

INTRODUCTION

In his most recent report on green business practices, best-selling author and corporate environmental strategist Joel Makower suggests that sustainable business activity is alive and well in a post-recession economy.

“It survived,” he writes, “even thrived.”

In some cases, he notes, the economic downturn actually provided a stimulus for green activity. Energy efficiency stands as a good example, its cost-saving benefits becoming “ever more valued by executives, their boards, and their shareholders.”

Makower's latest findings, published in the comprehensive *State of Green Business 2010*, point to the expanding role of sustainability as a way of not only lowering business costs but also enhancing operations, fostering innovation, engaging employees, meeting customers' demands, and solidifying companies' reputations as good corporate citizens.

Sustainability, he suggests, has done more than endure. It has become embedded in the business mindset and “woven into the corporate fabric...a fundamental business competency alongside accounting, finance, human resources, marketing, customer service, procurement, knowledge management, and others.”

Certainly, many of the year's headlines echo Makower's claims—but do the numbers tell a similar story? What is the state of the green economy in Connecticut, where the pace of economic recovery has been slower than in other parts of the country? Given current economic conditions, is sustainability viewed as an unaffordable luxury or an intelligent response to those conditions?

The Connecticut Business & Industry Association (CBIA) works with business leaders, industry partners, and education collaboratives to measure Connecticut businesses' commitment to sustainability and its impact on their operations and bottom line. This year's *Sustainability and Connecticut Business* survey confirms that green has indeed been on the rise among companies throughout the state.

CONTENTS

Introduction	1
■ Key Findings.	2
■ Business Involvement Steady; Learning Curve Steep	2
■ The State of Green Business in Connecticut.	4
■ Beyond “Reduce, Reuse, Recycle”	5
■ Reasons for Going Green.	6
■ Barriers to Green	7
■ Green Metrics	9
■ Green Workforce	10
■ The Future of Green.	10
About the Survey:	
■ Demographics	12
■ Methodology	12
Sponsor Profile:	
■ The United Illuminating Company	13
About CBIA	14

EXECUTIVE SUMMARY

Key findings:

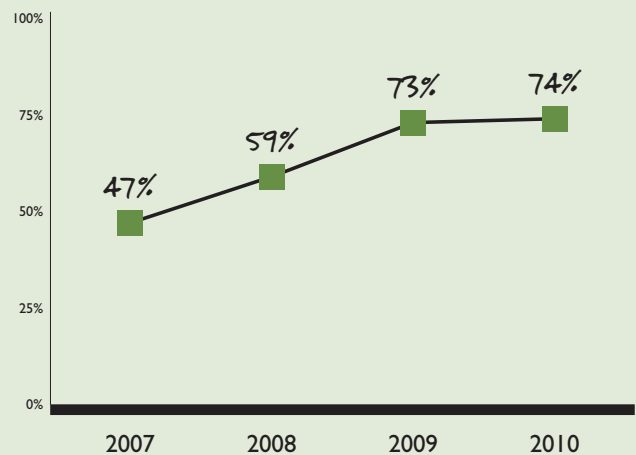
- The majority of Connecticut companies have adopted green business strategies; more of those companies are green producers rather than consumers.
- Energy efficiency is currently the strongest area of business involvement.
- Upfront costs and lack of knowledge are the two primary obstacles companies face in their efforts to go green. The knowledge gap has, in fact, widened considerably since last year.
- Most businesses view their return on investment in green initiatives in terms other than dollars and cents.
- Many business leaders remain unconvinced that customers are sufficiently committed to sustainability to put their environmental concerns ahead of their wallets. With price driving consumer choices, one in five businesses say lack of a clear business case for sustainability is the number-one reason they have not gone green.
- State and federal refunds and tax incentives are

highly favored as a way of enabling more companies to integrate green strategies into their business model.

Business Involvement Steady; Learning Curve Steep

In 2007, when CBIA first began tracking green business

Connecticut green business trends



Percentage of respondents that have adopted green practices

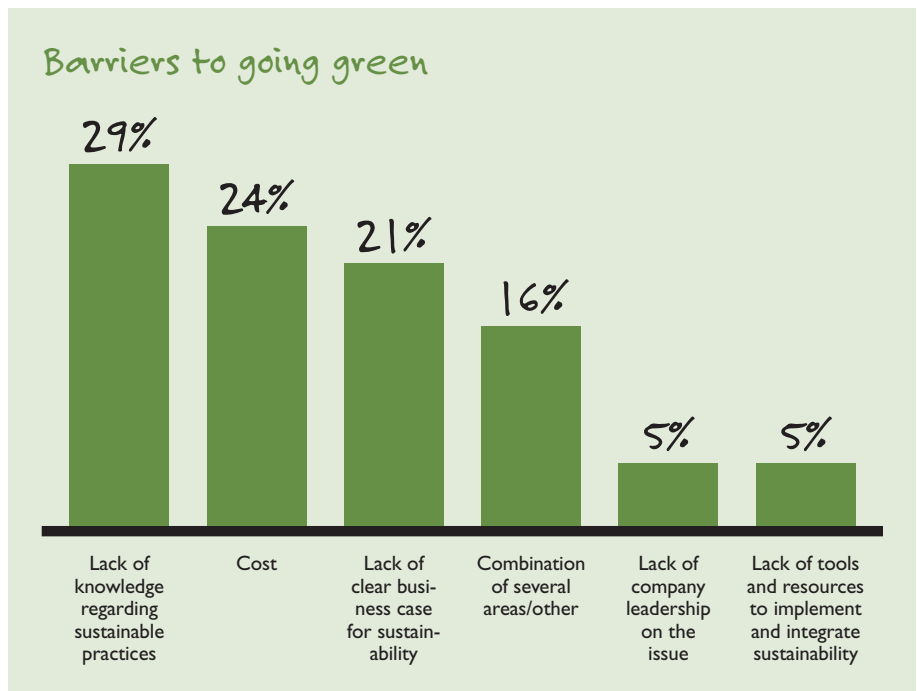
trends, 47% of Connecticut companies reported going green; that number has climbed in subsequent years to 59% in 2008 and almost three-quarters (73%) in 2009. It has held steady over the past year, at 74%, which could signal that corporate sustainability in Connecticut has reached a saturation point, at least for now.

Despite considerable and commendable growth in green business practices and thinking, what constitutes sustainability—and whether the benefits outweigh the costs—remains a mystery to many businesses. Consider some of the findings of CBIA's 2010 *Sustainability and Connecticut Business* survey:

- The single greatest barrier to going green, cited by 29% of respondents, is a lack of knowledge regarding sustainable practices. Though this is down from 2007, when half of all respondents claimed lack of

knowledge was the greatest obstacle to going green, it is up significantly from 2009, when only 10% reported that was the case.

- An estimated 20% of respondents acknowledge that they are unsure whether their company engages in sustainable business practices, defined as “actively reducing consumed resources and waste without



At AT&T, we understand our connection to the communities where we operate. AT&T is deeply committed to strengthening our communities through efforts like volunteerism and environmental sustainability, and we applaud the efforts of the many other companies in Connecticut who share our passion for reducing their environmental impact, increasing opportunities for underserved youth and using technology to develop innovative solutions.

Ramona Carlow

Vice President, Public Policy and Strategy, AT&T



compromising product or service quality, competitiveness, or profitability.”

- Nearly one in ten respondents (9%) are unsure whether their business has adopted green business practices in the products and services they purchase or use. Almost as many (7%) cannot say for certain whether their company has adopted green practices in the products and services they themselves produce or provide.

With so much emphasis and media attention on green business, why are so many companies in the dark?

One explanation for the apparent drop in environmental literacy is that rapid advances in environmental technology, from building construction to fuel source technology, have greatly expanded the possibilities for business sustainability, adding layers of complexity and redefining what it means to be green. Put another way, as the field of sustainability grows and businesses learn more about fully integrating green strategies into their operations, supply chain, R&D, HR, sales, and marketing, they begin to realize how much is left to learn and do.

The current regulatory landscape, pressure from large retailers and OEMs on companies throughout the supply chain, and calls for greater transparency and accountability have also intensified demands on suppliers, manufacturers, and distributors to improve their environmental scorecards. Add to that the recent competition for American Reinvestment and Recovery Act (stimulus) funds to develop green jobs, technology, and infrastructure, and it's clear that the stakes are higher and the green learning curve is steeper than ever.

The State of Green Business in Connecticut

Most Connecticut businesses surveyed report that they engage in sustainable business practices. At least 61% have gone green in the products and services they purchase or use, and an even greater

majority (74% or more) have adopted green business practices in the products or services they produce or provide. (We are establishing 61% and 74% as a minimum, because additional respondents report that they are unsure about their business involvement in green.) Close to half of Connecticut businesses surveyed (44%) have changed or diversified their product line or service delivery to become more environmentally or socially responsible.

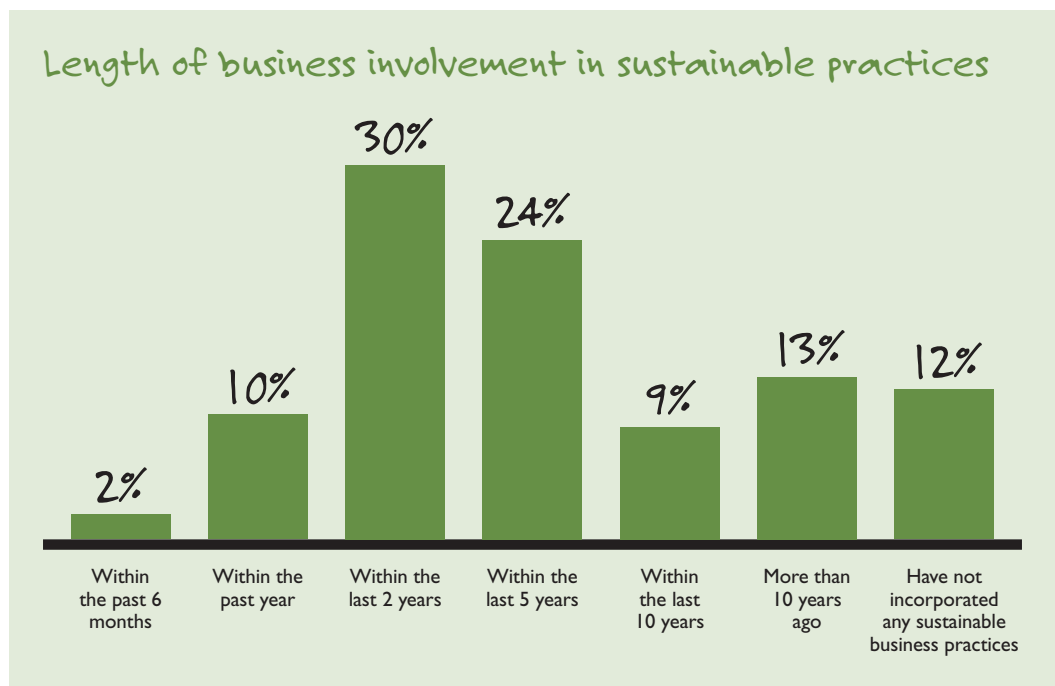
Three-quarters of businesses that have gone green have done so in the last five years, and 65% have made the greatest strides toward sustainable practices over the last two.

Nearly half (49%) report the same level of commitment to green business practices now as before the economic downturn; an additional 14% have made green a higher priority.

At the other end of the spectrum, 18% have made green business practices less of a priority, while 20% claim green business is simply not a priority for them. In a separate question, 21% of companies said the main barrier to going green is the lack of a clear business case for sustainability.

Beyond "Reduce, Reuse, Recycle"

Energy represents the largest area of green business activity among companies surveyed, with 71% already engaged in energy efficiency/conservation and another 16% getting started. The most common measures involve upgrades to lighting (95% of businesses), HVAC (47%), occupancy sensors (33%), furnaces/boilers (32%), motors (25%), air compressors (24%), process equipment (21%), and refrigeration (13%).



The nearly universal switch to energy-efficient lighting can arguably be traced to initiatives such as the U.S. Department of Energy's multistep phaseout of magnetic ballasts for T12 fluorescent lighting fixtures, commonly used in commercial and industrial settings. The phaseout, which began in 2005 and included

Connecticut Energy Efficiency Fund rebates, zero-percent or low-interest financing, and other incentives for lighting retrofits, reaches completion on July 1, 2010. Savings in costs and kilowatt-hours are both immediate and long-term.

In terms of alternative and renewable energy, 15% of companies surveyed use hydropower, 14% each use biomass or wind power, and 12% use solar power.

These figures are up from 2009, when only 10% of respondents overall reported using any form of alternative or renewable energy.

Waste management, green purchasing, and water conservation are other key areas in which Connecticut companies have gone green—identified by 65%, 58%, and 45% of businesses respectively.

The greatest areas of interest for *new* green activity are renewable energy usage (41%), green building, retrofitting, and site planning (26%), and transportation (21%), which includes fleet conversion, modified shipping and transportation demands, and company subsidization of public transportation for employees.

More than one in four businesses allow employees to work from home at least one day per month. Seventy-three percent believe telecommuting is somewhat or very important to enhancing employee satisfaction and retention, and two-thirds believe it is somewhat or very important to increasing employee productivity and efficiency. Interestingly, given these views, 80% of respondents are unlikely to include telecommuting as a future sustainability strategy. According to global research firm IDC, that might be more a reflection of a struggling economy than a rejection of sustainability.

In difficult economic periods, IDC's analysts point out, support for alternative work programs wanes, and more teleworkers begin reporting to their home offices.¹

Reasons for Going Green

We asked Connecticut businesses what motivates them to adopt or expand their sustainable efforts. While their primary goal is reducing operating costs (64% of respondents), nearly as important is their commitment to environmental and social responsibility (57%). Other reasons for going green include enhancing company image (38%), responding to customer requests (20%), anticipating or preempting future regulation (14%), growing market share (13%), and earning government grants, loans, or rebates (11%).

Relatively few businesses (15%) report an increase in revenue from going green. In fact, 13% claim it has hurt their bottom line, and only 18% say it has helped. On the other hand, green initiatives have had a positive impact on businesses' client/customer relationships (45% of companies surveyed), public image (41%), employee morale (39%), and supplier/vendor relationships (23%).

Roughly one-quarter of businesses surveyed say their customers have requested or stipulated that they incorporate green business practices into their supply chain or company policies. Nearly one in ten have had vendors make similar demands.

Specific requests from customers and vendors include provisions for more environmentally friendly products and packaging, optimizing logistical efficiency, the use

¹ Jaffe, Justin and Raymond Boggs. *Telecommuting in Turbulent Times: Returning to the Corporate Office When the Economy Goes Bad*. IDC. June 2009.

of recycled and recyclable materials, fewer chemicals, more organic and solar options, sustainable sourcing/procurement of domestic products and materials to reduce freight costs, paperless processes, life cycle analysis, discontinuation of certain products, certification to ISO 14001 standards of environmental management, and compliance with the European Union's RoHS (Restriction of Hazardous Substances) and WEEE (Waste Electrical and Electronic Equipment) directives.

Most businesses report no impact from going green—either positive or negative—on their customer relationships (55%), public image (58%), employee morale (59%), bottom line (69%), and supplier/vendor relationships (74%). It should be noted, however, that companies *not* currently engaged in green initiatives were included in this response, which would naturally increase the proportion reporting “no effect.”

The majority of businesses that are engaged in green/sustainable initiatives (69%) regard those efforts as a worthwhile investment for their companies. In an open-ended question about benefits from going green, they identified cost savings, time savings, improved customer satisfaction, client trust, better community relations, and enhanced public image. Many also reported personal satisfaction and increased morale, saying “we feel better about ourselves,” and going green is simply “the right thing to do.”

Greening of the American Workplace, a survey conducted by employee benefits and human resources firm Buck Consultants in the fourth quarter of 2009, similarly found that while 94% of employers list cost savings as the most desired return on investment from green programs, 82% and 59% respectively identified community goodwill and improved stakeholder perception as important ROI measures.

Barriers to Green

In an open-ended question, we asked Connecticut businesses what is preventing them from becoming more environmentally sustainable.

UI is a proud supporter of the efforts of Connecticut businesses and residents to become more environmentally sensitive. The sustainability efforts that are evolving on many fronts should make Connecticut a better place to live, work, and do business.

Anthony Marone III

Vice President, Client and External Relations, The United Illuminating Company



The new technologies involved in sustainability have more potential than ever to stimulate job growth across a variety of industries. Today, one in ten companies surveyed acknowledge that adopting sustainable practices has changed their workforce needs. As Connecticut's energy sector and its green economy evolve, we expect those numbers to increase. CBIA's Education Foundation has taken steps to identify the core skills and competencies in greatest demand and align our state's education and training systems to deliver a workforce that meets those needs.

Judith K. Resnick

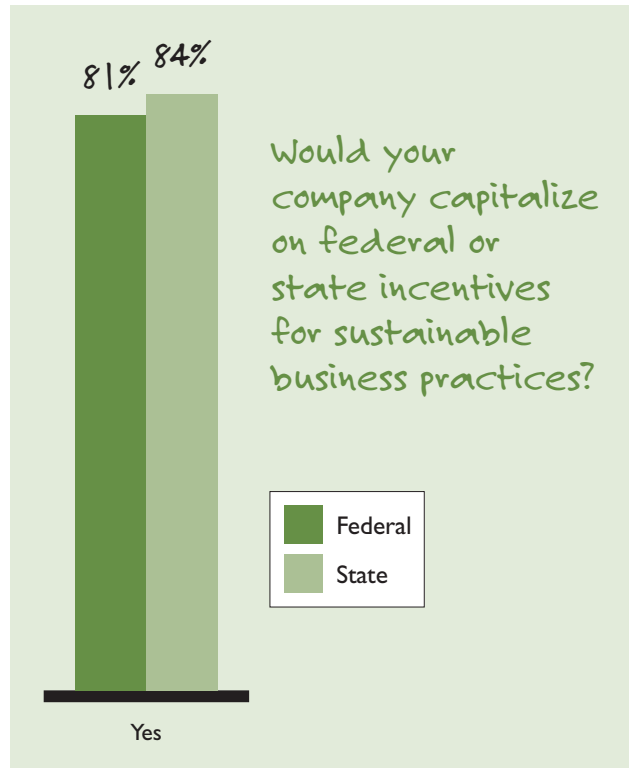
Executive Director, CBIA Education Foundation



Overwhelmingly, cost—and the need to keep expenses down—was a major factor. A sample of responses related to financial barriers:

- “More can be done except for the economy and cost”
- “Customer unwillingness to pay a higher price”
- “Extremely slow business climate”
- “Loss of revenue”
- “Customer pushback”
- “Competition with China—it is hard to be green when society purchases products at the cheapest price”

Regulatory compliance was also repeatedly cited as a cost concern, with the DEP characterized as “unfriendly” to businesses. Though one-third of businesses believe Connecticut's environmental regulatory climate is comparable with other states', 61% say it is more restrictive. In response to this persistent concern expressed by small and large



businesses alike, CBIA led a successful effort during the 2010 legislative session to pass significant legislation designed, in part, to make DEP a more user-friendly agency.

Most businesses (72%) more strongly support individual discretion over federal or state mandates when it comes to business involvement in sustainability. The rest are divided on whether they favor mandates (14%) or are unsure (13%).

By and large, businesses would take advantage of government incentives for going green, with 81% reporting they would participate in federal programs and slightly more (84%) favoring state programs. Tax incentives (70%) and refunds for capital investment (71%) were most strongly preferred, followed by competitive grants (39%), subsidized consultative services (30%), and subsidized training (22%).

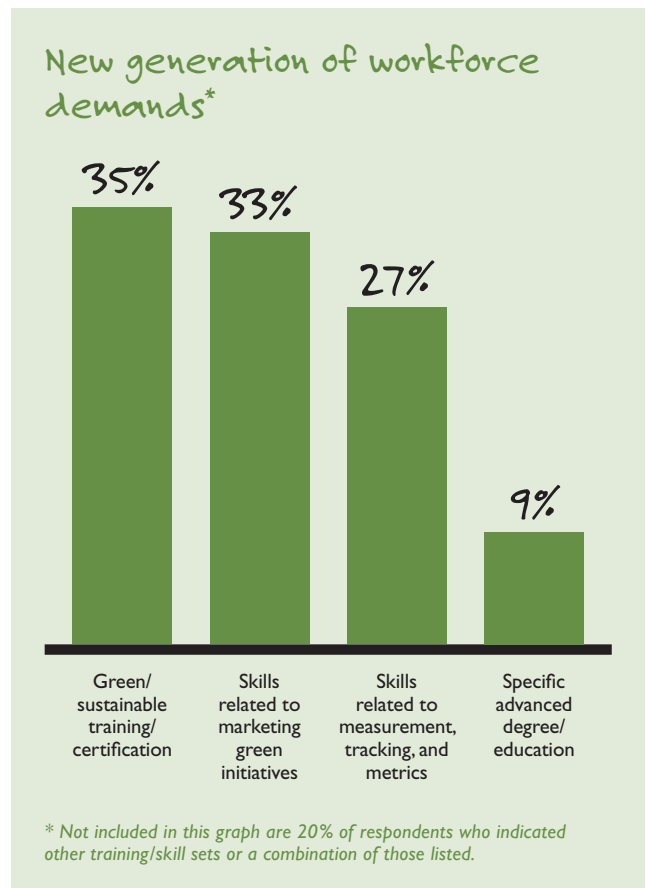
Green Metrics

In addition to cost, a perceived knowledge gap was identified as a significant barrier to sustainability. Part of the problem is that companies are not regularly collecting, analyzing, and aggregating relevant information—a trend noted in other recent studies, such as IBM's annual *Global Corporate Social Responsibility Survey*.

According to CBIA's survey, most Connecticut companies that engage in sustainable business practices either do not measure the effectiveness of those practices (63%) or do not know whether they do (12%). Of the 25% that benchmark effectiveness, common metrics include LEED certification, monitoring energy and water consumption and associated cost savings,

calculating the company's carbon footprint, and comparing quantities of recycled versus nonrecycled waste produced.

Respondents also offered suggestions for tools and resources that would help them better quantify the environmental impact of their operations and gauge their progress. These included various calculators, such as a profit and loss calculator; energy advisors and green consultants; better reporting mechanisms for delivery vehicle usage; and weigh-ins of recycled waste so that pound-for-pound comparisons could be made with the amount of landfill-bound trash that businesses produce.



Green Workforce

Almost one in ten Connecticut companies say that the implementation of sustainable business practices has changed their workforce needs. About a third (32%) are finding job candidates with the necessary green skills within their own industries in Connecticut. At least 16% host training or provide employee tuition reimbursement or other incentives for sustainability education and/or certification, and 8% plan to give preference to job candidates with training, certification, or advanced degrees in environmental studies.

The green skills most in demand involve building operations, weatherization, and the like (35%); marketing (33%); and measurement and tracking of environmental impact and investment (27%).

The majority of companies (88%) do not have an active volunteer “green team,” and most (62%) do not have a staff person in charge of managing or coordinating sustainability efforts. Of those that do, in more than half of all cases (51%) the person leading the agenda is the CEO or COO. The rest are general managers (18%); facilities or maintenance managers (16%); customized positions, such as sustainability officers (15%); health, safety, and environmental professionals (7%); and CFOs (6%).

The Future of Green

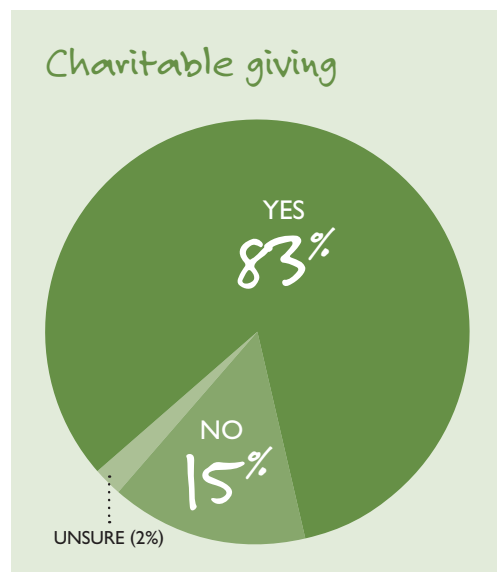
The last year has seen very slight growth—only one percentage point—in the number of Connecticut companies that have adopted green strategies. A battered economy and a back-to-basics ethic can be partly to

blame, though some analysts argue that lingering skepticism about the business value of sustainability is the real culprit.

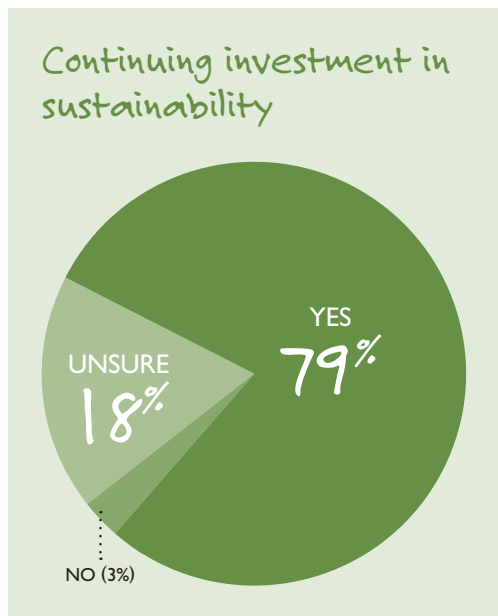
Plain and simple, businesses are not wholly convinced that green is good for business unless they can answer questions such as these: *Will going green save us money? Increase our profit margins? Hurt our bottom line? Do our customers really want greener products and services—and are they willing to pay a premium for them?*

Depending on the business, the answers might range from “yes” to “no” to “we don’t know.”

Sharing best practices and better metrics offers one solution. (As the old maxim goes, you cannot manage what you don’t measure.) At a time when businesses are struggling to make do with less—tighter credit, smaller revenue streams, fewer employees—government rebates, tax incentives, and consumer-funded efficiency programs could go a long way toward greening business operations.



Environmental sustainability is, of course, but one component of corporate social responsibility and citizenship. Most businesses that CBIA surveyed (at least 83%) regularly contribute money, time, or other resources to philanthropic/nonprofit organizations, and 71% encourage employee involvement in the community, through work with local charities or volunteer programs.



Of those businesses that have adopted environmental practices specifically, 79% believe sustainability will remain a key part of their growth and investment strategy in the future, while 18% are unsure.

Our next survey will examine not only whether green business has leveled off, in terms of the percentage of

Connecticut companies involved, but also whether companies are involved more broadly and deeply (or less so); whether confidence in the business value of sustainability has eroded, grown, or stayed the same and whether certainty or uncertainty about the economy is reflected in it; and whether the green knowledge gap has continued to widen or begun to close.

At Northeast Utilities and its subsidiaries, CL&P and Yankee Gas, we want to be advocates for our energy customers, providing them with information and insights to make better use of their energy resources. At a time when we all face unprecedented economic, environmental and social challenges, we believe that NU can be a source of sustainable solutions that successfully address costs, the environment, energy independence and reliability.

Patricia McCullough

Director of Corporate Sustainability,
Northeast Utilities



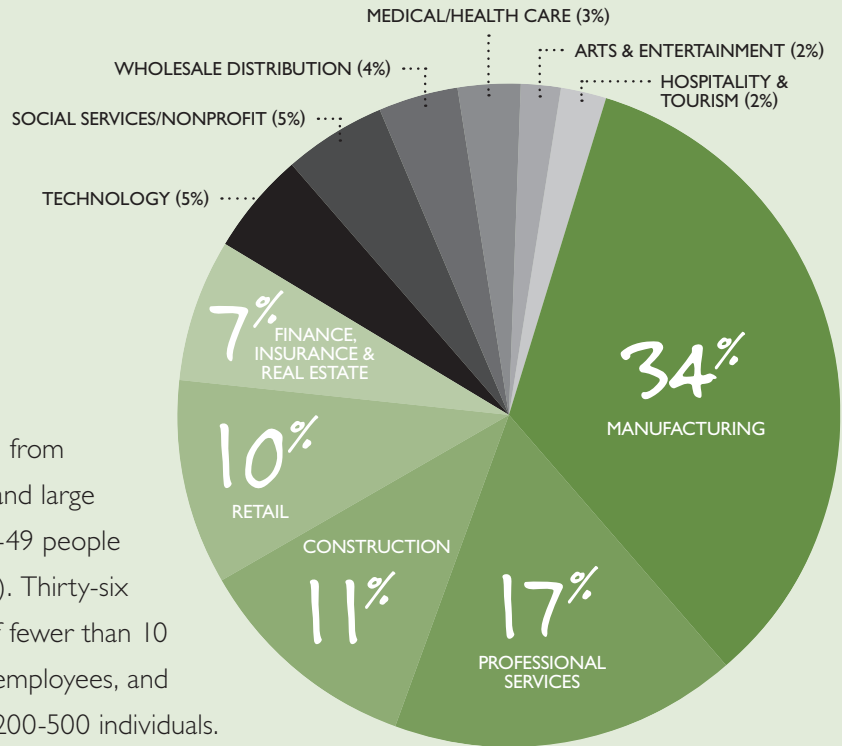
ABOUT THE SURVEY

Demographics

Companies surveyed ranged from microbusinesses to midsize and large employers. Most employ 10-49 people (45% of survey respondents). Thirty-six percent have a workforce of fewer than 10 employees, 8% have 50-99 employees, and 5% each have 100-199 and 200-500 individuals. One percent employ more than 500 people.

Various industries are represented, with businesses identifying themselves this way: 34% manufacturing, 17% professional services, 11% construction, 10% retail, 7% finance, insurance, and real estate, 5% each in technology and social services/nonprofit, 4% wholesale distribution, 3% medical/health care, 2% arts and entertainment, and 2% hospitality and tourism.

For more information or additional copies of this report, please contact Jason J. Giulietti at CBIA (860.244.1900) or visit cbia.com/green to download the report.



Methodology

This survey was e-mailed in April 2010 to approximately 3,000 companies throughout Connecticut; 391 surveys were returned, for a response rate of 13.0%.

The percentages cited in this survey relate to the number of respondents answering each question; thus the sample size for each question varies. In addition, all figures are rounded to the nearest whole number and may not total 100%. The margin of error is +/-5.1%.

SPONSOR PROFILE

The United Illuminating Company

The United Illuminating Company (UI) is a New Haven-based regional electric distribution company established in 1899. UI is engaged in the purchase, transmission, distribution and sale of electricity and related services to more than 325,000 residential, commercial and industrial customers in the Greater New Haven and Bridgeport areas. UI's parent company, UIL Holdings Corporation, is traded on the New York Stock Exchange under the symbol UIL.

Visit uinet.com.

ABOUT CBIA

Connecticut Business & Industry Association

CBIA is Connecticut's largest business organization, with 10,000 member companies. Our public policy staff works with state government to help shape specific laws and regulations to make Connecticut's business climate competitive and support job creation. Our councils, committees, and roundtables give our members forums in which to become involved in the legislative and regulatory processes.

One of the most important functions of CBIA is to provide our members with information that can help them better manage their businesses. We conduct training seminars and workshops; arrange for consulting services; and hold conferences on environmental regulations, health and safety, human resources, compensation and benefits, taxes, energy, and health care. Our free telephone consulting service gives members access to our experienced staff

of professionals on a wide range of business topics.

Many CBIA members take advantage of our employee benefits plans, discount programs, and group purchasing opportunities. These include innovative health and dental insurance programs as well as other insurance lines, retirement plans, a COBRA continuation program, an eyewear savings plan, group energy purchasing, and member discounts on everything from packaging materials to background checks.

CBIA's green initiatives

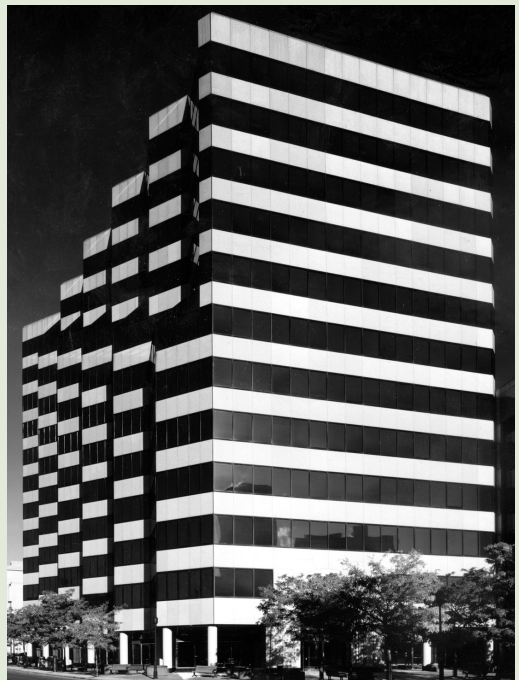
CBIA works to ensure that Connecticut businesses are knowledgeable, compliant, and well-positioned to take advantage of emerging green economies and investments. In particular:

- Our **Environmental Policies Council** (cbia.com/epc) connects business leaders with environmental experts, regulators, and state and federal policymakers. The EPC is

the voice of business and industry on environmental issues from stormwater to brownfields.

- Our virtual **Green Business Center** (cbia.com/green) features green vendors, news, best practices, and special incentives for CBIA member companies.
- Our **Education Foundation** (cbia.com/edf) headed up the curriculum design for the Academy of Engineering and Green Technology, which opened at Hartford Public High School in 2008 with more than 350 students. More recently, we have assembled the Connecticut Energy Workforce Development Consortium—comprised of traditional and alternative energy company executives, manufacturers, students, faculty, and workforce investment boards—with the goal of growing a skilled workforce for the energy sector by defining needs and developing appropriate competency models and certifications. The Foundation has also created multimedia teaching materials on energy-sector careers, and is conducting an environmental scan of the workforce development issues facing Connecticut's energy sector.

Visit cbia.com.

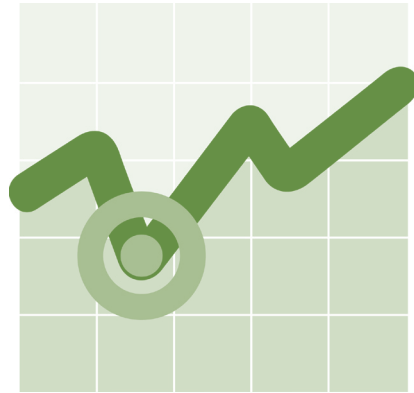


Lower Your Electric and Gas Bills

How do we do it?

The CBIA Energy Connections program provides our members with the most efficient and effective electricity or gas purchase process available anywhere. We put market competition to work for you through our unique Internet-based auction, where Connecticut-approved electricity or gas suppliers actively compete for your business. That means you're getting the lowest price—every time!

We have helped over 600 of our member companies purchase more than \$300 million of electricity and natural gas in the competitive marketplace. Call us to see what we can do for you.



CBIA ENERGY
C O N N E C T I O N S

Programs for member companies of all sizes

- Group purchase program for small to medium electricity users
- Internet-based auction process for larger electricity and natural gas users



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