



Sustainability & Ratings: Charting the Future

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WELCOME

Dear Colleague,

On behalf of the Steering Committee, Technical Review Committee and Secretariat of the GISR, it is a great pleasure to welcome you to this briefing on sustainability and ratings.

The challenge of building sustainable financial markets has never been more urgent. All players—asset owners, asset managers, stock exchanges, regulators, rating agencies—have a vital role in ensuring that financial markets deliver ample, timely and affordable capital to the real economy to achieve long term global ecological and social well-being. Company and credit raters are poised to augment their already essential role in achieving this outcome. Their vision, strategy and practices are the subject of today's briefing.

We extend a warm welcome to all guests and distinguished panelists and thank the Chatham House for graciously hosting this event. We look forward to your continuing engagement with GISR in the coming years as it contributes to a prosperous and resilient 21st century economy.

Cordially,



Allen L. White, PhD
Founder and Co-Chair, GISR



Mark Tulay, MBA
Program Manager, GISR

ABOUT GISR

Convened by Ceres and Tellus Institute in 2011, the Global Initiative for Sustainability Ratings (GISR) is a new participant in the family of initiatives aimed at making financial and other markets agents of the Post Rio+20 global sustainability agenda. GISR's vision is for a 21st century definition of corporate value in which markets reward the preservation and enhancement of all forms of capital – human, intellectual, natural, social, and financial. As a global, multi-stakeholder initiative, its mission is a principled, comprehensive and balanced approach to embedding sustainability in company and credit ratings in ways that provide clarity, transparency and value to investors, companies, consumers and rating agencies.

Underlying GISR's work 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 performance excellence. This follows work in the fields of human rights, labor practices, and forestry to form a common understanding of the core principles and content 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 credit markets alike toward continually higher levels of contribution to long-term, global social and ecological well-being.

GISR is governed by a multi-stakeholder Steering Committee (SC). The Technical Review Committee (TRC) plays a central role in the development of the architecture and content of the Standard. The Expert Advisors Council (EAC) provide specialized expertise inform the Standard development process. A list of current committee members appears on the final page of this booklet.

PARTICIPATING ORGANIZATIONS

Conveners



Companies



Investors



NGOs and Foundations



PANELISTS



Paul Hohnen is an Associate Fellow of Chatham House, the Royal Institute of International Affairs, and an independent consultant who provides strategic advice to a range of international organization, business, government and non-profit clients on global sustainable development and corporate social responsibility trends and response strategies. Trained as an international lawyer, Hohnen was closely involved in the 1992, 2002 and 2012 UN sustainability summits, as well as in a wide range of

climate change and other global treaties. An expert on responsible business practices, Hohnen has participated in the development and/or roll out of the UN Global Compact, the OECD MNE Guidelines, the Global Reporting Initiative (GRI), and the ISO 26000 Social responsibility guidance. His ability to work with diverse stakeholder groups stems from a unique career, in which he has been a senior diplomat, international civil servant, policy director of Greenpeace International, and Strategic Director of the Global Reporting Initiative (GRI). In addition to facilitating a range of high level and expert Chatham House meetings, Hohnen has chaired ministerial and CEO level meetings for various UN and business organizations.



Bob Mann joined Sustainalytics in 2007 and is now the Chief Operating Officer. In this role, he is responsible for managing the company's executive team and working with the CEO to set the company's strategic priorities. Prior to this role, he was the Director of Indices and oversaw the company's flagship product, the Jantzi Social Index. He also helped to establish the company's Sustainability Services team, which has become one of the firm's leading business lines. Alongside his work at Sustainalytics, Mann sits on the

board for Canadian Business for Social Responsibility, helping corporate leaders improve their understanding of how corporate social responsibility performance is measured by ranking and rating organizations. Mann speaks regularly on the topics of responsible investing and ESG rating and analysis. He also sits on the advisory committee for York University's Centre of Excellence in Responsible Business and the board of directors for the Sustainability Network. Mann completed a Master of Arts in Economics at the University of Toronto and an Honors Bachelor of Arts in Economics at York University. In addition, he has an MBA in sustainability and finance from the Schulich School of Business at York University.

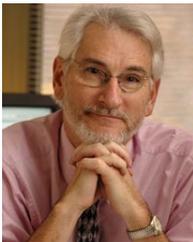
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Chris Smith is a Global Sustainability Manager at Procter & Gamble in Newcastle upon Tyne, UK. Previous to this position, he was a Senior Researcher with P&G. Smith is a Shell/Royal Academy of Engineering Visiting Teaching Fellows at Newcastle University.” Smith holds a BSc in Biology from York St. John College and an MSc in IT from the University of Sunderland.



Dr. Steve Waygood leads Aviva Investors' Global Responsible Investment team, which is responsible for integrating ESG issues across asset classes and regions of the £250bn of assets under management. Waygood founded the Sustainable Stock Exchange initiative and the Corporate Sustainability Reporting Coalition, which aims to catalyze a UN Convention promoting enhanced corporate transparency and integrated reporting. His work became a case study in the Harvard Business School MBA in 2012. Waygood received the Leadership in Sustainability award and became an Ambassador for the IIRC in 2013. He was a delegate to the UN Rio+20 meeting in 2012, and a member of the European Commission's expert groups on corporate governance and corporate responsibility. In 2011 he received the Yale Rising Star in Corporate Governance Award, and he was among the Financial News Top 100 Rising Stars in 2009. Waygood was on the board of UKSIF from 2003 to 2010, serving as Chairman from 2006. He was part of the expert group that wrote the UNPRI. Waygood is a member of the Chartered Financial Analyst institute, has a degree in Economics and a PhD in sustainable finance. He is a faculty member at the ICGN and the Cambridge University Programme for Sustainability Leadership.



Dr. Allen White, GISR Founder and Co-Chair, is Vice President and Senior Fellow at the Tellus Institute and directs its Program on Corporate Redesign. In 1997, he co-founded the GRI and served as its Acting CEO until 2002. In 2004, he co-founded and is now Director of Corporation 2020, an initiative focused on designing future corporations to create and sustain social mission. For his expertise in sustainability, White has been engaged by the World Bank, Inter-American Development Bank, Pew Charitable Trusts, UN Foundation, US EPA, Oxfam, and numerous Fortune 500

PANELISTS

companies. White has held faculty and research positions at the University of Connecticut, Clark University and Battelle Laboratories, and is a former Fulbright Scholar in Peru. He has served on boards, advisory groups and committees of the ICGN, Civic Capital, Instituto Ethos, New Economy Network, and the Initiative for Responsible Investment at the JFK School, Harvard University. White is former Senior Advisor to BSR and to CERES as a principal architect of the first standardized environmental reporting framework in the years following launch of the organization in 1990. He is co-author of *Corporate Environmentalism in a Global Economy* and has published and spoken widely on corporate design, sustainability, accountability and governance.



Mike Wilkins is a Managing Director in the Infrastructure Finance Ratings group of Standard & Poor's Ratings Services and has responsibility for the firm's global carbon and environmental finance sectors. Wilkins' experience at S&P includes seven years as Head of Infrastructure Finance Ratings, which covers utilities, project finance, PPPs and transportation in Europe, the Middle East and Africa. Wilkins was also co-head of the Corporate Securitisation group; he also worked in the Melbourne and

Hong Kong offices. Wilkins' expertise encompasses the European power, water, environmental, transportation and social infrastructure sectors. Previously, Wilkins worked for Water UK and for four years as a journalist on various UK newspapers and business publications. Wilkins is a frequent guest lecturer and sits on the advisory board of Cass Business School's MSc in Management. He is also a member of the Climate Markets & Investment Association, the UK Government's Capital Markets Climate Initiative, a board member of the World Economic Forum Green Growth Action Alliance and the Climate Bonds Initiative. Wilkins has a Bachelor of Arts degree in Modern Languages at Bristol University, an MBA in Finance from the Cass Business School and a Certificate of Carbon Finance & Analytics from the London Business School.

FREQUENTLY ASKED QUESTIONS

What is GISR?

The Global Initiative for Sustainability Ratings' (GISR) is a multi-stakeholder initiative that seeks to accelerate the creation of sustainable financial markets worldwide by rewarding investors and companies that preserve and enhance all forms of capital – human, intellectual, natural, social and financial. It seeks to achieve this goal through design and stewardship of a globally recognized sustainability ratings standard, supported by a suite of ancillary activities.

Who is convening GISR?

Ceres and Tellus Institute are the principal conveners of GISR, working in cooperation with investors, companies, raters, NGOs and other partners that share GISR's commitment to sustainable financial markets.

How does GISR relate to ESG ratings?

GISR uses the term "sustainability" to define the scope of its future standard. It will build on current ESG ratings while seeking to enrich their process, content and, ultimately, market uptake.

What are GISR's key audiences?

Target audiences are current and future raters, asset owners, asset managers, financial analysts and other parties that utilize ratings; and the companies and debt issues that are the subject of ratings.

What are mechanisms through which the GISR ratings framework will influence financial, procurement and consumer markets?

Such mechanisms vary. For financial markets, the GISR standard will strive to become integral to how asset owners contract with asset managers, how asset managers shape investment portfolios, how stock exchanges determine listing requirements, and how securities regulators determine what constitutes material disclosures on the part of publicly traded companies. For government and private procurement, the GISR standard may be used to screen suppliers. For consumer markets, a GISR-accredited rating may supplement and strengthen the scores of product-level labeling, brand recognition and certification schemes.

FREQUENTLY ASKED QUESTIONS

How is GISR distinct from other sustainability standard-setters?

GISR is complementary but distinct from other standards bodies that focus on disclosure, for example, Global Reporting Initiative (GRI) Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC). These programs provide frameworks for disclosure of sustainability information which, in turn, populates analytical models used by raters. GISR's role is to create and steward a framework that serves as a benchmark of excellence for assessing the quality of such models which import GRI, SASB and IIRC disclosures.

Will GISR be voluntary?

Yes. GISR will invite current and future raters, rankers and indexers to voluntarily apply for accreditation of their methodologies. Ancillary activities will provide these parties with flexible options that will provide "on-ramps" that recognize the spectrum of readiness among raters for full accreditation.

Which ratings will the GISR standard cover?

GISR will be applicable to all sustainability/ESG ratings, including investor- and consumer-facing, integrated and topic- or sector-specific ratings.

Will GISR directly rate companies?

No. GISR is a standard-setter, not a standard implementer. Just as GRI itself does not produce sustainability reports (companies do), ISO does not certify companies (qualified independent certifiers do), and FASB/SASB/IASB do not produce financial reports (companies do, with audits performed by accounting firms), GISR will not rate companies. It will accredit methodologies used by company and credit raters.

How is the standard being developed?

Through a global, multi-stakeholder review process, GISR is building the standard as the centerpiece of its multi-faceted program comprising a ratings registry, laboratories and resource center. The review process for the Standard development occurs in three steps: Exposure Draft, Beta Version, and Version 1.0. GISR places high priority in regular and substantive consultation with all market players. The Principles has been released as Version 1.0.

FREQUENTLY ASKED QUESTIONS

What types of ratings qualify for inclusion in the GISR Profiles, Registry and Accreditation programs?

A sustainability rating is an evaluation of a company's sustainability (ESG) performance and standing, expressed as a quantitative score or ranking. All single and multi-issue ratings, rankings and indices qualify for inclusion in the GISR Profiles, Registry and Accreditation program.

How will Accreditation work?

The accreditation process will apply to ratings, not raters as a whole. Processes and procedures for accreditation are currently under development. GISR will solicit comments from all stakeholders prior to launch of its first phase accreditation in late 2014/early 2015.

How does GISR relate to raters?

Collectively, raters have contributed a rich knowledge base and years of innovation to the development of the sustainability ratings. The standard development process includes regular interactions with raters to explain GISR, solicit input into interim products, and cultivate interest in accreditation of the ratings offered by the raters. Raters will make their own choices as to whether they seek accreditation. The focus of GISR will remain on field-building, advancing excellence and encouraging a race-to-the-top in ratings excellence.

How may raters engage with GISR?

GISR offers three levels of rater engagement: Profiles, Registry, and Accreditation. "Profiles" is a baseline description of a rating organization and its methodologies, based on publicly available information. The Profiles are completed by GISR for all ESG ratings, rankings, and indices and made freely available to the public. The "Registry" is a deeper statement of transparency pertaining to the process and content of a rater and its ratings using a questionnaire devised by GISR that is voluntarily submitted by a rater. The structure of the statement aligns with GISR's 12 Principles. "Accreditation" is another voluntary process that provides raters with the opportunity to subject their methodologies to a quality assessment via a multi-step process involving GISR criteria, external verification and a review by an independent council. Through these three levels of engagement, GISR provides both flexibility and incentives to achieve market recognition for leadership and excellence.

FREQUENTLY ASKED QUESTIONS

Who governs GISR?

In its initial phase, a multi-stakeholder Steering Committee (SC) is overseeing GISR. A Technical Review Committee (TRC) plays the central role in development of the architecture and content of the standard. Expert Advisors Council (EAC) provides specialized expertise to inform the standard development process.

What are Supporting Stakeholders?

Supporting Stakeholders are businesses, investors, NGOs and other organizations and individuals worldwide who support GISR's mission and vision and annually contribute to its activities on a sliding scale.

What are GISR "Collaborating Organizations"?

Collaborating Organizations (CO) are organizations whose missions complement that of GISR's and who seek to maximize synergies through joint and cooperative activities.

SUPPORT GISR

Join the Supporting Stakeholder Program

Ratings hold the key to transforming data into decision-relevant, market-transforming information. No longer the sole the purview of values-based investors, sustainability ratings are now a mainstay for major players—including Goldman Sachs, Newsweek, Thomson Reuters, MSCI, Standard & Poor's, Moody's and Bloomberg—collectively offering a growing array of methodologies for use by a wide range of investor types and asset classes. Sustainability ratings are steadily emerging as a potential game changer in driving capital toward ecologically, economically and socially beneficial outcomes.

"GISR is developing a global standard to steer capital – financial, human, social and natural – toward sustainability leaders and away from the laggards."

Mindy Lubber, Ceres & INCR, GISR Co-Chair



GISR has brought together leading institutional investors representing trillions in assets under management, companies, NGOs to address this challenge. The objectives for the Center for Ratings Excellence is three-fold:

- Bolster the credibility of the sustainability ratings market through the launch of a new multi-stakeholder process to develop standards and launch the 'Center for Ratings Excellence' that supports a suite of activities.
- Expand the global market for high quality sustainability ratings and research and foster innovation and continuous improvement.
- Accelerate the integration and uptake of ESG factors in credit markets globally and advance the concept of 'integrated ratings' that blend ESG and financial factors and spur sustainable finance.

GISR and our Supporting Stakeholders are coming together to address these opportunities. Our goal is to help capital and other markets to identify and reward true excellence in corporate sustainability performance.

SUPPORT GISR

The Supporting Stakeholder program is designed to raise the bar of excellence in ratings and enhance the quality and comparability of material sustainability information needed to move markets toward more sustainable outcomes.

Our goal is to build a global network of Supporting Stakeholders to support the development of a world-class sustainability ratings standard that is recognized for its excellence, integrity and dynamism. Supporting Stakeholders will be prominently recognized as a distinguished group of partners that will benefit from:

“GISR represents an opportunity to accelerate work to harmonize ESG ratings and broaden participation among companies and financial institutions.”

Curtis Ravenel, Bloomberg



- 🌀 Organization’s logo and weblink featured on the GISR website
- 🌀 Prominent acknowledgement in GISR publications
- 🌀 Early access to all GISR publications and updates
- 🌀 Special invitation to stakeholder briefings
- 🌀 Invitations to webinars tailored to supporting stakeholders
- 🌀 Invitation to participate in future invitation-only, “Sustainability Ratings Forum”. The event will convene rating agencies, corporations, investment managers, and pension funds and thought leaders to discuss critical issues, concerns and innovations in performance assessment and ratings

Sign up at bit.ly/gisr-stakeholder

For additional information or assistance on the Supporting Stakeholder program, or to request an invoice or wiring instructions, please contact Mark Tulay by email mark.tulay@ratesustainability.org

GISR offices: Boston, MA • Washington, DC +1.202.536.4421

GISR COMMITTEES

Affiliations are for identification purposes only.

Steering Committee

Bruno Bertocci, *UBS*
Dan Hanson, *Jarislowsky Fraser Ltd.; formerly Blackrock*
Adrian Henriques, *Middlesex University*
Hans Hirt, *Hermes*
Chris Jochnik, *Oxfam America*
Joe Keefe, *Pax World Management*
Tom Kiely, *formerly McKinsey & Company*
Mindy Lubber, *Ceres*
Chris McKnett, *State Street Global Advisors*
Sabine Miltner, *Deutsche Bank*
Amy O'Brien, *TIAA-CREF*
Lance Piece, *Ceres*
Curtis Ravenel, *Bloomberg*
Roberta Simonetti, *Independent*
Carol Singer-Neuvelt, *NAEM*
Pavan Sukhdev, *Yale University; formerly Deutsche Bank*
Mark Tulay, *GISR (ex officio)*
Steve Waygood, *Aviva Investors*
Allen White, *GISR; Tellus Institute*
Alan Willis, *Independent Chartered Accountant*

Technical Review Committee

Catherine Benoit, *New Earth; UN Advisor*
Carlos Brando Lessa, *Independent; Brazilian Institute of Corporate Governance*
Sabine Dorf, *Bayer*
Greg Elders, *Bloomberg*
Peter Ellsworth, *Ceres*
Julie Gorte, *Pax World Management*
Adrian Henriques, *Middlesex University*
John Kim, *The Walt Disney Company*
Steve Leffin, *UPS*
Vivian MacKnight, *Vale*
Tim Mohin, *AMD*
Veerathai Santiprabhob, *Thanachart Capital PCL; formerly The Stock Exchange of Thailand*
Jeremy Raccio, *UBS*
Michael Sadowski, *SustainAbility*
Bernhard Schwager, *Robert Bosch GmbH*
Georgios Serafeim, *Harvard Business School*
Chris Smith, *P&G*
Kristen Sullivan, *Deloitte*
Mark Tulay, *GISR (ex officio)*
Allen White, *GISR; Tellus Institute*
Martin Whittaker, *Sonen Capital*
Bob Willard, *Sustainability Advantage; formerly IBM*
Alan Willis, *Independent Chartered Accountant*

GISR COMMITTEES

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Expert Advisors Council

Rory Bakke, *Sustainable Concepts Studio*

Kathleen Bannan,
McDonald's Corporation

Mark Bateman, *Segue Point*

Tomas Conde Salazar, *BBVA*

Dominique Diouf, *Laman Group*

Felix Dodds, *GRI; Tellus Institute*

Chris Erickson, *Climate Earth, Inc.*

Hugh Grant, *Australian Sustainability
Leaders Forum*

El Mostafa Jamea, *Independent*

Richard Kashmanian, *US EPA*

Natalia Khonyakova, *European
University at St. Petersburg*

Steve Lydenberg, *Initiative for
Responsible Investment at
Harvard University*

Mark McElroy, *Center for
Sustainable Organizations*

Anne-Marie McGonnigal,
Morgan Stanley

Anthony Miller, *UNCTAD*

Chris Miller, *Free the Slaves*

Catherine Sheehy, *UL Environment*

Henry Shilling, *Moody's Corporation*

Alvaro de Regil, *Jus Semper
Global Alliance*

Marcella Thompson, *ConAgra*



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For more information, contact Mark Tulay at
mark.tulay@ratesustainability.org or +1-202-536-4421