Why Climate Change is a Business Issue

Companies and investors can no longer afford to ignore global warming. A preponderance of evidence shows that worldwide temperatures are rising, glaciers are melting and hurricanes are becoming more fierce. This confluence of events is forcing governments worldwide to enact limits on the pollutants that are trapping heat in the atmosphere.

Given the sweeping global nature of climate change, climate risk has become embedded, to a greater or lesser extent, in every business and investment portfolio. Companies with significant GHG emissions or energy-intensive operations face risks from new regulations. Climate change also poses direct physical risks to a wide array of firms and industries. Climate change deserves discussion in securities filings in the many instances in which direct financial risks or opportunities can be identified.

Faced with record warmth, unprecedented hurricane activity and rapid shrinking of polar ice caps, industry opposition to confronting climate change is diminishing. Skeptics no longer question whether human activity is warming the globe, but how fast. Companies at the vanguard no longer question how much it will cost to reduce greenhouse gas emissions, but how much money they can make doing it. Financial markets are starting to reward companies that are moving ahead on climate change, while those lagging behind are being assigned more risk.

Companies and investors are also recognizing the importance of having clearer national climate change policies that will send a strong market signal that the country's carbon emissions must be significantly reduced. In March 2007, more than 60 leading investors, asset managers and companies released a climate policy call to action requesting prompt tangible action by US lawmakers to tackle global climate change.

Leading U.S. Companies

Since 2004, corporate leaders in many industries and leading investors have begun to meet the climate challenge. Consider the following:

In 2004, US-based financial institutions were focusing little or no attention on climate change as a core business strategy. **In 2007, Bank of America and Citigroup announced a $20 billion and $50 billion program respectively to support the growth of environmentally sustainable business activity to address global climate change.** The decade-long initiatives include a major focus on lending, investing and other activities to support 'green' economic growth, whether in building design, carbon emissions trading or low-carbon technologies.

> In 2004, few U.S. electric power companies acknowledged the risks related to climate change. **In 2007, American Electric Power announced plans to build the first commercial-scale power plant using coal gasification technology, calling it the "right investment" given foreseeable GHG regulations.** More than a dozen leading power companies are indicating that GHG regulations are likely and are now advocating for a national climate policy with mandatory controls.
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> In 2004, U.S.-based petroleum companies had virtually a single-minded focus on oil and

gas development. **In 2007, ConocoPhillips announced its support for a mandatory federal policy to cap greenhouse gas emissions and commit $150 million annually towards alternative fuels.**

In 2004, no U.S.-based insurance companies incorporated the risks of climate change in their business. **In 2006, AIG became the first U.S. insurance company to adopt a corporate climate change policy to actively seek ways for AIG and its' clients to cut greenhouse gas emissions.**