CENTER FOR SUSTAINABLE INNOVATION
Innovating for Sustainability

P.O. Box 309
Thetford Center, VT 05075
Tel: 802.785.2293

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Federal Trade Commission
Office of the Secretary
Room H-135 (Annex B)
600 Pennsylvania Avenue, NW
Washington, DC 20580

RE: Green Packaging Workshop – Comment, Project No. P084200

Dear Secretary:

On April 30th, the FTC will conduct a second public workshop in its continuing efforts to address the question of how sustainability claims in advertising should be handled. One need only observe recent events in the UK to see that this is no trivial question. According to the *Guardian* (March 12, 2008), an ad campaign by the US cotton industry there was "banned by the Advertising Standards Authority for making misleading claims promoting the material as an environmentally-friendly product….Advertising regulators received three complaints challenging the term 'sustainable', arguing that cotton is a 'pesticide- and insecticide-intensive crop' that could 'seriously deplete' groundwater supplies where it is grown in the US."

Suffice it to say that what happens in one part of the world can happen in another, especially where US-based industry is involved. The questions this obviously begs, then, is can there be a legitimate definition of sustainability that we can all agree to? And what position on the subject should the FTC take?

Politics and special interests aside, there arguably already is a well-established definition of sustainability in industry, that was born of an international multi-stakeholder process – begun over ten years ago – and which is in widespread use today. It's called the Global Reporting Initiative (GRI), and although most think of GRI – correctly – as a standard for corporate sustainability measurement and reporting, it happens to rest upon a conceptual model of sustainability known as the triple bottom line (TBL): a lens for assessing the overall sustainability of a business, according to which performance is measured in terms of social, environmental, and economic outcomes.

Two problems, however, have beset both GRI and the TBL ever since they were conceived in the late 'nineties. The TBL, for one, was really never more than an organizing principle – some say *a metaphor* – for sustainability measurement and reporting. And GRI, while clearly an attempt to operationalize the TBL, has not succeeded in doing so because of its failure to enforce one if its own basic principles: sustainability context. GRI defines, and argues for the inclusion of, sustainability context in related reports as follows:

> The report should present the organization's performance in the wider context of sustainability….Information on performance should be placed in context. The underlying question of sustainability reporting is how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental, and social conditions, developments, and trends at the local, regional, or global level. Reporting only on trends in individual performance (or the efficiency of the organization) will fail to respond to this underlying question. Reports should therefore seek to present performance in relation to broader concepts of sustainability. This will involve discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sectoral, local, regional, or global level.

Here GRI differentiates between mere efficiency reporting and, let us say, *true sustainability reporting* by pointing to context as the difference that makes a difference. A report that simply lists carbon emissions from one year to the next, for example – as most so-called carbon footprints do – is not a sustainability report at all by such a standard. Instead, it is an eco-efficiency report, a term first coined by the World Business Council for Sustainable Development in the early 'nineties. To qualify as a sustainability report, a carbon footprint claim would have to include context, such as the assimilative capacity of the environment to absorb CO2 emissions. Such emissions would either equal, exceed, or fall below such capacity. This is the essence of sustainability reporting, and it comes from a long and venerable tradition in science and academia that the FTC should not overlook. Indeed, it is hard to imagine that any new definition or standard for sustainability that the FTC might come up with, if it conflicts with or ignores the one given above, would result in any changes at all to the already-established interpretation in general circulation today.

Two things should now be done in light of the FTC's current actions. First, GRI should take steps to enforce its own standards more aggressively by developing specific guidelines for including sustainability context in related reports. Industry and regulators can hardly be expected to take sustainability context seriously as a basis for making bona fide sustainability claims if the leading international body for related standards (GRI) fails to do so itself.

Second, the FTC, for its part, should embrace sustainability context as the definitive criterion for distinguishing legitimate sustainability claims from illegitimate ones. Indeed, there is no need to craft a new definition for sustainability; it already exists – the essence of which, too, has been firmly ensconced in the leading international standard for corporate sustainability reporting: GRI. Unless the FTC wishes to somehow undermine or compete with this concept and its long history of scientific, academic, and political (i.e., multi-stakeholder) success, it should simply acknowledge the GRI standard, and run with it. But this is not all.

As indicated above, one of the reasons sustainability context has been so neglected in mainstream reporting is because GRI has failed to provide guidelines for doing so. This is very much akin to an unfunded mandate – GRI imposes a standard, but fails to back it up with the specific guidance, tools, or procedures required to comply with the standard. Here the FTC should step into the breach, perhaps in cooperation with GRI, and finish the job. The TBL must be fully operationalized, so that it can be consistently applied at both a corporate and industry level of analysis. What might the result look like?

The answer lies in the essence of the TBL and the theory that lies behind it. From the beginning, leading sustainability theorists have recognized that sustainability, in the plain sense meaning of the term, is a reference to human impacts on vital capitals in the world – capitals that all of us (non-humans, too) rely on for our well-being. While much of the science of sustainability has concentrated on maintaining sufficient stocks of *natural* capital (i.e., natural resources and ecosystem services), the TBL also defines sustainability in terms of *non*-natural capitals, such as human and social capital. All of these vital capitals must be maintained at levels required to ensure basic well-being, and that, in turn, has become the standard for assessing the sustainability of human behavior.

Here is the basic definition of sustainability that follows: If human behavior has the effect of producing and/or maintaining vital capitals at levels required to ensure basic human and non-human well-being, such behavior is sustainable; if it has the opposite effect, it is unsustainable. Sustainability context, then, consists of information regarding the quality and sufficiency of vital capitals, which can then be used as a basis for measuring human impacts upon them. If a vital capital is already deficient, and an industry's impacts only worsen it, the industry's behaviors fail the sustainability test. By the same token, if, say, an industry has the capacity to actually boost the supply of a deficient capital, but fails to do so, again it would fail the sustainability test. Mere movements one way or the other, however, do not provide a basis for making sustainability claims. At best, they can be seen as indicative of changes in efficiency (in the case of natural capital), or in benevolence or philanthropy (in the case of the other capitals). To be sure, a company can, at once, be both eco-efficient and unsustainable. The terms are not synonymous.

To sum up, first, GRI should break its silence on this matter and jump into the fray with both feet. We need its full-throated involvement, and its redoubled commitment to sustainability context. Guidelines for including such context and a program for developing them (the guidelines) must be created. Next, the FTC should back away from any attempt to reinvent or redefine sustainability, and recognize that a rigorous and time-tested science of sustainability already exists, and that criteria for differentiating legitimate sustainability claims from illegitimate ones also exist. The FTC should simply embrace them, and then take the lead in helping to more fully operationalize and enforce a set of related standards, accordingly. No need to reinvent the wheel here!

Sincerely,

Mark W. McElroy
Executive Director