

**Environmental and Social Disclosure and the Securities and Exchange Commission:
Meeting the Information Needs of Today's Investors**

Thursday, July 10, 2003; 1:00-3:30 p.m.
Mansfield Room of the U.S. Capitol (S-207), Washington, D.C.

Proceedings of the symposium prepared by Friends of the Earth

I. Restoring Public Confidence in Wall Street and Corporate America

Moderator:

Demetri Sevastopulo, Financial Times

SENATOR JON CORZINE (D-NJ)

Senator Corzine welcomed all the attendees, and referenced a newspaper story this morning that described how companies were inadequately reporting climate risks to their investors. He noted that this kind of underreporting has prompted the symposium today.

Senator Corzine then alluded to the recent corporate accounting scandals in which investors, financial markets, companies and the public all suffered. As a member of the Banking Committee, he helped create the Sarbanes-Oxley Act, which is a partial answer; but ultimately policy makers need to develop thoughtful solutions to prompt companies to provide complete and accurate disclosure.

The Senator then stated that better environmental and social disclosure helps promote corporate social responsibility. Transparency will allow markets to charge companies for hidden environmental costs, and encourage companies to stay ahead of the environmental curve. He also noted that 74% of companies breach current SEC regulations by not disclosing environmental sanctions of \$100,000 or more, and that in some cases companies may have much higher exposures that are not reported.

Senator Corzine then commended a new CERES report on climate change disclosure and mentioned that some investors are starting to incorporate these issues into decision-making. He remarked that even when he was at Goldman Sachs, shareholders were starting to ask environmental questions of companies, and that he expected more of these questions to be asked as disclosure improves.

Finally, he stated and the Congressional sponsors of this symposium are interested in promoting measures that will improve corporate transparency. He was grateful to everyone for coming, particularly SEC Commissioner Goldschmidt. He noted that while no one may go bankrupt tomorrow over environmental and social issues, we can see how issues like asbestos and Superfund cleanup costs can create material liabilities. In

conclusion, stated that public policies to improve environmental disclosure are good for both investors and the planet.

REMARKS OF SENATOR BILL NELSON (D-FL)

Senator Nelson began his remarks by describing how he, throughout his public life, has tried to promote policies that were good for both the environment and the economy. By way of example he told of his experience in Florida, where the population grew so rapidly without adequate planning, that people were forced to sleep in cars. In response, he helped pass a planning act in the 1970s that prompted communities to consider environmental issues in urban planning. He joked that at that time, planning was thought to be communistic. Also, as insurance commissioner of Florida, he tried to warn insurers about the risks of climate change. Insurers resisted this message even though Florida, with its coastal development and propensity for hurricanes, faces particularly acute climate risks.

The Senator attributed his environmental awareness to his experience of circling the earth in a spacecraft: he noted that the first flight day is spent looking for countries, the second for continents, and by the third day one looks at the earth and recognizes its fragility. Policymakers and corporate leaders make decisions that affect the health of the earth, and investors too are realizing this. For example shareholders are increasingly voting for resolutions that ask utility and oil companies to disclose the financial risks associated with their greenhouse gas emissions. But as a recent report by CERES indicates, greenhouse gas emitters are not taking climate change into account.

Senator Nelson also mentioned that he just returned from Iraq, and that US dependence on foreign oil is over 50%, which does not bode well for national defense. On his space flight he also realized that the geography of the Persian Gulf forces US oil tankers to pass through a narrow passage that is vulnerable to terrorists. He maintained that the US could wean itself from foreign oil by transitioning to a hydrogen economy, but corporate lobbyists are preventing policy makers from even relatively modest steps, such as improving fuel efficiency standards for SUVs.

He asserted that the inability to see beyond short-term profits is preventing American ingenuity from being harnessed to address climate change, an issue that both threatens the bottom line and provides business opportunities. So it is up to leaders and fora like these to make us see farther. He concluded by saying that it makes both business sense and environmental sense for companies to report on climate change.

REMARKS OF SEC COMMISSIONER HARVEY GOLDSCHMID

Commissioner Goldschmid began by acknowledging the importance of these issues, and by offering the standard caveat that his remarks reflect his own opinions only, and not those of the Commission. He stated that he came to this symposium more to

listen and learn, but wanted to discuss three disclosure issues that are particularly important to the SEC.

The first issue is materiality – what kind of disclosure should be provided. Commissioner Goldschmid noted that the Supreme Court defines materiality as anything that a reasonable investor would need to know to make a financial or voting decision. Over the years environmental and social issues have become more important to society and the SEC has reflected those changes in its understanding of materiality. But the SEC needs to ask whether disclosure rules are accurate, appropriate, and adequate; and whether enforcement is adequate. He then apologized for not being able to stay for the whole symposium, but mentioned that he was anxious to hear a report on what the next two panels had to say on better disclosure of material social and environmental matters.

The second issue he touched on was shareholder proposals. As environmental and social issues become more important to society, the SEC has allowed more proposals on these issues, including nuclear power, global warming, executive compensation, and anti-discrimination. This shareholder proposal process is an important way to raise awareness of new issues among investors and corporate managers. He related that when he was on Columbia University's Socially Responsible Investing committee he often found that financial performance was linked to good environmental/ social performance.

Third, he posed the question of whether existing corporate reporting is adequate, and related a survey that the SEC did in 2002 of Fortune 500 companies' SEC filings. The report found that some companies underreported environmental issues. He concluded that adequate reporting in environmental matters is just as important as in other areas. Sarbanes-Oxley is a critical step in ensuring adequate disclosure, but the social and environmental reporting areas are important too.

QUESTIONS AND ANSWERS

During the question and answer period, Commissioner Goldschmid replied to a question about materiality by stating that what an investor considers material varies over time; current shareholder proposals on genetic engineering and discrimination for example are indicators of investor interest.

He responded to a query about ordinary business by saying that questions of ordinary business are judgment calls, and that he would not want to see the ordinary business exclusion repealed.

He responded to an accounting question by saying that there needs to be a balance between being overly prescriptive in rules-based accounting, and the lack of consistency that could result from principles-based accounting.

Finally, he replied to a question about inadequate enforcement by mentioning that there is an environmental hotline to take questions from reporting companies, and that

during the Fortune 500 review, the Division of Corporation Finance did a good job in dialoguing with companies that failed to properly report.

II. The Case for Better SEC Social & Environmental Disclosure

Moderator: Michelle Chan-Fishel, Chair, Corporate Sunshine Working Group

DENISE NAPIER, TREASURER, STATE OF CONNECTICUT

Ms. Nappier first thanked the Senators and Members of Congress for hosting and inviting her to this event. She then began her remarks by saying that a new frontier of corporate responsibility is the meaningful disclosure of environmental and social risks, and that investors derive value from this reporting. She made three recommendations to the SEC:

First, she urged the SEC to create a multi-stakeholder Blue Ribbon Task Force to review its existing social/environmental reporting rules and recommend changes to improve them. The Task Force should particularly address the issues of climate disclosure, materiality, how Global Reporting Initiative guidelines can be converted to financial reporting, and how the financial markets could develop tools and protocols for valuing companies.

Second, Ms. Nappier urged the SEC to create clear consequences for inadequate corporate reporting, particularly for CEO certifications required under Sarbanes-Oxley.

Third, Ms. Nappier encouraged the SEC to reconsider its rulings that allowed CENergy and Xcel Energy to omit environmental shareholder resolutions on the basis of ordinary business.

She explained her recommendations by stating that as the Treasurer and principal fiduciary of a pension fund, she is responsible for advocating for the long-term financial health of companies she invests in, and that corporate governance is key. Post-Enron reforms have been rather narrow and “half a loaf of reform is not enough.” Undisclosed environmental and social risks can harm investors just as much as financial risks. Climate change is a case in point, as it can cause companies to lose their competitive advantage, and expose them to litigation and liabilities.

She also pointed out that many academic studies have highlighted how inadequate corporate disclosure jeopardizes to shareholder value, and there also is increasing investor interest in disclosure as well. She particularly mentioned an Institutional Investor Summit on climate change that she will be co-hosting on November 21, 2003; and the record number of climate change shareholder proposals that were filed this year.

One of the proposals was at AEP, and this case illustrates several points: increasing investor concern over global warming, the important gatekeeping role that the SEC can play, and the fact that even companies that report on climate risks often do not disclose the steps they are taking to mitigate those risks. For example, when the Connecticut State Retirement Funds filed their climate change reporting resolution, the company tried to have the proposal omitted by claiming that they were substantially implementing the request. The proposal was eventually included on the ballot and received an unprecedented 26.9% of the vote.

However, the same proposal at CInergy and Xcel was omitted on the basis of “ordinary business,” which could create a dangerous precedent where companies could successfully omit environmental disclosure proposal on these grounds. Another company, Cummins, agreed to voluntarily report on its social and environmental performance in part based on the Global Reporting Initiative, a format that is used by 300 companies.

Ms. Nappier concluded by underscoring that climate change is much more than an environmental issue, it is an important investor issue. She thanked the sponsoring Members of Congress for their leadership on this issue and pledged her assistance to work them as they address this issue in the future.

PETER LEHNER, ASSISTANT ATTORNEY GENERAL-IN-CHARGE,
ENVIRONMENTAL PROTECTION BUREAU, OFFICE OF ATTORNEY GENERAL
ELIOT SPITZER, STATE OF NEW YORK

Mr. Lehner began by thanking the sponsors and organizers of the panel, and mentioned that his remarks would focus on the materiality of environmental issues, in particular global warming.

He echoed Senator Nelson by saying that today global warming, similar to how asbestos or Superfund was viewed yesterday, may seem like a far-off issue, but it can have clear financial consequences. First, there are the risks posed by climate change directly in the form of severe storms, flooding, changing rainfall patterns, etc. There are also indirect impacts, such as the potential need for municipalities to provide new drinking water supplies, which may eventually be borne by corporate taxpayers.

Next, companies may face costs associated with climate change policies, such as renewable energy requirements and carbon caps that will ultimately be enacted both domestically and abroad. These mandates could cost some companies, while others could benefit.

Third, Mr. Lehner remarked that companies may face “differential risk,” the competitive advantage or disadvantage a company may have compared with its peers due to is greenhouse gas emissions or impending regulations.

Litigation can also pose another kind of risk, with damages potentially amounting to hundreds of billions of dollars -- so that companies bearing even small portions of the liability could be materially exposed.

Mr. Lehner compared these climate-related risks to other risks that companies faced years ago. Current SEC rules require companies to disclose these kinds of risks, but companies fail to do so. He referenced the EPA study that found that about 75% of companies did not report standard environmental liabilities, and they certainly are not providing adequate climate disclosure. However, Mr. Lehner emphasized that although the SEC is poorly enforcing its rules and the Administration denies the existence of global warming, it does not obviate the need for a company to accurately report climate risks to investors.

Mr. Lehner posited that noncompliance itself may expose companies to liabilities through government sanctions or shareholder lawsuits. The failure to report environmental issues may be important to “reasonable investors” in both a financial and a moral sense. He also questioned whether reasonable people and reasonable investors would always agree on what’s important.

Finally, Mr. Lehner thanked the sponsors for focusing attention on this important issue and called on the SEC to create a panel to study the issue and provide additional guidance to help reporting companies and to define materiality.

DOUG COGAN, DEPUTY DIRECTOR OF SOCIAL ISSUES, INVESTOR RESPONSIBILITY RESEARCH CENTER

Mr. Cogan thanked the Congressional sponsors and organizers of this symposium, as well as his fellow panelists. He introduced his remarks by saying that his goal was to bring an inside perspective as to how the corporate social research industry has developed in response to institutional investors’ concerns about environmental, social and corporate governance issues.

He emphasized the crux of his remarks was this: the reason the corporate social research industry came about was in part because SEC filings do not provide investors with all the information they needed.

Mr. Cogan explained that IRRC provides impartial information on corporate governance, social and environmental issues to 500 institutional investor clients collectively managing about \$5 trillion in assets. It does not take public policy positions, but Mr. Cogan said that he personally would support the SEC considering the creation of a Blue Ribbon Commission to study and recommend steps to promote better corporate disclosure of material social and environmental information. Although it is difficult to generalize the concerns of such a diverse client base, he said that IRRC’s clients commonly believe that shareholders deserve greater disclosure on material issues, including environmental and social matters.

IRRC was created 30 years ago when changes to SEC rules made it possible for proxy voting to occur on social and environmental issues. At the time, apartheid in South Africa was on the top of IRRC's research agenda. It was an early example of how human rights issues impacted company reputations and shareholder value, even though companies were not disclosing their South Africa exposure in their SEC filings. IRRC now provides investors with research on company operations in Burma, Northern Ireland, and countries associated with State-sponsored terrorism.

IRRC also provides a significant amount of corporate environmental information to its clients. This service was prompted by the Union Carbide's Bhopal disaster in India, and began the same year the Exxon Valdez spill focused national attention on environmental management and liabilities. Mr. Cogan also noted that the Toxic Release Inventory spurred in better environmental disclosure and performance from companies, and IRRC helped to present TRI data (which is available for facilities) in a corporate format that was appropriate for investor use.

The rise of shareholder activism also shaped the corporate social research industry. In 1989 a coalition of investors and environmental groups formed CERES, which lobbied companies to adopt a code of conduct and publish a standardized environmental report. CERES proposals were among the top early environmental shareholder resolutions and received double-digit support. Later CERES created the Global Reporting Initiative, which is a voluntary social and environmental reporting format used by 200 companies worldwide. Shareholder resolutions calling for sustainability reports have gained record votes, such as a 44% vote at Cooper Industries this year. He remarked the votes on these proposals may even increase with the new SEC rules on mutual fund proxy voting disclosure.

He again stated that the growth of the corporate social research industry and the success of these disclosure proposals can be seen as failures in current reporting requirements. It is estimated that investors managing about \$2 trillion in assets use social/ environmental information like the kind IRRC provides. Some companies are claiming that they are getting too many investor questionnaires on environmental and social issues, and suggested that the SEC could help solve this problem by promoting better disclosure of these issues.

Mr. Cogan concluded his remarks by alluding to a climate change report that examined the 20 leading carbon emitters and found that about half of them did not provide any climate risk reporting. He asserted that this poor reporting flaunts the spirit, if not the letter of Regulation S-K. Given the poor reporting, the growing investor demand, increasing support of disclosure-related shareholder proposals, and corporate complaints about survey overload, he urged the SEC to take fresh look at its guidance and enforcement efforts and consider a Blue Ribbon Panel on corporate disclosure of material social and environmental information.

QUESTIONS AND ANSWERS

A representative of Calvert Group, which manages over 9 billion in assets, urged Congress encourage the SEC to commission a study to examine whether there has been adequate enforcement of SEC disclosure rules, and to explore proposals for expanding disclosure of material environmental, social and governance issues.

In response to a question about the role of Congress in improving corporate social disclosure, Mr. Cogan voiced his support for a greenhouse gas registry. Mr. Lehner suggested that the SEC should issue additional guidance on materiality, while Ms. Nappier urged Congress to promote uniformity in reporting and to encourage common definitions for valuating companies.

In response to a question about his Office's enforcement activity, Mr. Lehner mentioned that the Attorney General's office is looking at a regional carbon cap, and that New York is working on plan to increase the amount of renewables that utilities companies must have in their energy mix. Through legislation and litigation, carbon dioxide may be considered a pollutant and regulated as such. That would put some companies at a competitive advantage, while others would be disadvantaged. Mr. Cogan added that he hopes that with greater analyst independence, some investment analysis may be more willing to ask hard questions about issues such as climate change or human rights without fearing that their firm's underwriting contracts would be threatened.

In response to a question about conveying environmental and social concerns to the capital markets, Mr. Cogan stressed that the investment community needs to hear environmental and social issues couched in terms of shareholder value. Mr. Lehner replied that in environmental lawsuits, a plaintiff can now bring a case based on environmental interests alone, and not just on economic ones; and that we will have to see whether the same evolution will be made in securities law. Ms. Nappier replied that there is an increasing investor understanding of, and a growing body of academic evidence pointing to, the link between corporate social responsibility and financial performance.

III. Proposals for Better Social & Environmental Disclosure

Moderator: Michelle Chan-Fishel, Chair, Corporate Sunshine Working Group

THOMAS PALLEY, PUBLISH WHAT YOU PAY INITIATIVE, OPEN SOCIETY INSTITUTE

Mr. Palley thanked the organizers and referenced a set of materials in the packet that further explained the Publish What You Pay Initiative. He began his remarks by asserting that, in his opinion, corporate governance is the most important economic

policy issue of our time. He recommended that attendees read the latest issue of *The Economist* on “Capitalism and Democracy.”

Mr. Palley then asserted that corruption is the enemy of both capitalism and democracy, and corrupt government and business reinforce each other. Thus, investors have an interest in combating corruption.

He continued by relating that George Soros and the Open Society Institute have actively supported the Publish What You Pay Campaign, dedicated to ending corruption associated with natural resource extraction. The initiative has the broad support of 130 civil society groups, several multinational companies, and ten mutual funds in the UK. He explained that the Campaign proposes that all publicly traded oil and mining companies should be required to disclose information on payments to national governments, including taxes, royalties, license fees, etc.

Mr. Palley argued that this kind of disclosure is part of the corporate governance agenda that is needed for a globalized economy. Many poor countries are rich in natural resources but when those resources are exploited, the revenues end up being misappropriated and ultimately fuel internal conflict and civil war. Lack of accountability exacerbates this problem.

He maintained that Publish What You Pay can help restore some accountability and combat the “natural resource curse.” It can benefit investors by simulating investment and growth, strengthening the rule of law and property rights, and reducing corporate involvement in corruption that threatens company reputation and exposes it to legal risks.

Mr. Palley argued that ending the “natural resource curse” can also benefit the national interest. He gave Iraq, Nigeria, Cameroon and the Congo as examples of countries where natural resource wealth has bankrolled dictatorship and civil strife. Mr. Palley concluded by calling on the SEC to engage with this initiative for interest of the public, investors, and business.

WILLIAM PATTERSON, DIRECTOR, OFFICE OF INVESTMENT, AFL-CIO

Mr. Patterson echoed the remarks of Ms. Nappier as he stressed that we are at an extraordinary moment in business history, where there is a new demand for accountability from companies and fund managers.

Disclosure is the “oxygen of the new accountability,” and Mr. Patterson described what this looked like from a worker savings perspective. Union sponsored pension plans represent a large portion of the institutional market, with multi-employer plans manage \$400 billion, while public funds manage about \$2.2 trillion.

Mr. Patterson explained that these are large institutional investors with a long-term perspective. Because the funds are heavily indexed, they recognize corporate citizenship, brand name integrity, and employee partnerships as underpinnings of long-term share value, along with effective management and accountability. Worker fund are also active owners, and have been very involved in corporate governance issues.

He related that corporate governance is coming to a head as the SEC considers increasing shareholders' ability to nominate directors on the company proxy. He argued that long-term investors need the right to increase board accountability, and the AFL-CIO's rule-making petition on director nominations will very much affect the disclosure agenda. This petition follows another successful rulemaking that requires mutual funds, which represent 21 percent of the capital markets, to disclose their proxy votes to their shareholders. He noted that mutual funds can be compromised by the fact that they also sell investment products to the very companies they are expected to vote proxies on. So this kind of disclosure will really help restore integrity to the markets.

Mr. Patterson likened the mutual fund proxy voting battle to the current effort to achieve more corporate disclosure of environmental and social information. He explained that during the mutual fund effort, opponents of proxy voting disclosure used many of the same arguments that opponents to corporate environmental and social disclosure make: that there is no investor demand, interest, and/or need; and that individual investors would not know what to do with it. But the SEC received 8,000 comment letters in support of this rule, and it clearly indicated that investors wanted transparency. He related how the mutual fund industry then sent around phone-book sized documents to illustrate that they would be unduly burdened by this new requirement; but most people understood that CALPERS and other large funds successfully disclosed this data on the internet. He predicted that all the arguments against disclosure are going to be obviated when individual investors see the value of this mutual fund proxy voting disclosure, and Mr. Patterson is confident that the same energy will be put into effort for greater environmental and labor disclosure from companies.

Mr. Patterson also stated that the AFL believes that employee partnerships can create shareholder value and help secure the long-term prosperity of the capital markets. This week Microsoft redefined the notion of partnership when it decided to eliminate stock options. As rules are re-written employee disclosure will be part of it.

By way of example, he cited that when American Airlines failed to disclose the executive pension plan of its CEO, it called into question employees' commitment to the company's restructuring plan, and this almost brought down the whole company. He mentioned that similarly at Coca-Cola and Texaco, enormous EEO and affirmative action cases have threatened shareholder value. CALPERS recently adopted guidelines for emerging markets investment that is partially based on labor rights and standards because good labor relations add value. With Nike and The Gap, supplier issues have proved to be critical. In conclusion, he asserted that labor rights disclosure is at the core of many cutting edge issues in the capital markets.

TIM LITTLE, EXECUTIVE DIRECTOR, ROSE FOUNDATION FOR
COMMUNITIES AND THE ENVIRONMENT

Mr. Little first pointed out a report was available on the materials table and at www.rosefdn.org. He then framed his remarks in the context of being a foundation trustee: like university endowment trustees or pension trustees, he explained that he is responsible for other people's money and has a "duty to monitor," or to pay attention to the financial condition and performance of his investments. He also has a "duty of obedience" to further the environmental aims of the foundation.

He stressed that "corporate environmental performance equals financial performance," and as described in the report, environmental risks can dampen shareholder value, while good environmental performance can drive growth.

He echoed Senator Corzine's comments that without adequate transparency, the markets cannot price environmental liabilities. Lack of disclosure undermines market efficiency. While he agrees with all that has been said about the materiality of climate change, human rights and labor, he mentioned that the focus of his remarks would be on specific environmental liabilities such as toxic leaks and spills, Superfund sites, asbestos, etc.

He shared the example of Massey Energy, which had an accident where 250 million gallons of toxic coal slurry polluted drinking water in Kentucky and West Virginia. It cost Massey \$50 million, and their market capitalization dropped by about \$500 million. There is now a class action suit filed by shareholders who claim that they company concealed known environmental problems from investors. Another example is Halliburton's acquisition of Dresser Industries, a company that had significant asbestos liabilities. However, Halliburton massively underreported these liabilities in their SEC filing. The company hired an independent commission that estimated their asbestos liabilities at \$300 million, and the asbestos uncertainties caused the company to lose \$8-9 billion in market capitalization. Mr. Little compared the accounting practices of companies to those of Enron, WorldCom, and Tyco.

Mr. Little argued that underreporting is a systemic problem. The EPA study found that $\frac{3}{4}$ of companies failed to disclose environmental legal proceedings over \$100,000, but even more companies fail to report on foregoing contingencies. He mentioned a GAO study that was released 10 years ago that found massive underreporting of environmental liabilities from insurance companies because companies do not know how to accurately estimate liabilities, and because they piecemeal their reporting. He gave the example of an oil company that has 60,000 leaking underground storage tanks and did not report any of these liabilities because each tank was considered immaterial.

A PriceWaterhouseCoopers study also found that over 50% of companies were not reporting known environmental liabilities. Mr. Little next echoed Commissioner

Goldschmid's reference to the SEC's Fortune 500 company review, which found that many oil, gas mining and manufacturing companies underreported environmental information. Another GAO study will come out next year on the SEC's enforcement of environmental reporting requirements.

Mr. Little asserted that Sarbanes-Oxley has only partially addressed this problem: CEOs now must certify that financial reports comply with GAAP, but GAAP itself is inadequate. He posited that one solution is the Foundation's petition for rule-making, based on the American Society for Testing and Materials, that would tighten loopholes around environmental materiality. He explained that the ASTM guidelines were developed through a seven-year, multi-stakeholder process and it calls for companies to use scenario analyses to estimate environmental costs. Investors representing over \$100 billion are now supporting the petition. He suggested that an SEC Blue Ribbon Commission could certainly look at the ASTM standards as a start.

Aside from rule-making, Mr. Little suggested that the SEC could issue a Staff Accounting Bulletin on environmental materiality, similar to another bulletin they released in a few years ago.

QUESTIONS AND ANSWERS

In response to a question about environmental policies, Mr. Patterson replied that the AFO-CIO supports corporate disclosure on a variety of issues, including environmental matters.

In response to a question about the timeframe for materiality, Mr. Little replied that corporations should look with longer time horizons in their Management Discussion & Analysis reporting. The difficulty with disclosing environmental liabilities is that companies which are more honest in their reporting can be penalized by the markets if their competitors are still hiding their liabilities.

In response to a question about international disclosure by multinational companies, Mr. Palley replied that companies often argue against Publish What You Pay by claiming that additional disclosure rules in the United States can put American companies at a disadvantage compared with companies that are listed elsewhere. He also added that natural resources-related corruption faces dilemmas similar to those faced by environmental regulations: it is often in a company's interest to do a bad thing when considered in isolation, but it is in their interest to do a good thing when considered collectively. Further, he maintained that the SEC should not define investor interest too narrowly; rather it should rely on how Congress originally conceived of securities laws – for the protection of the public interest.

Mr. Little responded by saying that European insurance companies are leading the way in climate change, and that in the US there is a carbon trading market. He also mentioned that a recent study showed that multinational companies that implement one

uniform environmental standard around the world performed better financially than those that just complied with the law in each country of operation.

Mr. Patterson replied that global capital markets cannot be stabilized until there are global standards for disclosure and accountability, and that the accountability standards coming out the Spitzer settlement should be applied globally. He echoed Mr. Palley's remarks by emphasizing the need for corporate governance, and stated that the US has a lot to learn from the European concept of governance, and gave ability to convene special company meetings as an example.

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