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"This business of investing on a short-term horizon excluding the consideration of sustainability factors is one of the central driving forces that's destroying the planet's environment, and we have to change that..." – United States Vice President, Al Gore[1]

Many corporate decision makers and investors have traditionally taken a myopic view of valuation and decision making. The focus has been on short-term financial accounting numbers while ignoring sustainability factors, including longer-term economic and social impacts. Corporate myopia is one of the factors leading to today's climate changes.

The goal of a publicly-traded corporation, however, is not to maximize any set of accounting numbers or measures like return on investment (ROI). The fiduciary duty of a public corporation is to maximize shareholder value, while considering all available relevant information, including sustainability factors.

Conversely, a public corporation's duty is not to value environmental or social impact directly, but instead to consider the ways in which its environmental and social impacts affect shareholder value through future financial performance. The numerical calculation of shareholder value incorporating sustainability factors will allow corporate decision makers to match their strategic analysis with their intuition about environmental responsibility.

Externalities are effects that are outside the corporation's scope of concern, i.e., that have no effect on shareholder value. Many factors that are seen as externalities from a myopic view become "internalized" as sustainability factors when viewed through a more comprehensive lens. A myopic corporation that ignores sustainability factors will find that they are internalized eventually anyhow, but with greater costs and inefficiencies that reduce shareholder value.

Sustainability is determined by how a company treats its assets, stakeholders, and environment.

Sustainability factors include the long-term health of company assets, e.g., factory maintenance and intellectual property protection.

It is insufficient for management to focus exclusively on the current shareholders or on the traded price of the stock. Decisions must consider the other stakeholders, including customers, employees, partners, governments and other authorities, interest organizations, and local communities. Each of these stakeholders could impact future earnings. Therefore, corporations must consider their company culture, corporate ethics, reputation, social risks, community relationships, and potential government intervention.

Governments will often need to intervene through incentives, taxes, fees, caps, or regulations to protect certain common goods like our air and lakes. This is because without protection, individual and

[1] Quote from the 2007 movie, "The Future We Will Create: Inside the World of TED"

corporate interests structurally doom some resources, especially non-renewable resources such as the earth's atmosphere, leading to climate change and the possibility of large costs for society. Through taxes on select common goods, the government can align the shareholder value of environmental and societal factors with the value they have to society. Because governments are likely to protect these resources, corporations will maximize shareholder value by proactively accounting for the possibility of government intervention. The environmental impacts of various creative strategies, possibly including reduced greenhouse emissions and usage of non-renewable natural resources like fossil fuels, will often need to be calculated and linked to shareholder value.

Climate change is perhaps the best example of an environmental factor previously treated as a corporate externality, but that is now widely regarded as a sustainability factor. Corporations are now facing the painful reality that their direct and indirect carbon emissions are changing the global environment, including parts of the environment upon which some corporations directly depend.

A corporation also needs to consider the indirect effects of their strategies. For example, electricity usage means the generation of carbon emissions. By reducing electricity usage, a corporation could possibly improve their reputation and prepare themselves for the chances of higher costs and government intervention in the future.

Corporations that faithfully fulfill their fiduciary duty of maximizing shareholder value by considering sustainability factors will tend to benefit the environment and stakeholders along the way.

The rewards to society when corporations choose the strategies with the highest shareholder value are immense. Sound investment and managerial decisions will be made, thus efficiently placing resources, including labor, equipment, knowledge, and natural resources, where they're needed most. Stakeholders benefit, including:

- Customers -- whether from decreased prices, increased capacity, an improved product, or a revolutionary advancement.
- Employees – whether from being used more productively or having more satisfying working conditions, also leading to more productivity.
- Shareholders – through a superior financial return/risk profile.

Environmental factors are valued properly leading to a cleaner, more stable, environment, which benefits both local communities and the world.