" and hence increases the likelihood, scope and depth of meaningful action.

But all this interest and activity raises a further question: on what basis should the verifiers of sustainability reporting establish their own trust? The comprehensive 2004 report "The Future of Sustainability Assurance" suggests that "only assurance that ensures that more than lip service is paid to stakeholder engagement, and that measurement and management systems are able to translate this into learning and innovation, will be able deliver the requisite performance changes" in organizations to enable them to achieve sustainable outcomes (Zadek & Raynard, 2004, p.8).

The same report goes on to suggest that in order to engender and sustain the broadest level of trust across the broadest collection of companies and their respective and collective stakeholders will require:

1. Standardized assurance methodologies and standards that provide "normative frameworks, management standards or processes and reporting standards" for ensuring the veracity of organizations claims of sustainability.

2. The methodologies and standards to include multiple levels of assurance covering: data, systems, materiality/risk, and compliance/responsiveness, as well as supplying appropriate commentary on past actions and results and organizations' future goals and actions.

To this I would suggest that transparency in the methodology itself and the process of its development and evolution will also be critical to the trust building and sustaining process.

However, in reviewing all this progress towards verified reporting on organizational sustainability it seems to me that the cart is being put before the horse. What exactly is being measured, reported on and verified? Is the thing being measured really related to organizational sustainability or is it just some minor evolution of existing (mainly economic) measures?

In order to address this observation I proceed as follows: First I discuss and establish a working definition of sustainability in general and then specifically in the organizational context. I will then proceed to use these definitions to review some of the current thinking on the measurement of sustainability. I conclude with a short critical review of one of the more recent sustainability reporting and verification approaches.

3. Defining Sustainability

From the myriad proposed definitions of sustainability I suggest that the following definition has a unique combination of attributes that give it a multi-dimensional and systemic power:

> *The possibility that human and other life will flourish on the planet forever*
> (Ehrenfeld, 2008, p.6)

Let me justify my selection and observations of this definition for this discussion as follows:

Firstly this is a definition of sustainability that makes sustainability an aspirational goal. This creates the space for the actions needed to accomplish the goal of sustainability.

Next, this definition explicitly picks up on the systemic and complex systems requirements of sustainability: “flourishing, like many other desirable qualities, is an emergent property. It has a no thing-like character. It’s like health, or liberty, or freedom: It appears only when the whole system is functioning properly” (Ehrenfeld, 2008).

In addition this definition is well aligned with the now widely acknowledged physical, biological and social reality that the economy exists within and to serve society, and that society exists and can only thrive if it acknowledges the bio-physical limits of the planet earth (Victor, 2008).

Further, building on its aspirational nature, this is a positive definition of sustainability. It has the ability to engage the full range of human range of creativity. Adapting and integrating ideas from McDonough and Braungart (2002), I believe the ‘possibilities’ encompassed in this definition could include:

- Abundance within limits not scarcity amongst plenty
- Everyone and everything forever not just me, now
- Flourishing by being not surviving by having
- Positively contributing not doing less damage
- Enduring not failing
- Diversity not homogeneity
- Happiness not worry
- Precaution not unthinking action
- Confidence not uncertainty and distrust

Finally, additional support for this approach to defining sustainability comes from following sources.

- Overall sustainability needs to be connected to human flourishing, i.e. happiness. This idea of happiness or well-being as an overarching goal for public policy is gaining currency (Dimou & Upward, 2010; Layard, 2006; Lintott, 1998).

- An aspirational definition explicitly allows for learning, which is well recognized as critical to attaining goals of all kinds, e.g. the Plan-Do-Check-Act cycle in Total Quality Management (Deming, 1986), and the systems thinking concept of the Learning Organization (Senge, 1990).
- This definition implicitly recognizes that specifics of sustainability will change:
  - Based on place
  - As our knowledge and understanding grows, there by acknowledging the need for humans to be humble in the face of an unkowable future

With this proposed definition of overall planetary sustainability I now proceed review existing definitions of organizational sustainability, and propose a definition of my own.

4. Towards a Definition of Organizational Sustainability

The term Corporate Social Responsibility (CSR) has come to have much currency over the past 20-30 years. Dating back to at least 1971, CSR suggests that corporations' "enlightened self-interest" would be best served by making "social contributions" (Doig, 2003, p43).

However as a definition of organizational sustainability I found that the definitions of CSR reviewed lack, often in significant ways, one or more of the elements of overall sustainability described above. As Doig observed in her review of models of CSR they either: "focus first on the economic responsibility to survive by making a profit, with social, ethical and legal responsibilities meriting only secondary importance", or "emphasise the primacy of moral standards over the economic" (Doig, 2003, pp.45-46). Indeed, in the conclusion of her review of CSR literature Doig acknowledged that in the definitions of CSR she reviewed the term sustainability was used only in its "conventional sense meaning continuity". Further she commented that since the emergence of the environmental movement sustainability now has additional meanings that are now in common usage, but which is not acknowledged in the definitions of CSR (Doig, 2003, p.54).

Building on the criticised Brundtland Commission definition of sustainable development (WCED, 1987) Hockets, substituting stakeholders for wider society, suggests the following, now widely used, definition of corporate sustainability:

> *any state of a business in which it meets the needs of its stakeholders without compromising its ability also to meet their needs in the future. A company has to ensure that its operations are sustainable in regard to its economic, social and environmental performance (Hockerts, 1999, p.31)*

In 2005 Bansal, while not explicitly citing Hockerts, was still working within the Brundtland sustainable development frame, when she suggested that "corporate sustainable development" consisted of:

1. "Environmental integrity through corporate environmental impact … to reduce … their 'ecological footprint' "
2. "Social equity through corporate social responsibility … for all stakeholders"
3. "Economic prosperity through value creation". (Bansal, 2005, pp.199-200)

This definition is clearly more encompassing than the definitions of CSR reviewed, but it remains fundamentally problematic: the common understanding of the word "development" is oxymoronic when coupled with the word "sustainability" in the context of a planetary system which imposes ultimate limits (Ehrenfeld 2008, p.6).

While in general use, attempts have been made to correct or improve Hocket's and Basal's definitions of organizational sustainability definition. For example Blackburn, a consultant and former CEO of the US$10 billion Baxter Corporation, writing in his "Sustainability Handbook" was considerably more explicit about the meaning of sustainability for organizations. Blackburn's definition stands in contrast to the definitions of CSR and sustainable development:

> *from the perspective of an organization, sustainability is about establishing and <u>sustaining</u> over the long term the type of organization desired by its key stakeholders—its owners and investors, managers and employees, communities and governments,*

> *customers and suppliers, and interested environmental and social groups, among others. It is about addressing the **2Rs:** Respect and Resources—respecting people and other living things while at the same time wisely managing economic and natural resources to achieve the long-term well-being of the organization and society.* (Blackburn, 2007; Blackburn, 2009)

As the understanding of overall sustainability outlined earlier permeates the business world, an improved understanding by business leaders and academics of the absolute nature of sustainability is beginning to emerge. This understanding tends to substantively contradict the definitions of both CSR and sustainability development. Writing in late 2009 Hollingworth wrote in the Ivey Business Journal:

> *When asking ourselves whether something is "sustainable," we should be asking ourselves the following questions: Is it maintainable? Can we endure it? Over the long-term are our resources being depleted or permanently damaged? These are closed questions demanding a "Yes or "No" answer. There is no room for malleability. Something cannot "increasingly sustainable" or "more sustainable." It either is sustainable or it is not.* (Hollingworth, 2009)

Hollingworth develops an overall model of sustainability which is well aligned with the earlier definition of overall sustainability. For example Hollingworth's definition of organization sustainability includes aspects such as:

- The ability of the organization as an entity of endure over time
- The social, bio-physical and economic impact of employees activities related to working for the organization
- The contribution of the organization to the flourishing of the "community / society and ethno-sphere"
- The social, bio-physical and economic impact of employees lives outside work.

It is under this last heading that Hollingworth starts to consider what I believe is the critical problem with all the above definitions. That is: how can you define sustainability of one

organization when an organization is only one very small, albeit highly complex sub-system of our society and the bio-physically limited planet?

In their conclusion to a December 2009 editorial of Business Strategy and the Environment "Trade-offs in Corporate Sustainability" Hahn et. al. seem to come close to this realization when they say:

> *we are convinced that truly proactive corporate sustainability strategies are those strategies that do not shy away from taking into account conflicts, but rather accept trade-offs for the sake of substantial sustainability gains at the societal level* (Hahn, Figge, Pinkse, & Preuss, 2010, p.266).

In his article Hollingworth does start to explore this broader issue with defining organizational sustainability, but he does not explore and develop these ideas and their implications for a definition of organizational sustainability which is aligned with my earlier definition of overall sustainability. For example, he introduces the idea that the sustainability of employee's broader lives must be considered when considering organizational sustainability, and goes on to introduce but not conclude on the implications of topics such as: the definitions and perceptions of employee success and dissatisfaction at work, employee wealth and debt, the contrast between positions which employees need vs. desire, employee happiness, financial security and debt, health and illness, and relationships with family and friends.

However, while (or perhaps because they were) not publishing in a mainstream business academic journal, some organizational and environmental researchers have identified the system within a system problem. Richards and Gladwin, writing in 1999, stated "the sustainability analyst [needs to be forced] into the realm of systematic interaction and aggregation, for conditions of sustainability reside of properties of 'wholes' that are something different or more than the sum of their parts". Giving a specific example they go on to write

> *to determine … whether the emissions from one factory are ecologically sustainable, one would first need to know, or at least be able to make reasonable estimates of, the conditions and assimilative capacities of all ecosystems receiving those emissions, the*

> *character of all other disturbances flowing into those systems, the synergistic interactions among all the resulting stresses and biotic process and so on.* (Richards & Gladwin, 1999, p.17)

So in concluding this section let me bring these ideas together and attempt a first definition, within my overall MES plan of study (Upward, 2010), of organizational sustainability, one which is aligned with the earlier definition of overall sustainability of human and other life on a planet which imposes ultimate limits:

> An organizational is sustainable when all of its behaviours and all the behaviours of all other relevant social, economic and biophysical actors[6,7] lead to the possibility that human and other life will flourish on the planet forever.

5. Measuring (Organizational) Sustainability

Both the discussion so far and my definition of organizational sustainability throw up a large number of theoretical and practical issues when it comes to measurement of the sustainability of a single organization. For example:

- If Hollingworth is correct that an organization is either sustainable or not, how do we account for the reality that our natural, social and psychological scientific understanding of sustainability is incomplete at this time (and will likely always remain so, albeit hopefully in diminishing levels of detail). In other words how do we account for the human learning process mentioned earlier in the discussion of overall sustainability?
- If I am correct that an individual organization cannot declare itself to be sustainable by itself without reference to "all other relevant social, economic and biophysical actors", it is going to be very difficult (perhaps even theoretically impossible) for an organization to take any measurement of itself or its impacts which would "prove" it is sustainable.

Although not considering these specific issues, but rather arguing from a more general perspective, Ehrenfeld states that since sustainability is an emergent property of a complex

system, it is “like beauty [in that it] depends on the beholder’s singular set of values and so [is] never capable of being reduced to quantitative measures” (Ehrenfeld, 2008).

Ehrenfeld suggests that his observation might appear “to be a major obstacle to the usefulness of [sustainability as a concept]”. However, while not offering a clear solution, Ehrenfeld believes his observation causes a critical realization and hence a necessary change in behaviours and measurement. Since “management implies knowledge of the intricate laws that govern the way a system works” and since “it becomes impossible to predict exactly what will happen [in a complex system] when something perturbs [such a] system” “prudent managers are moving to a form of adaptive management” where “more monitoring and flexibility in follow-up actions will be needed”.

So these various conceptual problems do not imply that measurement of organizational sustainability will not be required. Rather it shifts measurement from providing absolute information, to being a critical part of a broader system of organizational learning about sustainability. Again this view is well aligned with the learning organization concepts described by Senge and others.

But even this approach isn’t without its challenges. Richards and Gladwin writing in 1999 draw on work by the National Academy of Sciences to define the shift in the types of measures which will be required to measure organizational sustainability which I believe are conceptually within Erhenfeld’s broad idea of adaptive management (See Table 1 below).

Commenting on these measures Richards and Gladwin state that they “involve large uncertainty, extraordinary detail, and dynamic complexity” which imply “that it will be some time before the notion of sustainable industrial performance finds translation into operationally measurable metrics displaying the requisite realism, precision, generality and societal consensus.” (Richards & Gladwin, 1999, p.17).

Existing Pollution Prevention and Eco-Efficiency Metrics	**Required Sustainability Metrics** (aligned with overall definition of sustainability)
From metrics of:	To metrics of:
Load	Impact
Direction	Target Zone
Physical / Chemical	Biological / Ecological
Discrete / Static	Systematic / Dynamic
Natural	Social

Table 1 (Richards & Gladwin, 1999, p.18)

Before concluding this discussion, I found one other more radical perspective on measurement from McDonough and Braungart which is implied by the definition of overall and organizational sustainability introduced above. They implicitly suggest that the reason we are so concerned with measurement is because we are wrapped up in limits. In turn this means we need detailed measurement of organizational activities to ensure we can take steps to prevent an organization from reaching or exceed those limits.

They suggest that a plan of action which fully exploits the possibilities described earlier would remove the need to be concerned with how much an organization is preventing sustainability from emerging. In their view, if we focused our organizations on ensuring they positively contributed to the environment, society and the economy, measurement would cease to be required to ensure organizations "do no harm". Instead measurement would 'only' be required to assess how much human activities were *contributing* to sustainability. Summarizing their perspective: if by design "buildings like trees produce more energy than they consume, factories produce effluents that are drinking water, and products that can become biological or technology nutrients, etc." measurement ceases to become a requirement for ensuring sustainability, but moves to a measure of sustainability that emerges by design (McDonough, 2002, pp.90-91).

With all this in mind, it seems to me that currently the best we can say about measurement of sustainability is that organizations should contribute as much information about the *possibilities* they are *creating* which contribute to broader emergence of overall sustainability.

6. Example of a Recent Sustainability Performance Reporting (and Verification) Standard

In the first quarter of 2011 the Global Impact Investors Network (GIIN[3]) will be launching the Global Impact Investor Reporting System (GIIRS[4]) powered by the Impact Reporting Investment Standards (IRIS[5]). This method, standard and tool are an evolution of the existing B-Labs B-Corporation Certification survey tool and report which I used in practice this term. Please see Appendix A for the background on GIIN, GIIRS, IRIS and their B-Labs precursor which was written as part of this work.

As a very recent example of a Sustainability Performance Reporting (and Verification) Standard I wanted to conclude the paper by considering how the existing B-Labs approach (and hence to some degree the emerging GIIRS/IRIS approach from the GIIN) fits with my definition of organizational sustainability, and if / how it deals with the problems related to measurement discussed above.

In working with the B-Labs approach it is clear that it has a number of aspects which are aligned with the overall definition of sustainability given earlier. The B-Labs survey asks organizations 200 questions about their use of a number of key patterns that if well applied are known to increase the possibilities for sustainability to emerge. In taking this approach the B-Labs survey builds in some aspects of the definition of organization sustainability and the requirements for its measurement.

For example, some of the patterns used by the B-Labs survey are:

- Accountability, including patterns regarding inclusivity and independence of governance and transparency
- Employees, including patterns regarding compensation (i.e. ratio of highest to lowest salary) & benefits (e.g. healthcare, child care, etc.), employee ownership and work environment (involvement in decision making)
- Consumers, including patterns related to how an organization's product or service is directly beneficial to the community in which it operates
- Community, including patterns related to suppliers (locality, diversity of ownership), involvement in charity and community service
- Environment, including patterns related to facilities (LEED), energy use (carbon intensity, and renewables), supply chain and manufacturing (transportation costs, environmental and social costs of inputs and wastes).

However, there are also clearly limitations with the B-Labs approach in terms of its ability to measure organizational sustainability as defined above. Firstly, it is not clear whether the patterns are exhaustive or exclusive. In other words, are there other patterns which are required or could also lead to sustainable outcomes emerging? Secondly, although some of the patterns implicitly recognize the system within a system nature of organizational sustainability, there appears to be no explicit consideration of this concept. Lastly, it is far from clear that the metrics underlying the survey questions take into account many of the complex issues of measurement discussed earlier. Significantly more work would be required to reach a useful conclusion on this point.

Back in 1999 World Resources Institute stated that sustainability metrics for business are all "struggling with the difficult challenges of complexity, comparability, credibility, and completeness" (quoted in Richards & Gladwin, 1999, p.18). This brief analysis of the B-Labs approach to the measurement of organizational sustainability indicates that this observation is still true some 10 years later.

However, despite its drawbacks, the B-Corporation certification survey tool and report (as the precursor to GIIRS and IRIS) appears to be one of the better approaches for the evaluation and comparison of the environmental and social performance of companies. From my experience, their approach is better aligned with the proposed definition of organizational sustainability than other tools and approaches. However, while it is better aligned, it is clearly not valid to attempt to draw any *absolute* conclusions concerning the sustainability of an organization by using the B-Lab metrics. Indeed attempting to do so would be misleading based on my definition of organizational sustainability.

7. Final Thoughts

Even the latest tools which claim to attempt to measure organizational sustainability fall far from being even necessary, let alone sufficient, based on my definition of organizational sustainability. However, this does not lessen either the importance of the attempt nor the urgency of the learning to create improved approaches (Richards & Gladwin, 1999, p.20).

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9. Appendix A - Background on the Impact Reporting and Investment Standards (IRIS) and the Global Impact Investment Rating System (GIIRS)

Introduction

This section is significantly based on my contribution to a group project in the course BS/BSUS6500 – ES/ENVS5113 Business Strategies for Sustainability which I took this term at the Schulich School of Business. The group project prepared a report for a fictitious "green" investment fund company "GreenFund" on a real company of the teams choice, and concluded whether or not that company should be invested in by the money's entrusted to GreenFund by its customers.

A major part of this work was to identify and use a methodology for assessing the financial, environmental and social sustainability of the selected company. Our team chose to use traditional approaches to financial / strategic sustainability (e.g. traditional financial indicators plus Porters Five Forces Model), and selected the currently available version of the GIIRS powered by IRIS (the B-Labs B-Certification Survey Tool and Benchmark).

The following material was written to describe the background and history of the GIIRS, IRIS and B-Labs schemes.

Background

The Benefit-Corporation (B-Corporation) certification system was launched in 2006 with the founding of the non-profit organization B-Labs. The long term objective of B-Labs founders was to create a new type of corporation which unlike existing corporate legal structures would enable shareholders, boards of directors and management to work to triple bottom line objectives without fear of legal sanction from shareholders (as is the case with existing corporate legal entities in the United States, e.g. S-Corps and C-Corps). As of the time of writing 327 corporations have received B-Corporation certification and 2 U.S. States (Maryland and Vermont) passed Benefit Corp legislation to create this new corporate form (B-Labs, 2009; B-Labs, 2010a).

In addition to the legal barriers which B-Labs set out to remove, another significant problem for businesses wishing to pursue a triple bottom line is how to find similarly minded investors and financiers and vice versa.

Investing and financing triple bottom line companies is becoming known as "Impact Investing" which aims "to solve social or environmental challenges while generating financial profit" (B-Labs, 2010b; GIIN, 2009b). To investigate this and related problems in 2007 and 2008 the Rockefeller Foundation opened discussions with 40 global investors. Solutions were discussed and on Sept 25, 2009 the Global Impact Investor Network (GIIN) was officially launched by former President Bill Clinton to execute the solutions proposed (GIIN, 2009a). During this process, B-Labs, who recognized the same need for B-Corporations to find investors and financiers, became a partner of GIIN.

One part of the problem the investors identified was "a lack of transparency and credibility in how [companies and investment] funds define, track, and report the social and environmental performance of their capital." The investors felt that the "scarcity of consistent credible non-financial performance information also prevented fair comparisons between impact investing opportunities, social and environmental performance benchmarks, and other aggregate industry analyses" (GIIN, 2010b; Jones, 2009).

One of the key solutions proposed to help businesses who are attempting to become 'sustainable' and impact investors find each other was the creation of a standard framework for assessing social and environmental impact of companies, tools to measure companies, and a database of bench marks to allow investors and companies compare performance. This solution was modelled on the similar structures which already exists for the measurement and comparison of financial and economic performance (e.g. GAAP, SEC, SOX, and rating agencies). As Matt Krogh from B-Labs stated "Think Standard & Poor's ratings agency but for social and environmental impact" (Krogh, 2010).

In the spring of 2009 GIIN hired Deloitte and PwC were hired to starting work on GIINs environmental and social reporting standard which became known as the Impact Reporting and Investment Standards (IRIS) (GIIN, 2010b).

However, for rating standards to provide results that are useful they need to be embedded in a reporting system to ensure companies don't just use the standard to tell "its own story in terms of sustainability and social impact, picking and choosing which metrics to report and failing to put them in any context" (Krogh, 2010).

Indeed this is the largest criticism of perhaps the most well known existing Corporate Social Responsibility reporting standard the Global Reporting Initiative (GRI). The GRI standard has been in existence since 1997, is now used by over 1,500 organizations, and is fully supported by the United Nations Environment Program (UNEP) (GRI, 2008; Hill, 2007). The Global Reporting Initiative itself recognizes its limited application to "rating and ranking" of companies "it is GRI's policy not to be a judge of performance, but it is clear that there is a need for the development of powerful new ratings and rankings" (GRI, 2010, p36).

In response to these problems the founders of GIIN realized that IRIS alone was not sufficient for to solve the rating and ranking issue for companies and investors. To solve this problem GIIN needed a system which would allow the IRIS to be deployed consistently. Since B-Labs already had a consistent process and tools for certifying B-Corporations, GIIN partnered with B-Labs to create the Global Impact Investment Rating System (GIIRS).(Arf, 2010; B-Labs, 2010e).

Currently 25 organizations (B-Labs, 2010d) like Investors Circle ("a network of 150 angel investors, professional venture capitalists, foundations and family offices are using private capital to promote the transition to a sustainable economy)" (Investors Circle, 2010), are planning on using GIIRS as their metrics partner.

IRIS and its instantiation in the GIIRS are not operational at this time. The formal GIIRS rating for companies will start in Q2 2011 (B-Labs, 2010c) and the IRIS benchmark database is planned to be launched in early 2011 (GIIN, 2010a)., however, samples of the expected full GIIRS report based on IRIS, including bench marking, is available (Appendix B) The significant similarities to the existing B-Corporation certification report make apparent the GIIRS heritage in the B-Corporation tools.

10. Appendix B – Sample of Proposed GIIRS Report Powered by IRIS

EMERGING MARKETS
COMPANY IMPACT RATING REPORT

GIIRS
IMPACT RATING
★ ★ ★

Company name:

Primary Solutions

Current Rating: 61%

We provide every company with the opportunity to include a management letter with their rating that provides additional context for investors on the company's GIIRS rating.

Dear Socially Conscious Investor,

Thank you for your interest in Primary Solutions. Primary Solutions is committed to developing products that serve the healthcare industry in East Africa (Primary markets is Tanzania). In Tanzania there are 2 doctors for every 100,000 patients. South Africa by comparison has 77 doctors per 100,000 patients. Because of the low ratio of doctors to patients, many patients go without adequate medical care in Tanzania.

The Primary Solutions social and environmental responsibility program includes: maintaining an employee satisfaction program that ensures that doctors, nurses, and caregivers that we employ have a workplace they enjoy coming to and are loyal to and providing low cost health care services to people who would not have access to health care otherwise. We are proud that both our employee retention numbers and the number of low-income patients that we serve continue to increase year over year.

Primary Solutions earned 61% of the available points on its GIIRS rating. While we are proud of our employee rating (80%) and products and services rating (60%), we recognize that we can make further improvements in the future in our community engagement practices. In the next fiscal year, we intend to implement both a community service (providing free health education seminars) and a charitable giving program (donating to HIV education programs) to improve our company's community relations.

Sincerely,

Yvonne Eidler
President & CEO

EMERGING MARKETS
COMPANY IMPACT RATING REPORT

GIIRS IMPACT RATING
★ ★ ★

Company name:

Primary Solutions

Current Rating: 61%

Generated from weighted answers to 170 question on-line GIIRS Survey. The GIIRS survey assesses a company's impact on each of its stakeholders over time.

Social and environmental performance ratings comparable across geography, industry and company size.

COMPANY PROFILE

Date Founded:	01/01/06
Location:	Tanzania
Sector:	SGB
Industry:	Health
Products/Services:	Primary Healthcare Services
Website:	www.primarysolutions.com

COMPANY RATING DETAILS

	% Points Available
Accountability ★★★★★	**65%**
Governance/Accountability	88%
Transparency/Reporting	80%
Employees ★★★★½	**80%**
Compensation & Benefits	90%
Employee Ownership	55%
Work Environment	81%
Consumers ★★★★★	**60%**
Beneficial Products/Services	50%
Serving Those in Need	71%
Community	**27%**
Local	36%
Diversity	24%
Charity/Direct Service	26%
Environment ★★★★★	**72%**
Corporate Offices	61%
Transportation/Distribution	75%
Manufacturing Facilities	80%
Overall Rating	**61%**

Powered by B Lab

EMERGING MARKETS
COMPANY IMPACT RATING REPORT

GIIRS IMPACT RATING
★ ★ ★

Company name:

Primary Solutions

Current Rating: 61%

This page will feature individual key performance metrics that investors tell us are their top priority in reviewing a company's social and environmental performance.

To access a company's answer to all of the questions in the B Impact Rating System an investor can subscribe the GIIRS database.

The company also has the opportunity to share their company's stated mission and highlight metrics (both from within and outside the ratings system) that show how the company's social and environmental performance reflects its stated mission.

KEY PERFORMANCE INDICATORS

Sector:	Services
Jobs Growth (last year):	33%
Wage Growth:	10%
Revenue Growth:	11%
Net Income Growth:	25%
Number of Customers:	10,000
Local Suppliers Support:	15
% Carbon Footprint Offset:	50%
Industry:	Healthcare
% of low income customers served:	19%
# of patients served annually:	10,000
# of caregivers employed:	750

COMPANY MISSION

Primary Solutions provides a sustainable livelihood for its employees (employing local doctors, nurses, and caretakers), while establishing primary health care services for people, who previously did not have access to healthcare.

COMPANY HIGHLIGHTED MISSION METRICS

% of facilities in low income communities:	85%
% of female customers served:	80%
% of products reclaimed or recycled:	60%
Ratio of highest to lowest paid employee	5 to 1
% of employees paid a living wage:	100%
Job Growth (year over year):	20%

Powered by B Lab

EMERGING MARKETS
COMPANY IMPACT RATING REPORT

GIIRS IMPACT RATING
★ ★ ★

Company name:

Primary Solutions

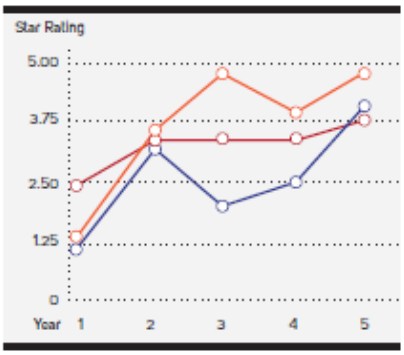
Current Rating: 61%

Investors can use the charts to compare a fund's performance on the GIIRS Assessment with its peers' performance. Investors also have the option to subscribe to the GIIRS database to be able to conduct customized benchmarking on funds and companies vs. their peers on their overall rating, subcategory ratings, and answers to individual questions.

Powered by B Lab

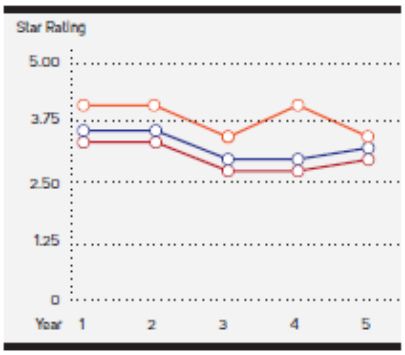
Health First GIIRS Ratings vs. Peer GIIRS Ratings

OVERALL RATING



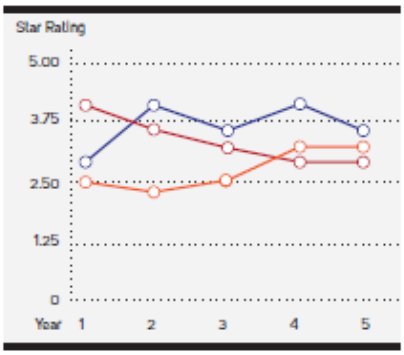
- Primary Solutions Star Ratings
- Peer Star Ratings in Peer SGB
- Peer Star Ratings in the Health Sector

ACCOUNTABILITY RATING



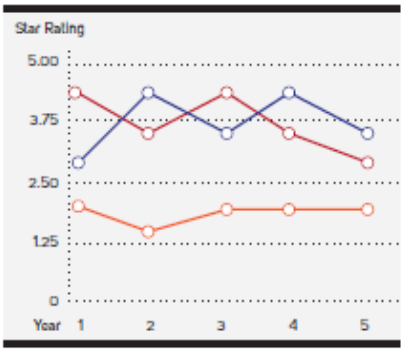
- Company Ratings
- Peer SGB Star Ratings
- Peer Star Ratings in the Health Sector

EMPLOYEE RATING



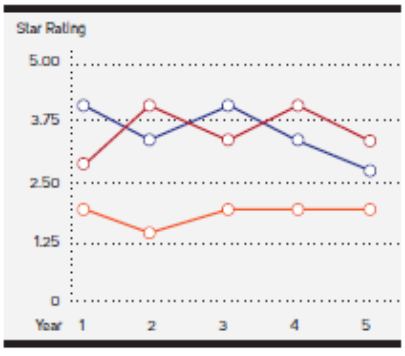
- Company Ratings
- Peer SGB Star Ratings
- Peer Star Ratings in the Health Sector

CONSUMER RATING



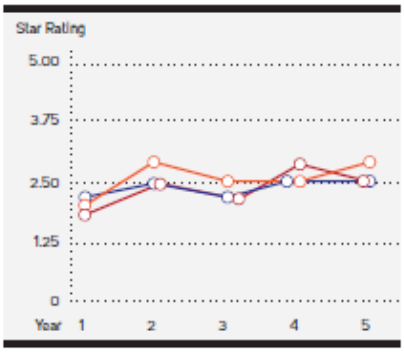
- Company Ratings
- Peer SGB Star Ratings
- Peer Star Ratings in the Health Sector

COMMUNITY RATING



- Company Ratings
- Peer SGB Star Ratings
- Peer Star Ratings in the Health Sector

ENVIRONMENT RATING



- Company Ratings
- Peer SGB Star Ratings
- Peer Star Ratings in the Health Sector

11. Notes

[1] Examples of social systems which meet current needs and wants include: finding investments to make, finding sources of funds to borrow from, choosing which products or services to buy/consume, choosing whether to volunteer/become involved/contribute, choosing whether and with whom to seek employment, choosing whether to sell/offer products and services to another.

[2] Examples of social systems which act to changes needs, wants and the social systems that meet them include: government (via policy development and implementation), non-governmental actors (NGO's, including political parties, environmental and social groups), and companies (via the media / marketing activities).

[3] Global Impact Investor Network (GIIN) http://www.thegiin.org

[4] Global Impact Investment Rating System (GIIRS) http://www.giirs.org/about-giirs/about.

[5] Impact Reporting and Investment Standards (IRIS) http://iris.thegiin.org

[6] I am using Activity Theory in this definition, without a full understanding of this theory. I hope to confirm this is an appropriate theoretical approach in the course ES/ENVS 6103 Perspectives in Environmental Sociology I will be taking next term. In this course I will also be looking to explore the applicability of what I currently understand is a related theory: Activity Network Theory (ANT).

[7] I am aware that I am building on the idea of the "holon" (i.e. parts of a system that as also systems) which I understand was first described by Arthur Koestler in his work "The Ghost in the Machine".