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NEWS

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## BP and DuPont Receive Top Scores in First-Ever Ranking of 100 Companies on Climate Change Strategies

***Nappier Says Some U.S. Companies, including GE, "Showing the Way" to Act Responsibly***

After years of inaction, a growing number of leading U.S. companies are confronting the business challenges from global warming, recognizing that greenhouse gas limits are inevitable and that they cannot risk falling behind their international competitors in developing climate-friendly technologies. Some U.S. companies, such as General Electric, are catching up and joining DuPont and Alcoa in leading their industries. But many others are still largely ignoring the climate issue with 'business as usual' strategies that may be putting their companies and shareholders at risk.

These are among the key findings of a first-ever report issued today by the Ceres investor coalition that analyzes how 100 leading companies are addressing the growing financial risks and opportunities from climate change—whether from expanding greenhouse gas regulations, direct physical impacts or surging demand for climate-friendly technologies. Altogether, 76 U.S. companies and 24 non-U.S. companies in 10 business sectors are profiled in the report.

"This report is extremely valuable because it provides investors with an unprecedented window into how companies most affected by climate risk are responding at the board level, through CEO leadership, and in strategic planning," said State Treasurer Denise L. Nappier, principal fiduciary of the Connecticut Retirement Plans and Trust Funds.  "While strong climate governance practices are not yet the norm at U.S. companies, this report plainly illustrates that there are industry leaders showing the way."

"More U.S. companies realize that climate change is an enormous business issue that they need to manage immediately," said Mindy S. Lubber, president at Ceres, which published the report *Corporate Governance and Climate Change: Making the Connection.* " Investor pressure, expanding greenhouse gas limits and surging global demand for clean-energy products are compelling U.S. businesses to act, although many others still fail to recognize the enormity of this issue. Ultimately, management and board members at all 100 of these companies need to make climate a top governance priority."

The report uses a "Climate Governance Checklist" to evaluate how major industrial corporations are addressing climate change in five broad areas: board oversight, management performance, public disclosure, greenhouse gas emissions accounting and strategic planning. The report took nine months to complete and uses data from securities filings, company reports, company websites, third-party questionnaires and direct company communications.

Using a 100-point scoring system, the report ranked the largest companies in the oil/gas, electric power, auto, chemical, industrial equipment, mining/metals, coal, food products, forest products and air transportation sectors, with operations in the United States. The scoring system gave most credit to companies with a sustained commitment to controlling greenhouse gas emissions, disclosing

CONTACT: BERNARD L. KAVALER, DIRECTOR OF COMMUNICATION
(860) 702-3277     FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US

data and strategies, supporting regulatory actions, and taking practical, near-term steps to find lasting solutions to climate change.

**Among the industry sector leaders and laggards:**

| **Sector** | **Leaders** | **Laggards** |
|---|---|---|
| Oil/Gas | BP (90 points*) | ExxonMobil (35) |
| Chemical | DuPont (85**) | PPG (21) |
| Metals/Mining | Alcan (77) & Alcoa (74) | Newmont (24) |
| Electric Power | AEP & Cinergy (both 73) | Sempra Energy (24) |
| Auto | Toyota (65) | Nissan (33) |

* Top score among the 100 companies **Top score among 76 U.S. companies

Over two-dozen institutional investors requested the Ceres report, prepared by the Investor Responsibility Research Center, as part of an action plan announced at the Institutional Investor Summit on Climate Risk last May at the United Nations. The investors are part of the Investor Network on Climate Risk (INCR), an alliance of U.S. institutional investors coordinated by Ceres that collectively manage about $3 trillion in assets.

Foreign companies such as BP, Toyota, Alcan, Unilever and Rio Tinto had the highest scores in five of the nine sectors that included both U.S. and non-U.S. firms. American companies - DuPont, General Electric, International Paper and United Parcel Service - led in the other four sectors. (In the electric power sector, only American companies were analyzed.)

The report's overall results are encouraging. In 2003, Ceres released a report on 20 companies showing that major U.S. businesses were doing little to address climate challenge. By contrast, this report shows that leading companies in many key industries are now tackling the issue at the highest level, with boards conducting strategic assessments and management setting performance goals for reducing greenhouse gas emissions and developing new climate-friendly products.

DuPont, the leading scorer among U.S. firms has reduced its GHG emissions 72 percent since 1990 and developed forward-thinking commercial products such as energy-efficient building materials, components for solar, wind and fuel cell systems and next-generation refrigerants with low global warming potential.

The report also shows, however, that dozens of U.S. businesses in various climate vulnerable sectors - including leading electric power and oil companies - are still largely dismissing the issue or failing to articulate clear strategies to meet the challenge. Low climate governance scores also were prevalent among entire sectors, including: coal companies, which are especially vulnerable to greenhouse gas regulations; food and forest product companies, which are vulnerable to natural resource impacts from climate change; and airlines, one of the fastest growing sources of CO2 emissions.

“Investor pressure, stronger board leadership and expanding greenhouse gas limits worldwide are all contributing to the positive momentum documented here, and long-term investors can use the data to determine how prepared a company is to address changing laws and capitalize on new business opportunitites presented by climate change,” said Treasurer Nappier, whose $22 billion investment fund is among 50 institutional investors in INCR.

Douglas Cogan, principal author of today's report and the 2003 report, says he sees important progress by U.S. companies that are beginning to build climate change into their governance practices and strategic planning. In the past two years, Cogan cited such as examples as:

- General Electric's launch of 'ecoimagination', a plan to double investments in climate-friendly technologies and reach $20 billion in annual sales by 2010.

Contact: Bernard L. Kavaler, Director of Communication
(860) 702-3277 FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US

- Ford Motor's announcement that it will boost production of hybrid vehicles tenfold by 2010.

- Chevron's decision to add renewable technologies into its energy portfolio and set targets to cut its greenhouse gas emissions.

- American Electric Power's decision to build the nation's first commercial-scale coal gasification power plant, a "clean coal" technology that is says is the "right investment" given foreseeable greenhouse gas regulations in the U.S.

- These companies join others, like DuPont and Alcoa that have had climate change governance strategies in place for more than a decade.

Lubber, of Ceres, also cited BP, the top-scoring company overall, which has set long-term greenhouse gas reduction targets and is planning to invest $8 billion in solar, wind, hydrogen and other clean-energy technologies in the next decade. "BP understands and is promoting the fact that all companies must work to reduce their carbon footprint, starting with fossil fuels," she said.

Still, Cogan acknowledges that the challenge ahead for all companies, including BP and other leaders, is enormous, given that greenhouse gas emissions must be reduced substantially below current levels to stop rising global temperatures. Businesses that are most successful in implementing climate change strategies, Cogan said, will be those that look beyond short-term thinking and the gridlock that currently grips Washington on this issue.

"Typically, CEOs and boards look out only three to five years when making investment decisions - about as long as they serve in their leadership roles," Cogan said. "But the assets they put into place last much longer. Building a new conventional coal plant or a new engine factory for SUVs might make sense under 'business as usual' thinking, but what will happen to these facilities in five or 10 years, when they're still not fully depreciated but facing carbon emission constraints?"

"I commend the companies that have willingly accepted the risks and opportunities that climate change presents. America must be a leader in climate friendly technologies," said California State Treasurer Phil Angelides, a co-founder of INCR and board member at two of the nation's largest public pension funds, CalPERS and CalSTRS, which collectively manage more than $300 billion in assets. "These findings - that a growing number of leading U.S. businesses are focusing on global warming - should be a wake up call to investors: we need to continue to press poor-performing companies to clean up their act."

Investors offered specific recommendations for how board members, company executives, investors and Wall Street analysts should use the report:

- **Board members** should raise the report's findings with management and set guidance to improve company practices.

- **Company executives** should benchmark their performance against their industry peers, and take steps outlined in the report to manage climate risks and opportunities and improve their governance scores.

- **Investors** should go through a similar benchmarking exercise—especially in high-risk sectors such as electric power, oil/gas, coal and the auto industry—and urge companies to raise their performance level.

- **Wall Street analysts** should use the information as a basis for rewarding companies that are responding to these challenges, and assigning greater risk to those that are not.

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BERNARD.KAVALER@PO.STATE.CT.US