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VERSION 1

Approved
February 8, 2011

National Consensus Sustainable Manufacturing Underwriting EMERGENCY Standard

For Manufacturers, Retailers, Financial Institutions & the Capital Markets

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NATIONAL CONSENSUS SUSTAINABLE MANUFACTURING UNDERWRITING STANDARD©

Applying Sustainable Manufacturing Value to Retailers, Capital Markets, and Financial Institutions

CONTENTS PAGE

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ACKNOWLEDGEMENTS

The Capital Markets Partnership ("Partnership") is a collaboration of financial institutions, investment banks, real estate investors, governmental entities, NGOs, non-profits, and other interested parties.

The national Sustainable Manufacturing Underwriting Standard© is developed for approval by the Consensus Sustainable Manufacturing Underwriting Committee. The Committee has exclusive jurisdiction for the development, approval, interpretation and revision of the Standard and is led by the following Officers:

- Thomas Domitrovich, Eaton National Application Engineer
- Jim Lord, Principal, Ecovert
- Ed Mirsky, Senior Vice President, UBS
- Stefan Mueller, Managing Director, Allianz / Fireman's Fund
- Lou Newett, Knoll Environmental Director
- Alan Strasser, Environmental Attorney, Chairman, Greenhouse Gas Roundtable
- Vickie Tillman, McGraw-Hill Senior Vice President for Sustainability, former S&P Structured Finance Director
- George Vallone, President, The Hoboken Brownstone Company
- Tim Warman, Vice President, Climate Change, National Wildlife Federation
- **Andy Whitman**, Director, National Capital Initiative**,** Manomet Center for Conservation Sciences

The *Capital Markets Briefing Paper: Business Case for Commercializing Sustainable Investment©* and Background Documents including Economic Benefits Standard, are peer reviewed reports released at CMP's August 18, 2009 Press Conference at the New York Stock Exchange, and are a result of four years of due diligence showing the underlying market value inherent to sustainable manufacturing. The Paper is available at:

http://webstore.ansi.org/RecordDetail.aspx?sku=MTS+2006%3a2

This due diligence was the basis of the consensus support for Green Convertible Securities, cheaper cost of capital, and higher ratings for sustainable manufacturers at the 2009 Miliken Annual Global Conference session on convertible securities. This Standard is also based in part on the unanimously approved *Green Building Underwriting Standards.* These Standards, including all content and associated underwriting methodology, is the sole property of the Capital Markets Partnership.

Please see the companion unanimously approved and market tested national consensus *Green Building Underwriting Standards* 2.1 at the link above. This Sustainable Manufacturing Underwriting consensus standard uses a similar approach except it follows financial and sustainable manufacturing attributes used for manufacturers and retailers.

The contact information for inquiries regarding the Capital Markets Partnership is:

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Standard Executive Summary

Sustainable Manufacturing Underwriting Benefits

- Interested in cheaper cost of capital?
- Do you want higher returns on investment and ratings?
- Do you want to measure increased profitability and / or share value?

For Manufacturers and Retailers:

The Capital Markets Partnership (CMP) National Consensus Sustainable Manufacturing Underwriting Standard© provides a quantitative *CMP Green Value Score©* showing increased profits and / or share value from a 25-100 score. This Score results from increased revenues and decreased expenses.

There is a national consensus that the best measure of corporate sustainability is the percent of certified sustainable products that a company buys, makes (if applicable), and sells. This is a supply chain / life cycle assessment measure of a company's major environmental and social impacts and benefits, and a principle of the *Green Value Score©* of this Standard.

Background on the Standard:

This consensus Standard is modeled after the unanimously approved Green Building Underwriting Standards, and revised for manufacturers and retailers. The Capital Markets Partnership is an American National Standards Institute Accredited and Audited Standards Developer.

Consensus standards have the highest market value and are a prerequisite for use and adoption because they substantially reduce risk and uncertainty, and have regulated industry since 1898. They are required by law for the federal government.

The Underwriting Standards are part of CMP's Sustainable Investment Initiative and peer reviewed *Capital Markets Briefing Paper: Business Case for Commercializing Sustainable Investment©,* documenting added value, reduced risk, and investor preference of sustainable investment, and released at CMP's NYSE Meeting.

This Underwriting Standard, as developed by leading financial institutions, manufacturers, purchasers, and environmental groups:

- Documents: for companies scored and their investors, increased profitability and / or share value from sustainable activities and reduced risk
- Provides: increased investor confidence and preference

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- Stimulates sustainable development: by providing the basis for cheaper cost of capital & higher financial returns and credit and bond ratings
- Covers: certified sustainable product and clean vehicle attributes including the LEED Certified Sustainable Product Credit / SMaRT, FSC Certified Wood, US Renewing Forest Label, and Clean Vehicle Standard
- Ranks: The most valuable sustainable manufacturing and retailing attributes

CMP GREEN VALUE SCORE FORMULA

National Consensus *Sustainable Manufacturing Underwriting Standard© for manufacturers & retailers*

CMP *GREEN VALUE SCORE*© MATRIX	Points	Score
Sustainable Manufacturing Underwriting Standard Score 90 Pts. Max.		
Brand Score from SMaRT or Equivalent 10 Pts. Max. The Brand Score for SMaRT or equivalent is calculated by multiplying 0.57 times each SMaRT Credit achieved in the Sustainable Manufacturing Underwriting Score. This 0.57 multiplication factor is derived from the total 57 SMaRT or equivalent points available that add economic value, divided by 100.		
The Brand Score for The Clean Vehicle Standard is for vehicle manufacturers only, and is 10 points for achieving Clean Vehicle Standard Certification. Clean Vehicle Standard Certification	10	
The minimum requirement for a company achieving a Green Value Score is to have at least three product lines certified to SMaRT, FSC, US Renewing Label, Clean Vehicle Standard or equivalent. Further, cumulative bonus points are awarded for companies achieving these certifications for: at least 25% of all products made - 10 points 26% - 50% 15 points 51% - 75% - 20 points 76% - 100% - 25 points		
Bonus Points for Additional Certified Lines		
CMP *GREEN VALUE SCORE*©		

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FOR 100% WOOD or PAPER MANUFACTURERS and RETAILERS

	Points	Score
US Renewing Forest Legal Label	25	
FSC Recycled or equivalent	35	
FSC Mixed & Recycled or equivalent	45	
FSC Mixed & Controlled Wood or equivalent	55	
FSC Mixed, Controlled Wood & Recycled or equivalent	65	
FSC Pure or equivalent	75	
At least 25% of all products made are FSC Certified	10	
26-75% of all products made are FSC Certified	15	
76-100% of all products made are FSC Certified	20	
15% Minimum Required Mixed & Recycled Content. >50% =	15	
CMP *GREEN VALUE SCORE*©		

This Standard is the exclusive jurisdiction of CMP's Sustainable Manufacturing Underwriting Standard Committee.

CMP's *Capital Markets Briefing Paper: Business Case for Commercializing Sustainable Investment*© documents four years of peer reviewed due diligence with investors, investment banks and rating agencies, concluding based on national statistically valid data, that green buildings and certified sustainable products are more profitable, less risky, and preferred without exception by investors in a Survey initiated with S&P covering over $3.3 trillion in assets.

The *Briefing Paper* is supported by the Bank of America and Energy Foundations, JPMorgan, Federal Home Loan Bank, and Anonymous Foundation for green affordable housing investment, and was released at CMP's August 18, 2009 Press Conference at the New York Stock Exchange.

For Education Programs on the Standard contact CMP. The Standard is available at:
http://webstore.ansi.org/ansidocstore/dept.asp?dept_id=3144

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1.0 INTRODUCTION

There is significant value inherent to manufacturers and retailers that have achieved for a substantial number of their products, leadership consensus sustainable products certifications.

Leadership standards are those substantially reducing pollution thus having the greatest market and economic value. These national consensus standards are important as they limit risk and uncertainty in investing and are particularly vital to capital market investors and rating agencies. The value inherent to these standards can be reflected in the risk-based investment and financial underwriting decision processes used by financial institutions, investors, rating agencies, manufacturers, and retailers.

For example, these certifications transparently qualify a company's products on several critical areas including energy and water efficiency, renewable power, and pollution reductions verified through independent third-party certification and global auditing. Achievement of key sustainable product certification points positively impacts a company's financial attractiveness, risk profile, and market competitiveness.

As shown by leadership consensus sustainable product standards, the best measure of a company's sustainability is the percentage of certified sustainable products the company buys, makes and sells.

Given that these consensus standards have advanced transparency on manufacturing and retail attributes that have current and future material financial value, incorporating these attributes into the underwriting process is important when accurately assessing a company's value in comparison to companies with non-certified products.

This Standard provides the financial markets with a means to identify sustainable manufacturing attributes along a sliding scale based on characteristics identified by leadership standards of the Leadership Standards Campaign of leading environmental groups, purchasers and specifiers, and media partners. With a reliable quantification system, companies and financial markets can tangibly recognize the sustainable manufacturing "dividend" and include it in valuation, profitability, share value, higher ratings, and cheaper cost of capital analysis, equity and debt underwriting and portfolio and fund evaluation.

To accomplish this, the Standard associates appropriate Leadership Standards points, and aspects to financial decision points for financial market participants by deriving the CMP *Green Value Score*©. The CMP *Green Value Score*© is a mathematical score ranging from 25-100 based on how a company performs on Leadership Standards certifications. The intent is to use the *CMP Green Value Score*© as a compliment to existing underwriting processes and disclosures, informing investors as to a company's green performance on financially tangible attributes.

Once calculated, the CMP *Green Value Score*© can be used as a risk-management and financial tool as follows:

CORPORATE PROFITABILITY

- Internal financial resource allocation
- Debt and equity financing (private & public)
- Purchase and sale negotiations
- Company, fund or portfolio level

RETAILER SUPPLIER PRIORITIES

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Green Convertible Securities

- Debt or equity financing for manufacturers and retailers

Stock Analysis

Cheaper Cost of Capital & Higher Ratings Analyses

Corporate Information Disclosure

- Reporting
- Quarterly or annual financial reports
- Regulatory reports
- Analyst conference calls

The Standard addresses several areas of critical focus for companies and the financial and capital markets:

1. Establishes a common definition of sustainable manufacturing attributes appropriate for financial underwriting.
2. Constructs an analytical basis focused on transparent disclosure of tangible manufacturing characteristics important to corporate and financial and capital market risk assessment.
3. Creates opportunities to perform ongoing risk assessments and analysis by developing comparative data sets.

This Standard relies in part on four years of completed and peer reviewed due diligence with investors, investment banks, and rating agencies released at an Aug. 18, 2009 New York Stock Exchange Press Conference documenting added sustainable manufacturing value. This includes the *Capital Markets Briefing Paper: Business Case for Commercializing Sustainable Investment* and Background Documents including the Economic Benefits Standard documenting that sustainable investment is more profitable, less risky, and preferred without exception by investors in a survey initiated with S&P covering over $3.3 trillion in assets. The documents including national consensus standards that were part of this due diligence include:

- *Green Building Value Rating System*
- *Creating an Economic Stimulus & Stopping Climate Credit Risk* & Updates
- National Consensus Green Building Underwriting Standards / *Green Value Score*
- National Consensus Climate Neutral Building Standard
- Historical Actual Conventional Energy Price Volatility Data & Expected Prices Based on Globally Validated Data
- EPA ENERGY STAR Score for Buildings & Homes
- EPA ENERGY STAR Certification for Buildings & Homes
- National Consensus LEED Green Building Standard
- GreenPoint RATED Buildings and Homes
- SMaRT National Consensus Certified Sustainable Product Standard
- FSC Certified Wood Standards
- National Economic Benefits Standard for Buildings, Products & Vehicles
- Renewing Forest Legal Standard
- Clean Vehicle Standard

An important factor driving demand for green buildings and certified sustainable products as documented in the above due diligence, is overwhelming climate change risk including ongoing systemic financial market risks from imminent irreversible unmanageable dangerous climate change. Due to this risk including substantive

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litigation costs for defense and coverage, insurers have pulled out of key markets and or raised risk-adjusted premiums, thus placing greater pressure on federal and state insurance programs including demands on US Treasury Department to guarantee State funds which the Federal government refused to do. Both the Reinsurance Chief Risk Officers and Lloyds stated that climate risk could mean the end of private insurance, and Moody's and the Mortgage Bankers Association call climate change a serious credit risk.

As documented in the Wall Street due diligence by the State of California, IPCC Scientists, and NASA, the first step in preventing runaway dangerous climate change and ongoing systemic financial market risks is reducing climate change pollution in the next five years equivalent to 2.8 million green buildings and 1.2 million certified sustainable products.

A near term sustainable investment market shift including use of this Standard can uniquely achieve this unprecedented market need and as documented in the due diligence, create a $1 trillion private sector economic stimulus based on actual data and successful precedent.

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2.0 SCOPE AND OBJECTIVE

This Standard covers all manufacturing and retailing.

This Standard's primary objective is to enhance current underwriting practices by incorporating existing standards for sustainable and environmentally preferable manufacturing into the corporate and financial market underwriting and valuation processes. Sustainable manufacturing contains numerous positive value and risk reduction aspects compared to a non-certified market peer group. The additional transparency afforded by these third-party verifications allows underwriters to appropriately reflect this value.

Understanding these tangible aspects is particularly important when fully establishing a company's market comparable peer group during standard underwriting, valuation, and financial resource priority setting. It is also important when appropriately attributing value when engaged in a "mark-to-market" exercise.[1]

Adoption of this Standard allows underwriters to appropriately assess value creation and risk and incorporate risk-reduction strategies, both of which increase industry awareness of these issues and stimulate important market signals. These market signals encourage industry participation in energy and water efficiency and other sustainable manufacturing practices, thus adding to corporate and shareholder value, securities value, and critically important global pollution reductions including climate pollution.

Accurately reflecting value and risk reduction aspects stemming from sustainable manufacturing will result in one of two outcomes:

1. Companies with higher *Green Value Scores* will be afforded additional value when compared to a "market" peer group during underwriting based on specific revenue / expense line items and overall projected rates of investment return (cap rate); or
2. Companies that do not achieve particular *Green Value Scores* may reflect a market discount.

This Standard allows the transparent and material value aspects inherent to sustainable manufacturing to receive appropriate valuation consideration during financial underwriting.

A potential unintended consequence may result whereby companies that achieve key leadership standard sustainable product points and certifications, will receive top-tier "Class A" underwriting metrics, while companies that do not achieve these key underwriting criteria standards will be assigned a market discount. This Standard is not intended to influence the market in one direction or another.

Adoption and implementation of this Standard by financiers within the capital markets will further encourage the private market to utilize leadership sustainable manufacturing attributes
thereby increasing much needed global energy, water, and environmental performance across the supply chain.

[1] As an example, a company demonstrating a high leadership sustainable product score, including conventional energy reduction and pollution reductions, should appropriately reflect this energy efficient financial superiority when compared to a market-based peer group as opposed to being assigned a 'market' utility expense figure during underwriting.

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