

**From:** Marlo Newman Marlo@MarloNewman.com   
**Subject:** Fwd: REPORTS DOCUMENTING SUSTAINABILITY'S POSITIVE IMPACT ON SHARE & BRAND VALUE  
**Date:** March 3, 2014 at 10:21 PM  
**To:** brent.anderson@meritagehomes.com, hilla.sferuzza@meritagehomes.com, Cr Herro cr.herro@meritagehomes.com

---

**Brent,**

Thank you for taking the time to meet with me last Friday I really appreciate you taking the time after the road show whirlwind week.

This is in response to your request for data on increased share value of sustainability to the Meritage Brand.

I also am looking forward to speaking with you as I believe I have the answer to "Are you selling more homes because you are green" or "Are you getting The Green Premium for the homes you do sell" and I would love to run it by you when you have the time.

**The Attached Lippincott Mercer Report** identified that 40% of brand value is intangibles, and the fastest growing component of that is sustainability. (*Enhancing Brand Value through Corporate Social Responsibility*, 2006).

See chart on page 22 showing that about 40% of shareholder value are intangibles / nonfinancial issues. FYI, a presentation at the October 2013 COMMIIT! Forum in NYC on corporate social responsibility stated that *"Intangibles now account for 80 percent of the total stock market value of the S&P 500, according to Ocean Tomo."* <http://www.thecro.com/content/commit-debate-shareholder-value-sustainability>

See pages 18 & 21 of the Lippincott Mercer Report for discussion of the value of sustainability / climate change on brand.

**Conference Board Attached Report on Link Between Brand Value & Sustainability.** In a survey of over 1000 large companies, the Conference Board states on page 2 that there is a "Strong Link" between brand value and sustainability and *"about 22 percent of the variation in BSI (Brand Finance's Brand Strength Index) can be explained by changes in perceived CSR (corporate social responsibility) performance."* Performing a multivariate regression raised the correlation from 22% to 28%.

**The Attached Cushman & Wakefield Second Annual Sustainability Briefing Report** states:

- *"Almost 90% of investors and fund managers we spoke to now have processes in place to evaluate potential new acquisitions in terms of sustainability"* (p. 3)
- The majority of real estate investors (93%) also believe that there is now a difference in the value of a sustainable and non-sustainable building (p. 7).
- **"CONCLUSION"**  
*On balance, the research highlights the fact that the gradual, and sometimes uncertain, increase in focus on sustainability in the property investment decision-making process over the last few years has changed pace. It has gained significant momentum over the last 12 months, almost to the point where it now feels revolutionary, rather than evolutionary, in nature"* (p. 11).

**Interbrand's Attached Report Sustainability & Its Impact on Brand Value (2010)** states that Honda's leading energy efficient vehicle *"behavior contributed to an increase of 28 percent in Honda's brand value since 2004"* (p. 2). General Electric increased its brand value by 17 percent / *"US\$ six billion since 2005 when Fcomagination was launched"* with a significant halo effect on its brand (n

since 2000, when EcoMagnum was founded with a significant raise effect on its brand (p. 2).

**Interbrand's Attached Sustainable Innovation Report (2012)** found (p. 2) that "sustainability influences brand value in three different ways:

1. Sustainability creates new sources of revenue.
2. Sustainability positively influences customers' choices.
3. Sustainability guarantees the longevity of the business."

**Interbrand Reported (2009) That Sustainability Added 11% to Philips' Brand Value Value** noted on page 31 of attached Philips' *Sustainability as a Value Driver Report*.

**Attached Slide on Forbo Flooring Contained in Wall Street Due Diligence Released at NYSE on Added Value of Sustainable Investment** shows Forbo attributes superior economic performance from its independently third party certified sustainable practices allowing it to compete better in the global market (Forbo internal data 2001-2011):

- EBIT (operating result) performance as a percentage of sales averages 14% better over 10 years than any of its top competitors.
- Internal profitability shows its sustainable products' EBIT level performance more than double, as a percent of sales, those of traditional products.
- Five year share price performance is 100% greater than its three largest competitors

The Wall Street due diligence consists of over 30 reports, consensus standards and investor surveys concluding as summarized in the peer-reviewed *Capital Markets Briefing Paper: Business Case for Sustainable Investment* that green properties and certified sustainable products are more profitable, less risky, and preferred by investors.

Please let me know if you have any questions. With best regards,

**Marlo Newman**  
[480-326-9858](tel:480-326-9858)



lippincott\_mercer\_presentation.pdf



03\_sustainability\_briefing\_2012



-1\_Sustainability\_and\_its\_impact



Sustainability Value Philips



Sustainability Value Philips

SMArT Solutions for Sustainable Business

# Increased Profitability

Sustainable Product Case Study - Forbo Lincium

### Sustainable Product Case Study – Forbo Linoleum

*A Culture of Long Term Commitment to Optimized Environmental Performance.* Forbo Linoleum manufactures and sells linoleum floorcovering, wallcovering, and finishing for office furniture. The company attributes the following superior economic performance to its sustainable practices allowing it to compete better in the global market (Forbo internal data 2001-2011):

- **EBIT (operating result) performance as a percentage of sales averages 14% better over 10 years than any of its top competitors.**
- **Internal profitability shows its sustainable products' EBIT level performance more than double, as a percent of sales, those of traditional products.**
- **Five year share price performance is 100% greater than its three largest competitors.**

Forbo Linoleum is a SMaRT Platinum Certified Sustainable Product. SMaRT is approved for LEED certified green buildings globally and Green Star in Australia & New Zealand. SMaRT is the leadership Standard and Environmental Product Declaration independently recognized by the Leadership Standards Campaign led by the National Wildlife Federation, Sierra Club, Perkins+Will, Corporate Responsibility Association, and Eaton.

SMaRT is like LEED for products, covers the global supply chain, requires life cycle assessment, and just like LEED is transparent and consensus having been through four successful national votes of approval. Key parties among the thousands of professionals that helped develop and approve SMaRT were leading environmental groups, States of California, Minnesota, and Wisconsin, and leading global purchasers and manufacturers like Perkins+Will, Gensler, Phillips, and the carpet, fabric, apparel, furniture, flooring, and building industries. All products can be SMaRT Certified. The successful sustainability standards are organic products, LEED, FSC and SMaRT since they require substantial pollution reductions, are consensus, transparent, and have credible, independent, global third party certification and auditing. The global sustainable product market leaders are SMaRT Certified.

This Forbo case study is part of Wall Street due diligence released at the NYSE documenting that SMaRT, LEED, FSC Wood are more profitable, less risky, & preferred by investors, with the added value measured by the consensus Green Building & Sustainable Manufacturing Underwriting Standards. SMaRT complies with the forest certification requirements of the Lacey Due Care Standard providing a defense to Lacey Act strict criminal liability for sale of illegally logged wood.

Optimal Case number

Optimal Case number

Optimal Case number

