

6 Steps to Cut the Greenwash

WHETHER YOU WANT to purchase a green product or invest in an environmentally responsible company, deciding where to place your dollars is a multistep process. It includes visiting a variety of sources, appraising the available information, and then synthesizing it to make a balanced and thoughtful choice. The following guide can help.

1. Start with company information

Search companies' websites for their sustainability, accountability, corporate social responsibility or environmental reports. Then look for clues that point to their environmental commitment by asking:

- Does the company have sustainability goals and targets? Is it measuring its current footprint?
- Is the report endorsed by reputable organizations, such as environmental groups?
- Has the report been verified by a third party?
- Is the company sharing comprehensive information in a meaningful way – warts and all?

2. Check screened market indexes

Screened market indexes list companies that have met certain social and environmental standards, thereby suggesting which companies are the best in their class. For North America and the world, try the Dow Jones Sustainability Indexes. For Canada, try the Jantzi Social Index.

3. Look at company rankings

A growing number of firms rank corporate performance. For Canadian rankings, two sources that are gaining respect include *Corporate Knights'* "Best 50 Corporate Citizens" and *Macleans/Jantzi Research Corporate "Social Responsibility Report"*.


4. Carbon Disclosure Project

This non-profit organization compiles climate change data from the world's largest companies. Although disclosure doesn't necessarily translate into superior performance, the Carbon Disclosure Project posts both requests and responses on its website.

5. Patronize local and sustainable enterprises

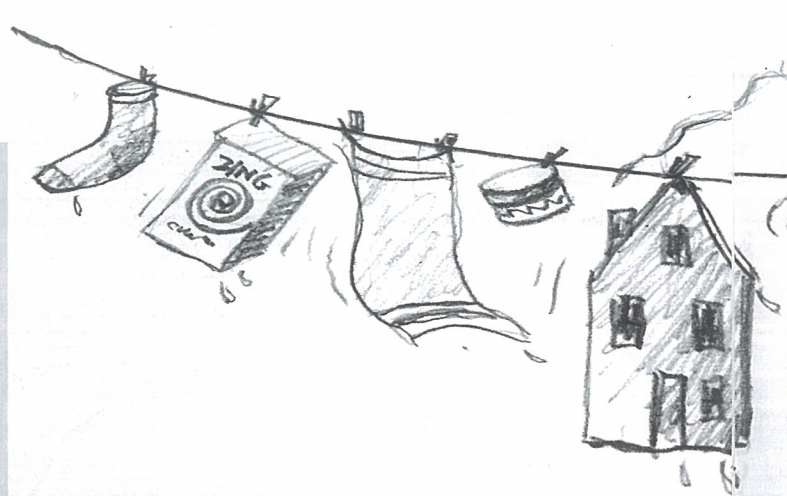
Consider patronizing enterprises that have social as well as business goals. Look for certified products such as Forest Stewardship Council of Canada certified paper, Marine Stewardship Council certified fish, or certified organic produce. Other responsible consumer labelling schemes include Energy Star and EcoLogo.

6. Bring issues to light

- Do a Google search to see if reputable activist sites flag concerns.
- Learn about a company's shareholder resolutions by scanning sites such as those of The Ethical Funds Company and the Shareholder Association for Research and Education (SHARE). 

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(based on discounted cash flow analysis). Similarly, Noranda/Falconbridge's (now Xstrata) energy-efficiency program had an impact on share price equivalent to an improvement in nickel or copper prices of about 1.5 per cent. Although sustainable development parameters are oftentimes assumed to be hard to quantify in financial terms, this is not the case.

If sustainable development creates value for a company, then a portfolio of companies that embrace sustainable development should outperform a benchmark made up of companies that are not so inclined.

The Dow Jones Sustainability Index World (DJSI World), the longest-running sustainable development global index, comprises the top sustainable development companies drawn from a worldwide pool of 2500 large-capitalization corporations. Companies are selected based on a systematic assessment that identifies the sustainability leaders in each of 58 industry groups. The underlying research methodology accounts for general, as well as industry-specific, sustainability trends, and evaluates corporations based on their climate change strategies, energy consumption, human resources development, knowledge management, stakeholder relations and corporate governance.

As of 2007, there were 318 companies in the DJSI World, with the three largest being General Electric Co., Procter & Gamble Co. and BP PLC. Between 1999 and 2007, the DJSI World yielded a total return of 14.2 per cent, whereas the benchmark Morgan Stanley Capital Index World returned only 11.2 per cent.

The answer to the fundamental question – does a company's commitment to sustainable development have a positive impact on its bottom line? – seems to be yes. A key step for corporate practitioners of sustainable development, therefore, is to educate the financial community about the merits of factoring sustainable development into corporate valuations. 

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