For Immediate Release

NEW STUDY: CORPORATE BOARDS EXCEEDING OVERSIGHT REQUIREMENTS ON ENVIRONMENTAL AND SOCIAL ISSUES
Paper, Forestry, Utility and Healthcare Industries at Lead, While Retail Lags

Webinar on Tuesday, April 29th at 1 PM ET to Review Findings

NEW YORK, NY, and WASHINGTON, D.C., APRIL 22, 2014 – Corporate boards are exceeding legal oversight requirements on environmental and social issues, with more than half of S&P 500 companies providing board level oversight of environmental and/or social issues above and beyond that required by law. *Board Oversight of Sustainability Issues* finds that many industries subject to scrutiny – paper, forestry, healthcare, utility companies – are among the most likely to have board oversight of sustainability issues. But, the retail sector lags despite criticism for recycling and labor and human rights practices.

Commissioned by the Investor Responsibility Research Center Institute (IRRCi) and released on Earth Day, the study was conducted by the Sustainable Investments Institute (Si2). A webinar is scheduled for Tuesday, April 29, 2014 at 1 PM ET to review the findings and respond to questions. Download the research here. Register for the webinar here.

"The sizable percentage of S&P 500 companies elevating environmental and social issues to the board level reflects the growing understanding among directors and executives of the financial risks and opportunities of sustainability and to the importance to long-term corporate planning," said Jon Lukomnik, IRRCi executive director.

While sustainability has been a concern of corporations and investors for years, there has been little research focused on how boards oversee a company's sustainability efforts. This research sets out to fill that gap. It offers an industry-by-industry analysis, along with other detailed analyses such as correlations between revenue and net income for companies with board oversight of environmental and social issues.

"The report identifies key trends on issues and industries, which seem to be a direct reflection of public scrutiny and industry risk exposure," said Peter DeSimone, report author and cofounder and deputy director of Si2. "For example, energy companies have long been targets of sustainability proponents. It's logical that these companies would be among the most likely to have Board oversight of environmental issues."

"But that simple rationale is confounded by the retail sector – the fourth least likely to have board oversight – even though the industry has been under fire on issues ranging from sweatshops to recycling practices. The same holds true for technology hardware companies that battle accusations surrounding

supply chain labor and human rights abuses, and are enveloped in reporting on conflict minerals as required by Dodd-Frank," DeSimone added.

Among the findings of *Board Oversight of Sustainability Issues* are:

- Boards of 55.4 percent of S&P 500 companies have explicit oversight responsibilities for social and/or environmental issues.
- About a third of the companies with board level oversight of sustainability issues have assigned that responsibility to the Corporate Governance and Nominating Committee (34%) and about the same amount assigns it to a Public Affairs or Sustainability Committee (32%). The remainder places the responsibility in other committees or delegates it to the board as a whole.
- Social issues (55 percent) were more often covered by board oversight structures and policies than environmental topics (33 percent). One reason may be that 42% of the S&P 500 companies have the board monitor political spending.
- Most companies with board oversight of sustainability issues have established independence standards for those committees (81 percent) and permitted them to hire outside counsel, advisors and experts at their sole discretion (92 percent). However, only five percent had set explicit sustainability expertise standards for members of these committees.
- The paper and forestry (100 percent), healthcare services (93 percent), oil and gas (81 percent), utilities (80 percent) and aerospace and defense (80 percent) industries were the most likely to have board oversight of sustainability issues, while the real estate (29 percent), construction and engineering (33 percent), technology hardware (33 percent), retail (34 percent), industrials (35 percent) and media (35 percent) sectors were the least likely.
- There was a strong correlation between company size, as measured by revenue and net income, and the rate of board oversight of sustainability issues. Top quintile companies by revenue were more than three times more likely to have Board oversight of environmental and/or social issues than those in the bottom quintile.

The findings are based on a review of committee charters and sustainability reporting conducted in the final quarter of 2013. The study excluded the issue of ethics, as all U.S. publicly-traded companies are required to at minimum have audit committees review fraud and other ethical lapses as a result of the Sarbanes-Oxley Act of 2002.

The Investor Responsibility Research Center Institute is a not-for-profit organization headquartered in New York, NY, that provides thought leadership at the intersection of corporate responsibility and the informational needs of investors. More information is available at **www.irrcinstitute.org**.

The Sustainable Investments Institute (Si2) provides institutional investors with in-depth, impartial analysis of environmental and social policy shareholder resolutions filed at U.S. companies. It also is an incubator for empirical research on emerging sustainability topics and corporate and investor responsibility issues. More about Si2 is at **www.siinstitute.org**.

Media Contact: Kelly Kenneally | +1.202.256.1445 | kelly@irrcinstitute.org | @irrcresearch

###