

# INVESTOR PROGRESS ON CLIMATE RISKS & OPPORTUNITIES:

Results Achieved Since the  
2005 Investor Summit on Climate Risk  
at the United Nations

February 2008



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*Authored by* David Gardiner & Associates

Ceres commissioned this report from David Gardiner & Associates.

Ceres is a national coalition of investors, environmental groups and other public interest organizations working with companies to address climate change and other environmental, social and governance issues.

Ceres directs the Investor Network on Climate Risk (INCR), a group of more than 60 institutional investors from the U.S. and Europe managing over \$4 trillion in assets.

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Ceres, Inc.  
99 Chauncy Street  
Boston, MA 02111

[www.ceres.org](http://www.ceres.org)

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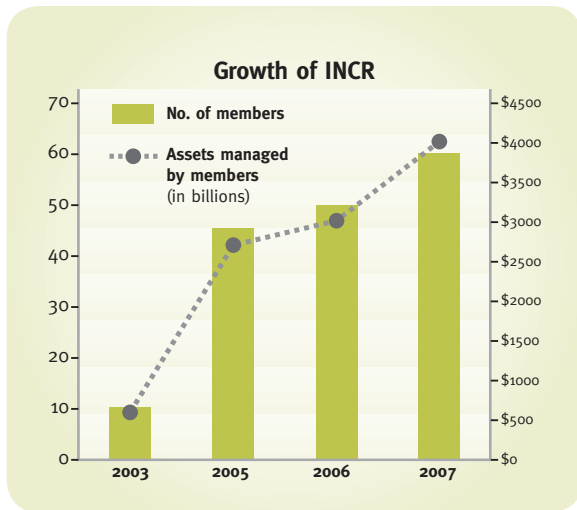
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## FOREWORD BY MINDY S. LUBBER

The Investor Network on Climate Risk (INCR) was launched by Ceres at the first Institutional Investor Summit on Climate Risk at the United Nations Headquarters on November 21, 2003.

INCR's membership has since grown from 10 investors managing \$600 billion in assets to more than 60 investors managing over \$4 trillion in assets today. Members include public and labor pension funds, state and city treasurers and comptrollers, asset managers, foundations, and other institutional investors (see Appendix A). INCR promotes better understanding of the business risks and opportunities posed by climate change.



At the second Institutional Investor Summit on Climate Risk at the United Nations on May 10, 2005, 28 leading U.S. and European institutional investors approved a new INCR Action Plan calling on institutional investors, companies, policy makers and others to take specific actions to address the financial and economic implications of climate change (see Appendix B & Appendix C).

This report reviews the substantial progress that investors have made toward the objectives in the 2005 INCR Action Plan, including clean technology investments, shareholder resolutions, development of the Global Framework for Climate Risk Disclosure and successful engagement with Congress and the Securities and Exchange Commission (SEC). This report describes the results achieved with the four key target groups identified in 2005: (1) institutional investors, (2) fund managers and financial advisors, (3) companies, and (4) government.

Despite this positive momentum, greater efforts from investors and companies are needed. The progress made by investors since 2005 and their effective engagement of companies, fund managers, financial advisors, and the SEC should establish a solid foundation for renewed and strengthened INCR commitments in 2008 to minimize climate risks, seize opportunities, and secure for investors the information and long-term certainty they require.

Mindy S. Lubber  
President, Ceres  
Director, Investor Network on Climate Risk

## EXECUTIVE SUMMARY

On May 10, 2005, at the Institutional Investor Summit on Climate Risk at the United Nations, members of the Investor Network on Climate Risk (INCR) signed a 10-point action plan entitled *Managing Climate Risk and Capturing the Opportunities: A Renewed Call for Action*.

This plan called on institutional investors, fund managers, financial advisors, U.S. companies, and the SEC to take a range of measures to address the financial risks and opportunities presented by climate change. These measures reflected broad goals that INCR members thought important to pursue in order for investors to manage climate risks and capture opportunities. Many of these goals represented continuing activities or specific developments, while others reflected long-term aspirations.

INCR members also made a commitment (“Our Commitment”) concerning the actions they would take towards achieving each “Call to Action” goal. INCR and its members are pleased to report that they have:

- ◆ Met or exceeded eight of the ten commitment pledges; and
- ◆ Already met or exceeded six of the ten broader goals, while making significant progress on the others.

Since the issuance of the 2005 INCR Action Plan:

- ◆ **Institutional investors have dramatically sharpened their focus on the climate risks and opportunities in their portfolios by making new investments, engaging with companies in their role as shareholders, adopting disclosure standards, and sharing information.**

Highlights include:

- Investing more than \$1 billion in clean technologies since 2005.
- Filing a record 43 climate-related shareholder resolutions with U.S. companies in the 2007 proxy season, with 15 leading to successful company engagements and with record levels of support for those resolutions that went to a vote.
- Developing the first-ever Global Framework for Climate Risk Disclosure, making it easier for companies to learn how best to disclose climate risks and opportunities.
- Enhancing collaboration with other investor-focused organizations and improving the INCR website (INCR.com) to facilitate the global sharing of information among investors concerned about climate risks and opportunities.

- ◆ **Fund managers and financial advisors have significantly advanced the quantitative analysis of climate risks in their portfolios.** Investor action has encouraged many mainstream financial firms to release dozens of detailed reports about the bottom-line implications of climate change. In addition, some INCR members are beginning to ask their fund managers and consultants how they are factoring climate risks and opportunities into their research.

- ◆ **Companies in industries with the highest greenhouse gas (GHG) emissions have increased their focus on climate risk and opportunities in product plans, capital investment decisions, and public policy stances.** Pressure from investors, regulators, and consumers has driven major corporations such as ConocoPhillips and TXU to develop plans to deal with climate change throughout their businesses. Investors have also

increased their corporate engagement efforts, urging companies to set GHG reduction targets, increase spending on renewable energy, and other actions. To help investors in INCR assess the climate actions of companies, Ceres published a *Corporate Governance and Climate Change* report in March 2006 that evaluates and ranks 100 leading companies on their responses to climate change.

◆ **A growing number of investors have called on Congress and the SEC to respond to climate change and its business impacts.** Highlights include:

- In March 2007, 70 investors managing more than \$4 trillion in assets and 14 business leaders issued an unprecedented public call for Congress to approve a strong, mandatory national policy to reduce GHG emissions and for the SEC to issue guidance requiring corporate disclosure of material climate risks.
- In September 2007, a coalition of investors managing more than \$1.5 trillion in assets, along with state officials, petitioned the SEC to require all publicly-traded companies to assess and disclose their financial risks from climate change, leading to the first-ever hearing on the topic before the Senate Banking Committee on October 31, 2007.

Even with this impressive progress by INCR and its members, there is still much to be done. For example:

◆ **Too few investors are realizing the substantial gains to be made in the clean tech sector.**

To achieve the steep reductions in global GHG emissions needed to address climate change, substantial investment in low-carbon and high-efficiency technologies will be necessary. Analysts forecast tremendous opportunities in clean technologies in coming years, yet few investors have made significant clean tech investments.

◆ **Major mutual funds must pay more attention to climate change.** Ceres recently reported that the nation's 100 largest mutual funds opposed or abstained on all climate change shareholder resolutions voted on in the 2006 proxy season. Mutual fund managers should increase their focus on climate change, including by training trustees and directors and by developing proxy voting guidelines for evaluating climate-related resolutions.

◆ **More companies must improve disclosure, minimize climate risks, and get involved in climate policy.** While corporate disclosure has improved greatly since 2005, the quantity and quality of disclosure is still insufficient. For instance, the January 2007 *Climate Risk Disclosure by the S&P 500* report by Ceres and Calvert found that only 47% of S&P 500 companies answered the fourth Carbon Disclosure Project (CDP) questionnaire and that a third of those that did respond refused to allow their responses to be made public. Thanks to investors who pushed laggard companies to respond to the CDP during the 2007 shareholder season, 56% of S&P 500 companies responded to the latest questionnaire, but that still is not enough. In addition, while some companies have made great strides in addressing their climate risk and advocating for climate policies, too few are following this path.

◆ **Government policies on energy and climate change need improvement.** Investors must continue their engagement with policy makers at all levels. Congress is still developing climate and energy policies that will have far-reaching impacts on the regulatory environment for companies and investors. The SEC has yet to respond to the investor climate risk disclosure petition.

## OVERVIEW: PROGRESS ON THE 2005 INCR ACTION PLAN

	Met or Exceeded	Made Progress	Not Yet Met
<b>A. Institutional Investors</b>			
<b>1. Call to Action:</b> Invest capital, individually or collectively, in companies developing and deploying clean technologies, which we believe will enhance and sustain the long-term viability of corporate assets and shareholder value.	✓		
<b>Our Commitment:</b> Our collective goal in the next year is to seek to deploy \$1 billion of capital to achieve attractive investment returns over the long term and help catalyze adoption of clean technology in the broader marketplace, while at the same time adhering to the fiduciary standards that govern our overall actions.	✓		
<b>2. Call to Action:</b> Support for and success of appropriate shareholder resolutions and company engagement to improve corporate disclosure and governance on climate risk.	✓		
<b>Our Commitment:</b> We will develop through the Investor Network on Climate Risk (INCR) a model climate risk policy for institutional investors. This policy will specifically address shareholder resolutions, proxy voting, and corporate dialogue on climate risk. We will share the policy with other institutional investors and with fund managers.		✓	
<b>3. Call to Action:</b> Adopt a reliable and generally accepted global standard for disclosure of climate risk.	✓		
<b>Our Commitment:</b> We pledge to work with investors around the world to develop such a standard.	✓		
<b>4. Call to Action:</b> Promote information sharing among the growing number of institutional investors and organizations around the world concerned about climate risk.	✓		
<b>Our Commitment:</b> We will build a new forum for international investor collaboration on climate risk.	✓		
<b>B. Fund Managers and Financial Advisors</b>			
<b>5. Call to Action:</b> Improve capacity to assess climate risk.		✓	
<b>Our Commitment:</b> We will require and validate that relevant investment managers, seeking to manage our fund assets, describe the resources, expertise and process that they use to assess the risks associated with climate change.		✓	
<b>6. Call to Action:</b> Improve mutual fund engagement in addressing climate risk.		✓	
<b>Our Commitment:</b> INCR will publish an annual scorecard showcasing how mutual funds vote on climate change shareholder resolutions.	✓		

	Met or Exceeded	Made Progress	Not Yet Met
<b>C. Companies</b>			
<b>7. Call to Action:</b> All publicly-held companies in the auto, electric power, and oil and gas sectors should follow the lead of some companies and report within a year how likely scenarios for climate change, future greenhouse gas limits, and dwindling access to inexpensive energy will affect their businesses and competitiveness, and to identify steps they are taking to reduce those financial impacts and seize new emerging market opportunities.		✓	
<b>Our Commitment:</b> We will engage with these companies to consider and address climate risk.	✓		
<b>8. Call to Action:</b> Renew dialogue between investors and all companies that have already disclosed their climate risk to focus on steps that investors and companies can take to address this risk.	✓		
<b>Our Commitment:</b> We will engage with companies, recognize leaders, and promote best practices.	✓		
<b>9. Call to Action:</b> Help investors assess climate risk.	✓		
<b>Our Commitment:</b> Through INCR, we will produce the “Corporate Governance Score Card on Climate Risk”, an annual corporate governance scorecard of 100 large emitters of greenhouse gases. We will distribute this scorecard throughout the investor community by the end of 2005. This report will inform them of the efforts that companies and their boards of directors are taking to consider and address climate risk.	✓		
<b>D. Government</b>			
<b>10. Call to Action:</b> The Securities and Exchange Commission (SEC) to require that companies disclose the risk associated with climate change as part of their securities filings.		✓	
<b>Our Commitment:</b> We will work with the SEC to disclose climate risk.	✓		



## DETAILED ANALYSIS OF INVESTOR PROGRESS

### Progress made with Institutional Investors Action Items 1–4

2005 Call to Action and Collective Commitment:	Met or Exceeded	Made Progress	Not Yet Met
<b>Institutional Investors</b>			
<b>1. Call to Action:</b> Invest capital, individually or collectively, in companies developing and deploying clean technologies, which we believe will enhance and sustain the long-term viability of corporate assets and shareholder value.	✓		
<b>Our Commitment:</b> Our collective goal in the next year is to seek to deploy \$1 billion of capital to achieve attractive investment returns over the long term and help catalyze adoption of clean technology in the broader marketplace, while at the same time adhering to the fiduciary standards that govern our overall actions.	✓		

### Successes

INCR members exceeded their \$1 billion investment goal in September 2006 (see box).

Since surpassing the 2005 goal, INCR members have continued to position themselves to take advantage of the vast growth opportunities from the rapidly emerging clean tech and low-carbon global economy. For example, in 2007, CalPERS committed an additional \$400 million to the Environmental Technology Program, which targets investments in environmental technology solutions that are more efficient and less polluting than existing technologies.

Other investors around the world have also been investing in clean tech. In 2007, the amount of new money invested in clean tech across all investment categories grew to \$117.2 billion, up 41% from 2006 (source: New Energy Finance).

In surpassing the \$1 billion goal, INCR members allocated assets into clean tech as follows:

- CalPERS – \$700 million
- CalSTRS – \$188 million
- CT State Treasurer's Office – \$25 million
- NY State Common Retirement Fund – \$30 million
- OR State Treasurer's Office – \$50 million
- PA State Treasurer's Office – \$90 million

### Going Forward

To achieve steep reductions in global GHG emissions, there will have to be massive investment in low-carbon and high-efficiency technologies. Clearly, there is going to be a great deal of additional opportunity in clean technologies. While clean tech investments are increasing dramatically, there are still relatively few investors that have made significant clean tech investments. INCR members and other investors should continue to explore increasing investment in clean tech opportunities.

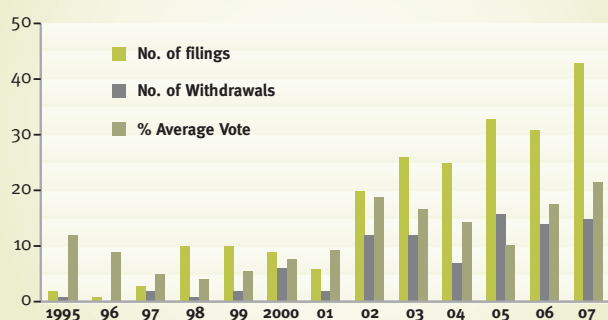
<i>2005 Call to Action and Collective Commitment:</i>	Met or Exceeded	Made Progress	Not Yet Met
<b>Institutional Investors</b>			
<b>2. Call to Action:</b> Support for and success of appropriate shareholder resolutions and company engagement to improve corporate disclosure and governance on climate risk.	✓		
<b>Our Commitment:</b> We will develop through the Investor Network on Climate Risk (INCR) a model climate risk policy for institutional investors. This policy will specifically address shareholder resolutions, proxy voting, and corporate dialogue on climate risk. We will share the policy with other institutional investors and with fund managers.		✓	

## Successes

INCR members met their goal of increasing support for and the success of shareholder resolutions and company dialogues on climate disclosure and governance issues. During the 2007 proxy season (see box):

- ◆ A record 43 climate-related shareholder resolutions were filed with U.S. companies.
- ◆ 15 resolutions led to successful outcomes with companies including ConocoPhillips, Wells Fargo, and Hartford Insurance.
- ◆ Resolutions that went to a vote received record-high support, including 39.5% support for a resolution filed with Allegheny Energy—the highest vote ever on a climate resolution.

**U.S. Shareholder Resolutions on Climate Change 1995–2007**



- ◆ INCR members conducted sustained outreach to proxy advisory firms, resulting in two firms—Institutional Shareholder Services (now RiskMetrics) and Proxy Governance International—supporting 10 resolutions. Particularly notable was their support of resolutions requesting company management to set GHG reduction targets for operations and products, resulting in votes of 31.1% at ExxonMobil and 29.1% at General Motors.

In 2006, to facilitate further support from investors for company engagements, Ceres also produced a brief guide for foundation endowments on proxy voting (available for free downloading at [www.ceres.org](http://www.ceres.org)).

## Going Forward

INCR members should work to:

- ◆ Increase outreach to secure support from additional investors, particularly from investors in geographic areas currently underrepresented in INCR;
- ◆ Increase efforts to achieve higher vote totals, including support on more resolutions from more proxy advisory firms (including Glass Lewis, which only supported 2 climate resolutions in 2007).

Ceres is developing a toolkit for investors on actions they can take to address climate risks and opportunities. This toolkit will include model policies and will thus meet the commitment made in 2005.

<i>2005 Call to Action and Collective Commitment:</i>	Met or Exceeded	Made Progress	Not Yet Met
<b>Institutional Investors</b>			
<b>3. Call to Action:</b> Adopt a reliable and generally accepted global standard for disclosure of climate risk.	✓		
<b>Our Commitment:</b> We pledge to work with investors around the world to develop such a standard.	✓		

## Successes

INCR collaborated with investors worldwide to develop the *Global Framework on Climate Risk Disclosure*.<sup>1</sup>

- ◆ The Framework explicitly states the needs of investors for disclosure on emissions, emissions management strategies, physical risks from climate change, and regulatory risks.
- ◆ INCR released an accompanying *Guide to Using the Global Framework on Climate Risk Disclosure* to help companies understand how they can disclose the information that investors need.
- ◆ INCR members and others have put the Framework to use (see box), such as by engaging companies and encouraging them to use existing reporting mechanisms—including the Global Reporting Initiative (GRI), the Carbon Disclosure Project (CDP), and financial filings with securities regulators—to provide information that serves investors' analytical needs.
- ◆ At the World Economic Forum in Davos in January 2007, Ceres, CDP, and five other organizations formed a new international consortium—the Climate Standards Disclosure Board—to promote standardized climate risk-related reporting by corporations, focusing on the four categories of disclosure in the Framework.

INCR members and others have begun putting the Framework to use:

- The Framework elements were used as a benchmark for evaluating S&P 500 companies' responses to the 4th CDP questionnaire and were also utilized in the creation of the 5th CDP questionnaire, sent to 2400 global companies.
- The Framework is an essential point of reference in the recent INCR-led petition to the SEC to require and enforce greater disclosure of climate risk in SEC filings.
- The FTSE4Good and Dow Jones Sustainability Index have requested guidance from INCR on the climate sections of their ratings indices; the Framework was recommended as a guide.

## Going Forward

INCR members should encourage investors who have not yet adopted the Framework to do so. INCR members will also need to continue to press companies to respond to investor requests for information on climate risk and to educate companies about how to provide information consistent with the Framework through existing reporting mechanisms.



1. This publication and other Ceres publications referenced in this report can be found at [www.ceres.org](http://www.ceres.org)

### 2005 Call to Action and Collective Commitment:

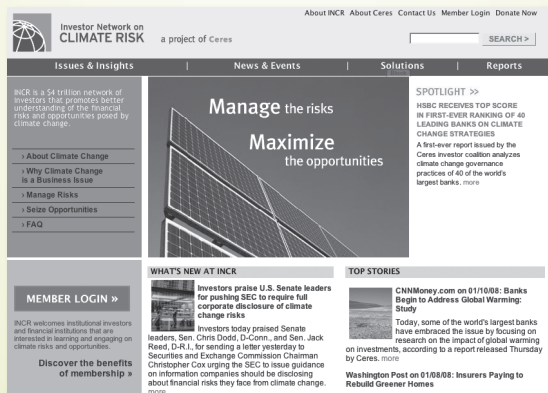
	Met or Exceeded	Made Progress	Not Yet Met
<b>Institutional Investors</b>			
<b>4. Call to Action:</b> Promote information sharing among the growing number of institutional investors and organizations around the world concerned about climate risk.	✓		
<b>Our Commitment:</b> We will build a new forum for international investor collaboration on climate risk.	✓		

## Successes

INCR has made progress towards fostering information sharing about climate risk worldwide. Examples of steps towards this goal include the following:

INCR.com features:

- information about climate change, why it is a business issue, and why it is important to manage climate risks and seize opportunities
- summaries of relevant news
- tools and best practices for investors and corporations
- reports by INCR and others
- information about INCR membership and actions (including updates on shareholder resolutions)
- a members-only section that allows members to view member listings and read and contribute to a member blog.



- ◆ INCR improved its website (INCR.com), which serves as a virtual forum for investors worldwide on the subject of climate risk (see box).
- ◆ INCR is now planning the third Investor Summit on Climate Risk, which will take place on February 14th, 2008, in New York City.
- ◆ The Global Framework on Climate Risk Disclosure, both in its development and subsequent use, has allowed for greater dialogue and collaboration between investors and organizations such as the Carbon Disclosure Project (CDP) and the Global Reporting Initiative (GRI).
- ◆ INCR Director Mindy Lubber spoke at many events aimed at building investor awareness and leadership worldwide, including the 2006 European Investor Conference on Climate Change in Paris, organized by the Institutional Investors Group on Climate Change (IIGCC), and at a November 2007 meeting hosted by the Prince of Wales in London.

## Going Forward

INCR and its members should intensify the steps already underway to foster dialogue and collaboration with investors and organizations worldwide.

## Progress made with Fund Managers and Financial Advisors

### Action Items 5–6

<i>2005 Call to Action and Collective Commitment:</i>	Met or Exceeded	Made Progress	Not Yet Met
<b>Fund Managers and Financial Advisors</b>			
<b>5. Call to Action:</b> Improve capacity to assess climate risk.		✓	
<b>Our Commitment:</b> We will require and validate that relevant investment managers, seeking to manage our fund assets, describe the resources, expertise and process that they use to assess the risks associated with climate change.		✓	

## Successes

INCR members have made progress in improving climate risk assessment capacity.

- ◆ INCR has co-sponsored several briefings for financial analysts on climate risk issues (see box).
- ◆ Florida's Chief Financial Officer directed the state's Treasury investment managers to detail their abilities to assess climate risk and required them going forward to report on climate risk as a part of their regular semi-annual reviews.
- ◆ The State of Connecticut Treasurer's Office issued an RFP for a lead investment consultant that asked firms to "identify any specialty capacity in the areas of climate risk and/or Environment Social Governance (E.S.G.) investing, principally the ability to evaluate a fund manager's ability to assess risks associated with E.S.G. factors."
- ◆ The Pennsylvania Treasurer committed to develop a climate risk screen and require all of its investment managers to utilize it in evaluating current portfolios and future investments.

In addition, financial service providers, banks, and fund managers have all increased their research capabilities on climate change since the 2005 INCR Action Plan, with many mainstream financial firms producing research and reports on climate risk.

## Going Forward

Most investors still are not getting the information they need from asset managers and consultants about material climate risks and opportunities in their portfolios. Institutional investors in INCR should expand their efforts to require climate risk assessment capacity in their managers and advisors.

INCR analyst briefings since the 2005 Call for Action include partnering with:

- *JPMorgan Chase*
  - ◆ *Climate Risk and Energy Security in the Auto Sector (Dec. 2005)*
  - ◆ *The Future of Oil: Energy Security, Climate Risks, and Market Opportunities (Oct. 2006)*
- *Sanford C. Bernstein*
  - ◆ *Implications of CO<sub>2</sub> Limits for the Electric Power Industry (Sept. 2006)*
  - ◆ *CO<sub>2</sub> Emissions Limits and the Power Sector: How Will Utilities Respond? (June 2007)*
- *Citi*
  - ◆ *CAFE—A New Investor Issue 2012–2020 (Oct. 2007)*

<i>2005 Call to Action and Collective Commitment:</i>	Met or Exceeded	Made Progress	Not Yet Met
<b>Fund Managers and Financial Advisors</b>			
<b>6. Call to Action:</b> Improve mutual fund engagement in addressing climate risk.		✓	
<b>Our Commitment:</b> INCR will publish an annual scorecard showcasing how mutual funds vote on climate change shareholder resolutions.	✓		

## Successes

INCR has met its commitment to publish an annual scorecard showing mutual funds' actions on shareholder resolutions relating to climate change.

INCR members and staff have reached out to mutual funds:

- *Ceres staff engaged in a dialogue about proxy voting on climate change resolutions with The Capital Group Companies, the firm that manages the American Funds, and the Investment Company Institute, the mutual fund industry association.*
- *In 2007, at the request of State Street Global Advisors (SSgA), a leading global institutional money manager, INCR staff presented an overview of proxy voting on Environmental, Social and Governance issues, including climate change, to SSgA global senior managers.*
- *In 2006, the Nathan Cummings Foundation asked Barclays Global Investors, which managed a mutual fund of which the Foundation owned a sizable portion, to vote its proxies in favor of climate-related resolutions or separate out the Foundation's shares and vote them according to the Foundation's instructions. When Barclay's declined, the Foundation moved its sizable investment to a separate account at a different manager.*

- ◆ In January 2006, the first scorecard showed that not one of the 100 largest mutual funds voted their proxies in favor of any climate resolutions filed in 2005.
- ◆ The second scorecard, released in April 2007, showed identical results—the largest mutual funds had failed to vote their proxies in support of any climate resolutions filed in 2006. In addition, the report found that none of the top 100 mutual funds had explicit proxy voting guidelines on global warming.

INCR staff and members have also made some progress in engaging mutual funds on climate risk (see box).

## Going Forward

INCR members must expand their efforts to engage mutual fund managers on the topic of climate risk.

INCR members should also work with mutual funds to improve their proxy voting policies on climate-related shareholder resolutions.

In 2008, INCR will release its third scorecard, examining mutual fund voting during the 2007 shareholder season.

## Progress made with Companies

### Action Items 7–9

2005 Call to Action and Collective Commitment:	Met or Exceeded	Made Progress	Not Yet Met
<b>Companies</b>			
<b>7. Call to Action:</b> All publicly-held companies in the auto, electric power, and oil and gas sectors should follow the lead of some companies and report within a year how likely scenarios for climate change, future greenhouse gas limits, and dwindling access to inexpensive energy will affect their businesses and competitiveness, and to identify steps they are taking to reduce those financial impacts and seize new emerging market opportunities.		✓	
<b>Our Commitment:</b> We will engage with these companies to consider and address climate risk.	✓		

## Successes

INCR members and staff repeatedly engaged auto, electric, and oil & gas companies on climate risk disclosure, including through:

- ◆ Dialogues with companies on their strategies for managing climate risk;
- ◆ Filing shareholder resolutions; and
- ◆ Issuing the Guide to Using the Global Framework on Climate Risk Disclosure.

Although disclosure remains inadequate, investors made progress with these companies:

- ◆ **Auto:** Most auto companies now report on the steps they are taking to develop cleaner technologies that produce fewer GHG emissions. Only a few, such as Ford, have taken the further step of reporting on how climate impacts and regulatory scenarios will affect their business and competitiveness.
- ◆ **Electric:** More than a dozen utilities have offered significant information relating to strategic analysis of climate risk, emissions management, and regulatory scenarios. American Electric Power, for example, issued a climate change report that provided a detailed scenario analysis of the effects on the company of potential GHG regulations in the United States.
- ◆ **Oil & gas:** There has been dramatically improved climate disclosure as a result of investor engagement at a number of oil companies, including: Chevron, ConocoPhillips, Apache, and EOG Resources (see box).

After a shareholder resolution was filed by Domini, EOG Resources committed to robust climate disclosure—including completing the 5th CDP questionnaire, disclosing its assessment of climate risks and activities to reduce GHGs, and including climate position statements in its 10-K. It also agreed to establish a GHG baseline and disclose those emissions.

## Going Forward

Many companies in these sectors continue to provide inadequate disclosure of climate risks and opportunities, and few if any companies have provided all of the detailed requests contained in the 2005 INCR Action Plan. In particular, only a handful of companies offer quantitative analyses of the impacts of climate regulation on shareholder value, few auto or oil companies disclose GHG emissions from their products, and still fewer disclose GHG reduction targets for these products, despite the fact that it is the products' viability and competitiveness (and thus the companies' market share) that is at risk. INCR members must continue engagement with companies in these sectors. INCR members must also broaden efforts to engage other sectors.



<i>2005 Call to Action and Collective Commitment:</i>		Met or Exceeded	Made Progress	Not Yet Met
Companies				
<b>8. Call to Action:</b> Renew dialogue between investors and all companies that have already disclosed their climate risk to focus on steps that investors and companies can take to address this risk.		✓		
<b>Our Commitment:</b> We will engage with companies, recognize leaders, and promote best practices.		✓		

## Successes

INCR members followed up with companies that had already disclosed climate risks, pushing not only for more robust disclosure, but also for “beyond disclosure” efforts such as emissions reduction targets and policy support. For example:

The Sisters of St. Dominic of Caldwell, NJ, along with Christian Brothers Investment Services, SEIU, Trillium Asset Management, and Walden Asset Management, filed a shareholder resolution at ExxonMobil in 2007 that requested that the board adopt quantitative goals based on current technologies for reducing total GHG emissions from the company's products and operations. Despite record profits, shareholders owning over \$120 billion (31.1%) of ExxonMobil stock supported the resolution – the highest support ever for a climate resolution at the company.

- ◆ In 2006, INCR members sent letters to 30 insurance companies, the members of the Alliance of Automobile Manufacturers, and the 50 largest U.S. electric power companies. The letters received great media coverage and the attention of the recipients. Auto companies also received a follow-up letter in 2007, resulting in improved disclosure.
- ◆ In 2007, investors filed the first shareholder resolutions asking Anadarko, Chevron, ExxonMobil, Ford, GM, Southern, TXU, and Wells Fargo to set quantitative GHG emission reduction targets (see box).
- ◆ INCR members engaged in dialogues that led to action on risk assessment from Wells Fargo, policy and target commitments from ConocoPhillips, a GHG target pledge by Anadarko, a governance commitment from EOG, and investment and target commitments from Chevron.
- ◆ A group of investors (including INCR members) issued a Climate Watch List in February 2007 of 10 companies that had been identified as lagging behind their industry peers in responding to climate risk. The companies included influential electric power companies, oil producers, coal companies, and others that investors believe are not adequately dealing with potential climate-related business impacts.
- ◆ INCR members engaged in dialogues with top companies in preparing the March 2007 Investor and Business Call for U.S. Climate Action, resulting in support from a dozen leading corporations.
- ◆ In 2006, Ceres and INCR published *Managing the Risks and Opportunities of Climate Change: A Practical Toolkit for Corporate Leaders*. The Toolkit lays out 3 phases and 10 steps to developing a comprehensive corporate climate strategy.

## Going Forward

While INCR members did a great deal to engage companies, INCR can do more to highlight leaders and best practices. INCR must also continue to enlist investors and companies to support U.S. and international climate policy action.



<i>2005 Call to Action and Collective Commitment:</i>	Met or Exceeded	Made Progress	Not Yet Met
<b>C. Companies</b>			
<b>9. Call to Action:</b> Help investors assess climate risk.	✓		
<b>Our Commitment:</b> Through INCR, we will produce the “Corporate Governance Score Card on Climate Risk”, an annual corporate governance scorecard of 100 large emitters of greenhouse gases. We will distribute this scorecard throughout the investor community by the end of 2005. This report will inform them of the efforts that companies and their boards of directors are taking to consider and address climate risk.	✓		

## Successes

Since the 2005 INCR Action Plan, investors have seen a marked increase in the number of tools and reports available to help them assess corporate climate action and climate risks to their investments.

- ◆ Many financial services firms and other companies across many sectors have produced reports on climate risks and opportunities.
- ◆ CalPERS and CalSTRS commissioned a report in 2006 that examines whether electric power companies are creating overall economic value after factoring in the impact of their carbon emissions, based on the companies’ responses to the Carbon Disclosure Project (CDP).
- ◆ Ceres released a corporate governance scorecard in March 2006, using a 100-point scoring system to rank the 100 largest companies in 10 business sectors. The next scorecard will be released in 2008.
- ◆ INCR and Ceres also produced a number of other reports to help investors assess corporate action and climate risk (see box), all of which are available for free downloading at [www.ceres.org](http://www.ceres.org).

## Going Forward

INCR members should do more to make the connection between climate risk and the need for action by corporate boards. Towards that end, INCR will continue to release corporate governance reports on a regular basis, as appropriate. INCR members could also help distribute the reports’ findings more widely in the financial and business communities.

Since the 2005 Summit, INCR and Ceres have generated numerous reports designed to help investors assess corporate action and climate risk, including:

- *CAFE and the U.S. Auto Industry: A Growing Auto Investor Issue, 2012–2020 (2007)*
- *From Risk to Opportunity: Insurer Responses to Climate Change (2007)*
- *The Future of Oil: Energy Security, Climate Risks and Market Opportunities (2007)*
- *TXU’s Expansion Proposal: A Risk for Investors (2007)*
- *Climate Risk Disclosure by the S&P 500 (2007)*
- *Best Practices in Climate Change Risk Analysis for the Electric Power Sector (2006)*
- *Corporate Governance and Climate Change: Making the Connection (2006)*
- *Climate Risk and Energy in the Auto Sector (2006)*

## Progress made with Government

### Action Item 10

<i>2005 Call to Action and Collective Commitment:</i>	Met or Exceeded	Made Progress	Not Yet Met
<b>Government</b>			
<b>10. Call to Action:</b> The Securities and Exchange Commission (SEC) to require that companies disclose the risk associated with climate change as part of their securities filings.		✓	
<b>Our Commitment:</b> We will work with the SEC to disclose climate risk.	✓		

## Successes

INCR members have been engaging the SEC (and the U.S. Congress) on the issue of climate risk and have made some important progress towards mandatory company disclosure of material climate risks.

On September 18, 2007, a coalition of 22 investors, state officials with regulatory and fiscal responsibilities, and environmental groups filed a landmark petition asking the SEC to clarify that, under existing law, companies must disclose material information related to climate change. The investor petitioners, almost all of whom are INCR members, manage more than \$1.5 trillion in assets. The first-of-a-kind petition cited unequivocal scientific evidence, far-reaching regulatory developments, and extensive business recognition that the risks and opportunities many corporations face in connection with climate change are material to shareholder investment decisions and must be disclosed under existing law.

The coalition also formally asked the SEC Division of Corporation Finance to immediately begin “[c]losely scrutinizing the adequacy of registrants’ climate disclosures” under existing law.

- ◆ In June 2006, more than two-dozen institutional investors, managing more than \$1 trillion of assets, wrote a letter to SEC Chairman Christopher Cox calling on the SEC to require publicly-traded companies to disclose the financial risks of global warming in their securities filings.
- ◆ In September 2006, INCR members met with Commissioner Roel Campos to ask the SEC to require that companies disclose climate risk as part of their securities filings.
- ◆ In March 2007, INCR members and dozens of other investors and asset managers—as part of a broader call to action—asked the SEC to clarify what companies should disclose on climate change in their regular financial reporting.
- ◆ In September 2007, a broad coalition of investors, state officials, and environmental groups filed a petition asking the SEC to require publicly-traded companies to disclose climate risks (see box).
- ◆ In October 2007, CalPERS Chief Investment Officer Russell Read and INCR Director Mindy Lubber testified during a hearing before the Senate Banking Subcommittee on Securities, Insurance and Investment, declaring that the SEC needs to take action to require better disclosure by U.S. companies on the financial risks they face from climate change.

- ◆ In December 2007, INCR members met with John White, Director of the SEC’s Division of Corporation Finance, and his staff to discuss implementation of the September petition.

## Going Forward

While INCR members have taken significant steps to engage government decision-makers on climate risk, the goal of mandatory disclosure has not yet been met. INCR must continue working toward this goal.

## APPENDIX A: INCR MEMBERS – AS OF JANUARY 2008

AIG Investments	Nathan Cummings Foundation
American Federation of State, County and Municipal Employees	New Jersey State Investment Council
Boston Common Asset Management	New Jersey State Treasurer
British Columbia Investment Management Corporation	New York City Comptroller
Bullitt Foundation	New York City Employees' Retirement System
California Public Employees' Retirement System	New York State Comptroller
California State Controller	New York State Teachers' Retirement System
California State Teachers' Retirement System	North Carolina State Treasurer
California State Treasurer	Oregon State Treasurer
Calvert Group	Parnassus Funds
Christian Brothers Investment Services	Pax World Funds
Connecticut State Treasurer	Pennsylvania State Treasurer
CWA/ITU Negotiated Pension Plan	Portfolio 21 Investments
Domini Social Investments	Presbyterian Church USA
Doris Duke Charitable Foundation	Province of St. Joseph of the Capuchin Order
Ethical Funds Company	Rhode Island State Treasurer
Evangelical Lutheran Church in America	Rockefeller & Co.
F & C Asset Management	Rockefeller Brothers Fund
Florida State Board of Investment	Service Employees International Union
Florida State Treasury	Sheet Metal Workers Pension Fund
Fred Alger Management	Sisters of St. Dominic of Caldwell, NJ
Green Century Funds	Stark Investments
Illinois State Board of Investment	State Street Global Advisors
International Association of Machinists	TIAA-CREF
International Brotherhood of Teamsters, Affiliates Pension Plan	Trillium Asset Management
Kentucky State Treasurer	Unitarian Universalist Association
Maine State Treasurer	UNITE HERE
Maryland State Retirement Agency	United Methodist Church General Board of Pension & Health Benefits
Maryland State Treasurer	Vermont Community Foundation
Massachusetts State Treasurer	Vermont State Treasurer
	Walden Asset Management
	Winslow Management

## APPENDIX B: 2005 INCR ACTION PLAN SIGNERS

### State Treasurers

**Phil Angelides**, Treasurer, State of California  
**Randall Edwards**, Treasurer, State of Oregon  
**Nancy Kopp**, Treasurer, State of Maryland  
**David Lemoine**, Treasurer, State of Maine  
**Denise Nappier**, Treasurer, State of Connecticut  
**Jeb Spaulding**, Treasurer, State of Vermont  
**Robert Vigil**, Treasurer, State of New Mexico

### State and City Comptrollers:

**Alan G. Hevesi**, Comptroller, State of New York  
**William C. Thompson, Jr.**, Comptroller, New York City  
**Steve Westly**, Controller, State of California

### Public Pension Funds:

**Jack Ehnes**, CEO, California State Teachers' Retirement System (CalSTRS)  
**Rob Feckner**, President, California Public Employees' Retirement System (CalPERS)  
**George M. Philip**, Executive Director, New York State Teachers' Retirement System  
**Edward Smith**, Chairman, Illinois State Board of Investment

### Labor Pension Funds:

**Steve Abrecht**, Executive Director, National Industry Pension Fund, Service Employees International Union (SEIU)  
**William J. Boorman**, Chairman of the Board of Trustees, CWA/ITU Negotiated Pension Plan  
**R. Thomas Buffenbarger**, President, International Association of Machinists  
**M. Benny Hernandez**, Administrator, Sheetmetal Workers Pension Fund  
**C. Thomas Keegel**, General Secretary Treasurer, International Brotherhood of Teamsters; Trustee, Teamsters Affiliates Pension Plan  
**Gerald McEntee**, President, American Federation of State, County, and Municipal Employees (AFSCME)  
**Bruce Raynor**, President, UNITE HERE

### Foundations:

**Stephen B. Heintz**, President, Rockefeller Brothers Fund  
**Lance E. Lindblom**, President and CEO, The Nathan Cummings Foundation

### Religious Institutional Investors:

**The General Board of Pension and Health Benefits of the United Methodist Church**  
**William Somplatsky-Jarman**, Presbyterian Church (USA)

### European Investor Supporters of the Call for Action:

**Sir Graeme Davies**, Chairman, Universities Superannuation Scheme  
**Neil Newton**, Chair, London Pensions Fund Authority  
**Peter Scales**, Chief Executive, London Pensions Fund Authority

## APPENDIX C: 2005 INCR ACTION PLAN

### Managing Climate Risk and Capturing the Opportunities: A Renewed Call for Action

Recognizing that climate change embodies risks and opportunities of a significant magnitude for investors and our economy, and represents one of the greatest challenges facing our planet, we are compelled to seek improved approaches in responding to the fiscal ramifications of climate risk for institutional investors, fund managers and financial advisors, companies, and others. Therefore, we call on each of these sectors to respond, affirmatively and definitively, and state our intention to move forward to implement this essential agenda.

#### A. Institutional investors

**1. Call to Action:** Invest capital, individually or collectively, in companies developing and deploying clean technologies.

**Our Commitment:** Our collective goal in the next year is to unlock \$1 billion of capital to achieve attractive investment returns over the long term and help catalyze adoption of clean technology in the broader marketplace.

**2. Call to Action:** Support for and success of appropriate shareholder resolutions and company engagement to improve corporate disclosure and governance on climate risk.

**Our Commitment:** We will develop through the Investor Network on Climate Risk (INCR) a model climate risk policy for institutional investors. This policy will specifically address shareholder resolutions, proxy voting, and corporate dialogue on climate risk. We will share the policy with other institutional investors and with fund managers.

**3. Call to Action:** Adopt a reliable and generally accepted global standard for disclosure of climate risk.

**Our Commitment:** We pledge to work with investors around the world to develop such a standard.

**4. Call to Action:** Promote information sharing among the growing number of institutional investors and organizations around the world concerned about climate risk.

**Our Commitment:** We will build a new forum for international investor collaboration on climate risk.

#### B. Fund managers and financial advisors

**5. Call to Action:** Improve capacity to assess climate risk.

**Our Commitment:** We will require and validate that relevant investment managers, seeking to manage our fund assets, describe the resources, expertise and process that they use to assess the risks associated with climate change.

**6. Call to Action:** Improve mutual fund engagement in addressing climate risk.

**Our Commitment:** INCR will publish an annual scorecard showcasing how mutual funds vote on climate change shareholder resolutions.

#### C. Companies

**7. Call to Action:** All publicly-held companies in the auto, electric power, and oil and gas sectors should follow the lead of some companies and report within a year how likely scenarios for climate change, future greenhouse gas limits, and dwindling access to inexpensive energy will affect their businesses and competitiveness, and to identify steps they are taking to reduce those financial impacts and seize new emerging market opportunities.

**Our Commitment:** We will engage with these companies to consider and address climate risk.

**8. Call to Action:** Renew dialogue between investors and all companies that have already disclosed their climate risk to focus on steps that investors and companies can take to address this risk.

**Our Commitment:** We will engage with companies, recognize leaders, and promote best practices.

**9. Call to Action:** Help investors assess climate risk.

**Our Commitment:** Through INCR, we will produce the "Corporate Governance Score Card on Climate Risk", an annual corporate governance scorecard of 100 large emitters of greenhouse gases. We will distribute this scorecard throughout the investor community by the end of 2005. This report will inform them of the efforts that companies and their boards of directors are taking to consider and address climate risk.<sup>2</sup>

#### D. Government

**10. Call to Action:** The Securities and Exchange Commission (SEC) to require that companies disclose the risk associated with climate change as part of their securities filings.

**Our Commitment:** We will work with the SEC to disclose climate risk.



**About Ceres**

**Ceres** is a coalition of investors, environmental groups, and other public interest organizations working with companies to address sustainability challenges such as climate change. Ceres also directs the Investor Network on Climate Risk, a group of over 60 institutional investors managing over \$4 trillion of assets.

INCR was launched at the Institutional Investor Summit on Climate Risk at United Nations Headquarters in 2003. The purpose of INCR is to promote better understanding of the risks of climate change among institutional investors. For more information, visit **[www.ceres.org](http://www.ceres.org)** and **[www.incr.com](http://www.incr.com)**

For more information, contact:

Christopher Fox  
Director, Investor Programs  
Ceres, Inc.  
99 Chauncy St., 6th Floor  
Boston, MA 02111  
617-247-0700 x15  
[fox@ceres.org](mailto:fox@ceres.org)  
[www.ceres.org](http://www.ceres.org)  
[www.incr.com](http://www.incr.com)

**About David Gardiner & Associates, LLC**

The mission of David Gardiner & Associates (DGA) is to help organizations and decision-makers solve energy and climate challenges. By marshalling technology, policy, and finance, DGA helps its clients build consensus and advance workable solutions. DGA creates strategic advantages for its clients by helping them understand climate and energy issues and by providing advice, analysis, and strategies tailored to their needs.

For more information, visit **[www.dgardiner.com](http://www.dgardiner.com)**, or contact:

David Gardiner & Associates, LLC  
910 17th St NW  
Suite 210  
Washington, DC 20006  
202-463-6363  
[info@dgardiner.com](mailto:info@dgardiner.com)



**Ceres**

Ceres  
99 Chauncy Street  
Boston, MA 02111  
T: 617-247-0700  
[www.ceres.org](http://www.ceres.org)

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