Non-Financial Reporting: Is it really non-financial?

A BROWNFLYNN PRESENTATION || FEBRUARY 9, 2012

BROWN FLYNN

Do Good. Do Well. **Win.**™

About BrownFlynn

BROWN FLYNN

Do Good. Do Well. **Win.**™

SUSTAINABILITY + CORPORATE RESPONSIBILITY CONSULTANTS

Consultation
Communications
Training

- Founded in January 1996
- 100% of our business is derived from sustainability consulting, communications and training services
- Accredited consultancy partner for the Carbon Disclosure Project
- First U.S.-certified Training Partner for the Global Reporting Initiative
- Founding member U.S. Business Council for Sustainable Development
- Federally certified WOSB (women-owned small business) and a DBE (disadvantaged business enterprise)
- Hosted world's largest GRI training as a give back to the community

Today's Purpose

Demonstrate why U.S. companies should report non-financial metrics using GRI

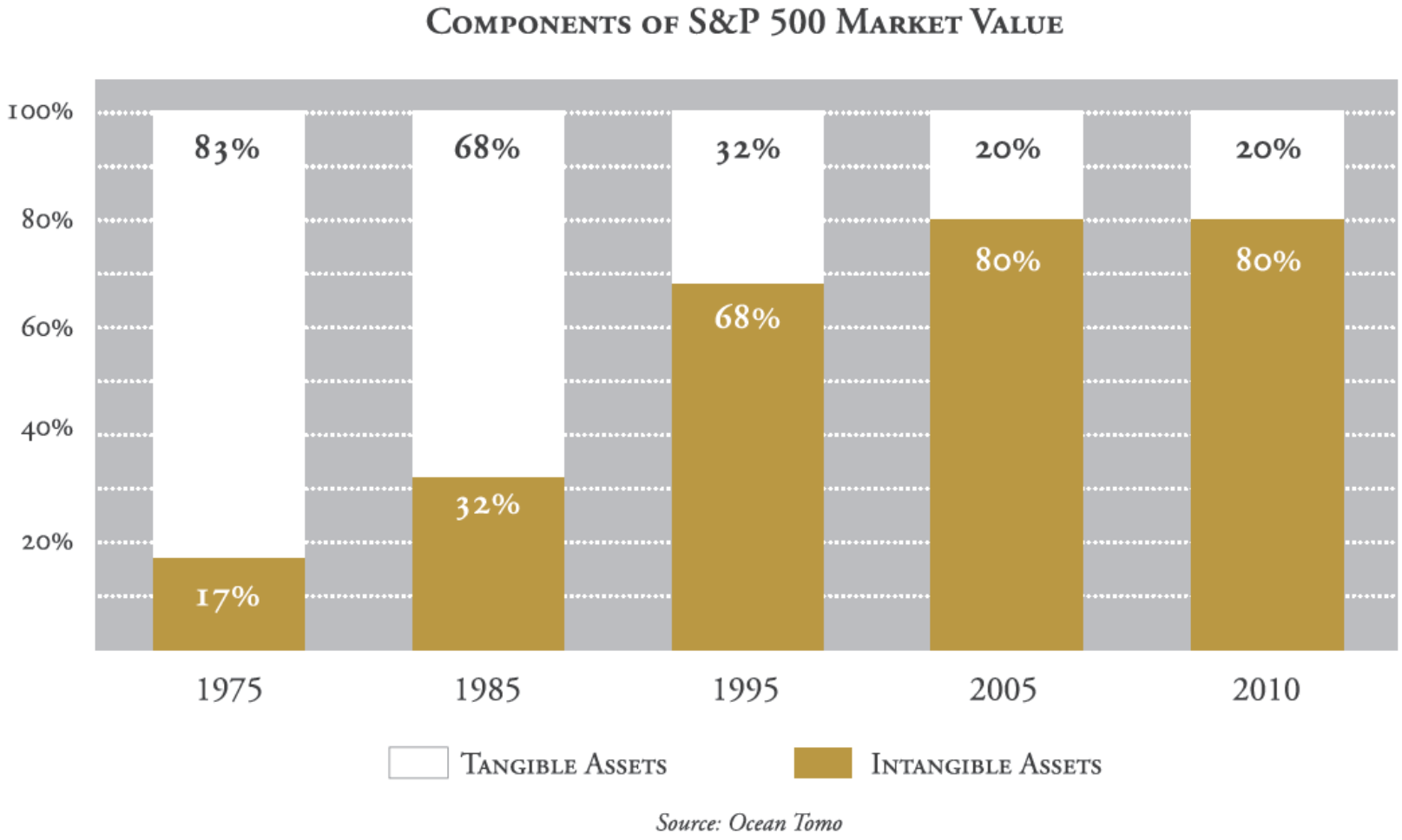
- Discuss factors driving companies to produce non-financial reports
- Show how GRI is at the center of various CSR rankings, ratings and frameworks
- Discuss case studies

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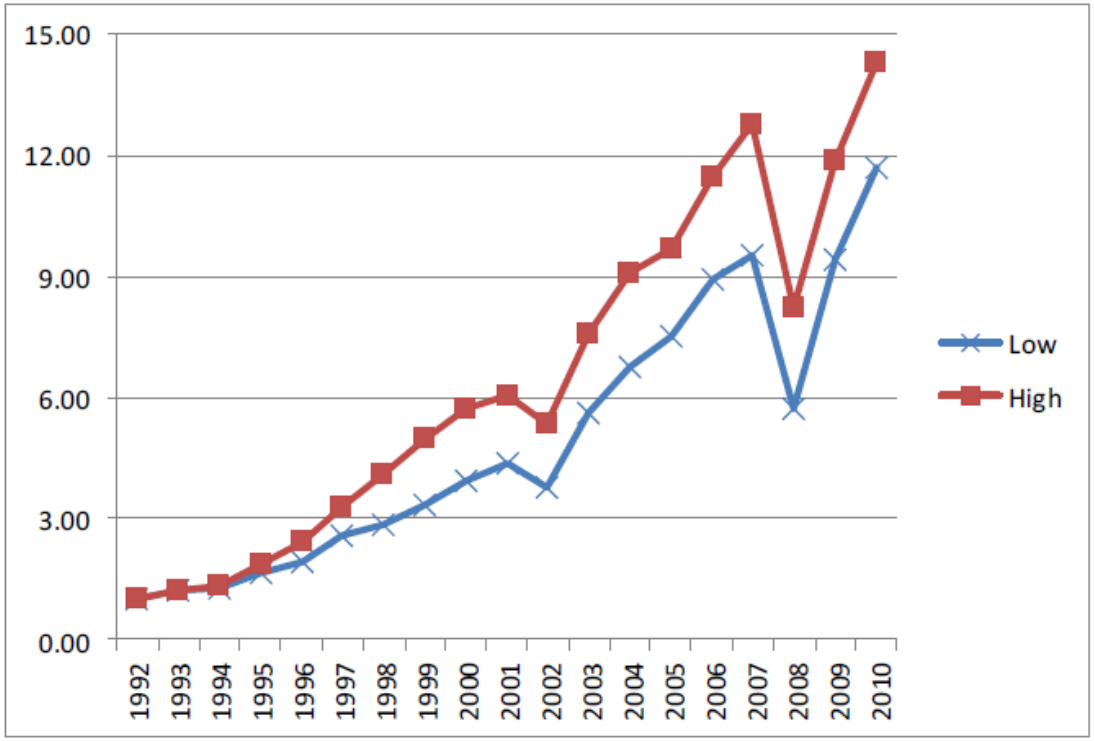
Intangible Assets



Sustainability Pays

High vs. low sustainability companies over 18-year time frame

Evolution of $1 invested in the stock market in equal-weighted portfolios



Source: *The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance*, HBS Working Paper, Nov 2011

ESG Goes Mainstream

Bloomberg has raised the questions of "How do businesses measure their impact on the environment and society?" and "Do they report it to the public?"

- Bloomberg has 300,000 customers, with analysts watching them 24/7
- Bloomberg spent countless hours assembling and entering the ESG data of over 100 indicators that went live in July 2009 (i.e. GHG emissions per sales, water usage, employee fatalities)
- In Q3-Q4 of 2010, 5,000 unique customers accessed over 50 million ESG indicators via Bloomberg terminals (29% increased from Q1-Q2)

"There's increasing evidence that taking such factors into account are forward-thinking and well managed, and therefore places investors should consider."

FAST COMPANY Bloomberg

SOURCE: "BLOOMBERG'S PUSH FOR CORPORATE SUSTAINABILITY " FAST COMPANY, APRIL 2011

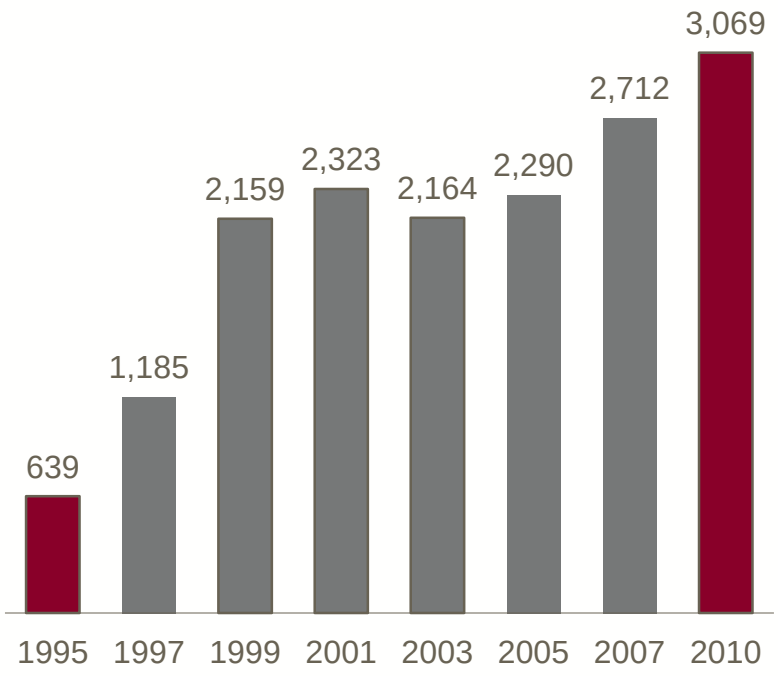
ESG Goes Mainstream



Investor Trends

Growth in SRI Assets

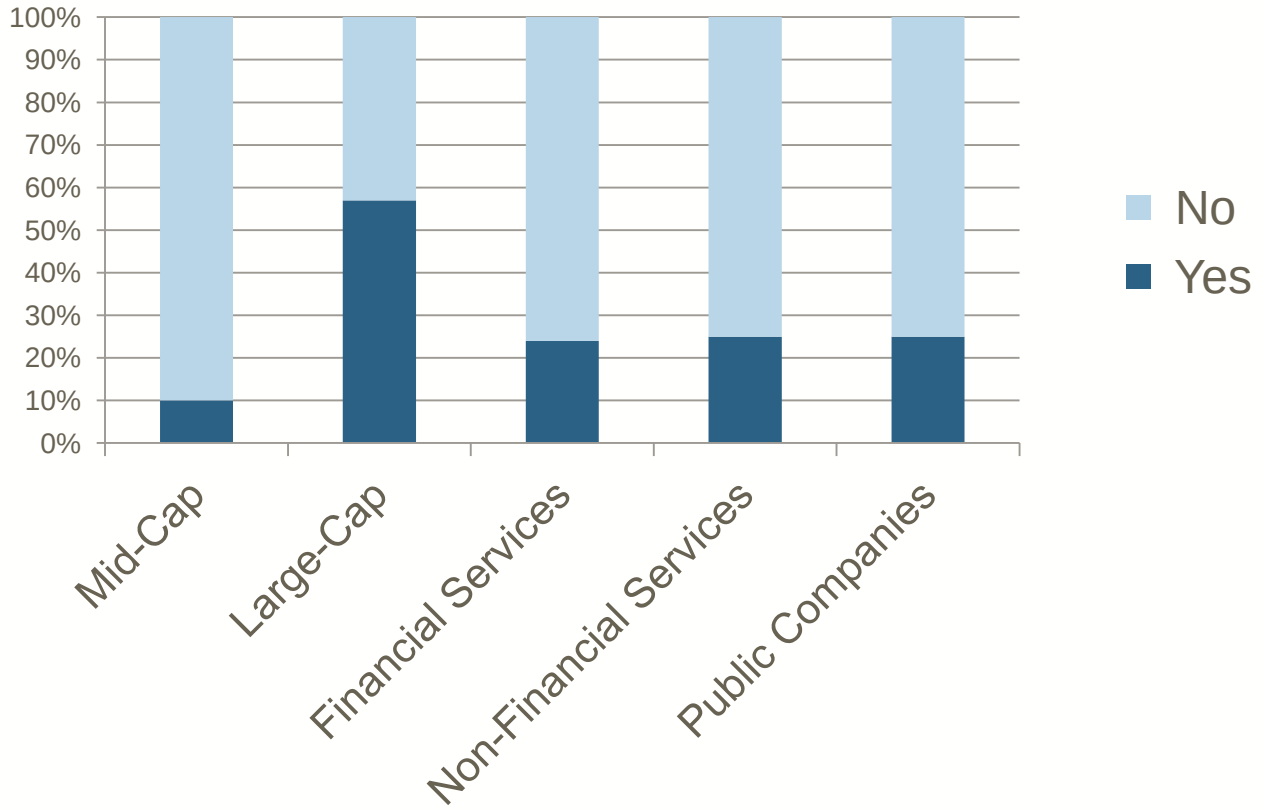
1995-2010, $ Billions



- Growth in Socially Responsible (SRI) and Environmental, Social and Governance (ESG) Investing:
  - 350% growth from 1995-2010
  - Fastest growing asset category
- Increase in shareholder activism
- Pressure on governments and multilateral lenders to implement strong climate change and low-carbon development policies

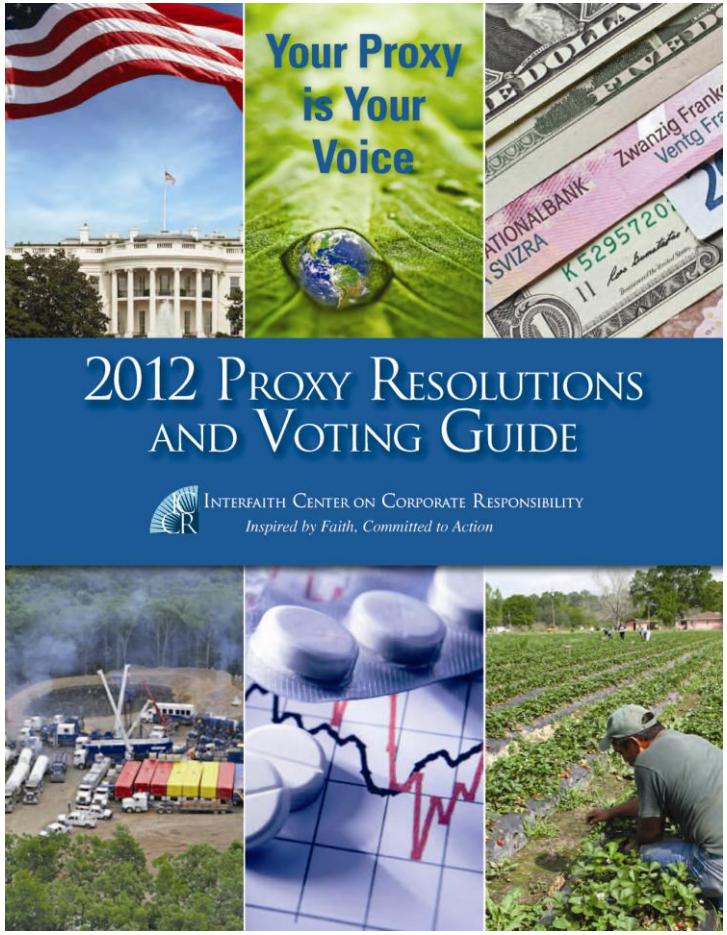
Investor Trends

Organizations surveyed that received a shareholder proposal related to corporate social responsibility initiatives



Source: *Board Practices Report*, Society of Corporate Secretaries and Governance Professionals

Proxy Resolutions and Voting Guide



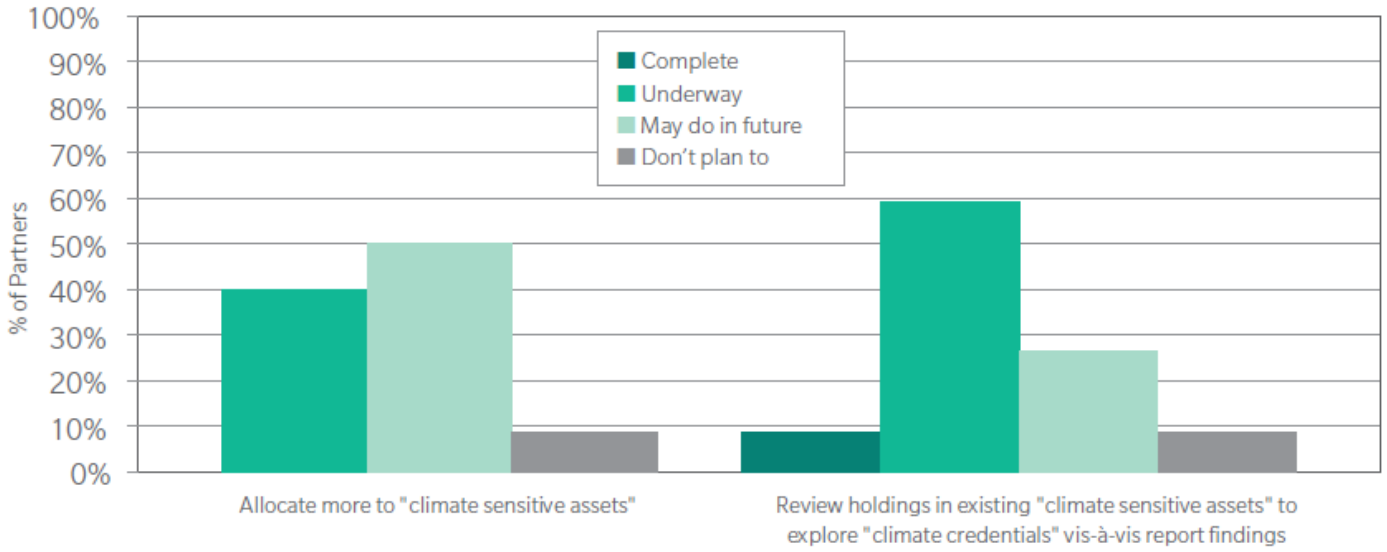
- ICCR members filed a total of 160 resolutions at 115 companies
- Increasingly proposals center on the social impact of business practices
- In light of upcoming election, lobbying and political contributions accounted for a full one third of total proposals
- Financial Practices proposals include foreclosures, risks of repurchase markets, and risks of excessive exec comp
- A total of ten fracking resolutions, the vast majority citing concerns around community impact

Investors Consider Climate Change

THROUGH THE LOOKING GLASS
HOW INVESTORS ARE APPLYING THE RESULTS OF THE CLIMATE CHANGE SCENARIOS STUDY

MERCER

FIGURE 8: CHANGES TO INVESTMENTS

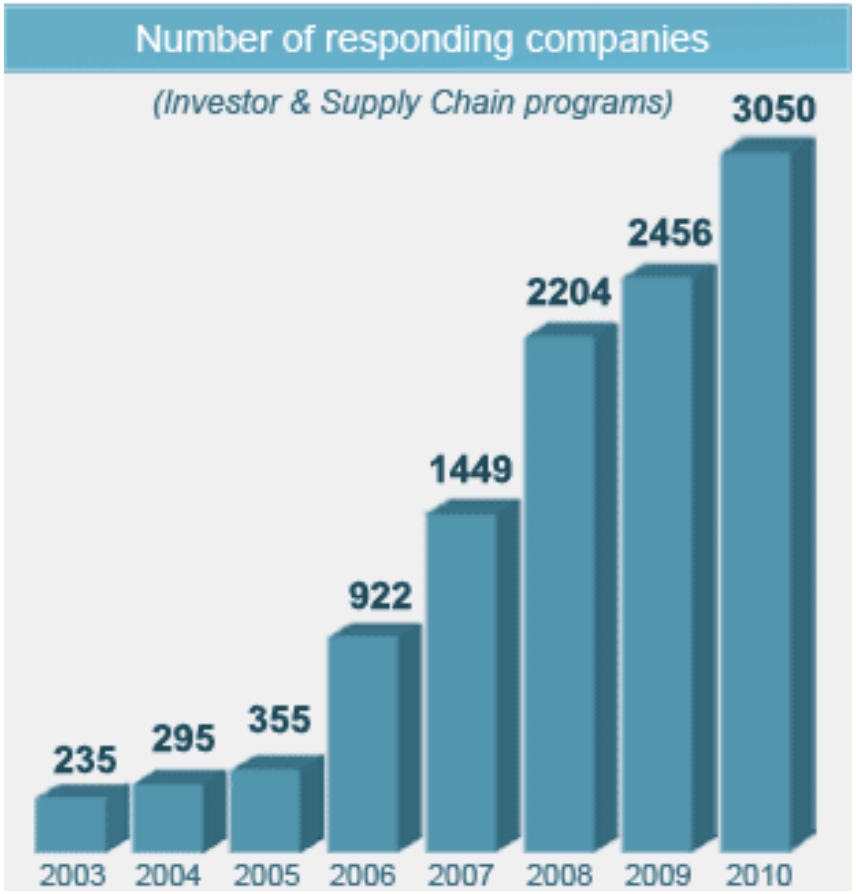


Growth of CDP Responses

Since the first request for climate change information in 2003, the number of disclosing companies has grown tenfold.

3000+ organizations (82% of the Global 500; 70% of the S&P 500) in some 60 countries now measure and disclose their emissions and climate change strategies.

2012: Over 4800 companies approached in 72 countries.



Source: cdproject.net

CDP Water Disclosure



In 2011, 190 companies responded - a 10% increase from 2010, showing improved transparency on water management.

Water risks facing businesses in their direct operations:

- water stress or scarcity (41%)
- flooding (24%)
- reputational damage (23%)
- higher compliance costs (21%).

38% of responding companies have already experienced water-related business impacts, such as disruption to operations from severe weather events (e.g., flooding) and water shortages.

State Regulations

The New York Times

Three States to Require Insurers to Disclose Climate-Change Response Plans



Michael Appleton for The New York Times

Destroyed homes on a road leading into Prattsville, N.Y., in the Catskills in August after flooding caused by Tropical Storm Irene.

By FELICITY BARRINGER
Published: February 1, 2012

Federal Regulations







Regulatory Scrutiny

- EPA Adopts the United States' First Nationwide GHG Limits
- Dodd-Frank Wall Street Reform and Consumer Protection Act
- FTC guidelines for eco-labeling
- "Business Transparency on Trafficking and Slavery Act" introduced in the House of Representatives (August 2011)

Packaging Standards

- Green Guides
- USDA Certified Biobased

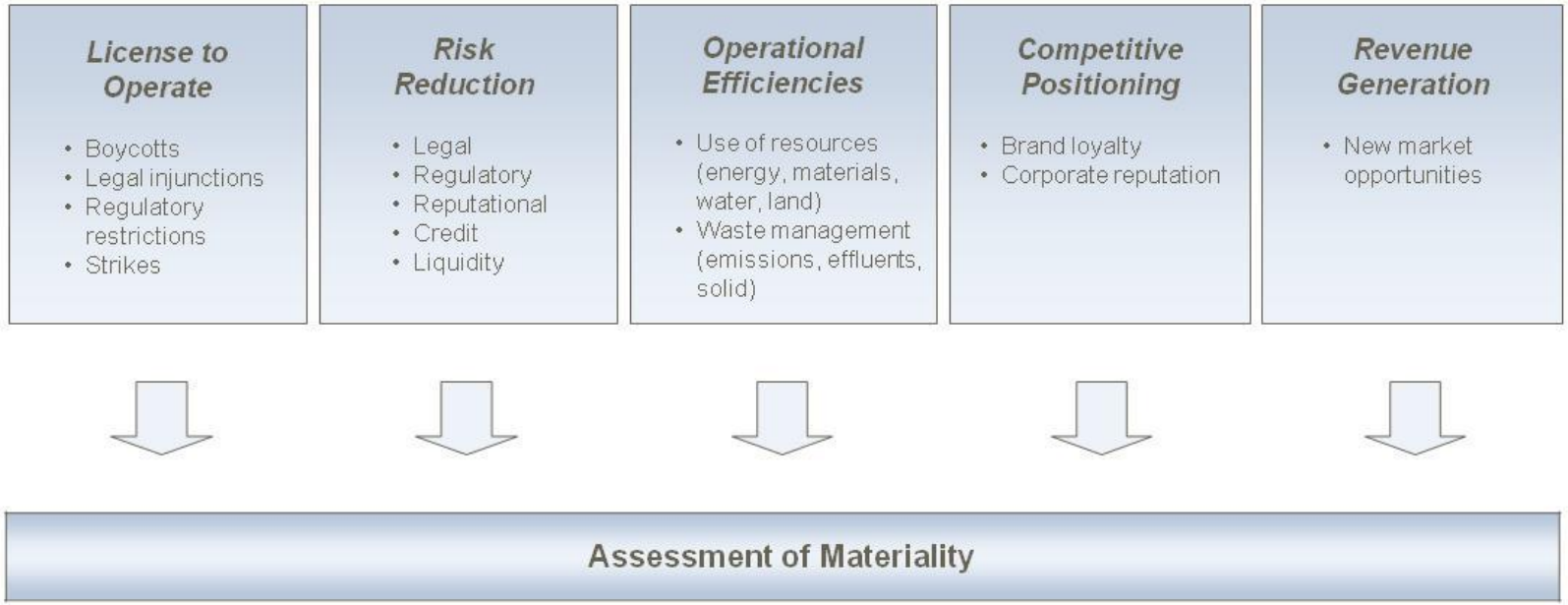
International Regulatory Environment

Mandatory Non-Financial Disclosure	Recommended Non-Financial Disclosure
Johannesburg Stock Exchange	Brazilian Stock Exchange
Sweden	Singapore Stock Exchange
Denmark	Shanghai Stock Exchange
Malaysia (Burse Malaysia)	European Commission
Argentina (Buenos Aires)	France

ESG Factor Integration

Spectrum of Financial Outcomes

ESG Factors can affect a company's license to operate, risk profile, efficiency of operations, comprehensive positioning, and ability to generate revenue through new market opportunities



SOURCE: TIM SMITH, WALDEN ASSET MANAGEMENT

Today's Purpose

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Global Reporting Initiative (GRI)

a non-profit, multi-stakeholder resource

a sustainability management process

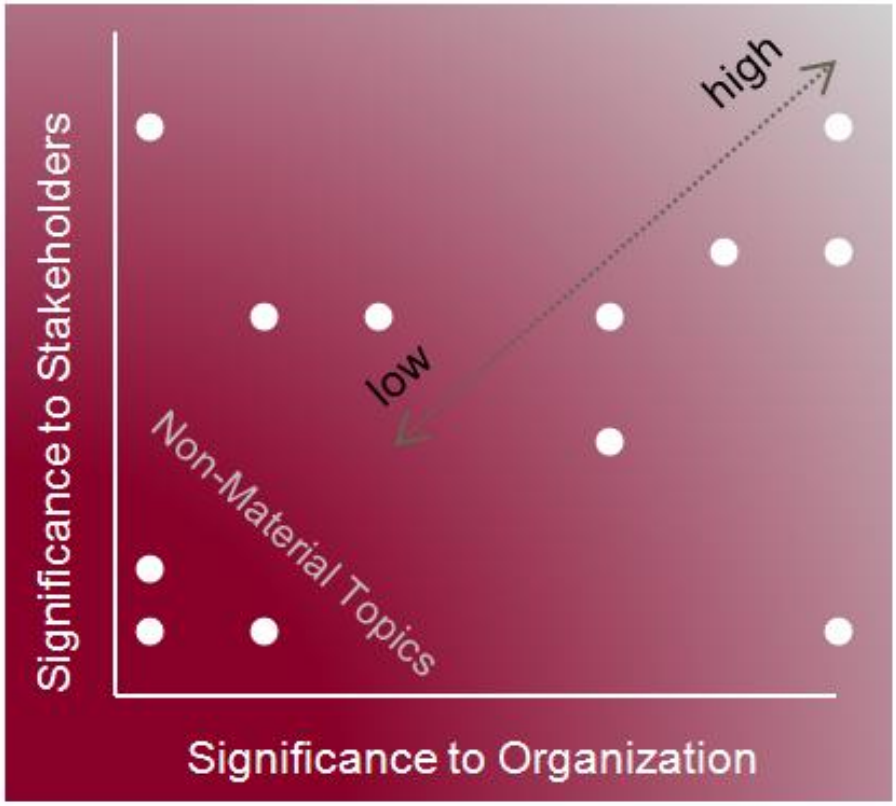


a framework for improving the quality of sustainability disclosures

a set of basic disclosure requirements for a sustainability report

Materiality

Determining report topics in a way that is systematic and objective



GRI: The Report

1. Strategy & Analysis

2. Organizational Profile

3. Report Parameters

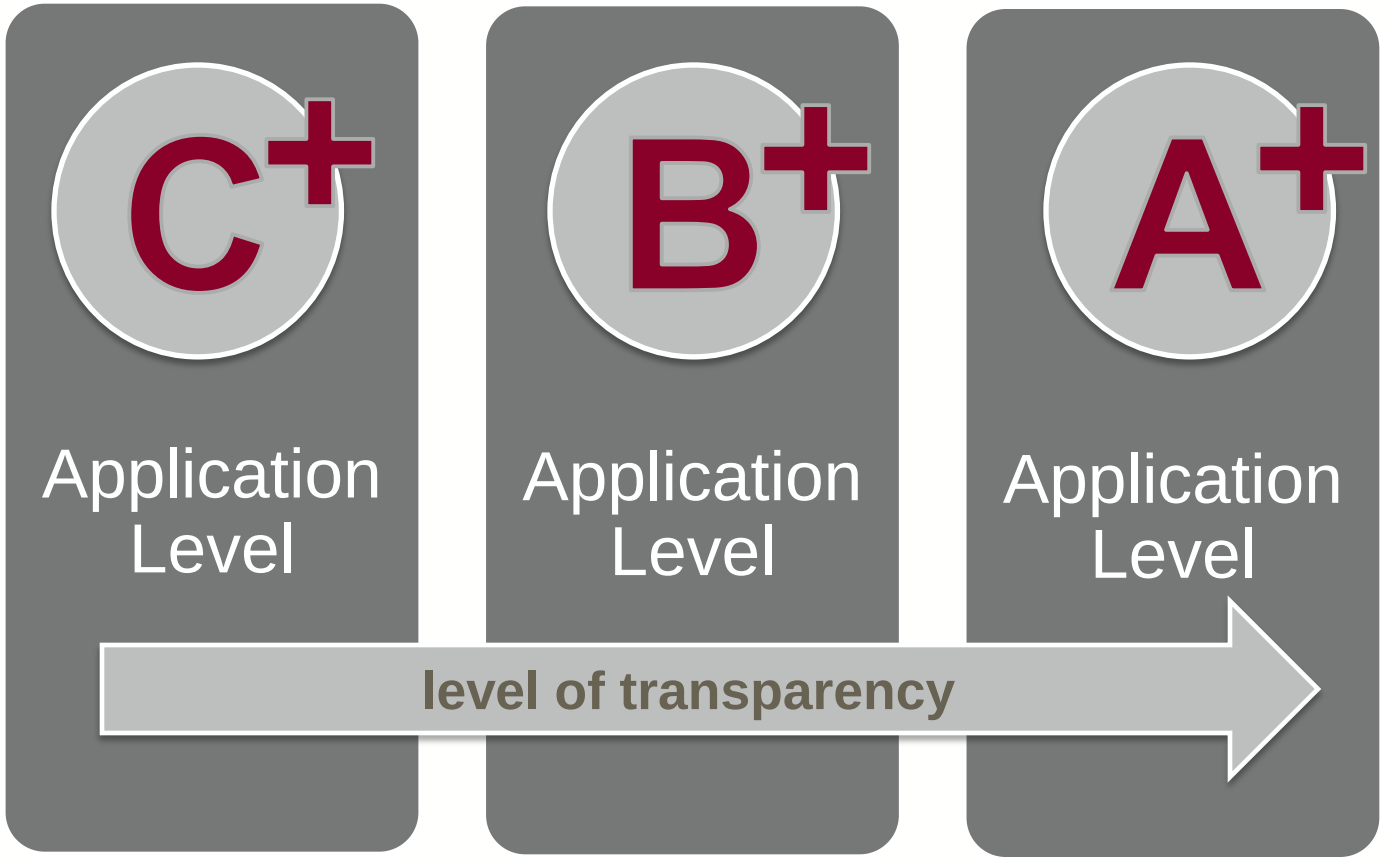
4. Governance, Commitments & Engagements

5. Disclosure on Management Approach (DMA)

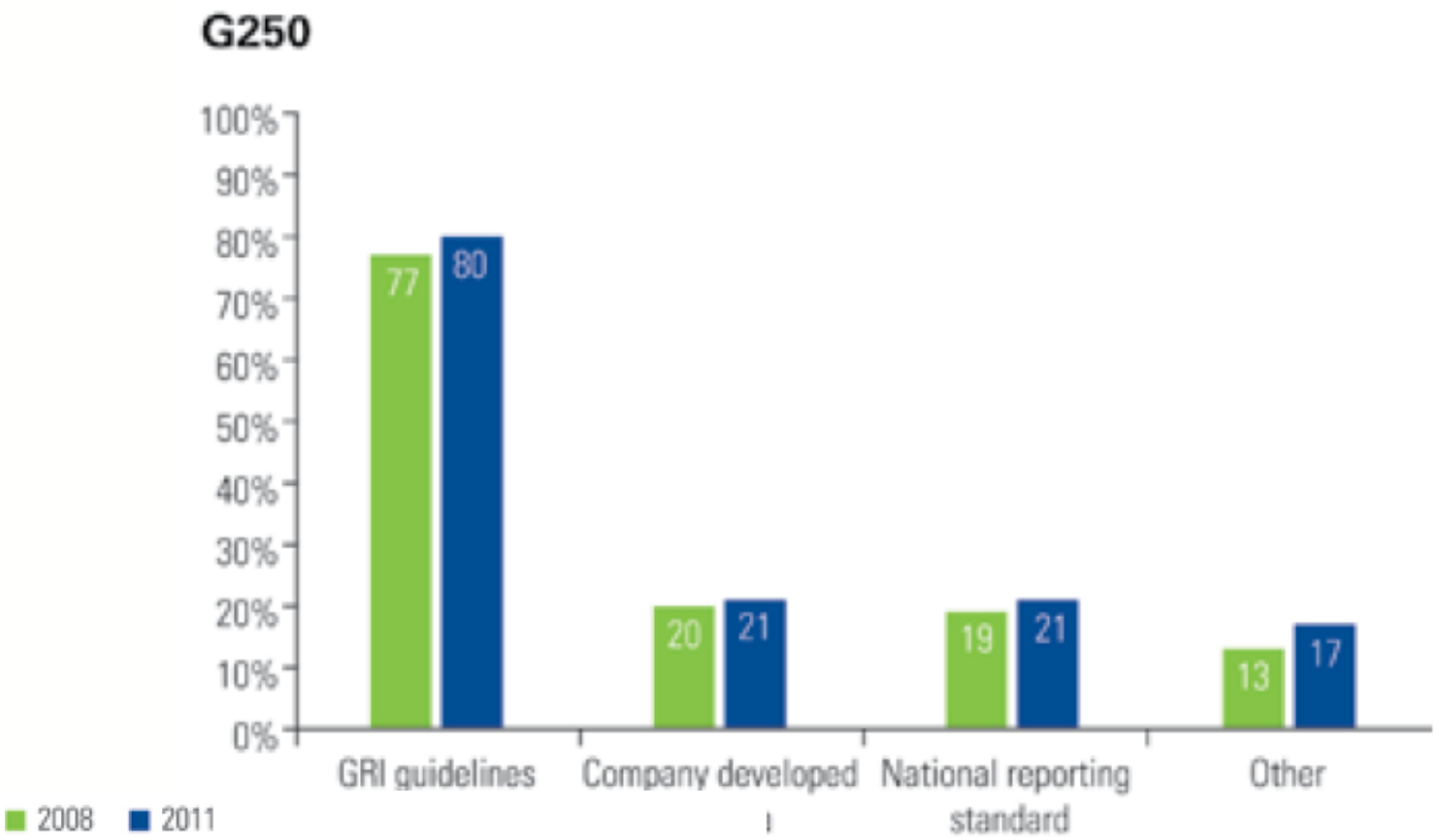
- Goals & Performance
- Policy
- Organizational Responsibility
- Training & Awareness
- Monitoring & Follow-up
- Additional Contextual Information

Performance Indicators

A GRI Application Level is declared



GRI: A Global Standard



Source: KPMG International Corporate Responsibility Reporting Survey, 2011

Who is using GRI?



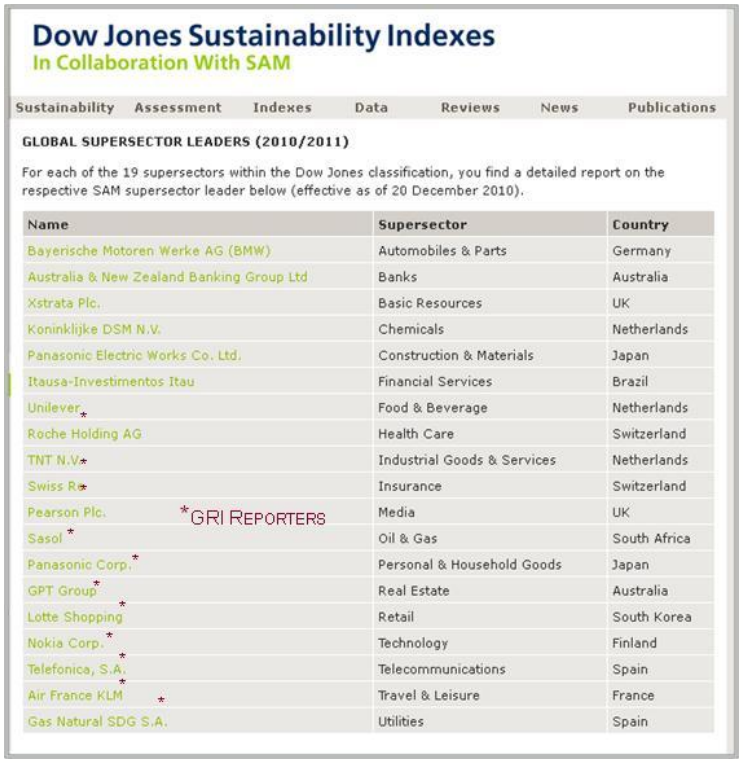
http://www.globalreporting.org/ReportServices/GRIReportsList

Frameworks, Agencies and Rankings



Using GRI & Getting onto the DJSI

Indices and rating agencies are increasingly looking to the GRI standards to gather information about an organization's sustainability record.



Dow Jones Sustainability Indexes
In Collaboration With SAM

Sustainability Assessment Indexes Data Reviews News Publications

GLOBAL SUPERSECTOR LEADERS (2010/2011)

For each of the 19 supersectors within the Dow Jones classification, you find a detailed report on the respective SAM supersector leader below (effective as of 20 December 2010).

Name	Supersector	Country
Bayerische Motoren Werke AG (BMW)	Automobiles & Parts	Germany
Australia & New Zealand Banking Group Ltd	Banks	Australia
Xstrata Plc.	Basic Resources	UK
Koninklijke DSM N.V.	Chemicals	Netherlands
Panasonic Electric Works Co. Ltd.	Construction & Materials	Japan
Itausa-Investimentos Itau	Financial Services	Brazil
Unilever *	Food & Beverage	Netherlands
Roche Holding AG	Health Care	Switzerland
TNT N.V.*	Industrial Goods & Services	Netherlands
Swiss Re*	Insurance	Switzerland
Pearson Plc.	Media	UK
Sasol *	Oil & Gas	South Africa
Panasonic Corp.*	Personal & Household Goods	Japan
GPT Group*	Real Estate	Australia
Lotte Shopping *	Retail	South Korea
Nokia Corp.*	Technology	Finland
Telefonica, S.A. *	Telecommunications	Spain
Air France KLM *	Travel & Leisure	France
Gas Natural SDG S.A.	Utilities	Spain

*GRI Reporters

11 of the 19 DJSI World "Supersector Leaders" are GRI reporters.

http://www.sustainability-indexes.com/07_htmle/indexes/djsiworld_supersectorleaders_10_1.html

The 2011 CRO Top 100

Johnson Controls
Campbell Soup
International Business Machines
Bristol-Myers Squibb
Mattel
3M
Accenture
Kimberly-Clark
Hewlett-Packard
Nike
Gap
General Mills
Intel
Coca-Cola
Pinnacle West Capital
Avon Products
Consolidated Edison
Spectra Energy
E.I. DuPont De Nemours & Co
Johnson & Johnson
Abbott Laboratories
PG&E
Microsoft Corporation
Freeport-McMoran Copper&Gold
Pepsico

Texas Instruments
Sara Lee
Phillips-Van Heusen
EMC
Hormel Foods
H.J. Heinz
Procter & Gamble
Eaton
Merck & Co.
Altria Group
Chevron
Cisco Systems
Occidental Petroleum
Starbucks
Colgate-Palmolive
Southern Company
Target
Hess
Newmont Mining
Brown-Forman
Clorox
Dell
Cummins
Coca-Cola Enterprises
Motorola

McGraw-Hill
United Parcel Service
Baxter International
JPMorgan Chase & Co.
Staples
Verizon Communications
Xerox Corp XRX
Walt Disney
Dow Chemical
Lexmark International
Sonoco Products
Oracle
Ford
Life Technologies
State Street
Medtronic
Mosaic
Owens Corning
Carnival
Conagra Foods
Lubrizol
Exelon
Wisconsin Energy
Entergy Corp.
Darden Restaurants

International Paper
Applied Materials
Weyerhaeuser
Norfolk Southern
Boeing
Union Pacific
Sempra Energy
Dominion Resources
Sigma-Aldrich
Whirlpool
AT&T
Sherwin-Williams
Advanced Micro Devices
Symantec
Albemarle
Xcel Energy
Mckesson
General Electric
Ball Corp
Wal-Mart Stores
TJX Companies
Duke Energy
Citigroup
DTE Energy
Alcoa

The 2011 CRO Top 100

GRI REPORTERS

Johnson Controls
Campbell Soup
International Business Machines
Bristol-Myers Squibb
Mattel
3M
Accenture
Kimberly-Clark
Hewlett-Packard
Nike
Gap
General Mills
Intel
Coca-Cola
Pinnacle West Capital
Avon Products
Consolidated Edison
Spectra Energy
E.I. DuPont De Nemours & Co
Johnson & Johnson
Abbott Laboratories
PG&E
Microsoft Corporation
Freeport-McMoran Copper&Gold
Pepsico

Texas Instruments
Sara Lee
Phillips-Van Heusen
EMC
Hormel Foods
H.J. Heinz
Procter & Gamb
Eaton
Brown-Forman
Clorox
Dell
Cummins
Coca-Cola Enterprises
Motorola

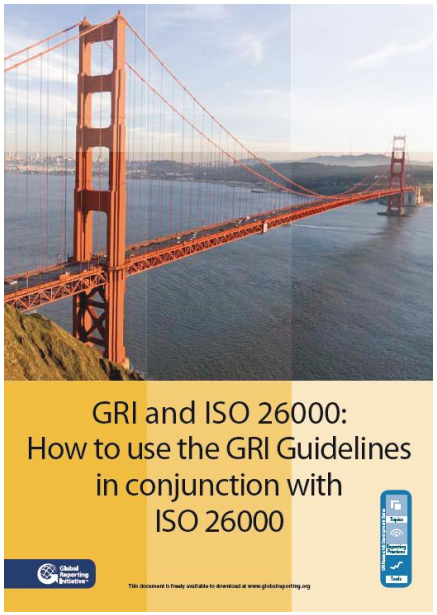
McGraw-Hill
United Parcel Service
Baxter International
JPMorgan Chase & Co.
Staples
Verizon Communications
Xerox Corp XRX
Conagra Foods
Lubrizol
Exelon
Wisconsin Energy
Entergy Corp.
Darden Restaurants

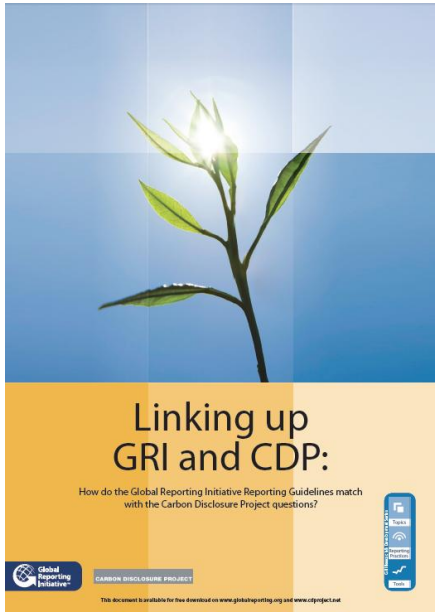
International Paper
Applied Materials
Weyerhaeuser
Norfolk Southern
Boeing
Union Pacific
Sempra Energy
Dominion Resources
Sigma-Aldrich
Whirlpool
AT&T
Sherwin-Williams
Advanced Micro Devices
Symantec
Albemarle
Xcel Energy
Mckesson
General Electric
Ball Corp
Wal-Mart Stores
TJX Companies
Duke Energy
Citigroup
DTE Energy
Alcoa

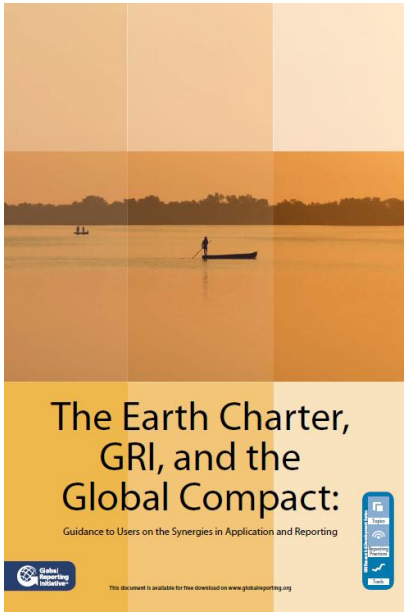
76%

GRI vs. Other Frameworks/Guidance

The GRI is flexible enough to accommodate many of the aspects of other voluntary reporting frameworks







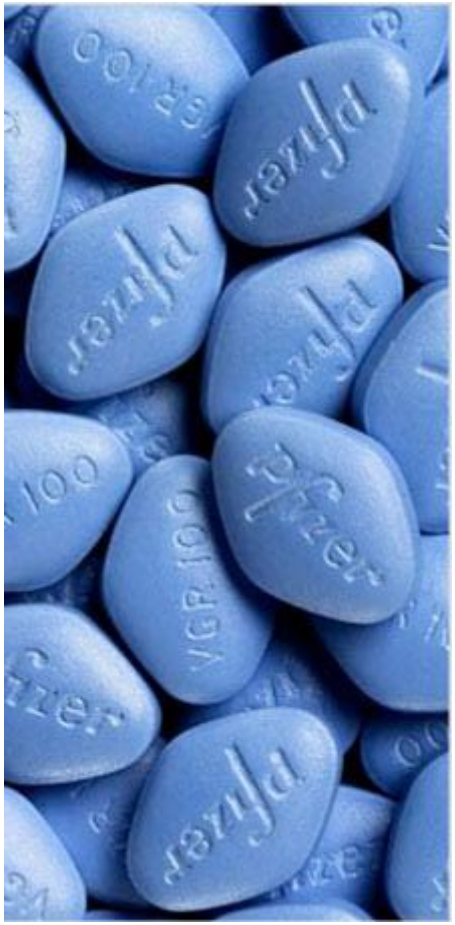
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Shareholder Proposals

"The AFSCME Employees Pension Plan, the US labour union pension fund, has withdrawn a shareholder proposal calling for political lobbying disclosure at Pfizer – saying the pharmaceutical giant has agreed to "future dialogue" on the topic."



Shareholder Resolutions

NYC funds withdraw Hewlett-Packard sustainability proposal after engagement





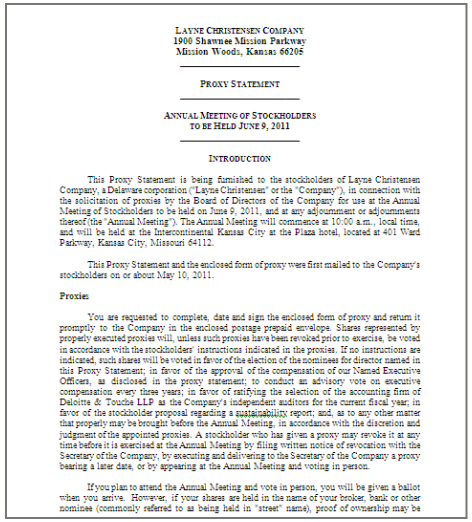
"We are pleased with the company's commitment to encourage its suppliers to publish an annual sustainability report, including content and metrics based on internationally recognized reporting frameworks such as the Global Reporting Initiative"

--Kenneth Sylvester, Assistant Comptroller for Pension Policy

Case Study: Layne Christensen

Situation

- Investor activists filed a shareholder resolution receiving a majority vote of 60% that identified sustainability reporting in alignment with the Global Reporting Initiative Framework as a key shareholder issue and opportunity area for Layne



LAYNE CHRISTENSEN COMPANY
1900 Shawnee Mission Parkway
Mission Woods, Kansas 66205

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JUNE 9, 2011

INTRODUCTION

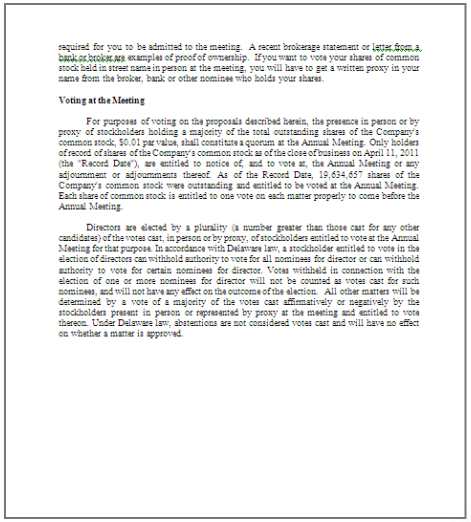
This Proxy Statement is being furnished to the stockholders of Layne Christensen Company, a Delaware corporation ("Layne Christensen" or the "Company"), in connection with the solicitation of proxies by the Board of Directors of the Company for use at the Annual Meeting of Stockholders to be held on June 9, 2011, and at any adjournment or adjournments thereof (the "Annual Meeting"). The Annual Meeting will commence at 10:00 a.m., local time, and will be held at the Intercontinental Kansas City at the Plaza hotel, located at 401 Ward Parkway, Kansas City, Missouri 64112.

This Proxy Statement and the enclosed form of proxy were first mailed to the Company's stockholders on or about May 10, 2011.

Proxies

You are requested to complete, date and sign the enclosed form of proxy and return it promptly to the Company in the enclosed postage prepaid envelope. Shares represented by properly executed proxies will, unless such proxies have been revoked prior to exercise, be voted in accordance with the stockholders' instructions indicated in the proxies. If no instructions are indicated, such shares will be voted in favor of the election of the nominees for director named in this Proxy Statement; in favor of the approval of the compensation of our Named Executive Officers, as disclosed in the proxy statement; to conduct an advisory vote on executive compensation every three years; in favor of ratifying the selection of the accounting firm of Deloitte & Touche LLP as the Company's independent auditors for the current fiscal year; in favor of the stockholder proposal regarding a sustainability report; and, as to any other matter that properly may be brought before the Annual Meeting, in accordance with the discretion and judgment of the appointed proxies. A stockholder who has given a proxy may revoke it at any time before it is exercised at the Annual Meeting by filing written notice of revocation with the Secretary of the Company, by executing and delivering to the Secretary of the Company a proxy bearing a later date, or by appearing at the Annual Meeting and voting in person.

If you plan to attend the Annual Meeting and vote in person, you will be given a ballot when you arrive. However, if your shares are held in the name of your broker, bank or other nominee (commonly referred to as being held in "street" name), proof of ownership may be



required for you to be admitted to the meeting. A recent brokerage statement or letter from a bank or broker are examples of proof of ownership. If you want to vote your shares of common stock held in street name in person at the meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

Voting at the Meeting

For purposes of voting on the proposals described herein, the presence in person or by proxy of stockholders holding a majority of the total outstanding shares of the Company's common stock, $0.01 par value, shall constitute a quorum at the Annual Meeting. Only holders of record of shares of the Company's common stock as of the close of business on April 11, 2011 (the "Record Date"), are entitled to notice of, and to vote at, the Annual Meeting or any adjournment or adjournments thereof. As of the Record Date, 19,634,657 shares of the Company's common stock were outstanding and entitled to be voted at the Annual Meeting. Each share of common stock is entitled to one vote on each matter properly to come before the Annual Meeting.

Directors are elected by a plurality (a number greater than those cast for any other candidates) of the votes cast, in person or by proxy, of stockholders entitled to vote at the Annual Meeting for that purpose. In accordance with Delaware law, a stockholder entitled to vote in the election of directors can withhold authority to vote for all nominees for director or can withhold authority to vote for certain nominees for director. Votes withheld in connection with the election of one or more nominees for director will not be counted as votes cast for such nominees, and will not have any effect on the outcome of the election. All other matters will be determined by a vote of a majority of the votes cast affirmatively or negatively by the stockholders present in person or represented by proxy at the meeting and entitled to vote thereon. Under Delaware law, abstentions are not considered votes cast and will have no effect on whether a matter is approved.

Walden Asset Management
Advancing sustainable business practices since 1975

Layne®

Case Study: Layne Christensen

Action	Layne responded by: • Enhancing methods of stakeholder engagement to collect data and understand the material issues of importance • Analyzing stakeholder feedback • Creating a report detailing the company's historical role as a sustainability solutions provider and current ESG performance • Alignment of their business strategy, mission and values with respect to sustainability



Recap

Demonstrated why U.S. companies should report non-financial metrics using GRI

- Discussed factors driving companies to produce non-financial reports
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Thank you!

BROWN FLYNN

CARBON DISCLOSURE PROJECT
ACCREDITED PROVIDER 2012

THE GLOBAL COMPACT
WE SUPPORT

BrownFlynn is a GRI Certified Training Partner in the USA

Global Reporting Initiative™