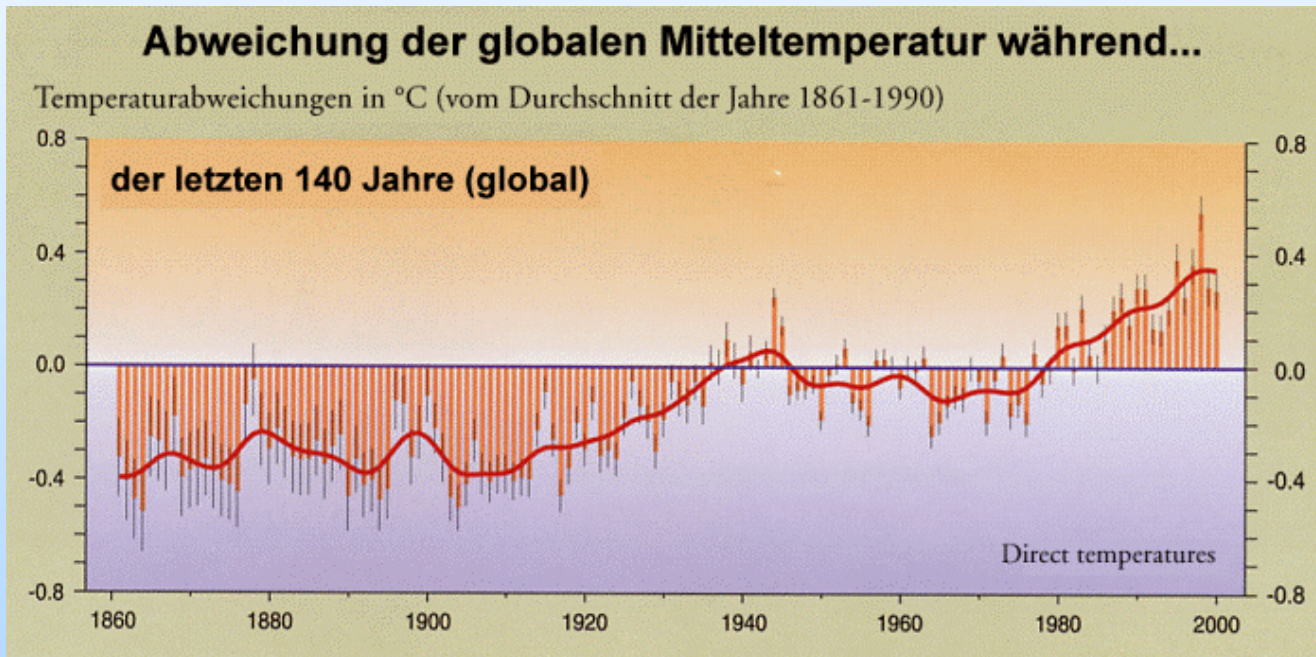


# Climate Change and the Financial Sector



Variation of global average temperatures 1860 - 1998 (Source: IPCC, 2001)

Sustainable Investment  
Kaiserstr. 201  
53113 Bonn  
Tel: 0228-604 92-11, Fax: -19  
rostock@germanwatch.org

## Experts Workshop

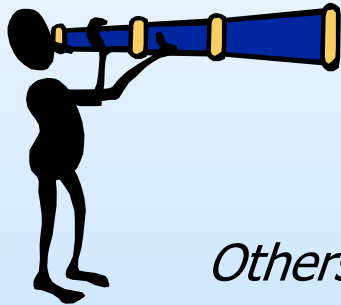
Cologne, November 28<sup>th</sup> 2002



In Co-operation with:



# GERMANWATCH



## Policy for Future!

*Others develop projects—We change structures.*

- **RioKonkret:** climate protection, transport, investment
- **TradeWatch:** fair world trade and food security
- **Development Politics**
  - founded in 1991 as an environmental and development organisation
  - approx. 500 members (journalists, politicians, technical specialists, activists, others interested)
  - 15 staff members in the Bonn and Berlin offices

# Overview



■ Time to Act

■ Climate Change and the Financial Sector

■ Direct Risks

■ Legislative Answers

■ Possible Solutions

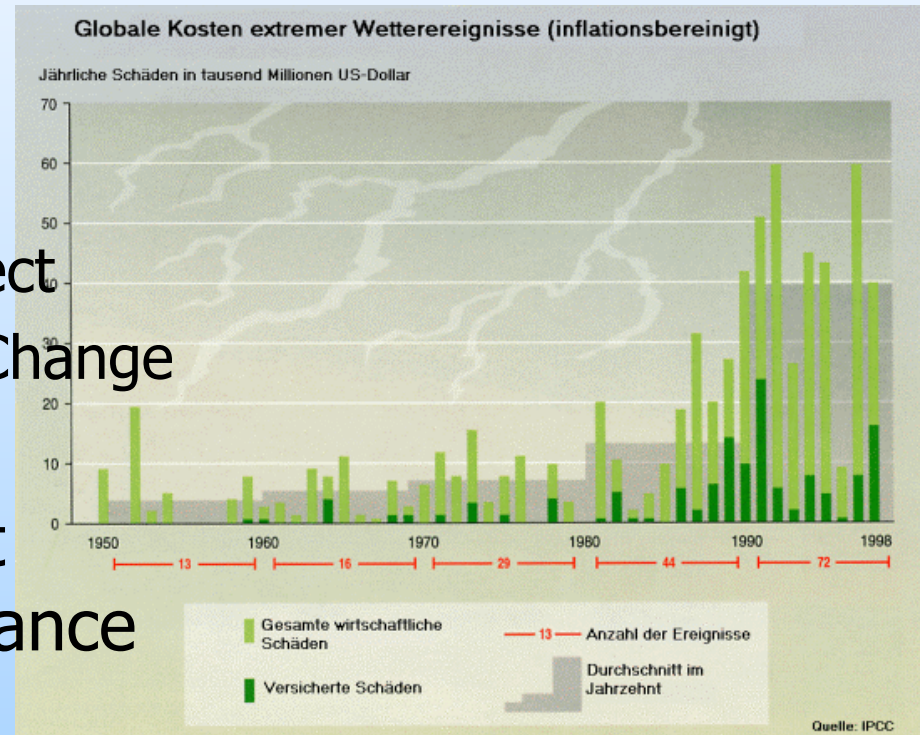
■ Carbon Disclosure Project

■ Investors and Climate Change

■ Further Initiatives

■ Environmental conduct and Company Performance

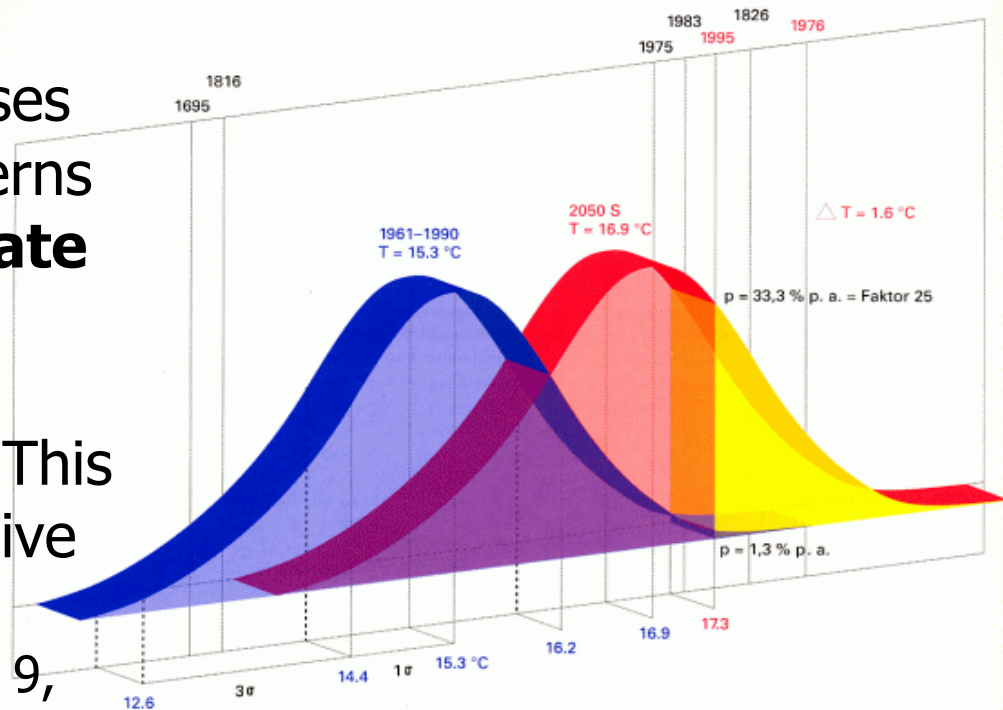
■ Outlook



Global costs of extreme weather events.  
Munich Re, 2000: 4

# Time to Act

"The world-wide increases in extreme weather patterns show very clearly: **Climate change is** no more a sceptical prognosis, but rather a **bitter reality**. This challenge demands decisive action." Federal Chancellor Gerhard Schröder, September 9, 2002 at the WSSD in Johannesburg



Increase of the probability of extreme weather events (Source: Munich Re, 2000: 106)

Die Häufigkeit von Beobachtungswerten (hier der mittleren Sommertemperaturen in Mittelengland) folgen oft der gaußschen Wahrscheinlichkeitsverteilung (Glockenkurve). Extreme Daten treten dementsprechend selten auf. Wenn sich jedoch die Glockenkurve als Folge einer Klimaveränderung oder -schwankung nach einer Seite verlagert, dann erhalten die auf dieser Seite liegenden Werte eine wesentlich höhere Eintritts- bzw. Überschreitungswahrscheinlichkeit. Im vorliegenden Beispiel erhöht sich bei einer mittleren Erwärmung um 1,5° C die Wahrscheinlichkeit für eine außergewöhnliche Hitzeperiode wie 1995 in England auf das 25-fache.

# Climate Change and the Financial Sector 1

## ■ Direct risks through changes in nature

- Direct risks through higher temperatures, rising sea-levels, melting glaciers, changing precipitation patterns, increased number of El Nino
- The risk that these changes will reach a fundamental, irreversible level (change of the gulf stream, melting of ice caps in Greenland,.....)

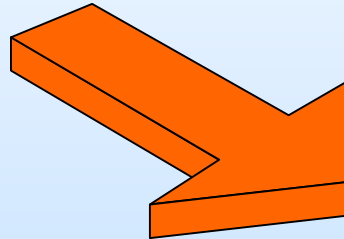
# Climate Change and the Financial Sector 2

## ■ Risks through the (upcoming) legislative answers

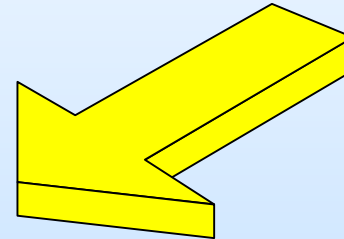
- | the longer risks stand before legislation, the bigger they become
- | liability questions for the responsibility of governments (for ex. greenhouse gas emissions)
- | risks through political changes (the later the response, the higher the risk)

# The Magical Square

Security

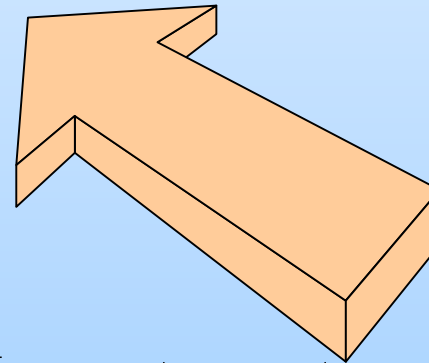
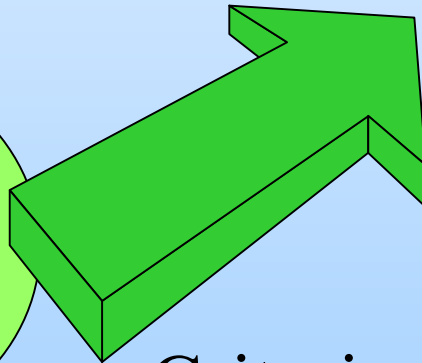


Liquidity



Investment

Effect of  
Investment



Return

Criteria for Investment  
Decisions

# Solutions 1



## Carbon Disclosure Project

A group of institutional investors demand, for reasons of risk management, that the 500 largest firms (FT500) disclose their greenhouse gas emissions.

[www.cdproject.net](http://www.cdproject.net)

## Organised by:

Abbey National; Alecta; **Allianz / Dresdner**, AP2; AP3; Baillie Gifford & Co; Calvert; Central Finance Board of the Methodist Church; Coalition for Environmentally Responsible Economies (CERES); Connecticut Retirement Plans and Trust Funds; Cooperative Insurance Society (CIS); Credit Suisse Group; Domini Social Investments LLC; Gartmore; Henderson Global Investors; ING Sustainability Funds; Insight Investment; Jupiter; Local Authority Pension Funds Forum; Legal & General; Merrill Lynch Investment Managers; Morley Fund Management; **Munich Re**; Newton Investment Management; Rabobank; Societe Generale Asset Management UK; Storebrand; Swiss Re Asset Management; Threadneedle Investments; UBS; Global Asset Management (UK); Universities Superannuation Scheme; Walden Asset Management

# Solutions 2

## Investors and Climate Change

- Kyoto counts as a basis for risk management strategies;
- those with the largest carbon emission should initiate a carbon risk management plan;
- investors should include carbon product risks to their decision making, in hopes of lessening these risks

# Solutions 3

- Shareholders and climate change
  - goals for engagement
  - effective public campaigns for climate protection
  - reports in the yearly general assembly from companies

## ExxonMobil

**Annual General Meeting  
May 29<sup>th</sup> 2002**

”Doubled Vote Total  
Boosts Efforts to Change  
ExxonMobil's Isolation on  
Global Warming”

Support for climate friendly corporate policy rises from 8.9 % in 2001 up to 20.3 % in 2002.

# Solutions 4

## Further Initiatives

- UNEP Finance Initiatives
  - long-range environmental management
  - customers fulfil all of the valid environmental standards
  - environmental risks are a part of the credit risk ratings
  - support of bank products and services which improve the environment
- UN Global Compact
  - prevention principles with environmental questions
  - initiative for larger ecological responsibility
- Econsense

# Environmental Conduct and Company Performance

■ "Values at Risk", Innovest, London, April 2002

"The evidence is increasingly compelling: companies' performance on environmental issues does indeed affect their competitiveness, profitability, and share price performance."

James S. Martin, Chairman Innovest Strategic Value Advisors