

Affirmative Thinking



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The Business Case for Sustainability Becomes Glaringly Obvious

Steve Schueth | President

There's no alternative to sustainable development. Even so, many companies are convinced that the more environment-friendly they become, the more the effort will erode their competitiveness." So begins a September 2009 *Harvard Business Review* article entitled "Why Sustainability Is Now the Key Driver of Innovation."

The authors, Harvard professors Ram Nidumolu, C.K. Prahalad, and M.R. Rangaswami, argue that becoming environment-friendly can lower costs and increase revenues with the bold statement that "in the future only companies that make sustainability a goal will achieve competitive advantage."

A November 2009 report from the [Economist Intelligence Unit](#) approaches the business case for sustainability from a different perspective: that of senior managers surveyed in Asia, Europe, North America, Latin America, and the Middle East.

"Seventy-eight percent of respondents say sustainability initiatives are very or somewhat important to their current business strategy. Eighty-seven percent of respondents see them as very or somewhat important to future growth of plans, and the same number expect them to be very or somewhat important in five year's time."

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2009 a Boon for Sustainability Reporting

Sara Laks | Assistant to the President

Investors and corporate social responsibility (CSR) advocates pushed for more comprehensive ESG reporting in 2009 and gained ground.

According to a report from the [Sustainable Investment Research Analyst Network](#) (SIRAN), a working group of the [Social Investment Forum](#) (SIF), sustainability reports have increased by more than one

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Join us in San Antonio!

The 21st annual [SRI in the Rockies Conference](#) will be November 18–21, 2010 at the JW Marriott Hill Country Resort & Spa in San Antonio, Texas. Visit www.SRIintheRockies.com often for regular updates on sponsorships, speakers, and more. Plan to join us!

More on the Web

For most of our articles, you can find expanded coverage online, with more detail and additional resources.



Articles with key points available only online are marked with this logo.

Leading by Example: Federal Agencies to Reduce Emissions

President Obama's determination to act decisively on climate change, already apparent in recent rulings by the [Environmental Protection Agency](#) (EPA) and proposals by the [Securities and Exchange Commission](#) (SEC), took another step forward in mid-October 2009 when he issued an Executive Order "to establish an integrated strategy towards sustainability in the Federal Government and to make reduction of greenhouse gas emissions a priority for Federal agencies."

The [Executive Order](#) requires that within 90 days, Federal agencies set reduction targets of scope 1 and 2 GHG emissions by fiscal year 2020, relative to a 2008 baseline. The Executive Order advises Federal agencies to consider reductions of energy intensity in buildings, increased usage of renewable energy sources, and reductions in the use of fossil fuels by agency vehicles.

In addition, Federal agencies are required to submit plans for the reduction of scope 3 GHG emissions within 240 days. Scope 3 emissions are those emitted by such indirect sources as supply chains and corporate air travel.

Visit our website to learn more about this Executive Order and greening our government, the largest U.S. energy consumer.



Source: [SocialFunds.com](#)

From Crisis to Opportunity: Investing in a Sustainable World

Christine A. Renner | Executive Assistant to the CEO

Over 550 SRI industry practitioners gathered in October 2009 amid rolling hills peppered with saguaro cacti near Tucson, Arizona for the 20th annual SRI in the Rockies Conference. They were there to learn, teach, collaborate, and advance their work. Plenary speakers included experts in asset management, economics, law, business sustainability, and social research—all working to direct the flow of investment capital to create a more sustainable world.

Mark Fulton of [Deutsche Bank Climate Change Advisors](#) shared the podium with Mindy Lubber, President of [Ceres](#), and emphasized the need for partnership between government and the private sector to reduce greenhouse gas emissions, as the costs of inaction will continue to climb. Lubber called for a mandatory cap on carbon and said she supports government tax incentives to encourage investing in a green economy. Phaedra Ellis-Lamkins, CEO of [Green For All](#), discussed her organization's work to create green-collar jobs in regions heavily impacted by the recession.

Investors, companies, government, and non-governmental organizations (NGOs) are embracing collaboration and replacing some of the antagonism of the past. Greater numbers of NGOs are asking former foes to work with them, and corporations are reaping the benefits of affiliation with organizations that have decades of experience tackling important issues that affect us all.

One example is the work between [Greenpeace and Coca-Cola](#) to end the use of hydrofluorocarbon (HFC) in all new Coke vending machines and coolers by 2015. SRI in the Rockies Conference participants learned about collaborative efforts between [Oxfam America](#) (an NGO) and [Swiss Re](#) (a leading global insurance company) to address climate risk mitigation in communities most vulnerable to climate change effects such as rising sea level and crop failure.

Because of the size and reach of global corporations, each shift toward sustainability can multiply quickly along supply chains and induce competition among industry peers to meet higher standards. [Rainforest Alliance](#) President Tensie Whelan and Cees Talma of [Lipton](#) at Unilever discussed how the Rainforest Alliance certification program has catalyzed dramatic shifts toward greater sustainability within Unilever's tea leaf supply chain, which accounts for 12% of the world's black tea.

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2009 a Boon for Sustainability Reporting

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third in the past year among the largest 100 companies in the U.S.

The report, titled *S&P 100 Sustainability Reporting Comparison*, found that 93 of the S&P 100 companies now provide sustainability information on their website.



More than 50 major investment firms and professionals, including [First Affirmative](#) and the [Social Investment Forum](#), submitted a proposal to the [Securities and Exchange Commission](#) (SEC) to require an annual report covering a uniform and comprehensive set of sustainability indicators as defined by the most comprehensive level of the current [Global Reporting Initiative](#) (GRI) guidelines.

Another momentous step for ESG (environment, social, governance) disclosure came from the regulatory level. In November 2009, the proxy season kicked off with an important SEC policy change. The SEC has revised a 2005 policy that allowed companies to omit many shareholder resolutions seeking an assessment of risks or liabilities based on a company's environmental impacts or effects on public health.

The new policy recognizes the value in managing risks around many social and environmental issues. The Commission will now consider shareholder proposals based on whether the question is "material" to the business (large enough to potentially affect shareholder value), which opens the door for shareholder resolutions that address the inherent risk of climate change, for example.

These advances on corporate, government, and advocacy fronts are together enhancing the ability of investors and consumers to make more informed decisions about which corporations to support and encouraging corporations to improve their ESG performance. The improving and expanding amount of information available is finding its way into a growing number of ESG databases through social research providers such as [KLD Research & Analytics](#), [IW Financial](#), [ASSET4](#), and [Bloomberg](#).

The stage is set for continued improvements in sustainability reporting in 2010 and beyond. The public accountability and transparency created by addressing ESG issues is a necessary foundation for truly greening our economy.

Brands That Do Good Succeed

Doing good does pay, according to the global "Good Purpose" poll of 6,000 consumers by public relations firm [Edelman](#). More than six in ten people would buy and recommend a brand that gave back to society or helped the environment, even if it wasn't the cheapest.

Sixty-four percent of respondents said that they expect brands today to support good causes. More than two-thirds said they would switch brands if another, similar-quality product supported a good cause.

"People all over the world are now wearing, driving, eating, and living their social purpose as sustained engagement with good causes becomes a new criterion for social status," said Mitch Markson, Edelman's chief creative officer.



Source: Reuters, 12/22/2009

What Does "Green" Mean?

About 84% of consumers think of "green" products as containing recyclable or reusable material, or include such packaging, according to new research from [Grail Research](#).

About 78% associate energy efficient or renewable energy with "green" products, according to [The Green Revolution](#) report. "Green" prompts 71% of consumers to think of natural or organic ingredients, while only 30% consider water conservation to be a green practice.

Source: Environmental Leader



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The Business Case for Sustainability

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The Economist Report concludes with the observation that sustainability is “an important issue for business today precisely because companies have discovered that success can lead to good financial performance, no matter the economic climate.”

In October 2009, SRI in the Rockies Conference participants were treated to a “duet” presentation by Gil Friend, sustainability consultant and author of *The Truth About Green Business*, and L. Hunter Lovins, founder and president of *Natural Capitalism Solutions*. Friend and Lovins shared the stage and bantered back and forth with each other and with the audience of several hundred SRI industry practitioners, making the business case for sustainability.

Lovins offered an investor perspective: “We now have [15 separate studies](#) from the sorts of wild eyed environmental radicals like Goldman Sachs and McKinsey showing that the companies that are the leaders in environment, social, and good governance policy have 25% higher stock value, the fastest growing stock value, are well protected from value erosion even after the collapse, and even after the collapse have market capitalization averaging \$650 million more than their competitors,” she said. “Conversely, the worst performing companies are most likely to have nobody in charge of sustainability.”

Friend and Lovins were preaching to the choir at SRI in the Rockies. The SRI industry believes that companies who are leaders in the holistic integration of sustainability into business operations will do better—better for investors, and better for all citizens of a growing, vibrant, healthy global society.

First Affirmative client portfolios are invested in such companies. We think of them as “companies of the future.”



Investing in a Sustainable World

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Partnership is not only for big players. Woody Tasch, author of *Slow Money*, spoke at SRI in the Rockies to share his vision of local communities working to transition to more sustainable food systems. This coming together of stakeholders at local, national, and international levels creates the web of coordination and commitment necessary to take the world in a new direction.

You can listen to the sessions mentioned above and more by visiting our conference website: www.SRIintheRockies.com. Click on the “Past/Future Conferences” link and select the “2009 conference” to be taken to audio recordings of all sessions.