

**Sustainability Scorecard International™ (SSCI) Inc.**  
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**Today's Discussion:**  
**Main Street Performance Scorecard™ (MS PS)**

- An Overview
- The Details
- The Level of Effort

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**Overview: 22-Year History of Annual Sustainability/Responsibility Reporting**

Fall 1987 UN's Our Common future introduces sustainability development concept.
Fall 1989 New York CERES The 10 Valdez Principles Environmental reporting
1998 UK consultant John Elginton coins term "Triple Bottom Line Reporting".
2000 1 <sup>st</sup> 29 CERES: Global Reporting Initiatives (GRI) corporate reports.
2005 SEC requires 10K and MD&A environmental risk AFR disclosures.
2008 OSC requires MD&A environmental risk AFR disclosures.
2009 US EPA will require 13,000 facilities to report in 2011 on 2010 GHG emissions

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**Publicly-traded corporate shareholder capitalism is dead.  
 Date and Cause of Death:  
 Unknown and Managers' Capitalism**

**Circa 2005:** John Bogle, named by *Fortune* as one of the four U.S. investment "Giants of the 20<sup>th</sup> Century", said that the shift in responsibility from owners' to managers' interests has corrupted capitalism.

**Circa 2006:** William Pfaff, *The International Herald Tribune*, public affairs columnist, wrote "our current shareholder capitalism system has undergone 'a pathological mutation' from traditional owners' capitalism to a new form, managers' capitalism."

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## March 2009: Managers' capitalism is alive and evil

- AIG common shares decreased 99% in market value in the last year.
- 400 AIG managers received 218 million in performance bonuses.

Claude Lamoureaux, former president and CEO of the Ontario Teachers' Pension Plan, on our current economic debacle, lamented: "They were gambling with shareholders' money. They got paid and the shareholders got nothing ... and the board of directors didn't as enough questions. There should be laws against that."

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## Cost to US taxpayers of "free" enterprise.

- 533 financial institutions have received TARP money to date
- \$333 billion: TARP money spent by March 31, 2009
- \$787 billion: Obama stimulus to create and maintain 3+ million jobs.

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## New Age of Corporate Responsibility United States President, Barack Obama

- "an economic model that will help usher in a return to an ethic of responsibility. That if you're placed in a position of power, then you've got responsibilities to your workers. You've got responsibility to your community. Your shareholders"
- "Profits should reward the industriousness and entrepreneurial spirit that's always been the engine of our prosperity, and cracks down on the culture of greed and scheming that has led us to this day of reckoning"
- Sunday, March 28, 2009: President Obama "fires" GM's CEO, Rick Wagoner

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## No longer business as usual

- "We need a new form of capitalism based on values which put finance in the service of business and citizens and not vice versa."  
*Nicholas Sarkozy, President of France, October 2008.*
- "We are experiencing today the birth of a new era, a wake up call to overhaul our thinking and our actions."  
*Professor Klaus Schwab, Founder/Chairman, World Economic Forum, Annual Meeting, January 2009.*
- "Canada and the world are facing a long and deep recession that will fundamentally alter the nature of capitalism."  
*David Dodge, former Bank of Canada governor, March 17, 2009.*

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## Main Street Capitalism is a business ethic based on Peter F. Drucker's management philosophy

[The Practice of Management 1954: The responsibilities of management, p.386-388]

1. Management must consider the impact of every business policy and business action upon society.
2. The first responsibility of business to society is to operate at a profit, and
3. Secondly, and only slightly less important, is the necessity for growth.

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## Main street Capitalism = Stakeholder Capitalism

- **PRIMARY STAKEHOLDERS** – shareholders, employees, customers, suppliers, local governments – are financially affected by the internal operations of publicly-traded and by privately-held companies.
- **STRATEGIC STAKEHOLDERS** – are individuals and groups whose external actions affect the internal operations of a business: NGOs, civil societies, the media, international (UN) agencies, peer companies, diverse communities' values.

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**SSCI's Main Street Performance Scorecard™**

Columns 4 and 5: measure Today's Performance

Column 4: Current year 2009 activity output

Column 5: 2009 vs 2008 activity output percentage change

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**SSCI's Main Street Performance Scorecard™**

Columns 6 and 7: measure Tomorrow's Potential

Column 6: shows next year's (2010) activity outputs

Column 7: shows next 3 year's (2012) activity outputs (N/A ?)

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**VALUES ADDED TO ORGANIZATION BY  
SSCI's Main Street Performance Scorecard™**

**COMPANY REPUTATION:** "license to operate" anywhere, for SMEs +

**MARKET COMPETITIVENESS:** lowers 'green' barriers to trade.

**FINANCIAL BENEFITS:** bank loans; cost effective compared to GRI

**REPORTING ADVANTAGES:** tech-friendly; monthly, quarterly annually.

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**Mandatory GHG reporting is here, ready or not!!!  
US EPA MANDATORY GREENHOUSE GAS  
REPORTING RULE**

**PURPOSE:** to collect accurate and comprehensive emissions data to inform future policy decisions.

- Reporting threshold, 25,000 metric tones of carbon dioxide (CO<sub>2</sub>)
- Approximately 13,000 facilities would be covered by EPA Rule
- Most small businesses fall below 25,000 metric ton CO<sub>2</sub> emissions
- (voluntary reporting for 10,000 to 25,000 metric tones of carbon dioxide)

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**US EPA MANDATORY GREENHOUSE GAS  
REPORTING RULE**

- Reporting cost estimated at 4 cents a ton (\$1,000 +) [1% of sales]
- To report in 2011 for 2010 calendar year CO<sub>2</sub> emissions
- EPA would be responsible for verifying the data
- GHG reporting according to the GAA Protocols:
  - The Climate Registry best for US and Canadian companies
  - A Corporate Accounting and Reporting Standard (WBSDC+WRI)

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**Exports at risk from  
U.S. climate change bill**

Proposed legislation could slap levies  
on range of Canadian products

Shawn McCarthy, Global Energy Reporter, *The Globe and Mail*, Friday, April 3, 2009

- To be used as a "weapon" to protect American jobs
- Obama administration vows to pass climate change legislation this year.

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April 2008  
JP Morgan study ~ Watching Water  
a guide to evaluating risks in a thirsty world  
Environmental, Social Governance research.  
Most companies publish disclosures of water-related information.  
These disclosures are of limited usefulness to investors.

- No standardized format for corporate disclosure of water-related risks
- Inconsistent definitions of what they mean by "water use"

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J. Emil Morhardt, Director of Roberts Environmental Center:  
*"It's a lot like the tree falling in the forest conundrum – companies that perform admirable, but don't communicate their efforts get the same scores as companies that don't even think about the issues."*

June 2008 Report: The Roberts Environmental Center, Claremont McKenna College assessed 105 California Fortune 1000 companies as to their use of their web pages to communicate environmental and social efforts, using REC's Pacific Sustainability Index (PSI). 60 questions graded from an A+ to an F

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## CHEVRON 2007 Web Pages **A+**

Chevron, which received an A+, earned kudos for its reporting on environmental and social intent, but was knocked for lack of environmental data, such as for recycling, waste and water.

"A more comprehensive historical comparison would increase the report's transparency," the report said.

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## GOOGLE 2007 Web Pages **F**

Google, shamefully, has absolutely nothing on its website Concerning corporate sustainability environmental and social Issues, or corporate governance, except on installing a solar panel on one of its campuses. Does it think all those Server farms are totally environmentally benign?

Evidently, Google is one of the best places in the world to Work, but it isn't using this vehicle to explain why.

~Moore

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## SSCI analysis:

Energy and Water Environmental Reporting & Performance:  
Individual Pacific Sustainability Index scores of  
105 Fortune 1000 companies

**Energy:** 91 (87%) given a zero mark/100 and Needs Substantial Improvement. No company earned marks between 75 and 100.

**Water:** 86 (82%) given a zero mark/100 and Needs Substantial Improvement. Three companies marks between 75 and 100, an Excellent comment.

*How effective are the other 895 Fortune 1000 companies websites  
When it comes to communicating their environmental management  
And social returns performances to stakeholders?*

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## SSCI's Main Street Performance Scorecard™

Reports on the continuous progress  
of living today for a better tomorrow.



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