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Key Findings of Ceres/RiskMetrics Report on Climate Change and Corporate Governance: Consumer and Technology Companies

This report, commissioned by Ceres and the Investor Network on Climate Risk, is the first comprehensive assessment of how 63 of the world's largest consumer and information technology companies are preparing to deal with the challenges and opportunities posed by climate change. The report includes 11 industry sectors—Apparel, Beverages, Big Box Retailers, Grocery & Drug Retailers, Personal & Household Goods, Pharmaceuticals, Real Estate, Restaurants, Semiconductors, Technology and Travel & Leisure.

The report pays particular attention to how corporate executives and board directors are prepared to minimize climate-related risks and maximize solution-oriented products and services that will help society mitigate and adapt to climate change. The report utilizes a *Climate Change Governance Framework* comprised of 14 indicators to evaluate five main governance areas: board oversight, management execution, public disclosure, emissions accounting and strategic planning. For this report the framework has been adapted to highlight companies' climate change performance in three key areas particularly salient to the 11 sectors reviewed: energy efficiency and renewable energy; product design and promotion; and supply chain management. Individual scores are based on a 100-point scoring system. Some key findings from the report are:

- Select companies across the consumer sectors are responding to the risks and opportunities presented by climate change, primarily by setting internal greenhouse gas (GHG) reduction targets, boosting energy efficiency efforts, expanding renewable energy purchases and integrating climate factors into product design. Still, the results are mixed: many companies have yet to integrate climate change into corporate governance strategies, particularly at the level of the CEO and board of directors. More than half of the 63 companies scored under 50 points, with a median score of 38 points.

- **IBM**, **Tesco**, and **Dell** scored highest of the 63 companies in the report, with 79, 78 and 77 points, respectively. **IBM** is leading the way in tackling climate change by aggressively cutting the company's own GHG emissions and designing innovative climate-related products—from energy efficient data centers to solar cell technology. **Tesco** has pioneered efforts to promote carbon labeling and has set strong targets to reduce the GHG emissions from its stores around the globe. And with its CEO spearheading the company's climate change efforts, **Dell** has committed to achieving carbon neutrality through a strategy of first driving energy efficiency, maximizing purchases of renewable power, and then offsetting remaining climate impacts.

- The **technology**, **pharmaceutical** and **semiconductor** sectors had the highest average climate governance scores (59, 57 and 56 points, respectively, out of 100 total possible points). While technology and semiconductor companies had particularly strong performance in product and service innovation, pharmaceutical firms also scored surprisingly well due to their strong governance structures.

- The **beverages** and **personal & household goods sectors** were relatively strong performers (43 and 40 points, respectively), which is noteworthy given their limited scope to adapt their products to address climate change opportunities. Nevertheless, leaders in the personal & household goods sector are beginning to introduce more green products, and the beverages sector is also starting to adjust its operations as climate risks to water and agricultural raw materials come to light.

- The **apparel sector**, **grocery & drug retailers** and **big box retailers**—all of which have large real estate carbon footprints—had lower average scoring results (35, 35 and 33 points, respectively). These sectors have yet to take full advantage of significant opportunities to maximize energy efficiency in their operations, market climate-friendly products and engage suppliers on emerging climate change standards. Still, each of these sectors includes at least one or two high-performing companies that stand out with regard to energy efficiency, product promotion and supply chain management.

- The **travel & leisure, real estate** and **restaurant sectors** (27, 27 and 17 points, respectively) had the lowest average scores among the sectors reviewed. This finding is particularly surprising, given that hotels, cruise lines, restaurants and property managers have extensive real estate portfolios that could be taking advantage of more energy efficient opportunities. These companies could also be making more concerted consumer appeals about their green strategies and climate mitigation efforts. Real estate developers and property managers, in particular, need to examine the environmental impact of their buildings, which account indirectly for upwards of 40 percent of US GHG emissions. It is also worth noting that while some companies in each of these sectors are pursuing green building initiatives, they are often doing so for only select or flagship properties, rather than throughout their full portfolios, where even greater savings could be attained. These companies also had generally weak governance structures, management leadership and public disclosure on climate-related issues.