

Do Investors REALLY Care About Climate Change?



**PUTTING \$\$\$ ON GREEN
BARUCH COLLEGE
NEWMAN CONFERENCE CENTER
NOVEMBER 7, 2008**

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Agenda

Section 1: Current environment

Section 2: Carbon and Non-carbon Intensive Industry Sectors

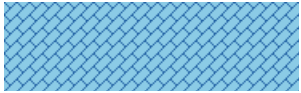
Section 3: Disclosure, Performance and Value

Section 4: Discussion



• *Carbon Disclosure Project findings...show a clear trend that carbon reduction is becoming a key component of business strategy. As CEOs, we see it. And long-term, institutional investors see it too.*

• Dennis Nally
Chairman and Senior Partner,
PricewaterhouseCoopers
CDP Global Launch
September 22, 2008



There will be a large creation and re-distribution of shareholder value in the transition to a low carbon economy – there will be winners and losers at sector level and within sectors at company level. The winners are more likely to be those businesses that take the time to understand and address this complex area.

Tom Delay, Chief Executive, The Carbon Trust
“Climate Change and Shareholder Value” Report
March, 2006



Recent Developments

- RGGI Launch
- XCEL agreement with NYS
- CERES – Call for SEC to require more disclosure
- SEC 21st Century Disclosure Initiative

Carbon Disclosure Project (CDP)

- Represents 385 investors with assets of \$57 trillion
- Objective – to develop a reliable database of corporate carbon emissions – worldwide
- Reporting covers:
 - Assessment of risks
 - Reporting of Scope 1, 2 and 3 emissions
 - Planning and forecasting
 - Governance
- Current focus is on emissions disclosure and not performance



Key Regional Differences

- Europe & RoW: above average on all CDP assessment areas
- North America: average or above average on first three CDP assessment areas, but poorer performance than European counterparts on
 - verification
 - target setting
 - forecasting
- Why the lag:
 - Lack of regulatory guidance?
 - Uncertainty around strategic value?





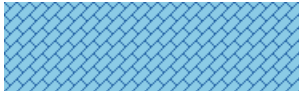
Carbon-intensive and non-carbon-intensive companies

carbon-intensive

- significant pressure to report carbon emissions (regulatory, media, NGOs)
- lower range of scores
- significant variance across sectors
- little correlation between emission intensity and reporting scores
- scope 3 emissions can be negligible compared to total scope 1 and 2
- strategic value more likely from scope 1 (and 2) emissions

non-carbon-intensive

- less pressure to report carbon emissions
- wide range of scores
- relatively small difference in average scores across sectors
- little correlation between emission intensity and reporting scores
- can have higher scope 3 emissions than total of scope 1 and 2
- strategic value from scope 3 (and 2) emissions



Reporting Challenges

- integration
- materiality
- defining the entity
- consistency and comparability
- data quality
- timeliness

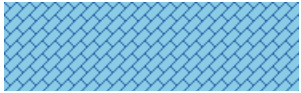




Quality Reporting Model

- user-centric focus
- principles-based reporting with sector specific taxonomies
- external reporting that flows from internal management information
- integration of financial, contextual and non-financial information





Disclosure – capturing, analyzing and disclosing data on carbon emissions

Six steps:

- responding to the CDP
- reporting on wider climate change issues in annual report
- disclosing actual levels of emissions
- independently verifying emissions data
- disclosing targets for carbon emissions reductions
- disclosing emissions forecast

Discussion

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