

## YOUR ROAD TO LEADERSHIP

Disclosing that your sustainability efforts are an integral part of your core business strategy will improve your performance.



## INTRODUCTION

Over the past few years, corporations have become more aware of how to mitigate and adapt to climate change. Many engage in discussions on how best to measure their carbon footprint or greenhouse gas (GHG) emissions and identify strategies for reducing their climate change impacts. This emerging culture of corporate responsibility is also a matter of preservation — climate change impacts represent a tangible risk that disrupts business operations.

Risk mitigation is one of the driving forces that influences business leaders in their decision-making process. Environmental risks may seem unrelated to business, but experts agree they are one of the underlying causes of operational issues experienced by companies. By eliminating risks typically found in supply chains and adopting initiatives into their corporate strategies, business leaders minimize risks and further secure the success of their organizations. Careful attention must be paid to what practices are adopted so as not to create new risks for their businesses (Faisal, Banwet & Shankar, 1997).





## UNDERSTANDING CDP SCORES

CDP’s rankings measure transparency, as well as action to mitigate climate change. Your CDP score enables you to properly assess your efforts, and gives investors and other stakeholders the information they need to ensure the data they are reviewing and evaluating is precise. Your CDP score also helps instruct you in the pursuit of sustainable practices that best fit your organization.

### CDP’S 2017 SCORING METHODOLOGY

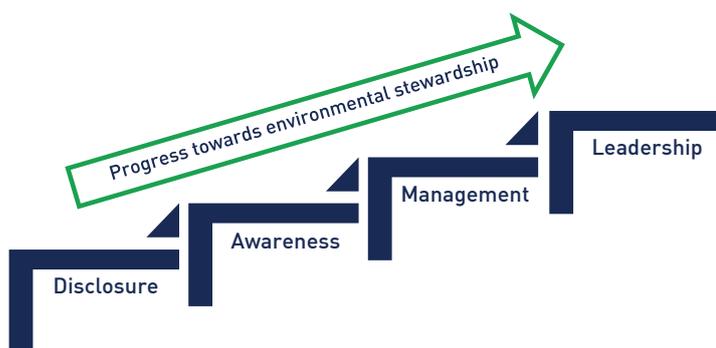
CDP has a new scoring methodology for 2017.

<b>A</b>	Leadership: A List Leadership: did not meet all requirements to be included in the A List	<b>C</b>	Awareness
<b>A-</b>		<b>C-</b>	
<b>B</b>	Management	<b>D</b>	Disclosure
<b>B-</b>		<b>D-</b>	

### CLIMATE CHANGE SCORING METHODOLOGY

Prior to 2016, organizations received a disclosure score (0-100) and a performance band (A, B, C, D or E). Starting in 2016, organizations received only one score based upon Disclosure (the amount of data provided by the organization and its relevance to users); Awareness (the organization’s awareness of environmental issues); Management (management of climate change issues); and Leadership (represents the best practices in the field of climate action or environmental management). CDP’s approach helps organizations come up with more transparent and detailed plans to counter climate change and implement emission targets.

In addition, CDP’s scoring methodology has a ladder approach. In 2016, an organization had to score at least 75% on a scoring level before advancing to the next, ensuring that organizations perfect all aspects of their climate change plans. In 2017, this threshold became more stringent, increasing to 80% and setting the bar higher for organizations.



#### New Scope 2 Emissions Guidance

CDP’s scoring methodology requires organizations to assess their Scope 2 emissions using either the location-based method or the market-based method, although dual reporting will likely be required in the future, and is required to adhere to the GHG Protocol. The location-based method uses average emissions intensity of grids on which energy consumption occurs. The market-based method uses emissions from electricity that organizations have purposely chosen (or their lack of choice). Companies may need to evaluate how they have been calculating their emissions to make sure they comply with these methods. If they don’t, they may need to reassess and recalculate.

#### Renewable Energy

Under CDP’s scoring methodology, organizations have the option to report their renewable energy production and consumption, as well as their renewable energy targets.

#### Science-Based Targets

According to CDP’s scoring methodology, organizations need to specify whether their reduction targets are aligned with the goals of keeping global warming well below 2 degrees Celsius and have an ambitious time horizon.

## LEADERSHIP IS ACHIEVABLE

With an increasing number of investors, clients, stakeholders and the public holding organizations responsible for their impact on climate change, many companies strive for Leadership status. Sustainability in the business world is a significant part of the global movement to eliminate climate change and its consequences. With businesses facing environmental risks across their supply chains, the adoption of mitigation efforts is the practical step in safeguarding an organization's future. The interlinking of environmental, social and governance (ESG) factors with the business world has resulted in leaders across different industries minimizing risks to the environment as well as their organizations.

In 2016, the Climate A List consisted of 193 companies:

### CONSUMER DISCRETIONARY

ARÇELİK A.Ş.  
 BMW AG  
 Caesars Entertainment  
 Daimler AG  
 Electrolux  
 Fiat Chrysler Automobiles NV  
 Gap Inc.  
 General Motors Company  
 Groupe PSA  
 Hyundai Motor Co  
 Inditex  
 Johnson Controls  
 Las Vegas Sands Corporation  
 LG Electronics  
 Michelin  
 Nissan Motor Co., Ltd.  
 RELX Group  
 Renault  
 Sky plc  
 Sony Corporation  
 Sumitomo Forestry Co., Ltd.  
 Toyota Motor Corporation  
 TUI Group  
 Yokohama Rubber Company, Limited

Coca-Cola HBC AG  
 Colgate Palmolive Company  
 Diageo Plc  
 General Mills  
 J Sainsbury plc  
 Japan Tobacco Inc.  
 Kirin Holdings Co Ltd  
 L'Oréal  
 Nestlé  
 Philip Morris International  
 Pick 'n Pay Stores Ltd  
 RCL Foods Ltd  
 Reynolds American Inc.  
 SCA  
 Tesco  
 Unilever plc

### ENERGY

Compañía Española de Petróleos, S.A.U. CEPSA  
 Eni SpA Limited  
 Galp Energia SGPS SA  
 Neste Corporation  
 Vermilion Energy Inc.

### CONSUMER STAPLES

Asahi Group Holdings, Ltd.  
 Coca-Cola European Partners\*

### FINANCIALS

Bank Coop AG  
 Basler Kantonalbank  
 BEKB / BCBE

\* Data provided in response relates to Coca-Cola Enterprises, prior to merger to become Coca-Cola European Partners.

**FINANCIALS** *continued*

BNY Mellon  
 British Land Company  
 Caixa Geral de Depósitos  
 CaixaBank  
 Daito Trust Construction Co., Ltd.  
 Dexus Property Group  
 Goldman Sachs Group Inc.  
 Great-West Lifeco Inc.  
 Host Hotels & Resorts, Inc.  
 HSBC Holdings plc  
 ICADE  
 ING Group  
 Intesa Sanpaolo S.p.A  
 Klepierre  
 Lloyds Banking Group  
 Macerich Co.  
 MAPFRE  
 National Australia Bank  
 Nedbank Limited  
 Raiffeisen Bank International AG  
 Remgro  
 Shinhan Financial Group  
 Sompo Japan Nipponkoa Holdings, Inc  
 Stockland  
 T.GARANTİ BANKASI A.Ş.  
 The Dai-ichi Life Insurance Company, Limited  
 UBS  
 Westpac Banking Corporation

**HEALTH CARE**

AstraZeneca  
 Bayer AG  
 GlaxoSmithKline  
 Lundbeck A/S  
 Mediclinic International  
 Novo Nordisk A/S  
 Roche Holding AG

**INDUSTRIALS**

Abengoa  
 Abertis Infraestructuras  
 Bic  
 Bouygues

Canadian National Railway Company  
 CNH Industrial NV  
 Ecorodovias Infraestrutura e Logística S.A  
 FERROVIAL  
 Grupo Logista  
 Huber + Suhner AG  
 Hyundai E&C  
 INDUS Holding AG  
 Kajima Corporation  
 Kawasaki Kisen Kaisha, Ltd.  
 Kingspan Group PLC  
 Komatsu Ltd.  
 Kone Oyj  
 Lockheed Martin Corporation  
 Mitsubishi Electric Corporation  
 Nabtesco Corporation  
 Obrascon Huarte Lain (OHL)  
 Owens Corning  
 Qantas Airways  
 Republic Services, Inc.  
 Royal BAM Group nv  
 Royal Philips  
 Salini Impregilo S.p.A.  
 Samsung C&T  
 Samsung Engineering  
 Schneider Electric  
 Secom Co., Ltd.  
 SGS SA  
 Siemens AG  
 Skanska AB  
 Stanley Black & Decker, Inc.  
 Taisei Corporation  
 Toda Corporation  
 Toshiba Corporation  
 Union Pacific Corporation  
 Valmet  
 Waste Management, Inc.

**INFORMATION TECHNOLOGY**

Accenture  
 Advanced Semiconductor Engineering  
 Alphabet, Inc.  
 Amadeus IT Holding  
 Apple Inc.  
 Atos SE  
 Autodesk, Inc.  
 Canon Inc.  
 Cisco Systems, Inc.

---

EMC Corporation

---

EVRY ASA

---

Hewlett-Packard

---

Konica Minolta, Inc.

---

LG Display

---

LG Innotek

---

Microsoft Corporation

---

Oracle Corporation

---

Samsung Electronics

---

Tech Mahindra

---

Wipro

---

## MATERIALS

---

---

AkzoNobel

---

Anglo American Platinum

---

BillerudKorsnäs

---

Braskem S/A

---

Gold Fields Limited

---

Harmony Gold Mining Co Ltd

---

HeidelbergCement AG

---

International Flavors & Fragrances Inc.

---

Koninklijke DSM

---

Kumba Iron Ore

---

LANXESS AG

---

LG Chem Ltd

---

Metsä Board

---

Mondi PLC

---

Novozymes A/S

---

Praxair, Inc.

---

Sealed Air Corp.

---

Sibanye Gold Ltd

---

Stora Enso Oyj

---

Symrise AG

---

The Mosaic Company

---

ThyssenKrupp AG

---

UPM-Kymmene Corporation

---

## TELECOMMUNICATION SERVICES

---

---

China Mobile

---

Deutsche Telekom AG

---

Koninklijke KPN NV (Royal KPN)

---

KT Corporation

---

LG Uplus

---

Proximus

---

Swisscom

---

Telefonica

---

Telstra Corporation

---

## UTILITIES

---

---

ACCIONA S.A.

---

Centrica

---

EDF

---

EDP - Energias de Portugal S.A.

---

ENAGAS

---

ENEL SpA

---

ENGIE

---

Gas Natural SDG SA

---

Iberdrola SA

---

Iren SpA

---

Korea District Heating Corp.

---

Korea Electric Power Corp

---

National Grid PLC

---

PG&E Corporation

---

R.E.E.

---

Snam S.P.A

---

Suez Environnement

---

VEOLIA

---

VERBUND AG

To demonstrate the commitment these companies have made to combat climate change, below are high level summaries of 5 of the Leadership companies from 2016 who achieved this feat with solid long-term planning and strong corporate dedication.

### ACCENTURE

Accenture made it to CDP's Climate A List for the third consecutive year in 2016. Accenture has shown a commitment to addressing its carbon emissions as a core value and an environmental responsibility policy. Through a 28% increase in energy efficiency, a 30% increase in its renewable energy portfolio and the use of digital collaboration, Accenture is pursuing a goal of reducing carbon emissions to an average of two metric tons per employee by 2020.

---

### CISCO SYSTEMS, INC.

In 2016, Cisco again made it to CDP's Climate A List. The company continues to set ambitious emissions reduction targets to address climate change by building on goals previously set. It works with approximately 130 suppliers to continuously improve GHG emissions reduction through its Supply Chain Sustainability Program. Launched in 2015, its Supply chain-sponsored Integrated Greenhouse Gas Reduction program continues to refine and accelerate its emission prioritization, reduction and reporting efforts.

---

### DAIMLER AG

For the third year in a row, Daimler AG has been included in CDP's Climate A List as a climate change leader for 2016. Among its recent efforts to committed climate action initiatives in CO2 emissions reduction and renewable energy, Daimler AG presented the Generation EQ concept vehicle. The Generation EQ will be the basis for an architecture for battery-electric vehicles across all Daimler AG vehicles, a development that should greatly reduce its Scope 3 emissions.

### NESTLE

Nestle is included in CDP's Climate A List for the second consecutive year. It is among 9 percent of the participating companies in climate change disclosure to receive the honor. After surpassing its goal of halving emissions, Nestle is committed to reducing its GHG emissions by 35% for every ton of product by 2020. Reducing GHG emissions are part of its 'Nescafe Plan' to embed sustainability in all of its operations and across its entire product lifecycle. To continue producing its well-known products, the company created the Nescafe Plan as a sustainable foundation against threats such as declining yields, water shortage and GHGs. Its 2016 GHG emissions reduction goals included the use of natural refrigerants that do no harm to the ozone layer and have a negligible impact on climate change.

---

### GLAXOSMITHKLINE

In 2016, GlaxoSmithKline (GSK) was included in both the CDP Climate A List and the CDP Water A List. The pharmaceuticals giant reduced the carbon emissions of each aspect of its supply chain. GSK's Cork, Ireland site has a wind turbine that supplies 30% of its electricity needs, saving 4,100 tons of carbon dioxide emissions as a result. In 2015, the carbon footprint of GSK's antibiotics per pack fell by 15% compared to 2010. By the end of February 2015, the company was able to collect 425,600 inhalers through Complete the Cycle, its inhaler recycling and recovery scheme. This achievement is roughly equivalent to saving 3,017 tons of carbon dioxide emissions.

## HOW TO ACHIEVE LEADERSHIP

The road to Leadership might seem unattainable but it is realistic and achievable with a strategic plan. Setting the right goals for your organization and proper planning will help you choose which sustainability culture to support. By documenting your organization's strategies and setting your short term goals early, you can more easily determine the risks that will hinder you from achieving Leadership and mitigate them accordingly. Taking the necessary precautions greatly affects how you achieve your organization's goals of reducing carbon emissions.

### PLAN AHEAD

- Establish measurement systems, baselines, and short- and long-term goals
- Develop necessary strategies and plans to achieve targets
- Consider partnering with outside expertise

You should detail short- and long-term plans to reduce resource and energy use, as well as ways to minimize emissions, including targets and baselines to quantify the progress you are making. This makes your improvements and the gradual attainment of your goals more tangible.

Many companies, in their planning phases, seek support from a third party to assist in their response to CDP, as well as their overall sustainability strategy. A third party is specifically versed in, and stays current with, the CDP methodology, offers a new perspective, takes a wider view and has the advantage of having worked with many companies on their systems and strategies, knowing what works. These consultations help find and reduce or eliminate inefficiencies to improve your CDP performance as well as your bottom line.

DISCLOSING THAT  
SUSTAINABILITY EFFORTS  
ARE AN INTEGRAL PART  
OF YOUR CORE BUSINESS  
STRATEGIES WILL IMPROVE  
YOUR PERFORMANCE.



## SUPPORT A SUSTAINABILITY CULTURE

- Integrate climate change and sustainability plans throughout your organization
- Enlist champions in different divisions, geographies, etc., that understand specific opportunities and challenges related to sustainability
- Include all stakeholders in the conversation
- Communicate commitment to combating climate change internally and externally

Disclosing that sustainability efforts are an integral part of your core business strategies will improve your performance. Your response should also highlight board-level insight and discuss the financial incentives of improved sustainability efforts.

## MITIGATE RISKS AND CAPITALIZE ON OPPORTUNITIES

- Present quantitative information
- Anticipate taxes, regulations and pricing fluctuations
- Consult with external parties
- Consider potential impacts on your reputation
- Study how physical climate parameters such as extreme weather events can potentially disrupt your supply chain and manufacturing operations

Knowing the why, what, where and how of your company's risks is essential in improving your CDP performance. Respondents who demonstrate an understanding of climate-related risks specific to their operations gain CDP points. In addition, thorough descriptions of management methods help clarify some responses. Meanwhile, other respondents benefit from presenting quantitative information in their responses. An effective risk strategy takes several factors into account: regulatory challenges, climate change implications and risks are some of them. What these risks mean to business operations, mitigation of these threats and the costs associated with the actions should be taken into account.

Awareness of your climate risks is more beneficial than simply improving your CDP performance. Anticipating taxes, regulation or fluctuations in energy pricing saves your company money. In-depth opportunities strategies go hand-in-hand with strong risk strategies. Knowing which threats your business should prepare for is half of the equation when dealing with climate-related dangers; the other half is exploring the opportunities that arise from these issues. The same factors that build up your risk strategies can be used to maximize your opportunities.

Assessing risks and capitalizing on opportunities can be tricky, so you may want to consider hiring an outside consultant to help. External parties also have the advantage of a broader landscape, which may make these issues clearer on an individual basis.

## ACHIEVE EMISSIONS REDUCTIONS

- Break emissions into categories
- Set Science-based targets
- Track and manage
- Organize and track your energy and emissions savings across operations
- Set meaningful (covers 80% of emissions scopes) targets beyond 2020

A good start is working with CDP on how to best set targets based on up-to-date climate science (via the Science-based Target Initiative). Incorporating an enterprise-level software automates your energy, sustainability and supply chain programs for optimal performance and profitability.

CDP's 2016 Climate Change Report states that apart from emissions reduction initiatives, companies should consider internal carbon pricing and emissions trading schemes as part of a comprehensive emissions reduction strategy.

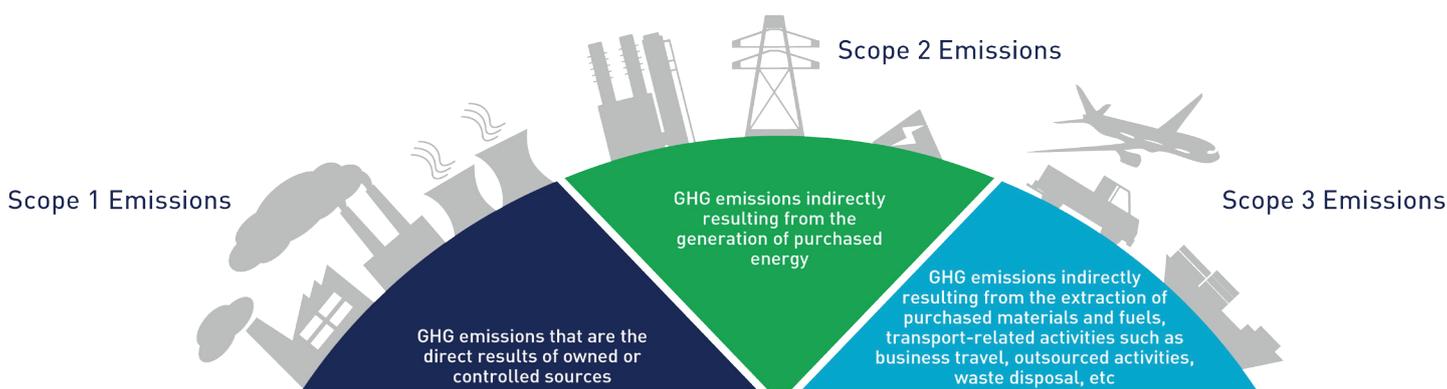
Another issue that positively affects CDP performance is disclosure of your position on climate change. Emissions assurance likewise helps to improve performance.

**KNOWING YOUR CLIMATE RISK IS MORE BENEFICIAL THAN SIMPLY IMPROVING YOUR CDP PERFORMANCE.**

## THE IMPORTANCE OF REPORTING SCOPE 3 EMISSIONS

The GHG Protocol, an internationally-recognized accounting tool used by government and business leaders, set up a corporate standard that classifies GHG emissions into three scopes.

According to CDP's 2016 report, 85 companies submitted targets to the Science Based Target Initiative. However, only 15 (18%) were approved, mostly because organizations struggled to adequately address Scope 3 emissions.



For many companies, governments and institutions, suppliers comprise the majority of their carbon footprint. Managing carbon across your supply chain is vital to developing a sustainable business model and brand. Companies that measure and reduce supply chain emissions attract customers and improve access to capital.

But in 2015, only 37% of suppliers who responded to the CDP Supply Chain questionnaire claimed to have "[engaged] with their own suppliers on GHG emissions and climate change strategies." In 2016, CDP added the Supplier Engagement Rating to its Supply Chain Program. The Supplier Engagement Rating aims to reduce supply chains' emissions by increasing supplier engagement.

CDP did not create new questions for the Supplier Engagement Rating. Rather, CDP scored certain questions in the Supply Chain questionnaire differently. The Supplier Engagement Rating will be applied to all CDP Supply Chain questionnaire respondents, except for small and medium-sized enterprises (SMEs). A respondent's score is taken from four key areas of the CDP Supply Chain Climate Change questionnaire: governance, ambition, management (Scope 3) and supplier engagement. The respondent's scores in these areas will then be combined with its CDP climate change score (considered as its overall climate change performance) to form its final rating which will be scored on a curve by CDP.

The CDP's Supplier Engagement Rating's questions are as follows:

- Governance
  - CC1.2a Please provide further details on the incentives provided for the management of climate change issues.
  - CC2.2 Is climate change integrated into your business strategy?
- Targets and Initiatives
  - CC3.1a Please provide details of your absolute target.
  - CC3.1b Please provide details of your intensity target.
- Scope 3 Emissions
  - CC14.1 Please provide data on sources of Scope 3 emissions that are relevant to your organization.
- Scope 3 Emissions: Supplier Engagement
  - CC14.4 Do you engage with any of the elements of your value chain on GHG emissions and climate change strategies?
  - CC14.4b Please give the number of suppliers with whom you are engaging and the proportion of your total spend that they represent.
- Overall CDP Climate Change Score
  - CC1-CC15 Points will be received based on the companies' 2016 CDP climate change score.

Forward-thinking organizations include measures to address supply chain carbon in their climate change strategies. A low-carbon supply chain is one of the most effective ways for companies, governments and institutions to become sustainable. Low-carbon suppliers provide sustainable raw materials and other products that will help decrease an organization's carbon footprint. For companies to achieve a low-carbon supply chain, low-carbon suppliers are necessary.

## VERIFYING YOUR DATA

CDP does not currently require companies to have their data verified by third parties, although Scope 1 and 2 verification is required for inclusion on the A List. It is highly encouraged, however, to keep the process of scoring a company's carbon performance reliable and accurate. Verification of data is part of CDP's strategic goal of driving positive action in companies and cities globally. In 2016, 77% of CDP responders achieved verification for at least one scope of their GHG emissions.

Verification should be carried out by a third party organization that is accredited and competent to perform a GHG emissions verification. The organization must be independent from the company that hired it.

## YOUR ROAD TO LEADERSHIP

Your Road to Leadership involves:

1. PLANNING AHEAD
2. INTEGRATING SUSTAINABILITY INTO YOUR CULTURE
3. FINDING OUT HOW TO MITIGATE RISKS AND CAPITALIZE ON OPPORTUNITIES
4. ACHIEVING EMISSIONS REDUCTIONS



Planning ahead requires an honest assessment of how things stand and setting emissions reduction goals that are realistic and measurable. Supporting a sustainability culture helps determine how your organization will go about reducing carbon emissions and promoting sustainability. Mitigating risks and capitalizing on opportunities means that you must adopt a deeper understanding of the sustainability issues that impact your business. Achieving emissions reduction goals demands peer review and accurate measurements to verify that goals have been met.

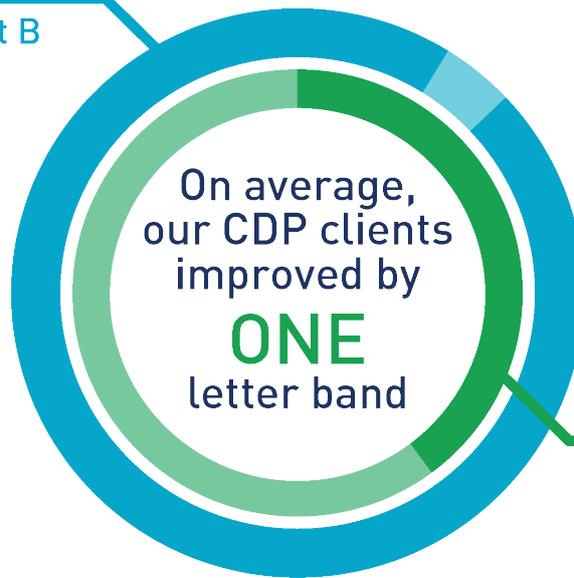
Through all four steps, having a trusted and reliable partner is extremely valuable. A third party with industry expertise in sustainability will assist in planning ahead. Knowing how to mitigate risks and capitalize on opportunities requires accurate and reliable data, as well as expertise on how to interpret and act on that data. Achieving emissions reductions requires verification from a recognized organization with the proper accreditations.

Better climate management means better performance, and leads to cost savings, business innovation, improved efficiency, lower emissions and, as a result, better relationships with customers, investors and other stakeholders.

ADEC INNOVATIONS (ADEC) IS A LEADING SUSTAINABILITY SOLUTIONS PROVIDER WITH EXPERTISE IN CLIMATE CHANGE. ADEC HAS SCORED 20,000+ CDP RESPONSES SINCE 2011 AND IS AN EXPERT IN BOTH THE SCORING METHODOLOGY AND IN BUILDING STREAMLINED CORPORATE SUSTAINABILITY SYSTEMS USING STATE-OF-THE-ART SOFTWARE AND DATA COLLECTION SERVICES. WE ARE A CDP GOLD CONSULTANCY PARTNER, SILVER SOFTWARE PARTNER AND GLOBAL SCORING & OUTSOURCING PARTNER.\*

- ADEC offers services to help your organization improve CDP performance and have a clear Road to Leadership.
- ADEC recognizes the challenges specifically associated with collecting Scope 1, Scope 2 and Scope 3 emissions data, and works with you to implement software and services that help you gather and calculate data accurately and efficiently.
- ADEC helps companies with their GHG inventory calculations, and we can help you set emission reduction targets, including Science Based Targets.
- ADEC also offers CDP Performance Reviews to help you interpret your CDP scores so you can formulate a plan to improve your performance for the following year and beyond. Our clients very consistently demonstrate improvement after engaging with ADEC.

Over **96%**  
of our CDP CLIENTS  
scored Management B  
or HIGHER



In the focus areas  
of Climate Change  
and Water

**40%** of our CDP CLIENTS  
made the A list in 2016,  
a **25%** ▲ increase  
over 2015  
despite changes in scoring

Source: 2016 CDP stats

\*In accordance with CDP's conflict of interest policy, ADEC does not provide official scoring services for any of our CDP consulting clients.



