

Environmental Sustainability

Climate Change and the Environmental Impact of Companies

Earth, Our Home

Humanity is part of a vast evolving universe. Earth, our home, is alive with a unique community of life. The forces of nature make existence a demanding and uncertain adventure, but Earth has provided the conditions essential to life's evolution. The resilience of the community of life and the well-being of humanity depend upon preserving a healthy biosphere with all its ecological systems, a rich variety of plants and animals, fertile soils, pure waters, and clean air. The global environment with its finite resources is a common concern of all peoples. The protection of Earth's vitality, diversity, and beauty is a sacred trust.

Source: The Earth Charter (copy attached)

Climate change is one of the most serious threats to our environment and our livelihoods. The gradual warming of the atmosphere will bring about increasingly severe weather, rising sea levels, floods, fires, drought and other weather-related patterns that in turn may have profound impacts on basic human activities such as agriculture, food and water availability, and commerce. For example, changes in temperature, precipitation patterns and snowmelt can all impact water availability. Scientists have observed that some changes are already occurring, such as sea level rise, shrinking glaciers, changes in plants and animals, and weather anomalies such as trees blooming earlier and lakes freezing later and breaking up earlier.

The term "climate change" denotes dramatic changes in climatic conditions, whether these changes are human-induced or naturally occurring. Human-induced climate change is primarily related to emissions of greenhouse gases (GHG) from the use of fossil-based fuels (coal, oil and gas) and industrial processes. In the U.S., energy-related activities account for more than 85 percent of our human-generated greenhouse gas emissions, mostly in the form of carbon dioxide emissions from burning fossil fuels. More than half the energy-related emissions come from large stationary sources such as power plants, while about one-third come from transportation. Industrial processes (such as the production of cement, steel, and aluminum), agriculture production, deforestation, and other land use are also important sources of greenhouse gas emissions in the United States.

There is no question that the Earth is warming due to human activity. Temperatures at the Earth's surface increased by an estimated 1.4°F in the past 100 years. While this may not sound alarming, it is: the Earth's global average temperature varies very little, and a change of even one or two degrees can be dramatic for the creatures that inhabit it. Average temperatures in the Arctic have risen by 4°, and the ice cover in the Arctic Ocean has thinned 40%. Eleven of the previous 12 years have been the warmest years on record (since 1880). If greenhouse gases continue to increase, climate models predict that the average temperature at the Earth's surface could increase from 3.2 to 7.2°F above 1990 levels by the end of this century. *Source: U.S. EPA*

While efforts continue on a binding international treaty to reduce GHG emissions, shareholders have been engaging companies across sectors of our economy for many years on numerous environmental issues designed to address the impacts of a company's environmental "footprint." Shareholders have focused on companies that contribute significantly to global warming, such as oil and mining companies, utilities, and transportation companies. These initiatives have been expanded recently to numerous other industries, such as agricultural producers, banks, builders and the "big box" retail sector. Examples of engagement issues that shareholders are addressing include:

- ❖ Adopt quantifiable goals to reduce GHG emissions in company products and operations and/or invest in renewable energy by 1) oil companies; 2) coal mining companies; 3) electric utility companies; 4) large chain retailers; 5) automobile manufacturers; and 6) home builders;
- ❖ Reduce/address environmental impacts caused by company operations, such as 1) water pollution and deforestation caused by mountaintop removal by coal mining companies; 2) coal ash disposal from coal burning electrical utilities; 3) rainforest sustainability and deforestation by paper producers; 4) oil sands extraction by oil companies;
- ❖ Adoption of financing standards by banks that finance large projects with significant environmental risks, such as new coal mining operations;
- ❖ Improve disclosure of environmental impacts through reporting 1) GHG emissions and strategies to reduce them; 2) the use of renewable or other less-polluting energy sources; 3) the company's environmental policies, practices and environmental impacts of company operations, such as environmental damage and health risks to communities; 4) material risks and other business impacts of climate change according to recent SEC guidance; and 5) sustainability reports addressing comprehensive environmental, governance and social issues.

Addressing the environmental impact of companies is aligned with the Critical Concerns of the Sisters of Mercy to reverence Earth and work more effectively toward the sustainability of life and toward universal recognition of the fundamental right to water. Efforts in this broad scope of engagement are also aligned with acting from an international perspective and in harmony and interdependence with all creation.

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