

The Cornerstone Journal of Sustainable Finance & BankingSM

March 2014



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**Cornerstone
Capital Group**

CEOs Letter on Sustainable Finance & Banking



Erika Karp
*Founder and Chief Executive
Officer of Cornerstone Capital
Inc. and Former Head of Global
Sector Research at UBS
Investment Bank*

This month in the “**Cornerstone Journal of Sustainable Finance & Banking**” (JSFB) we note the extent to which some volatility has returned to the global markets in the face of some complex cross currents. While the US Fed continues its tapering process, in recent days investors sensed some potential for the Eurozone and China to offer some monetary accommodation. Further, there seems to be as much uncertainty about geopolitics and political economics as there is regarding the price paid by the capital markets for *Candy Crush* maker King Digital’s IPO and by Facebook for Oculus as we enter a world of virtual reality. The hope is that these companies will prove to be masters of product design. This month in the JSFB, our theme is indeed **design**.

In considering the **design** of business models and practices, this month we move from virtual reality to the actual reality facing global investors. These realities include the necessity of banks in the US to have enough capital strength to pass Fed Stress tests, the imperative of dealing with oil spills like that in the Galveston Bay taking a terrible ecological and commercial toll, and the critical steps taken by General Motors to address its current crisis relating to vehicle safety.

Speaking of crises this month, we turn to a report from Cornerstone’s Global Markets Strategy team of Michael Geraghty and Michael Shavel. This note in our Global Sector Research section entitled “**Defining Crises: Catalyzing Sustainable Growth?**” considers lessons from history and whether or not companies have the capacity and governance capabilities to re-design and redefine their future state following a crisis. In the report, our team simply takes a quick cross-sector snapshot of companies such as Johnson & Johnson, Nike, Tyco, Neste Oil, Rio Tinto, Royal Bank of Canada and IBM. They ask about the genesis of and response to a major corporate crisis. And they suggest that when companies try to use lessons from history and the analysis of sector specific environmental, social and governance (ESG) factors to design their business models, the better can be their resilience and long term performance.

Also this month in the JSFB, we consider extraordinary designs inspired by nature: **Biomimicry**. We include a report from Cornerstone Analyst Michael Shavel discussing how we can use “**Nature’s R&D Department to Increase Productivity**.” Michael reminds us that butterfly wings and sea bird beaks can inspire everything from Qualcomm’s mobile display technologies to Airbus A350s. Further, Katherine Collins report on “**The Nature of Investing**” argues that great investing and the search for true corporate stewardship demands an analogy to nature’s resilient and regenerative systems: Embrace nature’s wisdom. And, this is very much what Hazel Henderson does in

her article this month highlighting how “**Private Investors are Exploring Emerging Asset Classes**” as she guides us to the cutting edge of opportunity.

This is all extremely cool. In fact, this month in the JSFB we argue in our “Featured Domain” that investors who think in these holistic ways are cool. In designing an investment process and a methodology to allocate capital, we argue that in the long run there can be a demand for both competitive returns and societal impact. We consider these investors who systematically seek this out and integrate the analysis of environmental, social and governance factors into their investment processes the new “**Arbiters of Cool.**” And this month for good measure, Cornerstone’s Juan Lois offers us a “Sustainable Product Review” of the **BMW “i”** line as we hope to move closer to a future of low carbon mobility.

Other designers highlighted in this month’s JSFB are Jean Rogers, the Executive Director of the **Sustainability Accounting Standards Board (SASB)**, and Matthew Reynolds, the President and Co-Founder of **Indigenous Designs**. As we constructively move towards “Accelerating Impact” Jean has designed an organization allowing corporations to give transparency to operational effectiveness through financial disclosure standards. In an example of “Open Source Excellence”, Matt has shown how to raise the bar for Supply Chain Ethics and design through The Indigenous Fair Trace Tool™.

Finally in the Journal this month, as we have designs on the ability to promote public health, so we feature a “Sustainable Editorial” from Dr. Derek Yach of the Vitality Institute and Chairman of the Board of Cornerstone Capital Inc. We ask about **E-Cigarettes. Are they “A Positive Disruption to the Market and Health, or a Distraction?”** And just as Derek looks for a healthy nexus between profits and principles, Cornerstone Capital’s Janet Pegg helps us strike a balance between long-term imperatives and shorter term realities. As Q1 of 2014 comes to a close, Janet reminds us that the “**Lack of R&D Tax Credits Will complicate First Quarter Earnings.**” As with we see with the work of SASB above and Janet Pegg here, even accounting can be very cool.

My sincere regards,
Erika

Erika Karp
Chief Executive Officer

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Upcoming Events

Global ESG Calendar

Date/Time	Event	Location	Information
3.31.14	The Wall Street Green Summit	Columbia University Club New York, NY U.S.A.	http://www.wsgts.com/
4.9.14 – 4.11.14	Conscious Capitalism Conference 2014	San Diego, CA U.S.A.	www.consciouscapitalism.org
4.9.14	AIAG Corporate Responsibility Summit	Suburban Collection Showplace Novi, MI U.S.A	https://www.aiag.org/source/Meetings/cMeetingFunctionDetail.cfm?section=orders&product_major=E14CRSMMT&function_startdisplayrow=1&mtype=spec
4.16.14 – 4.18.14	5th Annual Impact Conference & The Sustainable Strategies Conference <i>Cornerstone Speaking Event</i>	ExCel London, United Kingdom	https://www.icsa.org.uk/events/conferences/the-6th-icsa-corporate-governance-conference
4.30.14 – 5.1.14	Ceres Conference 2014 'The Future is Now'	Westin Waterfront Boston, MA U.S.A.	http://www.ceres.org/conferences
5.13.14 – 5.14.14	The Conference Board Sustainability Summit <i>Cornerstone Speaking Event</i>	New York, NY U.S.A.	Details will be available on the Conference Board website. http://www.conference-board.org/sustainability/
5.19.14 – 5.21.14	US SIF Annual Conference <i>Cornerstone Sponsored Event</i>	Capital Hilton Washington, D.C. U.S.A.	www.ussif.org/conference
5.19.14	Bentley University – Symposium on Integrated Reporting	Bentley University Waltham, MA U.S.A	www.bentley.edu/events/symposium
5.29.14 – 5.30.14	TBLI Conference™ New York 2014 <i>Cornerstone Speaking Event</i>	United Federation of Teachers Headquarters New York, NY U.S.A.	http://www.tbliconference.com/
6.2.14 – 6.5.14	Sustainable brands Conference 2014	Paradise Point Resort & Spa, San Diego California	http://www.sustainablebrands.com/events/sb14
6.23.14 – 6.26.14	The Responsible Extractives Summit 2014	London UK	http://www.ethicalcorp.com/events
7.30.14	Impact Investing Conference	Denver. Colorado	http://www.fa-mag.com/impactinvesting/
8.10.14 – 8.13.14	AREDAY Summit 2014	Aspen, Colorado	www.areday.net
9.2.14 – 9.5.14	SOCAP 14 Conference	San Francisco, CA	www.socialcapitalmarkets.net

The Cornerstone Journal of Sustainable Finance & BankingSM

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A regular electronic journal discussing global perspectives on progress towards sustainable finance, banking and capitalism across regions and industry sectors. The JSFB will feature proprietary content from our Board, our Staff, and our Global Advisory Council. Sections including the Capital Markets Roundup, Corporate Resource Optimization Strategies, Governance and Human Capital Excellence, Product Sustainability Reviews, and the latest Sustainable Finance Research and Events will be highlighted. In addition, we will highlight a “featured domain.”

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www.wallstreetweek.com/guest-post-embrace-the-grey

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<http://www.forbes.com/sites/85broads/2012/12/10/the-power-to-convene/>

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http://www.forbes.com/sites/85broads/2012/09/26/could-sustainability-be-unsustainable/?utm_source=allactivity&utm_medium=rss&utm_campaign=20120926

Wharton Magazine: “The Clients of my Clients...Sustainable Selling” by Erika Karp – July 2012
whartonmagazine.com/blog/sustaining-selling-success/

Wall Street Week: “Leaving Rio...and Going Towards Corporate Sustainability” by Erika Karp – June 2012
<http://www.wallstreetweek.com/leaving-rio-and-going-towards-corporate-sustainability/>

Harvard Business Review | HBR Blog Network “Why Go it Alone in Community Development?” by Andrew MacLeod – June 2012
<http://blogs.hbr.org/2012/06/why-go-it-alone-in-community-d/>

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<http://www.forbes.com/sites/85broads/2012/03/28/sustainable-investing-and-moments-of-truth/>

Wall Street Week: “Investing in Diversity...Painful but Profitable” by Erika Karp – March 2012
<http://www.wallstreetweek.com/guest-post-investing-in-diversity-painful-but-profitable/>

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<http://www.wallstreetweek.com/noise-cancelling-investment-research-esg-analysis-and-sustainable-investing/>

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<http://www.forbes.com/sites/85broads/2012/02/01/superheroes-of-capitalism-part-ii-the-women/>

Wharton Magazine: “The Poetry of Sustainable Investing” by Erika Karp – January 2012
<http://www.whartonmagazine.com/blog/writing-the-verses-of-sustainable-investing/>



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