

# CDP Investor Initiatives



**Carbon Disclosure Project (CDP)** drives emissions reductions and improved water management by providing a global system for companies to measure, disclose, manage and share climate change and water information. CDP's investor-driven initiatives – supported in 2011 by more than 550 institutional investors representing in excess of US\$70 trillion in assets – give decision makers access to a global source of year-on-year corporate environmental information that supports long-term objective analysis.



# Why should investors be concerned about climate change and water?

“For HSBC, climate change is a cornerstone of our ongoing business strategy ... The reporting framework that the CDP has pioneered over the past decade has helped us both as respondent and signatory to improve our understanding of the strategic risks and opportunities in this area.”

**Douglas Flint, Group Chairman, HSBC Holdings plc**

“Water scarcity on a global scale represents a financial risk to the fund. Economic growth, industrialisation and population growth are driving the increasing demand for water, while factors such as climate change, pollution and regulation are affecting the supply and costs related to water.”

**Norges Bank Investment Management (NBIM)**

Rising energy and water demands are competing for increasingly scarce natural resources. The subsequent impact on commodity prices is already having a growing impact on an economic system that relies on finite natural resources. At the same time climate change, if left unchecked, will have a catastrophic impact on the environment and consequently on the global economy and financial markets. According to the Stern Report, climate change is “the greatest market failure the world has seen”<sup>1</sup>.

The material risk to investors is significant and time is not on our side. A recent Mercer report<sup>2</sup> claims climate change poses considerable risk to investors through changes to the physical environment, health and agriculture, with cumulative adaptation costs reaching up to US\$4 trillion by 2030 and policy measures increasing the cumulative cost of carbon emissions by as much as US\$8 trillion by the same year. The UNEP Green Economy Report (2011)<sup>3</sup> suggests that reducing energy-related CO<sub>2</sub> emissions globally by 50% by 2050 is likely to require additional investments in a range of 1 to 2.5% of global GDP per year from 2010-2050.

These trends have direct material risks but also opportunities. Responses to changing environmental conditions, new technology and policy measures will provide numerous new investment opportunities. According to Mercer, technology investments could accumulate to US\$5 trillion by 2030. At the same time, the ability of investee companies to react to climate change will have a financial materiality on shareholder value. A recent investor survey on climate change<sup>4</sup> revealed that more than 90% of responding asset managers and asset owners view climate change as a material investment risk/opportunity across their entire investment portfolios.

Water is an essential resource to business, either directly or indirectly, yet it is generally undervalued and taken for granted. With global demand for water projected to outstrip supply by 40% by 2030 and an estimated half the world's population likely to be living in areas of high water stress by the same year, companies' access to plentiful cheap water is becoming increasingly uncertain. Climate change threatens to add to the challenge, causing more frequent and severe drought and flooding and contributing to already declining water quality in many regions. Despite JPMorgan's recommendation in 2008 that “investors assess the reliance of their portfolios on water resources and their vulnerability to problems of water availability and pollution,”<sup>5</sup> businesses and investors remain largely unaware of water related risks.

1 Stern, N. (2006) Stern Review on The Economics of Climate Change.

2 Mercer (2011) Climate change scenarios – Implications for Strategic Asset Allocation.

3 The UNEP Green Economy Initiative (2011) The Green Economy Report: Finance.

4 IIGCC, INCR, IGCC Global Investor Survey on Climate Change (2011).

5 JPMorgan (2008), Watching water: A guide to evaluating corporate risks in a thirsty world.

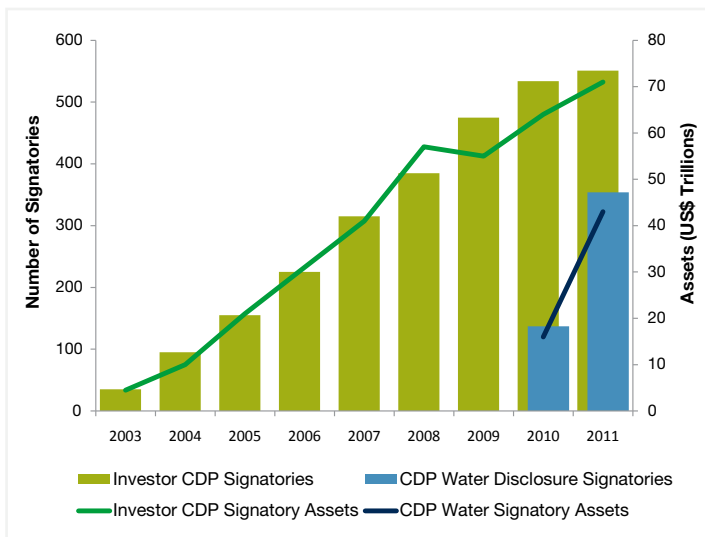


# How can CDP help?

CDP collects standardized carbon and climate change information from more than 3,000 of the world's largest listed companies, as well as water information from a targeted subset of nearly 500 listed companies. It does this through two annual questionnaires which it sends to companies on behalf of the institutional investors that endorse them as 'CDP signatories'.

These shareholder requests for information encourage companies to account for and be transparent about environmental risk. CDP makes company responses available via our website and companies are scored each year on the quality of disclosure and performance so that investors can see at-a-glance which companies are best prepared for a regulated and resource constrained world. Transparency of this data throughout the global market place ensures the financial community has access to the best available corporate climate change information to help drive investment flows towards a low carbon and more sustainable economy.

Business accounts for over 70% of total greenhouse gas emissions and companies reporting to CDP account for one third of this global total. CDP's global system stands to make a substantial impact on climate change and water management and incentivize a transformational change towards more sustainable, profitable business.



## Carbon and climate change questionnaire

- 1) Climate change governance
- 2) Analysis of the commercial risks and opportunities from climate change including: regulation, physical risks from extreme weather events, changes in technology and shifts in consumer attitude and demand
- 3) Strategy to respond to the risks and opportunities that climate change presents, including GHG emissions management, reduction and cost implications
- 4) GHG emissions accounting and energy use data

<https://www.cdproject.net/SiteCollectionDocuments/CDP-Information-Request-2012-Investor-Signatory.pdf>

## Water questionnaire

- 1) Water management and governance
- 2) The commercial risks and opportunities relating to water both in companies' own operations and in their supply chains. Particular attention is given to exposure to water scarcity, flooding and pollution; regulation; reputational, product-related and infrastructure risk; and linkages between water-related and carbon-related risks and opportunities
- 3) Water accounting including withdrawals, discharges and water-intensity

<https://www.cdproject.net/SiteCollectionDocuments/Water-Questionnaire-2012-Investor-Signatory.pdf>

In 2011 more than 550 institutional investors representing in excess of US\$70 trillion in assets - ranging from pensions funds like TIAA-CREF, insurance companies like Allianz and Swiss Re, through to asset managers such as BlackRock, PGGM, Amundi and investment banks such as Bank of America Merrill Lynch and Goldman Sachs - supported CDP in engaging with companies worldwide to disclose and ultimately manage climate change issues in order to create and sustain long term shareholder value. [View our existing signatories here.](#)

In 2011 more than 350 institutional investors representing in excess of US\$40 trillion in assets supported CDP in engaging with companies worldwide to disclose and ultimately manage water issues in order to create and sustain long term shareholder value. [View our existing signatories here.](#)

# Becoming a CDP Signatory

“CDP’s data set is a unique and valuable tool in quantifying and comparing companies’ carbon emissions management and strategies. CDP’s work is a key part of GS SUSTAIN’s analysis of the direct and indirect impacts of climate change on corporate performance, which will become increasingly important to investment analysis.”

**Andrew Howard,**  
**Executive Director,**  
**Goldman Sachs**

Institutional investors including banks, pension funds, asset managers, insurance companies and foundations are eligible to become CDP signatories **and access all company information at no charge** by endorsing our annual questionnaires.

## Benefits of becoming a signatory:

- **Access to all company responses** to the questionnaire(s) which you endorse. These responses enable you to evaluate the climate- and water-related risks and opportunities that may impact companies’ operations and financial performance, and thereby your portfolio.
- **Public recognition of your commitment to engaging with companies on issues of climate change and water.** Becoming a CDP signatory will help you to meet the UN Principles for Responsible Investment requirements on corporate disclosure, engagement, and investor collaboration.
- **A dedicated investor newsletter** to inform you of the latest insights from the CDP data set and also any relevant developments and initiatives within the investor community.
- **Invitations to CDP events** including report launches and investor roundtables.

Any financial institution managing assets may become a CDP signatory **at no charge**. The only condition for sign-up is that if your organization receives a request to report to CDP, it provides a public response to the questionnaire by the deadline of 31 May 2012.

CARBON DISCLOSURE PROJECT

### CDP Global 500 Report 2011 Accelerating Low Carbon Growth

On behalf of 551 investors with assets of US\$71 trillion



CARBON DISCLOSURE PROJECT

### CDP Water Disclosure Global Report 2011 Raising corporate awareness of global water pressures

On behalf of 354 investors with assets of US\$43 trillion



# CDP Carbon Action

CDP Carbon Action is a new investor-led initiative to accelerate company action on carbon reduction activities which deliver a satisfactory return on investment.

The initiative was developed by CDP and a driving group of investors including Aviva, CCLA, Robeco and Scottish Widows Investment Partnership, with a goal to encourage companies to move from disclosure to action and thereby ensure the financial sustainability of their investments. It launched in April 2011 with the support of 34 investor signatories representing US\$7.6 trillion in assets. CDP Carbon Action has two elements:

**1) An annual action request letter** sent by CDP on behalf of Carbon Action signatory investors to companies in high emitting industries and industries with potentially significant supply chain emissions belonging to the Global 500 and FTSE 800 Indices ([Click here](#) for details)

**2) An annual collaborative engagement program**, coordinated by the UN Principles for Responsible Investment.

The Carbon Action request encourages companies to take the following action:

- Make year on year reductions in emissions;
- Make investments in emission reduction activities with a satisfactory positive return on investment;
- Where companies have not reported a target to CDP, to set and publicly disclose an emissions education target that covers the principal sources of emissions in their business;
- Manage emissions in their supply chains.

The outcome of the request process is captured in a [public summary report](#) and a detailed [investor analysis report](#) created exclusively for Carbon Action signatories.

## Becoming a CDP Carbon Action signatory

All Investor CDP signatories are eligible to sign the Carbon Action request letter and become a CDP Carbon Action signatory. Signatories benefit from an exclusive report which focuses on the mitigation facets included in the Carbon Action request surrounding target setting, emissions trends and investments in emissions reduction activities. The report provides detailed, industry level and company by company information to enable investors to lead the way for corporate emissions reductions. As the Carbon Action initiative grows to encompass more companies, the request will evolve to drive change in the sectors with significant carbon reducing potential, to the advantage of investors who want to identify leaders and laggards on emissions reductions.

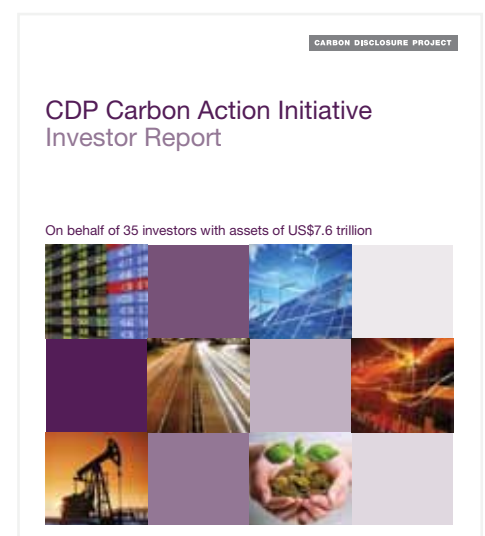
There is an annual fee of US\$1,950 for Carbon Action signatories to help to contribute to the costs of preparing the analysis, although this is waived for CDP's investor members.

“I would like to see CDP instigate some work with a coalition of leading investors within CDP, to push companies towards mitigation. We need a Carbon Mitigation Project”

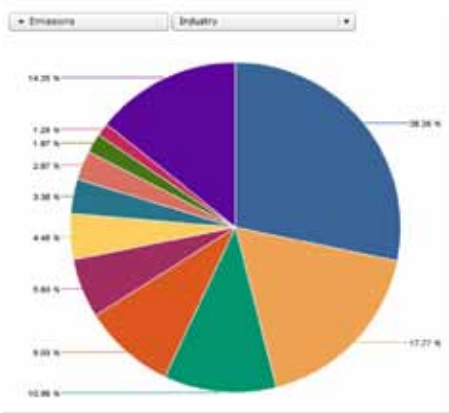
**Lord Sharman,  
Chairman, Aviva**

“Being part of Carbon Action allows us to cost effectively encourage investee companies to play a full part in the transition to a low carbon economy. Mitigation initiatives which pay back rapidly are a sensible place for energy intensive companies to start. Efficient use of key resources is an important value-driver.”

**James Bevan,  
CIO, CCLA**



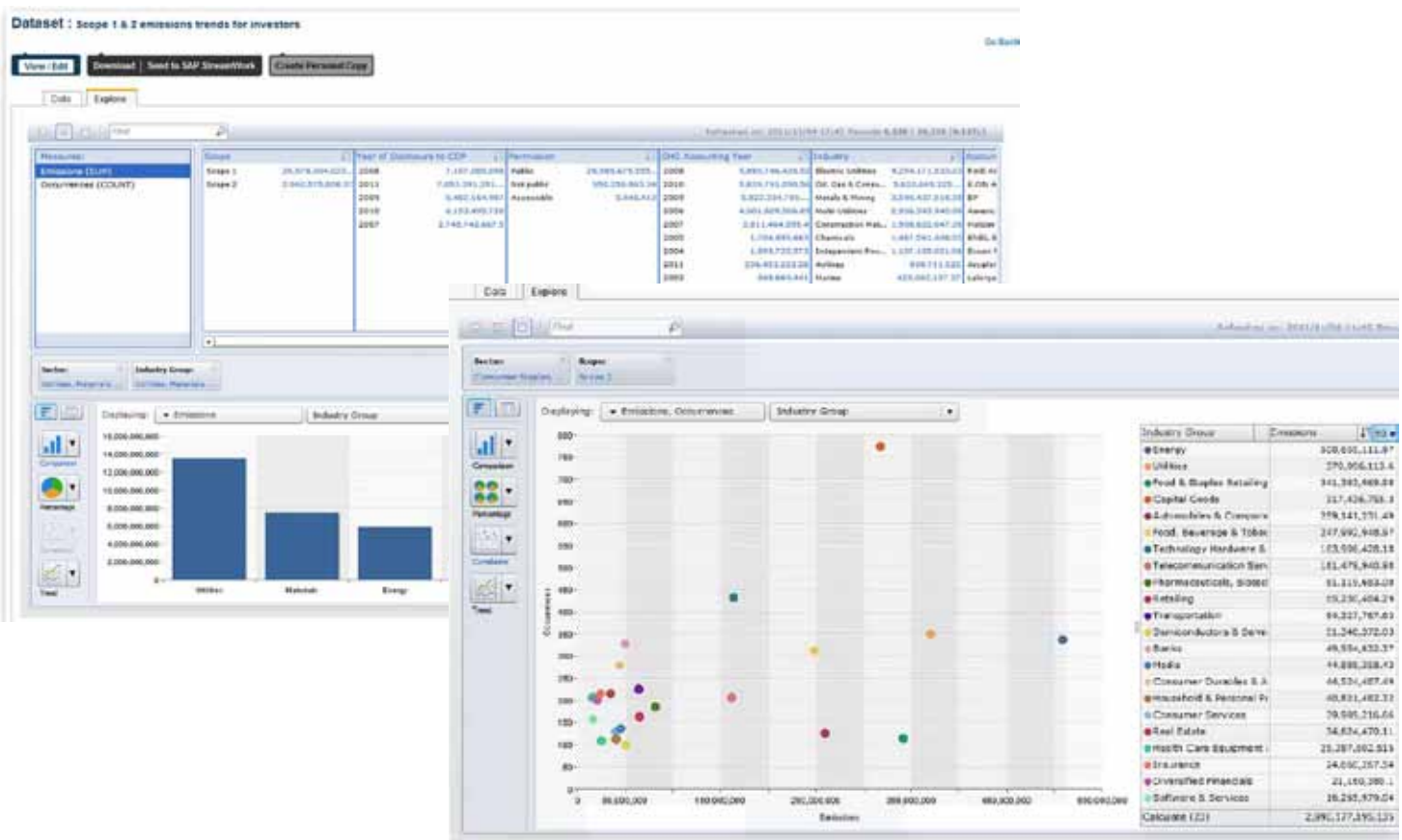
# Upgrading to CDP Investor Membership



Membership is open to any CDP signatory and offers the following additional benefits:

**Access to CDP Analytics** (supported by SAP software), a powerful tool which maximizes the value of CDP's global dataset through robust and dynamic analysis, to help investors integrate environmental risk analysis into their standard investment research processes:

- Analyze and compare the carbon performance of portfolio companies through predefined reports, or identify sources of risk and opportunity by building bespoke reports. Through consolidation, benchmarking and reporting, this tool helps you to understand the next steps towards reducing emissions and related risk in your investment portfolio.
- Identify companies where engagement on climate change and water issues could increase shareholder value.
- Create simple-to-understand performance PDF reports to communicate with investee companies and potential clients.
- Identify leaders and best-in-class companies on emission and resource reduction policies.
- Gain unique access to the climate change and water performance levels and practices by sector, industry, index or peers.
- Export raw data and information to Microsoft® Excel to integrate them with your investment research processes.





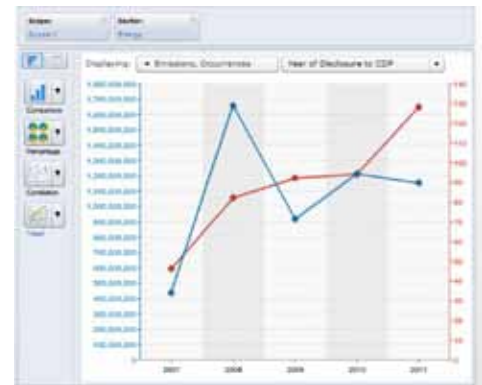
**Dedicated account management and training**, including tailored guidance on using CDP Analytics, recorded webinars, live question-and-answer sessions, and email assistance to support your data analysis needs. You will also receive support in the customization of CDP data in Excel or CDP analytics for a specific set of companies within your investment portfolio.

**Exclusive reports** on climate change and sustainability issues, written by our investor research partners who in 2012 will include **Bank of America Merrill Lynch, CA Cheuvreux, and HSBC**. Conference calls will be held with the report authors to discuss the findings and share insights and best practices on the integration of data in investment decisions.

**Enhanced exposure** through the CDP website – which will feature your company logo and a description of your company's activities – and in CDP reports which are released in over 30 countries worldwide.

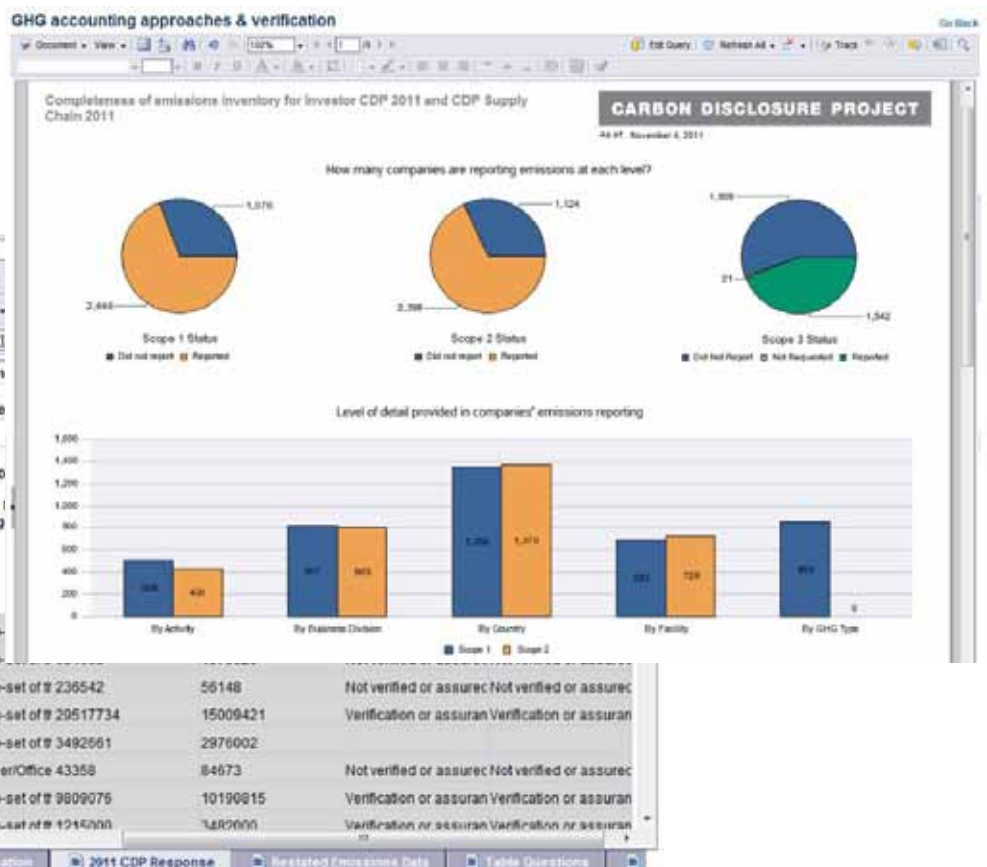
**Waiver of the Carbon Action fee** for investor members who also become CDP Carbon Action signatories.

The annual fee to become a member is US\$7,000 for organizations with assets of up to US\$10 billion and US\$9,000 for organizations with assets of US\$10 billion or more.



#### Excel extract of Investor CDP 2011 data

02 - Management		
1. Governance		
1.1 Where is the highest level of direct responsibility for climate change within your company?		
Ticker Symbol	ISIN	Reporting Year
MCE:ACX	ES0132105018	(1 Jan 2010 - 31 D Individual/Sub-set of # 236542
JNB:ARM	ZA000054045	(1 Jul 2009 - 30 Ju Individual/Sub-set of # 29517734
NYSE:AEM	CA0084741085	(1 Jan 2010 - 31 D Individual/Sub-set of # 236542
NYSE:AA	US0138171014	(1 Jan 2010 - 31 D Individual/Sub-set of # 29517734
ASX:AWC	US0222051080	(1 Jan 2010 - 31 D Individual/Sub-set of # 3482661
AMS:AMG	N0000888691	(1 Jan 2010 - 31 D Senior Manager/Office 43358
LON:AAL	US03485P2011	(1 Jan 2010 - 31 D Individual/Sub-set of # 9809076
INR:ANI	74F000121485	(1 Jan 2010 - 31 D Individual/Sub-set of # 12147000



## CDP Contacts

To confirm your interest or to find out more please contact Emanuele Fanelli; or alternatively one of our global offices or global partners.

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## Current CDP Investor Members