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Extreme events put climate change on big business' agenda

According to the Carbon Disclosure Project's 2012 (CDP) Global 500 Climate Change report, climate change has climbed the boardroom agenda of big business, following the recent increase in extreme weather events, particularly in the Northern Hemisphere. The Global 500 are the largest companies in terms of market capitalisation (a proxy for public opinion of a company's net worth).

Credit: NASA's Earth Observatory / Goddard Space Flight Center

The report says the extreme events – the hottest US summer on record, fires in Russia and flooding in the UK, Japan and Thailand, among others – disrupted business operations and supply chains around the world. As a consequence, 81 per cent of reporting companies now identify physical risk from climate change, with 37 per cent perceiving these risks as a real and present danger, up from 10 per cent in 2010.

The CDP report is co-written by PricewaterhouseCoopers (PwC) on behalf of 655 institutional investors representing $78 trillion in assets. It provides an annual update on greenhouse gas emissions data and climate change strategies at the world's largest public corporations.

This year has seen a 10 per cent increase over 2011 in companies integrating climate change into their business strategies, contributing to a 13.8 per cent reduction in reported corporate greenhouse gas emissions since 2009. The fall is equivalent to closing 227 gas-fired power stations or taking 138 million cars off the road. One-third of companies (31 per cent) however reported no emissions reductions at all.

'Extreme weather events are causing significant financial damage to markets,' says Paul Simpson, CEO of the Carbon Disclosure Project, 'Investors therefore expect corporations to think more about climate resilience.

'There are still leaders and laggards but the economic driver for action is growing, as is the number of investors requesting emissions data. Governments seeking to build strong economies should take note.'

The average longer-term target for companies' emissions reductions is currently only 1 per cent per year, well below the 4 per cent required by countries to limit global warming to 2 degrees, according to PwC.

Malcolm Preston, global lead, sustainability and climate change, PwC says: 'The reality is the level of corporate and national ambition on emissions reduction is nowhere near what is required.

'The new "normal" for businesses is a period of high uncertainty, subdued growth and volatile commodity prices. If the regulatory certainty that tips significant long term investment decisions doesn't come soon, businesses' ability to plan and act – particularly around energy, supply chain and risk – could be anything but "normal".'

The CDP report features emissions data from 379 companies and rates them according to their climate change transparency with the best disclosers entering CDP's Carbon Disclosure Leadership Index (CDLI).

CDP then assesses companies according to the scale and quality of their emissions reductions and strategies, and ranks these according to performance bands. The best performers enter CDP's Carbon Performance Leadership Index (CPLI). The indices are used by investors to assess corporate preparedness for national or international emissions regulation and to guide investment decisions

Source: Carbon Disclosure Project

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