



terrachoice

Helping grow the world's most sustainable companies.

Buying Greener Products Not Greenwash

Avoiding the Seven Sins of Greenwashing

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Link Between Purchasing and the Environment

It's All Connected to Purchasing

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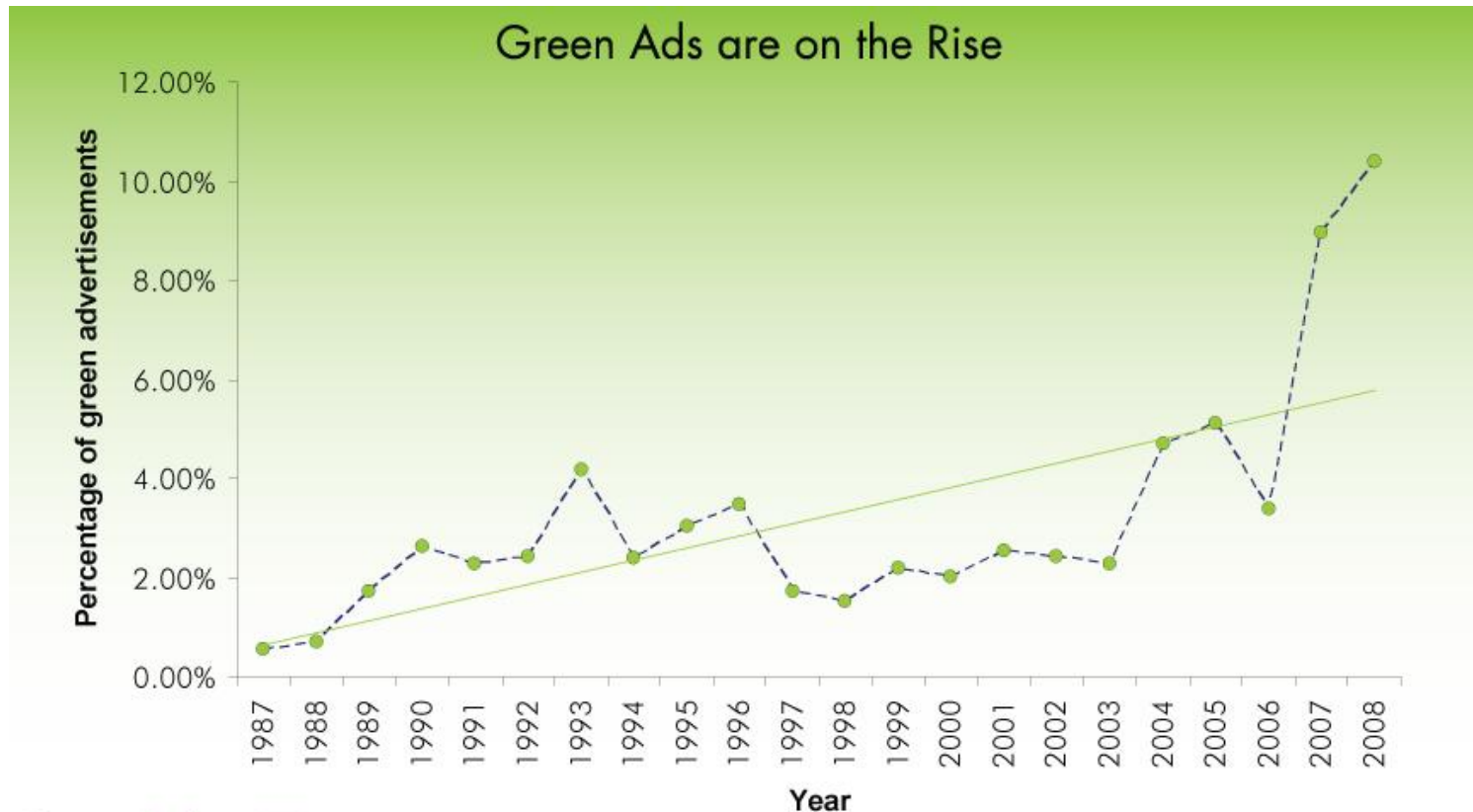
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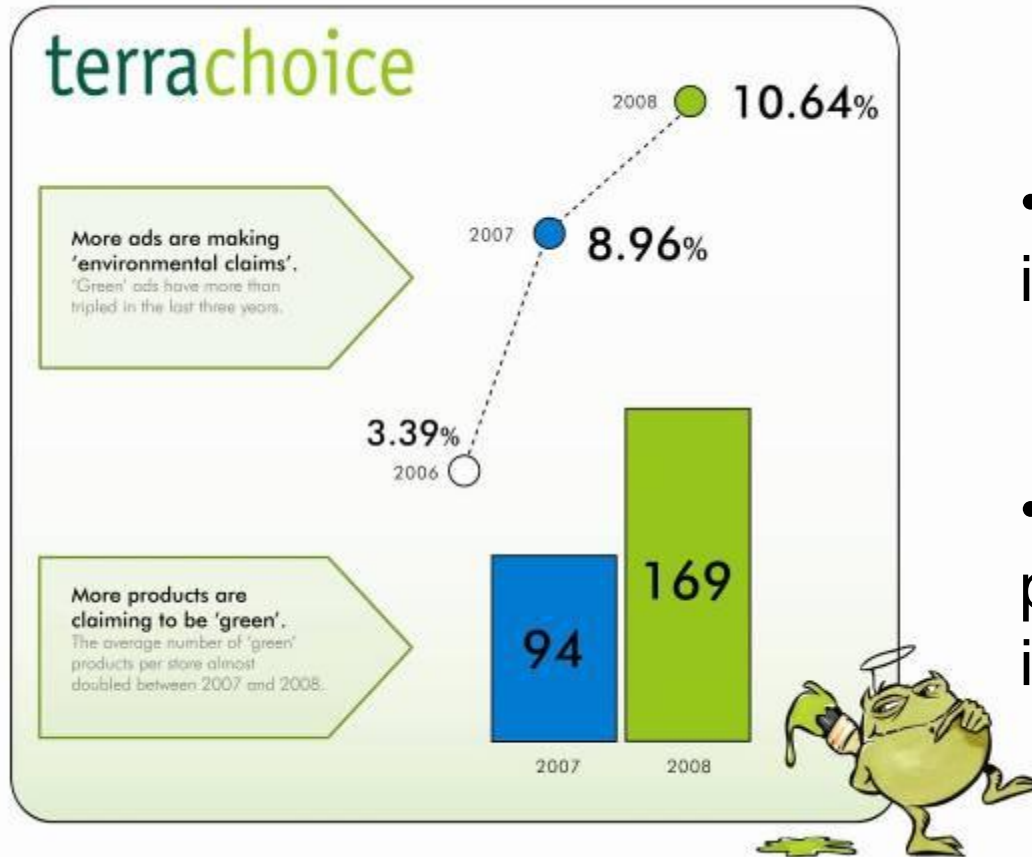
Growth of Green Advertising



www.terrachoice.com



Growth of Green



- Number of ads increasing.

- Number of “green” products per store increasing.



Environmental Concerns

- Mass extinctions
- Deforestation & soil erosion
- Air & water pollution
- “Super” bacteria, viruses, and insects
- Dwindling natural resources
- Cancer rates increasing
- Reproductive disorders increasing
- Fisheries collapsing
- Water tables falling
- Climate Change

Warnings

INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE

Climate Change 2007: The Fourth Assessment Report

Summary for Policymakers

Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change

This Summary for Policymakers was formed by the lead authors of Working Group I of the IPCC.

Note:
Text, tables and figures given here are final copy-editing and editorial adjustments.

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See page 115 for Analyst Certification and Important Disclosures

MARKETS

RESEARCH

GLOBAL

Thematic Investing

January 19, 2007

Climatic Consequences

Investment Implications of a Changing Climate

- **Investment Issue** — For investors, the issue is not whether climate change is occurring. Today a variety of entities (governments, regulators, corporations, and individuals) are reacting to the perceived climate change threat, creating a number of near-term opportunities.
- **Physical Implications** — While physical implications may become apparent over the long term, there may already be some repercussions today — warmer winters and hotter summers in the U.S., droughts in Spain and Australia, and an increased frequency of intense hurricanes in the Gulf of Mexico.
- **Regulatory Implications** — There has already been a move to regulate greenhouse gases, ranging from international conventions sponsored by the United Nations, to legislation at the state level in the U.S. Importantly, companies with international operations are increasingly subject to various emissions regulations and standards in key markets, most notably today in the EU.
- **Behavioral Implications** — Even when not facing imminent regulation, a growing number of corporations are pursuing various climate strategies.
- **Who Will Benefit?** — We identify 74 companies (across 21 industries and based in 18 countries) that seem well positioned to benefit from these trends.

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Citigroup Global Markets

COMMITTED TO IMPROVING THE STATE OF THE WORLD

Global Risks 2007

A Global Risk Network Report

A World Economic Forum Report
in collaboration with:
Citigroup
Marsh & McLennan Companies (MMC)
Swiss Re
Wharton School Risk Center

World Economic Forum
January 2007



Consuming the Environment

“The major cause of the continued deterioration of the global environment is the unsustainable pattern of production and consumption, particularly in industrialized countries.”

– United Nations Agenda 21 Report



2002 World Summit

Emphasized the need for authorities to “[p]romote public procurement policies that encourage development and diffusion of environmentally sound goods and services.”

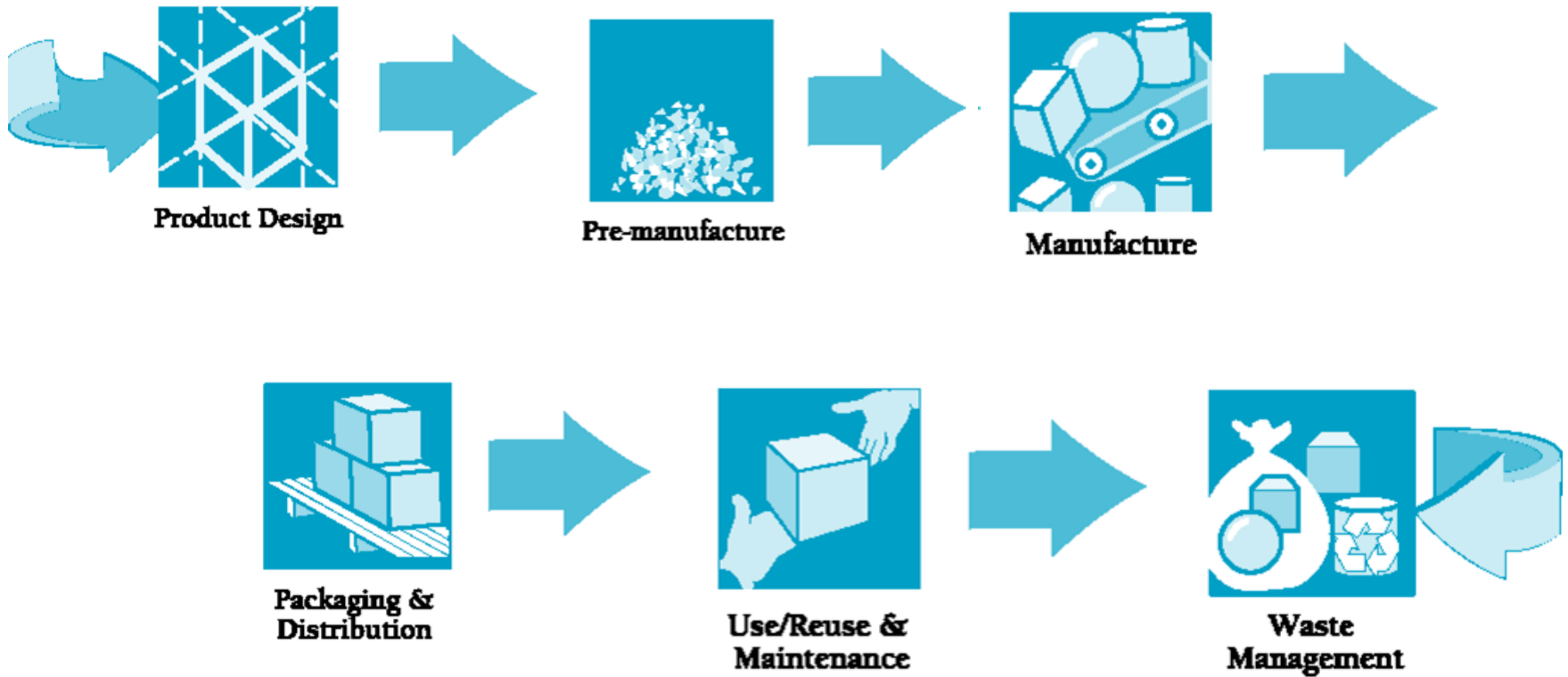
- 2002 World Summit on Sustainable Development in Johannesburg



Two Cups of Coffee a Day

- 34 gallons of coffee a year.
- 18 pounds of coffee beans
- 12 pounds of fertilizer
- A few ounces of highly toxic pesticides
- 43 pounds of coffee pulp
- Clear cutting of forests to grow even more coffee
- Bird species disappearing
- More erosion
- More pesticides

Lifecycle Perspective





Remember One Thing

Purchasing Matters!



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Responsible Purchasing Primer

The Power of Government Purchasing

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Basic Premise #1

Every single purchase has hidden human health, environmental, and social impacts throughout the entire supply chain.

Basic Premise #2

Government purchasing is the most important force in the entire global economy.

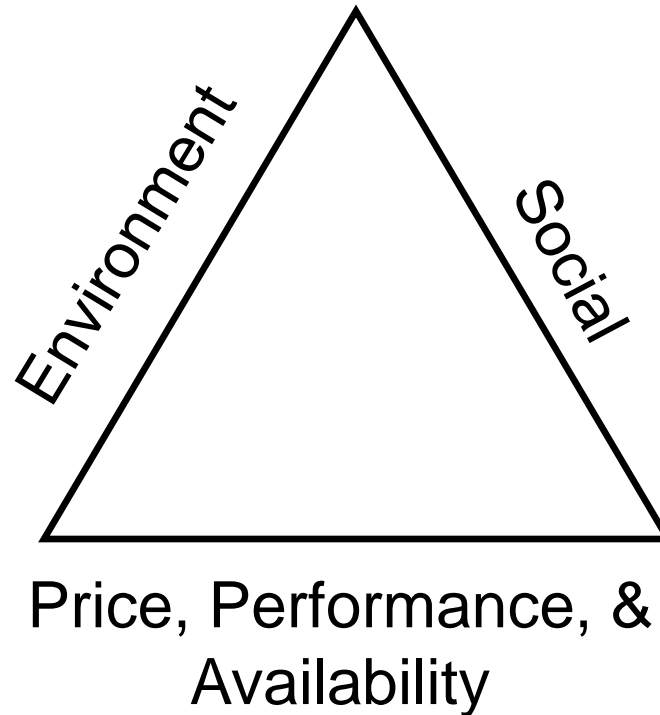
- Government purchasing represents 20 percent of the annual Gross National Product.
- It is very structured.
- It influences others.



Government Purchasing History

- Clothing sizes during the U.S. Civil War
- Small Business Administration
- Automobile airbags
- Energy-efficient computers
- Recycled-content paper

Responsible Purchasing





Defining Responsible Purchasing

Responsible Purchasing Means:

Buying better products and
services from better
companies.



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Defining Green

Doesn't it Seem Like Everyone is
Claiming to Be Green These Days?

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Environmental Claims are Growing

- Eco-safe
- Environmentally friendly
- Earth friendly
- Earth smart
- Environmentally safe
- Environmentally preferable
- Essentially non-toxic
- Practically non-toxic
- Made with non-toxic ingredients
- Degradable
- Biodegradable
- Non-toxic
- Environmentally safe
- CFC-free
- Ozone friendly
- Recyclable

According to the Competition Bureau:
FALSE CLAIMS

FTC Green Marketing Guidelines

GENERAL
 Federal Trade Commission
 1-877-FTC-HELP
 www.ftc.gov

FTC FACTS for Consumers

Sorting Out 'Green' Advertising Claims

Grocery shelves, hardware stores, card shops, and other retail operations are filled with products and packages announcing environmental features that may influence your purchasing decisions. But when it comes to products and packaging, what do claims like "environmentally safe," "recyclable," "degradable" or "ozone friendly" really mean? The Federal Trade Commission (FTC) and the Environmental Protection Agency (EPA) want you to know.

The FTC, in cooperation with the EPA, has developed guidelines for advertisers to ensure that their environmental marketing claims don't mislead consumers. Here are six tips to help you sort through environmental claims.

ENVIRONMENTAL CLAIMS SHOULD BE SPECIFIC.

When you evaluate environmental claims in advertising and on product labels, look for specific information. Determine whether the claims apply to the product, the packaging, or both. For example, if a label says "recycled," check how much of the product or package is recycled. The fact is that unless the product or package contains 100 percent recycled materials, the label must tell you how much is recycled.

Increasingly, labels on "recycled" products tell where the recycled material comes from. "Post-consumer" material comes from previously used business or

Available at:
www.ftc.gov

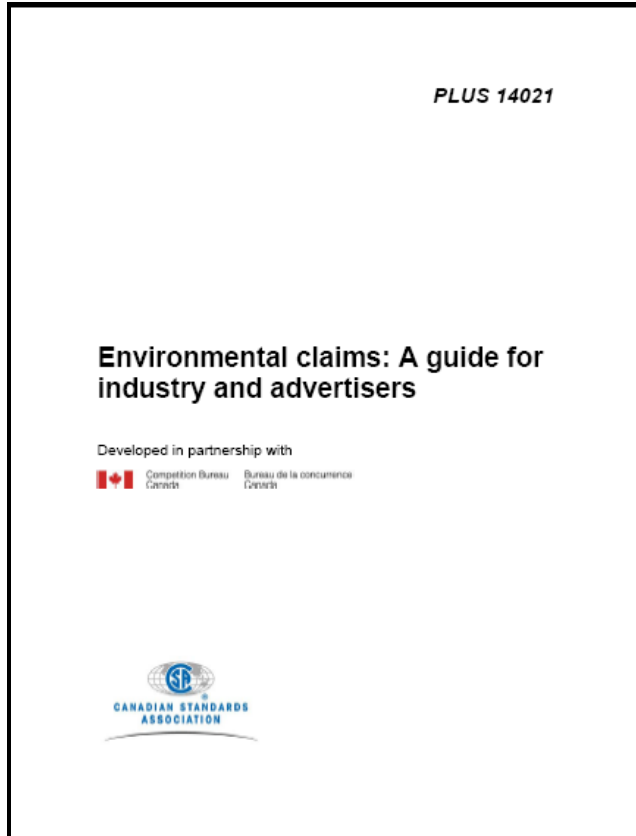
Facts
for Business

Environmental Marketing Claims

Federal Trade Commission
 Bureau of Consumer Protection
 Office of Consumer & Business Education
 1-877-FTC-HELP
www.ftc.gov

October 1999

Canadian Competition Bureau



- Very consistent with FTC Guides, but goes further.
- Co-published with Canadian Standards Association.
- Look for increasing collaboration between the U.S. and Canada.
- Similar guides in UK, Australia, and others.

Seven “Sins” of Greenwashing

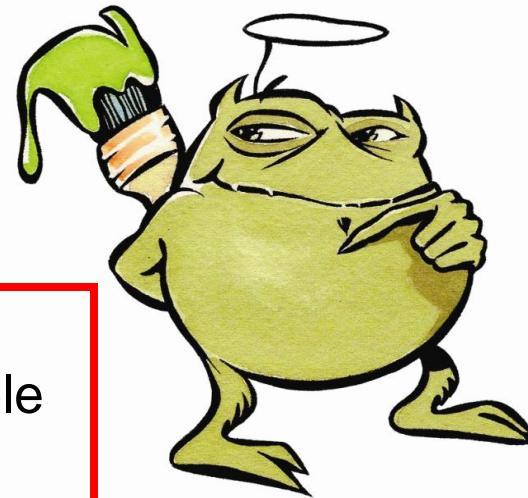
- **Sin of Fibbing** – Misleading customers about the actual environmental performance of their products.
- **Sin of No Proof** – Also known as the sin of “just trust us,” some manufacturers are unable to provide proof of their environmental claims.
- **Sin of Irrelevance** – Factually correct, but irrelevant, environmental assessments (e.g., “CFC-free”)
- **Sin of the Hidden Trade-Off** – Focusing on one or two environmental facts, but ignoring other significantly more important environmental concerns.



Seven “Sins” of Greenwashing

- **Sin of Vagueness** – Broad, poorly defined environmental claims (e.g., “100 percent natural”)
- **Sin of Lesser of Two Evils** – A product can be the most environmentally preferable product in its class, but still be an inappropriate choice (e.g., “organic cigarettes”)
- **Worshipping false labels** – a product that through words or images gives the impression of third-party endorsement where no such endorsement actually exists; fake labels, in other words.

The Seven Sins of Greenwashing report, released 4/15/09, is available at www.sinsofgreenwashing.org





To Avoid Greenwashing...

The environmental standards most widely recognized by green purchasers:



www.ecologo.org

- Founded 1988
- 100 standards
- 6,500 certified products



www.energystar.gov

- Founded 1992
- 50 standards
- “Thousands and thousands” of *registered* products



www.greenseal.org

- Founded 1989
- 30 standards
- 3,650 certified products



EcoLogo Overview

- Founded in 1988 by Environment Canada
- Managed by TerraChoice since 1995
- Developed 100 EcoLogo standards
- Certified more than 7,500 products
- Respected as North America's largest, most established environmental standard and certification program



Lots of Labels Around

A ***partial*** list of labels currently being used:

- Blue Angel
- CFPA
- CPG
- DfE
- Eco Mark
- EcoLogo
- Ecomark
- Eco-OK
- Energy Star
- Environmental Choice
- EPEAT
- EU Flower
- Fair Trade
- FSC
- GBI
- Good Green Buy
- Green Label
- Green Seal
- GREENGUARD
- Greenstar
- LEED
- MSC
- Nordic Swan
- Process Chlorine Free
- SCS
- SFI
- TCO
- Totally Chlorine Free
- USDA-Organic
- WaterSense

Comparing Eco-Labels

WARNING:

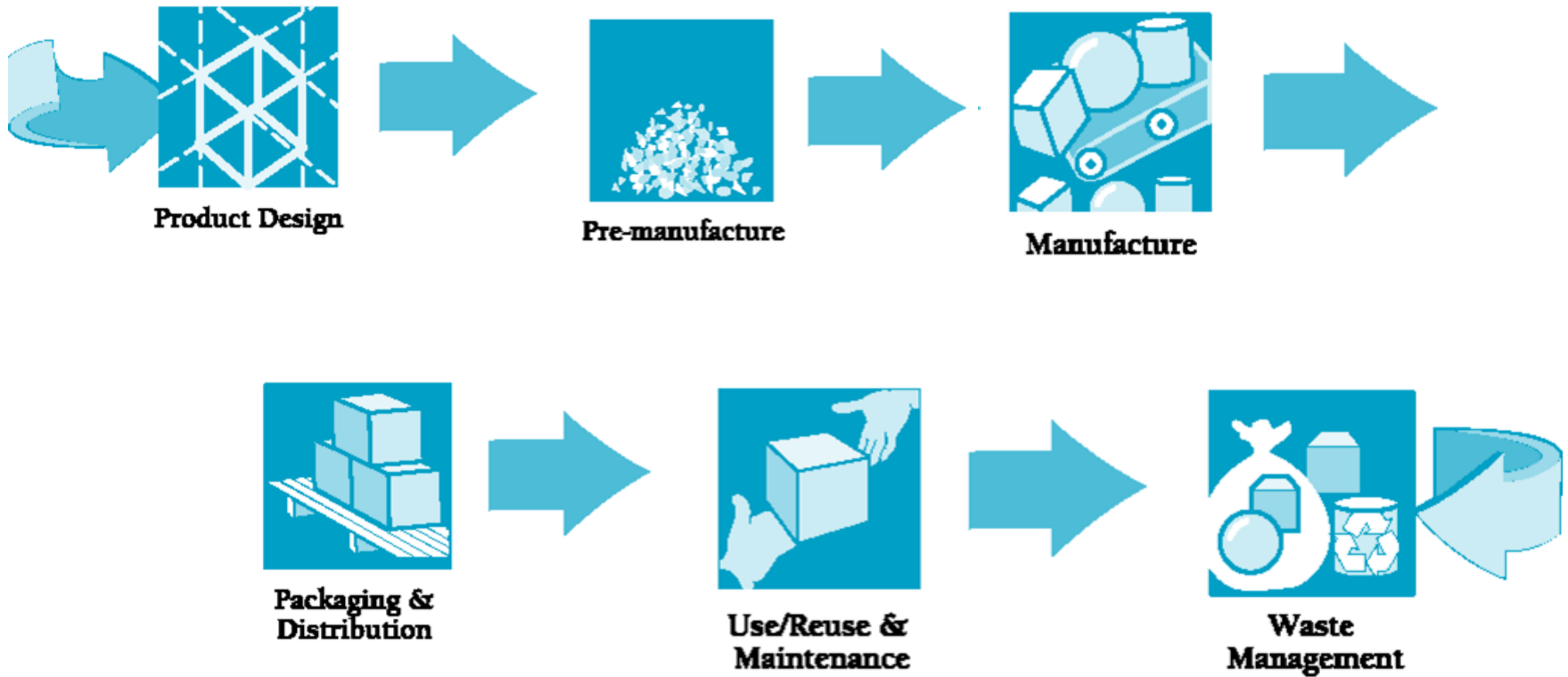
Not All Environmental Claims Are Created Equal

Learn to ask about:

- Type of standard
- Validity of the standard
- Standard setting process
- Verification process



Lifecycle Perspective



Comparing Eco-Labels

WARNING:

Not All Environmental Claims Are Created Equal

Learn to ask about:

- Type of standard
- Validity of the standard
- Standard setting process
- Verification process





Standard Validity

- Clear and consistent meaning
- Very specific requirements
- Information should be meaningful and verifiable
- Must not conflict with Federal Trade Commission *Guides for the Use of Environmental Marketing Claims.*





Standard Setting Process

- No conflict of interest
- Lifecycle considerations
- Broad stakeholder participation
- Transparent development process
- Comments publicly available



Verification Process

- Self verification
- Self verification with random audits
- Independent third-party certification
- Independent third-party certification with on-site and random audits





Beware of “Improved” Criteria

EXISTING LABEL

MANDATORY ATTRIBUTES

1. Mandatory attribute description
2. Mandatory attribute description
3. Mandatory attribute description
4. Mandatory attribute description
5. Mandatory attribute description
6. Mandatory attribute description
7. Mandatory attribute description
8. Mandatory attribute description
9. Mandatory attribute description
10. Mandatory attribute description
11. Mandatory attribute description
12. Mandatory attribute description
13. Mandatory attribute description
14. Mandatory attribute description
15. Mandatory attribute description

•15 attributes

“IMPROVED” LABEL

MANDATORY

1. Mandatory attribute description
2. Mandatory attribute description
3. Mandatory attribute description
4. Mandatory attribute description
5. Mandatory attribute description
6. Mandatory attribute description
7. Mandatory attribute description
8. Mandatory attribute description
9. Mandatory attribute description

POINT-SYSTEM

- | | |
|-------------------------------------|-------------------------------------|
| 10. Mandatory attribute description | 21. Mandatory attribute description |
| 11. Mandatory attribute description | 22. Mandatory attribute description |
| 12. Mandatory attribute description | 23. Mandatory attribute description |
| 13. Mandatory attribute description | 24. Mandatory attribute description |
| 14. Mandatory attribute description | 25. Mandatory attribute description |
| 15. Mandatory attribute description | 26. Mandatory attribute description |
| 16. Mandatory attribute description | 27. Mandatory attribute description |
| 17. Mandatory attribute description | 28. Mandatory attribute description |
| 18. Mandatory attribute description | 29. Mandatory attribute description |
| 19. Mandatory attribute description | 30. Mandatory attribute description |
| 20. Mandatory attribute description | 31. Mandatory attribute description |

*** = 90+ points
 ** = 75+ points
 * = 50+ points

•31 attributes
 •Rating system (3 stars is best)





Beware of “Improved” Criteria

EXISTING LABEL

MANDATORY ATTRIBUTES

1. Mandatory attribute description
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| 18. Mandatory attribute description | 29. Mandatory attribute description |
| 19. Mandatory attribute description | 30. Mandatory attribute description |
| 20. Mandatory attribute description | 31. Mandatory attribute description |

*** = 90+ points
 ** = 75+ points
 * = 50+ points

• 15 **mandatory** attributes

• 9 **mandatory**; 22 **additional**

• Rating system (3 stars is best)



Beware of “Improved” Criteria

EXISTING LABEL

MANDATORY ATTRIBUTES

1. Mandatory attribute 1
2. Mandatory attribute 2
3. Mandatory attribute 3
4. Mandatory attribute 4
5. Mandatory attribute 5
6. Mandatory attribute 6
7. Mandatory attribute 7
8. Mandatory attribute 8
9. Mandatory attribute 9
10. Mandatory attribute 10
11. Mandatory attribute 11
12. Mandatory attribute 12
13. Mandatory attribute 13
14. Mandatory attribute 14
15. Mandatory attribute 15

“IMPROVED” LABEL

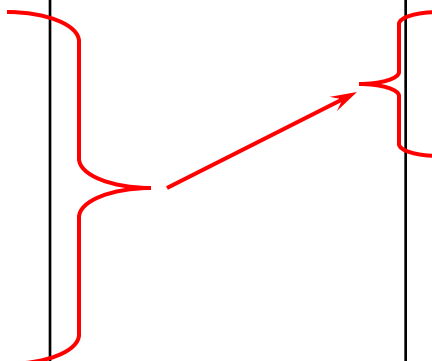
MANDATORY

1. Mandatory attribute 1
2. Mandatory attribute 2
3. Mandatory attribute 3
4. Mandatory attribute 4
5. Mandatory attribute 5
6. Mandatory attribute 6
7. Mandatory attribute 7
8. Mandatory attribute 8
9. Mandatory attribute 9

POINT-SYSTEM

10. Additional attribute 10
11. Additional attribute 11
12. Additional attribute 12
13. Additional attribute 13
14. Additional attribute 14
15. Additional attribute 15
16. Additional attribute 16
17. Additional attribute 17
18. Additional attribute 18
19. Additional attribute 19
20. Additional attribute 20
21. Additional attribute 21
22. Additional attribute 22
23. Additional attribute 23
24. Additional attribute 24
25. Additional attribute 25
26. Additional attribute 26
27. Additional attribute 27
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29. Additional attribute 29
30. Additional attribute 30
31. Additional attribute 31

*** = 90+ points
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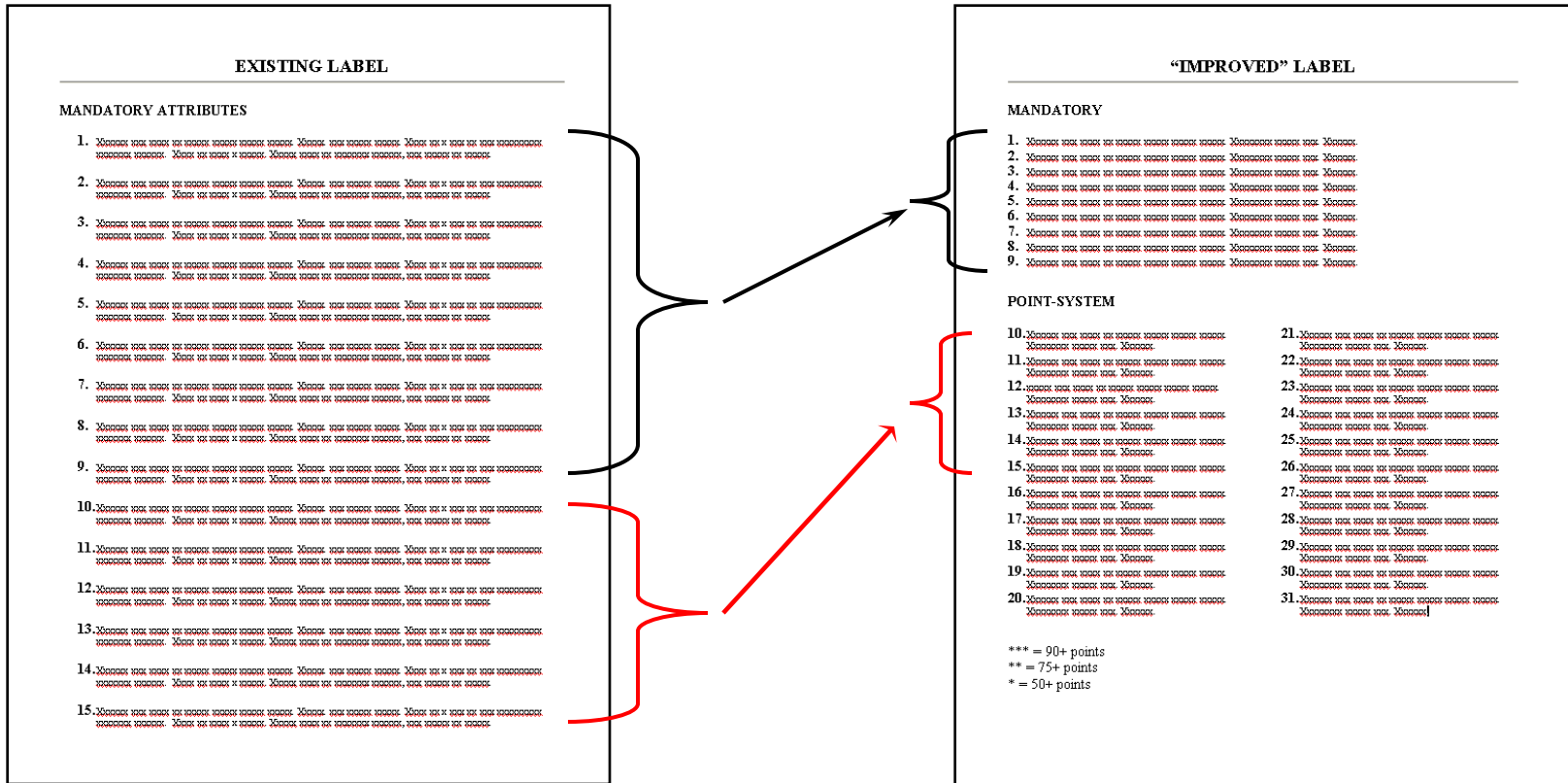


•15 mandatory attributes

•9 mandatory; 22 additional

•Rating system (3 stars is best)

Beware of “Improved” Criteria



•15 mandatory attributes

•9 mandatory; 22 additional

•Rating system (3 stars is best)



Beware of “Improved” Criteria

Some of the highest ranking products (three stars) under the “improved” system would not meet the minimum requirements of the “weaker” criteria.



Using Eco-Labels

Good News:

Labels make life easier.



Recommended Contract Language

- “Products purchased under this contract must provide demonstrable proof of meeting the _____ standard. The _____ standard is available at <_____>.”
- “Products purchased under this contract must provide demonstrable proof of meeting the **Energy Star** standard. The **Energy Star** standard is available at <www.energystar.gov>.”
- “Products purchased under this contract must provide demonstrable proof of meeting the **EPEAT** standard. The **EPEAT** standard is available at <www.epeat.net>.”



Recommended Contract Language

“Products purchased under this contract must be EcoLogo certified or provide demonstrable proof of meeting the EcoLogo standard and certification requirements. The EcoLogo standard and certification requirements are available at <www.ecologo.org>.”



Recommended Contract Language

“Products purchased under this contract must be EcoLogo or Green Seal certified or provide demonstrable proof of meeting the EcoLogo or Green Seal standard and certification requirements. The EcoLogo or Green Seal standard and certification requirements are available at < www.ecologo.org and www.greenseal.org >”





Popular Labels

- Chlorine Free Products Association – <www.chlorinefreeproducts.org>
- EcoLogo (Environmental Choice) – <www.ecologo.org>
- Energy Star – <www.energystar.gov/purchasing>
- EPEAT - <www.epeat.net>
- Forest Stewardship Council – <www.fsc.org>
- Green-e – <www.green-e.org>
- Green Guard – <www.greenguard.org>
- Green Seal – <www.greenseal.org>
- Green Building Council (LEED) – <www.usgbc.org/leed>
- Scientific Certification Systems – <www.scscertified.com>
- TCO – <www.tcodevelopment.com>
- Water Sense – <www.epa.gov/watersense>

Best Advice

If a supplier is making a public claim, ask for public proof.



Final Question

"Why should I care about future generations? What have they ever done for me?"

— *Groucho Marx*



Thank You!!





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