

Carbon Disclosure Project 2009

Russia 50

On behalf of 475 investors with assets of US \$55 trillion



Carbon Disclosure Project 2009

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

CDP Members 2009

CARBON DISCLOSURE PROJECT	
MEMBER 2009	
ABRAPP - Associação Brasileira das Entidades Fechadas de Previdência Complementar	Brazil
Aegon N.V.	Netherlands
AIG Investments	US
APG Investments	Netherlands
ASN Bank	Netherlands
ATP Group	Denmark
Aviva Investors	UK
AXA Group	France
Bank of America Corporation	US
BBVA	Spain
BlackRock	US
BP Investment Management Limited	UK
Caisse de dépôt et placement du Québec	Canada
California Public Employees' Retirement System	US
California State Teachers Retirement System	US
Calvert Group	US
Catholic Super	Australia
CCLA Investment Management Ltd	UK
CIBC	Canada
Daiwa Asset Management Co. Ltd	Japan
Essex Investment Management, LLC	US
Ethos Foundation	Switzerland
Folksam	Sweden
Fortis Investments	Belgium

Generation Investment Management UK

Grupo Santander Brasil	Brazil
ING	Netherlands
KLP Insurance	Norway
Legg Mason, Inc.	US
Libra Fund, L.P.	US
London Pensions Fund Authority	UK
Mistra, Foundation for Strategic Environmental Research	Sweden
Mitsubishi UFJ Financial Group (MUFG)	Japan
Morgan Stanley Investment Management	US
National Australia Bank Limited	Australia
Neuberger Berman	US
Newton Investment Management Limited	UK
Northwest and Ethical Investments LP	Canada
Pictet Asset Management SA	Switzerland
Rabobank	Netherlands
Robeco	Netherlands
Russell Investments	UK
Schroders	UK
Second Swedish National Pension Fund (AP2)	Sweden
Sompo Japan Insurance Inc.	Japan
Standard Chartered PLC	UK
Sun Life Financial Inc.	Canada
Swiss Reinsurance Company	Switzerland
The RBS Group	UK
The Wellcome Trust	UK
Zurich Cantonal Bank	Switzerland

CDP Signatories 2009

475 institutional investors with assets of over US\$55 trillion were signatories to the CDP 2009 information request dated 1st February 2009, including:

Aachener Grundvermögen Kapitalanlagegesellschaft mbH	Germany
Aberdeen Asset Managers	UK
Acuity Funds	Canada
Addenda Capital Inc.	Canada
Advanced Investment Partners	US
Advantage Asset Managers (Pty) Ltd	South Africa
Aegon N.V.	Netherlands
Aeneas Capital Advisors	US
AGF Management Limited	Canada
AIG Investments	US
Alberta Investment Management Corporation (AIMCo)	Canada
Alberta Teachers Retirement Fund	Canada
Alcyone Finance	France
Allianz Group	Germany
Altshuler Shacham LTD	Israel
AMP Capital Investors	Australia
AmpegaGerling Investment GmbH	Germany
APG Investments	Netherlands
ARIA (Australian Reward Investment Alliance)	Australia
Arkitekternes Pensjonskasse	Denmark
Artus Direct Invest AG	Germany
ASB Community Trust	New Zealand
ASN Bank	Netherlands
ATP Group	Denmark
Australia and New Zealand Banking Group Limited	Australia
Australian Ethical Investment Limited	Australia
AustralianSuper	Australia
Aviva Investors	UK
Aviva plc	UK
AXA Group	France
Baillie Gifford & Co.	UK
Bakers Investment Group	Australia
Banco	Sweden
Banco Bradesco S.A	Brazil
Banco de Galicia y Buenos Aires S.A.	Argentina
Banco do Brazil	Brazil
Banco Santander, S.A.	Spain
Banesprev – Fundo Banespa de Seguridade Social	Brazil
Bank of America Corporation	US
Bank Sarasin & Co, Ltd	Switzerland
Bank Vontobel	Switzerland
BANKINTER S.A.	Spain
Barclays Group	UK
BayernInvest Kapitalanlagegesellschaft mbH	Germany
BBC Pension Trust Ltd	UK
BBVA	Spain
Bedfordshire Pension Fund	UK
Beutel Goodman and Co. Ltd	Canada
BlackRock	US
Blue Marble Capital Management Limited	Canada
BMO Financial Group	Canada
BNP Paribas Investment Partners	France
Boston Common Asset Management, LLC	US
BP Investment Management Limited	UK
Brasilprev Seguros e Previdência S/A.	Brazil
British Columbia Investment Management Corporation (bcIMC)	Canada
BT Financial Group	Australia
BT Investment Management	Australia
Busan Bank	South Korea
CAAT Pension Plan	Canada
Caisse de dépôt et placement du Québec	Canada
Caisse des Dépôts	France
Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (CAPEF)	Brazil
Caixa Econômica Federal	Brazil
Caixa Geral de Depósitos	Portugal
California Public Employees' Retirement System	US
California State Teachers Retirement System	US
California State Treasurer	US
Calvert Group	US
Canada Pension Plan Investment Board	Canada
Canadian Friends Service Committee (Quakers)	Canada
CAPESESP	Brazil
Capital Innovations, LLC	US
CARE Super Pty Ltd	Australia
Carlson Investment Management	Sweden
Carmignac Gestion	France
Catherine Donnelly Foundation	Canada
Catholic Super	Australia
Cbus Superannuation Fund	Australia
CCLA Investment Management Ltd	UK
Central Finance Board of the Methodist Church	UK
Ceres, Inc.	US
Cheyne Capital Management (UK) LLP	UK
CI Mutual Funds' Signature Advisors	Canada
CIBC	Canada
Clean Yield Group, Inc.	US
ClearBridge Advisors, Socially Aware Investment	US
Close Brothers Group plc	UK
Colonial First State Global Asset Management	Australia
Comite syndical national de retraite Bâtirente	Canada
Commerzbank AG	Germany
CommInsure	Australia
Companhia de Seguros Aliança do Brasil	Brazil
Compton Foundation, Inc.	US
Connecticut Retirement Plans and Trust Funds	US
Co-operative Financial Services (CFS)	UK
Corston-Smith Asset Management Sdn. Bhd.	Malaysia
Crédit Agricole Asset Management	France
Credit Suisse	Switzerland
Daegu Bank	South Korea
Daiwa Securities Group Inc.	Japan
DB Advisors Deutsche Asset Management	Germany
DEFO – Deutsche Fonds für Immobilienvermögen GmbH	Germany
DEGI Deutsche Gesellschaft für Immobilienfonds mbH	Germany
Deka FundMaster Investmentgesellschaft mbH	Germany
Deka Investment GmbH	Germany
DekaBank Deutsche Girozentrale	Germany
Deutsche Bank	Germany
Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH	Germany
Development Bank of Japan	Japan
Development Bank of the Philippines (DBP)	Philippines
Dexia Asset Management	France
DnB NOR ASA	Norway
Domini Social Investments LLC	US
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolio mbH	Germany
East Sussex Pension Fund	UK
Economus Instituto de Seguridade Social	Brazil
ELETRA – Fundação Celg de Seguros e Previdência	Brazil
Environment Agency Active Pension fund	UK
Epworth Investment Management	UK
Erste Group Bank AG	Austria
Essex Investment Management, LLC	US
Ethos Foundation	Switzerland
Eureko B.V.	Netherlands
Eurizon Capital SGR	Italy
Evangelical Lutheran Church in Canada Pension Plan for Clergy and Lay Workers	Canada
Evli Bank Plc	Finland
F&C Management Ltd	UK
Faelba	Brazil
FAELCE – Fundação Coelce de Seguridade Social	Brazil
Fédérés Gestion d'Actifs	France
First Affirmative Financial Network	US
First Swedish National Pension Fund (AP1)	Sweden
FirstRand Ltd.	South Africa
Fishman & Co.	Israel
Five Oceans Asset Management Pty Limited	Australia
Florida State Board of Administration (SBA)	US
Folksam	Sweden
Fondaction CSN	Canada
Fonds de Réserve pour les Retraites – FRR	France
Fortis Bank Nederland	Netherlands
Fortis Investments	Belgium
Forward Management, LLC	US
Fourth Swedish National Pension Fund, (AP4)	Sweden
Frankfurter Service Kapitalanlagegesellschaft mbH	Germany
FRANKFURT-TRUST Investment Gesellschaft mbH	Germany
Franklin Templeton Investment Services GmbH	Germany
Frater Asset Management	South Africa
Friends Provident	UK
Front Street Capital	Canada

Carbon Disclosure Project

Fukoku Capital Management Inc Japan	Infrastructure Development Finance Company Ltd. (IDFC) India	MEAG Munich Ergo Asset Management GmbH Germany
Fundação AMPLA de Seguridade Social – Brasileiros Brazil	ING Netherlands	MEAG Munich Ergo Kapitalanlagegesellschaft mbH Germany
Fundação Atlântico de Seguridade Social Brazil	Inhance Investment Management Inc Canada	Meeschaert Gestion Privée France
Fundação Banrisul de Seguridade Social Brazil	Insight Investment Management (Global) Ltd UK	Meiji Yasuda Life Insurance Company Japan
Fundação CEEE de Seguridade Social – ELETROCEEE Brazil	Instituto de Seguridade Social dos Correios e Telégrafos- Postalís Brazil	Merck Family Fund US
Fundação Codesc de Seguridade Social – FUSESC Brazil	Instituto Infraero de Seguridade Social – INFRAPREV Brazil	Mergence Africa Investments (Pty) Limited South Africa
Fundação de Assistência e Previdência Social do BNDES – FAPES Brazil	Insurance Australia Group Australia	Meritas Mutual Funds Canada
Fundação Forluminas de Seguridade Social – FORLUZ Brazil	Internationale Kapitalanlagegesellschaft mbH Germany	Metzler Investment GmbH Germany
Fundação Promon de Previdência Social Brazil	Investec Asset Management UK	Midas International Asset Management South Korea
Fundação São Francisco de Seguridade Social Brazil	Itaú Unibanco Banco Múltiplo S.A. Brazil	Miller/Howard Investments US
Fundação Vale do Rio Doce de Seguridade Social – VALIA Brazil	J.P. Morgan Asset Management US	Mirae Investment Asset Management South Korea
FUNDIÁGUA - Fundação de Previdência da Companhia de Saneamento e Ambiental do Distrito Federal Brazil	Janus Capital Group Inc. US	Mistra, Foundation for Strategic Environmental Research Sweden
Gartmore Investment Management Ltd UK	Jarislowsky Fraser Limited Canada	Mitsubishi UFJ Financial Group (MUFG) Japan
Generation Investment Management UK	Jubitz Family Foundation US	Mitsui Sumitomo Insurance Co.,Ltd. Japan
Genus Capital Management Canada	Jupiter Asset Management UK	Mizuho Financial Group, Inc. Japan
Gjensidige Forsikring Norway	K&H Investment Fund Management/K&H Befektetési Alapkezelő Zrt Hungary	Mn Services Netherlands
GLG Partners LP UK	KB Kookmin Bank South Korea	Monega Kapitalanlagegesellschaft mbH Germany
Goldman Sachs & Co. US	KBC Asset Management NV Belgium	Morgan Stanley Investment Management US
Governance for Owners UK	KCPS and Company Israel	Motor Trades Association of Australia Superannuation Fund Pty Ltd Australia
Government Employees Pension Fund (“GEPF”), Republic of South Africa South Africa	KDB Asset Management Co., Ltd. South Korea	MP Pension – Pensionskassen for Magistre og Psykologer Denmark
Green Cay Asset Management Bahamas	Kennedy Associates Real Estate Counsel, LP US	Munich Re Group Germany
Green Century Funds US	KfW Bankengruppe Germany	Mutual Insurance Company Pension-Fennia Finland
Groupe Investissement Responsable Inc. Canada	Kibo Technology Fund South Korea	Natcan Investment Management Canada
GROUPE OFI AM France	KLP Insurance Norway	Nathan Cummings Foundation, The US
GrowthWorks Capital Ltd. Canada	Korea Investment Trust Management Co., Ltd. South Korea	National Australia Bank Limited Australia
Grupo Banco Popular Spain	KPA Pension Sweden	National Bank of Canada Canada
Grupo Santander Brasil Brazil	Kyobo Investment Trust Management Co., Ltd. South Korea	National Bank of Kuwait Kuwait
Gruppo Monte Paschi Italy	La Banque Postale Asset Management France	National Grid Electricity Group of the Electricity Supply Pension Scheme UK
Guardian Ethical Management Inc Canada	La Financiere Responsable France	National Grid UK Pension Scheme UK
Guardians of New Zealand Superannuation New Zealand	LBBW – Landesbank Baden-Württemberg Germany	National Pensions Reserve Fund of Ireland Ireland
Hang Seng Bank Hong Kong	LBBW Asset Management GmbH Germany	Natixis France
HANSAINVEST Hanseatische Investment GmbH Germany	LD Lønmodtagernes Dyrtdidsfond Denmark	Needmor Fund US
Harrington Investments US	Legal & General Group plc UK	Nest Sammelstiftung Switzerland
Hastings Funds Management Limited Australia	Legg Mason, Inc. US	Neuberger Berman US
Hazel Capital LLP UK	Lend Lease Investment Management Australia	New Alternatives Fund Inc. US
Health Super Fund Australia	Libra Fund, L.P. US	New Jersey Division of Investment US
Helaba Invest Kapitalanlagegesellschaft mbH Germany	Light Green Advisors, LLC US	New Mexico State Treasurer US
Henderson Global Investors UK	Living Planet Fund Management Company S.A. Switzerland	New York City Employees Retirement System US
Hermes Fund Managers UK	Local Authority Pension Fund Forum UK	New York City Teachers Retirement System US
HESTA Super Australia	Local Government Superannuation Scheme Australia	New York State Common Retirement Fund (NYSCRF) US
Hospitals of Ontario Pension Plan (HOOPP) Canada	Local Super SA-NT Australia	Newton Investment Management Limited UK
HSBC Holdings plc UK	Lombard Odier Darier Hentsch & Cie Switzerland	NFU Mutual Insurance Society UK
Hyundai Marine & Fire Insurance Co, Ltd South Korea	London Pensions Fund Authority UK	NH-CA Asset Management South Korea
IDBI Bank Limited India	Lothian Pension Fund UK	Nikko Asset Management Co., Ltd. Japan
Ilmarinen Mutual Pension Insurance Company Finland	Macif Gestion France	Nissay Asset Management Corporation Japan
Impax Group plc UK	Macquarie Group Limited Australia	Nordea Investment Management Sweden
Industrial Bank China	Magnolia Charitable Trust US	Norfolk Pension Fund UK
Industry Funds Management Australia	Maine State Treasurer US	Norges Bank Investment Management (NBIM) Norway
	Man Group plc UK	Norinchukin Zenkyouren Asset Management Co., Ltd Japan
	Maple-Brown Abbott Limited Australia	North Carolina State Treasurer US
	Marc J. Lane Investment Management, Inc. US	Northern Ireland Local Government Officers’ Superannuation Committee (NILGOSC) UK
	Maryland State Treasurer US	
	McLean Budden Canada	

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

Foreword

by Evgeny Shvarts, WWF-Russia

Ten years ago WWF-Russia came to the then revolutionary conclusion that big businesses could play a bigger role than the state in promoting environmentally responsible principles in the post-Soviet era. Despite the fact that this was in contrast with the general public opinion, WWF Russia expressed that businesses could in certain cases even be the champions and accelerators of green economic development. Such corporate leadership can be motivated by the fundamental market principle of supply and demand: Companies can only succeed and continue to exist if consumers buy their products. With consumers growing increasingly aware of the environmental properties of the products they buy – particularly in the important developed markets – companies are compelled to respond and adjust. The development and growth of the Carbon Disclosure Project (CDP) is another illustration of the trend for environmentally responsible business development. As a voluntary collaboration of international investors, CDP requests corporate data on carbon performance. This data allows investors to analyze and discriminate good carbon management practice, and helps inform investment decisions by CDP's signatory investors.

WWF applauds the first Russian companies that participated in the CDP process in 2009. Their leadership in comprehensive disclosure of GHG emissions data and climate strategy is encouraging for investors and inspiring for other Russian companies.

This first step in carbon reporting in Russia is very important. Looking at WWF-Russia's ten years of experience in working with big businesses it will presumably take another three to five years until the majority of Russia's top companies will pick up on the trend and recognize low-carbon development and ecological responsibility as a corner stone of competitiveness. This competitiveness relates to attracting and retaining both, consumers/clients as well as investors. Companies with a responsible strategy and a sound environmental approach will in the long run be rewarded as winners. Participating in and collaborating with environmental initiatives can provide significant benefits to forward-looking businesses. In turn, companies that ignore the signs of our times risk to fall behind and be at a disadvantage in the medium- to long-run.

In support of broad-based corporate carbon disclosure, the World Wildlife Fund (WWF) has become a global partner to CDP. For the Russian project we have great hopes that the number of companies responding to CDP will increase considerably in 2010, and trust that this new, progressive model of disclosure and corporate culture will further increase Russia's ability to attract investments.

Evgeny Shvarts, Ph.D., Dr.Sc.
Director of Conservation Policy
WWF-Russia

Executive Summary

As global understanding of climate change and the associated risks and opportunities continues to grow, investors are increasingly demanding corporate disclosure on carbon performance. The Carbon Disclosure Project (CDP) requests such information on behalf of investment institutions and provides an established and reputable international process of corporate reporting on climate change impacts. In 2009, backed by 475 signatory investors managing assets worth US\$55 trillion and with the support of WWF-Russia's Trade & Investment team, CDP wrote to Russia's leading companies for the first time. The Russian CDP covers the largest 50 companies on the Russian Trading System (RTS) stock exchange (RTS 50). The results and company responses are summarised in this first CDP Russia report, together with a contextual review of climate change trends in Russia.

The CDP 2009 information request focused on four primary areas of corporate climate change strategy:

- Risks and opportunities associated with climate change
- Greenhouse gas emissions accounting
- Carbon Performance
- Governance

Among the 50 Russian companies CDP approached, six responded submitting a completed questionnaire, and another three provided other information (see Table 1). This result is very positive in the first year of CDP in Russia and shows that some leading companies are already engaging with carbon issues. Environmental and carbon reporting in Russia can be expected to grow in prominence from here on as has been experienced by CDP in many other major economies over the last ten years.

In their submissions to CDP 2009, four of the six Russian respondents indicated that they considered climate change to present some form of opportunity for their businesses. In turn, only three companies felt that they were exposed to risks from climate change. The respondents mainly referred to physical and other commercial risks, while regulatory risks are not currently perceived as significant. For opportunities, on the other hand, the most frequently identified type was regulatory.

Three of the six Russian respondents provided GHG emissions data and proved to have a good understanding of their direct climate impact. Measuring emissions is generally considered the first step for a company in addressing its climate impact, followed

by management and work towards emissions reductions. Among the respondents, four say they already have a GHG emissions and/or energy reduction plan in place, though only two disclosed an established emissions and/or energy reduction target. As companies around the world awake to the opportunities related to more carbon-efficient processes, it can be expected that more and more Russian companies will follow the example of these two leaders.

Carbon reporting provides an opportunity for companies to systematically review their carbon performance and identify strategic challenges presented by climate change. Companies around the world have in this way benefited from CDP's global system for carbon reporting, while at the same time providing key information to investors that consider corporate carbon performance in their investment decisions. Considering the trends of this first iteration of CDP in Russia, Russian companies appear to appreciate the value behind this process. An increased participation rate among Russia's leading companies is expected for 2010 and future years.

Table 1 - Companies answering the CDP 2009 information request or providing other information

Companies answering the CDP 2009 information request
Center Telecom
Federal Grid Company of Unified Energy System
Gazprom
Irkutsk Power Generation and Distribution Company (Irkutskenergo)
Novatek
Tatneft
Companies providing other information in response to the CDP 2009 information request
Polyus
Raspadskaya OJSC
Rosneft

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1

Overview of CDP

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 policymakers, companies and investors have a full understanding of the associated risks and opportunities. According to **HSBC** research², 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, policymakers 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.

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 **CaISTRS** 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**, **Wal-Mart Stores** and departments of 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, policymakers 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.

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.

Table 1: Key trends snapshot³

This table outlines some of the key findings from CDP 2009 by geography and industry data-set.⁴

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	% of responders engaging with policy makers on climate change
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 40	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	12	-	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

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. A dash (-) shows that sample was not in CDP6 (2008).

⁶ Asia excluding Japan, India, China and Korea.

Highlights in carbon regulation

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. China is set to meet ambitious renewable energy and energy efficiency targets and hosts some of the world's largest renewable energy companies. Brazil entered 2009 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".¹

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. However, progress of a related bill through the US Senate appears to have stalled and at the time of writing it is very uncertain whether any climate change bill will be passed by the Senate in 2010.

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 covers around 75% of total Australian emissions.

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 an international climate deal 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 2009 Global launch marked the opening event of the NY Climate Week when business leaders, heads of state and the world's major investors congregated in New York to prepare for the negotiations at COP15. Disappointment followed the weeks in Copenhagen when the international climate negotiations did not result in the hoped-for agreement under UNFCCC, but in the Copenhagen Accord. The Accord takes a "pledge and review" approach to national action and includes an active role for the key emerging economies. However, lack of clarity over its legal status and level of ambition means that uncertainty about international action will continue through 2010. An international climate agreement remains a vital step towards success. In that sense it is important to look beyond Copenhagen and to build the global systems required to combat 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.

¹ Obama inauguration speech (January 21st, 2009)

2

The Russian perspective on international climate change developments

by Alexey Kokorin, WWF Russia

The scientific evidence for anthropogenically induced climate change and its potential detrimental effects are overwhelming. Yet, Russia's government, businesses, media and public are still hesitant when it comes to climate protection and emissions reductions in Russia.

Examples of the negative impacts from climate change are the melting of permafrost, spread of diseases, restricted winter transportation in the North, and, of course, threatened survival of the polar bear. Positive local and temporary impacts of climate change can be observed in agriculture, heat supply and North Route shipping. At the moment, the negative and temporary positive effects are perceived to keep each other in balance. The largest part of the negative impacts from climate change is not expected until the second half of the 21st century – so not for the near future. But it is now that further global warming needs to be prevented by reducing and carefully managing carbon emissions in Russia and worldwide.

In April 2009, the Minister of Natural Resources and Ecology, Yury Trutney, declared that climate change will cause an estimated loss of 2-5% in gross domestic product (GDP) if no action is taken. This estimate is not taking into account missed opportunities that may arise for Russian businesses on newly developing low-carbon markets, both national and international. Not taking action may therefore cost the Russian economy even more dearly. Russia has large potential to reduce emissions through no-cost or low-cost measures. In view of the importance to limit global warming and prevent the most severe consequences of climate change, many countries around the world have already started to work towards drastic cuts in current and future greenhouse gas (GHG) emissions. For Russia's growing economy to stay ahead of the game it is important the business community and government promote new, progressive climate change solutions.

Russia and the UNFCCC negotiations

Russia ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC) in 2004, thereby committing to limit emissions to 1990 levels. Due to an economic crisis in the 1990's, Russia's GHG emissions had collapsed to only circa 60% of 1990 levels by 1998 (see Figure 1). The agreed target is therefore effortless for Russia, and leaves the country with generous surplus Assigned Amount Units (AAUs) – or emissions allowances. Hence there is currently little incentive or urge for Russian businesses to focus on emissions reduction if it is not directly linked with energy efficiency measures. Without committed reduction efforts, Russia's overall GHG emissions are expected to rise significantly over the next 25 years (see Figure 1).

The UNFCCC's 15th Conference of the Parties (COP 15) in Copenhagen in December 2009 was a disappointment to many who had hoped for an agreement with binding targets to follow on from the Kyoto Protocol in 2012. Russia pledged to limit the increase of its GHG emissions by 2020 to 25% below 1990 levels. While this is not very far from the business as usual scenario, this was a very good step forward and Russia played a constructive role during the negotiations. President Medvedev attended the conference together with many other global leaders. While climate change is not yet a priority issue in Russia's domestic politics, it is positive that the political leadership acknowledges the importance of the topic in the international context, sympathizing with the concerns and exposure of other countries. The competitiveness as well as the image of the Russian economy in the context of international carbon agreements and taxes are of great interest for Russia's leaders.

Russia's legislative framework and climate change

Climate protection is not established as a primary goal in the Russian legislative framework, but some crucial climate-friendly decisions have been made over the past couple of years:

- In June 2008, the President mandated a 40% reduction in the energy intensity per unit of GDP (tonne of oil equivalent (toe) per million dollar of GDP) by 2020 (Decree 889, 4 June 2008). Further legislation has been adopted and is currently being implemented.
- The government passed a directive to increase associated gas utilization to 95% by the middle of the 2010s; yet, the implementation has been delayed twice so far.
- In January 2009, the Prime Minister confirmed a policy that calls for an increase in the share of renewable energies in the Russian energy mix from 0.9% to 4.5% by 2020. Questions persist, however, as to how renewable energies should be defined.
- At the G8 Summit in July 2009, Russia firstly agreed to the global goal of limiting the rise in temperature to 2°C, and accepted the developed countries' ambitious target of reducing emissions by 80% by 2050. The President sees Russia contributing to this cut by cutting emissions by 50% by 2050 on a 1990 baseline. Such reductions can only be achieved if government creates a suitable framework with incentives for carbon efficient technologies and products.

In addition several governmental studies have been conducted on climate change over the past few years. Examples include:

- A Russian Assessment Report has been prepared to very high scientific standards and provides evidence for climate change and recognizes the associated threats. The report was set out similarly to Vol. 1 & 2 of the fourth Assessment Report by the Intergovernmental Panel on Climate Change (IPCC). Yet, the report neither addresses the economic impacts climate change may have nor does it discuss the scale of potential losses in comparison to the cost of adaptation and mitigation.
- Government has adopted a Russian Climate Doctrine in December 2009. The Doctrine acknowledges the global challenge of climate change and calls for Russian mitigation and adaptation measures. It has great value from an educational and awareness raising perspective, but no actual actions will follow until related plans and measures are agreed.

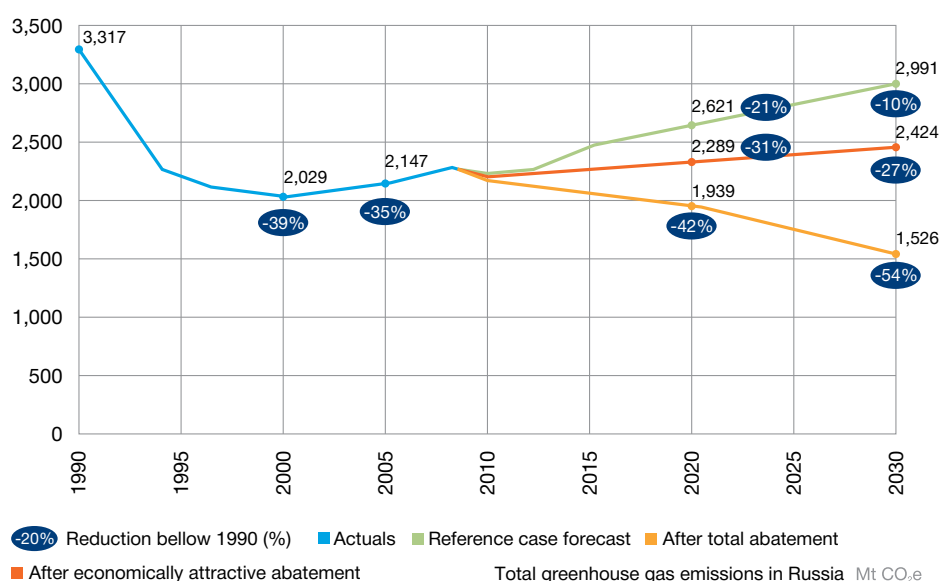
General levels of awareness for the impacts of climate change are growing among the Russian population. At the same time – for purely economical reasons – companies have started to invest in improved energy efficiency, which means that the energy and carbon intensity of Russia’s GDP are slowly decreasing.

However, combined with economic growth Russia’s overall GHG emissions are expected to rise by 1-2% per year in a business as usual approach after the financial crisis. The government initiatives mentioned above together with a comprehensive set of additional measures – including international carbon finance mechanisms – can slow down or even revert the trend: A recent study by McKinsey suggests that Russia’s GHG emissions in 2030 could be as low as 46% of 1990 levels (compared to 65% in 2005) if a broad range of economically viable measures are taken.⁸ This scenario is, however, only possible if supported through a comprehensive new government framework that favors low-carbon developments.

From an investor and business perspective, a considerable number of stakeholders are disappointed by the government’s passive position on climate change. Under current conditions only very progressive Russian businesses consider climate impacts in strategic decisions. Nonetheless, some companies have taken the lead and started assessing their GHG emissions – as for example the participants of CDP 2009.

Russia as a country is taking its first steps towards climate protection. On an international level, recent commitments signal a willingness to strategically engage the issue, but these still have to translate into the necessary legislative framework and tangible results. Consolidated and coordinated efforts of governments together with businesses and investors worldwide are required to overcome persisting barriers and ensure an active and widespread Russian participation in the fight against climate change. Initiatives such as the Carbon Disclosure Project will help inform this debate through the open dialogue it facilitates between stakeholders.

Figure 1 - Development of Russia’s total GHG emissions in Mt CO₂-e (historic and forecast)



⁸ McKinsey & Co. (2009): Pathways to an energy and carbon efficient Russia.

3

The Carbon Disclosure Project in Russia – Background and Analysis

“Companies and investors that are able to assess risks and seize new opportunities will be ahead of the curve in terms of global competitiveness. Conversely, those businesses that fail to have a strategy in place to deal with climate change will be on the losing side of history.”

Ban Ki Moon,
UN Secretary General

“The CDP Questionnaire can be used as an aid to finding out what you can do as a company to improve your climate footprint, and consequently, reputation. As the CDP questionnaire includes all relevant climate questions, it can be used as a process tool to identify your climate impact in your organisation.”

Anne Gadegaard Larsen,
Novo Nordisk

On behalf of its signatory investors, CDP has been gathering corporate carbon data internationally for seven years. In 2009 for the first time, CDP sent the annual investor information request to a group of Russia’s 50 largest companies by market capitalisation (RTS 50). Environmental and carbon reporting is still a young discipline in Russia, but the overall response demonstrated that climate change is now also on the radar of Russia’s leading companies.

As the world’s largest country and one of the most significant economies, Russia undoubtedly has an important role to play in addressing the climate change challenge. Despite severe cuts in emissions until 1998 due to the economic crisis, Russia remains the third largest emitter worldwide and is responsible for more than 1,580 million tonnes of greenhouse gases (GHG) emissions every year.⁹ Currently there is little data available on how Russian companies address the risks and opportunities associated with climate change or where they see their responsibilities in cutting carbon emissions. To fill this gap the Carbon Disclosure Project (CDP) Russia was born.

This chapter summarizes the trends from the first year of CDP Russia based on the received company responses.

The CDP process

The CDP 2009 information request was signed by 475 international investors with US\$57 trillion of assets under management, and sent to the 50 largest Russian companies by market capitalisation on 1st February 2009.¹⁰ Active engagement with the companies took place between February and June, and an open workshop was hosted in Moscow in April. The final submission deadline for responding companies was 30 June 2009.

Overall Response Trends CDP Russia

By the end of June, six companies had completed the CDP questionnaire, and an additional three had provided other relevant information. For a full list of the Russia 50 companies and their final CDP 2009 response status see Table 3. For most of the responding companies 2009 was the first year of participation in CDP. Only Gazprom (2005) and Irkutskenergo (2006) had participated before when they received the CDP questionnaire as two of the 500 largest companies in the world.¹¹ With six companies responding, the new CDP Russia project achieved a response rate of 12%. This encouraging result in the first year is extremely positive for the future of CDP in Russia and indicates that Russian companies have already started to engage the issues of climate change and GHG emissions.

⁹ 2007 data, CO2 Emissions from Fuel Combustion. Source: International Energy Agency (2009), IEA Statistics: CO2 Emissions from Fuel Combustion Highlight.

¹⁰ For a full listing of the public CDP 2009 signatories view pages 1 to 4. The CDP information request consists of a letter to the Chairman and the CDP questionnaire.

¹¹ Since 2003, CDP has been sending the annual CDP information request to the largest 500 companies by market capitalisation worldwide.

Table 3 - List of RTS 50 companies and their final response status

Company Name	Response Status
Acron	Declined to participate
Aeroflot	No response
Bashneft	No response
Center Telecom	Answered questionnaire
Federal Grid Company of Unified Energy System	Answered questionnaire
Gazprom	Answered questionnaire
Gazprom Neft	Declined to participate
GMK Norilsk Nickel	Declined to participate
Irkutsk Power Generation and Distribution Company (Irkutskenergo)	Answered questionnaire
JSC Ufaneftehim	No response
Lada	No response
Lukoil	No response
Magnit	No response
Magnitogorsk Iron & Steel Works	Declined to participate
Mechel	No response
Mosenergo OAO	No response
MTS	Declined to participate
North-West Telecom	Declined to participate
Novatek	Answered questionnaire
Novolipetsk	No response
Novorossiysk Commercial Sea Port	No response
OGK-2	No response
OGK-3	No response
Opin Investment and Development Group	No response
Polymetal	No response
Polyus	Information provided
Raspadskaya OJSC	Information provided
RBC Information Systems	No response
Rosneft	Information provided
Rostelecom	No response
RusHydro	No response
Sberbank	No response
Seventh Continent	Declined to participate
SeverStal	No response
Sibir Telecom	No response
Silvinit	No response
Sistema	Declined to participate
Sollers	No response
Surgutneftegas	No response
Tatneft	Answered questionnaire
TMK	No response
Transneft	Declined to participate
Uralkali	No response
Uralsvyazinform	No response
Volga Telecom	No response
VSMPO AVISMA	No response
VTB Bank	Declined to participate
Wimm-Bill-Dann Foods	No response

“We do not consider our company to be exposed to regulatory risks. (...) The Russian legal framework on greenhouse gas emissions imposes neither limitation nor prohibition on the implementation of any economic activities. Any greenhouse gas emitting company determines on how the emissions will be reduced or limited on its own.”

CDP Russia 2009
Respondent
(non-public response)

“Within its risk management system, NOVATEK will consider legislative risks having to do with the adoption of new legal acts and regulations relating to the Russian Federation’s involvement in the Kyoto Protocol and the procedures for its implementation. All newly adopted legal acts and regulations of the Russian Federation with respect to issues relating to the Kyoto Protocol, the inventory and control of greenhouse gas emissions, and those having a potential impact on NOVATEK’s business, shall be identified and complied with in a timely manner.”

NOVATEK

Participating companies

The six established leaders that responded to CDP 2009 have good or reasonable tracking systems in place for monitoring and managing their climate change performance. Table 4 summarizes the names of the disclosers and the permission status of their response: NOVATEK, Irkutskenergo, and Federal Grid Company of Unified Energy System made their submissions publicly available. These responses are accessible from the CDP website.¹² Gazprom, Tatneft and Center Telecom on the other hand preferred to submit non-public responses (i.e. the submissions are exclusively available to CDP’s signatory investors). Companies that chose to make their submission non-public often reference concerns about the commercial sensibility of data as the key reason.

Among the six responders there were four Energy companies, as well as one Utilities and one Telecommunications Services company. Despite the fact that the Energy sector is generally strong in Russia and was hence well represented in the CDP 2009 Russia 50 sample, this result also illustrates how the topics of energy efficiency and climate change management are often interlinked. Russia’s Energy companies in particular are therefore likely to monitor and report their carbon performance.

What is the CDP information request?

The CDP process enables companies to respond to a single investor information request that CDP coordinates on behalf of 475 institutional investors. The CDP questionnaire is revised annually to reflect latest insights in the area of carbon management. Together with an individualised letter to the companies’ chairmen the questionnaire forms the CDP information request. In 2009 it covered questions in the following four key areas of carbon reporting and climate change strategy:

1. Risks and Opportunities
2. Emissions Accounting
3. Performance
4. Governance

The questions were developed by CDP in cooperation with its global advisor PricewaterhouseCoopers (PwC), as well as contributions from CDP’s signatory investors, the World Resources Institute (WRI), the Global Reporting Initiative (GRI) and other stakeholders. The CDP questionnaire is widely recognised as the gold standard of carbon reporting.

Table 4 - Responding Companies by Sector and Permission Status

Company	Sector	Public Response?
OJSC Gazprom	Energy	Not public
OJSC Novatek	Energy	Public
OJSC Tatneft	Energy	Not public
OJSC Irkutsk Power Generation and Distribution Company (Irkutskenergo)	Energy	Public
JSC Federal Grid Company of Unified Energy System	Utilities	Public
JSC Center Telecom	Telecommunication Services	Not public

¹² To view public responses to CDP go to: www.cdproject.net/en-US/Results/Pages/Responses.aspx?Search=True

RISKS AND OPPORTINITIES

Climate change is likely to impact the business operations of many companies worldwide in the short- to medium-term. Key factors are current and future regulatory changes, physical effects of climate change and other, commercial risks. In response, companies have started to adjust and actively manage climate change related risks and opportunities.

In the first section of the CDP 2009 questionnaire, respondents had an opportunity to explain how they assess risks and opportunities associated with climate change in three areas:

- 'Regulatory'
- 'Physical'
- 'Other'

Signatory investors generally pay particular attention to this part of a company's response, as good climate change risk management is often seen as a proxy for good general risk management practices.

The Russian respondent companies have taken varying approaches to assessing the risks and opportunities facing them from climate change. Only three companies felt that they were facing certain risks from climate change, and four respondents considered that climate change presented some form of opportunity for their businesses.

RISKS

Regulatory risks

Regulatory risks generally arise from current or expected national and global governmental policy on climate change. This includes for example the imposition of emissions limits, energy efficiency standards, and product standards or restrictions.

Among the participating Russian companies only one publicly responding Russian company reported to consider itself exposed to such regulatory risks. This suggests that Russian legislation on climate change and energy efficiency is not perceived as a considerable impact on the responding companies' business operations. Companies are aware of current legislation, and generally assess and monitor new policies in line with their overall risk management procedures. An example of forward-looking regulatory risk management quoted by NOVATEK is the upcoming legislation calling for the reduction in associated petroleum gas (APG) flaring.

Noticeably there was no comment on how international legislation might impact business operations despite the fact that several of the responding companies have operations outside of Russia. Only some respondents acknowledge that the ratification of the Kyoto Protocol by Russia could lead to changes in national legislation connected with CO₂ emissions, but note that thus far there have been no indications by government that these are forthcoming.

“We believe that currently our Company's operations are not exposed to any risks or have any additional opportunities related to climate change. However, in the future if destructive climate change persists (including in relation to such natural hazards which occur more and more frequently as sharp changes in outside temperature, strong winds, fogs and rains), its impact may seriously threaten the social and financial stability both of the global economy in general and of [our Company's] operations in particular.”

CDP Russia 2009
Respondent
(non-public response)

“In case of substantial climate change with intensified winds, surface ice and more extreme temperatures, [our company’s] technologies have to be adapted to the new environmental circumstances.”

Federal Grid Company of Unified Energy System

“The main climate-specific physical risks include the possibility of permafrost thaw, the warming effect on the cryogenesis process, occurrences of slump-ages and frost thaws, and intensified solifluctions (soil flows).”

NOVATEK

Physical Risks

Climate change will have physical effects that can impact business operations. Commonly identified related risks include:

- Small changes in temperature and precipitation
- Shifts in species distribution
- Droughts and/or floods
- Increased storm and hurricane activity
- Rising sea levels
- Higher incidence of disease

Russia is a large country with many areas being remote and snow covered for many parts of the year. Changes in climate and increased average temperatures could lead to melting of permafrost, increased flooding and other negative impacts. Two of the six respondents with operations in the far northern regions consider that they are exposed to physical risks for these reasons.

The other four respondents do not currently consider that their operations would be negatively affected by such conditions.

Other Risks

‘Other’ risks are those associated with climate change apart from regulatory action or physical changes. ‘Other’ risks may include but are not limited to energy and/or resource scarcity, price changes prompted by scarcity, changes in consumer attitude and demand, reputational risk, as well as production and supply chain or supply process disruption. The type of risk involved will vary depending on the business concerned.

Two of the six respondents consider ‘other’ risks to be significant (NOVATEK, and one non-publicly responding company), quoting for example insurance risks, price risks, market risks and reputational risks. The fact that not more companies identify ‘other’ risks is an indication that the Russian market is not yet perceived as providing a compelling argument for companies to turn low-carbon.

OPPORTUNITIES

While it is recognised that climate change can represent significant risks to companies, there are also related opportunities for companies that adapt to the changing conditions best and quickest. Among the Russian responding companies, the identified opportunities are primarily in the regulatory area.

Regulatory Opportunities

Regulatory opportunities generally arise from current and expected national or international governmental policy on climate change. This may include, but is not limited to, the introduction of emissions trading programmes, availability of technology incentives and imposition of process or product standards.

Regulatory opportunities identified by three of the respondents cover a wide range, from opportunities for developing new, more efficient forms of energy, to possibilities to participate in Joint Implementation (JI) projects, or other means to introduce cleaner and more efficient technology. The intention of developed countries with self-imposed GHG emissions restrictions to switch from coal and other fossil fuels to gas present market opportunities as Russia is a leading producer of natural gas.

Physical and Other Opportunities

Physical opportunities may arise from subtle changes in the climate, such as longer growing seasons, or from larger, sudden events such as storms or floods.

'Other' opportunities are those associated with climate change apart from regulatory action or physical changes. They may include, but are not limited to, actual or potential demand for new or modified goods and services and enhanced reputation.

One respondent identified possible physical opportunities through development of new, cleaner and more efficient infrastructure, as well as new opportunities through the development of innovative finance and insurance activities related to the Kyoto Protocol. The majority of the respondents, however, reported no physical or 'other' opportunities.

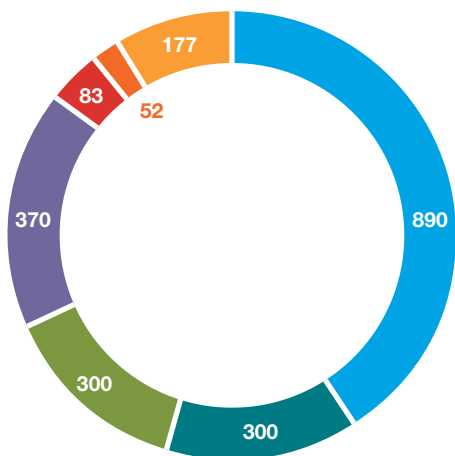
“The legal framework of the Russian Federation does not specify any officially published techniques (guidance) established by law for emission inventory and measurement, including direct GHG emissions generated as a result of business operations of economic entities.”

CDP Russia 2009
Respondent
(non-public response)

Responsibility to cut emissions and advance low carbon innovations nationally rests with Russia's leading companies to a large extent.

The rationale behind carbon reporting is that only what gets measured can get managed: carbon reporting is an important first step for every company in taking action to improve their carbon performance.

Figure 2: Russian primary greenhouse gas emissions in Mt CO₂-e



- Power & Heat
- Petroleum & Gas
- Other Industries
- Transport
- Buildings
- Waste
- Agriculture

EMISSIONS REPORTING

In order to prevent dangerous climate change, human-induced emissions need to be significantly reduced in the short- and long run. Every part of society and all countries have to contribute to this effort. Industry has a critical role to play as it is directly or indirectly responsible for the largest proportion of relevant GHG emissions. Figure 2 illustrates how the Power & Heat and Petroleum & Gas sectors make up more than 50% of Russia’s overall GHG emissions, jointly being responsible for nearly 1,200 million tonnes of carbon dioxide equivalent (Mt CO₂-e) emissions (2000 data). Both these sectors are well represented in the CDP sample of Russia’s top 50 companies. Responsibility to cut emissions and advance low carbon innovations nationally rests with the country’s leading companies to a large extent.

The second part of the CDP 2009 questionnaire requested companies to disclose their direct and indirect GHG emissions. With climate change continuously gaining weight on the corporate agenda, more and more companies have started to investigate their carbon footprint. The rationale behind this trend is that only what gets measured can get managed: carbon reporting is hence an important first step for every company in taking action to improve their carbon performance. In terms of emissions disclosure CDP

follows the terminology of Scope 1, 2 and 3 emissions as defined in the Greenhouse Gas Protocol reporting standard (GHG Protocol) – see Figure 3: The key scopes in carbon reporting and management are direct Scope 1 and indirect Scope 2 emissions. Indirect Scope 3 emissions are less well defined and therefore more difficult to assess and compare.

Scope 1 Emissions Reporting and Methodologies

Among the Russia 50 respondents, three of six disclosed their direct Scope 1 GHG emissions (NOVATEK, and two non-publicly responding companies), while Federal Grid Company of Unified Energy System states that “direct emissions are practically absent” from their operations, and another non-public respondent remarks they were not reporting GHG emissions “as yet”.

Reporting boundaries set out by the three disclosers included companies over which financial control is exercised, and companies in which an equity share is held.

The disclosing companies referred to different methodologies for calculating their emissions. In particular the Greenhouse Gas Protocol (GHG Protocol), ISO 14064-1, and the Intergovernmental Panel on Climate Change (IPCC) sector-specific Guidelines were mentioned. This use of internationally accepted methodologies greatly aids in the transparency and comparability of the emissions that were reported.

Of the three respondents that did not provide information, two cited a lack of reporting guidelines, or methodologies or requirements by the Russian Federation, and one company stated they were currently collecting this data for future reporting.

Indirect Emissions Reporting

Indirect Scope 2 GHG emissions related to purchased electricity and heat supplies were provided by the same three companies that also disclosed Scope 1 emissions. The comprehensiveness of provided detail and analysis shows that carbon measurement within these companies is at an advanced level.

One of the three non-publicly reporting companies is preparing to measure and report Scope 2 emissions in the future, one refers to the lack of official government guidance on measurement techniques, and the third company provides no explanation.

Indirect Scope 3 emissions such as those related to employees' business travel and external distribution/logistics were not reported by any of the responding companies. While Scope 3 can make up an important proportion of the overall emissions a company is responsible for, this type of emissions is the most difficult to assess accurately and comprehensively. Most responding companies begin address-

ing Scope 3 emissions by just focusing on one particular area, such as employees' business travel. When aiming to provide a comprehensive report on Scope 3 emissions even very experienced companies often struggle.

Assurance remains an aspiration

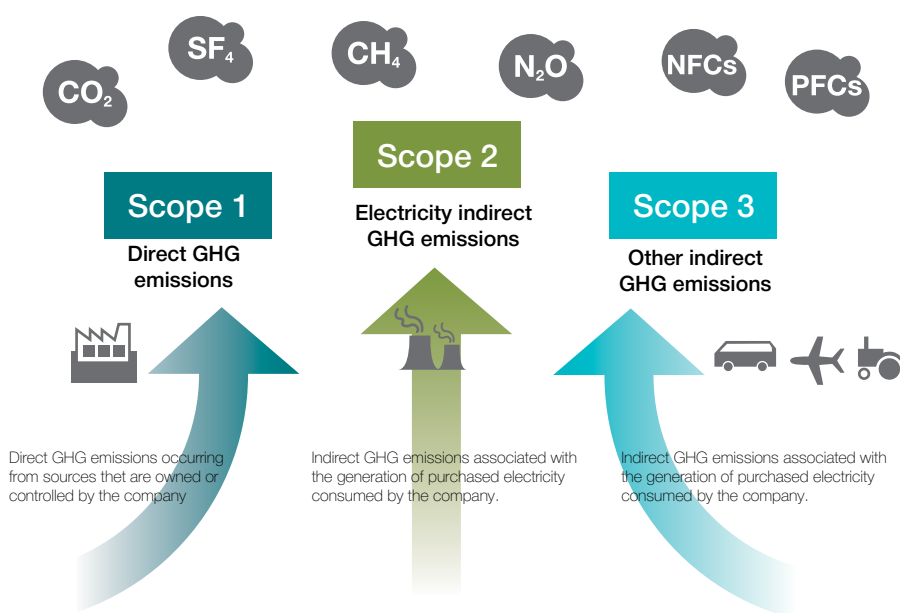
None of the respondent companies had external assurance provided on their emissions data, and only two provided information as to sources of uncertainty in their data calculation techniques. These factors may disconcert interested investors, but are common for many companies that are only starting out with their carbon reporting.

“There is a plan in place for the reduction of energy consumption. There is no plan for the reduction of emissions, as capacities available are not subject to any review by controlling bodies.”

CDP Russia 2009 Respondent (non-public response)

None of the respondent companies had external assurance provided on their emissions data, and only two provided information as to sources of uncertainty in their data calculation techniques.

Figure 3 - GHG Protocol: Definition of Scope 1, 2 and 3 emissions



“NOVATEK reduced its GHG emissions at the following production facilities:

- Khancheyskoye and East-Tarkosalinskoye Fields – improved gas transportation system resulting in a reduction in the amount of 61,750 tons of CO₂/equiv./year (for the period of 2008-2011);
- Cogeneration gas-turbine power stations – applying the technology of using exhaust gases in waste heat boilers, resulting in a reduction in the amount of 12,500 tons of CO₂/equiv./year;
- Improving a process scheme for the disposal of flash gases by switching a part of the flow to a compressor Condensate Deethanizing Unit (CDU), reduction in the amount of 148,370 tons of CO₂/equiv./year.”

NOVATEK

CARBON PERFORMANCE

The next step after measuring emissions is to identify emissions reduction potentials. Among the six responding companies, four responding companies indicate to have a GHG emissions and/or energy reduction plan (incl. Irkutskenergo and NOVATEK). Yet, only two have an established emissions and/or energy reduction target (NOVATEK and one non-publicly responding company), and NOVATEK did not state their absolute or relative target in their CDP response. Nonetheless, NOVATEK was able to give examples of how they cut their GHG emissions in 2008.

Carbon reductions and financial benefits

That emissions reductions and improved energy efficiency are not only in the interest of the environment but also economically relevant has recently been emphasised in a research report by McKinsey & Co.: The authors found that with a set of economically viable measures Russia’s energy consumption could be reduced by 36% and its carbon emissions could be reduced by

51% by 2030, compared to a situation without intentional reduction efforts (the ‘reference case’). The identified abatement potential by sectors is summarised in Figure 4. A key sector can be Buildings, but also Power & Heat and Agriculture and Forestry have a significant role to play in reducing carbon emissions.

In order to implement the necessary measures investments of ca. €150 billion (approximately RUB6 trillion) would be required over the next twenty years. Yet, a potential average internal rate of return (IRR) as high as 30% illustrates that attractive economic benefits are associated with these energy efficiency and carbon reduction efforts. In the researched scenario, McKinsey&Co expect that the programme would bring overall savings equivalent to ca €345 billion (approximately RUB13.8 trillion) by 2030.¹³

These projections are a clear business case for improving Russia’s carbon and energy intensity. The authors of the report warn, however, that “a timely and targeted government effort would be required to support the private sector in overcoming the substantial existing barriers, such as high upfront investments, limited information, and misaligned incentives”.¹⁴

Company engagement with policy makers

The private sector may have a role to play in engaging the government to work together towards a framework that enables progressive climate and energy management. Only two of the six Russian respondents indicated to currently have conversations with policymakers about possible responses to climate change including taxation, regulation and carbon trading (Federal Grid Company of Unified Energy System, and one non-publicly responding company).

¹³ McKinsey & Co.: Pathways to an energy and carbon efficient Russia (2009), p.5, 18f.

¹⁴ McKinsey & Co.: Pathways to an energy and carbon efficient Russia (2009), p.6.

GOVERNANCE

Addressing climate change through effective corporate carbon and energy management requires high-level leadership within companies and forward looking strategists that push for increased efficiency efforts. In view of the magnitude of the expected impacts from climate change a growing number of business scholars and practitioners advocate that responsibility for corporate climate change strategies should be assumed by the most senior management level. Among the Russia 50 respondents three – including Federal Grid Company of Unified Energy System and NOVATEK – say that a Board Committee or other executive body have overall responsibility for climate change within their company. Center Telecom, on the other hand, pointed out that their company “has no person responsible” for climate change related issues. This is likely to be the case for many Russian companies at this point in time when climate change is often misunderstood by management as a pure environmental – rather than a strategic – topic.

COMMUNICATIONS

Good external communications and transparency can be an indication of the company’s confidence in their own performance and general endorsement of active stakeholder engagement. Asked about their external communications on e.g. their company-specific risks and opportunities presented by climate change, four respondents said they published such information, while two companies did not respond. Two of the former detailed that they included relevant information in their Annual Reports and in their Environmental / Sustainability reports.

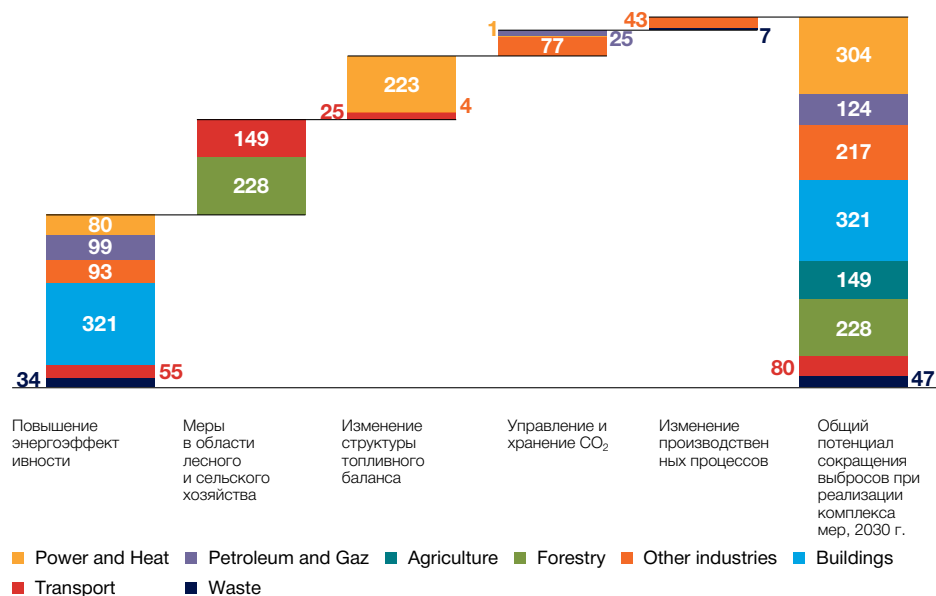
Four responding companies indicate to have a GHG emissions and/or energy reduction plan.

Emissions reductions and improved energy efficiency are not only in the interest of the environment but also economically beneficial. However, significant carbon reductions can only be achieved if government supports the industry’s efforts with an appropriate legislative framework.

“The requirements for boosting the power efficiency and reducing greenhouse gas emissions are set out in NOVATEK’s Policy for Health, Safety, and Environment, approved by the Company’s senior management.”

NOVATEK

Figure 4 - Abatement potential by sectors (in Mt CO₂-e)¹⁵



Source: McKinsey

¹⁵ McKinsey & Co.: Pathways to an energy and carbon efficient Russia (2009), p.21.

“Information on risks and opportunities is published in NOVATEK’s Report on Sustainable Development in the Russian Federation. The report is audited in accordance with the AA1000 Standard.”

NOVATEK

Levels of environmental and CSR reporting among Russia’s leading companies are relatively high and promising for an increased CDP Russia response rate in 2010.

Environmental and CSR reporting trends

In addition to the six company responses that CDP received in 2009, three more companies provided other information, as mentioned earlier. This indicates that more Russia 50 companies than just the six CDP 2009 respondents have carbon or energy efficiency data available, and may already manage the risks associated with climate change.

An independent review of the reporting practices of Russia’s top 50 companies shows that even though few companies directly report climate change related information, a majority already has mechanisms in place to monitor and disclose environmental and sustainability results (see Table 5).¹⁶ Interestingly, no Corporate Social Responsibility (CSR) or Environmental Report could be found for the responding companies Center Telecom and Irkutsk Power Generation and Distribution Company, while several companies that did not participate in CDP 2009 publish emissions related data in different reports and/or on their websites (e.g. Lukoil, Magnitogorsk Iron & Steel Works, Mosenergo, OGK-2, OGK-3, and Raspadskaya).

This relatively high level of environmental reporting among Russian companies is encouraging for CDP’s signatory investors who are hoping for an increased rate of participation among Russia’s top companies in CDP 2010.

Concluding Comments and Outlook for CDP 2010

As the United Nations’ Secretary General, Ban Ki Moon, put it, “no issue is more fundamental to long-term security and sustained global prosperity” than climate change.¹⁷ Carbon disclosure via CDP fosters collaboration, measurement and action on climate change by bringing together businesses and investors worldwide. Despite certain obstacles such as the lack of Russian carbon reporting standards, some of the country’s leading companies participated in the inaugural CDP in Russia in 2009, and thus prove to the investment community and other stakeholders that they are taking climate change seriously. As the government’s stance on climate change and related issues continues to develop, corporate commitment to proactive carbon management can be expected to gather further momentum. CDP will provide the global platform that enables companies to strategically investigate their carbon performance and communicate the results to the investment community and other interested stakeholders. The CDP 2010 information request went out to the Chairmen of Russia’s top 50 companies by market capitalisation (RTS 50) in February 2010. Company responses are expected back by the end of June 2010. There is reason to hope that a rising number of Russian companies will take the opportunity to participate in CDP and help push the expected increase in overall respondents to more than 2,000 companies worldwide.

¹⁶ The review was conducted in February 2010 and is based on information available on the websites of the companies in the CDP 2009 Russia sample.

¹⁷ Ban, Ki Moon (2009): Foreword to the Carbon Disclosure Project 2009 – Global 500 report.

**Table 5 – Review of Environmental and Sustainability Reports by Russia
50 companies**

“Company name (CDP 2009 responding companies in bold)”	Environmental / Corporate Social Responsibility (CSR) reporting?	GHG emissions reporting?
Acron	Annual Report includes environmental information	n/a
Aeroflot	CSR Report	n/a
Bashneft	n/a	n/a
Center Telecom	n/a	n/a
Federal Grid Company of Unified Energy System	Sustainability Report	n/a
Gazprom	Environmental Report	GHG emissions mentioned but no figures published
Gazprom Neft	Sustainability Report	n/a
GMK Norilsk Nickel	Sustainability Report	n/a
Irkutsk Power Generation and Distribution Company (Irkutskenergo)	n/a	n/a
JSC Ufaneftehim	n/a	n/a
Lada	Annual Report includes environmental information	n/a
Lukoil	Sustainability Report	Describing GHG emissions reduction activities
Magnit	n/a	n/a
Magnitogorsk Iron & Steel Works	Sustainability Report (available via national database of corporate sustainability reports)	Information available
Mechel	n/a	n/a
Mosenergo OAO	Company website	Information available
MTS	CSR Report	n/a
North-West Telecom	Sustainability Report	n/a
Novatek	Sustainability Report	n/a
Novolipetsk	CSR Report	n/a
Novorossiysk Commercial Sea Port	n/a	n/a
OGK-2	Sustainability Report	Information available
OGK-3	Company website	Information available
Opin Investment and Development Group	n/a	n/a
Polymetal	CSR Report	n/a
Polyus	Sustainability Report	n/a
Raspadskaya OJSC	Company website and Annual Report	Describing emissions reduction activities
RBC Information Systems	n/a	n/a
Rosneft	Sustainability Report	n/a
Rostelecom	n/a	n/a
RusHydro	n/a	n/a
Sberbank	n/a	n/a
Seventh Continent	n/a	n/a
SeverStal	CSR Report	n/a
Sibir Telecom	n/a	n/a
Silvinit	Company website includes environmental information	n/a
Sistema	CSR Report	n/a
Sollers	n/a	n/a
Surgutneftegas	n/a	n/a
Tatneft	Sustainability Report	n/a
TMK	n/a	n/a
Transneft	n/a	n/a
Uralkali	n/a	n/a
Uralsvyazinform	n/a	n/a
Volga Telecom	Sustainability Report	n/a
VSMPO AVISMA	Annual Report and company website include environmental information	n/a
VTB Bank	CSR Report	n/a
Wimm-Bill-Dann Foods	n/a	n/a

Appendix

Glossary of Terms

AAU	Assigned Amount Unit (emissions allowances under Kyoto)
APG	Associated petroleum gas
CDP	Carbon Disclosure Project
COP15	UNFCCC's 15th Conference of the Parties, Copenhagen December 2009
CSR	Corporate Social Responsibility
e.g.	for example (<i>exempli gratia</i>)
GDP	Gross domestic product
GHG	Greenhouse gas
GHG Protocol	Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard by WRI and WBCSD
GRI	Global Reporting Initiative
i.e.	that is (<i>id est</i>)
incl.	Including
IPCC	Intergovernmental Panel on Climate Change
IRR	Internal rate of return
JI	Joint Implementation (Kyoto mechanism)
Mt CO₂-e	million tonnes of carbon dioxide equivalent
PwC	PricewaterhouseCoopers
RTS	Russian Trading System
RTS 50	Russia's top 50 companies as listed on the RTS stock exchange
toe	Tonne of oil equivalent
UNFCCC	United Nations Framework Convention on Climate Change
WBCSD	World Business Council on Sustainable Development
WRI	World Resources Institute
WWF	World Wildlife Fund

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