



GLOBAL INITIATIVE FOR SUSTAINABILITY RATINGS (GISR)

The current global economic crisis calls for new forms of global governance to direct all forms of capital—financial, human, social, and natural—to organizations earnestly committed to sustainable development. Stakeholders of all types--investors, companies, NGOs, government, consumers--are weary of continued confusion, uneven quality and opacity in sustainability ratings.

In this new initiative, Ceres and the Tellus Institute will partner on the first phase of the Global Initiative for Sustainability Ratings (GISR) to seize an urgent opportunity to create a non-commercial, generally accepted sustainability ratings framework that meets the highest standards of technical excellence, independence and transparency. Such a framework will be an indispensable contribution to accelerating the efforts of organizations to meet the great sustainability challenges of the 21st century.

State-of-Play. The proliferation of sustainability ratings has brought both substantial intellectual capital and complexity to the market. At the same time, rapid consolidation of the ratings field concurrent with continued proliferation of new raters raises questions among stakeholders who face contradictory, inconsistent and non-transparent ratings approaches. It is not uncommon for a large company to annually complete a dozen or more disparate questionnaires leading to ratings that span the spectrum from leading to intermediate to lagging performance.

And with competing schemes, some companies “cherry pick” only the favorable results and side-step those with less favorable outcomes. Further, many ratings do not disclose the methodology and assessment criteria used. Moreover, in cases where raters are compensated to both assess company performance and advise companies on improving their scores – conflicts of interest inevitably arise. The aggregate effect of these shortcomings is hindering progress toward continually higher sustainability performance to the detriment of both strong performers and global social and environmental well-being.

Mission. The mission of the Global Initiative for Sustainability Ratings (GISR) is to expand and accelerate the contribution of business and other organizations worldwide to sustainable development through the design and dissemination of a generally-accepted, sustainability performance ratings framework.

The GISR Framework will help drive capital, procurement and talent markets toward continuously higher standards of sustainability commitment and performance. GISR will work to bring coherence, transparency and coordination to sustainability ratings by designing a generally-accepted framework that:

- Accelerates the infusion of sustainability content – initially in public equities and later in bonds, real estate and other asset classes – into mainstream financial ratings;
- Moves existing sustainability ratings toward a core set of principles and process/performance content;
- Serves as a stand-alone, dynamic framework for ratings users.

GISR’s overarching goal is to bring sustainability ratings into the mainstream. This will occur through uptake by pension funds in RFPs, investment managers in portfolio decisions, government agencies in procurement initiatives and NGOs in advocacy and partnership initiatives. Over time, through a process of convergence and integration, we believe *all* ratings—financial or otherwise—across *all* asset classes should be infused with sustainability content.

GISR ACTIVITIES IN 2011

GISR will convene a broad stakeholder coalition to create and steward Version 1.0 of a sustainability ratings framework. The GISR process will redress the shortcomings of current ratings groups by:

- Forging a transparent, multi-stakeholder review process.
- Achieving credibility and legitimacy internationally through stewardship by an independent, authoritative, non-profit process.
- Creating core products that will be a public good, accessible to all users at nominal or no cost.
- Ensuring impeccable integrity by focusing on frameworks only, leaving ancillary activities to other parties.

Design of a normative framework will be supported by specialized working groups by issue and industry sector and a comprehensive communications program. IT platforms will be designed to maximize transparency, deploy social networks and create a Wiki-like platform to continuously improve the GISR framework.

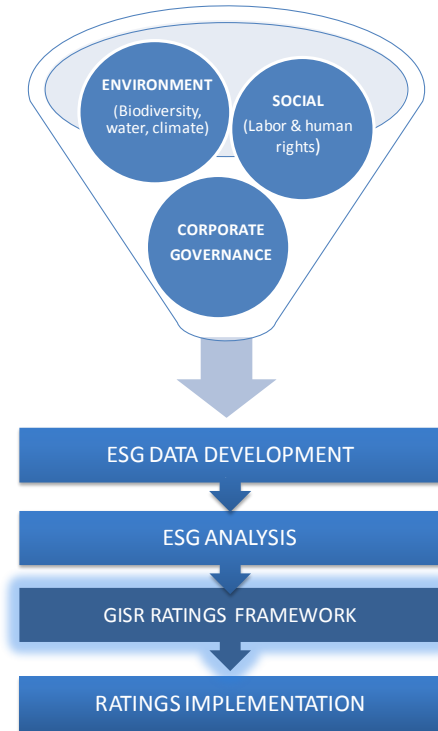
Implementation of the above tasks will unfold as follows:

1. Convene Steering Committee
2. Convene Working Groups
3. Launch the GISR website
4. Hold Stakeholder workshops/briefings from June - December 2011
5. Beta test and revise the Framework.
6. GISR’s schedule calls for a beta version of its sustainability ratings framework in approximately 12 months after launch and a Version 1.0 approximately 18 months after launch.

GISR will put in place a business plan designed to ensure the long-term financial security of GISR, enabling a dynamic process of continuous improvement based on new knowledge and methods for sustainability ratings.

GLOBAL INITIATIVE FOR SUSTAINABILITY RATINGS

GISR's ROLE IN SUSTAINABILITY PERFORMANCE MEASUREMENT



GISR WILL SERVE AS THE 'GOLD STANDARD' RATINGS FRAMEWORK FOR MEASURING EXCELLENCE IN SUSTAINABILITY PERFORMANCE.

GISR Framework. The GISR framework will comprise four components, with final architecture determined through GISR's consultative process:

- **Principles.** These are the pillars that define excellence in ratings, for example Boundary-Setting (to determine what entity is being rated), Timeliness (timing and frequency of ratings), Comprehensiveness (determining whether all material sustainability issues are covered), Data quality (in terms of data systems management, quality control and auditability), and Sustainability Context. Each of these will be accompanied by an explanatory protocol.

- **Quality of strategy, management, and corporate culture in relation to sustainability performance.** Each of these aspects of the company will contain specific indicators by which quality will be scored, for example a scale of 1-10, excellent/good/fair/poor, or some other measurement device.
- **Performance.** A set of economic, social, environmental and governance indicators where each indicator is assigned a score. GISR will develop a mechanism for quickly identifying and incorporating new forms of ESG risk. The framework will include a rapid-response protocol to address flashpoints in ESG controversies.
- **Weightings.** A set of default weightings will initially be applied to the various indicators. We envision GISR evolving as an open source platform enabling users to adjust weightings and engage around emerging sustainability issues that may merit inclusion in the (dynamic) ratings framework.

GISR Governance. Governance of GISR will be multi-tiered and gradually unfold over a period of 24 months. A multi-stakeholder Steering Committee will oversee phase 1 and design a normative ratings framework. During this phase, a Technical Advisory Committee will bring expertise to ensure that a state-of-the-art framework emerges. As the normative framework enters the market, a Board of Directors will evolve with the expectation that GISR will gradually morph into a stand-alone, non-profit, global organization. The Board in turn will assess the value of additional governance components, such as the creation of a Stakeholder Council.

Founding Partners: Organizations contributing to the start-up of GISR will be prominently recognized in the initiative's reports, and electronic and print communications. A special briefing will be provided to partners in connection with the release of the GISR Framework Version 1.0.

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