

# Top Sustainable Investment Stories of 2010

by Robert Kropp

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Despite their negative impacts, the Supreme Court's Citizens United Decision and the BP oil rig explosion in the Gulf of Mexico galvanized sustainable investors.

SocialFunds.com -- Viewed through the lens of growth, 2010 can be seen as one in which sustainable investment moved closer to acceptance by the mainstream investment community, in the US and elsewhere. By the end of the year, three reports detailing regional states of sustainable investment—in Europe, the United States, and Australia and New Zealand—had been published, and each showed that uptake of environmental, social, and corporate governance (ESG) factors in investment decision-making was on the increase.

[Eurosif Publishes Results of Survey on Sustainable Investment in Europe](#)  
[Growth in Sustainable Assets Outpaces Mainstream](#)  
[Sustainable Investment in Australia and New Zealand Outperformed Market in 2010](#)

Furthermore, the number of signatories to the United Nations' Principles for Responsible Investment (PRI) has grown to include over 800 signatories with a total of \$22 trillion in assets under management. The number of new signatories since July 2009 now stands at 268, "evidence," the PRI states, "of the increasing recognition by institutional investors worldwide of the need to consider environmental, social and corporate governance (ESG) issues when investing."

[Principles for Responsible Investment Publishes 2010 Report on Progress](#)

Considering that many observers had cautioned that consideration of ESG factors by investors and corporations would decline in the wake of the financial crisis, such results are encouraging for practitioners of sustainable investment.

However, 2010 was a year in which the political winds in the US in particular turned sharply to the right, and the year's top stories indicate that the engagement practices of sustainable investors, both with companies and legislative and regulatory processes, will be if anything even more crucial in 2011. Here are the top five sustainable investment stories for 2010.

## **5. Congress passes health care reform legislation.**

Despite the ongoing economic recession and high unemployment, President Obama maintained his priority of seeing health care reform enacted by Congress, and succeeded in the face of fierce opposition by most Republicans in Congress. In March, the House of Representatives passed the bill in a 219-212 vote, and a reconciliation bill passed the Senate afterward.

Sustainable investors have long made health care reform a central part of their mission. The number of shareowner proposals addressing health care reform increased considerably in the last two years, in an effort led by the AFL-CIO, which pointed out that access to affordable, comprehensive health care insurance is the most significant social policy issue in America.

In November 2009, in advance of the 2010 proxy season, the Interfaith Center on Corporate Responsibility (ICCR) sent letters to 36 members of the US Chamber of Commerce that had issued public statements in support of the principles of healthcare reform, asking them to clarify whether or not the Chamber speaks for them on health care reform and, if not, to make a public statement to that effect.

Following the historic vote in the House, ICCR members issued a statement welcoming the reform of health care in the US, stating, "Access to health care is a fundamental human right, benefits society and serves the individual, the common good and employers."

[Companies Are Asked to Distance Themselves From Chamber on Health Care Reform](#)

#### **4. Congress fails to act on climate change.**

Of all the macroeconomic issues with which sustainable investors have been engaged, none have a more far-reaching global effect than climate change. In June 2009, when the House passed the Waxman-Markey climate change bill, it seemed cause for celebration.

However, the Senate then failed to pass even modest legislative proposals addressing climate change, leaving the Obama administration with little choice but to pursue regulatory options for meaningful reductions in greenhouse gas (GHG) emissions. The Environmental Protection Agency (EPA), basing its authority to regulate emissions on a 2007 Supreme Court decision relating to the Clean Air Act, established regulations requiring large facilities emitting over 25,000 tons of GHG emissions a year to demonstrate that they are using the best practices and technologies to minimize GHG emissions.

Sustainable investors associated with Ceres, the Investor Network on Climate Risk (INCR), and **As You Sow** have aggressively pursued climate change mitigation through resolutions asking for improved reporting by companies as well as assessments of risks and opportunities associated with climate change.

**[Environmental Shareowner Resolutions Gain Record Levels of Support in 2010 Proxy Season](#)**

[Investors Lead Way on Climate Change As Senate Fails to Act](#)

[Leading Companies are Not Waiting for Climate Change Legislation](#)

[Carbon Disclosure Project Issues 2010 Reports on Climate Change Disclosure by Companies in Global 500 and S&P 500](#)

[Investors Call on World Leaders to Act Now on Climate Change](#)

#### **3. Congress passes financial regulatory reform legislation.**

Since the financial crisis and subsequent global economic recession, many books have been published lionizing the few industry insiders who foresaw the collapse of the subprime mortgage lending market. None of them, however, have detailed the prescience of many sustainable investors who have been issuing warnings about the practice for many years.

ICCR members introduced shareowner resolutions addressing underwriting practices in the mid-nineties, and resolutions addressing securitization practices in the late nineties. During the 2010 proxy season, ICCR members asked companies to report on policies for collateralization of their derivatives.

The Senate responded to calls for financial reform in May, when it passed the Dodd-Frank bill by a vote of 59-39. As

Senate and House conferees met to craft a reconciliation bill in June, the Social Investment Forum (SIF) published a letter outlining the organization's support for provisions that would improve corporate governance, protect consumers, and provide regulatory oversight of investment products.

[Investors and Shareowners Applaud Senate Passage of Financial Reform Bill](#)

[Sustainability Investors Make Their Voices Heard on Financial Reform Legislation](#)

[SEC Settlement with Countrywide Executives: A Template for Personal Liability?](#)

## **2. BP oil rig explodes in Gulf of Mexico.**

That the worst environmental disaster in human history occurred in the controversial practice of deepwater drilling was not much of a surprise. Sustainable investors have called on companies to effectively address the risks associated with such practices, which are becoming increasingly prevalent as the clearly unsustainable global reliance on fossil fuels encounters limitations in conventional extraction.

That BP turned out to be the company that caused the disaster should not have come as much of a surprise either, given its lengthy history of health and safety violations, especially in the US. Yet despite the violations, which led to multiple deaths in Texas City and elsewhere, BP had remained a favorite of many sustainable investors, largely due to its reputation as an effective reporter. The latest disaster finally forced many investors to reconsider their assessment of BP as a top sustainable company, and 2010 saw the company's removal from several sustainable indexes.

[Sustainability Investors Reconsider BP Holdings in Wake of Gulf Disaster](#)

[BP Among Companies Removed from Global Sustainability Index](#)

[Shareowner Resolution Addresses Risk Management at BP](#)

[Oil Spill Commission Asked to Recommend Improved Disclosure by Offshore Drillers](#)

## **1. Supreme Court decision opens floodgates for corporate political spending.**

The Supreme Court ruling in January on Citizens United vs. Federal Election Commission, which prevents the government from regulating corporate expenditures on election campaigns, sent a shock wave through the community of advocates for corporate accountability and shareowner rights.

In effect, the Court ruled that the rights of corporations are the same as those of private individuals, despite their clearly articulated legal status as separate entities.

Following the ruling, President Obama said, "With its ruling today, the Supreme Court has given a green light to a new stampede of special interest money in our politics. It is a major victory for big oil, Wall Street banks, health insurance companies and the other powerful interests that marshal their power every day in Washington to drown out the voices of everyday Americans."

The Center for Political Accountability (CPA), launched in 2003, seeks to bring transparency and accountability to corporate political spending. Thus far, more than 75 companies have voluntarily adopted the framework for political disclosure, including half of those listed on the S&P 100.

In response to the Supreme Court ruling, Bruce Freed, President of CPA, said, "The Citizens United decision will place companies under immense pressure to use shareholder funds to support candidates, groups and causes whose positions and activities could threaten a company's reputation and bottom line and shareholder value."

In November, a coalition of investors led by Domini Social Investments and Walden Asset Management submitted proposals for the 2011 proxy season addressing corporate political spending at four large corporations. The four companies sit on the Board of the US Chamber of Commerce, which reportedly poured \$75 million into the 2010 election.

[Advocates for Corporate Accountability Denounce Supreme Court Ruling on Political Spending](#)

[In Wake of Controversial Supreme Court Decision, Shareowner Activists Develop Plan for Corporate Disclosure of Political Spending](#)

[Social Investors Brainstorm Responses to Citizens United](#)

[Shareowners Launch Campaign Against Corporate Political Spending](#)