1. Introduction


3. There are actually some more conditions that have to be met for the invisible hand to be exemplary—See Chapter 2 of my book *Nature and the Marketplace* (Washington, D.C.: Island Press, 2000).

4. That is to say, people value and are willing to pay for the existence of forests even if they personally make no use of them. Existence value is a major category of value for threatened species and for many wild places.


7. The opportunity cost of an activity is a source of revenue foregone by carrying out that activity. It is not a cash cost—there is no bill associated with it. A commonly encountered opportunity cost is that associated with the internal use of a company’s earnings, which could be invested outside the company to earn a return. The external return is the opportunity cost of the internal use of the funds.


15. Ibid.


2. Social, Environmental, and Financial Performance

1. Over the last few years, there has been a glut of coffee and world market prices have fallen, reducing the living standards of coffee farmers in poor countries. Fair Trade seeks to ensure that a larger-than-normal fraction of the sale price of the coffee beans goes to the farmers.


7. There is evidence that the president of Merck and Co. was given credit for Merck’s sterling reputation as a responsible company (see note 9) at recent U.S. Congressional hearings on the withdrawal of Vioxx.


11. He used share prices rather than the market-to-book ratio, but as the book value of the companies studied would not have changed in the few days around the release of the TRI data, the denominator of this ratio would not have changed while the numerator is proportional to share price.


15. Middle-income developing countries are a category defined by the World Bank and consist of those countries with gross national income (GNI) per capita between $906 and $11,115.

16. Interestingly, this is exactly how financial analysts assessed the appropriateness of the drop in Merck’s share price after the withdrawal of Vioxx—they calculated the loss of profits and then also the legal liability to which Merck was exposed because of the costs possibly imposed on the users of its product Vioxx.


18. They add together the emissions of different chemicals, weighted by an index of how harmful they are.


### 3. Socially Responsible Investment

1. See the Calvert Web site (http://www.calvert.com/).

2. There are issues related to the use of poisonous chemicals in chip-making and to the disposal of unused electronic equipment, but these are so far small relative to the environmental impacts of many other industries.


4. Financial Institutions and Social and Environmental Performance

1. For a list, see http://www.equator-principles.com/.

3. ABN AMRO, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Royal Bank of Scotland, Sumitomo Mitsui Banking Corp., and WestLB.

4. The banks attending were ABN AMRO, ANZ Bank, Bank of Scotland, Barclays, BNP Paribas, Citigroup, Credit Agricole Indosuez, Credit Lyonnais, HypoVereinsbank, ING Bank, KBC Bank, Mizuho Corporate Bank, NORD/LB, Rabobank, Royal Bank of Scotland, and WestLB.

5. The bankers were Chris Beale, Pam Flaherty (senior vice president, head of Citigroup’s Environmental and Social Policy Review Committee), Madeleine Jacobs (senior vice president, head of Reputation Risk Management at ABN AMRO), and Andre Abadie (vice president, head of Environmental and Social Risk Management at ABN AMRO). The NGOs included Conservation International, Environmental Defense, Friends of the Earth, World Wildlife Fund, and World Resources Institute.

6. On April 8, 2003, the banks met with European-based NGOs to review the current draft of the EP. The bankers attending included, from ABN, Madeleine Jacobs, Paul Mudde (senior vice president, head of Reputation Management and Sustainable Development) and Andrew Abadie; from Citigroup, Elliston and Flaherty; from Barclays, Chris Bray; and from WestLB, Hans Hoeveler and two members of a staff unit representing the WestLB Board, Frank Borstelman and Martina Neuber. Glen Armstrong from IFC also attended. The NGOs included World Wildlife Federation UK, Aid Environment, Milieu Defensie (Friends of the Earth) of France, Italian Campaign for World Bank Reform, and Urgewald of Germany.

7. This criticism, however, is limited to projects reliant on IFC funding; clearly, the Equator Principles have far wider application and are not confined to IFC-funded projects.

8. A Rumanian gold deal was turned down by ICF and by some non-EP banks.


10. FSC Principles cover the impacts on affected societies, such as land title and land use rights; the rights of indigenous people; community relations and workers’ rights; and economic benefits from forestland use.

11. Bank of America reaffirmed its commitment in April 2004 to the Ceres Principles, a ten-point code of corporate environmental conduct.
12. Reviewed by Foley Hoag LLP (www.foleyhoag.com).
15. In its report, “Principles, Profits or Just PR—Triple P Investments under the Principles,” June 2004, Banktrack, for example, suggested that the project continued “virtually unaltered” despite the adoption of principles. Furthermore, in June 2003, seventy-two human rights and environment groups from twenty-nine countries called for a moratorium on the BTC pipeline, arguing that it would worsen the human rights situation along the pipeline route and that a background of lack of freedom of speech in the region made proper consultation impossible (www.bakuceyhan.org.uk/press_releases/news08.htm).
22. See note 9.

5. Pharmaceuticals and Corporate Responsibility

1. All data refer to the quarter ending June 30, 2005, and were taken from the Web site of the Smith Barney group (www.smithbarney.com).


3. To increase the life expectancy of one person by one year.


8. Nonsteroidal anti-inflammatory drugs—a class that included aspirin, ibuprofen (Advil), and most over-the-counter painkillers.


10. The companies are Abbot Laboratories, Astra Zeneca, Bristol Meyers Squibb, GlaxoSmithKline, Janssen, LifeScan, Novartis, OrthoMcNeil, Pfizer, Sanofi Aventis, Takeda, and TAP Pharmaceutical.


13. For more details, see www.clintonfoundation.org/programs.

6. Wal-Mart and Starbucks


3. Ibid.


5. Ibid.


8. Ibid.

9. Wal-Mart retained Global Insight to conduct this study, that is, Global Insight did not have an arm’s-length relationship with Wal-Mart. The Global Insight study is entitled “The Economic Impact of Wal-Mart” and dated November 2 2005.

10. The figures for the United States as a whole are not conventional averages but weighted averages, with the weights reflecting the percentage of Wal-Mart employees in a particular position in a particular MSA.


16. Ibid.; cites a figure of 38 percent without giving a source.


26. Details are given in Austin and Reavis, “Starbucks and Conservation International.” Most of the details of the collaboration between Starbucks and Conservation International are taken from this source.

7. Interface and Monsanto


2. Quoted from Oliva and Quinn.

3. For background on Monsanto, see Ulrich Steger et al., “Monsanto’s Genetically Modified Organisms: The Battle for Hearts and Shopping Aisles,” International Institute for Management Development, March 20, 2003; Michael D.


8. Ibid., 36.

8. Outsourcing


4. Ibid., 121.

5. Ibid.

8. Ibid.
11. For more details, see the InsightNewsTV video clip on this available at http://video.google.com/videoplay?docid=4786079244183070132.

9. Getting Rich by Selling to the Poor


14. See Armendáriz and Morduch, “Beyond Group Lending.”


16. Goiter is an “enlargement of the thyroid gland, causing a prominent swelling at the throat. The thyroid can grow to 50 times its normal weight, interfere with breathing and swallowing, and cause a choking feeling. Simple (endemic) goitre, the most common, is due to low iodine intake. It and related conditions result from various defects in thyroid hormone synthesis (hypothyroidism),” http://www.britannica.com/ebc/article-9365772?query=hyperthyroidism&ct= (accessed November 13, 2005).

17. There is a similarity to the “Tupperware parties” and “Avon Ladies,” who used to sell these products to the middle classes in the United States in the 1950s and 1960s.

18. For details on this and other points relating to HHL’s experiences in India, see Prahalad, *The Fortune at the Bottom of the Pyramid*, Part II, Section II.


10. Cell phones and Development


11. Measuring Responsibility


6. The valuation of $1 to a poor person need not be completely subjective. Most advanced countries levy taxes to provide money to raise the incomes of...
their poorest members, and from the tax rates and the amount of redistribution it is possible to infer the value placed on raising the incomes of the poorest.

7. The Clean Development Mechanism is a provision of the Kyoto Protocol that allows firms in advanced countries to pay developing countries to reduce emissions instead of doing so themselves.

8. In BP, the output of oil and gas includes that produced by its Russian subsidiary TNK.


12. Social and Environmental Policies and Corporate Strategy

1. See their mission statement at http://www.americanapparel.net/contact/ourworkers.html.

13. Conclusions

1. These are not usually U.S. or European timber companies.

2. Factual information on the company and a summary of the allegations against it can be found in Wikipedia at http://en.wikipedia.org/wiki/Rimbunan_Hijau. This site also has links to the company’s home page and the home pages of various environmental groups.


