Faith-based investors to apply 'green' index in investment decisions

WASHINGTON – The Interfaith Center for Corporate Responsibility said Feb. 5 it would use an index measuring how "green" publicly traded corporations are to help it make investment decisions and push for more eco-friendly business practices.

During a Feb. 5 conference call with reporters, the ratings of 150 such companies were released by Trucost. The independent environmental data company has spent eight years refining its assessment model, using direct feedback from the companies being analyzed.

This year the 150 companies are facing shareholder resolutions sponsored by faith-based investors, public pension funds and others involved in socially responsible investing.

"We believe that the information that we are making available will play several different roles," said Leslie Lowe, director of the interfaith center's Energy and the Environment program.

"Institutional managers have a fiduciary duty to manage the assets they are given," she added, and companies' care for the environment is another tool with which to evaluate their performance.

A standardization of investor evaluations of firms' environmental practices begins "if there's an easy way for corporations and their investors to compare cross-sector data" to help asses the risk "in the investments that we make," said the center's executive director, Laura Berry.

When it comes to the financial environment, "there are serious penalty-type risks if the corporate sector doesn't get a handle on" protecting the earth's environment, according to Ms. Berry.

“As we look a little further out on the horizon,” Ms. Berry added, “we also start to see new ways to incorporate environmental capital into valuation models for corporations and for investors. So the creation of standardized frameworks like the Trucost data has been very, very important.”

Among the 150 companies analyzed by Trucost, the health care and insurance firm Aetna was the leader with a rating of minus 1.40. Of the all the corporations, 114 had “minus” rankings.

Under the evaluation method used, the lower the score, the greener the company; the higher the number, the less environmentally friendly a company is judged to be.

The climate-risk profiles took into account greenhouse gas emissions and other indicators such as water use and waste disposal.

Placing second was Ford Motor Co. at minus 1.04. General Motors was right behind Ford with a score of minus 0.77.

Among other leaders, and their respective industry sectors, were: Consol Energy Inc., basic resources; Chemtura Corp., chemicals; KBR Inc. and McDermott International Inc., construction and building materials; Ameriprise Financial Inc., financial services; and Coca-Cola Enterprises (a bottler and marketer), food and beverage; Western Union Co., industrial goods and services; DirecTV Group, media; Williams Companies, oil and gas; Jones Apparel Group Inc., personal household goods; CVS/Caremark Corp. and Kroger Co., retail; Google Inc., technology; Embarq Corp. and Nextel Corp., telecommunications; Hertz Global Holdings, travel and leisure, and Aqua America Inc., utilities.

Coca Cola Co., an entity much larger than Coca-Cola Enterprises, finished last in the food and beverage sector.

Six banks tied for the top rank in their sector, as did all five insurance companies and two real estate firms examined by Trucost.

The worst offender was the investment firm Goldman Sachs, with a rating of 3.21; Verizon Communications Inc. came in second at 3.04 and Goodyear Tire & Rubber was third at 1.45.

Asked if there were companies scaling back green initiatives because of the economic downturn and the recent drop in energy prices, Ms. Lowe replied, “If there are companies that are doing it, they certainly aren’t announcing that.”

“There have been some layoffs in the divisions that have been involved in sustainability strategies in the financial houses, but I don’t think companies are going to say they’re going to cut their staff. That’s a bad signal to send,” she said.

Ms. Berry noted the Obama administration had asked the federal Environmental Protection Agency to look at adopting climate regulations within the existing powers of the Clean Air Act.

“It’s important to note the context that corporations are operating in right now,” she said, citing public erosion of “faith in the market’s ability to self-regulate.”

“They’re acutely aware of the new environment and being very, very careful about paying attention to areas that could lead to increased regulation as an antidote to self-regulation,” she said.

The Interfaith Center on Corporate Responsibility, a leader in the corporate social responsibility movement, is a coalition of nearly 300 faith-based institutional investors representing more than $100 billion in invested capital.