

2012 CORPORATE ESG / SUSTAINABILITY / RESPONSIBILITY REPORTING

DOES IT MATTER?

Analysis of S&P 500[®] Companies'
ESG Reporting Trends & Capital Markets Response,
and Possible Association with Desired Rankings & Ratings

Published By



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New York, New York 10003

646.430.8230

www.ga-institute.com



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2012 CORPORATE ESG / SUSTAINABILITY /
RESPONSABILITY REPORTING - *Does It Matter?*



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Background Information

Over the last few years, the number of United States-domiciled companies that are reporting using the Global Reporting Initiative's Framework (GRI) for their disclosure and structured reporting on sustainability strategies, programs and initiatives has increased dramatically.

A steadily increasing number of companies are realizing the value of measuring and managing risks, and taking advantage of opportunities arising from their Environmental, Social, and Governance (ESG) issues.

While the absolute number of reports from US companies is now higher than that of most other countries, as a *percentage* of all global companies the participation of US companies in GRI reporting is relatively low (especially when compared with peer and competitor companies in other industrial nations).

The GRI opened a "Focal Point USA" office in New York City in 2010 "...to help US companies tell world audiences about their ESG / sustainability efforts by providing support to those [companies] producing sustainability reports [and to boost the number of US companies producing such reports]." Since Focal Point USA was launched the number of companies reporting in the US has nearly doubled.

At this point our latest findings from this research effort show that around 53% of the S&P 500 Index companies are currently disclosing ESG information, compared to about 19-20% of the S&P 500 reporting in 2010. Put another way, this is a little more than one out of two companies included in the S&P 500 Index that are publishing progress reports on their sustainability efforts. What this means is if a company is in the S&P 500 and is not publishing a Sustainability report, it is now in the *minority*, and most likely their peers and competitors are already reporting and enjoying certain benefits and advantages.

In 2011, Governance & Accountability Institute was invited by GRI to become the Data Partner for the United States of America. This was a natural selection for the position, as the Institute had been monitoring trends around ESG/Sustainability for many years. The Institute is responsible for monitoring, receiving, collecting and/or identifying all Sustainability reports that are published in the US. The Institute is also an Organizational Stakeholder (OS) to the GRI and is involved with furthering the mission of the global organization, especially in the US.

The collection process involves obtaining the report, analyzing it for more than 50 different data points which are added to G&A's research database and then submitted to the Global GRI HQ in Amsterdam for inclusion into GRI's global database of reports. In addition, once the report is submitted G&A then communicates the news that the report is available through various channels. This relationship and process has enabled the Institute to provide increasingly valuable information systems, services, strategic intelligence, and advice to our clients.

G&A Institute recognizes the following questions that are often raised by clients, corporate professionals, investors, and other stakeholders:

- ⊙ *Does it matter if companies report on sustainability ~ and does it make a difference if they report according to the GRI Framework?*
- ⊙ *Does reporting on sustainability have an impact in the capital markets (and among investors)?*
- ⊙ *What other tangible benefits do companies receive from reporting?*
- ⊙ *(and) Who really cares? And does it really matter?*

In calendar year 2011, a research team at G&A Institute attempted to answer these questions with an in-depth look at the sustainability reporting activities of the largest (by revenues) companies in the USA, the *Fortune 500* roster. A copy of that report is available at www.ga-institute.com

A number of third parties who read that report suggested that we look at the S&P 500 Index companies, and compare these to the overall benchmark, which is widely used by analysts and asset managers.

The purpose of the year 2012 research and analysis was to examine the effects (if any) of certain corporate sustainability and responsibility reporting practices on stakeholders, and then attempt to detect discernible trends involving the S&P 500 Companies as related to their ESG / Sustainability reporting.

Our 2012 research findings are contained in the following pages. The model created for analysis is being expanded and updated in the coming years and will be used by researchers to further validate or contradict the initial findings from our first two reports (2011, 2012).

We invite feedback and suggestions from readers of this report.

Introduction to Sustainability Reporting & Global Reporting Initiative (GRI) Framework

In response to growing societal concerns related to domestic and global environmental issues, including climate change and water, many multinational corporations have reacted to governmental, political, stakeholder and investor expectations and pressures to “anticipate,” evaluate, understand and better manage present and future economic risks (and opportunities) by embracing ESG/Sustainability initiatives. Companies often explain their initiatives as being part of their overall corporate responsibility. Expanded reporting on these strategies is now expected (and increasingly demanded) by investors and investor coalitions, and other stakeholders in both the United States and in other world regions.

An important, globally-accepted framework for accomplishing this expanded disclosure and reporting is the **Global Reporting Initiative (GRI) Framework**. GRI is a global, network-based mechanism – organized as a foundation—and is based in the Netherlands. GRI has pioneered the development of the world’s most widely-used sustainability reporting framework and as such is a reporting mechanism with broad credibility. The goal of GRI is to assist organizations in their disclosure of *environmental, social and governance (ESG)* performance. A wide range of participants have embraced GRI reporting, including members of the global business community, civil society, the public sector, and labor, academic and professional institutions.

The GRI’s third generation of reporting framework and guidance – the “**G-3**” – is used by a growing number of public companies, either as a general guide or for specific reporting of their ESG performance against the Framework “Boundaries,” “Indicators” and “Disclosure” expectations. (The application level system has various requirements and disclosures for each application level selected by the reporter.)

G3.1 is a two-part guideline providing the GRI’s Reporting Framework to aid organizations in disclosing their sustainability performance.

- ⦿ **Part 1** of the G3.1 Guideline consists of principles to define report content, quality and to describe how to set the report boundary.
- ⦿ **Part 2** outlines the standard disclosure in terms of strategy and profile, management approach, and performance indicators. In the G3.1 guidelines, GRI has updated its guidance in topics such as *Human Rights, Local Community Impacts, and Gender*.

G4 is GRI’s fourth generation of Sustainability Reporting Guidelines (now in development with a multi-stakeholder process used to develop the enhanced guidelines). Several recent exposure drafts have been circulated and public comments invited. The final guidelines are being released by GRI in May 2013.

Voluntary disclosure of ESG performance following the GRI Framework can prove especially useful in clearly highlighting a company’s commitment to sustainable development; demonstrating compliance with environmental, workplace and other regulatory schemes; and, serving as a benchmark to compare the organization against peer groups, sectors and industries, and competitors.

Important note: investors (asset owners and managers) and financial analysts are becoming more aware that corporate financial statements alone are not necessarily effective in determining access to capital, cost of capital, share price and other valuations; thus, the rising interest in ESG factors.

Tangible – Intangible

The ESG factors once considered “non-financial” and “intangible” by asset managers and analysts have become important determinants in the capital markets – and *tangible* in the outcomes regarding valuations.

How a company performs in terms of managing environmental and energy issues, how it addresses and resolves societal or civic issues and the state of corporate governance of the enterprise are three important groups of determinants. (Along with the traditional financials, of course.) As investors evaluate company performance with respect to ESG factors, corporations are increasingly responding with corporate responsibility and sustainability strategies, policies, programs, initiatives and ultimately higher quality of reporting.

In brief, the essence of these factors is reported to the public in *Sustainability, Responsibility or Citizenship* reports. These efforts usually lead public companies to the Global Reporting Initiative as a widely-recognized and respected global framework for organization of narrative and data (metrics) and reporting on corporate ESG performance.

Inclusion on “greenest companies” and “best reputational” lists, rankings and some accompanying ratings is increasingly sought by company’s senior management to help communicate the firm’s efforts on becoming more “sustainable and responsible,” and therefore help position the enterprise as more appealing to investors who care about such efforts (and perceptions).

In our conversations with executive teams and senior managers, and line and functional managers at publicly-traded and privately-held companies, it is clear that being on “the best of” lists, being awarded certain recognitions, and having favorable third party opinions as to a company's sustainability efforts is sought, and prized, in companies of all sizes, from large-cap to mid- and small-cap.

The findings in this report will be of interest to corporate managements, the investment community, and third-parties (stakeholders).

Methodology

The first step of our research process was to determine the reporting trends of the complete list of S&P 500 Index companies. Did they report (or not)? Did they use GRI (or not)? We manually researched from publicly-available information on the reporting practices of all companies in the S&P 500. The cutoff date for our research on companies reporting was May 2012. The combined results were added to a comprehensive database on reporting trends of the S&P 500 companies. In addition, we updated our research database from last year's analysis of the Fortune 500® companies with new data from this year's reporting trends to permit the continuation of our long-term financial performance part of the study.

Financial Market Performance

To evaluate financial performance in the capital markets we compared the performance of companies included in the S&P 500 that reported vs. the S&P 500 equal weighted index. We did the same with the Fortune 500® company reporters to continue our long-term study, now spanning years 2007 through 2012. This is how we defined and crafted each of the portfolios for our analysis.

- ⊙ **The S&P 500® GRI Reporters** - Consists of US companies in the 2010 S&P 500 (for years 2007-2010) and S&P 500 members as of 2011 (for 2011-2012) list that have reported on their Sustainability Impacts (Environmental, Social, and Governance).
- ⊙ **The Fortune 500® GRI Reporters** - Consists of companies in the Fortune 500 year 2009 (for years 2007-2010) and 2011 (for 2011-2012) list that have reported on their Sustainability Impacts (Environmental, Social, and Governance).

At the start of each year we added the companies that reported to the research portfolio. If a company did not report for two consecutive years, we removed the company from the portfolio. We allowed a one year gap in reporting, as long as the company reported the following year. The detailed results of this analysis can be seen in the appendix at the end of the report.

Reputational Lists, Indices, Ratings & Rankings

To evaluate the potential benefits for companies that report for selection in Reputational Lists, inclusion in Indices, and higher sustainability Ratings and Rankings, we first had to determine which S&P 500 companies were included in these various reputational lists, indices, ratings, and rankings. After determining the overlap in each component of our research we then split these companies into four groups:

1. Corporate GRI Reporters - Used the GRI Framework, including a GRI Content Index
2. GRI-Reference - Referenced GRI in their reports and may have used aspects of the framework - but did not follow it completely.
3. Non-GRI - Reported on Sustainability / ESG but did not mention or follow GRI.
4. No Report - Have not issued any formal report on their Sustainability / ESG issues.

We then looked at each index component individually to attempt to gauge any relationship between the companies' reporting practices and increased selection or more favorable ratings and rankings. Our hypothesis was that companies that *do voluntarily* report according to the GRI Framework (in their ESG/Sustainability reporting) would have a higher probability to be added to sustainability-focused equity indices, to be selected for inclusion on popular sustainability reputational lists, and to achieve more favorable rankings as compared to non-reporters, and companies reporting not using the GRI Framework.

Executive Summary

Does reporting matter?

This is our second year completing a research effort to attempt to answer this question in a demonstrable way (through this analysis). This year we decided to concentrate on the universe of the S&P 500 companies (rather than the Fortune 500 companies we looked at last year). This change was due to feedback received from readers of the last report, and, to better align the report with the most commonly-used benchmark.

The S&P 500® Equal Weight Index® is widely regarded as the best single gauge of the large-cap US equities market, and includes 500 leading companies in various industries of the US economy, capturing about 80 percent of coverage of all US equities. Some US \$4.83 trillion in Assets Under Management (AUM) are benchmarked against the Index at the time of the analysis, according to Standard & Poor's. Sectors include energy, materials, industrials, construction, healthcare, financials, information technology, telecom, and utilities.

G&A's research effort was designed around analyzing those potential benefits recognized by companies who reported on Sustainability, and if those companies reporting using the GRI Framework enjoyed more benefits than those companies using Non-GRI reporting methods. We decided to investigate these questions by looking at four aspects:

- 1.) **Financial Performance** – Do companies that report perform better in the capital markets over the long term? Are there share price (valuation) advantages for reporters?
- 2.) **Indices** – Are companies reporting on sustainability more likely to be included in such popular Sustainability Indices as DJSI and NASDAQ OMX CRD Global Sustainability Index?
- 3.) **Reputational Lists / Awards** – Are reporting companies selected more often for credible reputational lists such as *Newsweek's* Greenest Companies?
- 4.) **Ratings & Rankings** – Are higher ratings and rankings achieved by reporting companies by leading organizations such as Carbon Disclosure Project (CDP)?

Our research indicated that there were **positive** associations between companies reporting using the GRI Framework and the following...

- ⊙ Inclusion in the *DJSI North America Index*
- ⊙ Inclusion in the *DJSI World Index*
- ⊙ Inclusion in *NASDAQ's OMX CRD Global Sustainability Index*
- ⊙ Higher *Carbon Disclosure Project (CDP) Disclosure Scores*
- ⊙ Higher *Carbon Disclosure Project (CDP) Performance Scores*
- ⊙ More favorable *Glassdoor Ratings*
- ⊙ More favorable *CSRHub Rankings*
- ⊙ Preferred placement in *Brandlogic's* and *CRD Analytics' "Corporate Sustainability IQ Matrix"*
- ⊙ Higher *Bloomberg ESG Disclosure Scores*

Our analysis also found some association for the following...

- ⊙ Inclusion in *Newsweek's Greenest Companies* Rankings.
- ⊙ Inclusion in the *CR 100 Best Corporate Citizens* (CR magazine).
- ⊙ Inclusion in *Ethisphere's Worlds Most Ethical Companies*.

From our analysis we concluded that by reporting on Sustainability / ESG issues US companies might expect to rank higher in rankings and ratings, and might have more opportunity to be recognized by the third parties identified here, especially if they are reporting using the globally accepted GRI Framework.

It is generally agreed among investors that there is yet no clear standard for evaluating ESG performance and that much subjectivity comes along with measuring companies' "ethical and sustainable" practices and performance.

Reporting on Sustainability / ESG according to the GRI framework (or Non-GRI) *does not alone* seem to assure or guarantee inclusion or higher rankings, but reporting does improve the chances of being recognized by credible third parties such as rating and ranking providers and equity index managers.

Further our continued financial performance analysis shows that over the longer time period companies that manage their Sustainability / ESG and report on their progress and initiatives tend to perform better in the capital markets, and appear to be given a premium by investors. We notice a "flight to safety" in the years coming out of the financial recession, with the companies that are reporting tending to recover faster from their lows.

Conclusion

Overall, our findings show that companies who measure, manage, and ultimately disclose more and engage in structuring reporting on their Sustainability or ESG issues enjoy considerable advantage when compared to their non-reporting peers. Further detail on these findings can be found in the following pages.

Overview: S&P 500® Overall Reporting Trends

S&P 500 Breakdown by Reporter Types

The S&P 500® is widely regarded as the best single benchmark of large cap U.S. equities. There is over USD 4.83 trillion in AUM benchmarked to the index, with index assets comprising approximately USD 1.1 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of total available market capitalization.

For more information, please visit: us.spindices.com/indices/equity/sp-500

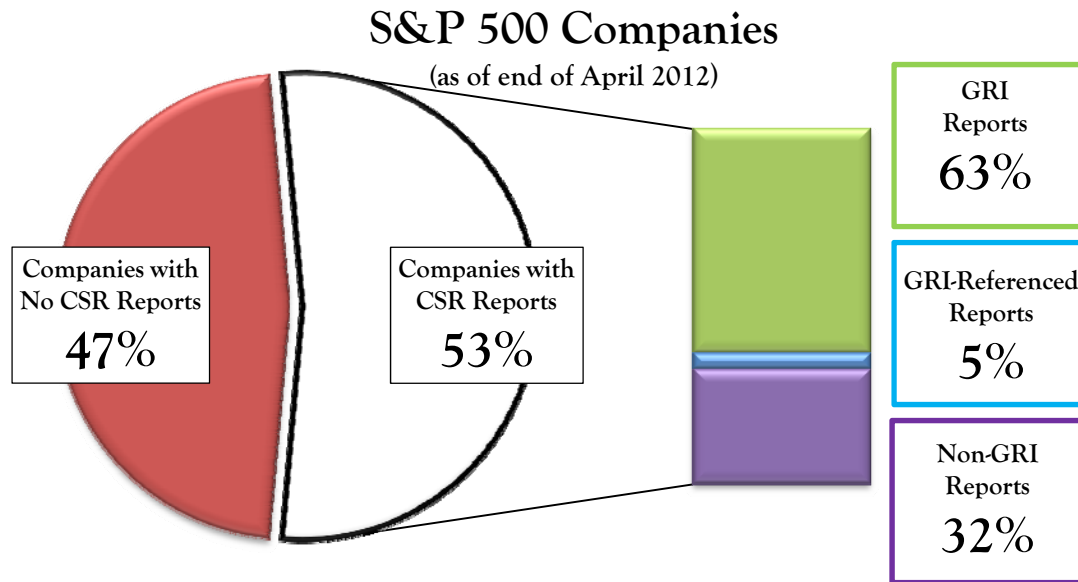


Figure 1. Percentage of S&P 500 companies reporting on sustainability or ESG issues, further broken down by reporting type.
 (Data Sources: S&P Website, G&A Institute Research)

The above breakdown shows that 47 percent of the companies included in the S&P 500 *do not* publish Corporate Social Responsibility Reports, while 53% *do*. Of the 53% that *do* publish reports, 63% are using the GRI Framework with an additional 5% referencing the Framework. The remaining 32% are reporting companies not using the GRI Framework.

Note that 53% of the S&P 500 reporting is significant because it demonstrates more than a doubling in reporting since we issued our last report in 2011 (where we found 19-20% of companies in the S&P 500 reporting).

GRI Sector Breakdown of S&P 500 by Reporting Type

These are sectors used internally by GRI to track the statistics of reporting companies around the world. We have applied them below to the constituents of the S&P 500.

GRI Sector¹ Breakdown by Reporting Type (Companies Reporting as of May 2012)

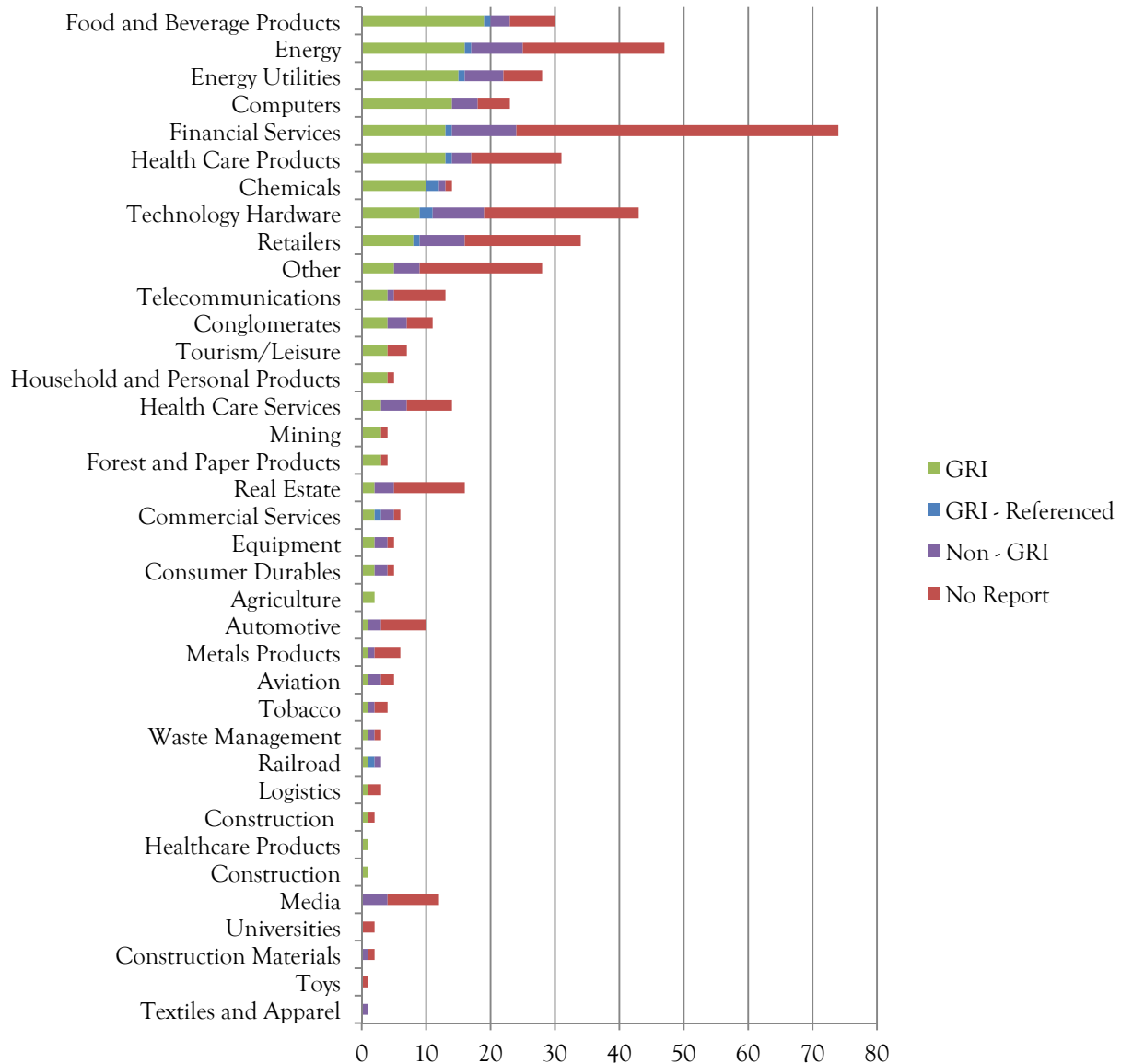


Figure 2. S&P 500 companies broken out by sector and report type ordered by the “most to least” companies using the GRI Framework. (Data Source: G&A Institute Research)

Above is a breakdown of the S&P 500 companies by sector using the sector definitions supplied by GRI for use in data partner report tracking activities. The chart has been further broken down by report type and then ordered by sectors, with most GRI reporters to least.

In analyzing companies reporting following the GRI Framework, we determined that the sector with the **most** GRI Reports was the **food and beverage products** super sector, followed by **energy** and **energy utilities** sectors.

Out of the sectors that are heavily weighted in the S&P 500, some sectors that contain a high percentage of *non-reporters* are **financial services, real estate, automotive and media**.

¹ GRI organizes companies in 38 super sectors to help classify companies accordingly. They are: Agriculture, Automotive, Aviation, Chemicals, Commercial Services, Computers, Conglomerates, Construction, Construction Materials, Consumer Durables, Energy, Energy Utilities, Equipment, Financial Services, Food & Beverage Products, Forest & Paper Products, Health Care Products, Health Care Services, Household & Personal Products, Logistics, Media, Metals Products, Mining, Metals Products, Mining, Non-Profit/Services, Other, Public Agency, Railroad, Real Estate, Retail, Technology Hardware, Telecommunications, Textiles & Apparels, Tobacco, Tourism/Leisure, Toys, Universities, Waste Management, Water Utilities.

GRI Application Levels – Levels C, B, A

Voluntarily selected by reporting companies, the GRI Reporting Framework provides for three “Application Levels” selections to enable a company (or institution) to indicate the extent to which it has used the Framework. A “C Level” report makes the least use of the Framework (with the least information disclosed) whereas an “A Level” report makes the most use of the framework (with the most disclosure). The Levels can be self-declared by the reporting organization, verified by GRI, or checked by a third party. The Framework also includes a plus sign (“+”) to signify when “External Assurance” by a third party has been applied to the report data and content itself. If it has been, the report can be declared C+, B+ or A+.

For more information, please visit:

www.globalreporting.org/information/FAQs/Pages/Application-Levels.aspx

Application Levels
 (Latest Reports as of May 2012)

Level	Number of Reports
A+	6
A	19
B+	17
B	48
C+	0
C	25
Undeclared	52
Total	167

Figure 3. Number of S&P 500 companies using the GRI Framework declaring each application level.
 (Data Source: G&A Institute Research)

Application Levels
 (Latest Reports as of May 2012)

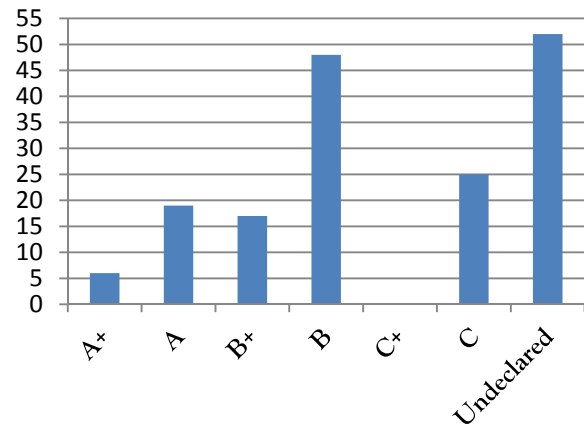


Figure 4. Visual representation of the S&P 500 companies using the GRI Framework categorized by application level.
 (Data Source: G&A Institute Research)

Note: The Application Level selected by the reporting agency varies according to the level/scope of the reporting and does not reflect the sustainability performance of the company. For example, a “C” Level report is not comparable to a “C” in the USA’s “A, B, C” grade levels used in school systems. Companies self determine if a level is to be applied, and which level is appropriate. If no level is selected, a report may be “Undeclared.”

In other words, a company could disclose *all* of the data points in the GRI Framework and even have the report externally assured (adding the +), yet the enterprise could be disclosing the massive amounts of pollution and negative societal impact that they have. In this scenario since they are fully disclosing their negative impacts, they would be able to declare an A+ application level. (because this is the level of *disclosure*, not the level of *performance*).

GRI Application Levels – By Year

This chart depicts the GRI application level for *Fortune 500* companies for years 2006 to 2011. The *Fortune 500* Index was analyzed from 2006-2010, whereas in 2011 the S&P 500 Index was analyzed. This chart only contains the companies that are reporting according to the GRI Framework and does not include the GRI-Reference, or NON-GRI Reporters.

Application Level	Fortune 500					S&P 500
	2006	2007	2008	2009	2010	2011
A	0	1	3	5	9	19
A+	0	2	3	3	4	6
B	1	8	16	19	25	48
B+	0	1	5	4	3	17
C	0	2	9	15	15	25
C+	0	2	2	2	6	0
Undeclared	25	14	6	4	3	52
Total	26	30	44	52	65	167

Figure 5. Number of *Fortune 500* companies reporting with each GRI application level from 2006 to 2010 and numbers of S&P 500 companies reporting with each GRI application level in 2011.
 (Data Source: G&A Institute Research)

Note: In 2011, G&A Institute's initial analysis of the benefits of GRI reporting examined the *Fortune 500* companies. Thanks to feedback from readers of the report we decided to concentrate this year's report on the S&P 500 group of companies. While this does not allow for an accurate comparison (above), there is about a 60% overlap of the two groups of companies.

Further, we did look at the number of sustainability reporters in the *Fortune 500* and found that reporting increased from around 20% of companies reporting at least once in the 2006-2010 period to about 57% issuing at least one report by May 2013. A similarly large increase was seen in the S&P 500, which was around 19% reporting in the 2006-2010 reporting period, and now comes in at 53% reporting by May 2013.



Reputational Lists Analysis – Possible Associations

Three widely-cited corporate reputational lists were analyzed to explore the potential benefits of reporting using the GRI Framework. The lists were: *Newsweek's Green Rankings*®; the CRO Best Corporate Citizens Ranking® by CR magazine; and Ethisphere's World's Most Ethical Companies®.

Newsweek's Green Rankings® - US Companies

To produce the 2011 Green Rankings, *Newsweek* collaborated with leading environmental research providers Trucost and the research team at Sustainalytics to assess each company's environmental footprint, management of that footprint, and transparency. The Green Rankings for the US 500 list focus on the largest publicly-traded companies in the United States, which consists of the largest 500 companies by revenues (most recent fiscal year), market capitalization, and number of employees, as of June 30, 2011).

The companies are then ranked by their Green Score which is based on three component scores: (1) an Environmental Impact Score, (2) an Environmental Management Score, and (3) an Environmental Disclosure Score; weighted at 45 percent, 45 percent, and 10 percent, respectively. All scores are out of a possible 100.

For more information, please visit:

www.thedailybeast.com/newsweek/2011/10/16/newsweek-green-rankings-2011-full-methodology.html

2011 Newsweek's Green Rankings - US Companies (As of June 2011)

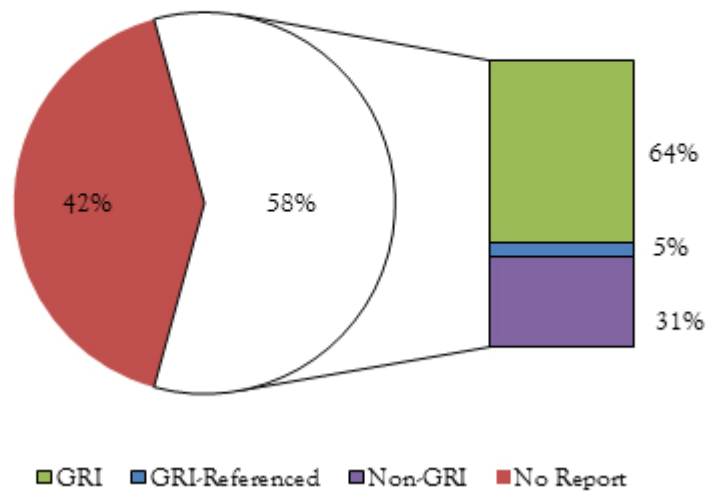


Figure 6. Percentage of S&P 500 companies included in the 2011 Newsweek Green Rankings ® list segmented by reporting type.
 (Data Sources: CSRHub, G&A Institute Research)

Our findings: 42% of companies included on the third year effort of the *Newsweek Green Rankings* do not report ~ while 58% *do* report. Of the companies that do report, 64% are GRI-reporters and 5% use the GRI Framework as a reference.

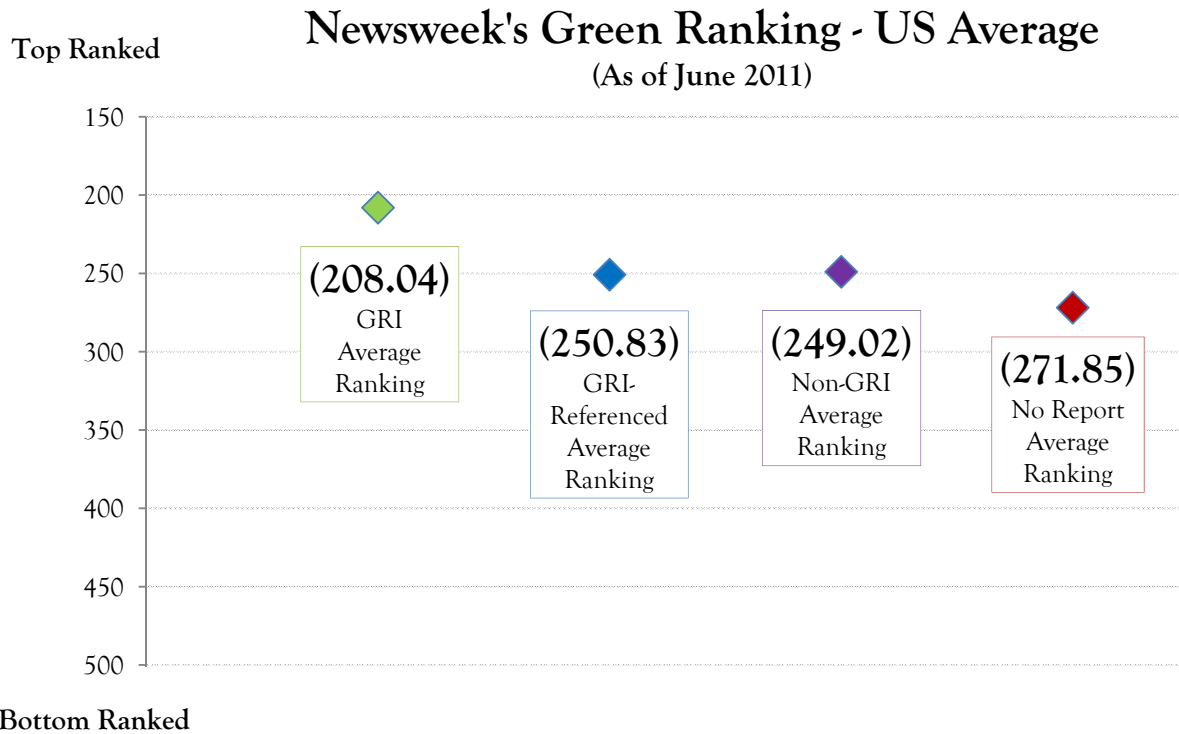


Figure 7. Newsweek's Green Ranking average for US companies grouped by reporting type.
 (Data Sources: CSRHub, G&A Institute Research)

Our analysis shows that the companies reporting using the GRI Framework are on *average* obtaining the highest rankings, with an average ranking of **208.04** compared to the lowest average ranking assigned to non-reporting companies of 271.85. Companies reporting with GRI-Reference and Non-GRI reports are almost tied for the middle spot with averages of 250.83 and 249.03 respectively.

Newsweek's Green Ranking US Average Component Scores (As of June 2011)

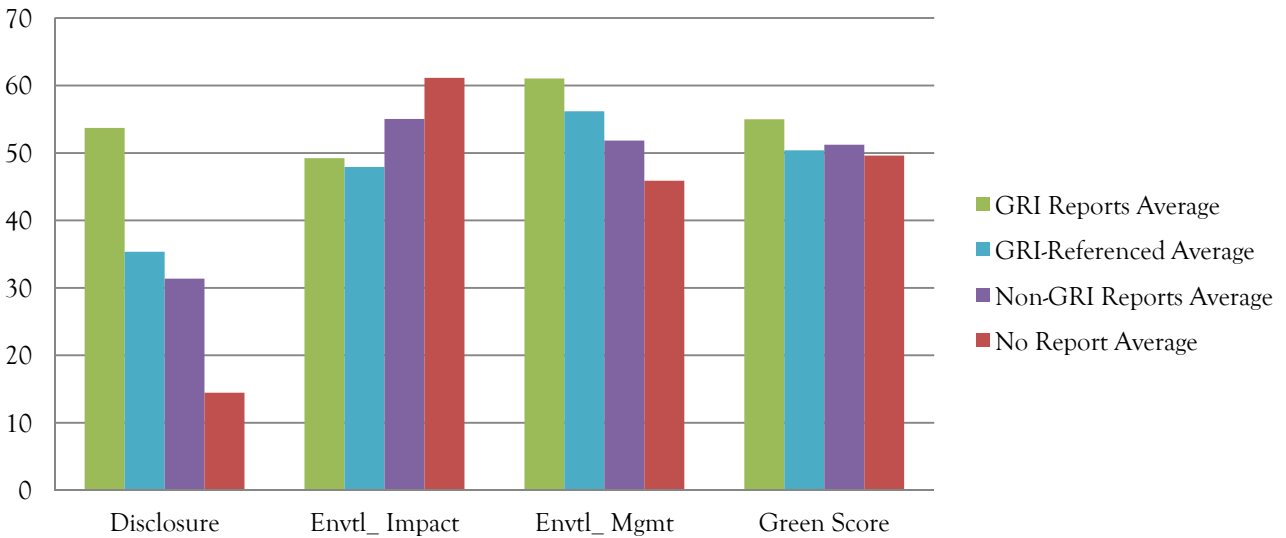


Figure 8. The US Average of Newsweek's Green Rankings three component scores and the overall Green Score assigned for companies in each reporting type.
 All scores are out of a possible 100.
 (Data Sources: CSRHub, G&A Institute Research)

Note: Component scores above are more favorable if higher, with the exception of the Environmental Impact score, which is more favorable if *lower*.

Our analysis shows that the companies reporting using the *GRI Framework* are obtaining the *most favorable scores* and the companies that are not reporting are obtaining the *least favorable scores*. GRI-Referenced and Non-GRI reports are assigned scores lower than corporate GRI Reporters, but still higher than companies that do not report at all.

CR's 100 Best Corporate Citizens 2011

This reputational list is created by *Corporate Responsibility Magazine* and ranks America's top performers in corporate responsibility based on publicly-available information. All data must be **publicly available** to be included in the data set. *CR Magazine's* "Corporate Citizenship Methodology" focuses on accountability while calling on companies to make information available. Through this process, data is collected and analyzed by **IW Financial**, a Portland, Maine-based independent financial analysis firm serving the Environment, Social, Governance (ESG) investment community.

The database encompasses 318 data elements among 7 data categories (below). The methodology weights the seven data categories differently to account for different relative values, as determined by the Methodology Committee.

Environment	19.5%
Climate change	16.5%
Employee rights	16.0%
Human relations	19.5%
Corporate governance	7.0%
Philanthropy	9.0%
Financial	12.5%

For more information, please visit: www.thecro.com and www.iwfinancial.com.

To see the full 2011 list, please visit: www.csrhub.com/datasource/cr's-100-best-corporate-citizens-2011

CR's 100 Best Corporate Citizens 2011 (as of March 2011)

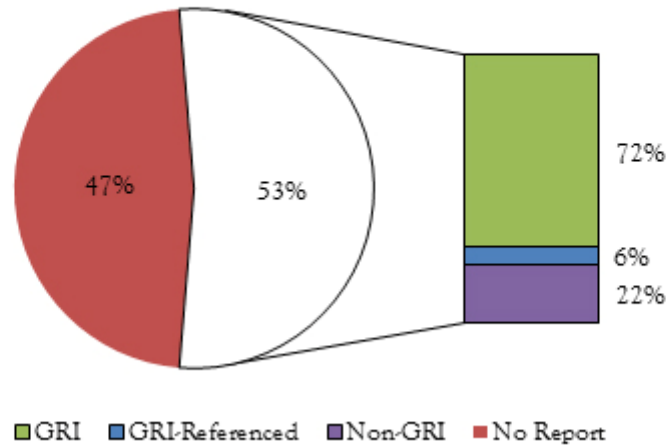


Figure 9. Percentage of CR's 100 Best Corporate Citizens® companies by report type.
(Data Source: CSRHub)

Our findings show that 47% of companies included in Best Corporate Citizens companies' ranking *did not* report, whereas 53% *did* report. Of those companies that reported, 72% were GRI reporters and 6% of reporters referenced GRI.

Ethisphere's World's Most Ethical Companies

Ethisphere® Institute is a leading international and research-based think-tank dedicated to the creation, advancement and sharing of best practices in business ethics, corporate social responsibility, anti-corruption and sustainability.

“The World’s Most Ethical Companies” designation is published by *Ethisphere Magazine*, the quarterly publication of the Institute, and aims to recognize companies that demonstrate real and sustained ethical leadership within their industries, particularly as compared to their peers. As there is no set number of companies that make the list each year, in 2011, 110 companies were selected for inclusion and of these, 36 were new ~ with 31 dropped from the 2010 list. This is generally due to litigation and ethics violations, as well as increased competition from within their industry.

Ethisphere uses a proprietary rating system, the corporate **Ethics Quotient (EQ™)**, to gain a comprehensive sampling of a company’s core competencies and performance in an objective, consistent and standardized way. The EQ framework consists of the following five core categories: Ethics and Compliance Program (25%), Reputation, Leadership and Innovation (20%), Governance (10%), Corporate Citizenship and Responsibility (25%) and Culture of Ethics (20%).

The EQ framework and methodology was determined, vetted and refined by the expert advice and insights gleaned from Ethisphere’s network of thought leaders and their Advisory Panel.

For more information, please visit:

www.ethisphere.com/2011-worlds-most-ethical-companies.

Ethisphere's 2012 World's Most Ethical Companies (As of March 2012)

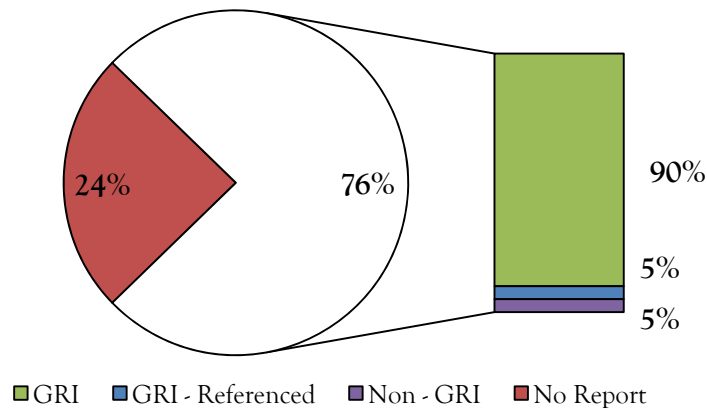


Figure 10. Percentage of S&P 500 companies included in Ethisphere's Worlds Most Ethical companies list segmented by report type.
(Data Sources: Ethisphere Website, G&A Institute Research)

Our analysis shows that **76%** of the S&P 500 companies included in the Ethisphere list **do** report; **24%** **do not** report. Of those companies that report, **90%** do so according to the GRI Framework. Ethisphere's ranking is not on a numerical basis; it is instead based solely on a "yes" or "no" for inclusion.

Indices Analysis – Possible Associations

Three widely-cited sustainability indices (indices) were analyzed to discern benefits of reporting to the GRI Framework. The indices were: the (1) Dow Jones Sustainability Index North America®; (2) Dow Jones Sustainability Index World®; and (3) NASDAQ OMX CRD Sustainability Index®.

Dow Jones Sustainability Index North America

The top 20 percent of the 600 largest companies in North America are evaluated for inclusion in the DJSI. The Index is developed and managed by **Sustainable Asset Management AG** (Switzerland-based investment boutique focused exclusively on Sustainability Investing) with S&P Dow Jones Indices owners of the DJSI trademark.

The Dow Jones Sustainability Indices track the stock performance of the world's leading companies in terms of economic, environmental and social criteria. As such, the indices serve as benchmarks for those investors who take sustainability efforts into consideration for their portfolios, and provide an effective platform for companies seeking to adopt sustainable best practices.

For more information, please visit: www.sustainability-index.com.

Dow Jones Sustainability Index North America (As of September 2011)

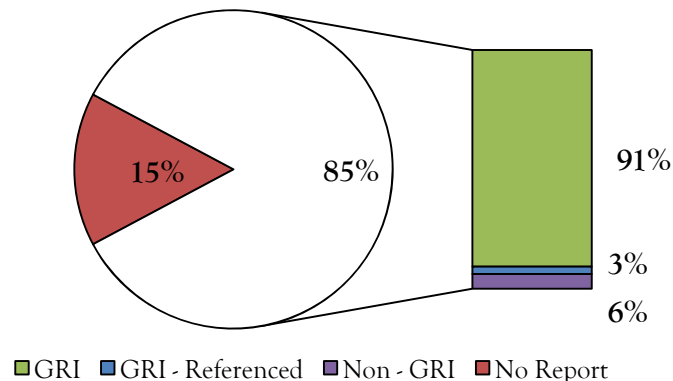


Figure 11. Percentage breakdown by reporting type of S&P 500 companies included in the Dow Jones Sustainability North America Index.
(Data Sources: SAM Group, G&A Institute Research)

Our findings show that **85%** of the S&P 500 companies included in the Dow Jones Sustainability Index North America *do* report on their sustainability initiatives. Of these companies, **91% use the GRI Framework** for their sustainability reporting while an additional 3% reference the GRI Framework and 6% publish non-GRI reports. The remaining 15% of companies included in this index *do not* issue sustainability reports.

Dow Jones Sustainability Index - World

Launched in 1999, The Dow Jones Sustainability World Index is the first global sustainability benchmark and is offered cooperatively by SAM Indices and Dow Jones & Co. Indices. This equity index tracks the performance – based on economic, environmental, and social criteria – of the **top 10% of the 2500** largest companies in the **Dow Jones Global Total Stock Market Index** that are leaders in the field of sustainability.

The underlying research methodology accounts for both general and industry-specific sustainability trends and evaluates corporations based on a variety of criteria including climate change strategies, energy consumption, human resources development, knowledge management, stakeholder relations and corporate governance.

For more information, please visit: www.sustainability-index.com.

Dow Jones Sustainability Index World (As of September 2012)

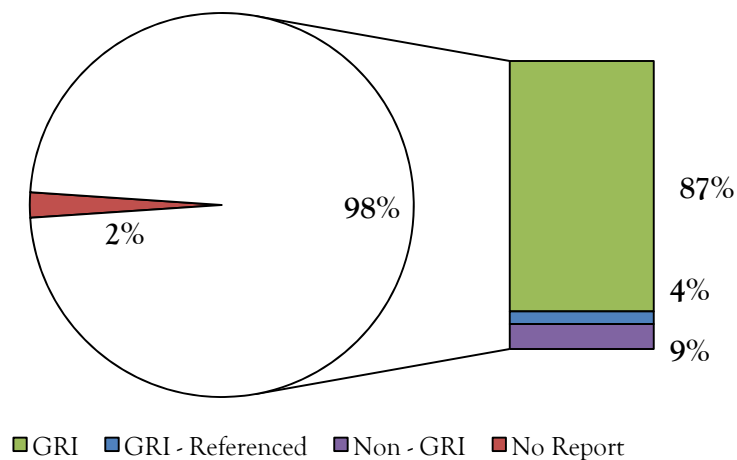


Figure 12. Breakdown of the S&P 500 companies included in the Dow Jones Sustainability Index World by reporting type.
(Data Sources: SAM Group, G&A Institute Research)

Our analysis shows that **98%** of the S&P 500 companies included in the Dow Jones Sustainability Index World **do** report on their sustainability initiatives. Of these companies, **87%** use the **GRI Framework** for their sustainability reporting, **4%** reference the GRI Framework and **9%** are non-GRI sustainability reporters. The remaining **2%** are companies that **do not** issue a sustainability report.

NASDAQ OMX CRD Global Sustainability Index®

The NASDAQ OMX CRD Global Sustainability Index is designed to track the performance of companies assuming a leadership role in sustainability performance reporting. The Index is equally weighted and is comprised of 100 companies that have voluntarily disclosed their carbon footprint, energy usage, water consumption, hazardous and non-hazardous waste, employee safety, workforce diversity, management composition, and community investing.

NASDAQ OMX CRD Global Sustainability Index (as of June 30, 2011)

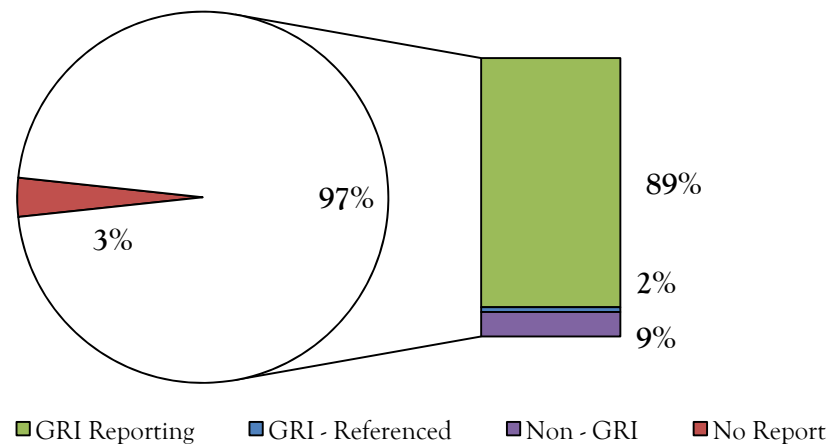


Figure 13. Percentage breakdown by reporting type of the companies included in the NASDAQ OMX CRD Sustainability Index.
 (Data Sources: CSRHub, CRD Analytics, G&A Institute Research)

Our findings show that **97%** of the companies included in the NASDAQ OMX CRD Sustainability Index **do** report on their sustainability initiatives. Of these companies, **89% use the GRI Framework** for their sustainability reporting, 2% reference the GRI Framework and 9% issue non-GRI sustainability reports. The remaining 3% of companies do not issue a sustainability report.

Ratings & Rankings Analysis – Possible Associations

Five key ratings & rankings from well known organizations were chosen to be analyzed to discern benefits of reporting to the GRI Framework. These organizations were: the (1) Carbon Disclosure Project – CDP (2) Glassdoor® (3) CSRHub® (4) Brandlogic and CRD Analytics collaborative ranking, and (5) Bloomberg.

Carbon Disclosure Project

Companies reporting to CDP are encouraged to publicly disclose details of their sustainability performance. Depending on the results, CDP assigns a **CDP Disclosure Score** and a **CDP Performance Score** to every reporting organization.

For more information, please visit: www.cdproject.net

CDP Disclosure Score

The disclosure score reflects the comprehensiveness of a company's response in terms of the depth and breadth of its answers. The score is normalized to a 100-point scale and covers issues such as:

- ⦿ The extent to which a company measures its carbon emissions.
- ⦿ The comprehensiveness of the information that it provides on climate-related actions.
- ⦿ The depth of information given on the issues climate change presents to the business.
- ⦿ Whether a third party was used for external verification of data.

The carbon disclosure score is not a metric of a company's performance in relation to climate change management; it is based solely on the information disclosed in the company's CDP response.

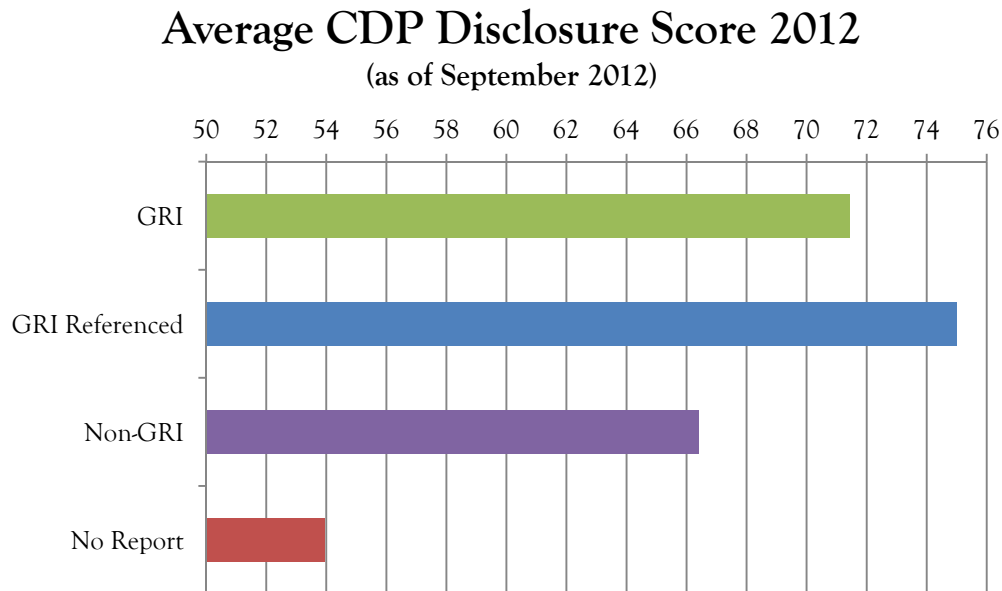


Figure 14. Average of CDP Disclosure Scores from S&P 500 companies and their relation to GRI reporting.
(Data Sources: CDP, G&A Institute Research)

Our findings in show that companies that *did* voluntarily report according to the GRI Framework achieved a **higher** average CDP Disclosure Score than companies that *did not* report or reported without using the GRI Framework. The companies that *did* report using the GRI Framework had an average score of **71.44** ~ while the companies that *did not* report had an average score of **53.94**.

CDP Performance Scores

All companies with a sufficient level of disclosure in their response receive a performance score. The qualifying threshold is a minimum disclosure score of 50. Scores lower than 50 do not necessarily indicate poor performance; rather, they indicate insufficient information to evaluate performance.

Performance points are awarded for actions that are considered to contribute to climate change mitigation, adaptation and transparency. The performance score is a banded score, as follows:

- ⊙ Band A/A- (>70%) Fully integrated climate change strategy driving significant maturity in climate change initiatives.
- ⊙ Band B (>50%) Integration of climate change recognized as priority for strategy, not all initiatives fully established.
- ⊙ Band C (>30%) Some activity on climate change with varied levels of integration of those initiatives into strategy.
- ⊙ Band D (>15%) Limited evidence of mitigation or adaptation initiatives and no/limited strategy on climate change.
- ⊙ Band E (>15%) Little evidence of initiatives on carbon management potentially due to companies just beginning to take action on climate change.
- ⊙ No performance score is allocated below a *disclosure* of 50%, as there would be insufficient information on which to base a performance score.

The drivers of any individual company score may vary across a number of different indicators and as such, the individual company responses should be read to understand the context for each business. Care should be taken when comparing performance across companies.

CDP Performance Scores 2012 (as of September 2012)

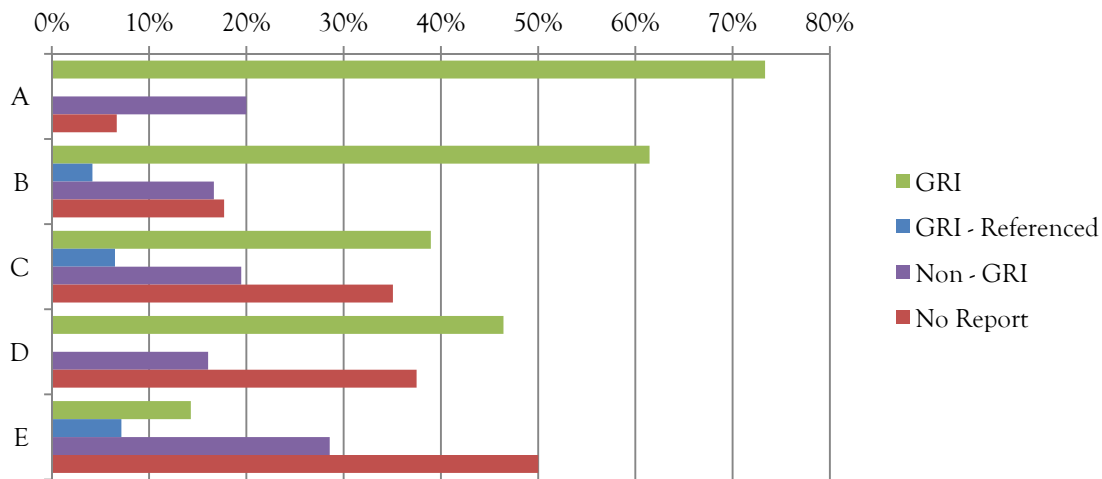


Figure 15. Percentage of companies assigned each CDP Performance Score broken out by reporting type.
 (Data Sources: CDP, G&A Institute Research)

The CDP Performance Scores graph above shows that the most common score for a GRI Framework reporter was an **A** ~ while the most common score for a US Non-Reporting company was an **E**.

Glassdoor Ratings

Glassdoor is offered free of charge as a jobs and career on-line community that provides a "crowd-sourcing" inside look at jobs and companies. Its unique platform includes "employee-generated content" – anonymous salary information, company reviews, interview questions, and more – all posted by employees, job seekers, and at times by the companies themselves.

For more information, please visit: www.Glassdoor.com

**Percentage of employees
 who would recommend
 company to a friend**
 (as of July 2012)

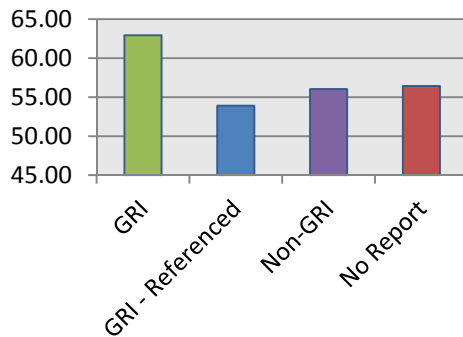


Figure 16.

Culture & Values
 (as of July 2012)

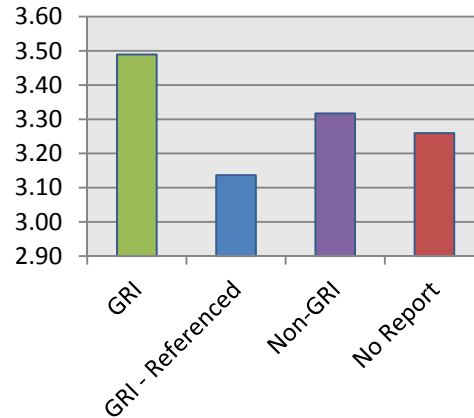


Figure 17.

**CEO Approval Rating
 Percentage**
 (as of July 2012)

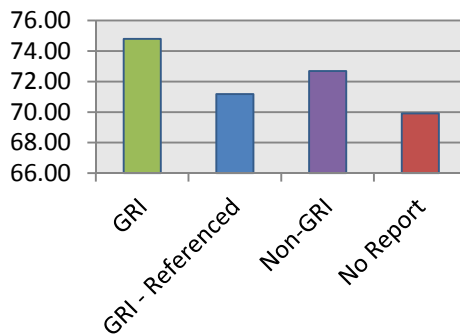


Figure 18.

Employee Satisfaction
 (as of July 2012)

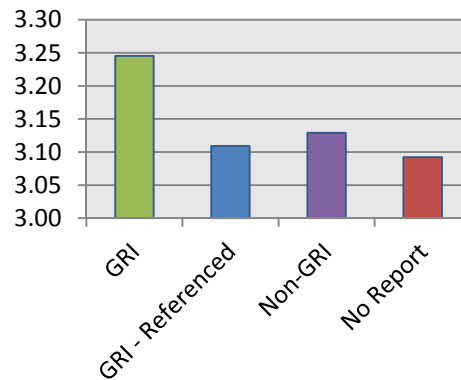


Figure 19.

Figures 16 – 19. Ratings from Glassdoor's employee-generated content for S&P 500 companies as of July 2012 by reporting type.
 (Data Sources: Glassdoor, G&A Research)

Our analysis indicates that on each of these four assessments, companies that reported using the GRI framework scored highest. These high ratings indicate a better workplace environment and happier employees, which could translate into higher quality talent attraction, employee retention and greater productivity in companies with high scores.

CSRHub Rankings

CSRHub provides access to corporate social responsibility and sustainability ratings and information on nearly 6,000 companies from 135 industries in 70 countries. CSRHub accomplishes this by aggregating a wide variety of data sources, converting them to a numerical scale, normalizing the data, aggregating it based upon a weighted scale, and then trimming the list to include only companies with a significant amount of data behind them.

For more information, please visit:

www.csrhub.com/content/csrhub-ratings-methodology

CSRHub Company Ratings (As of June 2012)

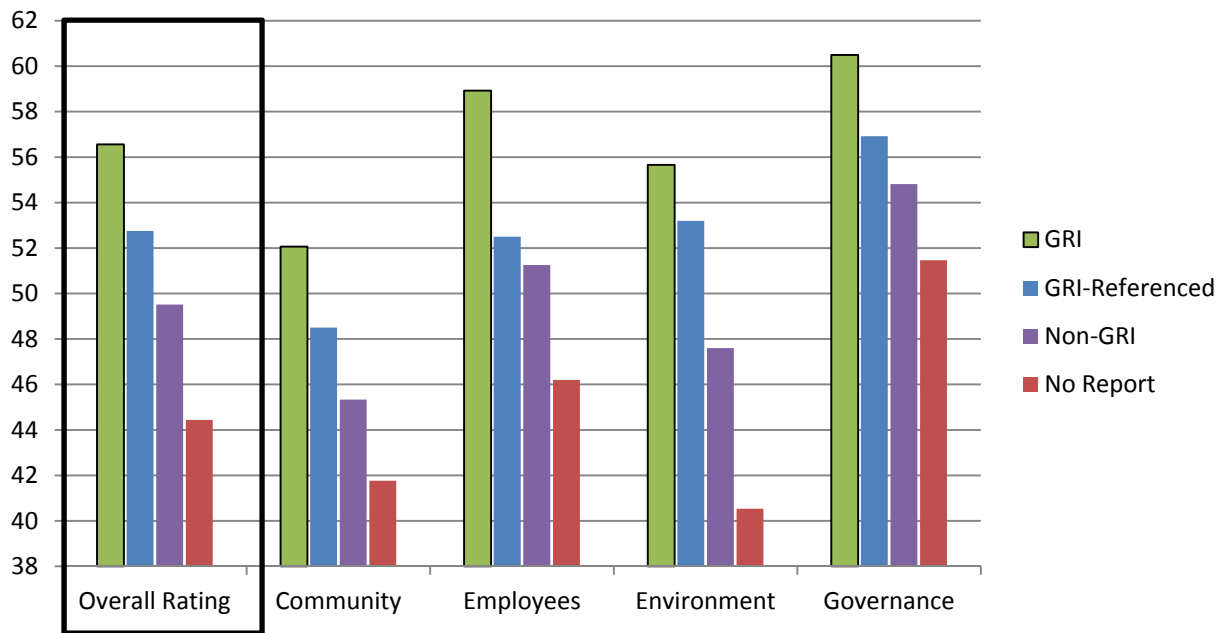


Figure 20. Average S&P 500 company scores for each reporting type, segmented by CSR Hub ratings categories.
 (Sources: CSRHub, G&A Institute Research)

Our analysis indicates that GRI Framework reporters scored highest in the Overall Rating, with an average rating of **57** compiled from all four rating categories – Community, Employees, Environment, and Governance. Conversely, companies that did not release any CSR report scored lowest, with an average rating of **44**.

Further, when we looked at each individual category, GRI reporters out-performed all other companies, GRI-Referenced reports followed second, Non-GRI reporters third and S&P 500 companies with no report always scored lowest.

Brandlogic & CRD Analytics Sustainability Leadership Report

On June 7, 2012, Brandlogic and CRD Analytics collaborated to publish a report titled, “Sustainability Leadership Report: Measuring Perception vs. Reality.” This report is a quantitative analysis of actual vs. perceived performance around environmental, social and governance (ESG) factors for 100 leading companies with brands recognized by consumers. Detailed scores for each company are included in the report, as well as the Sustainability IQ Matrix,™ a visual framework that plots each of the 100 companies across four quadrants: “Challengers,” “Leaders,” “Laggards” and “Promoters.” Definitions for each of the quadrants are as follows:

- ⊙ Challengers - firms that are not getting enough credit for their actual ESG performance.
- ⊙ Leaders - firms that have relatively high ESG performance and are successfully communicating their achievements.
- ⊙ Laggards - firms that have shown a relatively low level of commitment to ESG.
- ⊙ Promoters – firms that are getting more credit than average despite lower than average performance.

The Brandlogic Corporate Sustainability IQ Matrix (SM) uses two discrete sets of data to measure actual vs. perceived sustainability performance.

The Sustainability Reality Score (SRS) data were provided by CRD Analytics, the creator of the NASDAQ OMX CRD Global Sustainability Index.

The Sustainability Perception Score (SPS) was calculated from the results of the Brandlogic proprietary survey covering three highly attentive stakeholder groups: investment professionals, purchasing/supply chain professionals and graduating university/college students.

The survey was conducted in six countries – United States, China, Japan, India, United Kingdom, and Germany. The Matrix represents a valuable methodology and framework that can help guide brand and operational investment decisions in tandem. We invite readers to explore the findings of the BrandLogic and CRD Analytics research findings.

For more information, please visit:
www.brandlogic.com/sustainability



The Brandlogic Corporate Sustainability IQ Matrix (SM)
 as of June 2012

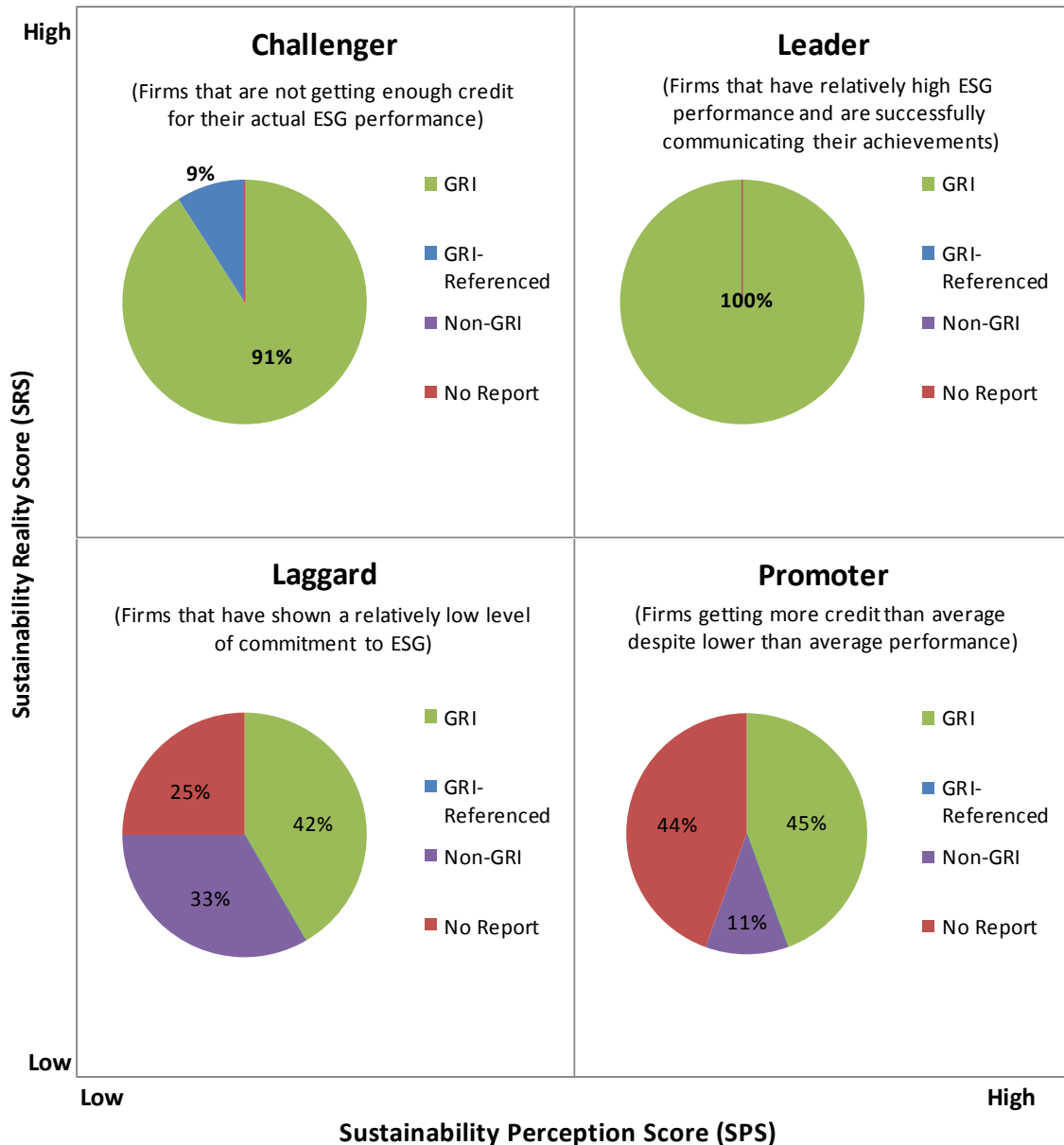


Figure 21. S&P 500 companies included in the “Sustainability Leadership Report: Measuring Perception vs. Reality,” categorized in quadrants of the Sustainability IQ Matrix™ and segmented by reporting type. (Data Sources: Brandlogic, CRD Analytics, G&A Institute Research)

Our findings indicate that 72% of all S&P 500 companies included on the Brandlogic list are GRI reporters, which may have caused these companies to comprise the highest percentages of each category. Within the Leader category of the Brandlogic list, 100% of all S&P 500 companies included are GRI reporters. The Leader category indicates firms that have relatively high ESG performance and are successfully communicating their achievements.

Bloomberg ESG Disclosure Score

The proprietary Bloomberg ESG Disclosure scores are based on the extent of a company's Environmental, Social, and Governance (ESG) disclosure. The score ranges from 0.1 for companies that disclose a minimum amount of ESG data to 100 for those that disclose every data point collected by Bloomberg.

Each data point is weighted in terms of importance, with data such as Greenhouse Gas Emissions (GhGs) carrying greater weight than other disclosures. The score is also tailored to different industry sectors. In this way, each company is only evaluated in terms of the data that is relevant to its industry sector.

Bloomberg Environmental, Social and Governance (ESG) products enable all investors across a range of asset classes to understand the risks and opportunities associated with potential investments or counterparties as the market continues to embrace ESG factors.

Bloomberg provides data on more than 120 indicators for approximately 5,000 publicly-listed companies globally, and is increasing coverage every day. Bloomberg also provides sustainability news, research, indices, funds, energy & emissions data, legal & regulatory as well as robust screening, scoring and other portfolio optimization tools. This information is available through more than 300,000 Bloomberg terminals.

For more information: <http://www.bloomberg.com/bsustainable/>

Average Bloomberg ESG Disclosure Score (as of September 2012)

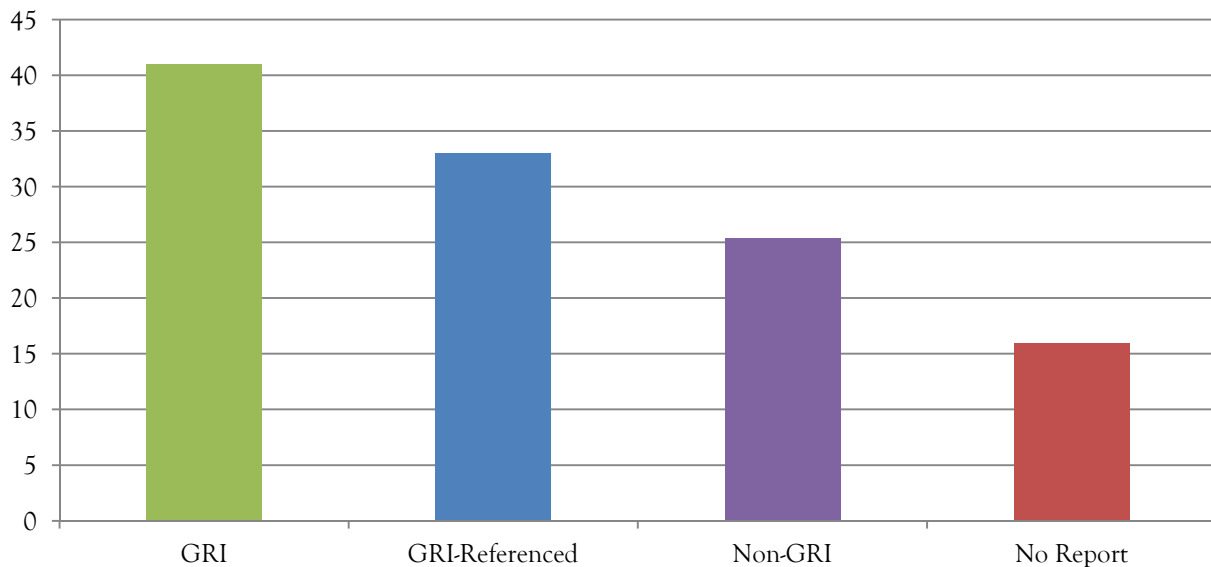


Figure 22. Average Bloomberg ESG Disclosure Scores among companies in the S&P 500 Index segmented by report type.
(Sources: Bloomberg & G&A Institute Research)

Our analysis indicates that for GRI reporting companies, the average score is **41**, whereas the average score of companies not issuing a sustainability report is **16**. The data also shows that **31%** of companies included in the Bloomberg ESG Disclosure Score Index are GRI reporting companies. Although they encompass this low percentage, the **top 34** (highest ranking) companies on this list are **all GRI reporters**. In contrast, **85%** of the bottom 34 companies are non-reporting companies.

Financial Performance Study Results

We continued our study from last year's reports by examining the financial performance of the S&P 500 and the Fortune 500 companies that report on Sustainability vs the S&P 500 Equal Weighted Index as a benchmark. The S&P 500 EWI is compiled of all S&P 500 Companies in an Equal Weighted Index (EWI). This popular benchmark is used by investment professionals as a key measurement of return.

The Fortune 500® GRI Reporters consists of companies in the Fortune 500 2009 (for years 2007-2010) and 2011 (for 2011-2012) list that have reported on their Sustainability Impacts (Environmental, Social, and Governance). At the start of each year we added the companies that reported to the portfolio. If a company did not report for two consecutive years, we removed the company from the portfolio. We allowed a one year gap in reporting, as long as the company reported the following year.

The S&P 500® GRI Reporters - Consists of US companies in the 2010 S&P 500 (for years 2007-2010) and S&P 500 members as of 2011 (for 2011-2012) list that have reported on their Sustainability Impacts (Environmental, Social, and Governance). At the start of each year we added the companies that reported to the portfolio. If a company did not report for two consecutive years, we removed the company from the portfolio. We allowed a one year gap in reporting, as long as the company reported the following year.

Annualized Returns			
Time	F500 GRI	S&P 500 GRI	S&P 500 EWI
1 Year Return	0.33%	1.06%	0.75%
2 Year Return	8.45%	8.82%	10.37%
3 Year Return	25.11%	22.37%	22.80%
4 Year Return	2.94%	2.17%	2.20%
5 Year Return	4.06%	3.87%	1.99%

Figure 23. annualized returns of our three baskets of equities
 (Sources: GetAYou.com & G&A Institute Research)

Return For Each Year - Total Return If Invested for Just That Year			
Time	F500 GRI	S&P 500 GRI	S&P 500 EWI
2007 Return	8.70%	10.96%	1.16%
2008 Return	-42.67%	-40.54%	-41.10%
2009 Return	66.51%	54.74%	52.05%
2010 Return	17.22%	17.17%	20.90%
2011 Return	0.33%	1.06%	0.75%
2012 (as of 09/20/12)	15.29%	13.92%	15.95%

Figure 24. Return of each individual year, if you were to invest in these companies at the beginning of that year and then sell the holdings at the end of the year.
 (Sources: GetAYou.com & G&A Institute Research)



\$10,000 Invested in Start of 2007			
Time	F500 GRI (10000)	S&P 500 GRI (10000)	S&P 500 EWI (10000)
Initial Investment	\$10,000.00	\$10,000.00	\$10,000.00
2007	\$10,870.29	\$11,096.08	\$10,116.42
2008	\$6,231.94	\$6,597.79	\$5,958.46
2009	\$10,376.87	\$10,209.10	\$9,059.71
2010	\$12,163.83	\$11,962.38	\$10,952.92
2011	\$12,204.41	\$12,089.52	\$11,035.20
2012 (as of 9/20/12)	\$14,070.59	\$13,772.15	\$12,795.66

Figure 25. \$10,000 invested in each of the three baskets would be worth at the end of each year if invested at the start of 2007.

(Sources: GetAYou.com & G&A Institute Research)

Financial Performance Chart

The full results of this financial performance analysis can be viewed in Appendix A of this report and can also be downloaded at www.ga-institute.com. This appendix shows a visual charted comparison of the returns from the three baskets of equities over the period of 2007-2012 (as of 9/20/12). The data on reporters were provided from our own G&A Institute Research, and the backtesting was facilitated by Investar's GetAYou.com.



Analysts' Conclusion

An increasing number of corporate managers and boards are realizing the many benefits that measuring, managing, and disclosing their strategies and performance on Environmental, Social and Governance (ESG) can have for their companies. The increase in reporting among companies in the S&P 500 Index® and the Fortune 500® is dramatic from the prior year's report. For example, in last year's report, 19% of the S&P 500 reported; in this year's report, we found that 53% S&P 500 reported. In 2011's report we found 20% of the Fortune 500 reported, in this year's research effort we determined that 57% reported. In both of these universes this growth was more than double the prior year.

Companies that report on their sustainability strategies, initiatives, programs and performance are more likely to be selected for key Sustainability reputational lists, ranked higher by Sustainability raters and rankers, and selected for inclusion on leading Sustainability indices. In addition, our study indicates that companies that are managing their sustainability issues tend to perform better over the long-term in the markets, although we do agree that evaluating a larger number of companies over a longer period of time would be more definitive in this regard.

Reporting on sustainability seems to increase the trust that investors, employees, and other stakeholders have in the companies that report. Increased transparency and disclosure build better relationships with stakeholders that can impact a company's reputation, valuation, and right to operate. The feedback gained by a thorough stakeholder engagement process can help a company gather valuable intelligence that might otherwise be missed. High quality management teams are utilizing this intelligence when making important decisions for the strategy and initiatives of the company, and determining the materiality of key issues related to environmental management, addressing social issues, and corporate governance.

Investors are recognizing and supporting companies that are active and serious in this space and producing sustainability reports that reflect real progress in addressing ESG performance. The "Social Investment Forum Sustainable and Responsible Investing Trends in the United States" report issued in November of 2012 highlights that there are now US\$3.74 trillion in assets under management by asset managers that take ESG/Sustainability issues into account when making investment decisions. This is a 22% increase since year-end 2009. The growth in this space is outpacing the growth of the rest of the market. It now accounts for \$1 out of every \$8 or \$9 invested in the US capital markets.

Companies that are responsible with their financial, human and natural resources, the communities they serve and the people they impact can begin to recognize multiple benefits and efficiencies that can elevate their position in the marketplace and their position relative to their competitors and peers. Companies are managing and mitigating risk that they may otherwise not realize they have (what is not measured is not managed). Through Stakeholder Engagement and proper follow-through, they are building better relationships and developing trust with all stakeholders. They can gain access to new markets and new capital by appealing to investors who are attuned to sustainable and responsible investing. By improving their sustainability processes and products they can differentiate their brand, services, and products leading to competitive advantage over their peers. They can significantly reduce costs in many ways, the most directly being the reduction of the use of energy, raw materials and production of waste.

These companies are protecting their "freedom" or "license" or right to operate by getting ahead of the societal issues facing their industries, and are enjoying less threat from enforcement of regulation because they are managing the issues themselves without outside interference. All of these benefits add up to a more sustainable company that enables it to be a stable and long term investment and employer for the



communities, countries and world in which we all share. By engaging with their stakeholders and sharing both their successes, failures, and goals, sustainable companies are building long-term trust, and they are learning lessons from these processes that will help them excel as leaders in their markets.

The arguments for not reporting are shrinking day after day for companies that have yet begun to report on their sustainability progress. Now that 53% of the S&P 500 and 57% of the Fortune 500 are reporting on their Environmental, Social, and Governance impacts, the non-reporters are now in the minority. We believe this minority will continue to shrink as it has in the past few years. The benefits of sustainability reporting will become increasingly obvious as more time passes and the long term benefits are easier to measure.

The lesson for management and boards: If you are not reporting, your competitors and peers almost surely are. The task of “catching up” will only grow larger. So now is the time to get started!

Primary Researchers & Authors

Lindsey Clark

Lindsey Clark is a graduate student at Columbia University's Earth Institute where she is currently completing her Master of Science in Sustainability Management.

During her time at Columbia University, Lindsey has gained relevant and valuable work experience in her field, including internships at Memorial Sloan Kettering Cancer Center (current), The Coca-Cola Company, and Hannon Armstrong, LLC. Through these various roles, she has been able to: 1) develop new approaches to embed sustainability into core business functions, 2) create methods, systems and processes to track and measure environmental data, 3) analyze the positive financial, social and environmental impacts these projects bring to the company and the community, and 4) contribute to the annual sustainability reporting process.



She is also currently working with G&A Institute as a part-time data analyst for the Global Reporting Initiative. She collects information on the reporting companies for inclusion in GRI's global database. In addition, she also analyzed the effectiveness of GRI reporting by S&P 500 companies and co-authored the publication: "Corporate ESG / Sustainability Reporting – Does It Matter?"

Lindsey's involvement in sustainability spans beyond her work experience, as she is also very active in her program. She supported the creation of "Women In Sustainability," an all women's group at Columbia University that focuses on networking events, professional enhancement workshops, and speaker series designed to help women in the field of sustainability. In addition, she has been asked to speak on behalf of the program at various school-related events as well as meet with prospective students. She is also the Curriculum Grading Assistant for her programs' Global Environmental Markets course.

Lindsey is also involved in the annual Wall Street Green Summit, an environmental market event that covers the latest industry trends, where she coordinates directly with industry professionals in various capacities.

Lindsey has received the "Sustainability Reporting Process" Certificate from the Global Reporting Initiative and hopes to complete her LEED Green Associate Certificate in January 2013.

Upon graduating, Lindsey expects to leverage her Master's degree, partnered with her background in finance, to obtain a senior level sustainability position in a leading corporation, delivering positive financial, social and environmental impacts through the implementation of progressive sustainability measures and initiatives.

Prior to her Master's program at Columbia, Lindsey held several finance roles in New York City, including Client Service Associate at Neuberger Berman within the Private Asset Management division, Director of Operations at Pergament Advisors and Institutional Sales Associate at Baron Capital.

Lindsey graduated with Honors from the University of Georgia in 2006 with dual degrees: a Bachelor of Business Administration in Finance and a Bachelor of Science in Political Science.

Contact Information:

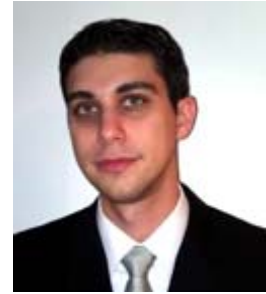
Email: lac2197@columbia.edu

LinkedIn: <http://www.linkedin.com/in/lindseyaclark>



David Master

David Master has a diverse background in the arts, education, and retail. An avid professional sculptor and painter, David founded an online art gallery, BenZev Fine Art LLC, in 2006, which ignited his passion for business development and strategy. This endeavor led him along the path to return to school to attend Baruch College's Zicklin School of Business, where he is currently a candidate in the Full-Time Honors MBA program, class of 2013.



At Baruch, he was the president of the Sustainable Business Club, Baruch's Net Impact Chapter, for 2012. By building awareness, skills, and knowledge in industry trends for Baruch students and the greater NYC area, the Sustainable Business Club (SBC) seeks to grow and strengthen a community of new leaders who utilize their business education to create a positive social, environmental, and economic impact on the world around them. David has coordinated several Sustainability themed events at Baruch which brought together leading voices from academia, corporations, government, NGOs, and various other leaders in Sustainability.

During his term as president, David expanded SBC's board and membership base, doubled the number of visits to its newly renovated website, and oversaw the planning and execution of a number of highly successful city-wide events. With his allotted one-year term complete, he will be sitting on the club's Student Advisory Board for the Spring 2013 semester.

David currently works at the Lawrence N. Field Center for Entrepreneurship in the Field Fellowship Program. The Field Center is comprised of faculty and students from Baruch's Zicklin School of Business, Baruch's Small Business Development Center (SBDC) Business Advisors, alumni and volunteers, who are brought together through various programs to support the entrepreneurial endeavors of start-ups and established businesses and the college's constituents. David's role focuses on the coordination and integration of the growing CUNY Institute for Virtual Enterprise program within the Field Center, as well as assisting client consultations for entrepreneurs and small business owners based in the New York area.

David has been working with the Governance & Accountability Institute team for the past year. He is involved in several research projects and the ongoing GRI data partner relationship.

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Advisors & Editors

Louis D. Coppola

Louis Coppola is Partner at Governance & Accountability Institute and leads Information Technology and Global Reporting Initiative (GRI) G&A related activities.

Louis is a key team member of the Institute, particularly providing advice related to disclosure, transparency and Global Reporting Initiative (GRI) activities. He is certified in the GRI Framework planning and reporting process. He serves as an advisor and consultant in the planning and reporting process for corporate sustainability and responsibility reporting.



G&A Institute is the Data Partner for GRI for the United States, United Kingdom and Republic of Ireland. Lou's templates for data partner activities are used by GRI as global models for other nations' partners. He directs the G&A relationship with GRI including the activities around the "Organizational Stakeholder" (OS) relationship, Data Partner relationship, and several joint research publications.

Lou is frequently called on by the media, academics, and industry to contribute to articles, speak on panels, and present his ideas on ESG & Sustainability related topics. He also coordinates the Institute's various public research projects such as the recent "Corporate ESG / Sustainability Reporting – Does it Matter?" report and the upcoming study of Sustainability Assurance Practices in collaboration with GRI, Bloomberg, and the big four accounting firms.

Louis is expert at translating concepts related to current and emerging technology to readily accessible tools and resources. He plays the lead role in the research, recommendation and deployment of all technology including interactive Web platforms, content management systems, e-distribution, automated intelligence gathering, and other solutions to meet the "command and control" needs at G&A Institute.

Prior to joining the Institute, Louis Coppola worked as an Account Executive – Information Technology for Rowan & Blewitt, a global crisis management and issues management consulting firm that was under the corporate umbrella of Interpublic Group (NYSE:IPG). The firm's clients were Fortune 100 and multinational companies. Louis was responsible for managing the technological implementation of the crisis and issues management strategies for Rowan & Blewitt.

Louis Coppola graduated with Honors from Molloy College with a Masters Degree in Business Administration (MBA). In recognition of high scholastic achievement, he was selected for membership in Sigma Beta Delta, an international honor society in Business, Management, and Administration. He received his undergraduate B.S. with Major in Computer Information Systems and Minor in Computer Science. Lou has qualified and is an active member of Mensa.

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Hank Boerner

Hank Boerner is Chairman of Governance & Accountability Institute, a New York-based research, knowledge management, advisory and strategies service provider serving clients in the corporate sector, capital markets organizations and the not-for-profit sector.



He has been a business strategist and management consultant and senior level advisor for more than 30 years, assisting clients with issues management services and programs, and developing strategies for response to critical events and crises situations. He was a managing partner in the Rowan & Blewitt management consulting organization for almost two decades before creating the Institute. (The Rowan & Blewitt practice was acquired in 1999 by Interpublic Group of Companies.)

The Institute was founded in 2006 to conduct customized ESG research, provide GRI-related advisory services to clients, and assist corporate managers in development of strategies, programs and initiatives focused on sustainability, corporate responsibility and ESG performance and disclosure. Hank leads the Institute team work on Sustainability Benchmarking and profiling to identify, analyze and benchmark corporate leaders and laggards relative to ESG performance.

G&A Institute is the USA Data Partner of the Global Reporting Initiative (GRI).

The Institute's areas of research and monitoring include: public and institutional governance, shareholder activism, sustainable and responsible investment, disclosure and transparency, corporate social responsibility, and capital markets activities related to sustainable investing. The organization monitors trends in ESG and Sustainability.

Hank is a long-time member of the National Investor Relations Institute (NIRI) and its New York Chapter, where he served on the board. He is a member of NIRI's Senior Roundtable and served for three years as editor of the professional association's monthly publication, *NIRI IR Update*. He is active in The Social Investment Forum; SIRAN (ESG research analyst network); the New York Society of Securities Analysts (where he is Vice Chairman of the Sustainability Committee and member of the Governance Committee); and National Association of Corporate Directors. He served as Chair of the global Issue Management Council for several years.

Hank Boerner has been contributing editor and corporate governance and sustainability commentator of *Corporate Finance Review* for more than a decade (published by Thomson Reuters for corporate financial managers).

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Research Partners

CSRHub

Bahar Gidwani (Principal)

We thank Mr. Gidwani for the access to the valuable data organized and maintained by CSRHub; this was an important source of information for our research and use of the platform saved us tremendous amounts of time. Where CSRHub data was used we note it as the data source in the figure description below each chart.



We share his comments here:

“A caution: Readers may assume you are claiming causality between GRI reporting and social performance. I think we all know that it is hard to know from the outside whether a good company chose to use GRI or using GRI made a company good.

“On making the claim that use of GRI reporting is related to stock market return: There is a huge gap between saying that a certain group of companies outperformed an index such as the S&P 500 over a short (five-year period, years 2006 to 2010) and claiming that this outperformance was due to adoption of the GRI Framework. An equally reasonable explanation is that the type of company adopting GRI has done well recently, or that the size of the company that adopts GRI has done well. To make this type of claim a much broader study (i.e., 2000+ companies) over a much longer timeframe is needed.

“On comparisons: Some of the connections made in the analysis are based on small numbers and comparisons across different types of social performance. For example, the CDP list focuses on carbon production; the Newsweek list of companies was chosen for their market cap, not social performance; the Ethisphere list focuses on corporate ethics.”

Bahar Gidwani was Chief Executive Officer of Index Stock Imagery, Inc. (New York, New York) from 1991 to its sale in 2006. He has built and run large technology-based business and has experience in building a multi-million visitor Web site. He holds a CFA, worked on Wall Street with Kidder, Peabody, and with McKinsey & Company. Bahar Gidwani has been consultant to major companies and serves on the board of several software and web companies. He holds an M.B.A. from Harvard Business School.

CSR Hub provides (free and subscription-based) Sustainability and Corporate Social Responsibility ratings on about 5,000 of the world's largest publicly-traded companies. More information at:

<http://www.csrhub.com/>

Mr. Gidwani published a commentary on “The Effect of GRI Reporting on Company CSR Performance” in June 2011; we recommend a reading; contents at: <http://blog.csrhub.com/2011/06/index.html>



GetAYou (Investars)

For Financial Back Testing & Index (Benchmarking) Comparisons

Investars YOU is a web-based system that allows individual and institutional investors and financial advisors to build highly-personalized portfolios based on their interests, beliefs, values and affinities that generates a new type of financial instrument. Portfolios can be overlaid with some of the top research available on Wall Street and traded through the RIA or broker chosen by the investor. It is a superior mechanism for information aggregation & monetization created by Investars.



We thank GetAYou/Investars for their invaluable help for the second year in researching and portraying the performance comparisons. The authors deeply appreciate the gracious assistance of Investars in constructing the financial performance back-testing for the groups of company stocks included in the analysis –you can see the performance chart with this report.

Investars is dedicated to helping investors enhance investment performance through innovative supply chain management tools, indexing and structured products, as well as unique media content. Clients benefit from customized analytics designed to help them identify alpha generating investment ideas according to their own investment style and risk tolerance levels.

For information see: www.getayou.com. © 2011 Investars YOU, All Rights Reserved.

SAM

A special thank you to our colleagues at SAM for sharing with us the components of the DJSI North America and the DJSI World.



The Dow Jones Sustainability World Index was launched in 1999 as the first global sustainability benchmark. The DJSI family is offered cooperatively by SAM Indices and S&P Dow Jones Indices. The family tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria. The indices serve as benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for companies who want to adopt sustainable best practices.

The Best-in-Class Approach

The indices' best-in-class approach means that they include only companies that fulfill certain sustainability criteria better than the majority of their peers. No sectors are excluded from this process.

Why best-in-class? Because sector-specific sustainability opportunities and risks can play a key role in companies' long-term success. Aside from the selection of the sustainability leaders on the basis of clearly defined criteria, the best-in-class approach also provides SAM with the opportunity to conduct a dialogue with companies from all sectors and thereby influence incremental improvements in companies' sustainability practices. Thanks to the best-in-class approach, a vibrant competition among companies for inclusion in the Dow Jones Sustainability Indices has ensued. To be included or remain in the index, companies have to continually intensify their sustainability initiatives. SAM believes this approach will benefit all stakeholders: investors, employees, customers and, ultimately, society and the environment.

For more information: <http://www.sam-group.com>

Bloomberg

The team at Bloomberg LLP was very helpful in providing us with the ESG Disclosure Score that is assigned to each S&P 500 company listed in its Bloomberg terminal (on the ESG Dashboard).



Proprietary Bloomberg ESG Disclosure score is based on the extent of a company's Environmental, Social, and Governance (ESG) disclosure. The score ranges from 0.1 for companies that disclose a minimum amount of ESG data to 100 for those that disclose every data point collected by Bloomberg. Each data point is weighted in terms of importance, with data such as Greenhouse Gas Emissions carrying greater weight than other disclosures. The score is also tailored to different industry sectors. In this way, each company is only evaluated in terms of the data that is relevant to its industry sector.

Bloomberg's Environmental, Social and Governance (ESG) products enable all investors across a range of asset classes to understand the risks and opportunities associated with potential investments or counterparties as the market continues to embrace ESG factors.

Bloomberg provides data on more than 120 indicators for approximately 5,000 publicly-listed companies globally, and is increasing coverage every day. Bloomberg also provides sustainability news, research, indices, funds, energy & emissions data, legal & regulatory as well as robust screening, scoring and other portfolio optimization tools.

For more information: <http://www.bloomberg.com/bsustainable/>

Global Reporting Initiative (GRI)

Mike Wallace & Marjella Alma

Thanks to the Global Reporting Initiative for their help in putting this report together. A special thanks to Mike Wallace and Marjella Alma of the GRI Focal Point USA.



The Global Reporting Initiative (GRI) is a non-profit organization that promotes economic, environmental and social sustainability. GRI provides all companies and organizations with a comprehensive sustainability reporting framework that is widely used around the world.

The GRI Focal Point USA provides guidance and support to local organizations, driving GRI's mission to make sustainability reporting standard practice.



CRD Analytics & Brandlogic

Our colleagues at CRD Analytics and Brandlogic provided us with detailed data from their groundbreaking Sustainability Leadership report. We encourage the reader to explore for themselves the findings of that collaboration, available on the web sites below.

The Brandlogic Corporate Sustainability IQ Matrix (SM) uses two discrete sets of data to measure actual versus perceived sustainability performance. The Sustainability Reality Score (SRS) data were provided by CRD Analytics, the creator of the NASDAQ OMX CRD Global Sustainability Index.

The Sustainability Perception Score (SPS) was calculated from the results of the Brandlogic proprietary survey covering three highly-attentive stakeholder groups: investment professionals, purchasing/supply chain professionals and graduating university/college students. The survey was conducted in six countries: United States, China, Japan, India, United Kingdom and Germany. The Matrix represents a valuable methodology and framework that can help guide brand and operational investment decisions in tandem.

CRD Analytics

Michael Muyot (President & Founder)

Thanks as always to **Michael Muyot** for his generous analytical support over the years. He is an acknowledged leader in Sustainable Investing and has developed unique tools that are helping to drive the investment industry's embrace of ESG principles. Michael designed the **SmartView 360 Platform**, which powers sustainability indices, rankings and research reports; these include the **NASDAQ CRD Global Sustainability Index (QCRD)**, the **Global 1000 Sustainable Performance Leaders on JustMeans** and the **Southeastern Corporate Sustainability Rankings**.



Michael Muyot is a Fellow of the Governance & Accountability Institute. Recently he was invited to join their external stakeholder committee to advise the **Sustainable Apparel Coalition** to shape how its index can be a valued -added tool to inform and assist socially responsible investing (SRI) efforts.

For more information: <http://www.crdanalytics.com>.

Brandlogic

James Cerutti (Senior Partner, Strategy and Research)

Thanks to **James Cerutti** for his contribution to this report. James is a Senior Partner, Strategy and Research at Brandlogic and a leading authority on the linkages between corporate reputation, brand strategy and sustainability. Brandlogic is a leading brand consultancy, offering a full range of services including brand research, strategy, design, digital, communications, employee engagement and sustainability reporting. Brandlogic's firm has a 35+ year history of serving complex, global organizations to solve their most pressing business and branding challenges. For more information about Brandlogic, visit www.brandlogic.com.



Brandlogic and CRD Analytics created the Sustainability Leadership Report, a landmark report tracking real vs. perceived performance for 100 leading global brands.

For more information: <http://www.brandlogic.com>





Governance & Accountability Institute, Inc.

Navigating the way to sustainability...

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G&A Institute is a research, monitoring, publishing, and strategy advisory company. Our services are focused on issue management related to sustainability, corporate responsibility, and ESG factors with services designed for corporate managers, investors, and stakeholders.

The Institute is the exclusive Global Reporting Initiative (GRI) Data Partner for the United States and is also a GRI Organizational Stakeholder. The G&A team receives directly from companies and organizations the sustainability, responsibility, corporate citizenship and related content of their reports. We monitor for reports published by US-based corporations, not-for-profit organizations, foundations, universities, the public sector, and other types of organizations.

Throughout the year reports are collected, or received directly from companies and institutions; analyzed, information is databased, and reports become part of the GRI (global) database as well as the US-focused database of reports maintained by G&A. Results are available for US companies at:

www.SustainabilityHQ.com/reports

The Institute conducts proprietary research which it often shares publicly and customized research for investor and corporate clients.

The G&A Institute services portfolio includes:

- ESG/Sustainability Counseling, Strategies and Benchmarking
- Corporate Sustainability & Responsibility Reporting Services
- Benchmarking / Peer Profiling
- Stakeholder Identification, Monitoring and Engagement
- Strategic Risk Management
- Assistance with Responses to Third Party Organizations
- Sustainability Coaching and Training, Team Building
- ESG / SRI / CSR / Sustainability Monitoring and Reporting
- Customized Research Reports
- Publishing and Editorial Services / Digital Platforms
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- Awards & Recognitions Guidance

For more information on G&A Institute Services please visit: www.ga-institute.com



For information, visit the G&A Institute websites:

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G&A serves as Sustainability Headquarters™ for leaders in the corporate, investor and social sectors, providing value-added services focused on ESG/Sustainability issues, including research, monitoring and strategic counsel and advisory services.



SustainabilityHQ™

Our knowledge. Your opportunity.

www.SustainabilityHQ.com

A subscription-based, Web-accessed platform managed by G&A Institute; SHQ provides key third party organization profiles and tracks the actions of ESG/Sustainability capital market players and investors, and “influencers” shaping corporate reputations and valuations.



Accountability-Central™

For leaders in the era of responsibility & accountability.

www.Accountability-Central.com

A publicly available Web-based information platform for news, updates, opinion & commentary and research resources focused on Sustainability, ESG, Corporate Responsibility issues and topics.

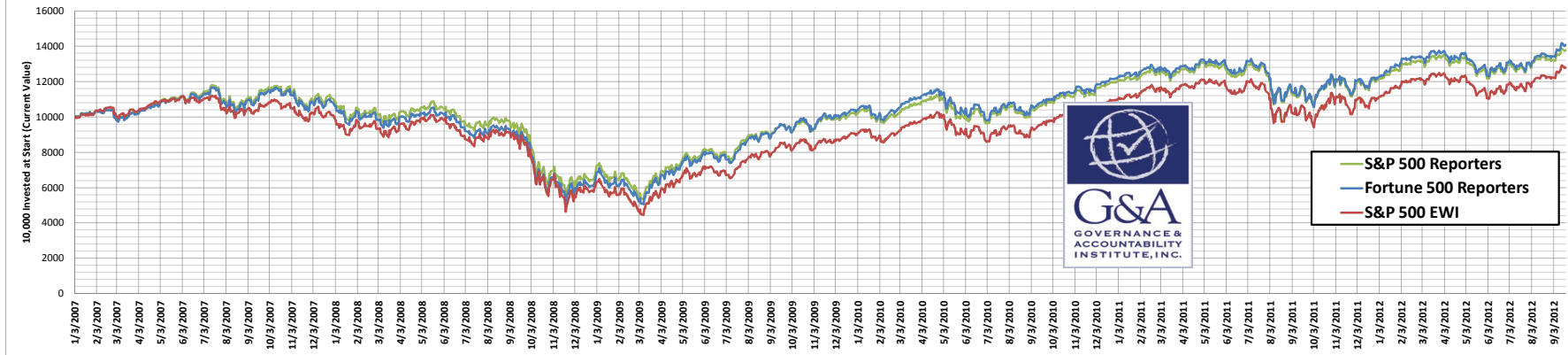


**Governance & Accountability Institute &
The Global Reporting Initiative**

Governance & Accountability Institute is the exclusive data partner in the US, UK and Ireland for the Global Reporting Initiative and is also a GRI Organization Stakeholder



Appendix A: 5 Year Performance S&P 500 Reporters VS Fortune 500 Reporters VS S&P 500 Equal Weighted Index (S&P 500 EWI)



Annualized Returns			
Time	F500 GRI	S&P 500 GRI	S&P500 EWI
1 Year Return	0.33%	1.06%	0.75%
2 Year Return	8.45%	8.82%	10.37%
3 Year Return	25.11%	22.37%	22.80%
4 Year Return	2.94%	2.17%	2.20%
5 Year Return	4.06%	3.87%	1.99%

Return For Each Year - Total Return If Invested for Just That Year			
Time	F500 GRI	S&P 500 GRI	S&P500 EWI
2007 Return	8.70%	10.96%	1.16%
2008 Return	-42.67%	-40.54%	-41.10%
2009 Return	66.51%	54.74%	52.05%
2010 Return	17.22%	17.17%	20.90%
2011 Return	0.33%	1.06%	0.75%
2012 (as of 09/20/12)	15.29%	13.92%	15.95%

\$10,000 Invested in Start of 2007			
Time	F500 GRI (10000)	S&P 500 GRI (10000)	S&P500 EWI (10000)
Initial Investment	\$10,000.00	\$10,000.00	\$10,000.00
2007	\$10,870.29	\$11,096.08	\$10,116.42
2008	\$6,231.94	\$6,597.79	\$5,958.46
2009	\$10,376.87	\$10,209.10	\$9,059.71
2010	\$12,163.83	\$11,962.38	\$10,952.92
2011	\$12,204.41	\$12,089.52	\$11,035.20
2012 (as of 9/20/12)	\$14,070.59	\$13,772.15	\$12,795.66



Analysis Completed By:
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Descriptions:
 We used the S&P 500 EWI as a benchmark, which is compiled of all S&P 500 Companies in an Equal Weighted Index (EWI). This popular benchmark is used by investment professionals as a key measurement of return.

The **Fortune 500® GRI Reporters** - Consists of companies in the Fortune 500 2009 (for years 2007-2010) and 2011 (for 2011-2012) list that have reported on their Sustainability Impacts (Environmental, Social, and Governance). At the start of each year we added the companies that reported to the portfolio. If a company did not report for two consecutive years, we removed the company from the portfolio. We allowed a one year gap in reporting, as long as the company reported the following year.

The **S&P 500® GRI Reporters** - Consists of US companies in the 2010 S&P500 (for years 2007-2010) and S&P500 members as of 2011 (for 2011-2012) list that have reported on their Sustainability Impacts (Environmental, Social, and Governance). At the start of each year we added the companies that reported to the portfolio. If a company did not report for two consecutive years, we removed the company from the portfolio. We allowed a one year gap in reporting, as long as the company reported the following year.

Special Thanks To Investors
 Our appreciation for information and support of this project.
For Financial Back Testing and Index (Benchmarking) Comparisons
Investors YOU is a web-based system that allows individual and institutional investors and financial advisors to build highly-personalized portfolios based on their interests, beliefs, values and affinities that generates a new type of financial instrument. Portfolios can be overlaid with some of the top research available on Wall Street and traded through the RIA or broker chosen by the investor. It is a superior mechanism for information aggregation & monetization created by Investors.

Investors is dedicated to helping investors enhance investment performance through innovative supply chain management tools, indexing and structured products, as well as unique media content. Clients benefit from customized analytics designed to help them identify alpha generating investment ideas according to their own investment style and risk tolerance levels.

The authors appreciate the assistance of Investors in constructing the financial performance back-testing for the groups of company stocks included in the analysis – see the performance chart with this report.

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