



New Technologies and Corporate Responsibility - The Role of Carbon Accounting

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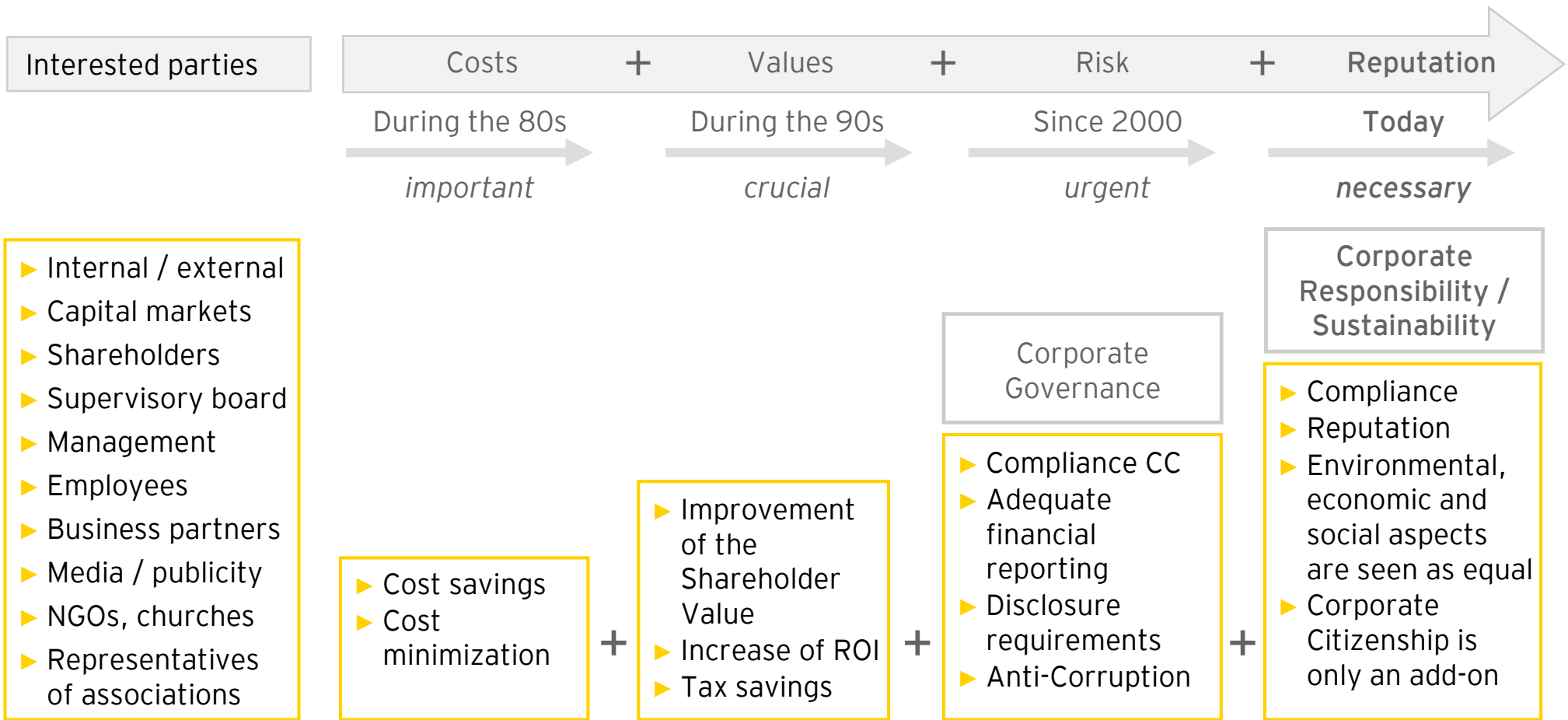
AGENDA

The Importance of Corporate Responsibility

Climate Change drives New Technologies

The Role of Carbon Accounting

Why Corporate Responsibility is of growing importance



▶ The business landscape has changed! The responsibilities of companies are no longer limited to shareholders, but a large group of stakeholders.

Sustainability is now firmly on the agenda

Influences by Stakeholder Groups resulting in pressure on companies from multiple stakeholders to respond:



Non-financial reporting is brought in line with financial reporting

Financial Reporting		Non-Financial Reporting
Going Concern	↔	Corporate Responsibility / Sustainability
IFRS, US-GAAP etc.	↔	GHG Protocol, GRI, AA1000 etc.
Internal reporting of financial KPIs	↔	Internal reporting of non-financial KPIs
Annual Accounts / Annual Report	↔	Corporate Responsibility / Sustainability reports
Assurance	↔	Assurance



CR reports are most often prepared by the marketing department and not by the finance or the risk management departments...

Interim Conclusion

- ▶ Demonstrating sustainability sensitivity in core business strategies serves as the foundation for achieving sustainable growth and lasting competitiveness.
- ▶ There is a growing expectation by the capital markets that non-financial data of corporate responsibility reports are accountable and audited.
- ▶ This requires concepts which provide in-depth solutions to organizations on issues pertaining to environment, society and energy management for mitigating risks and leveraging on opportunities including those on new technologies.

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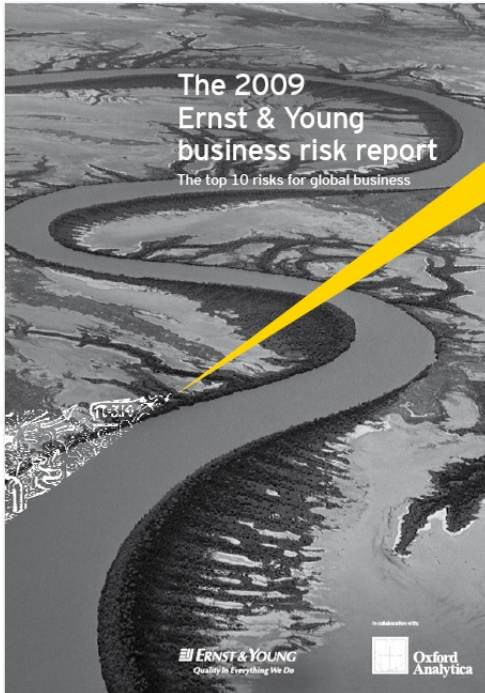
Climate Change drives New Technologies

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Why is climate change a business risk?

- ▶ Environmental and sustainability challenges continue to escalate, most dramatically in carbon-intensive sectors
- ▶ GHG emissions may soon have a crucial influence on the financial statements
- ▶ The concept of Emission Trading Systems are on top of the political agendas all over the world
- ▶ The change of Administration in the US raises the possibility of concerted government regulation
- ▶ Failure to be seen to be responding to climate change could have huge reputational risks for companies
- ▶ The competitive battlegrounds change towards green technologies and products, e.g. renewable energies

Climate change holds place four in the list of important business risks 2009...



- 1 The credit crunch (2)
- 2 Regulation and compliance (1)
- 3 Deepening recession (New)
- 4 Radical greening (9)
- 5 Non-traditional entrants (16)
- 6 Cost cutting (8)
- 7 Managing talent (11)
- 8 Executing alliances and transactions (7)
- 9 Business model redundancy (New)
- 10 Reputation risks (22)

- ▶ Ernst & Young interviewed more than 100 industry commentators representing 11 sectors and more than 20 academic disciplines to identify the top business risks for 2009 worldwide
- ▶ This list afterwards was prioritized by CEOs, strategy planning executives, analysts, journalists in trade publications, advisors as well as our E&Y experts



...in 2008, it was only listed on place nine!

For 2009 the analysts rated 'Radical Greening' as „critical“ in three sectors, and „high“ in three others...



Radical Greening

▶ Critical Risk:

- ▶ Automotive
- ▶ Consumer Products
- ▶ Insurance

▶ High Risk:

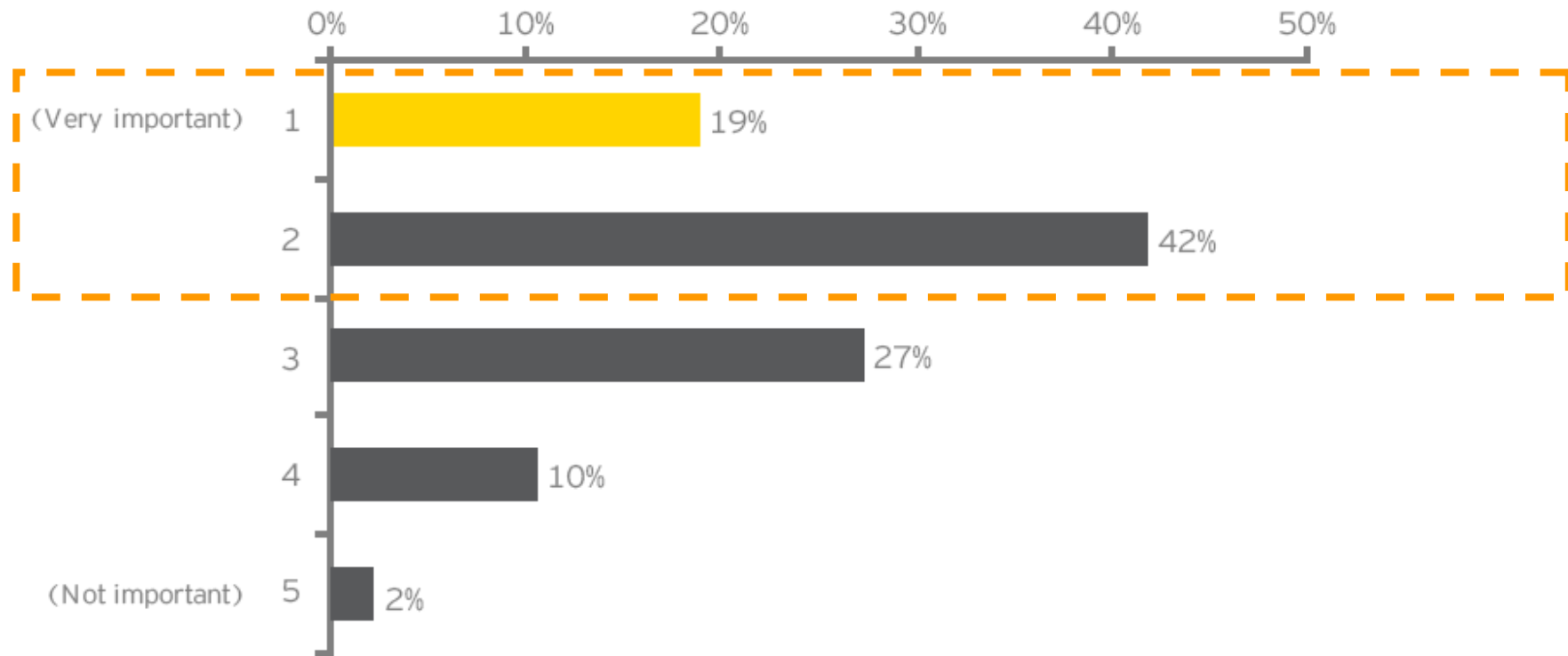
- ▶ Asset Management
- ▶ Media and Entertainment
- ▶ Telecoms

Source: Ernst & Young Business Risk Report 2009

▶ In 2008 „Radical Greening“ was rated as having a „critical impact“ in only two sectors.

Companies start to acknowledge the possible impact, climate change could have on their business activities...

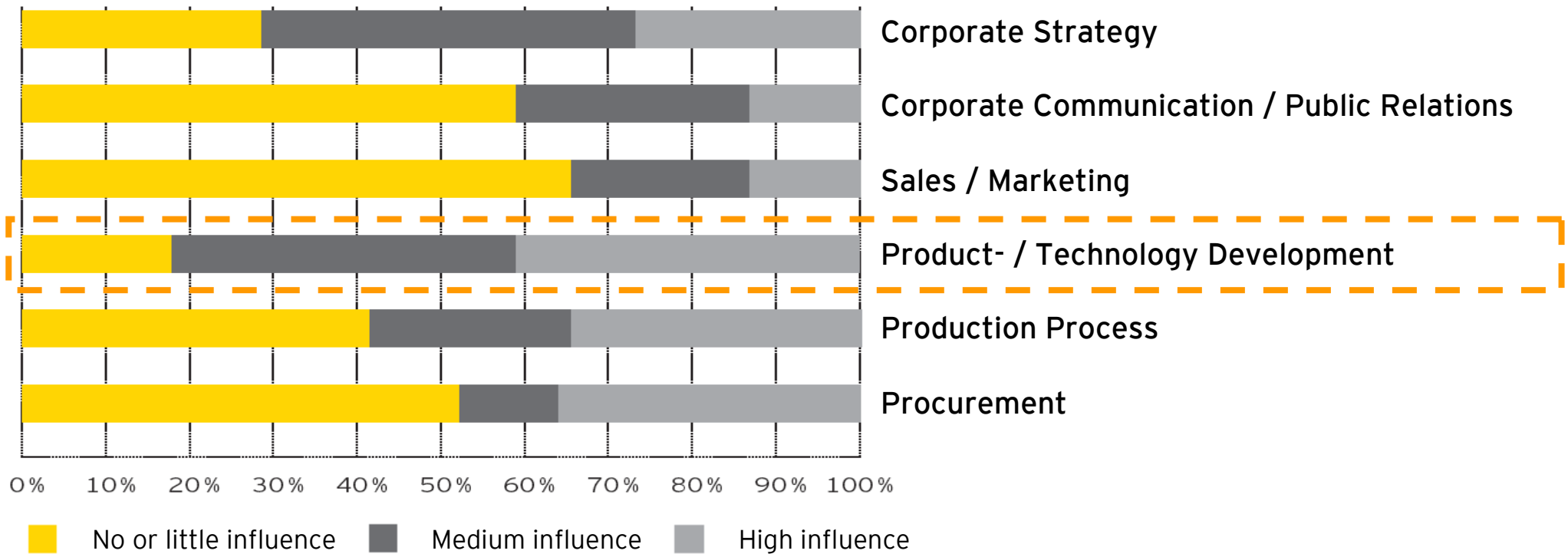
How important is climate change as a strategic concern for your company?



Percentage of 48 respondents

Source: Ernst & Young - Global cleantech insights and trends report 2008-09

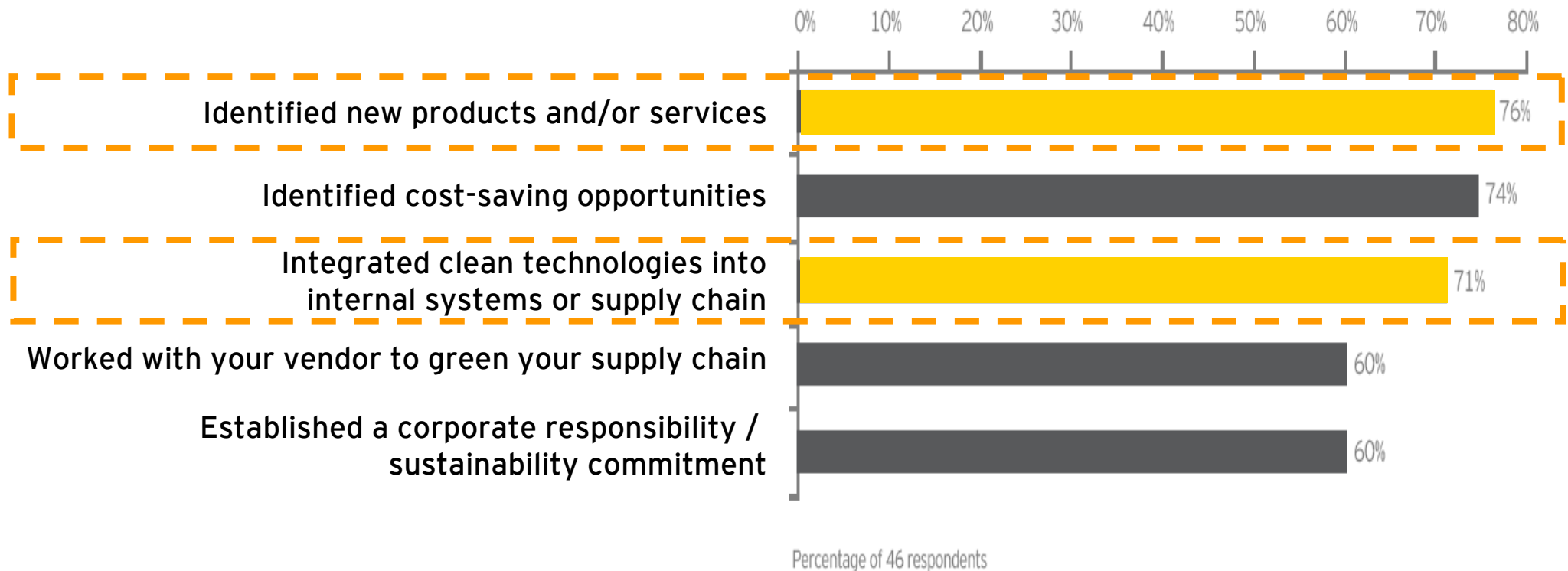
Climate change plays an important role in product-/ technology development divisions...



Source: Ernst & Young - Climate Change Survey 2008

Clean technologies enable companies to respond to climate change ...

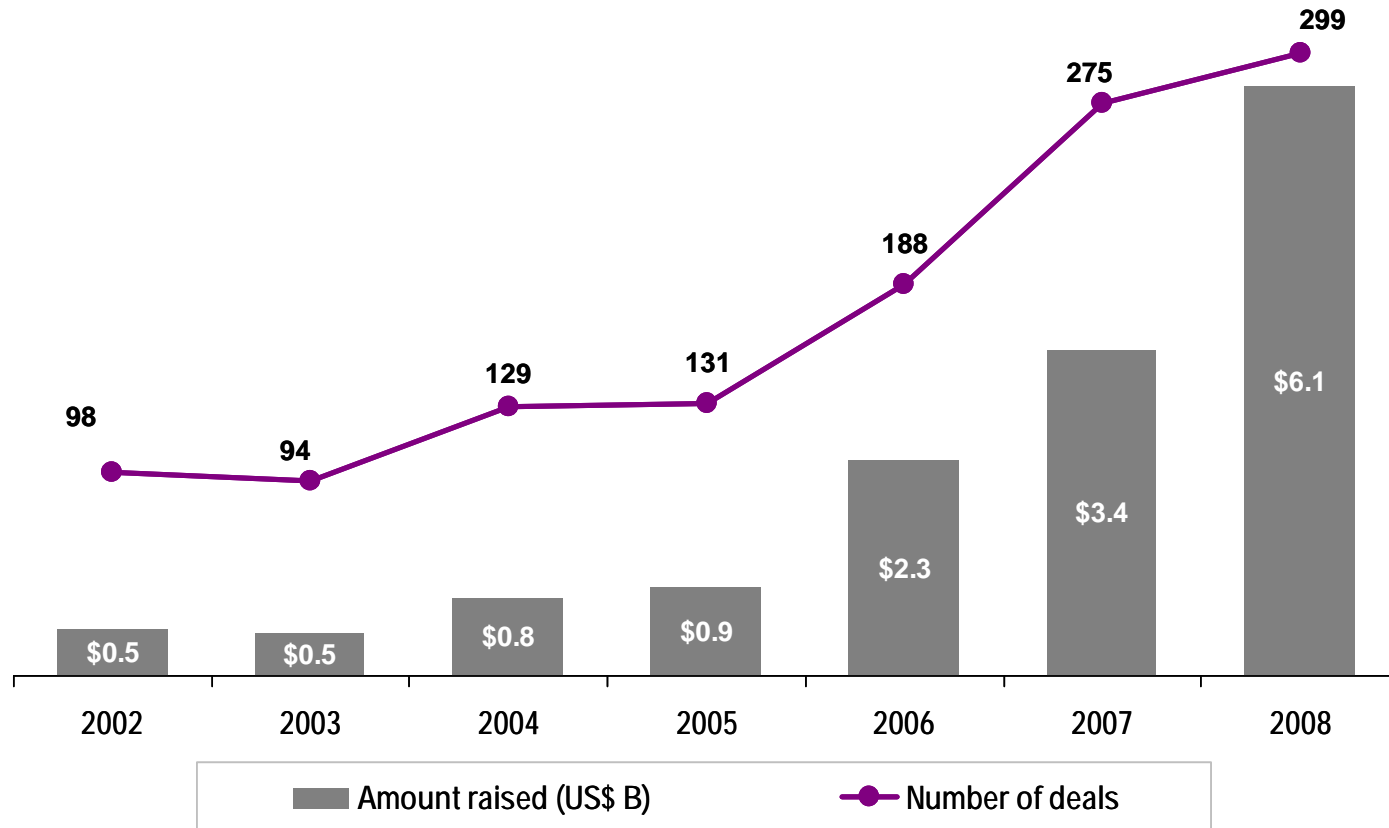
Have you taken the following actions in response to climate change?



Source: Ernst & Young - Global cleantech insights and trends report 2008-09

Global Venture Capital Investments in Cleantech

Note: Includes US, Europe, Israel, China and India.



- ▶ Global venture capital investment in cleantech reached US\$ 6.1 billion in 2008
- ▶ Cleantech now represents 14% of global VC investment

Source: Dow Jones VentureSource



Cleantech investment has followed the surging demand for cleantech innovation...

Interim Conclusion

Climate change is a Risk Issue for companies

- ▶ Climate change is one of the most important business risks
- ▶ Critical risk potentials for the Automotive, Insurance and Consumer Products Sector
- ▶ High risk potentials for Asset Management, Media and Entertainment as well as Telecommunication Sector

Climate change is also a driver for New Technologies

- ▶ Climate Change has a high influence on the product and technology development divisions
- ▶ The development of and investment in new clean technologies are the main corporate activities to respond the climate change demands

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German companies committed themselves to ambitious carbon reduction targets as part of their CR initiatives...

Company	Quantitative Reduction Targets	CO ₂ Reduction Targets			
		Base year	Target	Deadline	Scope
Münchener Rück	YES	N/A	Neutral	2012	Reinsurance activities
E.ON AG	YES	1990	- 50%	2030	N/A
RWE AG	YES	2006	- 37%	2015	N/A
Deutsche Post DHL AG	YES	2007	- 10% / - 30%	2012/2020	Deutsche Post DHL
Bayer AG	YES	2005	- 5% to - 25%	2020	Company divisions
Siemens AG	YES	N/A	- 20%	2011	N/A
Lufthansa AG	YES	2006	- 25%	2020	Per air mile
Deutsche Bank AG	YES	2007	- 20%	2012	N/A
Continental AG	YES	N/A	- 20%	2012	Production Processes
Volkswagen AG	YES	N/A	- 20%	2010	China
Metro AG	YES	2006	- 15%	2015	N/A
Merck KGaA	YES	2002	- 10%	2010	N/A
BASF AG	YES	2002	- 25%	2020	Product / Production Process
Infineon Technologies AG	YES	1995	- 10%	2010	N/A
Henkel AG	YES	2007	- 15%	2012	Product
SAP AG	YES	2007	-51%	2020	Value chain
BMW AG	YES	N/A	lower to 140 g/km	2008	ACEA-fleet average

Source: Company websites as of May 2009

A need for a Carbon Accounting system

„Only what get's measured, get's managed“

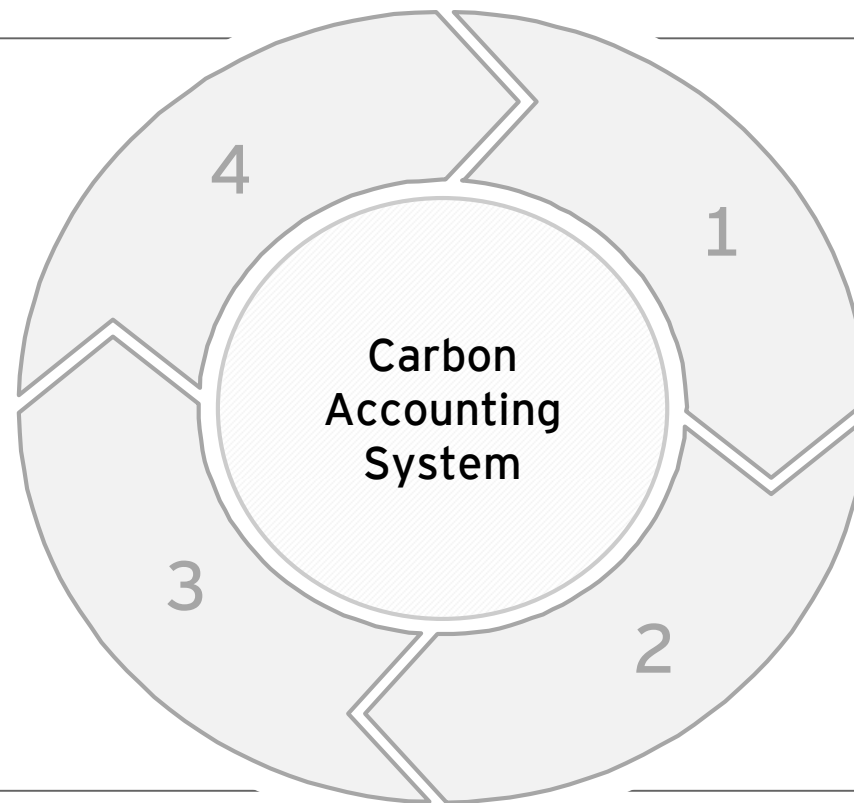
A Carbon Accounting System assures verifiable measurement of GHG emissions and enables companies to upgrade their ecological and financial performance...

Reporting/ Feedback

... by analyzing aberrations, continuous improvement and learning processes will take effect!

Performance-Check

... to find out how about your performance, you will need essential data for the calculation of key indicators!



Planning

... only those who set themselves objectives, will be able to find out if they succeed!

Controlling

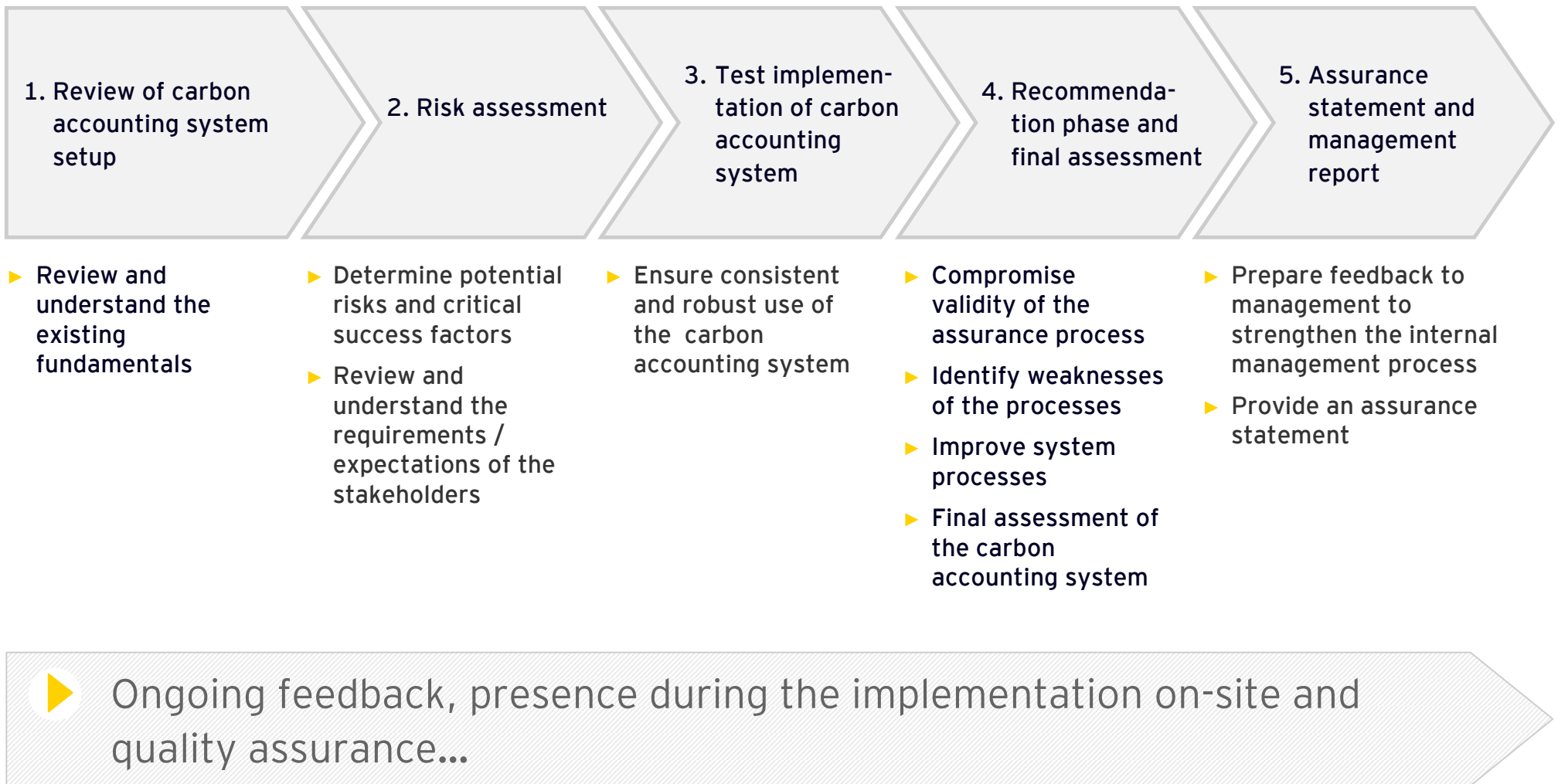
... defining necessary actions for target achievement and the evaluation of invest-ments require transparency!

Carbon Accounting requires...

- ▶ **Compliance** with high and international accepted standards and avoidance of ,Greenwashing' at all levels
- ▶ **Compatibility** of the climate change strategy with the company's culture
- ▶ **Consistent** and verifiable management and reporting structures assuring relevance, integrity, consistency, transparency and accuracy at all time
- ▶ **Controlling** monitoring system through GHG KPIs
- ▶ **Climate change awareness** across all divisions
- ▶ **Communication** with all internal and external stakeholders

▶ Adequate Carbon Accounting is a must for responsible climate change risk management!

Our approach for auditing the implementation of a Carbon Accounting System



Conclusion

- ▶ Mandatory disclosure requirements in many markets have brought an increased focus on sustainability reporting.
- ▶ The adequate measurement of carbon emissions is important for companies to manage their GHG emissions as a part of their risk management.
- ▶ The lack of a precise measurement will result in improper carbon risk management and will potentially create risks with financial, operational and reputational consequences.

▶ To this end, carbon management becomes an important business case itself and the disclosure of GHG emissions is an important part of corporate responsibility!



Thank you...

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