

Understanding the Opportunity for CEC to Become Involved in the *Certified TBL Org* Programme for Its Members

An Exploratory Discussion

Prepared by the
Center for Sustainable Organizations

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Why is a *Certified TBL* Needed?





Why is a *Certified TBL* Needed?

- No certification programmes for Triple Bottom Line (TBL) accounting in organizations exist ... only standards for *reporting*
 - EU standard for non-financial reporting ([Directive 2014/95/EU](#))
 - Global Reporting Initiative ([GRI](#))
 - International Integrated Reporting <IR> Framework ([IIRC](#))
- Reporting, however, assumes that measurement has occurred ... first we measure, then we report
 - None of the reporting standards actually prescribe methods for measurement and instead defer to organizations for that
 - Measurement practices vary widely because of it and are weak
- Why weak? Because most reports do not disclose sustainability performance at all, despite the fact that:
 - They may claim otherwise
 - The GRI standard, for its part, explicitly calls for it
 - The general trend towards science-based reporting requires it



Why a *Certified TBL ...?* (cont.)

- Best practices in TBL accounting now starting to solidify, thereby raising expectations that all organizations will apply them ... but how?
- Of particular importance is the need to recognize and adhere to 'Sustainability Context' in measurement
 - Initially established in 2002 when GRI first appeared
 - Explicitly called for by the United Nations Environment programme (UNEP) in its 2015 report, *Raising the Bar*
 - Now also broadly recommended for measurement and reporting by the Reporting 3.0 non-profit in Europe
- The growth of *Certified B Corps*, *Benefit Corporations* and *purpose-driven organizations* is also driving demand for more rigorous forms of TBL accounting
- Science-based targets, too, must be context-based!

Understanding the *Certified TBL*





Understanding the *Certified TBL*

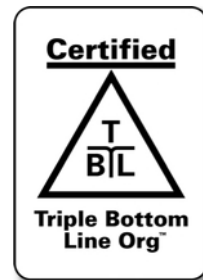
- In light of the need for rigorous and authentic TBL accounting in organizations, the *Certified TBL* programme was created
 - A new credential for organizations that recognizes and rewards best practices in TBL accounting
 - Includes training of key personnel and recognition of enterprise-wide application of TBL accounting principles in measurement and reporting
- Deeply grounded in context-based sustainability (CBS) measurement and reporting practices
 - Per international standards and emerging best practices
- Jointly administered by two non-profits
 - Center for Sustainable Organizations (creator of the programme, responsible for programme standards & training)
 - A global certification provider (to be announced)



Understanding the ... (cont.)

- Organizational requirements for certification
 - TBL accounting must be enterprise-wide in scope, although not necessarily all at once – may take years to fully deploy
 - TBL accounting system must be context-based per GRI requirements and emerging best practices in CBS
 - Use of an approved TBL accounting methodology, such as the open-source MultiCapital Scorecard, must be demonstrated
 - Must produce a context-based annual report in accordance with the approved TBL methodology by the end of the second year of certification
 - Must conform to the key management requirements specified in the programme
 - Must confirm to the key administrative requirements specified in the programme
 - Must agree to costs associated with the programme
 - Annual certification fees (see next slide)
 - Individual training fees for designated employees
 - \$2,795 per person per 3-day training programme*

(*Fees shown are retail and do not reflect CEC-related pricing)



Understanding the ... (cont.)

Annual Certification Fees*

(as of July 1, 2019)

Annual Sales or Revenue	Annual Certification Fee	
	For-Profit	Non-Profit
\$0 - \$500,000	\$350	\$250
\$>500,000 - \$1.99MM	\$750	\$550
\$>1.99MM - \$4.99MM	\$1,250	\$950
\$>4.99MM - \$9.99MM	\$2,500	\$1,875
\$>9.99MM - \$19.99MM	\$5,000	\$3,750
\$>19.99MM - \$74.99MM	\$10,000	\$7,500
\$>74.99MM - \$249.99MM	\$20,000	\$15,000
\$>249.99MM - \$999.99MM	\$30,000	\$22,500
\$>999.99MM - \$4.99B	\$40,000	\$30,000
\$>4.99B - \$24.99B	\$50,000	\$37,500
\$>24.99B - \$49.99B	\$60,000	\$45,000
\$>49.99B	\$75,000	\$56,250

*Fees shown are retail and do not reflect CEC-related pricing



Understanding the ... (cont.)

- Scope of training for individual employees (3-days):
 - **Day 1**
 - Performance Accounting
 - Financial vs. Non-Financial
 - Alternative Theories of Performance (and their regulative ideals)
 - Measurement Implications
 - Context-Based Sustainability
 - Capital Theory
 - Stakeholder Theory
 - Materiality Theory
 - **Day 2**
 - Context-Based Sustainability (cont.)
 - Context-Based Metrics
 - Introducing the *MultiCapital Scorecard* (an open-source TBL Accounting method)
 - **Day 3**
 - Using the *MultiCapital Scorecard*
 - Steps and Tools in the MCS
 - Key Issues in the MCS





Understanding the ... (cont.)

- Prospective candidates for training in TBL accounting in organizations will include:
 - Employees currently responsible for performance or management accounting in some way, including those responsible for financial management reporting
 - Employees currently responsible for measuring, managing and reporting the CSR or sustainability performance of their organizations
 - Employees currently involved in planning or implementing transitions from legacy to purpose-driven strategies, including values-led sourcing programmes, shared value programmes, or circular economy initiatives
- Senior and middle managers and board members, too, interested in and responsible for managing and governing the overall performance of their organizations
 - Accountability for TBL performance ultimately rests with the board of directors



Benefits of TBL Certification





Benefits of TBL Certification

- Recipients of the *Certified TBL* credential benefit in the following ways:
 - *Organizational Benefits*
 - Significant improvements in internal management reporting resulting from Triple Bottom Line performance accounting
 - Access to new Triple Bottom Line datasets for use in preparing external reports (e.g., for GRI-type sustainability reporting; for EU-type Non-Financial reporting; for regulatory reporting of other kinds; for tracking contributions to SDGs)
 - Higher scores by external ESG rating agencies
 - Higher ratings by stakeholders of all types
 - Higher scores in *B Impact Assessments* for B Corps
 - Increased market value for publicly listed firms due to improvements in CSR-related reputations (see next slide)
 - *Individual Benefits (for those trained in TBL Accounting)*
 - Ability to bring innovative new value to their organizations
 - Receipt of *Professional Certificate in TBL Accounting*



Benefits (cont.)

How CSR Reputations Create Market Value*

Company	Market Cap	CSR Reputation Contribution	Market Value of CSR Reputation	Overall Reputation Contribution	Market Value of Overall Reputation
Marks & Spencer	\$10.90 Billion	6.2%	\$0.68 Billion	34.2%	\$ 3.73 Billion
BT Group	\$57.96 Billion	5.0%	\$2.90 Billion	22.6%	\$13.10 Billion
Unilever	\$130.43 Billion	5.0%	\$6.52 Billion	57.8%	\$75.39 Billion
British Land Co.	\$12.12 Billion	4.7%	\$0.57 Billion	40.4%	\$4.90 Billion
Rio Tinto	\$53.18 Billion	4.5%	\$2.39 Billion	43.0%	\$22.87 Billion

Table 1 – Top 5 CSR Reputation Performers in the UK (as of 1/1/16)
 (Source: Reputation Dividend and YCharts, Inc.)

*Excerpted from *New Evidence Bolsters Claims of Connectivity Between CSR and Market Caps*

Possible Collaborations with CEC

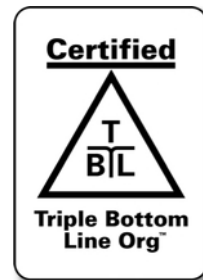




Possible Collaborations with CEC

- In general, the idea we have in mind is to partner with CEC in order to bring the *Certified TBL* programme and its benefits to its members and their organizations
- To explore this idea, it is important to understand the basic steps or phases in the implementation of the programme
 - Standards Development: Consists of initial creation and ongoing maintenance of the TBL accounting standard
 - Training: Consists of training classes in which individuals within prospective and existing recipients of the *Certified TBL* credential (i.e., their employers) can learn the standards for how to implement and practice TBL accounting
 - Certification: Consists of the process by which certifications of prospective recipients of the *Certified TBL* credential are actually performed and awarded





Possible Collaborations (cont.)

Five possible ways in which CEC can become involved with the *Certified TBL* programme

	Option 1 (Baseline)	Option 2	Option 3	Option 4	Option 5
Standard Creation & Maintenance	CSO Performs	CSO Performs	CSO Performs	CSO Performs	CSO Performs
Training	CSO Performs	CSO & CEC Co-Perform	CSO Performs	CSO & CEC Co-Perform	CEC Performs
Certification	CSO Performs	CSO Performs	CSO & CEC Co-Perform	CSO & CEC Co-Perform	CEC Performs

Each of these options represent revenue sharing opportunities with CEC and its members ranging from low to high as the options progress (1 to 5)

Some Additional Notes





Some Additional Notes

- As earlier discussed, any agreement that might be reached on this topic would be between CSO and CEC
 - CSO is a U.S. non-profit [i.e., a 501(c)(3)]
 - The related entity SustainAccounting LLC is a separate and forthcoming provider of certification services that was co-created by CSO and is a licensee of the same *Certified TBL* programme; SustainAccounting, however, would not be involved in the transactions between CEC and CSO being discussed here
- CSO is currently pursuing a separate agreement for the provision of outsourced certification services by an existing third-party provider in the corporate CSR arena with strong credentials and an installed base of customers and certification assets in the EU
 - This agreement, if reached, may or may not be relevant to CEC, and is only mentioned here for the sake of completeness



Appendix: Our History and Credentials



Our History and Credentials

- 2004 - Center for Sustainable Organizations (CSO) founded as a non-profit 501(c)(3)
- 2005 - McElroy/CSO introduces world's first science- and context-based carbon metric at Ben & Jerry's (Unilever subsidiary)
- 2008 - CSO introduces Social Footprint Method and Context-Based Sustainability (CBS) – world's first implementation of GRI's Sustainability Context principle for organizational measurement and reporting (published in McElroy's doctoral dissertation at University of Groningen in The Netherlands)
- 2012 - McElroy and Van Engelen publish first book-length Introduction of CBS, *Corporate Sustainability Management* (Routledge, 2012)
- 2014 - McElroy appointed to technical advisory board of Science-Based Targets Initiative for corporate greenhouse gas emissions (World Resources Institute et al)
- 2016 - Thomas and McElroy publish *The MultiCapital Scorecard* (Chelsea Green Publishing, 2016)
- 2017 - B Lab formally endorses use of TBL accounting method, the MultiCapital Scorecard, as a 3rd-party standard for Benefit Corporations (B Corps)
- 2018 - McElroy appointed special advisor to the United Nations (UNRISD) on 4-year project to help develop sustainable development indicators for organizations, including their contributions towards achieving the SDGs
- 2018 - CSO incubates and launches *Certified Sustainability Zones* (CSZ) programme
- 2019 - CSO incubates *Certified TBL Org* programme; launches SustainAccounting LLC



Thank you!

For more information, contact us at:

Mark W. McElroy, PhD

mmcelroy@vermontel.net

www.sustainableorganizations.org

www.CertifiedTBL.com

