

## 1 Risks and Opportunities

**Objective:** To identify strategic risks and opportunities and their implications.

### a Risks:

i **Regulatory Risks:** How is your company exposed to regulatory risks related to climate change?

The retail sector is not likely to be directly affected by regulations associated with climate change. However, as a purchaser, distributor and retailer of wood/lumber products, we recognize that future regulations may impact costs for these products. As such, the company continues to monitor regulatory policy initiatives.

ii **Physical Risks:** How is your company exposed to physical risks from climate change?

Lowe's recognizes that extreme weather may affect buying patterns, disrupt the supply chain and increase operating costs. We have corporate emergency preparedness plans in place to address all types of weather-related emergencies, power outages, system outages and even inaccessibility to our corporate offices. An extensive network of emergency backup generation systems serves our facilities throughout North America.

iii **General Risks:** How is your company exposed to general risks as a result of climate change?

Climate change and sustainability may influence consumers' purchasing habits as they are increasingly exposed to information regarding climate change and their environmental impact. In recognition and as a matter of good business management, Lowe's will strive to reduce the carbon intensity of our stores, warehouses and corporate buildings throughout North America. Additionally, Lowe's recognizes the need for responsible forestry since forests are critical to carbon sequestration and overall climate stability. Extreme weather events related to climate change could impact the timing and costs associated with delivery of goods. Further, we recognize that increased transportation, energy, raw materials or carbon-related expenses, could increase the cost of products we purchase.

iv **Risk Management:** Has your company taken or planned action to manage the general and regulatory risks and/or adapt to the physical risks you have identified?

Lowe's is reducing its energy consumption company-wide through the implementation of a series of energy efficiency projects and by reducing the fuel consumption in its transportation network. We have undertaken a broad array of mitigation initiatives to address the general regulatory and/or physical risks associated with climate change. These include:

- Energy Efficiency Improvements -- lighting retrofits, energy management systems and the ENERGY STAR® program
- Leadership in Energy and Environmental Design (LEED®) certification
- Transportation Improvements -- SmartWay<sup>SM</sup> Transport Partnership
- Emergency-Preparedness protocols and plans

In addition, Lowe's ranks 16th among Fortune 500 companies purchasing green power.

v **Financial and Business Implications:** How do you assess the current and/or future financial effects of the risks you have identified and how those risks might affect your business?

The effects of potential climate change on energy and fuel costs are assessed on a case-by-case basis. Projects we undertake to mitigate potential risks are based on various factors including return on investment. We have a network of individuals representing different functions of our business to evaluate and prioritize actions to respond to risks that may be posed by climate change. Lowe's does not generally disclose its assessments or the potential impact such risks may have on its financial condition or operating results, unless required to do so by applicable laws or regulations.

**b Opportunities:**

i **Regulatory Opportunities:** How do current or anticipated regulatory requirements on climate change offer opportunities for your company?

Lowe's does not expect to realize significant increases in business opportunities as a result of regulatory requirements related to climate change issues. However, we do recognize the potential for revenue from the sale of carbon emission reduction credits under a Cap and Trade system. Lowe's works proactively with lawmakers, both directly and through retail industry associations, to develop policy solutions that bring about good environmental stewardship and make business sense.

ii **Physical Opportunities:** How do current or anticipated physical changes resulting from climate change present opportunities for your company?

Lowe's does not expect to realize significant increases in opportunities as a result of potential physical changes resulting from climate change. However, stores in areas impacted by hurricanes, for example, may experience an increase in sales of certain goods before and after such events. As a national disaster relief partner with the American Red Cross, Lowe's works with ARC chapters to respond to disasters such as fires, floods and tornadoes with much-needed supplies from local stores.

iii **General Opportunities:** How does climate change present general opportunities for your company?

Lowe's recognition of opportunities in and customer awareness of climate changes is exemplified by Lowe's leadership position in energy efficiency and transportation. Lowe's earned honors from the US EPA and the Department of Energy's ENERGY STAR® award for the sixth year in a row (2003-2008). In addition, Lowe's has earned two consecutive Environmental Excellence awards from the US EPA SmartWay<sup>SM</sup> Transport Partnership.

iv **Maximizing Opportunities:** Do you invest in, or have plans to invest in products and services that are designed to minimize or adapt to the effects of climate change?

Lowe's plans to invest in products and services designed to adapt to climate change. These include: centralized energy management controls; high efficiency lighting; US EPA SmartWay<sup>SM</sup>; and green power purchases. In addition, we provide ENERGY STAR training to our retail locations to better respond to the needs of our customers.

v **Financial and Business Implications:** How do you assess the current and/or future financial effects of the opportunities you have identified and how those opportunities might affect your business?

To prioritize environmental programs based upon the opportunities previously identified, Lowe's has established a network of senior managers who represent the key functions of our business. The financial analysis of new products and services aimed at GHG and energy reduction are no different than traditional financial analysis methods. Further, the potential financial effects of opportunities are assessed in much the same way we assess potential climate change risks – i.e., on a case-by-case basis.

## 2 Greenhouse Gas (GHG) Emissions Accounting

**Objective: To determine actual absolute Greenhouse Gas emissions.**

### a Accounting Parameters

i **Reporting Boundary:** Please indicate the category that best describes the company, entities or group for which your response is prepared:

- a. Companies over which financial control is exercised – per consolidated audited Financial Statements.
- b. Companies over which operational control is exercised.
- c. Companies in which an equity share is held.
- d. Other (please provide details).

b. Companies over which operational control is exercised

Please use the same approach for all answers.

ii **Reporting Year:** Please explicitly state the dates of the accounting year or period for which GHG emissions are reported.

Start date: January 1, 2007  
End date: December 31, 2007

The financial accounting year is February 1 to January 31.

iii **Methodology:** Please specify the methodology used by your company to calculate GHG emissions.

Lowe's GHG inventory methodology will be compliant with the World Resources Institute (WRI) and World Business Council for Sustainable Development's (WBCSD) GHG Protocol Initiative corporate GHG accounting and reporting. The Lowe's inventory will also be fully compliant with The Climate Registry (TCR) protocol for registering GHG emissions.

### b Direct and Indirect Emissions – Scope 1 and 2 of the GHG Protocol

i Are you able to provide a breakdown of your direct and indirect emissions under Scopes 1 and 2 of the GHG Protocol and to analyze your electricity consumption? If so, please provide the following information together with a breakdown of the emissions reported under each category by country where possible. If not, please proceed to question 2b ii:

#### Scope 1 Direct GHG Emissions

- a. Total global Scope 1 activity in metric tonnes CO<sub>2</sub>-e emitted.

- b. Total Scope 1 activity in metric tonnes CO<sub>2</sub>-e emitted for Annex B countries.

**Scope 2 Indirect GHG Emissions**

- a. Total global Scope 2 activity in metric tonnes CO<sub>2</sub>-e emitted.

- b. Total Scope 2 activity in metric tonnes CO<sub>2</sub>-e emitted for Annex B countries.

**Electricity consumption**

- a. Total global MWh of purchased electricity.

- b. Total MWh of purchased electricity for Annex B countries.

- c. Total global MWh of purchased electricity from renewable sources.

- d. Total MWh of purchased electricity from renewable sources for Annex B countries.

ii If you are unable to detail your Scope 1 and Scope 2 GHG emissions and/or electricity consumption, please report the GHG emissions you are able to identify together with a description of those emissions.

While the Plan is in place, the inventory is currently under development.

Lowe's efforts will focus on Scopes 1 and 2 – Carbon Emissions from Direct Sources (stationary and mobile combustion and refrigerants), and Indirect Sources (purchased electric power).

**c Other Emissions – Scope 3 of GHG Protocol:**

*How do you identify and/or measure Scope 3 emissions? Please provide where possible:*

- a. *Details of the most significant Scope 3 sources for your company.*
- b. *Details in metric tonnes CO<sub>2</sub>-e of GHG emissions in the following categories:*
  - i. *Employee business travel.*
  - ii. *External distribution/logistics.*
  - iii. *Use/disposal of company's products and services.*
  - iv. *Company supply chain.*
- c. *Details of the methodology you use to quantify or estimate Scope 3 emissions.*

**d External Verification**

i Has the information reported in response to Questions 2b – c been externally verified or audited or do you plan to have the information verified or audited? If so:

No

*ii Please provide a copy of the audit or verification statement or state your plans for verification.*

*iii Please specify the Standard or Protocol against which the information has been or will be audited or verified.*

**e Data Accuracy**

*Does your company have a system in place to assess the accuracy of GHG emissions inventory calculation methods, data processes and other systems relating to GHG measurement? If so, please provide details. If not, please explain how data accuracy is managed.*

Not at this time.

**f Emissions History**

Do the emissions reported for your last accounting year vary significantly compared to previous years? If so, please explain the reasons for the variations.

Not applicable

**g Emissions Trading**

i Does your company have facilities covered by the EU Emissions Trading Scheme? If so:

No

- a. Please provide details of the annual allowances awarded to your company in Phase I for each of the years from 1 January 2005 to 31 December 2007 and details of allowances allocated for Phase II commencing on 1 January 2008.

Not applicable

- b. Please provide details of actual annual emissions from facilities covered by the EU ETS with effect from 1 January 2005.

Not applicable

- c. What has been the impact on your company's profitability of the EU ETS?

Not applicable

ii What is your company's strategy for trading or participating in regional and/or international trading schemes (eg: EU ETS, RGGI, CCX) and Kyoto mechanisms such as CDM and JI projects?

A participation plan may be considered after the completion of the inventory.

### **h Energy Costs**

*i Please identify the total costs in US \$ of your energy consumption e.g , from fossil fuels and electric power.*

This information is considered company confidential.

*ii What percentage of your total operating costs does this represent?*

This information is considered company confidential.

*iii What percentage of energy costs are incurred on energy from renewable sources?*

This information is considered company confidential.

### 3 Performance

#### **Objective: To determine performance against targets and plans to reduce GHG emissions.**

##### **a Reduction Plans**

i Does your company have a GHG emissions reduction plan in place? If so, please provide details along with the information requested below. If there is currently no plan in place, please explain why.

This is not applicable as the initial inventory is currently being developed.

ii What is the baseline year for the emissions reduction plan?

This is not applicable as the initial inventory is currently being developed.

iii What are the emissions reduction targets and over what period do those targets extend?

This is not applicable as the initial inventory is currently being developed.

iv What activities are you undertaking to reduce your emissions eg: renewable energy, energy efficiency, process modifications, offsets, sequestration etc? What targets have you set for each and over what timescales do they extend?

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v *What investment has been or will be required to achieve the targets and over what time period?*

vi *What emissions reductions and associated costs or savings have been achieved to date as a result of the plan?*

##### **b Emissions Intensity**



i What is the most appropriate measurement of emissions intensity for your company?

No measure of emissions intensity has been established.

ii Please state your GHG emissions intensity in terms of total tonnes of CO2-e reported under Scope 1 and Scope 2 per US \$m turnover and EBITDA for the reporting year.

This is not applicable as the initial inventory is currently being developed.

iii Has your company developed emissions intensity targets? If so:

- a. Please state your emissions intensity targets.
- b. Please state what reductions in emissions intensity have been achieved against targets and over what time period.

No.

If not, please explain why.

The initial inventory is currently being developed.

### **c Planning**

Do you forecast your company's future emissions and/or energy use? If so:

i Please provide details of those forecasts, summarize the methodology used and the assumptions made.

ii How do you factor the cost of future emissions into capital expenditure planning?

iii How have these considerations made an impact on your investment decisions?

## 4 Governance

### Objective: To determine responsibility and management approach to climate change.

#### a Responsibility

Does a Board Committee or other executive body have overall responsibility for climate change? If not, please state how overall responsibility for climate change is managed. If so:

No. Environmental and energy issues are addressed by various committees throughout Lowe's.

i Which Board Committee or executive body has overall responsibility for climate change?

The Executive Committee

ii What is the mechanism by which the Board or other executive body reviews the company's progress and status regarding climate change?

Review of progress or status regarding climate change would be based on an initial carbon inventory which is currently in progress.

#### b Individual Performance

*Do you assess or provide incentive mechanisms for individual management of climate change issues including attainment of GHG targets? If so, please provide details.*

#### c Communications

*Please indicate whether you publish information about the risks and opportunities presented to your company by climate change, details of your GHG emissions and plans to reduce emissions through any of the following communications:*

*i the company's Annual Report or other statutory filings, and/or*

Yes.

*ii formal communications with shareholders or external parties, and/or*

Any material communications are referenced in Lowe's statutory filings.

*iii voluntary communications such as Corporate Social Responsibility reporting.*

Yes.

*If so, please provide details and a link to the document(s) or a copy of the relevant excerpt.*

Lowe's statutory filings may be found at [www.lowes.com/shareholder](http://www.lowes.com/shareholder), and Lowe's Social Responsibility Report may be found at <http://www.lowes.com/lowes/lkn?action=pg&p=AboutLoves/responsibility.html&rn=none>.

**d Public Policy**

*Do you engage with policymakers on possible responses to climate change including taxation, regulation and carbon trading? If so, please provide details.*