

# **Carbon Disclosure Project**

Climate Change & Shareholder  
Value

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Co-Founder

[\*\*www.cdproject.net\*\*](http://www.cdproject.net)



# CDP Overview

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- CDP1 - Collaboration by investors 31 May 2002
  - 35 participants representing over \$4 trillion assets
- Questionnaire sent to 500 largest companies globally by market capitalisation (FT500)
- Request for disclosure of investment-relevant information regarding climate change
  - 72% response rate
- CDP 2 - Collaboration by investors 1 November 2003
  - 95 participants representing over \$10 trillion assets
  - 86% response rate



# The CDP 2 letter

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- Sent to FT500 most valuable companies globally
- Sent 1 November 2003, deadline for responses 29 February 2004
- Asked 9 questions regarding greenhouse Gas Emissions



# The No1 Global Security issue?

*Forbes Magazine 9 February 2004*

*CLIMATE COLLAPSES: The Pentagon's Weather Nightmare...* Global warming may be bad news for future generations, but let's face it, most of us spend as little time worrying about it as we did about al Qaeda before 9/11. Like the terrorists, though, the seemingly remote climate risk may hit home sooner and harder than we ever imagined. In fact, the prospect has become so real that the Pentagon's strategic planners are grappling with it. The threat that has riveted their attention is this: **Global warming, rather than causing gradual, centuries-spanning change, may be pushing the climate to a tipping point.**



# John Browne, CEO BP, 26.11.03

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*“we've come to the judgment that to avoid serious impact upon societies or the environment **it is necessary to stabilise atmospheric concentrations of greenhouse gases at around 500-550 parts per million.** Today's level is around 370 ppm and has risen from pre-industrial levels of 280 ppm. That range of 500-550 parts per million could shift as the scientific understanding improves, but it establishes a present day objective to which action can be directed.”*



# Achievements

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- Strong management team and advisory board
- Documentation integrating >45 experts
- In Corporation of London 'Principles on Sustainable Finance' taken by Blair to WSSD
- Reported on over 4,000 websites in German, Spanish, Italian, Japanese, Swedish, Korean, Dutch, Norwegian, Danish, Chinese, French
- Report translated by Development Bank of Japan into Japanese

*Global resource for multiple constituencies*



# The CDP 2 Report

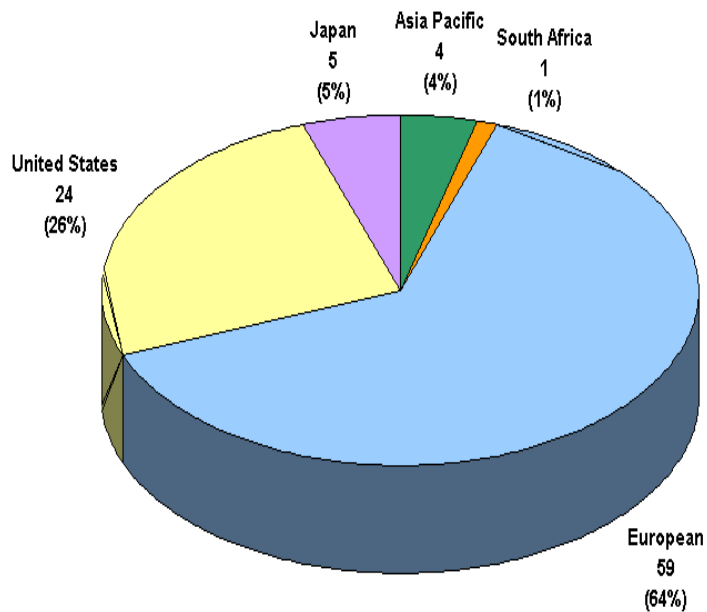
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- Analysis of raw data by Innovest Strategic Value Advisors, report launched:
- Gibson Hall London, 19 May 2004
  - Presentation from Sir John Bond, Chair HSBC
- Hong Kong, 19 May 2004
  - Presentation from Tessa Tennant, Chair ASrIA
- UBS New York, 21 May 2004
  - Presentation from Alan Brown, CIO State Street Global Advisors
- Vic Superannuation Fund, Melbourne, 2 June
- Development Bank Japan Tokyo, 3 June 2004
- Milan, 17 June 2004
- Paris and Frankfurt to follow
- Report and Responses on Web Site

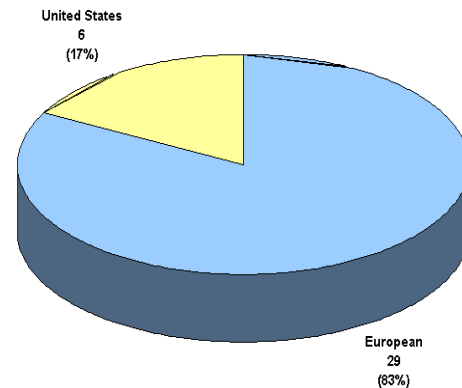


# CDP 2 - Signatories Grow in Number & Region

DISTRIBUTION OF SIGNATORIES BY GEOGRAPHY: CDP 2



DISTRIBUTION OF SIGNATORIES BY GEOGRAPHY: CDP1



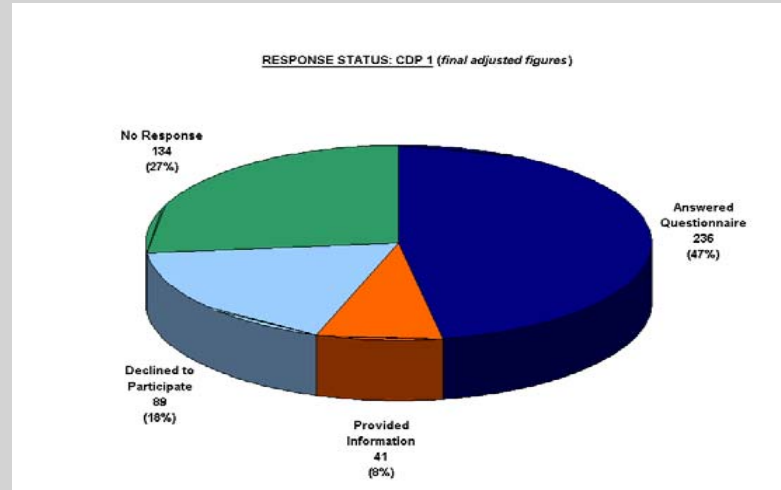
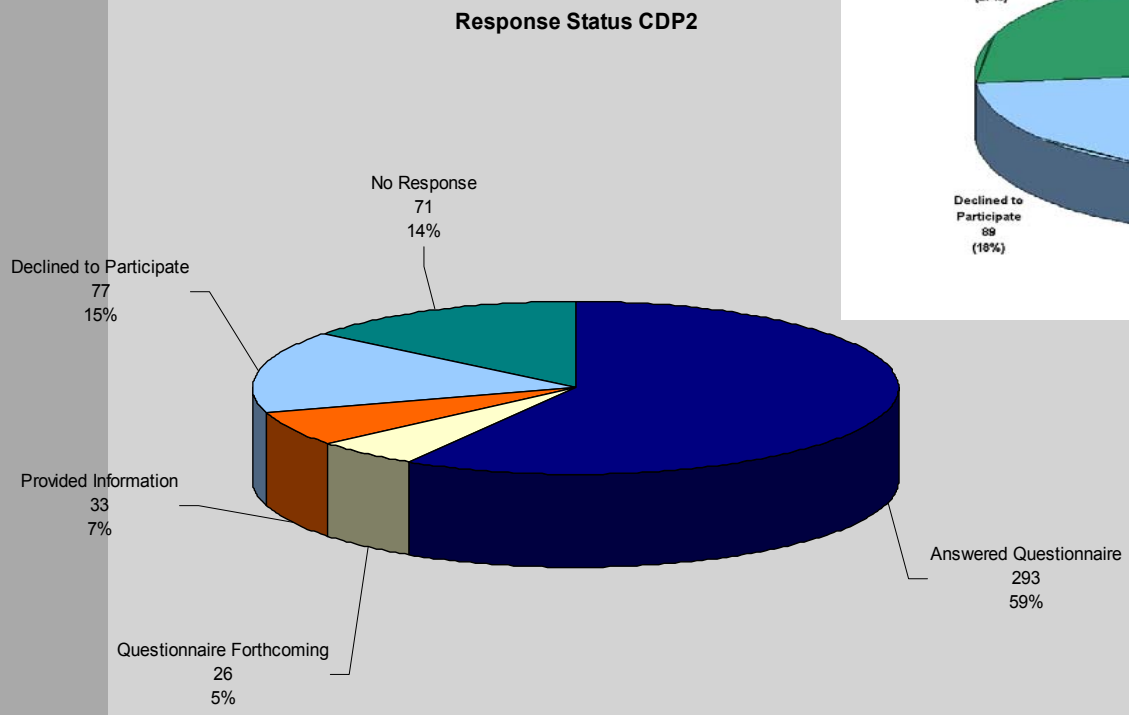
## Key Developments Make CDP More Relevant

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- **Latest climate data underscores economic, social impacts**
- **Major banks, institutional investors increase climate awareness**
- **Weather, CAT bond markets continue to expand**
- **Carbon regulations are now a fact of life across the OECD**
- **Accounting, financial market authorities focusing on environment**
- **Climate change litigation, trade regulation effects more discernable**
- **Environmental markets can enhance project returns, hedge risk**
- **Wholesale power price volatility likely to rise**
- **Clean technology markets get fresh attention from investors**



# Responses Also Increase



# How Have the Responses Been Evaluated?

**The 6 factors used to evaluate company CDP responses are based around the questions submitted to the FT500 on behalf of the signatories:**

## **1. Strategic Awareness:**

The extent to which a firm considers climate risks and opportunities to be relevant to its business

## **2. Management Accountability/Responsibility:**

Whether and how a company has allocated responsibility for the management of climate-related issues

## **3. Emissions Management & Reporting:**

The progress a company has made in quantifying and disclosing/reporting its emissions profile, including the use of third-party verification

## **4. Emissions Trading:**

The extent to which a firm has considered emissions trading in its risk management response

## **5. Programs in Place:**

Quality and nature of any emissions reduction programs, including energy efficiency, that a firm has implemented

## **6. Establishment of Targets:**

Have formal GHG emissions/reduction targets been set with a timeline?



# Evaluating The Responses – THE GOOD

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**ABN Amro:**

formed a cross-functional Climate Change Working Group comprising of representatives from the Financial Markets, Group Risk Management, Consumer & Commercial Clients, Equities, Integrated Energy, Project Finance

**Statoil:**

developing a “Carbon Treasury” as the single operational interface with the emissions trading market. The treasury will be overseen by the Sr. VP Group Finance

**Johnson & Johnson:**

\$30 million in annualized operational savings achieved through projects to reduce CO2 emissions

**UPS:**

has developed a tool for its customers to approximate their emissions based on the use of UPS ground service in the US.

**BHP Billiton:**

carbon pricing sensitivity analysis is considered in its investment decisions involving greenfield, brownfield and M&A (merger and acquisition) investments

**MOST IMPROVED RESPONSES: CHEVRON TEXACO, PPG INDUSTRIES, IMPERIAL TOBACCO, SSGA, STANDARD CHARTERED, SANTANDER CENTRAL HISPANO, BNSF**



# Evaluating The Responses – THE DIFFERENT

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## **Equity Office Property Trust:**

(U.S.'s largest publicly held office building owner): sees no risks from climate change or the policy responses to climate change because "EOP is not a producer of energy or a product that is energy intensive in its production."

## **Nomura:**

(Japanese financial services): "We do not have any direct relations with greenhouse gas emissions with our business, therefore we neither have commercial risk nor any opportunities"

## **United Health Group:**

(\$28 billion healthcare services provider): "our mission is to facilitate and advance health...as such, impacts from climate change would be indirect or non-existent."

## **SK Telecom:**

"We are a telecom service provider, therefore we wouldn't be affected by climate change."



# Evaluating The Responses – THE UGLY

|                            |      |                         |     |                       |     |
|----------------------------|------|-------------------------|-----|-----------------------|-----|
| Honeywell International    | 15.5 | Comcast Corp            | 6.6 | Caterpillar Inc       | 5.6 |
| Sears Roebuck And Co.      | 15.4 | Bed Bath And Beyond     | 6.6 | Altel                 | 5.5 |
| Six Continents PLC         | 14.8 | Devon Energy Corp.      | 6.5 | Tenet Healthcare Corp | 5.5 |
| Boeing Company             | 13.9 | Prudential Financial In | 6.5 | Chubb Corp.           | 5.4 |
| Hartford Financial Servi   | 12.5 | SyscoCorp.              | 6.5 | Cardinal Health       | 5.4 |
| Conagra                    | 12.5 | TJX Companies Inc       | 6.4 | Wrigley Williamudior  | 5.4 |
| Target Corp.               | 11.7 | BiomeInc                | 6.4 | Apollo Group Inc      | 5.4 |
| Morgan Stanley             | 11.2 | CVS Corp.               | 6.4 | Home Depot Inc        | 5.4 |
| Marsh & McLennan           | 10.9 | Costco Wholesale Cor    | 6.3 | Sun Microsystems Inc  | 5.3 |
| WellpointHealth Network    | 10.7 |                         |     | Forest Laboratories   | 5.3 |
| Mellon Financial Corp.     | 10.2 | Keycorp                 | 6.2 | HarleyDavidson        | 5.3 |
| Masco                      | 10.0 | Gilead Sciences         | 6.1 | Bank One Corp         | 5.2 |
| Bellsouth Corp.            | 9.6  | General Dynamics        | 6.1 | MedimmunInc           | 5.2 |
| Nextel Communications      | 9.3  | Afladncorporated        | 6.0 | Safeway Inc           | 5.1 |
| Electronic Data System:    | 9.1  | Avon Products Inc       | 6.0 | Analog Devices Inc    | 5.0 |
| Raytheon Company           | 9.0  | Clorox Co               | 5.9 | Liberty Media Corp.   | 5.0 |
| Cendant Corp.              | 8.7  | SBC Communications      | 5.8 |                       |     |
| Omnicom Group Inc          | 8.5  | NewmonMining Corp.      | 5.8 |                       |     |
| Federal Home Loan Mortgage | 8.0  | Dominion Resources      | 5.8 |                       |     |
| Illinois Tool Works        | 7.4  | Linear Technology       | 5.8 |                       |     |
| Guidant Corp.              | 7.0  | Aetna Inc               | 5.7 |                       |     |
| Newell Rubbermaid Inc      | 7.0  | AT & T Wireless Servic  | 5.7 |                       |     |
| Washington Mutual Inc      | 6.8  | Electronic Arts Inc     | 5.6 |                       |     |



# The Finance & Banking Sector is Increasing Awareness

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## **EU ETS Impact on Equity Markets under the microscope:**

**UBS Warburg, Deutsche Bank, Dresdner Kleinwort Wasserstein, ABN Amro and JP Morgan Chase** issued detailed quantitative reports analysing the impact on European industry of the forthcoming E.U. Emissions Trading Scheme

## **Macroeconomic impacts also being studied:**

**West LB** estimated the Market Value at Risk for the world's equity markets to be between \$192 billion and \$916 billion... **Abby National**, amongst others, have undertaken group-wide impact assessment

## **Climate Risk Profiling has begun in debt markets:**

**Westpac, National Australia Bank, Royal Bank of Canada, HBOS, Standard Chartered, ABN Amro** have commenced analysing the greenhouse gas risk profile of customers in debt portfolios

## **Environmental Markets creating tangible opportunities:**

**Barclays Bank, Deutsche Bank, Fortis, ABN Amro, Bank of Ireland, Goldman Sachs, CDC Ixis** and other banks are reported to be setting up or expanding environmental financial products desks to trade and finance carbon-, renewables- and weather-related products

## **Institutional Investors are stirring:**

Collective (**INCR, IIGCC**, etc) and individual action (**CalPERS, Dexia, BNP Paribas, Santander Central Hispano, Merrill Lynch**, etc) on technology, low-C solutions



# HOWEVER, NO ROOM FOR COMPLACENCY

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## **OUT OF 81 BANKS/DIVERSIFIED FINANCIALS**

- **40 believe climate change to present risks or opportunities**
- **Only 8 have set GHG targets with timeline: HSBC, ANZ, Westpac, Deutsche Bank, Abby National, Barclays, HBOS, RBS**
- **Only 25 reported they were monitoring or engaged in the emissions trading markets**
- **24 companies did not respond or declined to participate, including Morgan Stanley, Goldman Sachs, Bank of New York, Danske Bank and Charles Schwab**

## **OUT OF 31 INSURANCE/REINSURANCE FIRMS**

- **Only 13 believe CC to present risk/opportunity (3 from Nth America)**
- **Only 2 have set GHG targets w/ timeline: Swiss Re, Prudential**
- **Only 8 reported they were monitoring or engaged in the emissions trading markets: Swiss Re, Munich Re, Cathay Financial, Allianz, AIG, Aviva, Legal & General, Prudential**



# The “Fab 50” – CDP Climate Leadership Index

|                           |  |                              |  |
|---------------------------|--|------------------------------|--|
| Metals & Mining           | Alcoa<br>Anglo American<br>BHP Billiton<br>Nippon Steel<br>Rio Tinto | Banks                        | Abbey National<br>ABN Amro<br>HBOS<br>HSBC<br>National Australia Bank<br>RBC<br>UBS<br>Westpac |
| Integrated Oil & Gas      | BG<br>BP<br>ChevronTexaco<br>RD/Shell<br>Suncor Energy               | Chemicals                    | Air Products<br>BASF<br>Dow<br>DuPont  |
| Insurance & Reinsurance   | Aviva<br>Munich Re<br>Prudential<br>Swiss Re                         | Auto                         | BMW<br>DaimlerChrysler<br>Ford<br>Volkswagen   |
| Electric Power N. America | AEP<br>Entergy<br>FPL<br>PSEG  | Food, Beverages, Food Retail | Cadbury Schweppes<br>Heineken<br>Imperial Tobacco<br>Unilever                                  |
| Electric Power Europe     | Endesa<br>Iberdrola<br>Kansai<br>Scottish Power                      | Paper and Forest Products    | International Paper<br>Stora Enso  |
| Diversified Financials    | Citigroup<br>ING<br>State Street                                     | Transportation               | BAA PLC<br>Mitsui<br>UPS   |



# Future Plans for CDP

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Collaborative action efficient for investors and corporations:

Improved disclosure

All responses made public

Reduced costs

CDP is a known entity

Improve quantity and quality of responses

CDP process has stimulated corporations

Benchmarking opportunity

Serving investors future needs

- **[www.cdproject.net](http://www.cdproject.net)**

