

Greenhouse Gas risk management and opportunity assessment

Good practice guidelines for companies

19th September 2008

The following guidelines were developed by Regnan and its research partner Monash Sustainability Enterprises. The guidelines are derived from Regnan's research framework for assessing the Greenhouse Gas (GHG) risk exposure and governance performance of S&P/ASX200 companies. At a minimum, companies should consider the relevance of each guideline, fully address those that are and transparently disclose the results to the market.

In Regnan's view, Australian companies with good GHG risk management and opportunity assessment practices:

Assess...

- and monitor absolute GHG emissions and emissions intensity* in Scopes 1, 2 and 3
- absolute GHG emissions by operating activities⁺ and facilities⁺
- and monitor absolute energy use and intensity by source (i.e. type of energy)
- the equity control based emissions intensity of the company[^]
- risks and opportunities related to emissions trading, changing markets and weather patterns
- risks in supply chain (cost and supply security), operations, assets and products or services due to emissions trading, changing markets and weather impacts
- the life cycle GHG impact of products and services and identify opportunities for GHG and energy reductions

Plan:

- Develop a clear policy for the company on practices related to GHG mitigation;
- Set GHG reduction targets and trajectories backed up by specific GHG abatement plans;
- Set energy efficiency targets and trajectories backed up by specific technology change and / or utilisation plans;
- Create investment and marketing plans to service emerging markets
- Model GHG related impacts on future operating costs, e.g. by using shadow pricing inputs;
- Perform GHG exposure screening on proposed capital expenditure initiatives;

Govern:

- Have clear accountability and governance arrangements in place for GHG related exposures, opportunities and operations to executive management and the Company Board;
- Audit performance and report internally
- Link Climate Change performance to people performance systems

And importantly, disclose to the market:

- Transparently disclose company climate change assessment results and plans to the market;
- Clearly describe how mitigation and abatement plans address the company's climate change risk and opportunities.
- Where competitive pressures make disclosure of commercially sensitive information difficult, set reasonable market expectations by describing intent, objectives and targets, and follow up with specific advice as part of the company's continuous disclosure practices.

* Companies should follow intensity benchmark guidelines under the Carbon Pollution Reduction Scheme policy development process.

+ Companies should follow operating activities as defined under the National Greenhouse and Energy Reporting System (NGERS).

^ To assist investors, companies may go beyond NGERS obligations to report absolute emissions and emissions intensity under the equity control of the company.

About Regnan

Regnan was formed in 2007 out of the proven engagement model and resources of BT Financial Group's Governance Advisory Service. BT GAS had been collaborating with Monash Sustainability Enterprises and providing ESG research to BT since 2001.

Regnan is owned by eight major institutional investors: ARIA (formerly the PSS and CSS); BT Financial Group; Hermes UK; HESTA Super Fund; Local Government Superannuation Scheme; Vanguard; VicSuper; and Victorian Funds Management Corporation (VFMC).
