CARBON DISCLOSURE PROJECT

Carbon Disclosure Project Switzerland Report 2009

Survey of Switzerland's 100 largest companies

On behalf of 475 investors with
assets under management of USD 55 trillion

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Carbon Disclosure Project 2009

Given the increasing importance of the climate change issue, Pictet Asset Management and Ethos Foundation have decided to conduct the CDP survey for the 100 biggest capitalisations of the Swiss stock market for the third time since 2007.

This report and all of the public responses from corporations are available to download free of charge from www.cdproject.net.

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CARBON DISCLOSURE PROJECT

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Caixa Geral de Depósitos Portugal
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California State Teachers Retirement System US
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Calvert Group US
Canada Pension Plan Investment Board Canada
Canadian Friends Service Committee (Quakers) Canada
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CIBC Canada
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DEFO – Deutsche Fonds für Immobilienvermögen GmbH Germany
DEGI Deutsche Gesellschaft für Immobilienfonds mbH Germany
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Deutsche Bank Germany
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Development Bank of the Philippines (DBP) Philippines
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ELETRA – Fundação Celg de Seguros e Previdência Brazil
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Erste Group Bank AG Austria
Essex Investment Management, LLC US
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FirstRand Ltd. South Africa
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Fortis Investments Belgium
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Friends Provident UK
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Fundação Vale do Rio Doce de Seguridade Social – VALIA Brazil
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Gjensidige Forsikring Norway
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Goldman Sachs & Co. US
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Green Century Funds US
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Gruppo Monte Paschi Italy
Guardian Ethical Management Inc Canada
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HANSAINVEST Hanseatische Investment GmbH Germany
Harrington Investments US
Hastings Funds Management Limited Australia
Hazel Capital LLP UK
Health Super Fund Australia
Helaba Invest Kapitalanlagegesellschaft mbH Germany
Henderson Global Investors UK
Hermes Fund Managers UK
HESTA Super Australia
Hospitals of Ontario Pension Plan (HOOPP) Canada
HSBC Holdings plc UK
Hyundai Marine & Fire Insurance Co, Ltd South Korea
IDBI Bank Limited India
Ilmarinen Mutual Pension Insurance Company Finland
Impax Group plc UK
Industrial Bank China
Industry Funds Management Australia
Infrastructure Development Finance Company Ltd. (IDFC) India
ING Netherlands
Inhance Investment Management Inc Canada
Insight Investment Management (Global) Ltd UK
Instituto de Seguridade Social dos Correios e Telégrafos- Postalis Brazil
Instituto Infraero de Seguridade Social – INFRAPREV Brazil
Insurance Australia Group Australia
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J.P. Morgan Asset Management US
Janus Capital Group Inc. US
Jarislowsky Fraser Limited Canada
Jubitz Family Foundation US
Jupiter Asset Management UK
K&H Investment Fund Management/K&H Befektetési Alapkezelö Zrt Hungary
KB Kookmin Bank South Korea
KBC Asset Management NV Belgium
KCPS and Company Israel
KDB Asset Management Co., Ltd. South Korea
Kennedy Associates Real Estate Counsel, LP US
KfW Bankengruppe Germany
Kibo Technology Fund South Korea
KLP Insurance Norway
Korea Investment Trust Management Co., Ltd. South Korea
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Kyobo Investment Trust Management Co., Ltd. South Korea
La Banque Postale Asset Management France
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LBBW Asset Management GmbH Germany
LD Lønmodtagernes Dyrtidsfond Denmark
Legal & General Group plc UK
Legg Mason, Inc. US
Lend Lease Investment Management Australia
Libra Fund, L.P. US
Light Green Advisors, LLC US
Living Planet Fund Management Company S.A. Switzerland
Local Authority Pension Fund Forum UK
Local Government Superannuation Scheme Australia
Local Super SA-NT Australia
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London Pensions Fund Authority UK
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Macif Gestion France
Macquarie Group Limited Australia
Magnolia Charitable Trust US
Maine State Treasurer US
Man Group plc UK
Maple-Brown Abbott Limited Australia
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Maryland State Treasurer US
McLean Budden Canada
MEAG Munich Ergo Asset Management GmbH Germany
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Meeschaert Gestion Privée France
Meiji Yasuda Life Insurance Company Japan
Merck Family Fund US
Mergence Africa Investments (Pty) Limited South Africa
Meritas Mutual Funds Canada
Metzler Investment Gmbh Germany
Midas International Asset Management South Korea
Miller/Howard Investments US
Mirae Investment Asset Management South Korea
Mistra, Foundation for Strategic Environmental Research Sweden
Mitsubishi UFJ Financial Group (MUFG) Japan
Mitsui Sumitomo Insurance Co.,Ltd. Japan
Mizuho Financial Group, Inc. Japan
Mn Services Netherlands
Monega Kapitalanlagegesellschaft mbH Germany
Morgan Stanley Investment Management US
Motor Trades Association of Australia Superannuation Fund Pty Ltd Australia
MP Pension – Pensionskassen for Magistre og Psykologer Denmark
Munich Re Group Germany
Mutual Insurance Company Pension-Fennia Finland
Natcan Investment Management Canada
Nathan Cummings Foundation, The US
National Australia Bank Limited Australia
National Bank of Canada Canada
National Bank of Kuwait Kuwait
National Grid Electricity Group of the Electricity Supply Pension Scheme UK
National Grid UK Pension Scheme UK
National Pensions Reserve Fund of Ireland Ireland
Natixis France
Needmor Fund US
Nest Sammelstiftung Switzerland
Neuberger Berman US
New Alternatives Fund Inc. US
New Jersey Division of Investment US
New Mexico State Treasurer US
New York City Employees Retirement System US
New York City Teachers Retirement System US
New York State Common Retirement Fund (NYSCRF) US
Newton Investment Management Limited UK
NFU Mutual Insurance Society UK
NH-CA Asset Management South Korea
Nikko Asset Management Co., Ltd. Japan
Nissay Asset Management Corporation Japan
Nordea Investment Management Sweden
Norfolk Pension Fund UK
Norges Bank Investment Management (NBIM) Norway
Norinchukin Zenkyouren Asset Management Co., Ltd Japan
North Carolina State Treasurer US

Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) UK
Northern Trust US
Northwest and Ethical Investments LP Canada
Oddo & Cie France
Old Mutual plc UK
OMERS Administration Corporation Canada
Ontario Teachers Pension Plan Canada
Opplysningsvesenets fond (The Norwegian Church Endowment) Norway
Oregon State Treasurer US
Orion Asset Management LLC US
Pax World Funds US
PBU – Pension Fund of Early Childhood Teachers Denmark
Pension Fund for Danish Lawyers and Economists Denmark
Pension Protection Fund UK
PETROS – The Fundação Petrobras de Seguridade Social Brazil
PFA Pension Denmark
PGGM Netherlands
Phillips, Hager & North Investment Management Ltd. Canada
PhiTrust Active Investors France
Pictet Asset Management SA Switzerland
Pioneer Alapkezelö Zrt. Hungary
Pioneer Investments Kapitalanlagegesellschaft mbH Germany
PKA Denmark
Portfolio 21 Investments US
Portfolio Partners Australia
Porto Seguro S.A. Brazil
PPM Premiepensionsmyndigheten Sweden
PRECE Previdência Complementar Brazil
PREVI Caixa de Previdência dos Funcionários do Banco do Brasil Brazil
Principle Capital Partners Limited UK
PSP Investments Canada
QBE Insurance Group Limited Australia
Railpen Investments UK
Rathbones/Rathbone Greenbank Investments UK
Real Grandeza Fundação de Previdência e Assistência Social Brazil
Rei Super Australia
Rhode Island General Treasurer US
RLAM UK
Robeco Netherlands
Rose Foundation for Communities and the Environment US
Royal Bank of Canada Canada
RREEF Investment GmbH Germany
Russell Investments UK
SAM Group Switzerland
Sanlam Investment Management South Africa
Santa Fé Portfolios Ltda Brazil
Sauren Finanzdienstleistungen Germany
Savings & Loans Credit Union (S.A.) Limited. Australia
Schroders UK
Scotiabank Canada
Scottish Widows Investment Partnership UK
SEB Sweden
SEB Asset Management AG Germany
Second Swedish National Pension Fund (AP2) Sweden
Seligson & Co Fund Management Plc Finland
Sentinel Funds US
SERPROS Fundo Multipatrocinado Brazil
Service Employees International Union Benefit Funds US
Seventh Swedish National Pension Fund (AP7) Sweden
Shinhan Bank South Korea
Shinhan BNP Paribas Investment Trust Management Co., Ltd South Korea
Shinkin Asset Management Co., Ltd Japan
Shinsei Bank Limited Japan
Siemens Kapitalanlagegesellschaft mbH Germany
Signet Capital Management Ltd Switzerland
Skandia Nordic Division Sweden
SMBC Friend Securities Co., LTD Japan
Smith Pierce, LLC US
SNS Asset Management Netherlands
Social(k) US
Société Générale France
Sompo Japan Insurance Inc. Japan
Souls Funds Management Limited Australia
SPF Beheer bv Netherlands
Sprucegrove Investment Management Ltd Canada
Standard Chartered PLC UK
Standard Life Investments UK
State Street Corporation US
Statewide Superannuation Trust Australia
Storebrand ASA Norway
Strathclyde Pension Fund UK
Stratus Group Brazil
Sumitomo Mitsui Banking Corporation Japan
Sumitomo Mitsui Card Company, Limited Japan
Sumitomo Mitsui Finance & Leasing Co., Ltd Japan
Sumitomo Mitsui Financial Group Japan
Sumitomo Trust & Banking Japan
Sun Life Financial Inc. Canada
Superfund Asset Management GmbH Germany
Svenska Kyrkan, Church of Sweden Sweden
Swedbank Sweden
Swiss Reinsurance Company Switzerland
Swisscanto Holding AG Switzerland
Syntrus Achmea Asset Management Netherlands
TD Asset Management Inc. and TDAM USA Inc. Canada
Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) US
Tempis Capital Management South Korea
Terra Forvaltning AS Norway
TfL Pension Fund UK
The Bullitt Foundation US
The Central Church Fund of Finland Finland
The Collins Foundation US
The Co-operators Group Ltd Canada
The Daly Foundation Canada
The Dreyfus Corporation US
The Japan Research Institute, Limited Japan
The Joseph Rowntree Charitable Trust UK
The Local Government Pensions Insitution (LGPI)(keva) Finland
The Presbyterian Church in Canada Canada
The RBS Group UK
The Russell Family Foundation US
The Shiga Bank, Ltd. Japan
The Standard Bank of South Africa Limited South Africa
The Sustainability Group at the Loring, Wolcott & Coolidge Office US
The Travelers Companies, Inc. US
The United Church of Canada – General Council Canada
The University of Edinburgh Endowment Fund UK
The Wellcome Trust UK
Third Swedish National Pension Fund (AP3) Sweden
Threadneedle Asset Management UK
Tokio Marine & Nichido Fire Insurance Co., Ltd. Japan
Toronto Atmospheric Fund Canada
Trillium Asset Management Corporation US
Triodos Bank Netherlands
TrygVesta Denmark
UBS AG Switzerland
Unibanco Asset Management Brazil
UniCredit Group Italy
Union Asset Management Holding AG Germany
Union Investment Institutional GmbH Germany
Union Investment Privatfonds GmbH Germany
Union Investment Service Bank AG Germany
Union PanAgora Asset Management GmbH Germany
UniSuper Australia
Unitarian Universalist Association US
United Methodist Church General Board of Pension and Health Benefits US
United Nations Foundation US
Universal Investment Gesellschaft mbH Germany
Universities Superannuation Scheme (USS) UK
Vancity Group of Companies Canada
VERITAS SG INVESTMENT TRUST GmbH Germany
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VicSuper Pty Ltd Australia
Victorian Funds Management Corporation Australia
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Waikato Community Trust Inc New Zealand
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Warburg-Henderson Kapitalanlagegesellschaft für Immobilien mbH Germany
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Zurich Cantonal Bank Switzerland

Editorial

In December 2009, representatives of governments from around the world will meet in Copenhagen to negotiate the successor agreement to the Kyoto Protocol, which is due to expire in 2012. The successor agreement will be extremely important to all our futures and will essentially determine whether we are willing and have the strength to avert the threat of climate change. In this context, UN Secretary General Ban Ki-Moon recently spoke of a "once-in-a-generation opportunity".

As a signatory of the Kyoto Protocol, Switzerland will also play an active part in the negotiations in Copenhagen. Amongst other things, this is of relevance for Swiss companies, as Federal Councillor Moritz Leuenberger has announced that immediately after the meeting in Copenhagen he wishes to open negotiations with the European Union on the inclusion of Switzerland in the European Union Emission Trading System (EU-ETS).

Carbon-intensive Swiss multinational companies with facilities in other European countries have been subject to the EU ETS ever since it was introduced in 2005. As a result, they have gained valuable experience and the majority can therefore be expected to cope with the new environment.

In contrast, for many companies that are mainly active in Switzerland, this is when "things will start to get serious" in terms of climate protection. To date, Swiss carbon emissions legislation has relied primarily on voluntary target agreements, which is why many Swiss companies still have to get used to dealing with mandatory reduction commitments or tradable emissions permits. The recent decision to increase the carbon levy on stationary fossil fuels in Switzerland is a clear indication that there are limits to the extent to which voluntary targets alone can be relied on in the field of climate protection.

However, the way companies manage greenhouse gas emissions is not solely a compliance issue. It is also a key factor in determining a company's profitability and, ultimately, a company's ability to survive in an increasingly carbon-restrained world. As investors taking a sustainable approach, Pictet & Cie and the Ethos Foundation have a keen interest in obtaining information about the climate protection strategies and concrete measures implemented by the companies they invest in.

This is why, for the third year running, we have decided to give our support to the Carbon Disclosure Project and to conduct and publish a detailed analysis of the responses provided by the companies that took part in the 2009 Swiss CDP survey.

We would like to take this opportunity to thank all the companies which took the time to provide thorough and often very comprehensive answers to the detailed questions put as part of the Carbon Disclosure Project. As investors, we firmly believe that companies which have developed convincing climate protection policies have better future prospects and are therefore better investments, not only from an environmental and social viewpoint but also from a long-term financial perspective.

Renaud de Planta,
Partner at Pictet & Cie

Kaspar Müller,
Chairman of the Ethos Foundation

Content

1 CDP 2009 Switzerland Executive Summary

Given the increasing importance of the climate change issue, Pictet Asset Management and Ethos Foundation have decided to conduct the CDP survey for the 100 biggest capitalisations of the Swiss stock market for the third time since 2007.

In addition to providing long-term investors with valuable information on companies' climate change strategies, the CDP has, since its inception, progressively become a driver for changing business behaviour, encouraging companies to further develop and strengthen their policies regarding climate change.

Stabilisation of participation rate

Of the 96 Swiss companies contacted in 2009, 54 participated in the CDP and agreed to provide investors with information on their climate change strategy. This participation rate of 56% remains almost the same as last year (57%). The participation rate for all companies contacted does not really match long-term investors' expectations.

Nevertheless, the participation rate among the largest 50 companies of the Swiss stock exchange is rather high (72%), in particular when compared with other European samples.

Among the non-respondent companies some are particularly exposed to carbon risks, and thus fail to ensure their stakeholders and investors that they are committed to a transparent and efficient management of the climate change issues at stake.

Transparency improvement

Compared to 2008, the willingness to disclose responses publicly has improved: only 37% of the respondents still declined public access to their data (via the CDP website: www.cdproject.net), whereas 47% had done so in 2008.

Climate change strategy in progress

Awareness

A growing number of companies are adopting and implementing an explicit climate change strategy, whereby the focus is increasingly laid on business opportunities relating to climate changes.

The relatively low perception of climate change-related regulatory risks (44% of respondents) is mainly due to the fact that companies are still waiting for important political decisions to be taken with regard to emission reduction goals, either on a national level or at international level (e.g. integration of Switzerland into the European Union Emission Trading Scheme and the outcome of the Copenhagen negotiations on a post-Kyoto treaty).

Concerning the perception of physical risks, the score of Swiss companies (48%) is way below the perception of their European peers. This difference cannot be explained in terms of a lower actual exposure of Swiss companies to climate change. It is rather an indication of many companies underestimating their true exposure to climate change along the entire value chain, particularly in the banking sector.

On the positive side, more companies perceive climate change also as a business opportunity, and this perception is not limited to the industrials and materials sectors but also extends, for instance, to the financial sector, which increasingly offers products and solutions in line with the concept of Socially Responsible Investment (SRI) and environmental theme investing.

This trend is encouraging in many respects, since development of innovative climate-friendly solutions and products not only reduces CO_2 emissions but may lead to a competitive advantage for "green" companies over their lagging peers.

Governance

The growing awareness of climate change is reflected by another positive evolution: climate change governance within companies has also improved. As a matter of fact, 74% of the responding companies do have a Board Committee or an executive body in charge of the issue (versus 68% in the last CDP survey).

In our view, a top-down approach is critical to a successful climate change strategy. Without endorsement by the highest management level, a climate strategy is less likely to be effective and will lack legitimacy.

Engagement

The results of the Swiss CDP 2009 survey show another positive trend corroborating the remarks made above: Swiss companies are opening themselves up and are progressively getting more involved in discussion and collaboration with industry associations, authorities, competitors and NGOs. In particular, half of the respondent companies collaborate with the Energy Agency for the Economy (EnAW), a private sector body that assists companies in setting and reaching defined CO_2 emissions reduction targets, a popular way for Swiss companies to become exempt from the Swiss carbon tax.

Emissions accounting: the pressing need for common standards

The heightened awareness of climate change goes along with a growing disclosure on emissions accounting: in 2008, 64% of the responding companies reported on their direct emissions at least (scope 1); in 2009, as many as 72% have provided the CDP with this material information. Furthermore, in 2009 more companies have started to measure indirect emissions generated by their purchasing activity and their products and services.

However, a major problem still remains to be solved: since there is no mandatory standardisation framework, measuring and comparing the corporate performance over the time and across sectors remains difficult.

Reduction targets: still not comparable and ambitious enough…

Implementation of reduction targets is an area where we see particular progress in comparison with previous CDP surveys. 65% of respondent companies have put in place some reduction targets (as against only 53% in 2008). Despite this positive development, due to the different definitions of reduction targets (absolute, relative, product-specific) and time horizons, it remains very difficult to compare between companies, and it is virtually impossible to come up with an average reduction target for the Swiss market. Therefore, we cannot reliably establish whether companies' reduction goals are actually in line with long-term international goals for climate change mitigation.

There is an urgent need for companies to set CO_2 reduction targets with a clear baseline and target years. In addition to that, absolute targets should be given priority over intensity targets.

According to a study recently published by the CDP[1], in order "to cut emissions in developed economies by 80% such as required by the IPCC by 2050, we would need to see a minimum annual global reduction rate of 3.9% per annum". For the Global 100 companies, however, the study revealed that companies on average were only on track for an annual reduction of 1.9%.

The first Swiss Carbon Disclosure Index

This year's CDP report includes, for the first time, a scoring of the quality of the answers provided by companies based on a methodology that was developed jointly by the CDP and PricewaterhouseCoopers, the so-called Carbon Disclosure Leaders Index (CDLI). This standardised evaluation method makes it possible to compare climate change disclosure practices in a more consistent and systematic manner, both among Swiss companies but also in an international context.

However, it should be emphasised that the CDLI still does not score companies in terms of CO_2 performance (absolute level of emissions, reduction achievements or actual carbon intensity), but rather in terms of disclosure and transparency only.

In this regard, companies active in the financial sector on average do very well: they usually provide ample and transparent information on their CO_2 strategy and their emissions, and consequently score rather high according to the CDLI methodology. But contrary to respondents in the Industrials sector, which often try to gauge their indirect CO_2 impact relating to the use of their products and services as well, companies in the financial sector do not usually provide any information on the carbon intensity of their financial products and the companies and activities they finance. As we point out in our special focus on Life Cycle Analysis, this would be particularly important for banks, as it can be shown that their GHG footprint is much bigger if we take into account their significant share in the financing of problematic activities and plants such as the fossil energy sector for example. The CDLI method currently does not appropriately reflect these indirect emissions; consequently, the CDLI scoring is rather too generous with the financial sector.

With a CDLI score of 76, re insurer Swiss Re has a clear lead over the rest of the field. The scores of the next six companies are extremely close, ranging from 68 to 70. The largest Swiss companies that had already been contacted for the world-wide CDP Global500 survey account for four out of the top ten companies and again for nine out of the top twenty. It therefore seems that large companies with an international reach (and subsidiaries in legislations subject to the European Emissions Trading Scheme) have a clear advantage on carbon disclosure over their smaller and more domestically focused peers.

The report concludes with an inter-sector comparison, highlighting in some detail best disclosure practices of leading Swiss companies within their respective sector peer groups.

1 Carbon Disclosure Project, The Carbon Chasm, http://cms.cdproject.net/cms_downloads/67_329_219_CDP-The-Carbon-Chasm.pdf

2 CDP Global Overview

The turmoil in the financial markets and the global economy over the last year has highlighted the importance of effective disclosure and high-quality risk management. The financial crisis of 2008 suggests we need to better understand systemic risks that can cause significant de-stabilizing impacts in the global economy. Climate change has the potential to cause disruption in the form of unforeseen, high-impact events (such as extreme weather) as well as a longer term re-assignment of value across countries, industries and corporations.

The Intergovernmental Panel on Climate Change (IPCC) predicts that "future climate impacts show that the consequences could vary from disruptive to catastrophic"[1]. So it is vital that policy makers, companies and investors have a full understanding of the associated risks and opportunities. According to HSBC research[2], governments around the world have allocated US$430 billion in fiscal stimulus to key climate change themes. Those providing the low carbon solutions are very well positioned to benefit, while those who ignore the risks gamble on being left behind.

By convening the collective power of the investment community, represented in 2009 by more than 475 investors, with US$55 trillion in assets under management, CDP motivates more than 1800 companies globally to report their climate change strategies and greenhouse gas emissions. This global system provides the market, investors, policy makers and procurement directors with a clear understanding of how companies are positioned as we move towards a low carbon economy and ensures corporations provide full transparency on climate change.

1 http://unfccc.int/essential_background/feeling_the_heat/items/2905.php

2 HSBC Global Research: A Climate for Recovery - The colour of stimulus goes green.

This year has seen considerable growth in responses from emerging economies such as China, South Africa and Korea, and CDP expanded in Russia in 2009 where major companies such as Gazprom and Novatek reported. CDP's reach continues to grow with the launch of the first CDP Europe report, covering the largest 300 European listed companies, as well as expansion into countries within Central and Eastern Europe. We have also opened new offices in Germany and Brazil, both key economies in the fight against climate change.

While the quantity and quality of data available has increased significantly, so has the use of the data, which is acting as a catalyst for changing business behavior. CDP data is increasingly being integrated into mainstream financial analysis, is available through Bloomberg Professional Services, and used to provide sector based analysis to CDP signatory members. A recent report produced by Mercer supports this view.

Some CDP signatories, such as CalSTRS are going a step further, using shareholder resolutions to encourage companies to report through CDP and implement climate change management strategies. We are also working with the Principles of Responsible Investment (PRI) to drive awareness and improve climate change reporting. CDP has recently entered a new partnership with financial information services company Markit to build a suite of indices based on the Carbon Disclosure Leadership Index, which will be licensed to exchange-traded fund (ETF) and structured product providers.

CDP now works with more than 55 organizations including Dell, Unilever, Walmart and the British Government to measure and assess climate change risk and opportunity through the supply chain. More than 800 companies report their climate change strategies through the CDP system to their customers and as a result we have seen a significant increase in the use of CDP data in procurement operations. Now procurement professionals can understand how their supply chains may be impacted and as a result begin to future-proof their procurement systems against climate change.

The process of measuring emissions is central to emissions management and reduction. As regulatory frameworks develop to mandate emission reductions, CDP's role will expand. We will continue to work with corporations, policy makers and information users to produce practical and robust results that complement the development of mandatory reporting rules.

In order to continue to provide the global hub for carbon reporting, CDP is currently undergoing a significant systems upgrade, designed to improve data comparability, facilitate benchmarking services and ultimately deliver data that is appropriate for investment analysis and regulatory submissions. In countries like the US and UK, where mandatory carbon reporting is on the horizon, CDP's systems will help companies prepare for such requirements and will eventually integrate with existing national registries to enable corporations to disclose more detailed and standardized data. Climate change is a global problem, which requires a global solution and by bridging the gaps between national governments and international businesses across the globe, CDP will help to connect the national and international climate change ecosystem.

Sample: geography/ number of companies	% of sample answering CDP 2009	% of sample answering CDP6 (2008)[5]	% of responders with Board level responsibility for climate change	% of responders seeing regulatory risks	% of responders seeing regulatory opportunities	% of responders seeing physical risk	% of responders seeing physical opportunities	% of responders disclosing Scope 1 emissions	% of responders disclosing Scope 2 emissions	% of responders externally verifying emissions disclosures	% of responders engaged/considering participation in emissions trading	% of responders with an emissions reduction/energy reduction plan	
Asia-ex JICK 100[6]	31	[35]	76	55	76	66	55	66	69	31	17	59	62
Australia 200	52	48	80	79	81	82	56	81	83	46	50	67	73
Brazil 80	76	[83]	49	61	73	73	53	61	55	22	25	61	49
Canada 200	49	55	70	57	68	56	46	81	76	27	34	49	61
Central & Eastern Europe 100	8	-	75	50	50	75	25	75	25	75	50	100	50
China 100	10	5	56	67	78	67	44	22	22	22	11	67	44
Europe 300	82	-	85	80	90	75	63	91	85	77	58	89	79
France 120	58	63	77	69	84	66	61	79	77	63	47	81	66
Germany 200	51	55	65	58	70	44	47	63	57	45	33	63	55
Global 500	81	77	80	78	84	78	63	85	80	63	54	80	74
Global Electric Utility 250	49	52	71	79	84	75	62	81	50	61	57	60	77
Global Transport 100	67	58	84	81	84	79	50	79	68	50	43	72	74
India 200	18	19	52	14	66	62	48	48	48	17	17	55	38
Ireland 45	33	-	71	71	71	64	43	71	50	50	43	57	43
Italy 60	35	[46]	52	67	86	67	48	81	62	71	33	67	57
Japan 500	37	[72]	85	87	83	80	64	77	72	33	90	49	49
Korea 100	50	[32]	61	67	76	69	57	55	55	33	35	63	55
Latin America 50	50	[52]	58	79	79	58	47	79	68	37	26	47	58
Netherlands 50	62	52	97	74	90	65	61	90	90	58	42	81	71
New Zealand 50	52	50	65	69	77	69	65	58	54	35	27	58	54
Nordic 200	65	[58]	77	76	81	63	54	83	77	46	33	78	59
Portugal 20	38	-	75	88	75	88	63	100	88	88	25	63	75
Russia 50	13	-	33	0	33	33	33	33	33	0	33	33	33
South Africa 100	68	58	86	73	86	89	68	83	86	38	33	68	65
Spain 85	41	[71]	80	66	77	63	54	91	83	86	34	80	74
Switzerland 100	56	57	74	44	72	48	48	72	67	35	19	65	43
UK FTSE 100	95	90	83	89	91	83	66	98	95	73	77	88	79
UK FTSE 250	57	58	79	78	76	72	53	81	80	36	43	61	49
US S&P 500	66	64	68	70	77	70	52	77	74	41	31	65	61

Table 1 Key Trends Snapshot[3]
This table outlines some of the key findings from CDP 2009 by geography and industry data-set.[4]

3 The numbers in this table are based on the total respondents at 10th July 2009. They may therefore vary from numbers in the rest of the report which are based on the number of companies who responded on time (e.g. 30th June for Global 500).

4 In some cases, the number of responses analyzed is slightly less than the number answering CDP 2009 due to takeovers, mergers and acquisitions.

5 Percentages in square brackets reflect a different sized sample in 2008, e.g.: in 2008 we wrote to 75 companies in Brazil, not 80; and in Japan we wrote to 150 companies in 2008, not 500.

6 Asia excluding Japan, India, China and Korea.

Highlights in carbon regulation and outlook for Copenhagen

2009 has witnessed significant progress in the global approach to climate change. The Obama administration has introduced a new era in climate change policy in the US and, as a result, a global deal in Copenhagen this December appears more tangible. China, so integral to the success of Copenhagen, is set to meet ambitious renewable energy and energy efficiency targets and hosts some of the world's largest renewable energy companies. Brazil entered the new year with a new National Plan on Climate Change and national governments in industrialized countries including Japan and Australia are introducing new legislation to reduce emissions.

Whilst the July G8 meeting agreed to prevent global temperatures rising beyond 2° Celsius (3°-4° Fahrenheit) against pre-industrial levels, and agreed on aims to cut greenhouse gas emissions by between 50 and 80% by mid-century they disappointed many by ducking the issue of medium term targets. Although the multilateral architecture still needs work, there is much to report on at a regional level.

In Europe, the Energy and Climate Change package was approved in December 2008 which sets out the policy framework and accompanying measures to reduce emissions through the continuation (and expansion) of the EU Emissions Trading Scheme (EU-ETS); targets for non-ETS sectors and new targets for the promotion of renewable energy.

In the US, the Obama administration moved early to set out its ambitions around climate change mitigation: "We will harness the sun and the winds and the soil to fuel our cars and run our factories."[7]

The Waxman-Markey bill was finally put before the House of Representatives in June and passed by a narrow margin. The proposed legislation would commit the US to reduce greenhouse gas emissions by 17% below 2005 levels by 2020 through a cap-and-trade system beginning in 2012. The bill will pass through various Senate Committees where amendments will be debated, before being put to a vote; most likely in October.

In Australia, further work has progressed on the detail of the Carbon Pollution Reduction Scheme (CPRS) despite political challenges over possible competitive impacts in the face of the economic downturn. The Scheme, which would cover around 75% of total Australian emissions, is due to face a key vote later this year.

Given the multinational nature of many companies, the evolution of these policies is likely to have significant implications on strategic direction and operations and many of the world's largest companies want to seize early mover advantage.

Of course, the role of government is crucial in providing the regulatory frameworks. But investors and businesses will also play an essential role by driving capital flows towards the technologies which will allow economies to flourish and innovation to thrive as we transition to a low carbon economy.

Already these same investors and businesses are being directly affected by climate change. Many companies report to CDP the material impacts of climate change on their operations, through increased flooding, water shortage, spread of disease and changing local weather patterns. Within the public sector, cities reporting through CDP also explain how they are planning to adapt to changes in weather patterns such as extreme heat and extreme precipitation.

Investors, policy makers, procurement directors and other stakeholders need to build up the necessary comparable datasets in order to monitor and analyze changes; both in terms of the response to mitigation measures (such as carbon regulation) and adaptation policies and programmes. Integral to the success of the deal in Copenhagen will be the availability of this accurate reported data: if businesses don't measure current emissions now, it will be impossible for them to manage and reduce them in the future. This is where CDP's role is crucial.

Progress on reporting standards

While CDP has set the tone on matters of disclosure over the years and, for the first time this year, is now widening its approach to encompass performance, there are other valuable and complementary initiatives underway to address the clear requirement for the creation of a global carbon measurement and reporting system.

While the financial accounting system has taken several hundred years to develop, carbon accounting is in its infancy. In order to achieve a coherent global system CDP is leading the work of the Climate Disclosure Standards Board (CDSB), working with Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers to develop robust accounting standards to enable carbon reporting through annual financial reports. CDP and CDSB will also work with the World Economic Forum to advise the G20 group of nations on climate change accounting in 2010.

The CDP process demonstrates that corporations can lead the way in taking action that can be Measured, Reported & Verified (MRV). It also shows how international companies can reduce their emissions across the entirety of their operations on a global basis, even when subject to a range of different regulatory requirements. As more and more countries introduce climate change regulation, the CDP system supports companies by bridging the gap between international business and national reporting requirements and helps reduce the reporting burden on companies.

The CDP Global launch marks the opening event of NY Climate Week, when business leaders, heads of state and the world's major investors congregate in New York to prepare for negotiations at COP15. An agreement there will be a vital step towards success, but it is just as important to look beyond Copenhagen and to build the global systems required to combat dangerous climate change. CDP remains focused on and dedicated to this work and thanks all of the organizations that work with us to help realize this goal.

7 Obama inauguration speech, January 21st, 2009.

3 Introduction

The Carbon Disclosure Project has been conducted in Switzerland jointly by Pictet and Ethos for the third consecutive year. Following the great success of the first edition, with a response rate of 78% for the fifty largest stock-listed Swiss companies, the second edition was expanded in 2008 to the 100 biggest Swiss capitalisations.

In 2008, we differentiated the companies of the SMI Expanded from the next 50 stocks of the SPI in order to make it comparable to the 2007 report. This year, we have decided to analyse the 100 stocks that make up the SPI Large and Medium Index as a whole, in order to simplify our approach. Only 96 companies are effectively analysed in our report. The reason is that three of them are listed twice on the stock exchange (different share classes) and one has been acquired by a foreign company.

In our concern to standardise our analysis, we have decided this year to score the companies' responses for the first time in accordance with the Carbon Disclosure Leaders Index (CDLI) methodology and to create the first such Index for Switzerland.

The Swiss CDP 2009 report will thus be structured in three major parts: a discussion of companies' response rates and key trends compared to the previous year and put in an international context, followed by the presentation of the first ever CDLI for Switzerland and an in-depth analysis and discussion of the quality and the relevance of the answers obtained.

4 Characteristics of the Swiss market

The Swiss stock market is highly concentrated and skewed towards certain industries.

Of the 226 companies that currently constitute the Swiss Performance Index (SPI), more than 60% of the total index weight is accounted for by just five large companies (Nestlé, Novartis, Roche Holding, Credit Suisse and UBS).
The heaviest ten companies account for over three quarters of the total index weight and the first one hundred companies – the sample of the present CDP 2009 Swiss survey – account for 98% of the total Swiss market capitalisation. Health Care companies make up more than one third of the Swiss stock market, Financials approximately one quarter and Consumer Staples another quarter. The fourth largest Global Industry Classification Standard (GICS) sector, Industrials accounts for just over ten percent of the market.

Of the 96 companies contacted in 2009, only 54 participated.

Nevertheless, given the high concentration of the Swiss market and because all of the larger companies did again participate in the 2009 survey,
the respondents combine more than 90% of the SPI market value. The Swiss CDP sample can therefore be regarded to be highly representative regarding both market capitalisation and industry breakdown.

The Swiss CDP analysis covers more than 90% of the Swiss market capitalisation

Characteristics of the Swiss Market

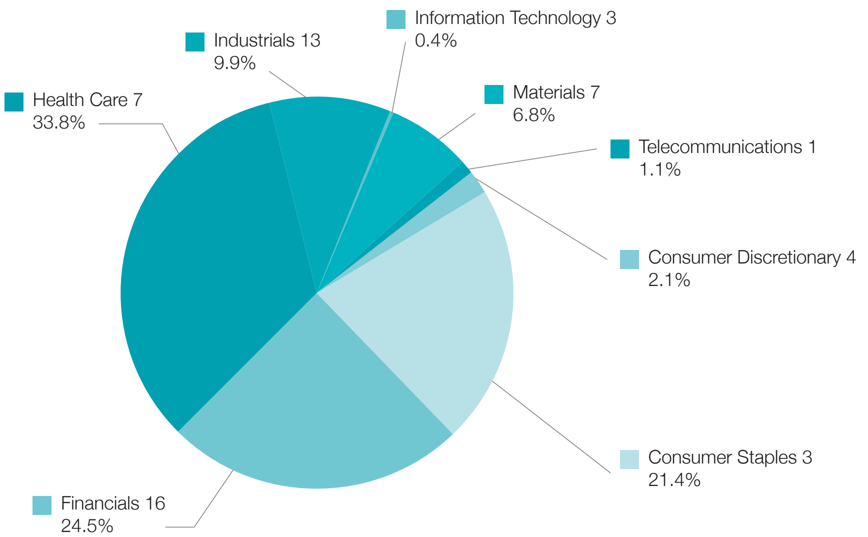

Figure 1 Breakdown by industry of the 54 respondents to the Swiss CDP 2009: Global Industry Classification Standard (GICS) sector number of respondents within sector % of total market cap of this sector (as of 10.08.2009).

5 Response rate & discussion on key trends

Response rate

The total participation rate of 56% for 2009 is very similar to that of last year (57%). However, whilst 42 companies have explicitly declined to participate or ultimately did not complete the CDP questionnaire, seven percent have participated for the first time in the survey. Another seven percent that took part in the survey in 2008 decided not to repeat the exercise this year.

Company	Universe	Responded to the CDP 2007	Responded to the CDP 2008	Responded to the CDP 2009	Answers public or not in 2009
ABB	Global 500	yes	yes	yes	public
Actelion Ltd	SMI Expanded	yes	no	yes	not public
Adecco SA	SMI Expanded	yes	yes	yes	public
Allreal Holding AG	Other	not contacted	no	no	-
ArboniaForsterHolding AG	Other	not contacted	no	no	-
Arpida Ltd	Other	not contacted	yes	no	-
Arytza	Other	not contacted	not contacted	no	-
Austriamicrosystems	Other	not contacted	not contacted	yes	public
Bâloise Holding	SMI Expanded	yes	yes	yes	public
Bank Sarasin & Cie AG	Other	not contacted	yes	yes	public
Banque Cantonale Vaudoise	Other	not contacted	no	no	-
Barry Callebaut AG	SMI Expanded	not contacted	yes	yes	public
Basellandschaftliche Bank	Other	not contacted	no	no	-
Basilea Pharmaceutica Ltd	SMI Expanded	not contacted	no	yes	not public
Basler Kantonalbank	Other	not contacted	yes	yes	public
BEKB / BCBE	Other	not contacted	yes	yes	public
Belimo Holding AG	Other	not contacted	no	yes	not public
Bellevue Group AG	Other	not contacted	yes	no	-
BKW FMB Energie AG	Other	not contacted	no	no	-
Bobst Group	Other	not contacted	yes	yes	not public
Bucher Industries AG	Other	not contacted	no	no	-
Burckhardt Compression AG	Other	not contacted	yes	no	-
Charles Vögele Holding AG	Other	not contacted	no	no	-
Chocoladefabriken Lindt & Sprüngli AG	SMI Expanded	yes	yes	yes	not public
Ciba Spezialitätenchemie AG	Other	yes	yes	delisted in 2009	-
Clariant International Ltd	SMI Expanded	yes	yes	yes	public
Compagnie Financière Richemont SA	SMI Expanded	yes	yes	yes	not public
Credit Suisse	Global 500	yes	yes	yes	public
Cytos Biotechnology AG	Other	not contacted	no	no	-
Dufry	Other	not contacted	not contacted	no	-
EFG International	SMI Expanded	not contacted	no	no	-
Ems-Chemie Holding AG	Other	no	no	yes	not public
Flughafen Zürich AG	Other	not contacted	no	no	-
Forbo International SA	Other	not contacted	no	no	-
Galenica SA	SMI Expanded	not contacted	yes	no	-
Geberit International AG	SMI Expanded	yes	yes	yes	public
Georg Fischer	SMI Expanded	yes	yes	yes	public
Givaudan SA	SMI Expanded	yes	yes	yes	public
Gurit Holding AG	Other	not contacted	not contacted	no	-
Helvetia Group	SMI Expanded	not contacted	no	yes	public
Holcim	Global 500	yes	yes	yes	public
Huber + Suhner AG	Other	not contacted	yes	yes	public
Implenia AG	Other	not contacted	yes	yes	not public
Jelmoli Holding AG	Other	not contacted	yes	yes	not public
Julius Baer Holding AG	SMI Expanded	yes	yes	yes	not public
Kaba Holding AG	Other	no	no	no	-
Komax AG	Other	not contacted	yes	no	-
Kudelski SA	Other	no	no	no	-

Company	Universe	Responded to the CDP 2007	Responded to the CDP 2008	Responded to the CDP 2009	Answers public or not in 2009
Kuehne + Nagel International AG	SMI Expanded	no	no	yes	not public
Kuoni Travel Holding Ltd.	Other	yes	yes	yes	not public
Liechtensteinische Landesbank AG	Other	not contacted	no	no	-
Logitech International SA	SMI Expanded	yes	yes	yes	not public
Lonza Group AG	SMI Expanded	yes	yes	yes	public
Luzerner Kantonalbank	Other	not contacted	yes	yes	not public
Meyer Burger AG	Other	not contacted	no	yes	not public
Micronas Semiconductor Holding AG	Other	yes	yes	yes	public
Mobimo	Other	not contacted	not contacted	no	-
Nestlé	Global 500	yes	yes	yes	public
Nobel Biocare Holding AG	SMI Expanded	yes	no	no	-
Novartis	Global 500	yes	yes	yes	public
OC Oerlikon	SMI Expanded	no	no	no	-
Orascom Development Holding	Other	not contacted	not contacted	no	-
Panalpina	SMI Expanded	yes	yes	yes	public
Pargesa Holding SA	SMI Expanded	no	no	no	-
Partners Group	Other	not contacted	yes	yes	public
Petroplus Holdings AG	SMI Expanded	not contacted	no	no	-
PSP Swiss Property AG	SMI Expanded	no	no	no	-
PubliGroupe SA	Other	not contacted	no	no	-
Quadrant AG	Other	not contacted	no	no	-
Rieter Holding AG	SMI Expanded	yes	yes	yes	not public
Roche Holding AG	Global 500	yes	yes	yes	public
Romande Energie	Other	not contacted	not contacted	no	-
Schindler Holding AG	SMI Expanded	yes	yes	no	-
Schmolz+Bickenbach AG	Other	not contacted	yes	yes	not public
Schulthess Group	Other	not contacted	no	no	-
SGS SA	SMI Expanded	yes	yes	yes	public
Sika AG	SMI Expanded	yes	no	yes	public
Sonova Holding AG	SMI Expanded	yes	no	no	-
St. Galler Kantonalbank	Other	not contacted	no	no	-
Straumann Holding AG	SMI Expanded	yes	yes	yes	public
Sulzer AG	SMI Expanded	yes	yes	yes	not public
Swatch Group	SMI Expanded	no	no	no	-
Swiss Life	SMI Expanded	yes	yes	no	-
Swiss Prime Site AG	Other	not contacted	no	no	-
Swiss Re	Global 500	yes	yes	yes	public
Swisscom	Global 500	yes	yes	yes	public
Syngenta International AG	Global 500	yes	yes	yes	public
Synthes Inc.	Global 500	no	no	no	-
Tecan Group Ltd	Other	not contacted	yes	yes	public
Temenos Headquarters SA	SMI Expanded	not contacted	no	no	-
UBS	Global 500	yes	yes	yes	public
Valiant Holding AG	SMI Expanded	not contacted	yes	yes	not public
Valora Holding AG	Other	yes	yes	yes	public
Von Roll Holding AG	Other	not contacted	no	no	-
Vontobel Holding AG	Other	yes	yes	yes	public
VP Bank Gruppe	Other	not contacted	yes	yes	public
Zurich Financial Services	Global 500	yes	yes	yes	not public

Table 2 Historical and current participation of companies in the Swiss CDP and public status of the answers provided.

The present economic crisis might sideline climate change issues

Non responding companies

It is important to distinguish between two main samples of companies among those that decided not to participate. While the first demonstrates obvious interest in climate change-related issues, the second one brings together companies with little or no concern for the problem.

Regarding the first group, mainly formed of small and medium sized companies, some factors explaining the choice not to participate are recurrent and can be summarised as follows:

- a small number of companies consider that the data available to fill out the CDP questionnaire are still not sufficient in terms of quality and therefore prefer to postpone their involvement until their management systems make it possible to meet the quality requirements they set themselves. Some others are currently taking internal measures and are defining responsibilities in order to ensure participation in the next edition. Two of them have already requested that the questionnaire be sent to them at the beginning of 2010.
- some companies are badly hit by the economic crisis (job cuts and decline in sales) and, in spite of their proven involvement and interest in climate change innovative solutions, are not able to respond to the questionnaire. In particular, they point out poor financial, technical and human resources, as well as redefined business priorities.

A refusal to participate in the CDP raises particular questions when it comes to companies which, as a result of their business activities, have an above average exposure to carbon risks. This year again, Petroplus, BKW FMB Energie, PSP Swiss Property and Flughafen Zürich have declined to provide information on their climate change strategy within the scope of the CDP. This reluctance vis-à-vis the CDP request does not necessarily mean that they have not have implemented any measures to tackle the problem; however, it certainly raises some questions and concerns about their willingness to meet their investors' expectations regarding climate change.

Transparency improvement

Nondisclosed information

37% of the respondents have decided not to disclose their responses against 47% in 2008, which shows the improvement in companies' transparency regarding their CO_2 emissions. By taking a closer look at the questionnaires of companies not having rendered their answers public we find a large number of companies that have only partially answered to certain questions or have left blank whole parts of the questionnaire, which might explain their decision. However, there are also a few companies which completed the questionnaires very thoroughly, but decided to keep their information undisclosed nonetheless (e.g. Ems-Chemie, Rieter).

Progress with climate change strategies

Main results 2009 and comparison with 2008

Compared to last year, Swiss companies have considerably increased their awareness of the opportunities but also of their responsibilities related to climate change. Noteworthy is that 56% of the Swiss respondents see no regulatory risks ahead, but 72% anticipate regulatory opportunities for their businesses (2008: 59%). Two thirds (65% against 52% in 2008) have concrete emissions and energy reduction plans and three quarters of companies (74% versus 68% in 2008) have an executive body responsible for climate change issues. Furthermore, we can observe an increase in the number of companies that are actively engaging with policy makers on climate change (2009: 43%; 2008: 33%).

Figure 2 on page 21 presents an overview of the key trends discussed and the change in disclosure performance from 2008 to 2009.

Risks

Approximately half of the respondent Swiss companies consider that they are exposed to risks related to climate change. 44% feel they are exposed to regulatory risks, while 48% see physical risks and 59% anticipate other risks. These results are similar to last year.

Regulatory risks

Regulation on climate change is widely seen as a cost factor. In particular, companies fear additional energy costs related to an eventual integration of Switzerland into the European Union Emission Trading Scheme (EU ETS), increased regulations on natural resources utilisation or on building specification which would entail additional renovation measures and costs.

Up to the present time, Switzerland has been subject to restrictive international regulations through the Kyoto protocol. By signing this agreement, Switzerland has committed to reducing its GHG emissions from 1990 on average by 10% by 2010. The post-Kyoto framework to be designed in Copenhagen in December 2009 will

Evolution of disclosure level for several key trends from 2008-2009

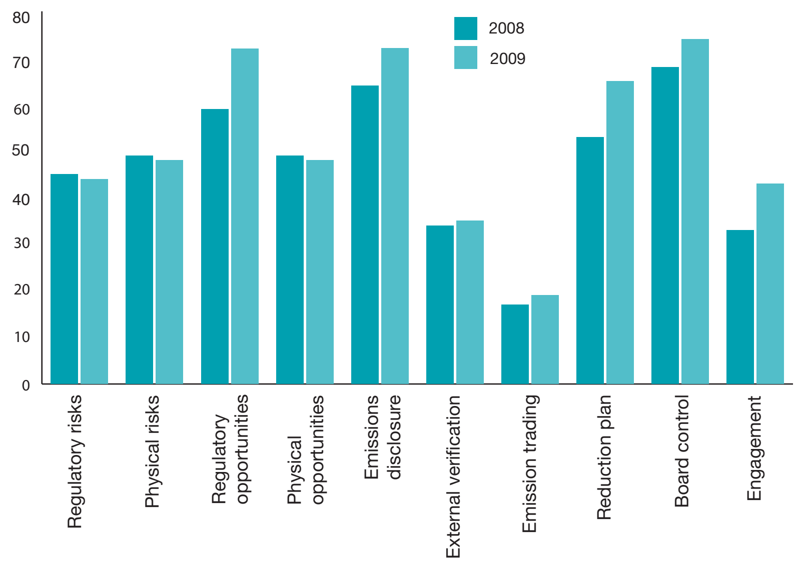

Figure 2

most probably have an impact on Swiss policies, depending on the willingness of the participating countries to find a general agreement.

In particular, two different initiatives are under discussion at this time: first, the Swiss transport and energy minister Moritz Leuenberger has been calling for the introduction of an international tax on carbon dioxide (CO_2) emissions to fight global warming. Second, the Swiss government is pursuing technical talks with the European Union initiated in 2005 in order to find a way to incorporate the country's own efforts to reduce emissions into the European Union's Emission Trading Scheme (EU ETS) after the conference in Copenhagen.

The companies most apprehensive about regulation on climate change are energy-intensive firms such as companies from the Industrials and Materials sectors. Those relying on logistics and transports are concerned, too, since they are directly affected by an eventual increase in energy costs.
This would result in higher costs for the company itself, its suppliers and at the end for customers. However, if in the long term, such regulations are likely to lead to more energy-efficient products, then it can be expected that any increase in cost would be offset by the reduced running costs of the redesigned products.

Sectors which - at first sight - are less affected by climate change regulations like the Financials sector pay particular attention to legal obligations regarding energy efficiency of buildings and infrastructure, as mentioned, for instance, by BEKB/BCBE, Credit Suisse and UBS. Furthermore, Credit Suisse points out indirect regulatory risks through the way their clients, especially the ones with high carbon exposure, could be affected by the changing regulatory frameworks. This in turn may have an impact on their businesses in the Investment Banking and Asset Management divisions, as well as influencing their lending portfolios.

Companies have often taken a pro-active approach either towards existing GHG legal schemes as Novartis in its Corporate Energy and Climate Strategy, or by following closely the evolution of the regulative environment such as Lonza Group and/or by integrating it into their business risk management, as is the case with Panalpina, Swiss Re and Tecan Group. For its part, UBS seeks to integrate current and future climate change regulation into investment analysis and investment decisions to avoid negative impact for client portfolios.

Physical risks

48% of the Swiss companies feel exposed to physical risks caused by climate change. Companies worrying the most about these risks are insurance companies and those where the business is directly exposed to environmental changes, such as agriculture, real estate and tourism.

The physical risks most often mentioned are those likely to be caused by an increase of extreme weather events such as floods, drought, rising sea levels or hurricanes. These environmental disruptions may have huge operational impacts:
they may damage buildings, reduce accessibility and also promote the spread of infectious diseases. In this regard, Georg Fischer has established a Pandemic Prevention Plan. Some international companies such as Panalpina have already been affected by physical risks, in particular where they operate in potential flooding or storms regions in Asia and the USA near the coastline or in low-land areas. Novartis thinks that this type of risks could ultimately result in higher land prices or land leasing costs. Such weather events may also disrupt the upstream or downstream supply chain, from transportation to distribution, for instance, if a key supplier is affected. Finally, it may

Extreme weather events may have huge operational impact

disrupt or limit availability and reliability of natural resources such as water and energy with an associated impact on price.

As a global re-insurer, Swiss Re has integrated physical and weather-related risks in their core business process. They price risks and invest into research to better understand future implications of climate change on their business. They mainly see a risk to their property insurance business. In this respect, Swiss Re's weather-related losses since 1990 have shown a clear upward trend in terms of both hazard frequency and intensity. In some European countries, they expect more than a doubling in property losses related to winter storms by the end of the century.[2]

Other risks

In line with the Stern Review "the economics of climate change", financial institutions such as Votonbel suggest that climate disasters may have a broader impact than merely physical: it could result in a changing macroeconomic situation and even an economic recession from which financial markets could suffer long-term losses. Credit Suisse highlights the reputation risk stemming for example from the involvement with clients that are perceived as substantially contributing to climate change through climate-damaging operations or through a lack of preventive measures. Another risk could arise through changes in consumer attitude and demand, which may affect clients either negatively if they fail to adapt to respective changes, or also positively if they offer innovative and climate-friendly products and services (see also next chapter on opportunities).

In the health care sector, Novartis says that potential reductions in biodiversity caused by climate change may have long-term impacts on its operations. Indeed, Novartis explains that "60% of all (global) new anti-cancer and anti-infective agents discovered in the period 1984 to 1995 were derived from natural products or their derivatives".
In consequence, a reduction in biodiversity may have a negative impact on its activities.

2 Total weather and natural catastrophe related losses: USD 144bn in industrialized countries, USD 165bn in emerging countries; Insured weather related natural catastrophy losses: USD 79bn (54%) in industrialized countries, USD 11bn (6.7%) emerging countries. (Source: Swiss Re CDP questionnaire, question 1aii)

Need for common standards on emissions accounting

Opportunities

Over 70% of the responding companies find that regulatory requirements also present opportunities to their business. Less than 60% thought so in 2008.

According to many Swiss companies, new regulations on climate change bring new business opportunities to innovate and create climate-friendly technologies and products. They are in particular aware of the fact that leaders in greenhouse gas monitoring and management would have a competitive advantage over their peers. As mentioned by Panalpina, "in a policy environment where climate change is increasingly addressed, companies leading in this field have more and more competitive advantage by avoiding high costs of regulatory compliance and by being more attractive to customers that respond to regulatory changes as well".

Companies in the Industrials and Materials sectors are already well positioned or have started to develop new products.

For example, a big share of Geberit's sales is closely related to water-efficient sanitary systems.

As a control and inspection company, SGS has caught up with the trend and already offers a variety of services addressing the needs of the renewable energy and biofuels industries, water management and energy efficiency. SGS's services range from verification of carbon intensity and sustainability reporting to project monitoring and certification.

The financial industry has responded by bolstering up their offer in Socially Responsible

Investment (SRI) or dedicated environmental or climate-related investment funds. As pointed out by Swiss Re, climate-related regulation will also trigger new markets and investment opportunities in emissions trading, emission certificates and the renewable energy sector.

However, it is interesting to see that, although more companies claim to perceive climate change regulations more as a business opportunity than a risk, few have been able to explain convincingly how exactly they are going about identifying and integrating these opportunities into their business plans.

Emissions accounting

72% of Swiss companies disclose their emissions accounting (64% in 2008) and 67% report on their indirect emissions resulting from their sourcing of energy.

Most of the companies use international standards to account for their emissions, such as the Greenhouse Gas Protocol, which is also the methodology underlying the CDP. Some banks use the European VfU indicators (Verein für Umweltmanagement in Banken, Versicherungen und Sparkassen), which have been created to help financial institutions to tackle environmental management issues.

Regarding the scope 3 emissions (indirect emissions generated outside the companies' premises), close to 40% of companies publish their CO_2 emissions relative to their business travels, which is a great improvement compared to 2008. On the other hand, still only a handful of companies calculate or estimate the emissions stemming from the distribution and disposal of their products. Exceptions to the rule are Austriamicrosystems, Givaudan, Nestlé and Syngenta.

Whereas in 2008 20% of companies had their carbon emissions verified by an external auditor, 35% have followed their lead in 2009, which is at least an encouraging trend.

The section Emissions accounting is aimed at analysing how companies account for and report on their carbon emissions. There is at this stage no mandatory national or international regulation on emissions accounting, only a set of best practice recommendations (such as the Greenhouse Gas Protocol that is also used in the CDP questionnaire). For this reason, each company is in principle free to choose its consolidation perimeter although, of course, the more comprehensive the system boundaries are defined, the better the overall carbon exposure is expressed. This "freedom of choice" does not make it easy to compare and interpret companies' response rates without going into greater detail.

Performance

In 2008, just over half of the Swiss companies that responded to the CDP asserted to have a GHG emissions and/or energy reduction plan in place, compared to as many as 65% this year, which is an encouraging improvement. Although most of them (92%) have established some sort of quantitative reduction target, these goals may vary considerably in the way they are defined (absolute, relative or product-specific targets) as well as in the degree of ambition.

While in general companies plan rather moderate GHG reductions of between 2% to 10% in the next two to five years, some companies within the carbon-intensive Industrials or Materials sector aim much higher: Holcim targets a 20% reduction by 2010 (with 1990 as the base year) and Geberit targets a 15% reduction compared to 2006. Among the banks, which have relatively low direct emissions, some aim to be partially or wholly CO_2-neutral, such as Credit Suisse, Bank Sarasin or Partners Group. However, a large proportion of emissions with financial institutions are caused by their financing and capital allocation. Zero emission targets for banks' direct emissions therefore solve only (a small) part of the problem.

Swiss companies are more and more committed on climate change

Need for more ambitious reduction targets

Governance

Board control

74% of Swiss companies that responded to the survey have a Board Committee or an executive body with overall responsibility for climate change. This committee is most often made up of representatives on an executive level from all relevant business units and is chaired by the CEO. Climate-change-related risks and opportunities are then integrated in their overall operational and business strategy and are published in their annual report or sustainability report. Only a minority of companies provide incentives for individual GHG management performance. One of the exceptions is Swiss Re, which has integrated its carbon reduction goals in the yearly performance targets of the employees involved in their climate change program.

Engagement

43% of the Swiss companies questioned say that they have engaged with policymakers on possible responses to climate change, including taxation, regulation and carbon trading, which is 10% more than last year. Companies engage most often through different industry associations, as is the case with Clariant via the Chemical Industry Associations, or Georg Fischer with the Swiss Mechanical and Electrical Engineering Industries Association (Swissmem).

In this context, it is noteworthy that approximately half of all respondents have committed to voluntary target agreements to reduce carbon emissions within the scope of the Swiss Private Sector Energy Agency (EnAW) a Swiss private sector initiative, the aim of which is to reach the targets set by the Swiss CO_2 law on a voluntary basis in order to prevent more coercive measures or an outright CO_2 tax.

Some companies actively work with NGOs, such as ABB, Holcim and Novartis with the World Business Council for Sustainable Development (WBCSD).

Credit Suisse and UBS participate in different working groups and public-private partnerships, such as the UNEP Finance Initiative and the World Economic Forum (WEF) in order to represent the views of the finance industry in the debate about the post-Kyoto.

Comparison with the international trends

When comparing these answers with the overall trends in countries where a carbon disclosure report has been conducted, the scores of Swiss companies come out more or less in line with the average. This is particularly the case regarding the disclosure of GHG emissions (CH: 65%; average: 66%) and the information provided on their emissions & energy reduction plans (CH: 65%; average: 66%). Switzerland also lies in the average rank regarding companies that have created an executive body responsible for climate change issues (CH: 74%; average: 71%).

On the other hand, less than half of the Swiss companies see regulatory and physical risks related to climate change (worldwide average: 66% and 68% each). This can probably be explained by the large proportion of Swiss business sectors whose direct (Scope 1 according to CDP terminology) carbon emissions are relatively low and which in consequence do not feel deeply concerned by more stringent CO_2 regulations. Furthermore, only 35% of the Swiss companies have their emissions externally verified, when the overall average is almost 50%. Finally, while almost 40% of the companies responding overall engage in or consider participating in emissions trading, only 19% of the Swiss companies do so. However, this of course has to do with the fact that Switzerland is not part of the European Union and is not yet included in the EU ETS.

6 Swiss Carbon Disclosure Leaders Index

The CDLI as a standardised measure of disclosure level

In order to standardise the analysis of the CDP survey and make it comparable with other CDP reports of other geographic markets, it was decided this year to have the companies' responses scored in accordance with the Carbon Disclosure Leaders Index (CDLI) methodology and to create the first ever Swiss Carbon Disclosure Leaders Index.

The CDLI ranking methodology has been developed jointly by the CDP and their global advisor PricewaterhouseCoopers LLP (PWC)[3]. Its goal is to codify the answers provided by companies as objectively as possible and to classify the companies according to their level of disclosure.

The codification of the Swiss companies' questionnaire has been conducted by PWC for the 12 largest companies that are also included in the Global 500 report, and by Centre Info/INrate in Fribourg for all the other respondent Swiss companies (called Switzerland 100 in the following). The detailed analysis and discussion of the results have been conducted by the authors of this report, Pictet Asset Management and Ethos.

It is important to keep in mind that the CDLI is a measure of the level of disclosure and the quality of responses to the CDP questionnaire, but it is not a quantitative assessment of company's climate change performance. For the CDLI it is important to disclose emissions, the underlying methods and to show that a company has the necessary elements at its disposal to manage the issue of GHG emissions and climate change.

The CDLI does not, however, score companies according to their absolute level of emissions, reduction achievements or actual carbon intensity.

The ranking is furthermore exclusively based on the information provided by the companies on a self-declaratory basis.

In order to emphasise the importance of transparency and disclosure, only the companies that have agreed to make their questionnaire public qualify for inclusion in the CDLI index.

3 The interested reader is referred to the CDP website www.cdproject.net, where the CDLI scoring methodology can be downloaded for free.

Result and analysis of CDLI for Swiss companies

Table 3 below displays the first Carbon Disclosure Leaders Index for Switzerland. Not included are companies that did not make their CDP answers public and four companies that did make their answers publicly available but could not be properly scored and ranked because they only provided answers to parts of the questionnaire.

Company Name	MSCI Sector	CDLI	CDP Report
Swiss Re	Financials	76	Global500
Novartis	Health Care	70	Global500
BEKB/BCBE	Financials	69	Switzerland100
UBS	Financials	68	Global500
Geberit	Industrials	68	Switzerland100
Credit Suisse	Financials	68	Global500
Georg Fischer	Industrials	68	Switzerland100
Vontobel Holding AG	Financials	66	Switzerland100
Bank Sarasin	Financials	63	Switzerland100
Givaudan	Materials	62	Switzerland100
Austriamicrosystems	Information Technology	61	Switzerland100
Holcim	Materials	61	Global500
Syngenta International AG	Materials	60	Global500
Nestlé	Consumer Staples	60	Global500
ABB	Industrials	57	Global500
SGS SA	Industrials	55	Switzerland100
Swisscom	Telecommunication Services	55	Global500
Partners Group	Financials	55	Switzerland100
Straumann Holding AG	Health Care	54	Switzerland100
Basler Kantonalbank	Financials	53	Switzerland100
Bâloise Holding	Financials	49	Switzerland100
Lonza	Health Care	47	Switzerland100
Huber + Suhner AG	Industrials	46	Switzerland100
Roche Holding AG	Health Care	45	Global500
Adecco	Industrials	45	Switzerland100
Clariant	Materials	44	Switzerland100
Sika AG	Materials	44	Switzerland100
Panalpina	Industrials	43	Switzerland100
Barry Callebaut	Consumer Staples	43	Switzerland100
Micronas	Information Technology	39	Switzerland100

Table 3 Carbon Disclosure Leaders Index for Swiss Companies

The CDLI ranking prompts a few observations and comments. Swiss Re with a CDLI score of 76 has a clear lead over the rest of the field. The distance between Swiss Re and the second-best company Novartis is almost seven points, whereas the following eight companies are all crammed into the next seven points.

Global500 companies account for four out of the top ten companies and again for nine out of the top twenty. Large companies with an international reach clearly seem to perform better than the average in carbon disclosure.

In terms of sector representation, Financials seem clearly over-represented with six out of ten companies. This might be surprising at first sight, given their relatively low direct exposure to GHG emissions. Nonetheless, banks are very quick in spotting and capitalising on new trends and opportunities, and they do particularly well in the CDP section on risks & opportunities (section 1) as well as on organisational awareness (section 4) of the CDP questionnaire.

Not included in the above table are companies that did not publicly disclose their answers to the CDP. Comparing the scores of the non public respondents with the public respondents, we could nevertheless observe that most companies that score high also make their answers public and vice versa.

Public disclosers are obviously confident of their relative advantage in climate change matters and do not have to fear comparison with their peers. Nevertheless, certain undisclosed respondents did very well, and one company in the Switzerland 100 subgroup would even be placed in the top ten.

Sector patterns of Swiss CDLI results

A glance at the disclosure quality by Global Industry Classification Standard (GICS) sectors as measured by the CDLI score reveals several interesting patterns to us. We observe considerable differences in the minimum, medium and maximum scores, but also great variation in the dispersion within sectors. Intra-sectoral dispersion can be explained either by actually varying quality of responses but also by the number of companies within each sector. A special case in this respect is the Telecommunications sector, which is constituted of one single company (Swisscom). This explains why there is no dispersion at all for this sector. All to the right is the overall CDLI result for all sectors combined. Good to very good reporters can be found in almost all sectors, with Consumer Discretionary lagging slightly behind. Some sectors attain high maximum scores but also have very low minimum scores, as is the case for Health Care and Financials. Consumer Staples, Information Technology, and particularly Industrials and Materials attain high scores as well as a consistent reporting quality despite the relatively large number of companies within these sectors.

The quality of disclosure varies considerably across and within sectors

CDP Disclosure by GICS Sector

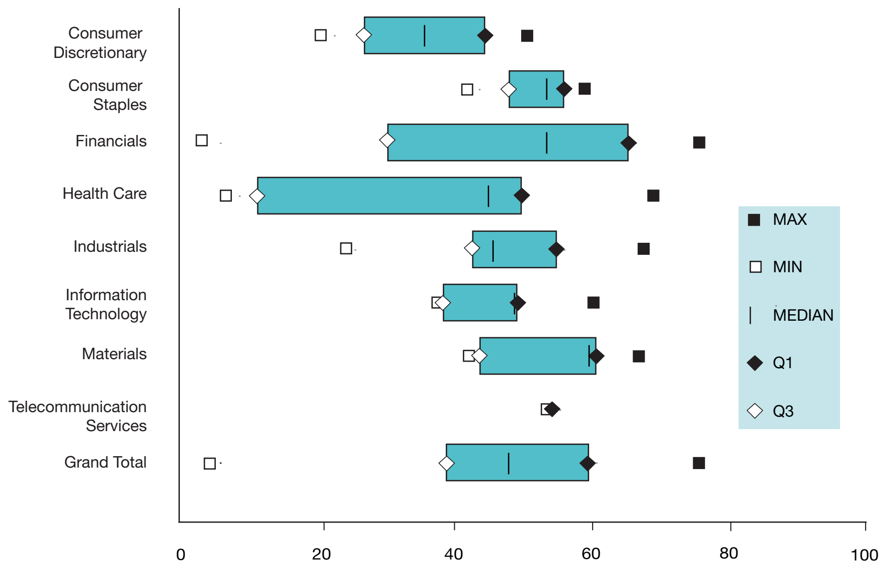

Figure 3

Swiss companies have a high organisational awareness of climate change matters

Scores according to CDP sections

The CDP questionnaire can be broken down into five different sections reflecting a company's disclosure performance in the following domains: Risks & Opportunities (1st section), Emissions Accounting (2nd section, first part), Verification & Trading (2nd section, second part), Performance (3rd section) and Governance (4th section). A brief description and interpretation of the different sections and their respective relevance for the aggregate CDLI score can be found in the appendix at the end of this report.

Figure 4 displays the average CDLI score of companies for the different CDP sections.

The first thing that strikes the eye is that, on average, companies score very well regarding climate change governance. We may conclude therefore that Swiss companies in general have a rather high "organisational awareness" of climate change matters.

Surprisingly, companies score consistently less well regarding section 1 of the questionnaire (Risks & Opportunities). Intuitively one would rather expect the order to be reversed, supposing that only an in-depth reflection regarding risks and opportunities would prompt an institutional and organisational response.

Less impressive is the disclosure performance in Emission Accounting and Performance (CDP sections 2a and 3). These sections of the CDP questionnaire are the most concrete, geared towards systematic accounting, monitoring and implementation of GHG reduction measures.

The relatively high score for Verification & Trading is again less obvious given the aforementioned modest score for section 2b and the fact that only a minority of Swiss companies are subject to the European Emissions Trading Scheme EU ETS. But then his result can be explained by the fact that good qualitative answers can earn a company high scores in this section and the disclosure of hard numbers and figures is less decisive.

Disclosure score of Swiss companies by CDP Section

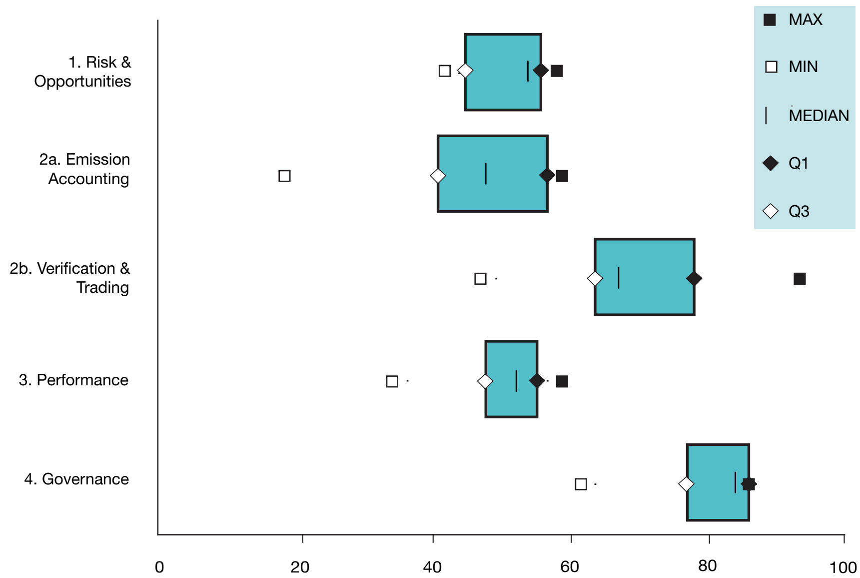

Figure 4

Scores according to CDP report category

Figure 5 displays a breakdown of the Swiss CDLI results by CDP report category. The eleven largest out of the 54 respondent companies had been contacted within the scope of the Global500 CDP 2009 survey, since these companies belong to the 500 largest companies of the FTSE Global Equity Indexes. The other companies figure only in the Switzerland 100 survey. The scoring difference by CDP report category can certainly be explained to a large extent by the fact that these larger companies usually have a higher exposure to climate change issues (e.g. some of their foreign subsidiaries might be subject to the EU ETS etc.) and they are also more likely to have the necessary technical and human resources at their disposal to tackle the issue of climate change – down to responding effectively to a comprehensive questionnaire such as the CDP survey itself[4].

4 Although we believe this interpretation to be correct, we cannot exclude the existence of a certain scoring bias due to the fact that the analysis for the 11 large Swiss companies included in the Global 500 survey and the remaining companies (Switzerland 100) have been done by two different teams of analysts. Whereas PWC did the CDLI rating for the Global 500 companies, Centre Info/INrate did the scoring for the remaining companies in the CDP 2009 survey. So the difference between the two groups could – theoretically at least – also be due to these circumstances.

Large companies have the resources to score better on carbon disclosure

Disclosure performance by CDP report category

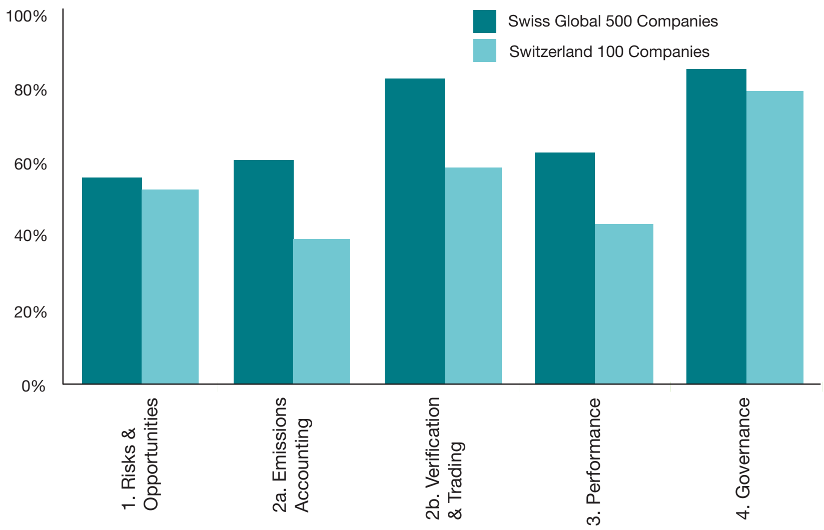

Figure 5

Intra-sector comparison and best practice

Let us now have a look at an intra-sector or peer group review and highlight some best practice within each GICS sector peer group, except for two sectors where no companies at all responded to the CDP questionnaire. This is the case for Energy (Petroplus Holdings) and Utilities (Romande Energie et BKW FMB Energie). For each sector analysed, we have grouped the companies in three categories:

- respondent companies making their CDP answers public and that consequently also figure in the rankings presented above
- respondent companies that declined to make their CDP answers public
- non respondent companies

Within the first compartment, companies are listed top-down according to their Swiss CDLI Score.

There are a number of companies in the following tables marked by an asterisk star*. The answers of these companies are public but could not be properly rated because they provided only partial answers to the CDP questionnaire.

In two cases (Rieter and Ems-Chemie) the companies declined to make their answers public; consequently, they could not be included in the CDLI ranking either, but we still felt they deserved to be quoted for best practice within their sectors.

Consumer Discretionary

Responded and public	Responded and not public	Not responded
Valora Holding*	Richemont Kuoni Travel Holding Rieter Holding	Arbonia Forster Holding AG Charles Vögele Holding AG Dufry Forbo International SA PubliGroupe SA Schulthess Group Swatch Group

Low level of public disclosure in the Consumer Discretionary sector

As we have already seen on Figure 3 page 29, the Consumer Discretionary sector as a group has rather a moderate level of disclosure and transparency.

Rieter reports on 95% of its total production and assembly units. The company reports CO_2 emissions stemming from its manufacturing units as well as from its energy procurement. Rieter has launched several projects to improve the energy efficiency of their spinning machinery in order to help their customers diminish their energy consumption per kilogram of processed fibres. The same approach is taken in its automotive division where the weight reduction of component is an important part of the development process in order to help their customers reduce their vehicles' fuel efficiency.

Valora is concentrating its efforts on PET recycling, which reduces CO_2 emissions, saves energy and reduces the use of nonrenewable resources. According to a study, the total impact of recycling PET was 50% lower than simply disposing of it together with household waste and replacing it with new material. Valora is also taking steps to minimize GHG emissions from its logistics, planning to reduce average freight distances and vehicle kilometres by an estimated 450'000km per annum.

Consumer Staples

Responded and public	Responded and not public	Not responded
Barry Callebaut (43) Nestlé (60)	Lindt & Sprüngli	Arytza Dufry

Nestlé provides very detailed emission data by country and business division for both its direct and energy supply related emissions. Furthermore, Nestlé is particularly strong on its supply chain, which is of particular importance to a food company with such a global footprint. Nestlé conducts Life Cycle Assessments based on ISO 14040 methodology for all its major product categories, trying to quantify the water and the CO_2 footprint of the entire supply chain, including production of agricultural raw materials, animal husbandry, transformation, transportation, distribution, consumption and recycling.

Barry Callebaut impresses by a very detailed breakdown of its GHG emissions per country and by business division both with regards to its direct emissions from its facilities but also with regard to its energy supply. The company also plans to step up the use of biomass residues (cocoa shells) for energy generation.

Financials

Responded and public	Responded and not public	Not responded
Bâloise Holding (49) BEKB/BCBE (69) Bank Sarasin (63) Basler Kantonalbank (53) Credit Suisse (68) Helvetia Group* Partners Group (55) Swiss Re (76) UBS (68) Vontobel Holding AG (66) VP Bank Gruppe*	Jelmoli Julius Baer Luzerner Kantonalbank Valiant Holding Zurich Financial Services	Allreal Holding AG Banque Cantonale Vaudoise Basellandschaftliche Bank Bellevue Group AG EFG International Liechtensteinische Landesbank Mobimo Orascom Development Holding Pargesa Holding SA PSP Swiss Property St. Galler Kantonalbank Swiss Life Swiss Prime Site AG

BEKB/BCBE's high ranking is the consequence of a strong regional focus, which clearly helps to control and keep track of its GHG emissions while also capping the absolute level of GHG emissions stemming from carbon-intensive business travels.
The company's emission reporting is externally verified and geared towards a concrete and absolute GHG reduction target of 5% for the period 2008 – 2011, from an already low base, as the bank had already achieved a massive reduction of 40% of GHG emissions in the past prior to its set baseline year 2007.

Regarding its product offering, the bank has recently launched a special lending product that offers very favourable conditions for energetic optimisation measures.

Basler Kantonalbank also benefits from its predominantly regional activity focus, which quite naturally restricts emissions stemming from business flights that are a well-known and important source of emissions for companies with an international focus. The company also provides financial products that have a positive catalytic environmental impact such as "Minergie" mortgages for

Innovative investment solutions for climate change mitigation & adaptation

energy-efficient buildings or mortgages with reduced interests for renovations that result in energy savings.

Credit Suisse reports its GHG emissions for all its banking operations worldwide with a very precise level of detail. As part of their internal climate strategy, they have switched to a hundred percent renewable electricity supply for all their Swiss as well as their Frankfurt and London offices. The remaining emissions from its Swiss operations, approximately 40,000 tons per year, are compensated through the purchase and retirement of carbon credits stemming from various climate projects, technologies and standards. Besides their environment-related investment products, particularly in the field of renewable energies, they have recently introduced a special mortgage product for homes that comply with the Swiss Minergie label, and its BANK-now subsidiary offers preferential "green" leasing terms for motorists who opt for low-emission vehicles.

Swiss Re has a long track record in developing innovative solutions for climate change mitigation and adaptation. In 2006, they had jointly implemented the first insurance product for managing Kyoto Protocol-related risks for two landfill gas emission reduction projects in South America.
A Swiss Re subsidiary was also appointed as investment manager of a EUR 125 million Post 2012 Carbon Credit Fund sponsored by a consortium of European development banks. Swiss Re's own investments in green assets have been growing steadily over the last four years. Investment clusters range from infrastructure and project finance type investments to "cleantech" venture capital.
Swiss Re is also a global leader in the fast-growing market of catastrophe bonds and a first mover in the weather risk transfer markets with a global market share of more than 30%.

Health

Responded and public	Responded and not public	Not responded
Lonza (47) Novartis (70) Roche Holding (45) Straumann Holding (54) Tecan*	Actelion Basilea Pharmaceutica Ltd	Arpida Cytos Biotechnology Galenica SA Nobel Biocare Holding AG Sonova Holding AG Synthes Inc.

Climate change will spread human diseases

Novartis provides a very detailed breakdown of its GHG emissions for countries as well as for its various business divisions. Data is fairly complete for Scope 1 and 2 emissions stemming from its own operations, its energy supply and own vehicle fleet. According to the company, they plan to include more data on indirect Scope 3 emissions in the future as well, but Life Cycle Analyses of selected pharmaceutical products have only been recently initiated. The company anticipates that climate change and rising global temperature might accelerate the spread of tropical and other vector diseases, but the company considers itself well prepared given their experience and their research focus on tropical infectious diseases. Novartis has a total of eight sites in five EU Member States subject to the EU ETS. Their experience so far has shown that sites were able to comply and reduce their emissions much more easily than expected. Instead of the forecast shortage, emission reduction measures have even produced a small surplus.
Roche Holding is part of an industry group that has negotiated and committed itself to voluntary GHG reduction targets with the Swiss authorities.

In the same vein, its US-sites are taking part in the US Environmental Protection Agency's (EPA) climate leaders program. The company reports direct emissions from its operations as well as from its energy supply; however, it does not provide a detailed breakdown by country or business unit and does not address the indirect emissions of its sourcing of raw materials.

Straumann uses a special IT tool in order to accurately and consistently collect activity energy and general sustainability-related data across sites in different countries. Like Roche, Straumann is – apart from the energy supply – not explicitly addressing climate-related issues located along its entire supply chain, but the company plans to implement a more comprehensive reporting on their indirect emissions for the foreseeable future.

Industrials

Responded and public	Responded and not public	Not responded
ABB (57)	Belimo Holding AG	Bucher Industries AG
Adecco (45)	Bobst	Burckhardt Compression AG
Geberit (68)	Implenia	Flughafen Zürich AG
Georg Fischer (68)	Kuehne + Nagel	Kaba Holding AG
Huber + Suhner AG (46)	International AG	Komax AG
Panalpina (43)	Meyer Burger AG	OC Oerlikon
SGS SA (56)	Sulzer	Schindler Holding AG.
		Von Roll Holding AG

Geberit is using one of the most advanced Life Cycle Assessment (LCA) tools (Ecoinvent V.2) for calculating its cumulative CO_2-emissions all the way up to the well. A heightened climate change awareness has led them to define a comprehensive CO_2-strategy on production site level and an energy master plan for the most important production sites. Given that climate change will also severely impact on water availability in the future in many regions, Geberit's strong emphasis on water-saving products is another important pillar of their climate change strategy.

Georg Fischer is publishing GHG data for Scope 1 (direct emissions) and Scope 2 (energy supply) for three geographic regions and for all sites where the company exerts operational control. Georg Fischer places particular emphasis on its products that are often used and operated by its clients for many years and where consequently energy efficiency improvements can make a large impact on GHG emission. Noteworthy examples are aluminium or magnesium-based components for light(er) weight car design or more energy-efficient machine tools.

ABB impresses by a sophisticated internal data collection system. Consequently, ABB reports emission data for over 85% of its employee base, broken down in great detail according to country of origin. Its main focus is on its electro-technical products such as the smart interconnection of power systems with high-voltage direct current that enables large savings as well as the large-scale integration of renewable energy into the power grids. ABB's high-efficiency motors and variable-speed drives for motors also contribute to substantial emission reductions. According to their own calculations, their drives help to save some 130 million megawatt-hours of energy per year, which corresponds to an ongoing reduction of over one hundred million tonnes of CO_2 per year.

Energy efficiency improvement can have a large impact on GHG emissions

Materials

Responded and public	Responded and not public	Not responded
Clariant (44) Givaudan (62) Holcim (61) Sika AG (44) Syngenta (60)	Ems-Chemie Holding AG Schmolz+Bickenbach	Gurit Holding AG Quadrant AG

Materials have the largest exposure to the EU ETS

Holcim is Switzerland largest emitter of GHG and as such both a major agent and a major potential beneficiary of climate change. The rising sea level and more extreme weather conditions will call for massive investments in protective coastal and inland infrastructure, which will boost demand for cement and concrete. Consequently, Holcim is a comprehensive GHG reporter with clear and ambitious GHG emission reduction targets. Holcim has a large exposure to the EU ETS. They have set up their own central trading platform to handle their emissions trading activities. Holcim closely monitors and optimises its emission rights portfolio, for instance by investing in several Joint Implementation (JI) and the Clean Development Mechanism (CDM) projects under the Kyoto Protocol. Holcim is reducing its footprint, both by increasing its use of alternative fuels, but also by developing less carbon-intensive products such as a new slag cement that offers a lower grey energy content and higher chemical corrosion resistance and longevity, or micro cements that can be injected into porous sub soils that help reduce the need for extensive demolition and repair work. Less carbon-intensive composite cements, manufactured from natural materials and industrial by-products, already account for almost three quarters of consolidated cement sales.

Givaudan, too, is subject through some of its European subsidiaries to the EU ETS. The company reports its scope 1 and 2 emissions for all companies over which operational control is exercised, separately for its two divisions Flavours and

Fragrances and broken down in four geographic regions. The level of detail is often very precise going down, for instance, to providing exact cost figures for different energy and fuel sources. In the period 2000-2006, scope 1 emissions were reduced by over 20% whilst energy consumption per tonne of product receded by 6%. Since then, because of a large acquisition reporting baseline and the product mix have significantly changed which is understood to make long-term comparison more difficult to interpret. For its external scope 3 emissions, Givaudan provides estimates on road transport of raw materials from the arrival port in the EU to the fragrance manufacturing sites in continental Europe, road transport of finished goods within Europe to customers as well as outbound transport of finished goods from continental EU manufacturing sites to customers in Asia, Africa and the USA.

Syngenta reports direct and indirect GHG emissions broken down by region and business division and they have set themselves concrete and ambitious GHG relative reduction targets (minus 40% relative to EBIT by 2012 compared with 2006 figures). Syngenta also uses LCA techniques to obtain a more complete picture of their overall emissions, e.g. by approximating their supply chain emissions by multiplying the value purchased with the average reported emissions of its top ten suppliers.

Clariant also discloses its direct (scope 1) and indirect (scope 2) GHG emissions and has them verified independently by a third party. They, too, have set themselves precise targets (-7% specific energy consumption by 2010). Clariant is one of the Swiss companies that through its European based facilities is already subject to the European Emissions Trading Scheme EU ETS and has therefore been able to gather valuable experience in this domain.

Although not public, Ems-Chemie allowed us to quote from its CDP questionnaire to highlight its best practices. Ems-Chemie discloses product-specific energy intensity figures (MWh per tonne of product) for every year since 2003.
The company's emission figures are independently verified; however, they are restricted to its parent company in Domat/Ems-Chemie, covering approximately half of its global workforce. Ems-Chemie has committed to a voluntary target agreement with the Swiss Federal Office for the Environment to reduce their CO_2 emissions.

In 2007, Ems-Chemie concluded a reduction contract with the Climate Cent Foundation regarding the purchase of CO_2 emission reductions. In this way, Ems-Chemie has committed itself to reduce CO_2 emissions by 85% between 2007 and 2012. The excess amount of CO_2 is sold to the foundation. Ems-Chemie is a contractual partner of the Tegra wood biomass power station located directly on its company site at Domat/Ems-Chemie. Tegra feeds approximately 110,000 MWh of zero carbon electricity into the electric grid every year. The biomass power station also renders Ems-Chemie independent from fossil fuels to a large extent: more than 85% of its thermal energy is produced in this way. Some of Ems-Chemie's products contribute indirectly to the reduction of GHG emissions, such as its corrosion-resistant plastic components that are used in lightweight automotive construction or its highly resilient epoxy resins that are used in the manufacture of rotor blades for wind turbines.

Telecommunication Services

Responded and public	Responded and not public	Not responded
Swisscom (55)		

Swisscom is participating in a voluntary emission reduction scheme with the Swiss Energy Agency for the Economy (EnAW). Emissions from Scope 1 and 2 are aggregated in one overall figure for direct GHG emissions. No Scope 3 emissions are factored into this data. An interesting aspect is the avoidance of GHG emissions with third parties through the use of various tele-services (video conferencing etc.) provided by Swisscom. Based on some studies, there is a factor between 5 and 8 of third parties' savings over direct emissions caused by the provider of the tele-service. To monitor its progress, Swisscom has introduced an innovative eco-efficiency measure defined as "added value"/ "damage value" in francs / tonnes CO_2 the reciprocal value of which could be interpreted as tonnes of CO_2 per CHF of added value.

Information Technology

Responded and public	Responded and not public	Not responded
Austriamicrosystems (61) Micronas Semiconductor (39)	Logitech International SA	Kudelski SA Temenos

Austriamicrosystems has a comprehensive climate change strategy in place and business opportunities are properly identified. The GHG emissions are evaluated according to ISO 14064 requirements and also include Scope 3 emissions such as employee business travel, employee commuting to and from work as well as transportation of products and semi-finished goods. The company also provides detailed data on the quantity and cost of energy and fuels consumed. They have an ambitious 10 percent reduction target for their annual electricity consumption (240 MWh per year) and they monitor their progress by establishing a GHG-Balance at least every 2 years. Overall GHG emissions are forecast to decrease by ~12% in 2009 and to remain stable thereafter despite an increase of business.

Micronas' environmental and GHG data has been externally verified/assured in whole or in part within the EMAS or ISO 14001 framework. Energy efficiency of its products is one of the company's main focus, e.g. their intelligent electronic systems in their automotive segment help reduce fuel and consequently CO_2 emissions consumption of cars. Micronas also signed a Memorandum of Agreement between member companies of the European Electronic Component Manufacturers Association – European Semiconductor Industry Association (EECA – ESIA), the goal of which is to reduce the annual absolute PFC emission of the participating companies collectively by at least ten percent below the 1995 baseline.

7 Swiss CDLI scoring from a "life cycle" perspective

The Carbon Disclosure Leaders Index is meant to give a pragmatic and meaningful indication of a company's overall preparedness regarding its own GHG emissions as well as its strategic grip of climate change issues with regard to its own business franchise. As stated above, there are four distinct sections of the questionnaire. If we count section 2a. (Emission Accounting) and section 2b. (Verification & Trading) separately, which makes sense, given the nature and the number of questions asked, we can even discern five sections. Although there is a priori no implicit weighting of the CDP sections, there is an implicit one. This can be inferred from the number of questions asked per section and the number of attainable points per section which is – due to the "conditionality" of the questionnaire structure – also dependent to a certain degree on a company's own choice whether to go for an answer or declare it not applicable.

We find that that the five sections of the CDP are roughly equally weighted, contributing approximately twenty percent to the total CDLI score, with some slightly more important sections (Emission Accounting) and some slightly less important ones (Verification & Trading). The outlier is section four: Climate governance in any case will contribute less than ten percent to a company's total CDLI score.

Given this implicit weighting of the different CDP sections, it is certainly interesting to analyse how a different weighting scheme would affect the outcome of the result. Ideally, such a weighting scheme should somehow reflect the "true relevance" of the results with regard to the particular challenges of their respective sector. But how to get to such an appropriate relevance-adjusted weighting for the different sections (and even the underlying individual answers) to the CDP questionnaire?

As a result of our practical experience in sustainable research and the management of sustainable investment portfolios, we believe that applying a Life Cycle Analysis (LCA) perspective could help us to do just this.

A short introduction to LCA

In applied environmental sciences, Life Cycle Assessment (LCA) has become the gold standard over the last decades for environmental impact assessment of products and services. The idea is to assess the environmental impact from "cradle-to-grave", taking into account all direct and indirect environmental effects that a certain production process or product causes along its entire lifespan.

Emissions originating at a supplier or a sub-contractor but triggered by a company purchasing raw material and other inputs to production will be imputed on the sourcing company's environmental balance sheet, as are emissions generated during the use of the product through the purchaser of the company's product. For a car manufacturer, for instance, this would translate into accounting for all the emissions generated from the extracting of iron ore, through the processing and manufacturing of raw materials into car components, the assembly of the car as well as, most importantly, the emissions generated when the car is driven around by the purchaser (use phase), which usually accounts for almost eighty percent of overall emissions across the entire life cycle.

Companies' direct emissions are therefore often only a fraction, and sometimes an almost negligible fraction, of their overall carbon footprint. If we really are to take a

Breakdown of average carbon intensity per sector

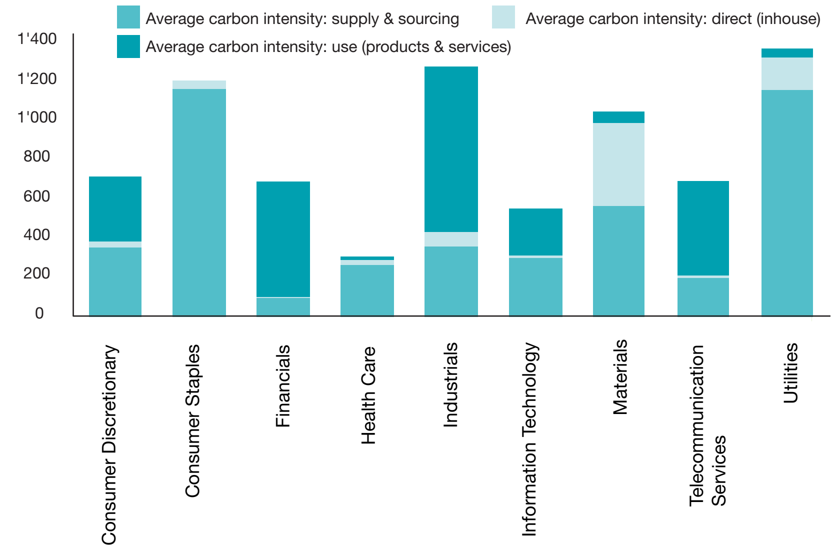

Figure 6

holistic approach to climate change, we should put particular emphasis on these often neglected areas of GHG accounting. Indeed, it would strike us as highly unfair to discriminate against a vertically integrated company that, say, still manufactures its own carbon-intensive inputs to production, whereas another company –that depends on the very same inputs– has chosen to outsource the production of those same inputs probably to a supplier in a third-world country. Therefore, we believe we have to look at all direct and indirect emissions generated along a company's value chain, be it only to assess all companies on an equal footing.

To be precise, as mentioned above, the CDLI is foremost in assessing the level of disclosure and not a company's actual performance in the field directly. Therefore, if we want to infer something regarding actual performance from the CDLI scoring, we have to make the hypothesis that companies with a good level of disclosure and transparency are also more likely to act successfully with regard to their actual emission performance. A strong hypothesis for sure, but one that is probably acceptable.

In this line of thought, we have turned to a proprietary database (envIMPACT®), which we have co-developed with our SRI provider Centre Info/INrate in Fribourg, and which is based on Input-Output analysis and Life Cycle Assessment. The database allows us to calculate the absolute and the relative importance of all the direct and indirect emissions generated along companies' entire value chain (supply, in-house and product-related emissions). We used information for over one hundred Swiss companies contained in Centre Info/INrate's database in order to get to results that would be as representative as possible for Swiss conditions.

Figure 6 above shows the results of this analysis averaged and summed up by GICS sector. As can be clearly seen, it is rarely the direct in-house emissions that are the most relevant along the value chain. The bulk of overall life cycle emissions for Consumer Staples, for instance, is almost entirely dominated by emissions in the supply chain. This becomes intuitive if we recall that this is the sector where we find the Swiss food companies that take in large amounts of agricultural products along with all the associated carbon emissions. As explained above, the financial sector is heavily dominated by the "use phase" of its products and services, i.e. when the credit granted and the invested capital provided by financial institutes is put to (carbon-intensive) work. Strongly but still somewhat less dominated by the use phase of its products is the Industrials sector. This result, too, is intuitive if we think about the core activity of this sector.

They manufacture long-lived capital goods, often industrial machinery and equipment that is run for years by their customers, consuming energy along the way and emitting GHG as long as the goods are functional.

A special "Swiss case" is the Utilities sector. Usually utilities generate the bulk of their emissions during the generation of energy (the "direct" phase in LCA terminology). However, given that the Swiss utilities companies produce their electricity mainly from low or zero carbon sources (hydro and nuclear), the electricity contracted from utility companies abroad (the carbon intensity of which is much higher because they operate mainly coal and gas-fuelled power stations) dominates the LCA perspective.

Once we know where the most relevant environmental impact is taking place, we can examine whether companies are actually focusing their climate-change-related reporting where it is most necessary.

In order to do this we had to map all the CDP questions and link them to supply-related emissions, to in-house emissions and to indirect emissions generated during the use phase of the products and services. We discarded all questions that could either not be mapped at all to a specific life-cycle stage, or where the mapping could not be done unequivocally. This left us with a reduced set of particularly relevant questions that could be clearly mapped into the different life-cycle stages as explained above.

We have in this way re-calculated or restated the CDLI score of the CDP 2009 companies for each life-cycle stage (supply, direct, use) and have multiplied this score with a weight corresponding to the relative importance of the respective life-cycle stage. We thus arrived at a new LCA-weighted score that reflects the adequacy of a company's responses to the particular challenges of its sector. As a consequence, for the food sector for instance (Consumer Staples) answers pertaining to the agricultural supply chain were weighted much higher than answers related to their in-house production, whereas for financial companies, answers on their investment products and services were weighted much higher than answers relating to their in-house environmental efforts and their supply chain.

In this way, we can draft a new ranking based on these LCA-weighted scores that expresses whether a company is actually scoring well where it is most important from an LCA point of view.

The LCA-weighted score like the original CDLI score is just another way of looking at a company's level of disclosure and environmental reporting. Since it is based on the same information and the answers provided to the CDP questionnaire that are also at the basis of the CDLI ranking, it cannot possibly gauge companies' actual "performance" (in a measurable quantitative way). Nevertheless, it can be interpreted as a good indication of whether companies are actually focusing their resources in terms of environmental reporting and disclosure where it actually matters the most.

The re-stated LCA-weighted tier positions are shown in Table 4 below. The tier positions are relative to the entire universe and not just with regard to their sector peers.

The top tier corresponds to the top ten companies, the middle tier to the next ten companies and the bottom tier to the last ten companies of each ranking type. We can make some interesting observations.

The alternative look through the "LCA lens" changes the tier positioning of some companies. Although most companies (19) stay in the same tier group, 6 move upwards and 5 downwards. Most of the movers switch only one grade (5 upwards and 3 downwards). Only one company makes it from the CDLI bottom to the LCA top tier (Clariant), whereas two companies (Vontobel, UBS) take the opposite direction and migrate from the top CDLI tier to the bottom LCA tier group.

Three of the four newcomers to the top ten are Materials companies, which is rather intuitive given that companies in this sector usually have a higher exposure to energy and GHG issues and can therefore be supposed to be particularly thorough in their level of GHG reporting.

Company Name	MSCI Sector	LCA tier	CDLI tier
Basler Kantonalbank	Financials	top	middle
BEKB/BCBE	Financials	top	top
Clariant	Materials	top	bottom
Credit Suisse	Financials	top	top
Geberit	Industrials	top	top
Georg Fischer	Industrials	top	top
Givaudan	Materials	top	top
Holcim	Materials	top	middle
Novartis	Health Care	top	top
Syngenta International AG	Materials	top	middle
ABB	Industrials	middle	middle
Austriamicrosystems	Information Technology	middle	middle
Bank Sarasin	Financials	middle	top
Barry Callebaut	Consumer Staples	middle	bottom
Nestlé	Consumer Staples	middle	middle
Partners Group	Financials	middle	middle
Roche Holding AG	Health Care	middle	bottom
Straumann Holding AG	Health Care	middle	middle
Swiss Re	Financials	middle	top
Swisscom	Telecommunication Services	middle	middle
Adecco	Industrials	bottom	bottom
Bâloise Holding	Financials	bottom	bottom
Huber + Suhner AG	Industrials	bottom	bottom
Lonza	Health Care	bottom	bottom
Micronas	Information Technology	bottom	bottom
Panalpina	Industrials	bottom	bottom
SGS SA	Industrials	bottom	middle
Sika AG	Materials	bottom	bottom
UBS	Financials	bottom	top
Vontobel Holding AG	Financials	bottom	top

Table 4 LCA-weighted tier positioning versus original CDLI tier positions of Swiss CDP 2009 respondents. Within LCA tiers, companies are listed in alphabetical order.

All four companies leaving the top ten are Financials. This is quite interesting and hints at a certain sub-optimal allocation of their carbon disclosure efforts. Financials are usually good at conceptualiaing new trends and at spotting new investment opportunities. Not all, however, can actually deliver on their promises when the area is scrutinised through the LCA lens in more detail that is most relevant from a climate change perspective (i.e. related to their investment products).

Tier rankings at the bottom of the table remain rather similar. This limited vertical mobility of the bottom tier is no surprise. It is indeed difficult to imagine how a company could effectively allocate its efforts precisely where it matters without having reached a good general level of understanding and awareness in climate change issues (usually reflected already in a good CDLI score).

Interpreting and restating in the results of the CDLI from an LCA perspective thus allows us to gain valuable insights in the relevance and adequateness of companies' responses - and it might also provide us with a discreet reminder that not all that that glisters is necessarily gold.

Appendix

Sections of the CDP questionnaire and their relevance for the CDLI scoring

It is certainly helpful to understand what the CDP questionnaire is all about and how the questionnaire is structured in different sections reflecting different aspects and facets of Climate Change. Shown below therefore are a short summary and the authors' interpretation of the different sections of the CDP questionnaire and their relevance for the CDLI scoring.

1. Risks & Opportunities

The first section of the CDP questionnaire refers to the company's risk perception regarding the problem of climate change. Does the company anticipate any regulatory, physical or other risks for its business and/or do they rather perceive climate change as an opportunity for their products and services?

The CDLI methodology rates the quality and the depth of their answers, but there is no a priori 'ideological' bias towards a higher risk perception, i.e. a company that has thoroughly analysed the issue but concluded and explained why it believes it is less exposed to climate change will not be penalised. This first section can therefore be considered to set the scene for the rest of the questionnaire, in that it establishes the general awareness of the climate change issue within the responding entity.

2a. Emissions Accounting

There are two parts to this section. The first part is less conceptual than the previous section, more material and quantitative. Companies are asked to state their direct and indirect emissions, the underlying GHG accounting methodology, the consolidation boundaries and also to provide a breakdown of GHG emissions by country and, optionally, business division and facility. Companies that do not provide 'hard facts' cannot possibly score highly in this area, so the result in this section can be interpreted as a robust indicator for the actual quantitative control of emissions-related data and information.

2b. Verification & Trading

The second part of the second section relates to aspects such as quality of the reported emissions data, third-party verification of the reported figures and companies' potential participation in existing emissions trading schemes such as the EU ETS. In this section, companies are asked to provide answers to many detailed questions pertaining to the structure of their energy consumption, the sources of energy used and other specific information (fuel types, cost, uncertainties of measurement etc.). This part also contains questions pertaining to project-based carbon reduction activities, i.e. purchasing carbon credits to set off one's own emissions. The answers in this sections are highly conditional, i.e. companies that are, for instance, not subject to EU-wide emissions trading schemes are not penalised for not being able to answer these specific questions. The high conditionality and the relatively large number of optional questions for which no score is awarded make the interpretation of the final result for this second part of section two somewhat trickier.

3. Performance

Section 3 of the CDP questionnaire is concerned with concrete planning and measures regarding the management of GHG emissions. Companies are asked to provide information on whether and how they tackle their GHG emissions, i.e. whether they have set themselves clear goals, whether they monitor their performance against these goals and whether they actually achieve them. Furthermore, companies are asked to quantify the potential financial cost of climate change to their products and services and how this is likely to impact on their financial planning. Companies without a systematic and structured approach to the question cannot possibly achieve a very high score in this area, so the result of this section is again a useful indicator of a company's quantitative control of its GHG-related data, measures and actions.

4. Governance

In this final section of the CDP questionnaire, companies are asked to provide information on how they have defined responsibility and accountability for climate change issues within their organisation. The questions relate above all to the hierarchical level within the organisation bearing responsibility for climate change, incentives for the achievement of climate-change-related goals as well as aspects of reporting, communication and possibly political involvement with regard to climate change. This section of the CDP questionnaire is conceptually close to the first section (Risks & Opportunities) in that it assesses in a qualitative way whether companies are "organisationally fit" and aware of climate change by assuming and assigning responsibility and "institutionalising" climate change within their firm.

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