

News Release

London, 24 June 2010

EIRIS report reveals €1.2tn of unmanaged climate change risks amongst Europe's top companies

Latest research from EIRIS, the London-based non-profit responsible investment research specialists, shows that leading European companies representing €1.2 trillion by market capitalisation are failing to address the various climate change risks they are exposed to.

Climate change has the potential to seriously impact shareholder value and will affect businesses across every sector of the economy, especially in the medium to long term.

The [EIRIS 2010 European Climate Change Tracker Report](#) focuses on the activities of 300 companies listed on the FTSE Eurofirst Index and analyses both the extent of their climate change impacts and also the quality of their responses to climate change.

EIRIS' research focuses on key parameters which enable investors to understand the extent to which efforts to tackle climate change are embedded within a company's culture. Research parameters include product impacts, long-term targets, executive remuneration and disclosure.

Key research findings

Poor performance, regional differences

- EIRIS identifies over a third (41%) of Europe's largest 300 companies as having a significant climate change impact. Of this 41%, approximately two thirds (64%) are failing to adequately manage the climate change risks they face. Most of the worst performers are in sectors with the highest climate change impact.
- Corporate responses to climate change vary between European countries. The best performing companies are from the most economically powerful European countries, namely the UK, Germany and France.

Product impacts

- Although 97% of the European companies with potential product impact have a product policy commitment, only 10% of these have targets in place to address impacts arising from products.

Remuneration

- Performance-based compensation can incentivise company leaders to improve corporate climate change performance. 62% of very high and high climate change impact companies are already linking performance-based remuneration with emissions reduction initiatives.

Long-term targets

- Long-term targets (more than 5 years) are a key to the effective management of climate change. 55% of large climate change impact companies in the FTSE Eurofirst 300 have long-term targets in place.
- High impact industries like oil & gas and electricity contain the lowest proportion of companies with long-term climate targets in place.

Peter Webster, Executive Director at EIRIS said: 'Externalities such as climate change pose major risks to the global economy, yet many investors are still not fully aware of these risks, nor do they know what to do about them. Climate change impacts arising from companies' products can be very significant yet very few companies have targets in place to address these impacts. It's important that investors focus on the bigger picture and consider both indirect and direct emissions.'

'We urge investors to exert their influence and engage for long-term targets, identify and respond to portfolio risk, encourage companies to consider product strategies and their product impact on climate change and increase their investment in climate change solutions' he continued.

EIRIS research also identifies a number of improvements in the strategies that companies have put in place with regard to their climate change impact. For example, it is encouraging to see some evidence that regulation and the increasing engagement activity of investors on climate change is driving companies to focus more attention on the climate change risks and opportunities they face.

The full version of EIRIS' 2010 European Climate Change Tracker report can be downloaded [here](#).

EIRIS has recently launched [Climate Change Toolkit Products](#) to help investors assess their portfolios and design investment strategies in response to the challenge of a carbon-constrained economy.

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 around 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 [Climate Change Toolkit Products](#) are designed to help investors reduce investment risks by avoiding those companies that are failing to tackle climate change, or engaging with companies to improve their performance. Our products show investors which companies are leading in their response to climate change and can help investors identify those climate change solution companies which are best placed to benefit from operating in a carbon constrained world. For more information on EIRIS' products and services visit www.eiris.org or email: clients@eiris.org
- 3) 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.

(ENDS)