



## Investor Perspectives: Disclosure of Climate Risks and Opportunities

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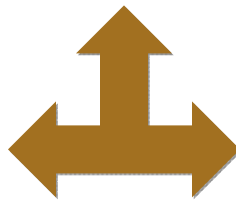
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Ceres is a national network of investors, environmental organizations and other public interest groups working with companies and investors to address sustainability challenges, such as climate change.

### Company Network

More than 80 members in  
more than 20 sectors



### Investor Network

More than 90 members  
currently representing  
\$9.8 trillion

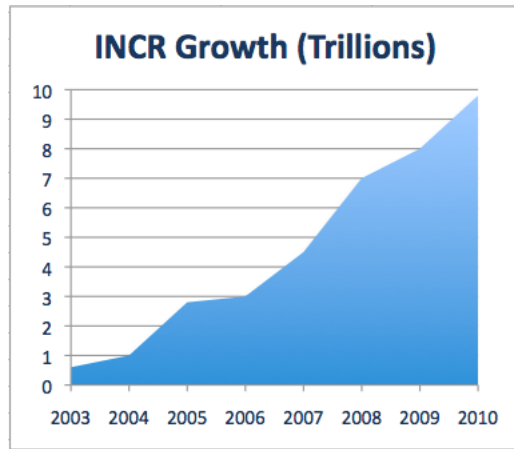
### The Ceres Coalition

More than 130 organizations including environmental  
experts, public interest groups, and investors

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## Investor Network on Climate Risk



### Key members include

CalPERS  
CalSTRS  
Deutsche Asset  
Management  
Florida State Board  
Illinois State Treasurer  
North Carolina Treasurer  
NYC Comptroller  
NY STRS  
Blackrock Financial  
TIAA-CREF  
State Street Global  
Advisors

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## Overview

- SEC and investor expectations for reporting, including disclosure examples from SEC filings
- Emerging standards for climate disclosure

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## New [guide](#) to disclosing climate risks/opportunities

- Overall quality of disclosure, while improving, does not meet investors' needs
- Companies provide most disclosure about regulatory risks, although financial impacts rarely discussed
- Physical risks usually not discussed in detail, nor are impacts quantified
- Indirect risks or opportunities rarely discussed



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## Impact of legislation and regulation

- SEC examples of possible consequences of pending legislation and regulation include:
  - “Costs to purchase, or profits from sales of, allowances or credits under a ‘cap and trade’ system”
  - “Costs required to improve facilities and equipment to reduce emissions in order to comply with regulatory limits or to mitigate the financial consequences of a ‘cap and trade’ regime”

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## AES

**AES Corp.** 2010 10-K filing disclosed:

- Description of Regional Greenhouse Gas Initiative (RGGI), a currently operating cap-and-trade regime in Northeast U.S.
- Discussion of AES facilities in 4 states affected by RGGI (CT, MD, NY, NJ)
- *Financial impact of an existing regulation:* estimated RGGI compliance costs of \$15 million for 2011, and modeling used to arrive at this estimate.



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## Physical impacts

SEC examples include:

- “For registrants with operations concentrated on coastlines, property damage and disruptions to operations, including manufacturing operations or the transport of manufactured products”
- “Indirect financial and operational impacts from disruptions to the operations of major customers or suppliers from severe weather, such as hurricanes or floods”
- “Decreased agricultural production capacity in areas affected by drought or other weather-related changes”

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## Chiquita

**Chiquita Brands International Inc.** 2010 10-K filing:

- Disclosed information on physical risk to supply chain, and potential increased risk from climate change
- Disclosed lower productivity from cooler temperatures across Latin American growing regions in fourth quarter 2010
- Quantified costs from “weather-related disruptions” at approximately \$33 million as a result of flooding in Costa Rica and Panama in 2008 and 2009



**Chiquita  
Brands  
International**

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## Indirect consequences of regulation or business trends

SEC examples include:

- “Decreased demand for goods that produce significant greenhouse gas emissions”
- “Increased demand for goods that result in lower emissions than competing products”
- “Increased demand for generation and transmission of energy from alternative energy sources”

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## Siemens 2010 20-F

- Included information on indirect consequences of *business trends*
- “Environmental Portfolio” is products/services with “direct and verifiable contribution” to environmental and climate protection. Rationale for Portfolio:  
  
“Global megatrends are long-term processes that will drive global demand in coming decades. We at Siemens view demographic change, urbanization, **climate change** and globalization as megatrends that will have an impact on all humanity and leave their mark on global developments. **We therefore have aligned our strategy and business activities with these trends.**”
- Disclosed €27.6 billion in revenues from Environmental Portfolio in 2010, accounting for about **36% of total revenues**

**SIEMENS**

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## GHG emissions

Investors ask for disclosure of:

- Past emissions
- Current direct and indirect emissions; and
- Estimated future direct and indirect emissions of greenhouse gases from operations, purchased electricity, and products/services

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## Rio Tinto 2010 20-F

- Disclosed greenhouse gas emissions, each group's contribution to company's total emissions, and emissions calculation process
- "Our total GHG emissions were 43.4 million tonnes of carbon dioxide equivalent (CO<sub>2</sub>e) in 2010, 2.3 million tonnes higher than in 2009."
- Tracked emissions "associated with our products along the value chain." Three largest sources of indirect emissions: transport, coal for electricity generation and steel production, and iron ore for steel production.



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## Climate Disclosure Standards Board (CDSB) framework

- **Strategic analysis:** Disclosure should connect information used for internal management decisions to information provided to investors.
- **Management actions:** Disclosure should include long- and short-term strategies to address climate risks and opportunities and reduce GHG emissions, including reduction targets and an analysis of performance against those targets.
- **Future outlook:** Disclosure should include timeframe for strategies, and factors that would change the timeframe.

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## ASTM standard for climate disclosure in financial filings

- Disclosures should be made when a company's financial impacts "**in the aggregate**" are material
- Disclosure should include a company's:
  - Position
  - Strategic activities
  - Corporate governance information
- If **financial impacts can't be quantified**, "A written statement should describe the conditions or problems associated with estimation."

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## Thank You

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