

"What's New in Sustainability?"

January 2009 Newsletter

A note from Mike Wallace:

2008 was a momentous year that fundamentally changed our economy, and 2009 will undoubtedly create more flux. One thing that remains constant is the interest and investment in sustainable or green issues. Amid the credit crunch and the collapse of industry stalwarts, sustainability reporting continued to grow (doubling since 2005) and investor coalitions continued to mobilize using aggressive tactics (such the recent request directly to 9,000+ CEOs to either sign on the UN Global Compact or explain in writing why they've elected not to do so). We expect the momentum for sustainability to grow, cast a wider swath (from carbon to water), and intersect even more with traditional corporate governance as the "green" economy unveils itself and the requirements to "walk the walk" become more rigorous.

At Wallace Partners, we look forward to continuing to serve our clients, helping them navigate changing opportunities and streamline efforts to capitalize on the market opportunities in 2009. We will be enhancing our monthly newsletters and will be developing targeted research papers for key industries.

In this newsletter, we will focus on key events and issues of relevance to CEOs, CFOs, Investor Relations and EH&S professionals in 2009. We'd also like to wrap up 2008 by highlighting some of our client's accomplishments in 2008 and recapping key headlines from December 2008.

End of the Year Review

In our last [newsletter](#) of 2008, we highlighted the following events and trends:

- Companies maintained sustainability spending and climate change disclosure despite economic recession
- Customers and consumers increased their willingness to purchase "sustainable" products
- Companies, on average, have increased sustainability reporting but fail to align leadership positions with sustainability initiatives

In 2008, we noted ten major trends, all of which we expect to grow in magnitude in 2009.

1. Sustainability Increasingly Linked to Access to Capital
2. Increased Opportunities to Receive Public Monies For Sustainability Initiatives
3. Stakeholder Focus Beyond Carbon (i.e., Water)
4. Increased Voluntary Sustainability Reporting
5. More Publicly-Available Resources for Environmental Data (for stakeholders to compare and contrast companies)
6. Proliferation of Sustainability Indices (to respond to investor demand for sustainability)
7. Increased Sophistication of Environmental Screening by Mainstream Investment Firms and Specialized Research Firms
8. Direct and Aggressive Sustainability Campaigns from Investor Coalitions
9. More Attention Paid to Shareholder Resolutions on Sustainability

10. Increased Need for Targeted Communications to Specific Stakeholders (i.e., investor groups, employees)

Client Achievements

Wallace Partners works with public, private and non-profit organizations to develop integrate and optimize sustainability strategies. Our ongoing work across sectors enables us to bring new resources, perspectives and relationships to our clients' sustainability programs and results in clients success that include access to new business opportunities.

Corporate Support

On the corporate side, we have worked with a number of companies and industry associations to help them understand, develop, and implement sustainability programs. Our services have ranged from developing the governance framework to identifying new business opportunities for our clients.

- [Genentech](#) – fine-tuned sustainability program by bridging IR with the EH&S team, helped with response to the CDP, and assisted in inclusion on the [Dow Jones Sustainability Index \(DJSI\)](#).
- [MCI Group](#) – implemented sustainability at the Board level and signed on to the [UN Global Compact](#). MCI Group is now a leading European “sustainable event” provider.
- [Meeting Professionals International \(MPI\)](#) – implemented sustainability at the Board level and signed on to the **UN Global Compact**. MPI is now actively training 30,000 event planners on sustainable events.
- [ValleyCrest](#) – implemented sustainability at the Executive Team level, identified and facilitated strategic relationships, and identified new lines of business.

NGO Support

We've also provided strategic guidance and technical support to the Executive Directors of the following NGOs:

- [Global Health & Safety Initiative](#)
- [Global Footprint Network](#)
- [ICLEI](#) – Local Governments for Sustainability
- [Council for Responsible Investing](#)
- [Corporate Ethics International](#)
- [Global Initiative for Sustainability Ratings](#)

Healthcare Specialization

We have an especially strong practice in healthcare and have been supporting [Kaiser Permanente](#) (a non-profit healthcare provider) with their sustainability initiative for over 2 years. Through Kaiser Permanente, we are also working closely with the [Global Health and Safety Initiative \(GHSI\)](#), a sector-wide organization consisting of 18 healthcare systems in collaboration to transform the way that health-care designs, builds and operates its facilities, as well as the products used within those facilities. In 2009, we will work with this group to develop a footprint methodology for the healthcare industry.

Opportunities for 2009

Our assessment of 2009 indicates great opportunities for companies that are seeking to build or enhance their sustainability programs. The changing administration in Washington will result in new opportunities to access capital at the federal and state level, creating a unique opportunity to corporations to engage in a variety of sustainability initiatives. Since most of this funding is marked with a “green” tag, it is

important for all organizations to understand their own place in the “green” supply chain and be prepared to communicate their “green” attributes in a credible and verifiable manner. This not only prepares them for oncoming regulatory scrutiny, but also helps develop reporting and communications that can be used to build credibility, enhance reputation and gain access to new business opportunities.

By being ready, able and willing to report on your sustainability and/or green achievements you will be better able to access capital and resources in the new economy. From our point of view, there are 4 areas in which access to capital can be enhanced through the development of a strategic sustainability initiative:

- Public Capital – grants and/or loans tagged for the “green economy” will be accessible for those entities that can measure, manage, report and verify their past and planned actions on green initiatives
- Consumer / Customer Capital – corporate, government and consumer buying patterns continue to point to a desire and growing demand for green goods and services
- Human Capital – a growing number of graduating students and employees are continuing to report an interest in working for ‘green’ companies
- Financial Capital – an increasing number of financial institutions are increasing their screening processes to identify ‘green’ companies for lending, insuring and investing

Finally, done correctly, sustainability initiatives will identify and result in immediate cost reductions by reducing waste and increasing overall operational efficiency.

The Changing Administration: What it Means for Green

With the election of Barack Obama, there’s been a great deal of focus about the incoming President’s pledge to increase environmental disclosure, to invest in green infrastructure, and to cap carbon emissions. This pledge will present opportunities for numerous firms (including access to public monies) and force other firms to alter their strategy and operations.

Federal Monies For Sustainability

Congress is projected to begin reviewing the [American Recovery and Reinvestment Act](#), which will offer billions of dollars in grants for a broad range of sustainability related initiatives, such as those related to carbon, water, waste, and energy efficiency.

Mandatory GHG Reporting

Some predict that the Obama administration will signal [increased regulatory oversight](#) on carbon by federal administrative agencies, namely the Environmental Protection Agency (EPA) and the Securities and Exchange Commission (SEC).

Congress directed EPA to publish a [mandatory greenhouse gas reporting rule](#) by June 2009, which will likely require companies to report on greenhouse gases beginning in 2010.

Widespread Carbon Reduction & Related Regulations in the Post-Obama World

In 2008, Obama (via videotape) [opened](#) Governor Schwarzenegger’s International Climate Change Summit. Obama reiterated his support for cutting greenhouse gas emissions using a cap-and-trade system and stated that he would establish annual targets to reduce emissions to 1990 levels by 2020 and reduce them another 80 percent by 2050.

Obama also stated his intention to engage in global coordination on carbon reduction, which may include:

- The [December 2009 deadline](#) to complete the successor to the Kyoto Protocol treaty (Carbon reduction efforts by cities and states (including California's [Assembly Bill 32](#) mandate to reduce carbon to 1990 levels by 2020))
- Carbon cap-and-trade system

The reduction of carbon to 1990 levels by 2020 will require coordinated efforts, including investments in green infrastructure and increased regulation, such as California's [New Green Building Code](#) that will address emissions from buildings and other environmental issues.

Water: The Next Sustainability Frontier

As carbon regulations and voluntary carbon reduction efforts gain widespread acceptance, stakeholders will likely increase their emphasis on water in 2009. Several investor coalitions already have initiatives in place. For example, in December 2008, a trillion dollar investor coalition requested that the CEOs of 100 major corporations sign on to its [CEO Water Mandate](#), part of the United Nations Global Compact.

Corporations are now actively measuring and managing their water footprints, in addition to carbon footprints. In fact, a December 2008 conference in San Francisco, attended by leading corporations such as Coke and Nestle was dedicated solely to Corporate Water Footprinting. Wallace Partners has summarized the conference's presentations in a matrix entitled [Corporate Water Footprinting: Towards a Sustainable Water Strategy](#). The matrix contains hyperlinks to PDFs of each presentation.

Upcoming 2009 Events

\$100 Discount,

[VerdeXchange Green Marketmakers Conference](#)

[Los Angeles, January 26th, 2009](#)

Wallace Partners is working closely with the organizers of this Clean and Green Energy/Technology Marketing Conference and networking event. [Speakers](#) include California legislators, innovators, and state government officials. We are offering a **\$100 discount**, which can be redeemed while [registering](#) for the conference, and typing in our **code**: Wallace.

Take advantage of our **20% discount** for this up-and-coming event in NYC by using the Wallace Partners Code FTCSRWP! Details and registration can be found here: <http://www.ftconferences.com/csr>.

About Wallace Partners

Wallace Partners works with public, private and non-profit organizations to develop integrate and optimize sustainability strategies. Our strategies identify emerging business opportunities associated with sustainability, as well as address the growing demand for enhanced disclosure and governance.

Given the growing interest in these issues by mainstream financial institutions, Wallace Partners has developed [Environmental Governance Services](#), a unique service focused on aligning financial and reputational performance to address the increasing scrutiny by financial and regulatory stakeholders.

Whether you have an existing sustainability program or are just beginning to contemplate one, Wallace Partners can help you focus your efforts in a manner that meets your business needs while addressing your most [influential stakeholders'](#) interests.

Here are some questions we can help you answer:

- What are the most important sustainability criteria for your industry and your company?
- What do your stakeholders really want to know about your sustainability performance?
- How do you compare with your competitors on sustainability?
- Is your sustainability performance being accurately communicated by your company, within the market and among your stakeholders?

Are your departments (EH&S, IR, HR, PR, etc.) aligned and working together to address the growing demand for sustainability information?