



S-BARSM Sustainable
Business Achievement Ratings

Creating the path forward

PROJECT SUMMARY

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1. S-BAR: Project Summary

From internet communications protocols, to kosher and organic food standards, to monetary systems and stock markets in newly emerging economies – creation of any new market requires standards and norms. Currently, the growth of the sustainable business industry is critically hampered by the lack of such standards, and the marketplace confusion that results.

With no standards for what constitutes a “sustainable business”, companies have no consistent set of benchmarks to determine how good is “good enough” when it comes to customer and stakeholder expectations. Customers – businesses, government agencies, and consumers – face a daunting patchwork of unregulated and inconsistent claims about companies’ environmental and social performance. The result is that customers are wary and confused, and companies are unclear as to which are the “right” actions to take.

The Sustainable Business Achievement Rating system – S-BAR – creates the pathway forward. It is the first comprehensive system with a market-based, broadly applicable and transparent means of assessing a company’s environmental, economic and social performance.

Over the next five years, S-BAR will:

- Develop and standardize the concept of what it means to be a “sustainable business” so that it is an understood and attainable goal
- Establish a unified standard developed by a transparent, consensus-driven stakeholder process, incorporating and building on appropriate existing ratings systems
- Create and implement “good-better-best” standards covering five key business sustainability indicators: **Governance and Management; Environment; Workplace; Marketplace;** and, **Community**
- Create a common vocabulary between companies and suppliers for what “sustainable business” means
- Provide customers – business and institutional buyers as well as individuals – the tools to make informed purchasing decisions
- Provide “good-better-best ratings” to encourage learning and growth
- Provide a means of rewarding leadership companies in the marketplace

These outcomes will be measured by:

- Number of US businesses, representing a significant percentage of market share, achieving S-BAR certification
- Number of US institutional purchasers representing a significant percentage of total purchases, using S-BAR as a purchasing screen
- Positive correlation between S-BAR certification and such company metrics as market share and stock performance
- Number of companies using S-BAR as a tool for learning and continuous improvement

Using an Internet-based format, the S-BAR process and certification system will provide a cost-effective, comprehensive, transparent and user-friendly tool offering instant feedback, fast-track learning, evaluation and market-segment comparisons.

2. Situation Analysis

Significant marketplace segments are demonstrating increasing interest in sustainable businesses and practices. Many federal, state and local government agencies, as well as universities, corporations and major nonprofit organizations now give buying preference to “environmentally preferable” products. A number of large companies – including Bank of America, Boeing, IBM, Hewlett Packard, IKEA, Johnson & Johnson, Nike, S.C. Johnson, Staples, Starbucks, and Toshiba – have integrated environmental and social considerations into their procurement decisions. Socially responsible investing is now an approximately \$3 trillion market in the United States alone, with investors seeking competitive returns from companies deemed to be “responsible.”

Business organizations – from traditional trade associations to smaller, values driven organizations, are voluntarily adopting proactive environmental and social policies – and are seeking recognition in the marketplace for doing so. Surveys and market trends show that a significant number of individual consumers want to purchase from companies with strong environmental and social commitments and practices.

The creation of any new market requires standard and norms. Examples range from Internet communications protocols, to kosher or organic food standards, to monetary systems and stock markets in newly emerging economies. Currently, the growth of the sustainable business industry is critically hampered by the lack of such standards, and the marketplace confusion that results. Companies have no consistent set of benchmarks to determine “how good is good enough” and customers – businesses, government agencies, and consumers –

face a daunting set of unregulated and inconsistent claims when making buying decisions. The result is that customers are wary and confused, and companies are unclear as to which are the “right” actions to take.

Since the 1990s, government, industry, and nonprofit entities have created dozens of voluntary environmental and social standards that focus on products, facilities, and company operations. These cover a wide spectrum of policies, practices, and performance on such issues as marine and forest stewardship, energy efficiency and climate reduction, sweatshop labor and worker rights, business ethics, minority purchasing, community investment, board diversity, and many others.

Some of these -- such as the LEED green building standard, the Energy Star label, the Ethical Trading Initiative, the Global Reporting Initiative, the ISO 14001 environmental management standard, the SA 8000 human rights standard, and the United Nations Global Compact -- have become widely implemented and recognized. There are hundreds of other standards at the global, national, regional, and local levels.

However, while many of the pieces are in place to identify “good” companies, they are neither comprehensive nor add up to a coherent whole. As a result, there is no means for customers and consumers to know the full measure of a company’s environmental and social performance. And companies have no means of understanding and undertaking the full complement of society’s growing expectations of them to be environmentally and socially responsible.

S-BAR bridges this gap by creating a standards framework that incorporates and builds on learnings and systems created over the past two decades by hundreds of nonprofit organizations, trade associations, academic institutions, and government agencies. In the process, S-BAR creates a level playing field – a unified calculus that answers the questions: “How good is ‘good enough?’” “How good are we now?” and “What will it take for us to be viewed credibly as a ‘sustainable business’?”

3. Progress to date

Established in Fall 2004, the S-BAR team has completed the first of the three phases needed to launch the rating system.

& Budget Summary

In **Phase One**, the conceptual framework was developed and tested with business and sustainability leaders; the outline of the Certification Tool and the initial question set and software specifications were created. Twenty-four companies, ranging in size from five to over 10,000 employees and representing service, retail, commercial and

manufacturing for- and non-profit industry sectors participated in the development of the Certification Tool outline. To date, over 25 companies have requested to be beta-testers for S-BAR.

Phase Two, currently in progress, focuses on the development and refinement of the standards using intensive research, analysis, and a consensus stakeholder process. **Phase Three** focuses on beta testing, target market development and roll-out preparation.

Phase One has been supported by \$100,000 in start-up funding from the Alameda County Waste Management Authority (ACWMA) in California. An additional approximately \$80,000 of in-kind support has been provided by the ACWMA in staff time, media and public relations and administrative support, along with Leadership Team contributions.

Phase Two funding is currently budgeted at \$350,000, with \$25,000 committed to date. The budget for Phase Three is being developed, along with the actual roll-out and evaluation component.

An estimated \$1,800,000 (contributions and in-kind services combined) is budgeted for Phases One through Three (project inception to implementation). Of that, currently \$125,000 has been granted or committed and an additional approximately \$80,000 of in-kind support has been provided. Once fully operational, S-BAR will be supported by generated income.

Much as LEED, GRI, and Energy Star have done to maximize early adoption, S-BAR has prioritized its target markets:

- A. Federal, state and local government procurement
- B. Institutional procurement including universities, hospitals, and large nonprofits
- C. Corporate procurement and supply-chain management
- D. Direct consumer sales

4. History of S-BAR

In 2004, a bill was introduced in the California State Legislature giving state procurement preference to "sustainable businesses." That bill failed – in large part because of lack of agreement as to what constitutes "sustainable business."

At the same time, a public-private partnership of businesses and agencies in California working on environmental and other sustainability issues began to focus on the question of how to develop a standard to define "sustainable business." The partnership examined

ways to develop a "level-playing field" ratings system to provide ratings, benchmarking, and learning opportunities to help companies improve their environmental and social performance.

Leaders in the sustainable business field came together to develop such a standard, modeled in part on the marketplace success of the LEED (Leadership in Energy and Environmental Design) green building standard. In Fall 2004, the S-BAR Leadership Team was established.

5. Leadership and Expertise

The **Leadership Team** provides core project management and intellectual capital development, and collectively represents more than a century of experience and expertise in the areas of sustainable business practices, market transformation, and business systems.

The **Consultant Team** provides specific expertise in key areas.

Currently under development, the **Advisory Council** will include national leaders in the field of sustainable business.

A series of **Stakeholder Councils** provide deep expertise and feedback on S-BAR's five principal domains: Governance and Management; Environment; Workplace; Marketplace; and, Community.

S-BAR is housed within the National Environmental Education and Training Foundation, a 501(c)3 nonprofit chartered by the U.S. Congress to advance environmental literacy with the goal of promoting better health, improved education, environmentally sound and profitable business, and volunteerism in local communities.

6. Building on success . . .

S-BAR follows in the footsteps of other standard and certification systems. Three examples:

Responding to emerging opportunities

A. Leadership in Energy and Environmental Design (LEED)

The S-BAR team has incorporated many of the factors that have contributed to the rapid success of the LEED program.

Up until the last decade, there was no definition of what constituted a "green" building. While many builders were incorporating environmental attributes into their buildings -- energy efficiency, alternative materials, nontoxic paints, and the like -- there was no way of knowing which "green" buildings included more than a few minor changes. As a result, there was market uncertainty over "how 'green' was 'green'?" Despite

the existence of several emerging product standards and some guidelines, overarching standards were non-existent and many poorly designed and under-performing “green” buildings were being touted for their environmental friendliness.

Introduced by the U.S. Green Building Council in the mid-1990s, LEED established a comprehensive set of standards and has been credited with the sharply increased demand for green buildings in recent years. By creating a unified standard, it has enabled product manufacturers, architects, developers, city planners, landlords, and tenants alike to speak the same language and operate on the same playing field. To date, a half-billion square feet of commercial office space has been LEED-certified and more than 23,000 building industry professionals have been LEED accredited. The LEED standard has been adopted or adapted around the world.

S-BAR can create a similar market transformation toward more sustainable business practices by allowing a wide range of interested parties to more comprehensively understand the full measure of companies’ environmental and social performance.

B. Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) creates and disseminates globally applicable Sustainability Reporting Guidelines. Now in use by nearly 1,000 companies world-wide, these voluntary standards are used to report on the economic, environmental, and social dimensions of their activities, products, and services.

Convened in 1997 by the nonprofit group Ceres in partnership with the United Nations Environment Programme, GRI was established to elevate sustainability reporting practices to a level equivalent to those of financial reporting, while achieving comparability, credibility, rigor, timeliness, and verifiability of reported information. The GRI process has the active participation of corporations, environmental and social NGOs, accountancy organizations, trade unions, investors, and other stakeholders worldwide.

The extensive vetting process that went into the development of the GRI standard has resulted in a highly respected and well-utilized tool to help businesses, investors, and NGOs better understand and assess company performance.

S-BAR's multi-stakeholder vetting process will yield a similarly robust and comprehensive standard that will be embraced by companies as well as their investors, customers, and other stakeholders.

C. Energy Star

In 1992 the U.S. Environmental Protection Agency (EPA) introduced Energy Star as a voluntary labeling program designed to identify and promote energy-efficient products that reduce greenhouse gas emissions. Computers and monitors were the first labeled products. Today, the Energy Star label is on major appliances, office equipment, lighting, and home electronics, and has been extended to now cover new homes and commercial and industrial buildings.

Through its partnerships with more than 8,000 private- and public-sector organizations, Energy Star delivers technical information and tools that companies, institutions, and consumers need to choose energy-efficient solutions. Energy Star has saved businesses, organizations, and consumers about \$12 billion in 2005 alone. Over the past decade, Energy Star has been a driving force behind the more widespread use of such technological innovations as LED traffic lights, efficient fluorescent lighting, power management systems for office equipment, and low standby energy use.

S-BAR's certification system will provide a similar means of rewarding leaders and, in the process, help customers identify "good" companies, while its benchmarking tools and emphasis on continuous learning will help drive innovation in sustainable business practices

Attached:

- Leadership Team, Consultant Team and key Phase One Advisors
- Companies participating in Phase One Stakeholder process

Available on request:

- Business plan (including three-year outcomes and budget)
- Description of ratings system and certification process
- Advisory Council (in development)
- Fund development plan