sustainability leadership series


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# emissions disclosure to investors

Sustainability has clearly become a mainstream business imperative. Firms that do not publicly publish Greenhouse Gas (GHG) emissions are increasingly viewed as laggards in their industry and large companies like Walmart and Marks & Spencer are requesting environmental data from their suppliers. Despite recent controversies regarding the underlying science of climate change, investor and regulator interest in climate change risk continues unabated. Investors have supported the Carbon Disclosure Project (CDP) for several years and investor advocate groups like Ceres have regularly called for additional disclosure of climate risk. Currently over 2,500 companies report GHG emissions data to the CDP and this information is distributed on Bloomberg Terminals and Google Finance to investors. Carbon performance benchmarking and indices have become commonplace within the investment community, most notably with the Dow Jones Sustainability Index and FTSE4Good.

The United States Security Exchange Commission (SEC) has issued guidance for disclosure of climate risks in financial reports submitted to the U.S. Government. This is the first time the SEC has pushed for climate risk disclosure and is an important milestone. This guidance together with regulations, such as the EU ETS and the UK's CRC Energy Efficiency Scheme, and the growth of the international carbon market expands the importance of good data collection and disclosure.

While disclosure of climate risk and GHG emissions has become more prevalent, the current quality of this information varies tremendously. The GHG Protocol is the most common approach for emissions reporting, but it is not intended to provide strict guidance and nor does it cover climate adaptation risks. Unlike financial data, firms have extremely wide latitude in terms of what type of

## read more

other topics in this series are:

+ GHG Registries
+ Internal Engagement
+ Beyond Carbon
+ Initiative Tracking
+ Green Ratings

## links to resources

Groom Energy

CA ecoSoftware

Ceres

Carbon Disclosure Project

SEC: Commission Guidance Regarding Disclosure Related to Climate Change

Example: GHG Emission Data on Bloomberg Terminals used by Investors

Press Release: El Paso Corporation Issues Correction to the Carbon Disclosure Project's 2008 Report on Climate Change information is disclosed. Firms can use very different GHG emission reporting methodologies (different protocols, GHG emission calculations, scope, boundary treatment, and depth of information) and do not need to verify reported GHG emission levels. All of which leads to the inability of investors and regulators to compare data reliably across companies and from year to year.

## CA Technologies and Groom Energy view

Pressures to increase the quality and comparability of risk factors and GHG emissions data will continue to escalate over the next several years. Sustainability executives should prepare their companies for this eventuality through several steps.

+ Ensure your CFO is well aware of the changing nature of climate risk disclosure, especially the recent SEC announcement and how GHG emissions information is reported on Bloomberg terminals to investors. Do not assume that the audit partner at the firm that audits your financial reporting is up to speed on climate risk disclosure.

+ Build data collection and management processes for GHG emissions data (energy use, emission factors, etc.) that begin to mirror those used for financial information. This includes having clear data ownership models and the use of software tools which provide full audit trails and make verification easier. Investors are used to receiving financial information backed by robust data processes and will increasingly expect the same for climate data, especially publicly reported GHG emissions.

Increased internal awareness of these issues, solid data collection and reporting processes, and transparency about climate change risk will strengthen credibility with investors.


### about Paul Baier

**Paul Baier** is VP, Sustainability Consulting at Groom Energy and assists corporations with sustainability and energy strategies and reduction efforts. He earned an MBA from Harvard Business School and a B.A. from Kenyon College. Groom Energy provides consulting, energy efficiency and renewable technologies to large companies looking for practical, ROI -driven investments. Customers include Bed, Bath & Beyond, General Electric, Ocean Spray and Thermo Fisher Scientific, among others. For more information, visit www.groomenergy.com.

### about Sonny Masero

**Sonny Masero** is VP, ecoSoftware EMEA at CA Technologies. He has a Masters degree in sustainable development and has worked in the field of corporate sustainability and climate change for over a decade. The observations offered in these papers are based on his experience shaping corporate sustainability and climate change strategy in Europe. CA ecoSoftware helps companies to address a broad range of sustainability issues and to manage their sustainability program from strategy to execution. To learn more about CA ecoSoftware, visit www.ca.com/ecoSoftware.


Groom energy

can you predict emerging trends for emission disclosure?

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