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Values

Walden Asset Management ❁ Investing for Social Change Since 1975

Nevada's Ocean Views

Walden Asset Management
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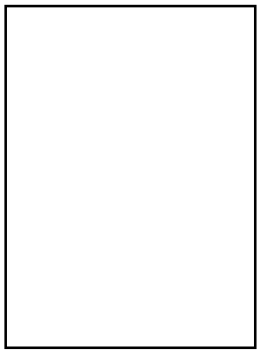
Here's what companies' directors have to worry about these days: accounting scandals ... earnings problems ... oh, and global warming. . (*Wall Street Journal*, 5/7/2003)

Emissions of greenhouse gases, most commonly carbon dioxide and methane, capture energy radiating from the earth and trap heat in the atmosphere. This threatens to create disastrous changes in weather patterns. The Intergovernmental Panel on Climate Change, established by the World Meteorological Organization and the United Nations Environment Programme, concluded in 2001 that "There is new and stronger evidence that most of the warming observed over the last 50 years is attributable to human activities." (See chart, page 6.) The scientific assessment of the human contribution to climate change is now widely accepted, and legislation, regulation, litigation, and other responses to climate change are foreseeable.

In Walden's Boston office, especially this past winter, it's been hard to worry about anything as intangible as global warming. No doubt Bostonians would have celebrated the greenhouse effect, if only it could have quickened spring's arrival. The sad truth, however, is that the impact of global climate change on weather patterns is anything but pleasant. Climate change creates unpredictable, extreme weather, greatly impacting water resources, agriculture, habitats and creating flooding, drought and desertification. Tropical pests like mosquitoes will be in their hayday, and with them such diseases as malaria, dengue, and river blindness. Coastal areas are already becoming uninhabitable from rising ocean waters and devastating typhoons. And, as with so many environmental problems, the impacts may be disproportionately felt by the poor, who have limited resources to adapt.



Meredith Benton is a new member of Walden's social research and advocacy team. Previously, she worked as a Research Associate for a policy consulting company, assessing the risks and opportunities in corporate responses to climate change.

In 1992 the ratifiers of the United Nations Framework Convention on Climate Change, including the U.S., agreed to the principle that developed countries bear a greater burden for emissions reductions than developing countries. The Kyoto Protocol, negotiated in 1997, set differentiated reduction targets for each country. The U.S. agreed to, but did not ratify, a 7 percent greenhouse gas emissions reduction against a 1990 baseline. The Protocol will go into force when at least 55 countries representing at least 55 percent of global emissions ratify. At this writing, 109 governments have ratified, representing 43.9 percent of global emissions. Russia is expected to join this group in the summer, bringing the Protocol into force by the end of the year. Kyoto's reductions will not stabilize the climate, but are seen as an important first step.

According to the United Nations Department of Public Information, the U.S. is the single largest emitter of greenhouse gases, accounting for 36.1 percent of global emissions. Shortly after President George W. Bush took office, he renounced U.S. involvement in the Kyoto Protocol. Instead, the U.S.'s program focuses on a voluntary system with market-based incentives.

The lack of firm

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About Walden Asset Management

Walden Asset Management is the socially responsive investment division of United States Trust Company of Boston. Walden began offering socially responsive investment services in 1975. We are among the largest and most experienced investment managers specializing in services for individual and institutional investors with social concerns.

About This Newsletter

This newsletter is designed to share our thinking about trends and issues in socially responsive investing and to generate dialogue with our readers. We invite you to comment on any article in the newsletter by calling your portfolio manager (617-726-7250) or by writing Heidi Soumerai or Meredith Benton, co-editors, at the following address: Walden Asset Management, 40 Court St., Boston, MA 02108. FAX: (617) 227-3664.

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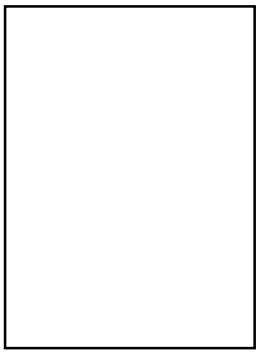
After War in Iraq

Hindsight will soon afford us a better understanding of the impact the Iraq War has had on our economy and global political relationships. For now, it is a matter of conjecture, but let us look at some long-term trends.

In the early 1980s, the Federal Reserve's restrictive monetary policy broke historically high interest rates (over 20 percent for short-term funds) and led to the most severe economic contraction since World War II. Though that recession was painful, it ended the inflationary spiral that began fifteen years earlier with the Vietnam War when LBJ chose guns *and* butter over guns *or* butter. Over the last twenty years, however, inflation and interest rates have declined, productivity has increased, and economic recessions have been less frequent and severe than those of earlier periods. This favorable era of gentler business cycles and strong growth has been reinforced by expanded world trade, the demise of communism, the emergence of market oriented economies, and shifts in production of goods to lower cost regions; in short, the zenith of capitalism.

The Iraq War may not necessarily have a lasting, material impact on these established trends. It is not in the self-interest of the industrialized world, especially the countries with newly emerging capitalist economies, to reduce ties to the United States. Nor is it in our interest to reduce ties with them. Furthermore, there is no reason to expect the pace of technological innovation will slow or key central banks will abandon non-inflationary policies that have thus far been a success.

Still, the risk that this long period of steady growth is now near an end seems higher today than at any time in two decades. First, the Bush Administration's National Security Policy enunciated in September 2002 (required reading for the politically concerned at http://www.whitehouse.gov/nsc/nss.pdf) calls for a policy of action that is both "pre-emptive" and "unilateral" in advancing U.S. security interests—a policy we saw implemented in Iraq. Second, this policy has been accompanied by passage of the Patriot and Homeland Security Act and other responses to the heinous terrorism of September 11th, 2001 designed to ensure domestic security. Together these actions, while now not too costly, are bound to affect our way of life. They require a continuous flow of economic resources to activities that neither advance productivity nor political and economic freedom—the very incubators of a vibrant economic system. While one can argue about both the efficacy and social implications of such policies, the economic cost is almost certain to be high. In the long run this is likely to be measured in more inflation, higher interest rates and lower growth. Add to this the Bush Administration's call for tax cuts that are unsustainable, and deficit spending to fund military budgets, and the notion of an end to the favorable environment of the past 20 years becomes more convincing.



Stephen Moody is a Senior Portfolio Manager and serves on Walden/USTC's Social Planning and Policy Committee.

Meanwhile, for the many non-Americans who lack confidence in our benign intentions, America becomes a state—with weapons of mass destruction—that must be contained or balanced. This also bodes ill for global productivity, as others also redirect investment from productive activity to security needs. Further, it undermines multilateral cooperation and thus world trade, whether out of legitimate security concerns or fear, military conflict, or most importantly, political or isolationist impulses. It also reduces security as terrorists, targeting U.S. imperiousness, find recruits more easily and hostile nations consider pre-empting the pre-emptor.

All of these risks, however, are reversible with wise, post-Iraq War policies or more multilateral behavior by our government. So for the moment, we consider this pessimistic case to have a low probability. But we do not feel much more certain either of Thomas Friedman's

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Albina Community Bank

'We do Good Things With Your Money'

The Albina neighborhood was at one time a hub of social and economic activity in Portland, Oregon. It has represented new beginnings for immigrants of many diverse cultures, including African, British, Greek, German, Hungarian, Irish, Italian, Polish, Russian and Scandinavian. The area thrived as a manufacturing and shipping center and a working class haven. However, over time, it also suffered decline and upheaval from land use changes, fundamental transportation issues, social friction and a withdrawal of capital from the community. Under these trying circumstances, Albina in the 1960s became a blighted neighborhood in need of help.

In December 1995, Albina Community Bancorp opened its sole subsidiary—Albina Community Bank (ACB) with the initial financial support of our many concerned investors and the NE Portland Community Development Trust. As the only commercial banking company in Oregon, Washington and Idaho which is certified by the US Treasury as a Community Development Financial Institution—and just 1 of 55 Community Development Banks—ACB had unique tools available to help rebuild the Albina community.

Following its Mission Statement to accelerate the redevelopment of North and Northeast Portland while ensuring that low and middle income families and small business owners share in the community's economic upturn, ACB provides commercial and consumer banking services to businesses, individuals, developers and over 400 non-profits. From low minimum-balance accounts to ACB's Scholastic Plastic ™ credit card that contributes back to Portland's financially troubled school system, to down payment assistance and first time home buyers programs and its Fresh Start Revolving Loan Fund for struggling small businesses, Albina Community Bank is fulfilling its mission. Its staff of 35 are as diverse as the community served, speaking 18 languages, while demonstrating their commitment to our community by volunteering nearly 2,200 hours in 2002 for various good causes.

As committed as it is to its community, Albina Community Bank realizes it cannot succeed in its mission without first being a successful bank. ACB currently services about 3,000 individual accounts along with 1,300 business and public funds accounts. On December 31, 2002, total deposits reached $70,353,000, an increase of 38 percent, while total loans grew to $63,104,000, up 33 percent. For the year, net income of $986,000 enabled equity to grow to $6,124,000 and provided diluted earnings of $2.62 per share of common stock.

But the true success of a community bank is told through its customers, such as the loyalty of Henry Scott and his family. Henry, the owner of a long-established NE Portland business, banks with ACB. So do his daughter and son-in-law, Bernadette and Baruti Artharee. Their son, Hasan, is also a customer and his 3-year old son, Isaac, will soon add a fourth generation of bank customers. Now that's loyalty.

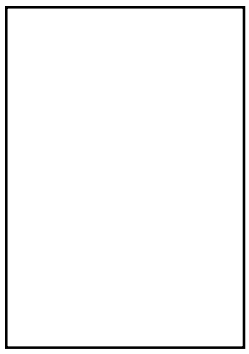
Then there's Seana Lane and Alan Shaffer, who saw a business opportunity in their neighborhood, but had trouble convincing their bank that their idea for a restaurant delivery service was a good loan risk. Utilizing the SBA's Service Corps of Retired Executives (SCORE), they developed a business plan for Delivered Dish; however, despite their prior experience in the restaurant industry, none of the banks they spoke with expressed any interest until SCORE referred them to Albina Community Bank. According to Alan, ACB was "the answer in every way." Today, Delivered Dish is successfully outsourcing delivery services for 20 area restaurants.

By serving the needs of customers like these and many more, Albina Community Bank has been a leader in redeveloping the Albina neighborhood. The Bank is committed to its mission and looking to expand it into new communities, like Albina, in need of similar support. Albina does good things with your money.
–M.Lauinger

Mike Lauinger is SVP and Chief Credit Officer at Albina Community Bancorp. For more information, please contact Neal McLaughlin, SVP & CFO, at 503-288-8495, 503-287-0447 fax or at nmclaughlin@albinabank.com.

Through our Community Development Investment Service, Walden clients have invested over $8 million in community development banks, credit unions, and loan funds. We are pleased to have included Albina Community Bancorp in this service.

Stockholders Rally



Heidi Soumerai is Director of Walden's Social Research group. She also co-chairs our Social Planning & Policy Committee.

What has happened to the "typical" company annual stockholder meeting? Isn't it the occasion for management to demonstrate its PowerPoint prowess with feel-good business presentations and to proclaim overwhelming shareholder approval as the proxy results are announced?

Not anymore. This proxy season investors are casting more votes *for* shareholder resolutions, or *against* management, on social issues and corporate governance reforms than in any previous year. Record levels of support of 20, 40, 60, even 80 percent have been realized on topics from climate change risk to equal employment opportunity polices, from stock option expensing to annual election of directors. The 10 percent threshold—once extolled by shareholder advocates as *the* level of significant support because it allows continued access to the proxy—has yielded to new measures, including majority support. Investor passivity and indifference to proxy responsibilities has seemingly vanished, and corporations should take notice.

American Electric Power (AEP) is the largest electric utility and consumer of coal in the country, and the industry's highest emitter of carbon dioxide. At its annual shareholder meeting, 26.9 percent of shareholders called for AEP to report on the risks of greenhouse gases and other emissions and the benefits of a substantial reduction in such emissions. At **Cooper Industries**, 44.3 percent of voting shareholders supported a resolution requesting a "sustainability report," double the vote of a similar proposal in 2002. Sustainability reporting incorporates comprehensive social and environmental monitoring along with financial information. At many annual meetings, shareholder majorities have supported new resolutions requesting companies to expense stock options; not doing so contributed significantly to misleading financial statements and fueled excessive executive pay.

This growing investor disquiet has also benefited Walden-led initiatives. At New York-based **Dover**, 42.8 percent of voting shareholders in April backed Walden's request to amend its nondiscrimination policy to explicitly include sexual orientation. As with Cooper, this vote is among the largest ever in favor of a shareholder proposal on a social issue when management recommended voting against the proposal. The vote sends a strong signal to management that shareholders care deeply about Dover's reputation for inclusiveness and its ability to attract employees from the widest pool of talent. With 9 out of 10 of the Fortune 100 explicitly prohibiting discrimination based on sexual orientation, and with the Sexual Orientation Non-Discrimination Act enacted in New York State last December, Dover would do well to heed this non-binding appeal from its owners. A similar Walden-led initiative at **FedEx** led to its adoption of an inclusive policy without going to the proxy—a much more decisive victory for employees, shareholders, and ultimately, for FedEx.

Our **Avon** resolution requesting annual election of each Board member instead of staggered (or classified) elections, which aims to increase director accountability, was favored by 80.5 percent of shareholders. One of the highest votes in U.S. corporate history, this "post-Enron era" support signals that shareowners are exercising their rights and responsibilities to press diligently for better governance and greater corporate responsibility. Avon CEO Andrea Jung noted a "groundswell" of support for the annual election of directors and committed the Board's Governance Committee to a serious review of the issue. In his presentation at the Avon meeting, Walden's Tim Smith read from **Pfizer**'s 2003 proxy statement in which that company acted to repeal its staggered board: "All Directors should be equally accountable at all times for the Company's performance and that the will of the majority of shareholders should not be impeded by a classified board.... Because there is no limit to the number of terms an individual may serve, the continuity and stability of the Board's membership and our policies and long-term strategic planning should not be affected."

Active investors are being heard. Indeed, they are redefining the "typical" annual meeting.

–H. Soumerai

Walden's Leadership Fosters Corporate Change
Progress in the 2003 Proxy Resolution Season

Issue	Progress & Results
Climate Change: Emissions of greenhouse gases (most commonly carbon dioxide and methane) trap heat in the atmosphere, and threaten to create disastrous changes in weather patterns. Research is proliferating that indicates that companies taking steps to address the risks associated with global climate change will benefit from enhanced shareholder value.	As a part of the Carbon Disclosure Project, Walden, along with 34 other institutional investors, asked the **FT500 Global Index companies** to discuss their response to climate change and its associated risks. The resulting data indicates that companies without response plans are increasingly falling behind industry standards. Walden withdrew its resolution at **Occidental Petroleum Corporation** based on the understanding that climate change impact and carbon disclosure would be discussed more fully in its 2002 annual Health, Environment and Safety report.
Mercury Pollution: A known neurotoxin, mercury can disrupt fetal and child-brain development and permanently impair mental abilities.	**SUPERVALU** provided public confirmation that sales of mercury thermometers have been phased out at all of its retail and distribution companies. Walden estimates that 89 percent of all pharmacy chain stores have now phased out such sales.
Computer Recycling: As computers, which have relatively short life spans, become more ubiquitous, the disposal of computer equipment will have an increasingly large impact on the waste stream.	Walden was involved in a dialogue led by Calvert Group and As You Sow Foundation, through which **Dell Computer** agreed to measure the recycling rate of the computer equipment it sells, and to establish equipment recycling goals by March 2004. Dell will be the first computer company to establish this type of recycling goal.
Diversity/Equal Employment Opportunity (EEO): Despite progress in hiring and promoting women and people of color, senior management teams remain largely white and male. Lesbians and gay men also continue to face significant discrimination at work. Increased inclusiveness and transparency on policies, practices and results will help break glass ceilings and foster a workplace free of discrimination.	**Illinois Tool Works** agreed to develop an employee relations/diversity section on its Web site and provide EEO information on request. Positive dialogue, led by the Sisters of the Blessed Sacrament, highlighted **Merck**'s commitment to foster corporate diversity and ensure accountability. **FedEx** is amending its policies and guidelines to explicitly include a prohibition against discrimination based on sexual orientation. 42.8 percent of shares voted in favor of a proposal at **Dover** for an inclusive non-discrimination policy on April 22. This is among the largest positive votes ever on a social issue when management recommended voting against the proposal.
Global Labor Standards and Human Rights: Retailers face growing pressure to take responsibility for ensuring that their factories or suppliers do not manufacture products under sweatshop conditions, and do not use child or slave labor. Companies are urged to adopt International Labor Organization principles and to implement independent monitoring and reporting.	**Unocal Corporation** announced that it would adopt new principles addressing a wide range of labor and employee practices. Walden and our clients were involved in filing both this year's resolution and the 2002 resolution, which received 32.8 percent support. **Federated Department Stores** committed to writing its suppliers of handmade carpets manufactured in India, Nepal, and Pakistan, urging them to become members of RUGMARK, an independent monitoring organization. Federated will also begin to educate its sales staff about RUGMARK.
International Health: The health pandemic in Africa is devastating entire communities. Lowered employee productivity also creates a financial incentive for companies to put in place strong health and preventative plans.	In response to our resolution, **Colgate-Palmolive** has agreed to include a section on the HIV/AIDS pandemic in Africa in its 2003 global sustainability report. The section will describe Colgate's policy and some of its initiatives to address the terrible human suffering and loss in Africa due to HIV/AIDS.
Corporate Governance: Staggering director terms over multiple years prevents shareholders from annually registering their views on the performance of the board collectively and each director individually. Voting for each director every year assures accountability to shareholders.	**BJ's Wholesale Club** has committed to a Board-level review of its classified board and **McDonald's Corporation** agreed that the Nominating and Corporate Governance Committee will undertake an analysis of the issues relating to a staggered board. Walden's resolution at **Gillette** calling for the annual election of Directors received 64 percent of the vote and at **Avon Products**, an overwhelming 80.5 percent.
Transparency & Disclosure: Increased transparency and accountability are important prerequisites for investors to make prudent investment decisions about the companies that they own.	Walden participated in a resolution at **YUM Brands** calling for a transparent review of policies, programs, and practices related to social, environmental, and economic sustainability throughout the company's supply chain that received 35.2 percent of the vote.

Ocean Views

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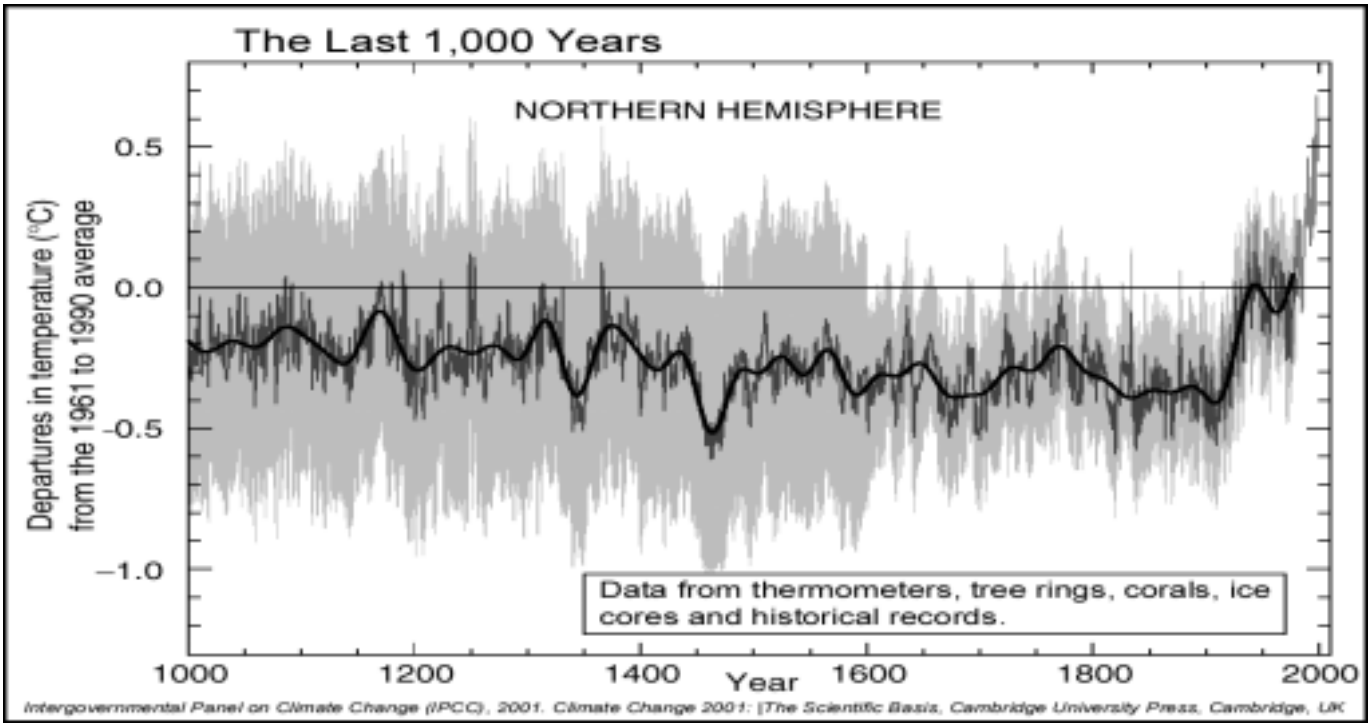
guidelines is negatively impacting the long range planning capabilities of companies with traditionally large greenhouse gas emissions, such as vehicle manufacturers, the petroleum industry, and electric utilities. This includes the Clean Energy Group, a coalition of electric utilities, which has testified before Congress asking for legislation relating to climate change. As Frank Cassidy, COO of PSEG (Public Service Enterprise Group) stated "Our business issue for the Company," in its 2000 Corporate Citizenship Report. The company has conducted an independently verified emissions inventory, has set reduction targets, and is encouraging the emissions trading market. Ford still has a long way to go, and is aware of a need to lower the emissions created by the use of its products. Entergy has conducted an emissions inventory, set reduction goals, worked on internal and external reduction projects and, as a member of the Clean Energy Group, advocated for mandatory

Variations of the Earth's Surface Temperature



Intergovernmental Panel on Climate Change (IPCC), 2001. Climate Change 2001: [The Scientific Basis. Cambridge University Press, Cambridge, UK

industry needs to know now what the future environmental requirements will be in terms of the amount of reductions and the timetable. The issue boils down to one of business certainty for both the electric power industry and the capital markets we turn to for financing of new generating projects."

Despite the lack of legislation from the U.S. government, a wide range of companies are taking the lead and responding proactively to climate risk. Ford Motor identified climate change as a "key strategic environmental and controls. Nike has stated; "Designing and mapping the metrics of things like CO_2 emissions gives us a competitive edge and helps us achieve our goals for corporate world citizenship and profitability. Many companies don't know what their CO_2 footprint is." The company has set reduction goals, designated staff specifically to the issue, sponsored external emissions reduction projects, reduced energy use internally and in its products.

As BP, the first company in the petroleum industry to accept the necessity of action on climate change, states on its web site, "It is not enough, however, to rely on the leadership of politicians. Business needs to play a responsible, active role and to show leadership in finding solutions and putting them into practice."

Unfortunately, while some companies are voluntarily responding with increased attention to the issue, a lack of government leadership enables ExxonMobil, Unocal, Caterpillar, Southern Company (and the list goes on) in their laissez-faire attitudes. In the Carbon Disclosure Project 35 institutional investors (including Walden), representing over $4.5 trillion in assets, asked the FT500 Global Index companies to discuss their response to climate change and its associated risks. Over 220 companies responded to the questionnaire. Of these, 80 percent acknowledged climate change as a business risk and 35-40 percent had plans in place to decrease their exposure to these risks. The Project's data indicates that companies without response plans are increasingly falling behind industry standards. Companies who wait for legislation are being left behind: in market

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Ocean Views

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opportunities, on the learning curve, and in preparation for the long-term risks of regulation and litigation.

Research is proliferating which shows companies taking steps to address the risks associated with global climate change will benefit from enhanced shareholder value. (See, for examples, CERES's *Value at Risk: Climate Change and the Future of Governance*, WRI's *Changing Oil: Emerging environmental risks and shareholder value in the oil and gas industry,* Claros Consulting's, *Sleeping Tiger, Hidden Liabilities.*) Underscoring the risks relating to climate change, concerns are being expressed by industries not normally active on environmental issues. After witnessing the strong support that shareholders have given global warming resolutions Swiss Re, a leading reinsurance company, has issued a questionnaire to its customers asking about their preparedness to deal with potential greenhouse gas legislation.

For those companies needing additional encouragement, concerned investors filed 30 shareholder resolutions on climate change in 2003 at 27 companies. They include energy, transport and other industries. The early voting returns are unprecedented. As of May 30th, the following votes of support had been recorded: American Electric Power, 26.9%, General Electric, 22.6%, Canadian steel manufacturer IPSCO, 49%, TXU, 24.2%, ChevronTexaco, 32%, ExxonMobil, 22%. In addition, a coalition of state and city treasurers and comptrollers, representing approximately $130 billion in investments, will be convening a fall summit for investors to assess climate risks.

Despite the lack of U.S. legislative foresight on this issue, business remains under task to respond to climate change. Active shareholders are ensuring that their companies address this issue, by concentrating on the business risks associated with climate change and by showing consistently strong support for climate change related proxy resolutions. Apparently, investors just aren't excited by the idea of vacationing at a seaside resort next to the Monte Carlo.

–M.Benton

After Iraq

(continued from page 2)

optimistic case; that the ousting of Saddam Hussein, if post-war reconstruction of Iraq is done well, could contribute to a stable, democratic renaissance in the Middle East. With that scenario would come a loss in legitimacy of terrorist activity and better behavior on the part of the other so-called "rogue" states.

What is the role of socially concerned investors and citizens in shaping the future of the U.S. economy and its global relationships? As investors, we must hold U.S. multinationals to the highest economic, social, and environmental standards wherever they do business. As purveyors of our culture and leadership, their actions are the determinant of world opinion about the United States. As citizens, our task is to exact constructive multilateral policies from our representatives, our leaders, and our institutions, and hold them to the best of our patriotic notions of liberty and justice for all and government "of the people, by the people, and for the people."

–S.Moody

Walden's Active Response to Climate Change Risk

Walden is working to make sure that business leaders are aware that addressing climate change is increasingly urgent.

Dialogues and Shareholder Resolutions

Walden's work has included ongoing dialogues with many companies in a variety of industries. Our 2003 resolution at Occidental Petroleum was withdrawn based on the commitment that climate change impact and carbon disclosure would be discussed more fully in Occidental 's 2002 annual Health, Environment and Safety report. Walden continues to press even environmental leaders, like BP, to work proactively on climate change.

Voting of Shareholder Proxies

Walden takes seriously its fiduciary duty to ensure that proxies are voted responsibly. On the issue of climate change, Walden's policy guidelines generally support resolutions calling for company disclosure or action to reduce greenhouse gas emissions.

Providing Technical Support

Walden provided key technical support to an investor/activist coalition as they worked to increase shareholder support for climate change resolutions. As a part of this effort, Walden presented to Institutional Shareholder Services (ISS), a key proxy advisory service that influences major institutional investors. As a result, ISS supported climate change resolutions submitted to ChevronTexaco (32 percent shareholder support) and ExxonMobil (22 percent shareholder support).

Climate Change Specific Screening

Walden carefully considers a variety of corporate behaviors related to climate change, including: Acknowledgement, Board involvement and oversight, Transparency, and Public policy development as well as Actions in response, including measurement, reduction targets and reduction projects.

Cutting Edge Companies
Baldor Electric

This column highlights companies in the business of providing solutions to social and environmental challenges. Featured companies are typically held in the SmallCap Innovations portfolios offered to Walden's clients.

Baldor Electric is one of few companies with a product line that could directly help cut U.S. emissions of carbon dioxide. Founded in 1920, Baldor Electric is the leading North American manufacturer of industrial electric motors. Baldor's motor sizes range from fractional horsepower motors for small surgical tools used in operating rooms to multi-hundred horsepower motors used by large manufacturing plants. Baldor relies on product innovation to maintain its revenues, and energy efficiency is a key component of its innovation.

Baldor offers two energy efficient features in its motors: The first is improved design that cuts energy use directly; the second is a variable (or adjustable) speed feature to its motors. The variable speed feature is literally that—optimizing energy output to the power needed. Variable speed helps avoid wasting energy by running motors at higher outputs than required. Variable speed drives also extend the life of a motor. Because the cost of electricity to power a motor over its lifetime is about 30 times its initial purchase price, an energy efficient motor saves money and reduces energy use as well as reducing emissions.

Baldor's Super-E motors, first introduced 20 years ago, are probably the most efficient available, using about 5 percent less electricity than conventional motors. Baldor offers customers a software tool to choose the appropriate motor for a specific application and to determine the payback period from cost savings on energy (compared to the customer's current motor), which helps serves Baldor's own interests too.

About 30 percent of U.S. energy use is by industry, and Baldor estimates that 60 percent of industrial electricity is used to power motors. Thus, a switch to Baldor Super-E motors would cut U.S. energy use, and the associated carbon dioxide emissions, by about 1 percent or more.

While weathering the U.S. manufacturing recession, Baldor recently made two acquisitions that extended its motor business to the generator market, offering products with output up to 2000 kilowatts. Baldor then introduced its variable speed technology to its OptiGen line of generators, providing another set of customers with energy efficiency benefits.

Baldor also has relatively strong workplace practices. *Fortune* magazine's list of "100 Best Companies to Work For" in 1999 commended Baldor for offering universal stock options and strong training benefits. Employees, who are non-union, also participate in a profit sharing plan. More unusual is Baldor's commitment to an innovative workplace literacy effort helping all employees reach an eighth grade reading level, and then extending the program to employees' families.

–K.Scott

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