

INVESTOR DEMAND FOR CLIMATE RISK INFORMATION GROWS *(Continued from page 2)*

annual progress towards their goal. By doing so, companies create a lasting record of their accomplishments and position themselves to better manage GHG emissions and their associated risks as climate change policy continues to unfold.

Brokerage houses are also starting to realize that comprehensive and sophisticated management of climate risks is a critical risk skill for companies operating in carbon-constrained regions. For example, during the past two years, Citigroup, CSFB, Goldman Sachs, HSBC, ABN Amro, and UBS have produced investment research reports on climate change.

The final step is acting on this information. "Many analysts are already considering climate change risk management as key factor in their overall analysis of company performance," says Paul Hilton, Social Marketing Director at Calvert. "This is a trend that will grow exponentially over the next decade. Companies that establish themselves as early leaders will no doubt benefit from increased analyst attention and ultimately enhanced valuations."

It's Not Just About Risk: The Upside Opportunities

As with any change in market conditions, the risk of climate change will open up new opportunities for growth and profit. For example, power generation facilities, low-emissions enterprises in the transportation sector, and businesses producing products or technologies that reduce emissions from industrial processes are poised for future growth. In addition, energy efficiency technologies also appear to be poised for growth as pressure mounts to make buildings and industrial facilities more energy efficient in light of increasing energy prices and the climate risks associated with energy use and production.

In hot pursuit of these future profits is GE. In May, GE announced that by 2010 it would be investing \$1.5 billion a year in

energy efficient and environmental technologies to capture \$20 billion in revenue from these products and services. A core part of this initiative centers on technologies that reduce GHG emissions. GE has also joined the EPA's Climate Leaders program.

Are Investors Leaving Money on the Table?

By not taking climate change factors into explicit account, money managers are, in effect, leaving money on the table, and across a wide variety of asset classes: domestic equities, international equities, corporate bonds, and real estate, for starters. Since reducing GHG emissions associated with energy use reduces energy costs, investors concerned with the operational efficiency of their holdings should take note. As this realization sinks in with both the owners of assets and those who manage them (as it has in Europe), expect a whole new suite of investment products and approaches to emerge—and jump on them.

EPA Resources

- ENERGY STAR Guidelines for Energy Management – www.energystar.gov/index.cfm?c=guidelines.guidelines_index/
- U.S. EPA Climate Leaders program – www.epa.gov/climateleaders/
- U.S. EPA Green Power Partnership – www.epa.gov/greenpower

Other Resources

- Investor Network on Climate Risk Action Plan – www.incr.com
- Framing Climate Risk in Portfolio Management report – <http://climate.wri.org/portfolio-management-pub-4028.html>
- Carbon Disclosure Project – www.cdproject.net

What's Next for Socially Responsible Investing?

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emerging. Information is the currency of every market everywhere in the world. Transparency leads to more information and therefore makes the market efficient. The trend towards greater transparency will continue.

What key strategies can the SRI community use to build the confidence of investors?

The SRI community needs to continue to prove the link between CSR performance and financial performance. We need to show how social research is being used effectively as an extra lens to identify risk. We need to use this information to show investors that we have broken the myth that you have to give up returns to do socially responsible investing.

Your thoughts?

Off the Charts welcomes your thoughts on SRI, climate change, and what the next decade may bring. E-mail your comments to buildings@energystar.gov.