

"What's New in Sustainability?"

May 2009 Newsletter

Several new and significant developments through the month of April that increase attention on [Environmental Governance](#):

- [Access to Capital](#) – Directors and Officers Insurance Exposure to Climate Change
- [Reporting Trends](#) – Reporting Under UN Global Compact Increased 25% since 2007
- [Investor Coalitions](#) – NY Attorney General Confronts Chevron on Disclosure
- [Ratings, Rankings & Indices](#) – EPA names Top 50 Green Power Purchasers
- [Sustainability Regulations](#) – EPA's significant Earth Day declaration of carbon as a health threat

Upcoming Event:

[ESG: Sustainable Business, Responsible Investing](#) - May 14 – San Diego, CA – Mike Wallace will be discussing the role Investor Relations plays in the success of an integrated sustainability program.

Recent Publication:

[Modern Due Diligence: Opportunities and Challenges in the Green Economy](#) – American Bar Association (ABA) Environmental Disclosure Newsletter, March 2009

Preparing for the Carbon Disclosure Project

May 31st is the [deadline](#) for companies to respond to this year's Carbon Disclosure Project's Information Request, which was sent to over 3,000 companies worldwide. Please contact Wallace Partners for further details.

Access to Capital

Corporate Directors and Officers Predicted to Face Liability Related to Climate Change

ACE Insurance, a provider of D&O insurance, released a [report](#) entitled "Climate Change Is Heating Up D&O Liability". The report states:

"The question is no longer *whether* there will be actions arising out of how a company and its leadership assess, quantify, and disclose climate change risks, but rather...*when* it will be lodged against directors and officers."

The reported concludes:

"Climate-change-related litigation against companies has already started, and several settlements have already set unprecedented and high standards for detailed management disclosure and analysis under existing laws. Where management disclosure duties exist, liability exposure for directors and officers exists as well."

Carbon Footprints of Mutual Funds Now Assessed

Environmental researcher, Trucost published the first carbon footprint ranking of mutual funds. The [report](#) examined 75 major equity funds and 16 sustainability/socially responsible investment funds with a combined value of \$1.55 trillion. These funds own shares in thousands of publicly traded companies, and the study highlights the level of exposures posed by emerging carbon regulation and the ensuing cost of carbon. Trucost's analysis of 91 funds will help investors gauge how emissions laws could affect a fund's holdings, and will also result in more pressure on the companies in those funds to measure, manage and report carbon emissions data.

Investors Addressing Climate Change in All Asset Classes

In response to investor demand, a [handbook](#) was released to help "pursue climate-friendly investments, mitigate exposure to climate risk, and engage stakeholders to improve climate-related performance across the range of investment opportunities" for all asset classes, according to Social Funds. Opportunities were identified in the following types of assets: stocks, bonds, private equity, real estate investment, private infrastructure investment, commodities markets, and hedge funds. The handbook is a guide to help companies understand what investors and the financial community are seeking in the way of "sustainable companies".

Reporting Trends

Reporting Under UN Global Compact Increased 25% since 2007

The UN Global Compact Annual Review 2008, its largest ever survey, found that more companies than ever before are now disclosing their practices under the Global Compact's unique mandatory disclosure framework, also known as the Communication on Progress (COP). More than 1700 COPs were submitted in 2009, marking a [25 percent increase](#) over 2007. At the same time, more than 400 business participants were removed in 2008 for repeated failure to communicate progress, bringing the total number of companies removed from the Global Compact to over 800.

Company Best Practices for Sustainability Reporting Announced

The Ceres-ACCA program, now in its eighth year, awards best practices in reporting on sustainability issues by North American organizations. The program is also designed to provide guidance to other groups and companies that are publishing or intend to publish sustainability or corporate social responsibility reports. [The winners](#) were selected by an 11-person independent panel of judges representing a variety of sectors including nonprofit, corporate and investment companies. Criteria focused on completeness, credibility, and effectiveness of communication. Winners included General Electric, Dell, Symantec, and Seventh Generation.

Investor Coalitions

New York Attorney General to CEO: Potential Environmental Liabilities Must Be Disclosed

On May 4, New York Attorney General Andrew Cuomo sent a letter to David J. O'Reilly, Chairman and Chief Executive Officer of Chevron, [requesting information](#) related to the company's involvement in pending environmental litigation in Ecuador estimated to be as high as 27 billion dollars.

The [letter](#) stated that:

" Given the fact that both New York State and New York City public pension funds hold substantial Chevron shares...shareholders also have a right to know what contingencies, if any, have been taken by Chevron in recognition of a possible adverse ruling in the litigation."

Cuomo asked Chevron to submit the following information to its Investment Protection Bureau:

- What is its estimate of possible damages if found liable?
- What if any disclosure has been made of these estimates?
- And, what if any reserves have been established in contemplation of such damages being assessed against Chevron?

Bloomberg L.P. Joins Ceres Company Network

Bloomberg L.P., a leading information-services and media company, has been approved as a Ceres network company by the Ceres Board of Directors, citing the company's commitment to sustainability disclosure and setting goals to reduce its environmental impact. [Bloomberg](#) is the newest of more than 80 companies that have joined Ceres, a leading coalition of investors, environmental groups and public interest organizations working with companies to address sustainability challenges such as global climate change.

IIGCC Planning a Report on Climate Change Activities of its Signatories

The Institutional Investors Group on Climate Change (IIGCC) will soon be releasing an update on the climate change activities of its [signatories](#) - managing more than 3 trillion dollar in assets. The results, which are to be published in the spring, will highlight best practices and share practical actions regarding integrating climate change into investment processes. The survey results will also allow investors to measure their progress over time and benchmark themselves against their peers.

Ratings, Rankings, & Indices

National Top 50 Power Purchasers

The U.S. Environmental Protection Agency (EPA) has released its updated quarterly ranking of the [Top 50 Green Power Purchasers](#) in the United States. The 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.

2009 Q1 Ethical Rankings Released

A [quarterly ethical ranking](#) covering a universe of 541 multinationals within 18 sectors was released. The ranking uses an ethical quotation based on quantification of qualitative data among 45 criteria including labor standards, waste management, product social utility or human rights policy.

Most Environmentally and Socially Controversial Companies Announced

[A recent report](#) highlighted ten firms based on each firm's exposure to controversy, reach of news sources, the frequency and timing of news, and the type of news.

The report indicated the most controversy regarding the following three issues:

1. Impacts on Ecosystems/Landscapes
2. Impacts on Communities
3. Human Rights Violations and Corporate Complicity

"Best of Green" Winners Announced

[TreeHugger](#) announced its first annual "Best of Green" designations. The company looked at organizations in food, health, travel, transportation, science and design.

Sustainability Regulations

U.S. EPA: Greenhouse Gases Endanger Public Health

Announced shortly before Earth Day, [the U.S. EPA finding](#), a response to the scientific review ordered by the U.S. Supreme Court two years ago, clears the way for the agency to regulate greenhouse gases under the Clean Air Act.

The EPA analyzed six gases -- carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride -- and concluded their concentrations are at historic levels because of human activity.

Obama Envoy: High Carbon Goods and Services Will No Longer Be Possible

According to a report in the [Financial Times](#), businesses must not sink money into high-carbon infrastructure unless they are willing to lose their investments within a few years, the US lead negotiator on climate change has warned.

In the Obama administration's starkest rebuke yet to industry over global warming, Todd Stern, special envoy for climate change at the state department, said "high-carbon goods and services will become untenable" as the world negotiates a new agreement to cut carbon emissions and regulations on efficiency for cars, buildings and electrical equipment become enacted worldwide.

Stern added:

"How good will the business judgment of companies that make high-carbon choices now look in five, 10, 20 years, when it becomes clear that heavily polluting infrastructure has become deadly and must be phased out before the end of its useful life?"

Company News and Upcoming Events

Wallace Partners is actively speaking on environmental governance and sustainability in the coming months. We invite you to join us at the following upcoming events:

- [ESG: Sustainable Business, Responsible Investing](#) - May 14 – San Diego, CA – Mike Wallace will be discussing the role Investor Relations plays in the success of an integrated sustainability program.

- [6th Annual CleanMed Conference](#) - May 18 – 20 – Chicago, IL – Mike Wallace will be presenting with the Cleveland Clinic, Dartmouth-Hitchcock and Spectrum Health on the development of the healthcare industry's Eco-Health Footprint.
- [Action for a Sustainable America](#) - July 14 – 15, New York, Mike Wallace will be presenting at the conference on effective stakeholder engagement. (**Wallace Partners subscribers are eligible for 20% discount by entering the code "wallace20".**)