

CDP ITALY REPORT

CLIMATE INSIGHTS AMONG ITALIAN
BUSINESSES AND LOCAL GOVERNMENTS



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support of*



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There is absolutely no doubt that the year ahead is critical for us to meet our collective global climate goals. The science is unequivocal: global emissions must be halved by 2030. We must achieve net zero emissions by 2050 to cap global warming at 1.5 degrees. That's why this year's COP is an important reality-check. Global leaders need to collectively step up the ambition of their national climate plans, to ensure we are on track to limit warming to 1.5 degrees. At CDP we see first hand the steps Italian companies, investors, cities and regions are taking to enhance their own climate action in order to build a truly sustainable economy. It all starts with disclosure and transparency.

Steven Tebbe

Managing Director, CDP Europe



FOREWORD FROM SERGIO COSTA

MINISTER FOR THE ENVIRONMENT, LAND
AND SEA OF THE REPUBLIC OF ITALY



An important means to drive action by these non-Party stakeholders is our partnership with CDP.

Set against the backdrop of last year's decisive IPCC 1.5°C report, the gathering of world leaders at COP25 this week is an important reality check for global progress towards implementing the Paris agreement.

By next year, countries must submit enhanced nationally determined contributions (NDCs) for achieving the emissions reductions needed to meet the Paris agreement's well-below 2°C goal.

We know that Parties' current pledges for reductions will result in 3°C to 4°C of global warming by the end of the century. It is for this reason that this year's Conference of the Parties in Spain is a vital moment for call for ambition and finalizing the framework for implementing the agreement.

We need to approve the last technical parts of the process and set in stone a clear pathway for achieving the more ambitious reductions all signatories to the Paris agreement will make within the next year.

Key to that pathway is the Transparency Framework, which includes the concrete responsibilities Parties have for evaluating their efforts. By tracking global progress, this is central for confidence in the agreement.

At COP21 in Paris, countries set out the core elements needed to set up a framework. In Katowice last year, Katowice Rulebook resulted in the Framework's Modalities, Procedures and Guidelines, which agreed the tools needed. Now, in the run up to next year's crucial COP26, the Parties are developing the exact process for implementation to turn the process into a reality.

The Italian government is taking strong action to implement the Paris agreement. We are going to overachieve our 2020 target; we have prepared, within the European framework, our National Integrated Plan for Energy and Climate, setting ambitious targets for 2030, in line with the EU NDC; we plan to phase out coal by 2025; we are in the process of developing our long-term low greenhouse gases development strategy with the carbon neutrality objective by 2050.

Non-state actors also play an increasingly important role in and implementing nationally determined contributions (NDCs), and in building collective understanding of ways to strengthen ambition. Our continued support for Action for Climate Empowerment activities as well as to the Global Climate Action are key for enabling collaboration between governments and the cities, regions, business and investors that must act on climate change.

An important means to drive action by these non-Party stakeholders is our partnership with CDP, which aims to increase the number of companies, cities and regions which disclose and manage their climate and environmental risks and impacts. This is towards our goal to deliver on our NDC and the Sustainable Development Goals while stimulating low carbon, sustainable economic growth. So far, our collaboration has helped to see a 30% increase in the number of organizations disclosing data (since 2017).

Run in partnership with CDP, a series of events at the Italian government pavilion cover the key elements which are needed to enact the Paris agreement: the climate and environmental transparency of non-Party stakeholders, the role of policy and regulation in driving faster progress, business and sub-national authorities' ambition and action, and financing sustainability.

The Italian government is working across these areas to deliver a low carbon, sustainable economy and implement the goals of the Paris agreement. We are prepared to take the action needed and look forward to moving from COP25 to COP26 at the end of 2020, hosted by the UK in partnership with Italy.

WHY CDP?

CDP is a global non-profit that runs the world's leading environmental disclosure system. Investors, companies, cities, regions and national policymakers use CDP to report and evaluate crucial climate and environmental information, measure and manage risks, and take action to reduce impacts.

CDP maintains the world's largest, most comprehensive climate and environmental dataset and is the only reporting platform and scoring methodology that is publicly available, transparent, and run under a charitable mission for the public good. More than 8400 companies and almost 900 subnational governments disclose through the platform.

Responses to CDP are used widely by governments, civil society, investors and financial markets as a consistent, comparable and standardized dataset upon which to inform decision-making and drive action towards a low carbon, sustainable economy.

* Total number of companies disclosing to investors, customers or both.

CDP global disclosure in 2019



More than **8,300 companies*** reported on **climate change**



More than **2,400 companies*** reported on **water**



More than **540 companies*** reported on **deforestation**



More than **920 cities, states and regions** reported on **their environmental impact**

THE COLLABORATION WITH THE ITALIAN GOVERNMENT BOOSTS ENVIRONMENTAL ACTION IN ITALY

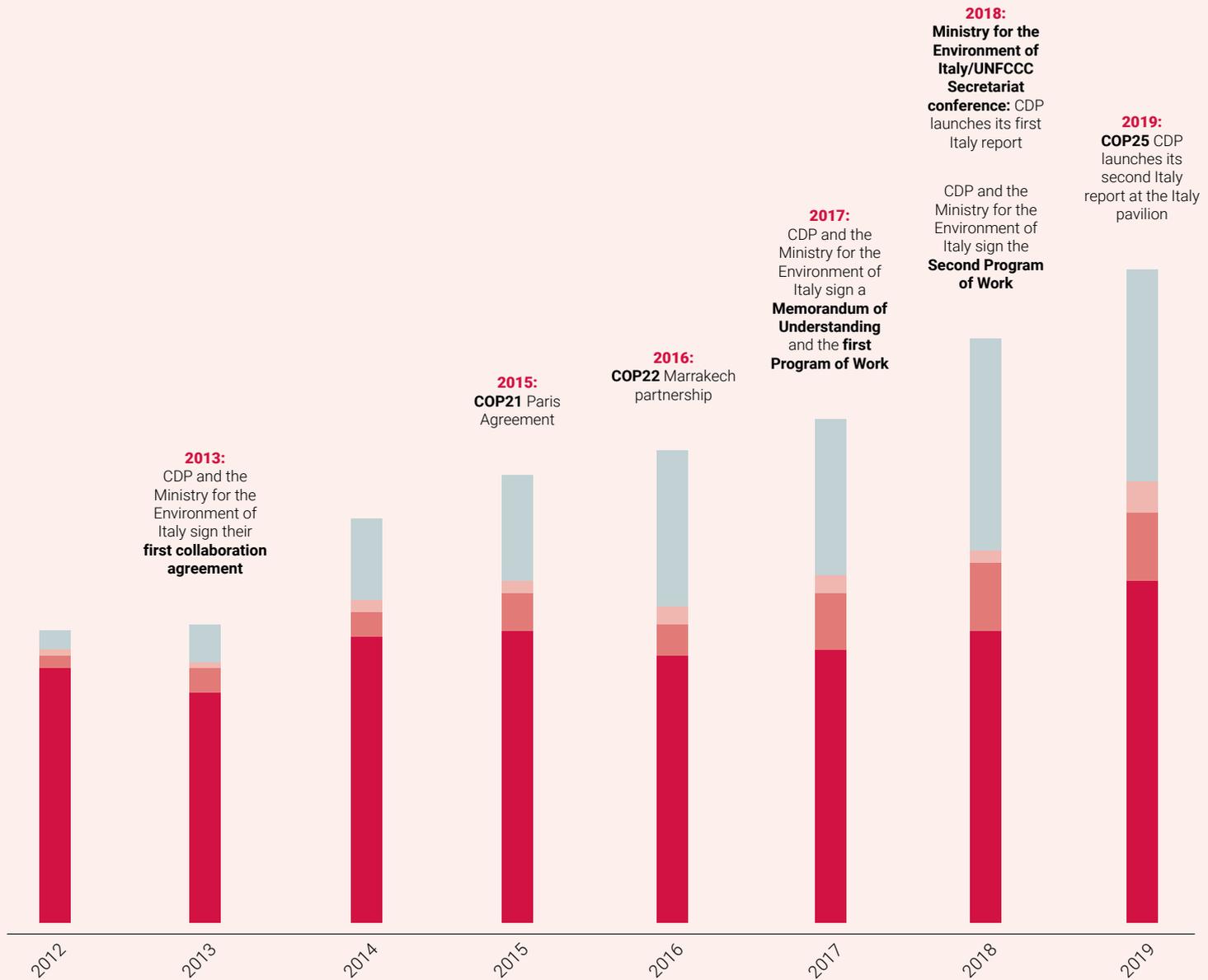
Since 2017, CDP and the Italian government have worked together through a Memorandum of Understanding to drive more transparency and action by Italian companies, cities and regions.

Our collaboration is a recognition that voluntary activities by non-state actors play a crucial role in global efforts to reduce GHG emissions and protect natural resources. The collaboration has been executed through annual work programs that have promoted mutual collaboration, endorsement and coordination to increase disclosure by public and private sector organizations to CDP. This work aims to achieve the objective of the Marrakech Partnership for Global Climate Action, promote sustainable development and align the Italian government's strategies for achieving the Paris Agreement, its Nationally Determined Contributions (NDCs), and the Sustainable Development Goals (SDGs).

Main goals and pillars of the agreement:

1. Engage companies and municipalities on their carbon footprint and forward-looking environmental targets, through analysis and disclosure, to contribute to achieving the Paris Agreement's goals.
2. Improve the quantity and quality of forward-looking disclosure by Italian companies, cities, states and regions on climate change, water security and deforestation.
3. Catalyze action by Italian non-state actors to reduce their emissions and protect natural resources, within the framework of the Marrakech partnership of Global Climate Action and beyond.

Italian responding stakeholders per year and program



2013:
CDP and the Ministry for the Environment of Italy sign their **first collaboration agreement**

2015:
COP21 Paris Agreement

2016:
COP22 Marrakech partnership

2017:
CDP and the Ministry for the Environment of Italy sign a **Memorandum of Understanding** and the **first Program of Work**

2018:
Ministry for the Environment of Italy/UNFCCC Secretariat conference: CDP launches its first Italy report

CDP and the Ministry for the Environment of Italy sign the **Second Program of Work**

2019:
COP25 CDP launches its second Italy report at the Italy pavilion

- ▼ Companies CC
- ▼ Companies W
- ▼ Companies F
- ▼ Cities and regions

The number of cities, regional authorities and companies that have disclosed data on climate change, water and/or forests has doubled since the start of the work. This marks an overall increase in the number of disclosers of 30% since 2017, compared to an increase of around 20% in Europe on average for the same years.

CDP in Italy – highlights from 2018 and 2019

I. Spring Workshops 2018 and 2019

In 2018 and 2019, two CDP national workshops on environmental disclosure were held in Italy, hosted by Borsa Italiana, Etica SGR and Credit Agricole. More than 130 representatives of major Italian companies, investors, cities and regions took part in 2019, which examined main standards and initiatives and provided an opportunity for exclusive discussion between actors in the public and private sectors.

II. CDP Italy Report 2017

On 3 October 2018, at the conference "Reaching the objectives of the Paris Agreement: a global challenge that passes through a local commitment" organized by the Ministry for the Environment in collaboration with the UNFCCC Secretariat, CDP presented its first multi-stakeholder CDP report for Italy.

The event was held in the presence of Pierluigi Peracchini, Mayor of the City of La Spezia.

Download the Italy Report 2017 [here](#).

REPORT KEY FINDINGS

1 Disclosure among Italian cities, regions and companies is higher than ever before.

- ▼ With a 30% increase in the total number of submissions to CDP from 2017-2019.

2 Non-state actors see major environmental impacts and opportunities.

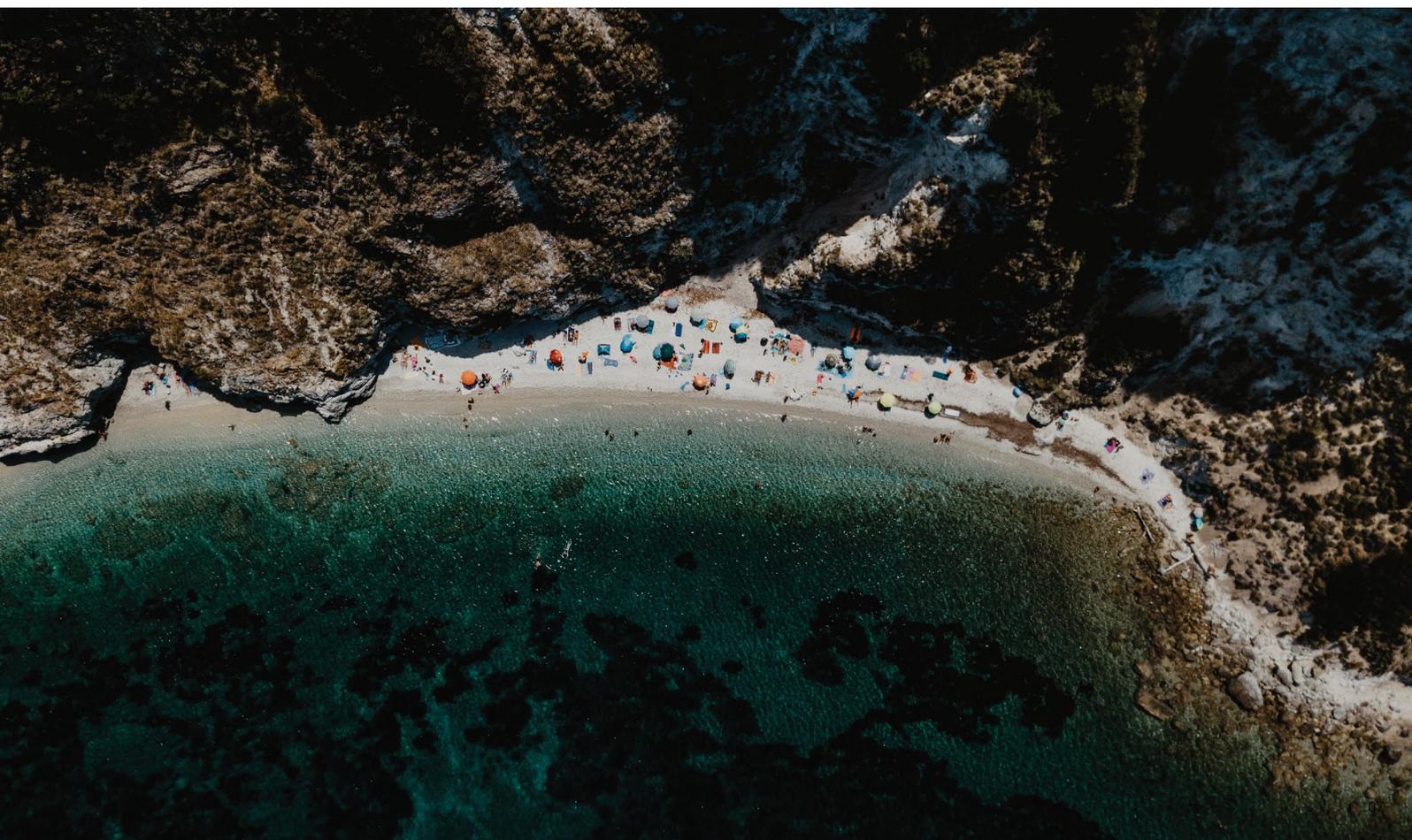
- ▼ Companies have identified over €44 billion in climate-related risks and €67 billion in potential opportunities, while over three quarters of Italian cities report climate risks.

3 But action to redress these risks and achieve the Paris agreement is insufficient.

- ▼ Though 60% of Italian companies have absolute emissions targets, only 18% have a target that covers 70% of Scope 1 and 2, and only 2 companies (4%) have an approved science-based target.

4 There is a growing awareness among cities of the need to address climate risks, but more work still needs to be done.

- ▼ Fewer than one in four cities currently have a vulnerability assessment in place, and only 12% have an adaptation plan – although 36% have one in development and 8% are planning to develop one in the near future.



ANALYSIS OF CDP CITIES, STATES AND REGIONS DATA 2018

In 2019, Italy had the highest number of cities (29) of any country in Europe using the CDP and ICLEI unified reporting system to understand their impact, monitor climate and environmental risks, and take the necessary adaptation and mitigation actions.¹

This growth in disclosure reflects the awareness in Italian local administrations of key environmental issues. More specifically, it also shows cities and regions are increasingly aware of the growing risks posed by climate change and of the need to act to mitigate impacts and implement adaptation strategies.

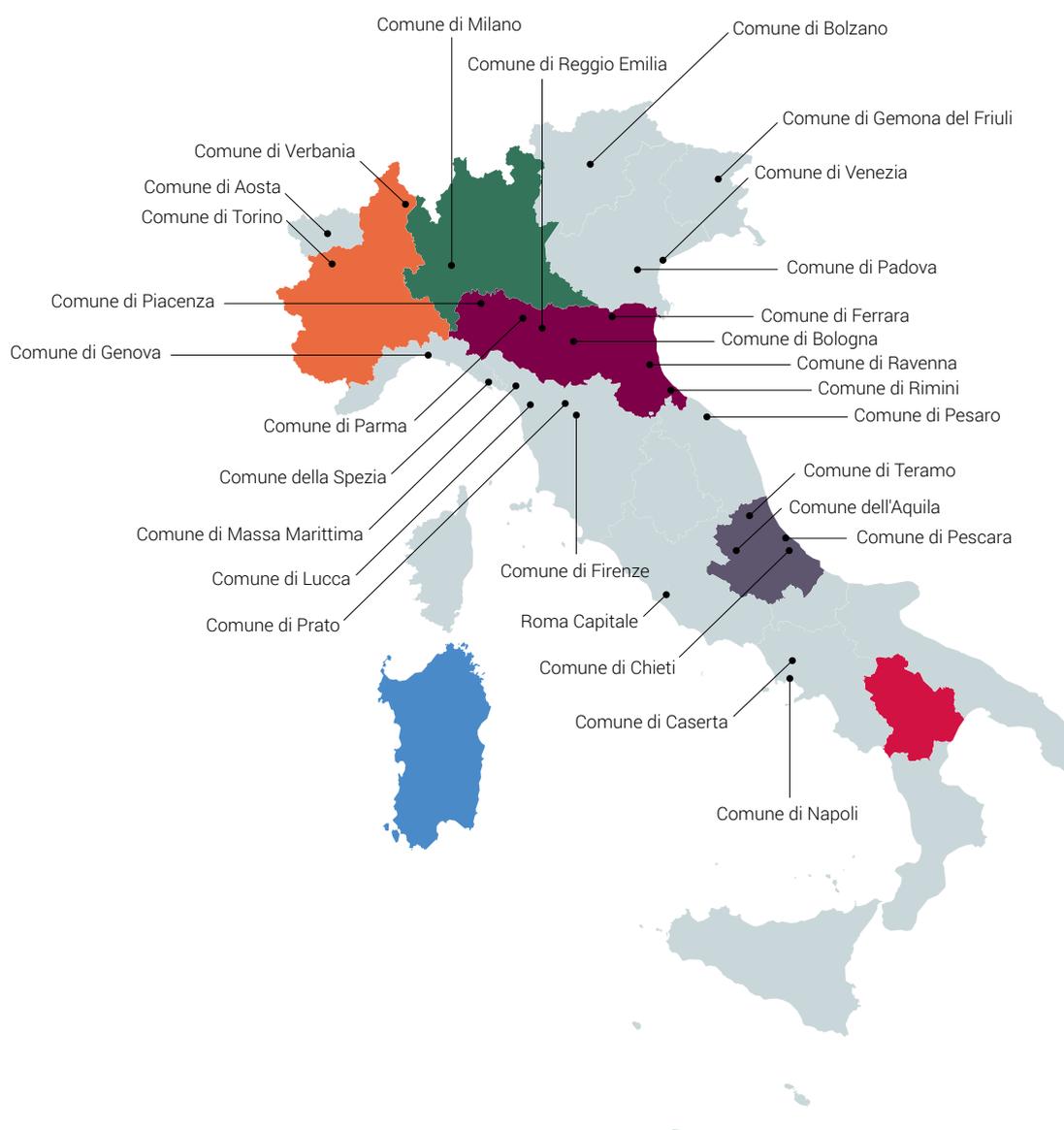
The North and Centre of Italy are better represented among disclosing municipalities and regions than other areas in the country.

An analysis of the type of cities engaged also shows that most responding cities are of medium to large size, with some exceptions of smaller cities under 50,000 inhabitants (Aosta, Gemona del Friuli, Massa Marittima, Verbania). Analysis of 2018 cities and regions' data

Disclosing cities and regions in Italy (2019)

Disclosing regions

- ▲ Abruzzo
- ▲ Basilicata
- ▲ Emilia-Romagna
- ▲ Lombardy
- ▲ Piedmont
- ▲ Sardinia



¹ In 2019, CDP and ICLEI – Local Governments for Sustainability launched the unified reporting system to simplify the process for local and regional governments to report their climate data, better enabling them to track efforts to reduce greenhouse gas emissions and build resilience to climate change. ICLEI is a leading network of more than 1,750 local and regional governments worldwide. To learn more about the partnership and how to disclose through the unified reporting system, please visit our website: <https://www.cdp.net/en/guidance/guidance-for-cities#ICLEI>

Cities identified
67
climate
risks
– an average of
2.3 risks reported
per city

The analysis below is based on data reported by **25 Italian cities and 9 Italian regions in 2018**.

Governance

Climate change is a cross-cutting issue requiring integrated solutions at city and regional level.

Through their responses to CDP, Italian cities and regions have shown that they are aware of the need to include climate strategies in broader urban planning.

85%
of responding cities and
89%

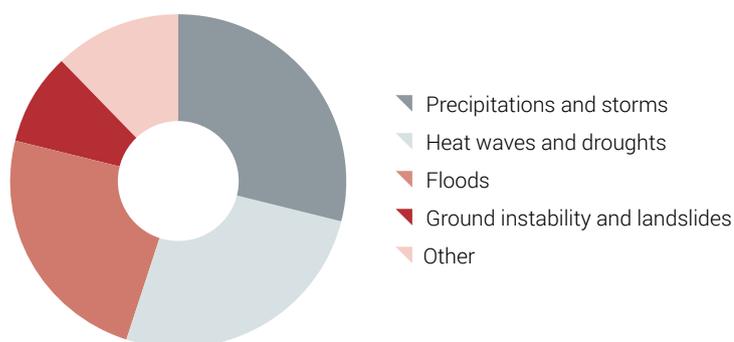
of responding regions reported that they have already incorporated, or are working to soon incorporate, sustainability goals and targets (e.g. GHG reductions) into the master planning for the city or region.

Adaptation

Due to its shape and geographical position, Italy is increasingly exposed to the threats posed by climate change. Amid calls from civil society for greater government commitments on action to avoid the disastrous effects of climate hazards like extreme weather events, droughts and landslides, **46 cities and regions in Italy have recently declared a climate emergency**.²

In line with this, **76% of Italian cities reported the effects of climate change to be a risk factor**. The most commonly reported hazards in 2018 were:

Most commonly reported hazards by Italian cities



Cities identified 67 climate risks - an average of 2.3 risks reported per city. Of these, nearly 60% are already having an impact on urban territory. Moreover, 37 of the risks identified are expected to increase in both intensity and frequency, 45 are expected to increase in their intensity and 38 are expected to increase in their frequency, showing the importance of swift city action to prevent catastrophic impacts. Only one risk – related to atmospheric CO2 concentrations reported by the City of Padua – is expected to decrease in both intensity and frequency in the future, thanks to planning and actions undertaken to reduce the concentration.

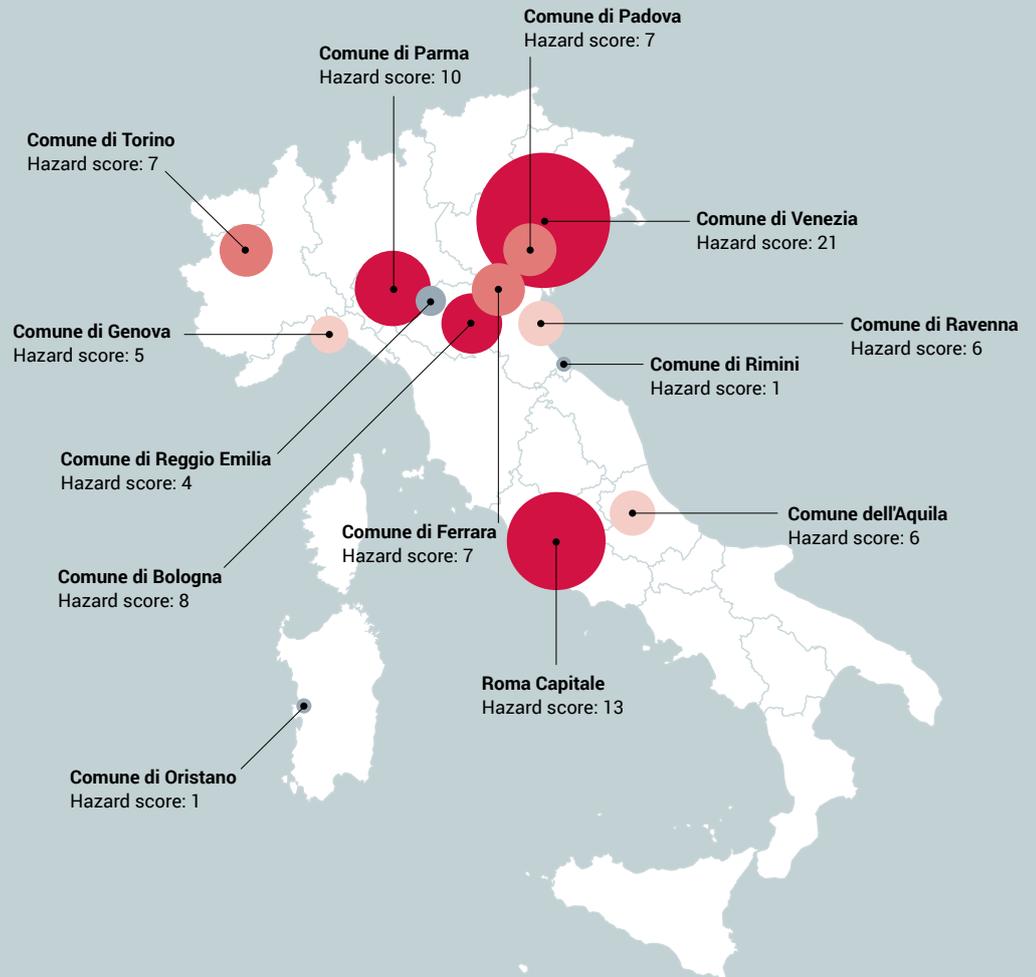
² <https://climateemergencydeclaration.org/climate-emergency-declarations-cover-15-million-citizens/>

Which are the cities at risk?

The map to the right shows the 'hazard scores' which has been given to Italian cities. The hazard score is calculated by multiplying the number of risks reported by Italian cities in 2018, by the severity the city expects (Less Severe = 1, Severe = 2, Extremely Severe = 3).

It is important to note that a city may be at high risk but having a high hazard score also indicates that the city is thoroughly measuring their risks. By doing so, they are better placed to manage them.

Italian cities ranked by hazard score



The complexity and diversification of risks posed by climate change in the short-, medium- and long-term necessitates effective and regular monitoring. For this reason, Italian cities are increasingly undertaking risk or vulnerability assessments, which help to correctly plan interventions and prioritize resource allocation.

Just 24%

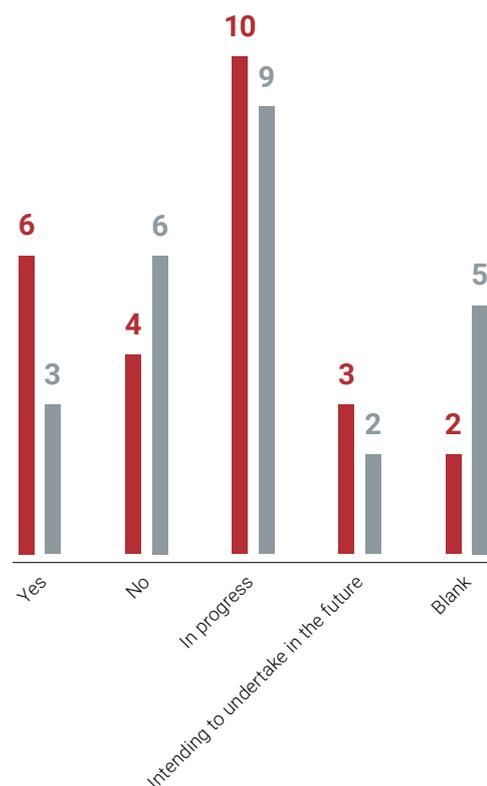
Italian cities have already completed a risk and vulnerability assessment, while just 12% have published an adaptation plan.

This compares negatively to the global average, [seen here in CDP research](#).³

However, the large number of cities that are working on vulnerability assessments and climate plans or intending to do so in the future shows a positive trend towards expanding the scope of action from mitigation only to adaptation. More specifically, the overall percentage of Italian cities which reported to have an adaptation plan set or in progress, or that intend to have one in the near future, increased from 47.6% in 2017 to 56% in 2018.

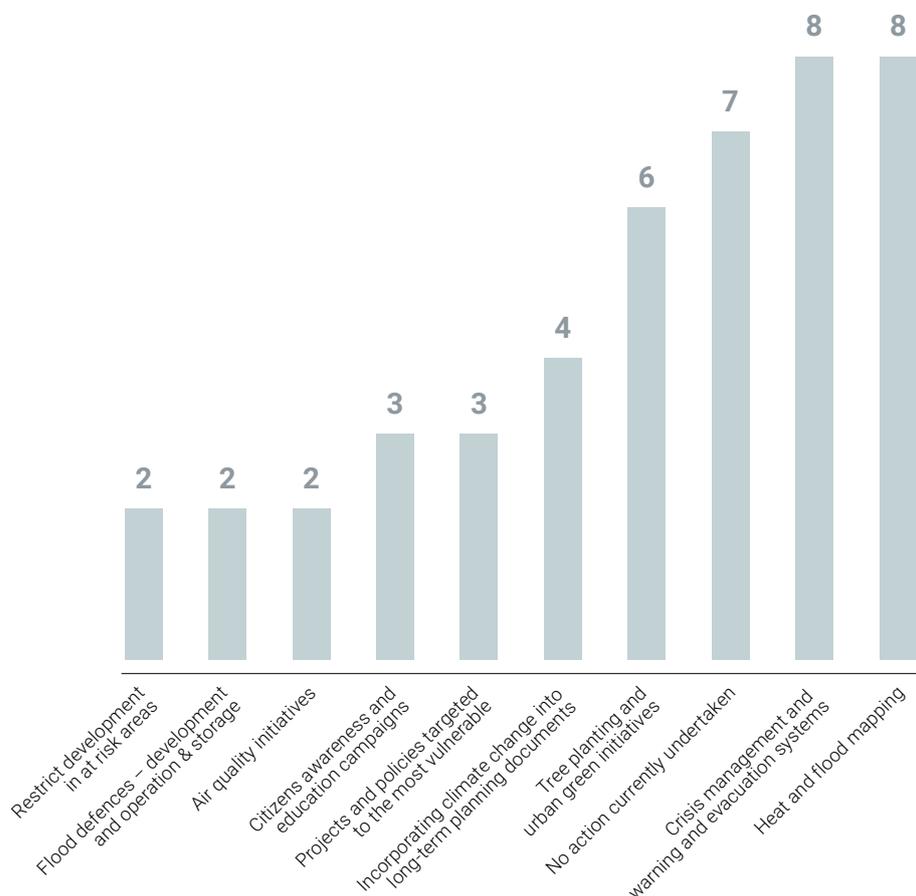
For cities which reported they do not yet have a published adaptation plan, or one in progress, the main reasons are a lack of resources and funding. Some cities also indicated that adaptation actions are already being included in other documents published by the city.

- Number of cities with a risk or vulnerability assessment
- Number of cities that have published an adaptation plan



³ <https://www.cdp.net/en/research/global-reports/cities-at-risk>

Top 10 adaptation actions reported by Italian cities



Adaptation actions

Italian cities reported an overall number of **47 adaptation actions**. Cities focus on monitoring and mapping risks and integrating adaptation policies into the governance processes of cities. These are followed by crisis management and evacuation interventions, education campaigns for citizens, and sector-specific projects, from greening urban spaces to initiatives to improve air quality. Infrastructure-based projects are less frequent, especially for large projects.

The prevalence of governance and monitoring policies – as well as the large number of risks for which no action has yet been taken – is in line with the fact that most cities are currently working on their risk assessments and climate plans. However, the urgency of addressing climate effects that already impact cities will require a quick response from local authorities.

Mitigation

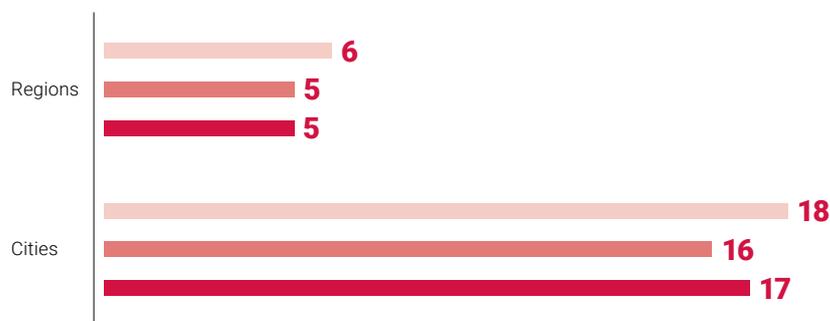
According to 1.5 IPCC report, human-induced warming reached approximately 1°C above pre-industrial levels in 2017 and will increase at a pace of 0.2°C per decade at the current rate.

In Italy, an analysis⁴ conducted by ISPRA shows that total greenhouse gas emissions, expressed in CO₂ equivalent, decreased by 17.4% in 2017 compared to the base year (1990). However, the emission reduction trend is insufficient in relation to what science says will be necessary to avoid disastrous climate effects. Research also indicates that the daily limits for fine particulate matter or ozone were exceeded in 55 large municipalities in 2018, with consequences on the environment and human health.⁵

To track changes and act effectively, cities and regions need to understand where emissions in their territory come from. Having an emissions inventory is the first step for cities to make informed decisions, set ambitious and realistic targets and engage stakeholders in action plans to meet the objectives set forth. The graph to the left shows Italian cities and regions in their pathways to emissions reduction and mitigation of impacts.

The graph shows an overall positive alignment in the number of cities involved in the 3 key steps for mitigation. A lack of resources is the main reason provided for not having a plan, according to 20% of cities which do not have a climate change action plan for reducing city-wide GHG emissions or intend to undertake it in future.

Italian cities and regions' pathways to emissions reductions and mitigation of impact



- ▢ City or region-wide emission inventory established or in progress
- ▢ Emission reduction target established or in progress
- ▢ Action plan established or in progress

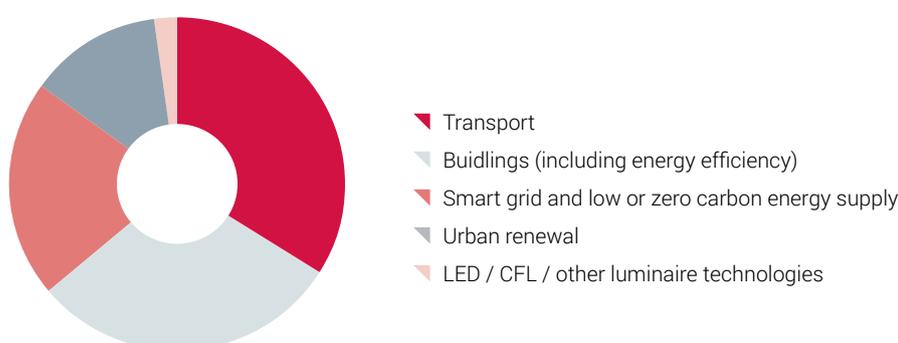
4 <http://www.isprambiente.gov.it/temi/cambiamenti-climatici/landamento-delle-emissioni>

5 <https://www.legambiente.it/malaria-2019-il-rapporto-annuale-annuale-sull'inquinamento-atmosferico-nelle-citta-italiane/>

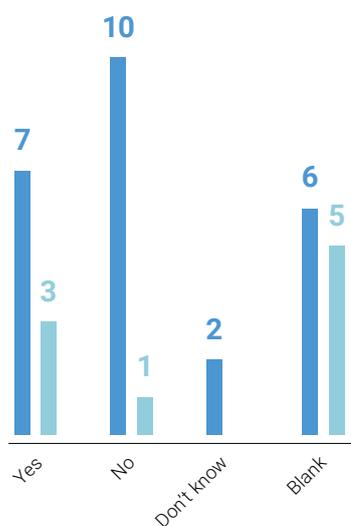
Mitigation actions

Italian cities reported an overall **66 mitigation actions**. Actions most frequently undertaken by Italian cities for mitigation and reducing GHG emissions are: the renovation of buildings for energy efficiency, the promotion of public and private means of transport with lower environmental impact, the optimization of traditional power and energy production and smart grid implementation, the replacement of public lights, and the establishment and preservation of green areas in the city.

Number of GHG emission reduction actions reported by cities per sector



Do Italian cities and regions foresee substantive risks to their water supply in the short or long term?



City
Region

Water supply

Water supply does not appear to be perceived as a substantive risk by the majority of Italian local and regional governments, with only 28% of cities and 33% reporting water supply as not secure in 2018.

This is partly at odds with both the climate change risks reported by the cities and regions themselves in their 2018 questionnaires, which see extreme temperatures and droughts among the major impacts, and with some of the most recent studies.

Among those, the ranking drawn up by the WRI⁶ includes Italy among the high-risk countries (44th in the list of 164 countries examined), while the latest ASviS report⁷ shows that, from 2015, Italy has experienced a negative trend with regard to Goal 6 of Agenda 2030 for sustainable development. For example, an increased number of families complain about irregularities in the supply of water and a decrease in efficiency of drinking water distribution networks has been noted.

A partial explanation of this discrepancy could be found in the distribution of cities and regions that reported to CDP in 2018, located mainly in northern and central Italy, where the risk is less serious.

Nevertheless, it is clear from the risks most commonly reported by cities - which are linked to ageing or inadequate infrastructure, increased water stress, and deteriorating water quality - that interventions are needed. Cities that see substantial risks to their water supply are already taking action and work on awareness and education campaigns, the diversification of supply sources and investments in infrastructure modernisation.

These actions may demonstrate the beginnings of a trend which could see increased medium- and long-term planning and modernisation measures to limit water losses becoming increasingly important in the whole country.

6 <https://www.wri.org/applications/aqueduct/country-rankings/>
7 https://asvis.it/public/asvis2/files/REPORT_ASviS_2019.pdf

What type of targets have Italian cities and regions set?

An overview:

Setting targets is key to cities and regions to boost their ambition, catalyze action from citizens and businesses and attract investments. However, meeting ambitious targets often requires joint efforts and alignment between different levels of government. In Italy, 55% of responding regions proved to be aware of the importance of collaboration between the various levels of administration, reporting that they work with cities in their territory and with the national Italian government to develop and/or meet each other's climate targets.

In Italy, **64%** of cities and **56%** regions reported an established emissions reduction target.

An analysis of the emissions reduction targets set by Italian cities shows that three-quarters of them are base year emissions targets. Those targets, also known as “absolute” targets, refer to the commitment to reduce or control the increase of emissions by a specified quantity relative to a base year.

No city has reported fixed level targets, the most common of which is carbon neutrality.

Only two Italian municipalities reported GHG emissions reduction targets for the entire urban area by 2050, and, of those, one only aims to achieve carbon neutrality in the target year.

In 2018, more than 70% of Italian cities have not reported GHG emissions reduction targets beyond 2020. For those objectives, the average of the emission reduction targets is 24.3% having 2005 or 2007 as base year. Medium- and long-term planning and greater ambition will be necessary to achieve the objectives outlined in the Paris Agreement and ensure a secure future for people and companies.

48% cities and **78% regions** have reported to **have an energy efficiency or renewable energy target set** or under development, marking an increase of 10% in the number of cities working on those targets compared to last year.

ANALYSIS OF CDP CORPORATE DATA 2018

Companies responding to investors⁸

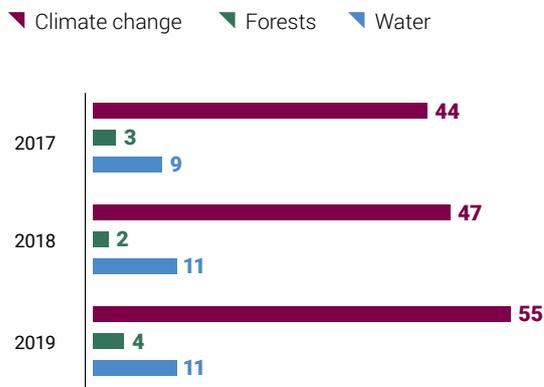
Disclosure on climate change has grown steadily in Italy over the past three years. This is the case both for companies included in CDP's investor sample and self-selected companies.⁹ The growth in reporting across both groups demonstrates that the benefits of disclosure are seen by companies of all types, since it provides a tool to understand their stage in the journey towards environmental leadership, foster dialogue internally and set a forward-looking strategy.

76% of Italian companies disclosed publicly, meaning that the data included in their response is available to all CDP stakeholders and interested citizens. This drives transparency in the market, reduces the awareness gap and enables dialogue and action among the key players involved in the transition to a low-carbon economy.

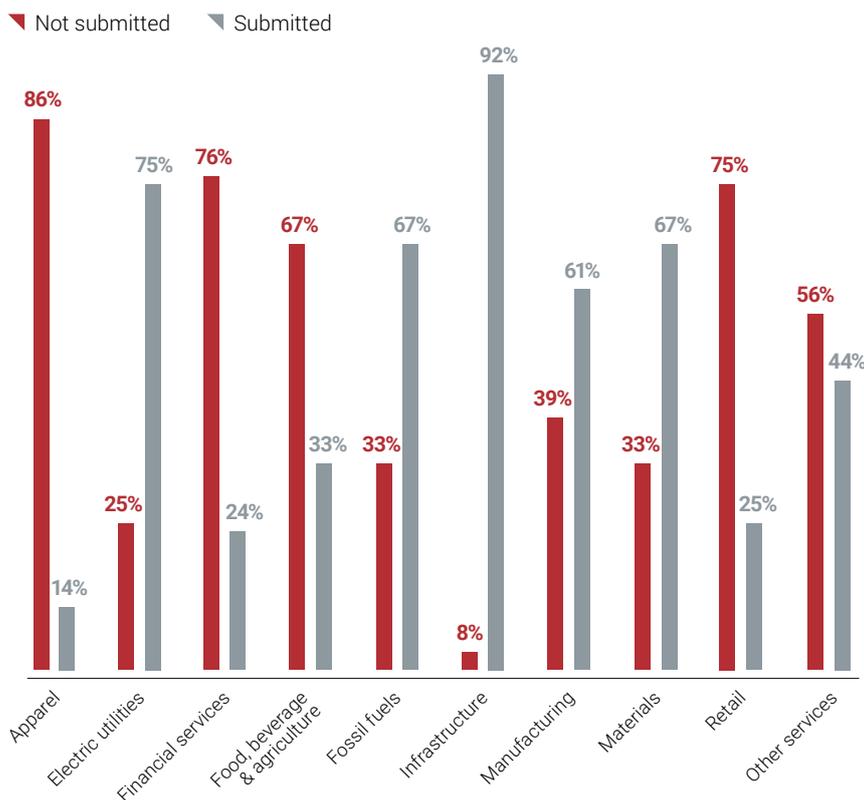
Fewer companies are requested to disclose data on forests and water security compared to climate change. This partially explains the slower growth registered in these two areas. The investor samples for forests and water security include roughly 25% of the companies in the climate change sample. Taking this and the disclosure numbers 2019 into account, response rates on water security and climate change do not differ greatly. However, the lower response rate for forests signals a weaker commitment from Italian companies to tackle deforestation.

Given how certain major industries for the Italian economy, like Apparel and Food, can be a cause for global deforestation through their supply chains, we expect companies in these industries to increase transparency of their use of forest risk commodities and to engage their supply chains.

Responding companies per year & theme



Response rate per industry



Analysis of 2018 corporate data

This analysis is based on 45 Italian companies included in CDP's investor sample which disclosed climate change data in 2018. It focuses on key findings from disclosures by companies made in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Response rate per industry

The most transparent industries are Infrastructure, Electric Utilities, Materials, Fossil Fuels and Manufacturing.¹⁰

Governance of climate change issues

CDP asks companies to report where responsibility for climate change sits within the company. This indicates how seriously a company considers the issue. The risks of climate change

93%
of disclosing companies confirmed that they have board-level oversight of climate-related issues.

84%
provide incentives for achieving climate-related targets.

⁸ The numbers are representative of all companies responding to investors, i.e. both those included in the investor samples and self-selected ones.

⁹ The investor sample includes the 100 Italian listed companies with the biggest market capitalization, whereas self-selected companies can be non-listed companies – privately or state-owned – or companies with a minor market capitalization.

¹⁰ The Biotech, Healthcare & Pharma, Cement, Hospitality and Paper & Forestry sectors are not displayed due to the number of companies in these sectors included in the CDP's investor sample being too low.

The total potential financial impact associated with the transition risks identified is

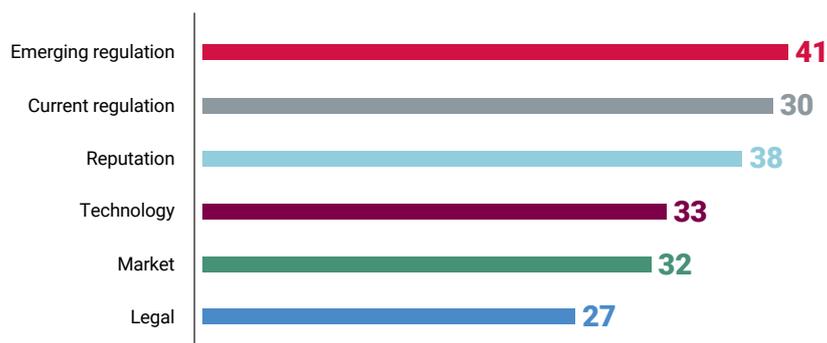
€36.9 billion

The risks of climate change

Transition risks

91% of disclosing companies include at least one transition risk in their climate-related risk assessments. As showed in the graph below, the most frequently disclosed-as-relevant transition risks relate to **current** and **emerging regulation** and to **reputation**.

Number of companies per reported transition risk



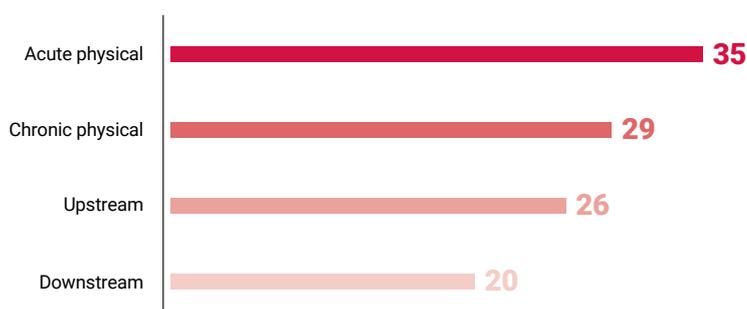
Among regulation-related risks, the most reported are higher GHG emissions prices, in addition to mandates on and regulation of existing products and services. These findings are consistent with the analysis conducted by CDP across global companies, as per the report **Major Risk or Rosy Opportunity: Are companies ready for climate change?**¹¹

The total potential financial impact associated with the transition risks identified is 36.9 billion euro. This figure should be considered alongside the fact that calculation methods are not standardized across reporting companies, and that this figure does not include mitigation measures.

Physical risks

78% of disclosing companies include at least one physical risk in their climate-related risk assessments. Due to its geographical location, Italy is significantly exposed to climate change. As showed in the graph below, the most frequently disclosed-as-relevant physical risks are acute risks.

Number of companies per reported physical risk



¹¹ Read the report at https://6fefcbb86e61af1b2fc4-c70d8ead6ced550b4d987d7c03fodd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/004/588/original/CDP_Climate_Change_report_2019.pdf?1562321876

The total potential financial impact associated with the identified physical risks is

€6.9 billion

Of these, the most reported are the increased severity of extreme weather events such as cyclones and floods. Companies have reported that they will likely experience increased capital costs due to the identified acute risks, which, among others, will cause damage to their facilities worldwide.

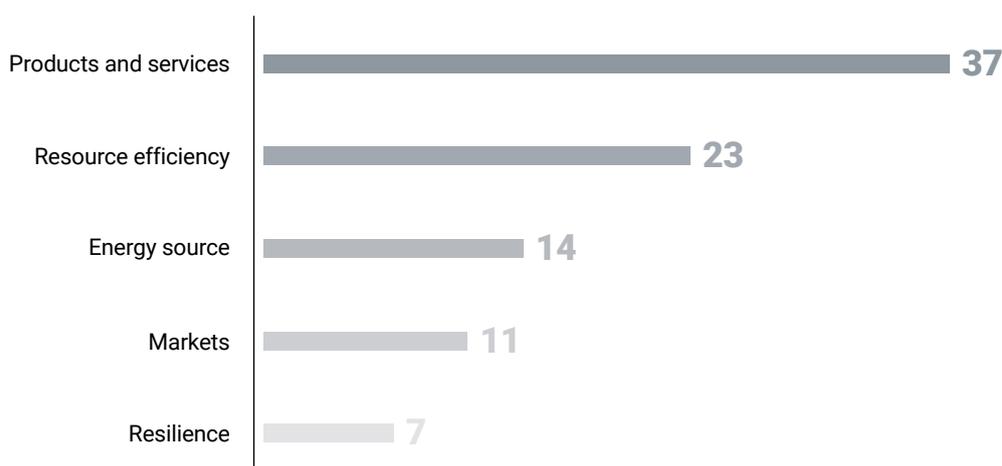
Among the disclosed chronic risks, the most reported relate to changes in precipitation patterns and extreme variability of weather patterns, as well as the rising of mean temperatures. Companies have reported that they will likely experience a reduction in their revenues due to the identified chronic risks; for instance, a less reliable availability of water could affect the electric utilities which rely on electricity generation from hydropower. Also, it's been disclosed that extreme rainfall events increase the likelihood of risk of disruptions to the continuity on the power lines.

The total potential financial impact associated with the identified physical risks is €6.9 billion.

Climate change-related opportunities

The graph below shows opportunities with the potential to have a substantive financial or strategic impact. The most reported opportunities relate to products and services; for instance, most companies identify an increase in revenues through higher demand for lower emissions products and services. Within opportunities related to resource efficiency, most companies identify the reduction of operating costs through efficiency gains and cost reductions.

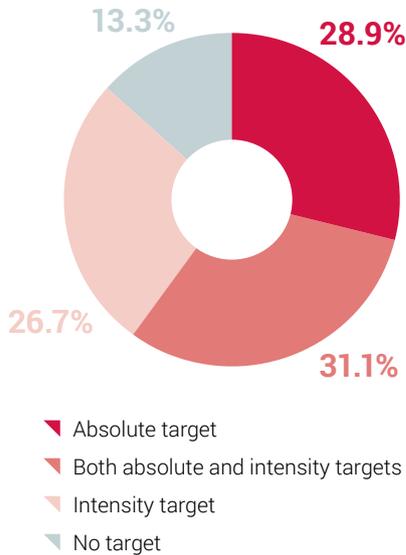
Number of companies per reported opportunity type



The total potential financial benefit resulting from the reported climate-related opportunities is €67.3 billion. The financial impact associated with opportunities is 54% higher (€23.5 billion) than the risks identified by companies.

While this is significant, it is also important to recognize that certain companies may underreport risks beyond their direct operations while being more advanced at identifying opportunities. This is particularly true for the financial sector.

Percentage of companies per target category



Emissions targets

The chart to the left shows the percentage of companies per type of target category that was active in the reporting year.

87% of investor requested companies in Italy reported that they have an emissions reduction target in place. This is slightly above the European average of 83%, as reported in **CDP's Europe Report 2018**.¹²

60% of companies have an absolute emissions target to cut their total emissions. However, most of these targets are not comprehensive enough to align companies' trajectories with the Paris agreement. Only 18% of disclosing companies reported an absolute emissions target covering at least 70% of their Scope 1 + 2 emissions with a medium time frame. This means the target year lies between five and fifteen years after the start year. Only 15% of companies reported that they have an intensity target of the same criteria.

These criteria are necessary for a target to be considered at the leadership level of CDP's scoring methodology. Accordingly, the level of ambition in the targets set by Italian companies is insufficient.

Only two Italian companies have approved science-based targets (SBTs): Enel S.p.A and electrical equipment and machinery supplier Danieli & C. Officine Meccaniche. Science-based targets are aligned with the goals of the Paris Agreement to keep global warming below 2°C. Globally, over 690 companies have joined the Science Based Target initiative (SBTi) to set such targets. 280 have targets which are officially validated, and 65 now have approved enhanced targets which are aligned with 1.5°C. 9 Italian companies have committed to developing SBTs and 18 reported to CDP that they anticipate setting one within the next 2 years.

¹² Read the report at https://6fefcbb86e61af1b2fc4-c70d8ead6ced550b4d987d7c03fcd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/004/069/original/CDP_Europe_report_2018.pdf?1553594302

Climate leadership is reshaping the global economy

The transition towards a net-zero carbon economy requires action across every section of the economy, but while the need for change is often evident to corporates, finding the means to change can be difficult.

High profile leadership initiatives and collective commitments have thus been powerful tools in mainstreaming the adoption of effective strategies to tackle environmental impacts. By joining initiatives such as the Science Based Targets initiative, RE100, EP100, and EV100, companies are demonstrating the compelling business case for ambitious action while at the same time effectively contributing to a more sustainable world.

As partner of the We Mean Business coalition, CDP is incentivizing measurable corporate action across a range of environmental leadership initiatives. Over 1,000 companies worldwide, representing more than \$20.1 trillion in market capitalization, are currently committed to take bold climate action through the We Mean Business coalition's Take Action initiatives.

WE MEAN BUSINESS



WORLD

60 countries
1638 commitments
1051 companies



EUROPE

21 countries
560 commitments
327 companies



ITALY

30 commitments
18 companies

CASE STUDY: SYNERGIES BETWEEN THE PUBLIC AND THE PRIVATE SECTOR

Limiting the global temperature rise to 1.5°C, as climate science mandates, requires rapid, transformational changes to energy, industry and infrastructure systems. Just one year after the Paris agreement was signed, with the Marrakesh Partnership at COP22, the international community recognised the importance of action by non-state actors to achieve this objective. We now know that cities and businesses can do more together.

Companies can drive change faster than governments and innovate new ways of mitigating the impact of climate change. Cities, on the other hand, are the place where two-thirds of the world's energy is consumed, where the greatest social and economic challenges are concentrated, and where the majority of companies operate. Cities can and must play a role as a catalyst for innovation, urban regeneration and resilience by working with businesses and investors.

CDP data shows that Italian cities are aware of the importance of collaboration between cities and businesses. More specifically:

- ▼ 55% of cities believe that climate change can have a negative impact on the ability of businesses to operate on the ground
- ▼ 60% of them reported they already collaborate in voluntary partnership with businesses on sustainability projects

However, there is a need to facilitate these collaborative processes, to come up with innovative solutions and to facilitate the access of cities to the necessary investments.



The following box presents a case of positive collaboration between cities, businesses and investors in identifying climate risks in urban areas.

Turin: Adaptation stronger together

A city works with a major insurance group and small and medium-sized enterprises to increase resilience for its citizens.

On December 2018, the City of Turin has agreed on a memorandum of understanding with neighboring municipalities and trade associations to expand support to small and medium enterprises (SMEs) located in its urban area to reduce the impact and cost of damages caused by increasingly frequent weather events.

This innovative collaboration builds on the work of the Derris Project¹³ started in 2015. The aim of the project, delivered by the insurance group Unipol Gruppo and piloted by the City of Turin in partnership with ANCI – National Association of Italian Municipalities, CINEAS, and Coordinamento Agenda 21 is to help SMEs identify and assess their risks arising from climate change. To this end 30 SMEs were selected in six different areas of the city's territory to participate in the project.

From 2016 to 2017, the SMEs received support in i) the assessment of their vulnerabilities to extreme weather and climate events through inspections; ii) the development of adaptation plans. The project also offered a training course aimed at improving companies' knowledge about their risks and emergency prevention and management and a risk self-assessment tool (the CRAM - Climate Risk Assessment and Management tool¹⁴) was developed to support participating SMEs.

Already in 2017, based on Turin's experience, the Derris Project was extended to ten Italian municipalities, including Genoa, Padua, Bologna and Pescara. ANCI played an active role in this phase of the project, contributing to the selection of the cities involved and sharing policy recommendations that came out of the Project's final guidelines among institutional actors. Workshops and public events were organized in all municipalities to present the project and select SMEs in the urban areas to be supported in the assessment of their climate risks testing the CRAM tool.

In 2018, using the results produced from the Derris Project, Turin approved the Integrated District Adaptation Plan (IDAP). IDAP, used as part of a public awareness campaign, provides the foundation for the city's new adaptation plan, while the success of the Derris project's pilot phase in the city has now resulted in the project's expansion to Turin's neighboring municipalities – paving the way for extending the project's methodology to other businesses in the wider area.

Through its commitment to collaboration and development of effective new public-private partnerships to increase environmental protection and resilience, Turin is paving the way to stronger, more integrated climate action across the board.

From CDP interview to Maria Luisa Parmigiani, Head of Sustainability and Stakeholder Management at Unipol, on the Life Derris project

1. What's the motivation behind the project?

In line with the position paper from the European Commission on the role of insurances against Climate Change - published in 2013, we think of climate change as a strategic topic to the survival of our business. Either we leave the market of property insurances, or we teach our stakeholders how to protect themselves. We chose the latter, because it's in the culture of Unipol to foster the creation of shared value through the collaboration between the private and the public sector.

2. What are the success factors of the project?

The development of climate-risks maps that identify the 7 climate related dangers for our country; nothing like this was there before. Initially developed to support the companies and cities involved in the project understand their risk exposure, these maps became an asset for us, an internal working tool. Moreover, they store key knowledge and originate from great competence. Hence, they represent a good example of shared value.

The scalability of the project; we have started a close partnership with the city of Turin to engage more companies and we are working with more cities.

The reputation that we have achieved. Allianz, Axa and Generali are our big European competitors. Our position on climate change has helped us to be perceived by the European Commission, other insurers and the corporate world as comparable. Now we interact more with large companies that previously.

3. How important do you think the private – public collaboration is to drive climate-change resilience?

Very important because only by collaborating you can get the systemic view of the problem. We've learned that four actors are key: the public sector, the private sector, the public transport/infrastructure sector and the utilities. These actors need to talk to each other to build effective adaptation plans. With Life Derris we've initiated this multi-stakeholder dialogue and wish to keep it going.

13 http://www.comune.torino.it/ambiente/cambiamenti_climatici/life_derris/index.shtml

Read more on the Derris Project on the website <http://www.derris.eu/en/>. A video on companies' experiences can be found at <https://www.youtube.com/watch?v=SIaocUc7dHE&feature=youtu.be>

14 <https://cram.derris.eu/>

HOW DO INVESTORS AND FINANCIAL MARKETS USE CDP DATA?

In 2018, CDP received its highest ever number of requests from investors for data. This is in line with figures published by Eurosif where, among other indicators, ESG integration and engagement, as well as voting investment strategies, registered close to a 20% increase in 2017 compared to 2015 (4 and 5 trillion euros of assets managed).

Global CDP investor signatories and members number 525 and 67 respectively, with \$96 trillion in total assets, of which one third are in the EU. In Italy, 8 investors are signatories to CDP and 2 are members. This constitutes a solid base of partners working with CDP on two levels: data analysis and education. CDP's investor signatories and members access corporate environmental data directly from the CDP website, and actively participate in educational sessions to understand how to utilize the granular data available. Integrating ESG data into investment processes is becoming mainstream and it is set to rise further in 2019, as a result of TCFD-compliant data points now included in CDP questionnaires.

Italian investor signatories and members

Signatory	Member
Anima SGR	Eurizon Capital S
Assicurazioni Generali Spa	Etica SGR
Fondazione Cariplo	
Fondo Pegaso	
Fondo Pensione Cometa	
UniCredit	
Unipol Gruppo	
Cattolica Assicurazioni	

Euronext Environment Indices

The Euronext® CDP Environment indices are a new range of equity indices created, calculated and published by Euronext for the exclusive use of Goldman Sachs for environmental structured products. First launched in September 2018, they are the first equity indices to use the three CDP thematic corporate scores of climate change, water security and forests. Euronext uses CDP scores to calculate an environmental score based on a company's average across the three themes. The Euronext® CDP Environment World EW selects the highest-ranked 20 North American and 20 European stocks, from a universe of the largest 400 Euronext 500 stocks. Italian companies **Eni** and **Intesa Sanpaolo** are included in the index, as of October 2019. The Euronext® CDP Environment Eurozone selects the top 50 European stocks from the Eurozone 300, and includes **Intesa Sanpaolo**. The composition of the indices is reviewed annually with CDP scores, and the weighting of the constituents reviewed quarterly. The index is available for institutional and retail investors through structured products called autocall created by Goldman Sachs.

CPR Invest – Climate Action fund – CDP's first ever co-branded investment fund

In December 2018, CPR AM, subsidiary of the largest European asset manager Amundi, launched CPR Invest – Climate Action in collaboration with CDP. The fund invests in global equities with a core strategy based entirely on climate action. The investment philosophy sees that companies have a pivotal role in ensuring that global temperature goals are met. All companies in all sectors and in all countries are considered in the starting universe of investable companies, the MSCI World Index 2750 stocks). Three cumulative levels of exclusion filters are applied: CDP scores and Science Based Targets initiative data, ESG ratings at different levels of granularity based on Amundi ratings and high ESG controversies through a RepRisk indicator. This methodology leads to a final eligible universe of investable companies and to an advanced solution to manage climate-related risks of investments and possibly support the transition towards a low carbon economy.

New Derivatives on STOXX Low Carbon and Climate Indices

Eurex, the largest derivatives exchange for European Futures and Options, launched futures on a low carbon version of the EURO STOXX 50® and climate impact version of the STOXX Europe® 600, providing asset owners with a new liquid tool to manage climate risks in their investment portfolio. The EURO STOXX 50® Low Carbon has a similar risk-return profile as the EURO STOXX 50® while lowering the carbon footprint by approximately 50%. The STOXX® Europe Climate Impact is based on CDP climate scoring methodology, including forward-looking metrics such as carbon pricing and science-based targets. Companies from the STOXX® Europe 600 are selected according to CDP A scores ("Leadership score") and CDP B scores ("Management score"), and their progress towards transitioning to a low carbon economy is evaluated on a yearly basis.



The corporate environmental data CDP collects forms the backbone of the responsible investing market – without this data, investors wouldn't have the information they require to offer ESG products and services. At CPR Asset Management, we believe that the integration of ESG data into investment processes generates value in the long term. We need to know how exposed a company is to environmental risks and their long-term strategy for the lowcarbon transition, in order to identify future market leaders.

Arnaud Faller
Deputy CEO and CIO at
CPR Asset Management



5.5%

per annum
outperformance
over past
7 years

Stoxx® Global Climate Change Leaders index.

From 19/12/2011 to 25/01/2019, the Stoxx® Global Climate Change Leaders index outperformed the Stoxx® Global 1800 index by 5.5% per annum



Data from Dec. 19, 2011 to Jan. 25, 2019

1. The index is price weighted with a weight factor based on the free-float market cap multiplied by the corresponding Z-score carbon intensity factor of each constituent. Components with lower carbon intensities are overweighted, while those with higher carbon emission are underweighted. * Compared to the STOXX Global 1800 Index in the period from 19/12/2011 to 25/01/2019.

For more information about the CDP Investor Program, including the benefits of becoming a signatory or member please visit: <http://bit.ly/2vvsrhp>

To view the full list of investor signatories please visit: <http://bit.ly/2uW3336>

First ever Climetrics Fund Award

Ten equity funds were recognized in February 2019 as the top performing European equity funds on climate change. The ranking is based on data from the climate rating for funds, **Climetrics**. The tool, developed by CDP and ISS-climate, measures the climate performance of a fund's stocks, its asset manager's governance of climate issues, and its investment policy, to help investors find funds well-positioned in the transition to a low carbon economy. Asset managers BNP Paribas AM, Candriam and Mirova each had two funds among the 10 receiving a Climetrics Fund Award, while French asset managers received 7 of the 10 awards, underlining the leading role of French investors and asset managers in the transition to a low carbon economy. Climetrics rates over 13,000 funds representing about €5 trillion in fund investments. It is freely available at climetrics-rating.org

Fund Award 2018 Top 10 European equity funds

Fund Name	Asset Manager Name
BNP Paribas Developpement Humain	BNP Paribas Asset Management
Parworld Quant Equity Europe Guru	BNP Paribas Asset Management
Echiquier Major	La Financiere de l'Echiquier
LBPAM ISR Actions Europe	La Banque Postale Asset Management
Mirova Europe Sustainable Equity	Mirova
OFI RS European Growth Climate Change	OFI Asset Management
Mirova Europe Environmental Equity	Mirova
Candriam SRI Equity Europe	Candriam Investors Group
Candriam Sustainable Europe	Candriam Investors Group
NN (L) European Sustainable Equity	NN Investment Partners

To view all ratings for free online please visit:
www.cdp.net/en/investor/climetrics





APPENDIX:

LIST OF RESPONDING COMPANIES, CITIES AND REGIONS IN 2018 AND 2019

Cities	2018	2019
Comune della Spezia	X	X
Comune dell'Aquila	X	X
Comune di Aosta		X
Comune di Bologna	X	X
Comune di Bolzano	X	X
Comune di Caserta		X
Comune di Chieti		X
Comune di Como	X	
Comune di Cremona	X	
Comune di Ferrara	X	X
Comune di Firenze	X	X
Comune di Gemona del Friuli		X
Comune di Genova	X	X
Comune di Lucca	X	X
Comune di Massa Marittima	X	X
Comune di Milano	X	X
Comune di Monza	X	
Comune di Napoli	X	X
Comune di Olbia	X	
Comune di Oristano	X	
Comune di Padova	X	X
Comune di Parma	X	X
Comune di Pesaro		X
Comune di Pescara		X
Comune di Piacenza		X
Comune di Prato		X
Comune di Ravenna	X	X
Comune di Reggio Emilia	X	X
Comune di Rimini	X	X
Comune di Teramo		X
Comune di Torino	X	X
Comune di Venezia	X	X
Comune di Verbania	X	X
Roma Capitale	X	X

Regions	2018	2019
Abruzzo	X	X
Basilicata	X	X
Emilia-Romagna	X	X
Lombardy	X	X
Marche	X	
Piedmont	X	X
Sardinia	X	X
Tuscany	X	
Veneto	X	

Companies	2018			2019		
	Climate	Water	Forests	Climate	Water	Forests
A2A	X	X		X	X	
ACEA SpA	X			X		
Assicurazioni Generali Spa	X			X		
ASTM SpA	X			X		
Atlantia	X			X		X
Banca Farmafactoring				X		
Banca Generali SpA	SA			SA		
Banco BPM SpA				X		
Barilla Holding SpA			X			X
Beni Stabili Spa SIIQ	X			SA		
BPER Banca				X		
Brembo SpA	X	X		X	X	
CIR SpA	X					
Credito Valtellinese	X					
Cerved Information Solutions				X		
Danieli & C Officine Meccaniche S.p.A.	X			X		
Enav	X					
ENEL SpA	X	X		X	X	
Eni SpA	X	X		X	X	
ERG S.p.A	X			X		
Ferrari	X			X		
Fiat Chrysler Automobiles NV	X	X		X	X	
Fincantieri	X			X		
Fincoobank	SA			SA		
Gruppo Ferrovie dello Stato				X		
Hera	X			X		
Hitachi Rail STS	X			X		
IGT PLC	X			X		
IMA SpA	X			X		
Immobiliare Grande Distribuzione SpA	X			X		
Intesa Sanpaolo S.p.A	X			X		
Iren SpA	X			X		
Italgas	X			X		
Leonardo	X			X		
Maire Tecnimont SpA	X			X		
MARR SpA	X			X		
Mediobanca				X		
OVS				X		
Piaggio & C SpA	X	X		X	X	
Pirelli	X	X		X	X	X
Poste Italiane				X		
Prysmian SpA	X	X		X	X	
Recordati SpA				X		
REPLY S.p.A	X			X		
Saipem	X			X		
Salini Impregilo S.p.A.	X			X		
Salvatore Ferragamo SpA	X			X		
SIAS	X			X		
Snam S.P.A	X	X		X		
Sofidel S.p.A.	X		X	X		X
Telecom Italia	X			X		
Terna	X			X		
UBI Banca	X			X		
UniCredit	X			X		
Unipol Gruppo				X		
UnipolSai				SA		
YOOX Net-A-Porter Group	X			SA		
Zignago Vetro SpA	X			X		

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CDP Europe gratefully acknowledges EU funding support:

