

North American companies catching up on climate change

But US and Canadian companies must do much more if they are to manage their carbon risks and play an active part in the transition to a low-carbon economy.

As the United Nations Climate Change Conference in Copenhagen draws nearer, the latest in EIRIS' series of climate change tracker reports focuses on big businesses in the US and Canada to explore the progress they are making in reducing their climate change impact.

EIRIS 2009 Climate Change Tracker: North America finds that the vast majority of North American companies operating in sectors with a high carbon footprint now have a corporate-wide policy on climate change (91% compared to 93% at the global level). However, North American companies still lag behind their global peers in terms of implementing concrete measures to respond to the challenges of climate change.

Climate change has the potential to seriously impact shareholder value. It affects businesses across every sector of the economy – from aviation to agriculture. Given both the region's cumulative greenhouse gas (GHG) emissions and the political significance of any steps the US makes to tackle climate change, the rest of the world is increasingly looking to how US companies are performing on climate change. The US had the tenth and Canada the third largest global increase of total GHG emissions from 1990 to 2006¹.

As the acknowledged physical and economic impacts of climate change increase, investors need to develop a greater understanding of the extent and impact of corporate response to the issue. Highlights of EIRIS' latest research into how some of the biggest companies in the USA and Canada are responding to these challenges are listed below:

Limited progress, further changes needed

- **Rising CO2 emissions:** Canada reported 751,974 gigagram (Gg) of CO2 equivalent emissions in 2006 (a 54.8% increase from base year 1990), whilst the US reported 6,087,487 Gg of CO2 equivalent emissions in 2007 (a 15.8% increase from base year 1990).

¹ among signatories to the United Nations Framework Convention on Climate Change (UNFCCC).

- **North American companies are on a par with their global peers on climate change policy and short term emission targets:** 91% have a corporate-wide climate change policy compared to 93% at the global level.
- **Poor disclosure overall:** 37% of North American companies have advanced or good disclosure compared to about 50% at the global level; 35% meet external verification of data compared to 51% at the global level. However, encouragingly 80% report absolute emissions compared to 84% at the global level; 72% disclose scope of data compared to 81% at the global level.
- **Improvements in short-term targets:** 57% of North American companies have made commitments to reduce short-term GHG emission targets, compared to 62% at the global level.
- **Lack of integrated strategy: while policy is good, steps towards integration steps to implement the policy is lacking:** only 16% of North American companies have made a commitment to link board remuneration to GHG emissions reductions compared to 28% at the global level; 43% have policies committing them to address climate change impact of their products compared to 71% at the global level.
- **Product impacts ignored:** only 9% have set targets to reduce indirect climate change impacts arising from their products, compared to 19% at the global level.

Given the importance of climate change and the likely impact of it on future long-term corporate financial performance, it is increasingly seen as an investor's fiduciary responsibility to integrate consideration of climate change into their investment. Against a backdrop of the recent global financial crisis and growing evidence of the significant physical effects of climate change, the outcome of the Copenhagen Conference will set the direction for a financial and policy framework for future climate change investment for governments, corporations and investors.

Stephanie Maier, Head of Research at EIRIS said 'Our research shows that North American companies lag behind their European counterparts in some areas, which is not surprising given the existing policy framework and the historic lack of clear governance. But the good news is that recent positive policy developments announced by President Obama appear to be providing an impetus for companies to act on climate change. There has been some improvement, due to the positive influence of responsible investors and the likelihood of operating in a stricter regulatory environment.'

Stephanie Maier added 'Investors should focus their attention on engaging with companies to improve disclosure of GHG emissions and ensure that corporate commitments to reduce climate change impacts apply to emissions associated with products – as well as direct emissions.'

As national, regional and international initiatives to regulate GHG emissions move forward, companies will need to better manage their carbon risks and take firm steps to be part of the

transition to a low-carbon economy. Therefore investors need to incorporate analysis of the corporate response to climate change into the mainstream financial assessments of the companies in which they invest.

EIRIS has developed a comprehensive suite of products to help investors assess their portfolios and design investment strategies in response to the challenge of a carbon-constrained economy. Click [here](#) for further information.

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Notes to Editors:

1. EIRIS classifies both the climate change impact of a company and its management response. In this way investors can understand whether the company has in place an appropriate management response to adequately address its climate change impact. To profile the climate change impact of a company EIRIS has classified companies into over 50 sectors based on their business activities to identify their climate change impact. Each sector is defined as very high, high, medium or low impact based on their direct and indirect emissions alongside other factors such as a sector's projected growth, beneficial impact of the sector, allocation of emissions across the value chain and contribution to climate change solutions. With input from investor groups, NGOs and companies (including WWF, Climate Group, Carbon Trust and Institutional Investors Group on Climate Change). EIRIS developed indicators to assess how companies should best address their climate change impacts and risks through their management response. EIRIS indicators cover aspects such as: 1) Governance - e.g. does the company have a corporate-wide climate change policy, or is board remuneration linked to climate change performance, 2) Strategy - e.g. has the company set targets, 3) Disclosure - covering the quality of carbon data, or quantified disclosure risks or opportunities, and 4) Performance - e.g. year on year reduction in GHG emissions, or transformational initiatives such as large scale investment in carbon capture and storage.
2. EIRIS (www.eiris.org) is a leading global provider of independent research into the social, environmental governance and ethical performance of companies. EIRIS, a UK-based organisation with offices in the US and France together with its international research partners, has a wealth of experience in the field of responsible investment research. EIRIS provides comprehensive research on around 3,000 companies in Europe, North America and the Asia Pacific region. EIRIS is already retained by 100 institutional clients including pension and retail fund managers, banks, private client brokers, charities and religious institutions across Europe, North America, Australia and Asia. EIRIS has developed a comprehensive suite of products to help investors assess their portfolios and design investment strategies in response to the challenge of a carbon-constrained economy. For more information on EIRIS' products and services visit www.eiris.org or email: clients@eiris.org

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