

## Sustainability Standards and Sustainability Index

As Media Tenor is not only publishing the CSR Index since 1995, we are following Sustainability Criteria since 1995: we reduced the amount of copies printing Media Tenor research by 50% by offering our books as e-books.

Furthermore we reduced the amount of travel by airplanes thanks to training our staff in each office empowering them to serve client meetings without the need of head office researchers to fly to NY or Africa.

Our training team had implemented E-Learning platforms for teaching in order to reduce the travel cost of our trainers as well as reducing printing materials for Analysts.

We implemented the World Economic Forum Davos Sustainability Rules as we became partners for the WEF Research 2003.

We invest each time in new technology in order to reduce the hardware pollution.

In 2013 Media Tenor decided to devote 100% of Dr. Ingo Buse's time in order to develop the UN Sustainability Index in order to give experts from academia, UN and OECD full access to the Media Tenor Database improving the existing Indices and develop an own Index run by the UN.

Because of all these activities Media Tenor became preferred partner for the UN and OECD to develop Sustainability Criteria which is leading to implementing an UN Index on Sustainability:

Addressing the International Agenda Setting Conference in Lucerne, in November 2012, experts like Alfred Berkeley III, former president of Nasdaq, Dr. Joachim Faber, Chairman Deutsche Börse AG, Ramu Damudoran, Director UN AI and Michael Møller, Director KA Foundation challenged the participants from the corporate sector as well as academia to develop a Global Sustainability Index (GSI) that would overcome the serious limitations<sup>1</sup> of current evaluation systems and allow companies to be ranked on their sustainability performance in a transparent and pertinent manner—and, importantly, to be compared with others in the same sector driving consciousness and investment. In this way companies working to develop win-win scenarios can be clearly identified (and recognized/rewarded) and those attempting greenwashing exposed.

In response to this challenge an international group of stakeholders supported by experts in various fields including science, business, government and media and have come together and propose the following: The GSI will be a multi-stakeholder, not for profit, initiative endorsed by the UN and housed in a foundation (located in Geneva and New York) whose goal is to provide an estimation of companies' sustainability performance in a transparent and pertinent manner. Recognizing that 'Standards' based approaches are cumbersome and insufficient on their own, GSI will develop tools that will provide guidance and benchmarking to companies and stakeholders, including investors, that encourages progress, but also puts them under pressure. KPI's will be used to estimate the level of sustainability of a company's activities—Niagara falls at 500m, 300m, 100m, 50m etc. using a rationale similar to the planetary boundaries approach that may involve the use of taxonomies and a sustainability 'Currency'. Indeed, the GSI will examine how to create a well-defined market for 'Sustainability' as a tradable good, across regions and industries as well as the entire stakeholder spectrum.

Clearly bottom line success will be the driving force of the GSI. Strong entry criteria will include the prognosis that sustainable corporates are the ones aiming at win-win rather win-loose relationships with their customers, employees and other stakeholders. That said, existing assessment and measurement approaches will be a place to look for inspiration.<sup>2</sup> Setting up the GSI will require some

time (3-5 years) as well as considerable financial and human resources to get all the necessary expertise around the table, including multiple Ph D's building, testing and validating the index.

In order to finance the necessary research programme GSI has set up an investment fund to generate capital appreciation in the long term, investing its assets in equities and equivalent securities of companies with sustainable business practices on a global basis. The aim of the fund is to outperform the Dow Jones Sustainability Index 80 World (the Benchmark). The results of the back-testing on the basket of stocks concluded that over the period analysed, a 6.7% outperformance is achieved, with a 6.1% tracking error. The management fees from the fund will be used to directly finance GSI's research initiatives around the world.

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<sup>1</sup> Limitations include: (1) Inadequate transparency on evaluation criteria and methodology; (2) Low level of expertise of agency analysts in the sector under evaluation; (3) High degree of inter-agency divergence wrt a company's evaluation and ranking; (4) Absence of media impact and reputation analysis; (5) Evaluations are essentially backward-looking and provide little prognosis; (6) Rating agencies sell their analyses to the evaluated companies thereby creating a potential conflict of interest.

<sup>2</sup> These include, but are not limited to: Swiss Re; Darmstadt definition of Sustainable Investment; Global Challenges Index (Hanover); Michael Jensen's 'Enlightened Value Maximization; GRI G4; Robin Hood Group approach to social investment.