CARBON DISCLOSURE PROJECT

CDP Switzerland 100 Report 2011
Executive Summary

On behalf of 551 investors with assets of US$71 trillion

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ethos RAIFFEISEN inrate Sustainable Investment Solutions

2011 Carbon Disclosure Project Investor Members

CDP works with investors globally to advance the investment opportunities and reduce the risks posed by climate change by asking almost 6,000 of the world's largest companies to report on their climate strategies, greenhouse gas (GHG) emissions and energy use in the standardised Investor CDP format. To learn more about CDP's member offering and becoming a member, please contact us or visit the CDP Investor Member section at www.cdproject.net/investormembers.

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CDP Information Request Switzerland 2011 Executive Summary

Trends

The Ethos Foundation and Raiffeisen support this Swiss edition of the Carbon Disclosure Project (CDP) report. In 2011, 551 financial institutions with assets of US$ 71 trillion are signatories to the CDP information request. For the fifth year in a row, the information request was sent to the 100 largest listed companies in Switzerland. The report was written by rating agency Inrate.

The CDP offers investors the information they need to gauge the impact of climate change on their investments. Company responses contain invaluable information on the strategic choices, risks and opportunities identified, emissions generated, measures taken, and more generally the degree to which the invited companies are prepared for climate change. This data represents a crucial source of information when it comes to deciding on investments.

A stable participation rate
In 2011, 59 (CDP 2010: 58) of Switzerland's largest listed companies agreed to respond to the CDP information request. The rate of participation thus seems to have stabilised over the long term at around 60%. In international terms, this places Switzerland among the five national samples with the best rates of participation. Improvements have also been observed in the quality of the data provided, reflecting growing interest and commitment among the companies of the Swiss CDP sample.

Improved public access to data
In 2011, more than 66% of respondents agreed to allow their responses to be consulted publicly on the CDP website[1]. There has thus been a slight improvement in the willingness to be transparent in comparison with the previous year (CDP 2010: 60%).

Sharp rise in the perception of regulatory risks
The proportion of Swiss participants perceiving risks driven by changes in regulation rose sharply between 2010 (38%) and 2011 (58%). Many companies consider the climate of uncertainty surrounding future regulations as a major risk factor. The situation of political and legal limbo makes it difficult for companies to plan and invest in medium- and long-term emissions reduction measures. Some companies also deplore the absence of a level regulatory playing field and have called for the introduction of rules to prevent carbon leakage.

Progress towards disclosure
For the third year running, a disclosure score was attributed to the Swiss companies that agreed to reply to the CDP information request[2]. Taken as a whole, the Swiss participants in the CDP information request provide more information to investors every year. The disclosure scores for 2011 averaged 55, or four points more than in 2010, but nevertheless remain strongly correlated to company size. Disclosure scores (from 0 to 100) assess the quality and completeness of a company's response; they are not a measure of its performance in relation to climate change management.

The scores for the Basic Materials[3], Consumer Goods, Health Care, Industrials and Telecommunications sectors are now comparable to those obtained by companies in the Financials sector, which traditionally topped the list in previous CDP Switzerland reports. However, companies in the Utilities, Technology and Consumer Services sectors are characterised for the most part by relatively poor scores.

[1] www.cdproject.net
[2] Companies are assessed using a method developed by the CDP and PricewaterhouseCoopers (PwC, www.pwc.com). The disclosure score was established by PwC, the CDP's global partner, and by Dekra (www.dekra-certification.com), CDP's Swiss partner for the qualitative evaluation of responses. Detailed information on the methodology is available on the CDP website (https://www.cdproject.net/Documents/Guidance/CDP- 2011-Scoring-Methodology1.1.pdf).
[3] In the Swiss edition of the CDP report, companies are classified following the Industry Classification Benchmark (ICB) taxonomy system also used by the Swiss stock exchange. CDP in turn uses the Global Industry Classification Standard (GICS) for the analysis of the other universes.

Focus on emissions and reduction targets

Diverse greenhouse gas (GHG) emissions accounting practices
Over 80% of respondents report both their direct emissions (Scope 1) and the emissions indirectly caused by the company's consumption of electricity, heat, cooling or steam (Scope 2). On the other hand, only 64% of respondents provide information on Scope 3 emissions (other indirect emissions relating to, for example, business travel, employee commuting, the use of sold products or supplier emissions).

Even though the information provided is improving in quantity and quality, it differs considerably in nature and scope from one company to another depending on the methodology and boundary chosen, the sources included in the emissions accounting, the efforts made by the company and its experience in climate reporting. This lack of standardisation, which is a barrier to systematic comparative analysis, nevertheless does not preclude the individual evaluation of corporate climate change strategies.

Companies prefer short-term intensity reduction targets
Of the 59 companies that took part in CDP Switzerland 2011, 34 set quantitative emissions reduction targets. Companies showed a marked preference for intensity reduction targets over absolute reduction targets. Among the most frequently mentioned intensity targets, reductions in CO_2-equivalent per employee are particularly highly valued by the Financials sector. Industrials companies, for their part, tend to prefer reductions in CO_2-equivalent per unit of product. Some companies have substantial relative reduction targets but nevertheless forecast that their emissions will stagnate or increase in absolute terms. In particular, Holcim sees its emissions rising by 84% between 1990 and 2015, despite a reduction target of 25% of CO_2-equivalent per product tonne over the same period. Companies also show a preference for short-term targets: over 60% of all pledges do not extend beyond 2012.

Unsuitability of GHG emissions accounting and reduction targets in the financial sector
Banks and insurance companies generate GHG emissions through their own activities and through the financing and investments they provide or advise. It is through the emissions generated by their financing and investments (Scope 3) that financial companies have the greatest impact on climate change. Banks are at least partly accountable for such emissions because they finance projects generating GHG emissions and obtain ongoing revenues from them. According to the Greenhouse Gas Protocol Initiative corporate accounting and reporting standard, such indirect emissions should be recorded under the "investment" category of Scope 3. However, analysis of the data shows that financial companies do not yet include the emissions generated by the activities they finance in their reporting. Furthermore, none of the reduction targets indicated by the financial companies in the Swiss universe refer explicitly to their financing and investments.

Uneven management of carbon intensity by industrial firms along the value chain
The distribution of carbon intensity on the value chain differs depending on the type of company analysed. Despite the existence of best practices, there are still too few Swiss companies whose accounting and reduction efforts are commensurate with the major issues confronting them. Most of their efforts remain focused on emissions accounting and reductions during the production phase (Scopes 1 and 2), whereas for most Swiss companies, the real reductions are to be made in terms of the supply, transportation and distribution or use of products and services (Scope 3).

Acknowledgments

The Ethos Foundation and Raiffeisen Switzerland would like to thank the following people for their contribution to this report.

CDP	Caspar von Blomberg, Marianne Gillis
Ethos Foundation	Sybille Gianadda, Jean Laville, Vinzenz Mathys, Simon Perrin
Raiffeisen Switzerland	Gabriele Burn, Eva Riedi, Sebastian Tomczyk
Inrate SA	Madeleine Guyer, Tobias Jung, Alexandre Messerli, Philippe Spicher
Dekra	Christina Bocher, Jennifer Cooper, Susanne Hartlieb

Photo courtesy of David Mantripp

DEKRA

DIN ISO 9706

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