

"What's New in Sustainability?"

February 2009 Newsletter

A note from Mike Wallace:

In January, we observed the regulatory tide beginning to change on sustainability. We co-produced the VerdeXChange conference (a few days after Barack Obama's inauguration). The conference focused on efforts – both public and private – to address climate change. California's leadership on climate change will influence the rest of the country and North America, which will result of local, state and federal regulations related to carbon emissions measurement and reduction.

This week, approximately 150 sustainability-related shareholder resolutions were announced. These resolutions came from large institutional investors and faith-based groups. Small and large companies were targeted, including some of the biggest names in the financial, energy, pharmaceutical and retail sectors. This week's announcement of 2009 sustainability shareholder resolutions had a twist, though. The ICCR has partnered with TruCost to make Climate Risk Profiles publicly available for each company. Companies are now ranked by sector in a searchable list. The list highlights whether companies are voluntarily disclosing carbon emissions data.

We are tracking market and regulatory changes related to sustainability and ESG daily. We are closely watching the proposed federal stimulus bill and monitoring opportunities and implications for our clients.

Access to Capital

Sustainability becomes increasingly linked to access to new capital

World Bank and UN Push to Institutionalize ESG Into Financial Analysis

A new report by the World Bank's IFC, the United Nations Global Compact, and the Swiss government finds that although the financial industry understands the necessity of developing methodologies and tools that examine environmental issues in the investment process, it is still not standard practice.

The [2008 Who Cares Wins report](#) urges the financial industry to advance efforts to integrate environmental, social, and governance (ESG) issues into mainstream investment decision-making and ownership practices. If they do not, consequences of climate change could fuel another financial crisis.

"Though current turbulence in financial markets may tempt investors and companies to think of environmental and social issues as tomorrow's problem, we believe that urgent and wholehearted action is warranted not in spite of, but precisely because of the market dynamics observed in the past months." Rachel Kyte, IFC Vice President for Business Advisory Services

Investors See Green Technology as the “Next Great American Industry”

According to latest survey on environmental investing by [Allianz Global Investors AG](#) (AllianzGI), one of the world's largest asset management companies, Americans see a golden age for green investing. Key survey findings:

- Environmental technology has the potential to be the “next great American industry”
- Despite the sluggish economy, investors are generally optimistic and ready to put their green to work
- 78 percent of investors, according to the survey, believe we are likely to see more policies to promote business investment in the environment under President Obama
- 58 percent say Europe is ahead of the U.S. when it comes to addressing environmental problems

Norway Pulls \$200 Private Investment on Sustainability Concerns

The Norwegian government has [pulled](#) its \$200-million investment in Toronto-based Barrick Gold Corp. after an ethical review by the country's public pension fund revealed Barrick is causing severe environmental damage at its Porgera mine in the South Pacific nation of Papua New Guinea.

The Norwegian government's Council on Ethics said the move was prompted by the "risk of accumulation and buildup of heavy metals, especially mercury, in the environment. Pollution from the Porgera mine will potentially have serious negative consequences for human life and health."

Ratings, Rankings, & Indices

Dow Jones Sustainability Index (DJSI) reconstituted its portfolio

The [Dow Jones Sustainability Index](#) (DJSI) [reconstituted](#) its portfolio. The DJSI includes companies in the top 20% on sustainability performance across 57 sectors. The DJSI is one of the most well recognized sustainability indices and offers companies another avenue to access investment capital - over \$6B US. To get listed, companies must be able to answer an industry-specific survey on sustainability performance.

Powerful, new partnership exposes companies to reputational risk

The Interfaith Center of Corporate Responsibility (ICCR), a faith-based organization who mobilizes institutional investors on sustainability-related issues, has teamed up with TruCost, a leading environmental researcher to create a new public clearinghouse of environmental data. 150 companies with pending sustainability-related shareholder resolutions are now profiled and ranked by sector based on their respective greenhouse gas (GHG) performance. (Click [here](#) to see the ICCR-TruCost Climate Risk Profiles)

The 100 Most Sustainable Corporations Announced at Davos

The [Global 100 Most Sustainable Corporations](#) in the World is a project initiated by Corporate Knights Inc., with Innovest Strategic Value Advisors Inc. a leading research firm specializing in analyzing “non traditional” drivers of risk and shareholder value including companies’ performance on social, environmental and strategic governance issues. The accompanying research shows that sensitivity to environmental issues, particularly for the extreme performers, may enhance returns of an active investor strategy over time.

Most Environmentally and Socially Controversial Companies Announced

A recent [report](#) listed the top ten most environmentally and socially criticized companies in the following categories:

- Emerging Markets;
- North America;
- Banks, Financial Services, and Insurance; and
- Utilities

Rankings are based on [RepRisk](#)’s Reputational Risk Index. These companies have been scrutinized by the media and NGOs on environmental, human rights, labor and corruption practices.

EPA Ranks Companies on Green Power Purchases

The U.S. EPA’s [Green Power Partnership](#) works with a wide variety of leading organizations — from Fortune 500 companies to local, state and federal governments, and a growing number of colleges and universities. Their [Top Partner Rankings](#) highlight the annual green power purchases of leading organizations within the United States and across individual industry sectors.

Covalence Updates Annual Ethical Rankings

[Covalence recently published their annual Ethical Rankings](#) from a study of over 540 companies across 18 different industries. They used data from 2002 to 2008 and ranked companies according to waste management, labor standards, environmental impact of production, information to the consumer, human rights policies, plus 40 other criteria.

Reporting Trends

CSR Reporting Continues to Grow; North America Lagging

The [National Investor Relations Institute](#) (NIRI) and the Bank of New York Mellon recently collaborated on a comprehensive global survey of investor relations practices. The survey looked at the practice of CSR Reporting, which includes social, environmental, and economic sustainability factors.

Among the most important findings, the survey showed that:

- 43% of overall respondents’ companies publish a CSR (Corporate Social Responsibility) report,

- North America lags the rest of the world at 28%.
- 17% of the respondents are planning to publish a CSR Report

2009 Projected as “The Year of Enterprise Carbon Accounting”

According to [Groom Energy](#), 2009 will be the “Year of Enterprise Carbon Accounting,” as their new report estimates the number of firms disclosing greenhouse gas emissions will triple in the next two years from the 3,000 companies who currently report this information.

Sustainability Coalitions

ICCR Releases 2009 Shareholder Resolutions

The [Interfaith Center on Corporate Responsibility](#) (ICCR) announced the 2009 shareholder resolutions related to sustainability. The ICCR has [over 180 members](#), representing approximately \$100 billion dollars. The ICCR's resolutions are often backed by institutional investors, such as state pension funds.

For the first time, the ICCR made the list of companies available to the public, free of charge. The list is searchable and is augmented by [TruCost](#)'s Climate Risk Profile for each company.

The approximately 150 companies targeted include small firms, mid-size firms, and industry leaders across sectors.

Sustainability Regulations

Obama Strengthens Environmental Regulations

President Obama has [promised](#) new U.S. leadership in the fight against global warming as he announced a series of steps aimed at making American cars more fuel efficient and reducing greenhouse gases, including a directive to the Environmental Protection Agency to reconsider granting California and other states waivers to set their own strict regulations on auto emissions.

Investors Demanding “Green” U.S. Stimulus

As reported in the [Wall Street Journal](#), some of the nation's biggest investors are encouraging Congress to strengthen economic recovery proposals that could give a substantial boost to energy efficiency and ailing renewable industries.

The group of 44 investors included state treasurers, pension funds and major asset managers representing nearly \$1.7 trillion in assets. They called for longer-term economic incentives and warned lawmakers against encouraging particular sectors.

Denmark Requires CSR Reporting

Denmark [adopted a law](#) requiring the 1100 largest companies in the country to report on their corporate responsibility efforts. The new bill, passed by a vast majority of the Danish parliament, makes it mandatory for publicly listed companies, state-owned companies and institutional investors to include information on CSR in their annual financial reports.

Company News and Upcoming Events

Wallace Partners in the *New York Times*

Our client ValleyCrest Companies was recently noted in a February 2009 *New York Times* piece entitled "[A Tech Mogul's Green Thumb](#)" – highlighting the investments of Michael Dell's MSD Capital and the "green" aspects of ValleyCrest's business.

Financial Times's "Sustainable Business, Responsible Investing" Conference

Wallace Partners is supporting the "[Financial Times: Sustainable Business, Responsible Investing: Where Corporations & Investors Connect on ESG Issues](#)" at the Altman Building in New York City on March 2, 2009. As a valued Wallace Partners reader, you and your colleagues are entitled to a **20% discount**. Use the Wallace Partners Code **FTCSRWP** Details and registration can be found through the link:



National Investor Relations Institute (NIRI) – CSR/Sustainability and Investor Relations

Wallace Partners will be presenting on the current market conditions and explain how shareholders and companies are engaging on sustainability through the IR/CFO office. A detailed description of the event and registration details are provided on the [NIRI](#) site. Non-NIRI Members are welcome to join this call.