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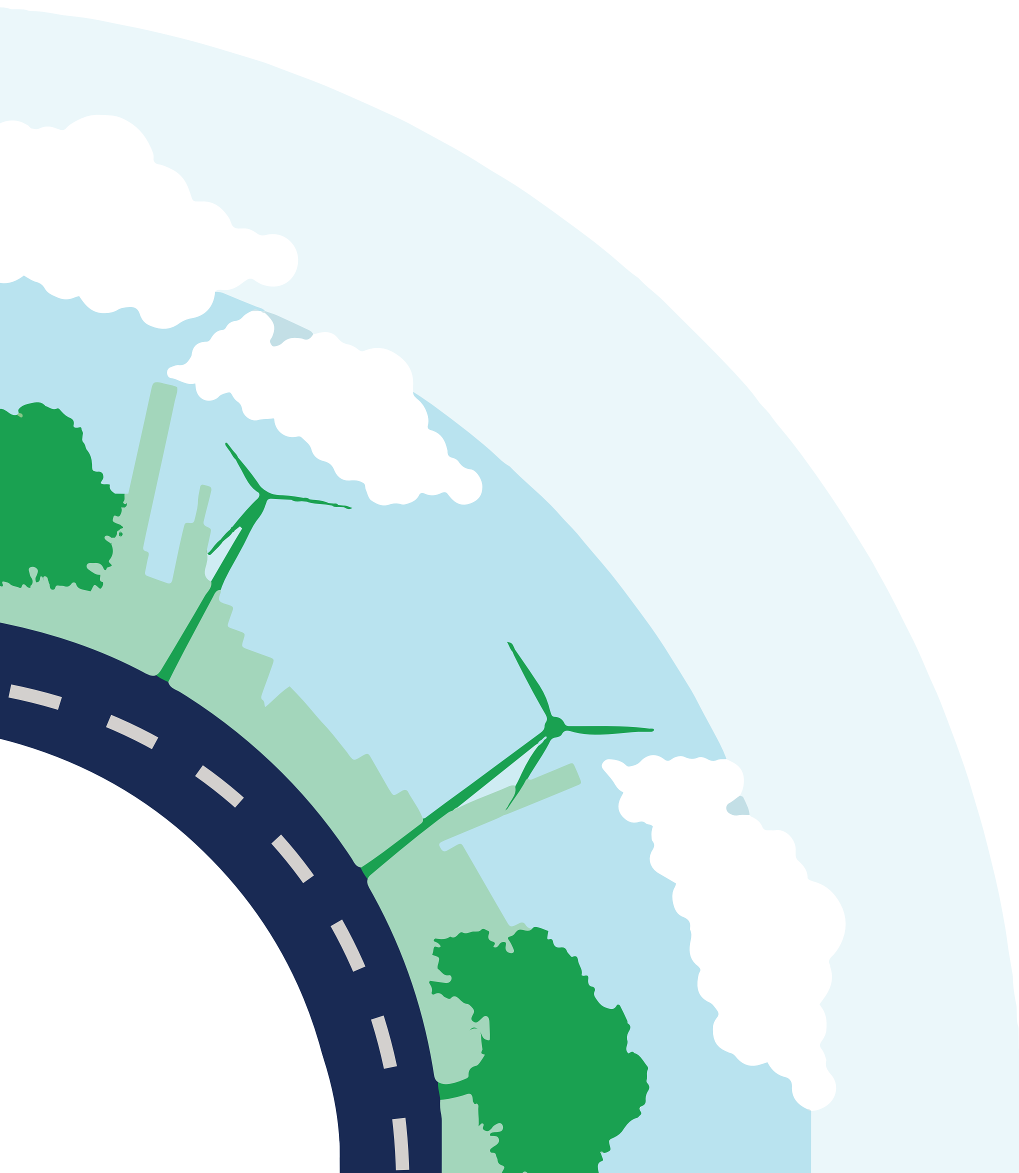
ADEC INNOVATIONS
BRINGING DATA TO LIFE

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).

TRANSFORMING ENVIRONMENTAL RISK INTO BUSINESS OPPORTUNITIES

Risk management through sustainability activities presents a great opportunity for you to completely eliminate common problems found in your supply chain and overall operations. Corporate strategies have changed with the increased recognition that sustainability is linked to profitability. This makes organizations like CDP, which works with hundreds of global organizations in their climate change risk disclosure, extremely valuable. By encouraging a system of sustainability disclosure and transparency, CDP enables your organization to benchmark, measure and manage your environmental risks, while improving your brand reputation, increasing operational efficiency and lowering your costs.

As sustainability and profitability go hand in hand, organizations need to comprehensively measure sustainability performance and manage sustainability risks — similar to how you measure your financial performance and risks. By doing so, it empowers executive management teams with the right information, putting them in a position to improve financial performance as a whole.

In order to properly measure the progress of these corporate efforts, accurate and reliable assessment standards must be set. CDP is one of the most credible ranking organizations in the world, according to GlobeScan's Rate the Raters survey, and measures transparency, as well as action.

STRENGTHENING CUSTOMER LOYALTY

In addition to providing businesses with a focus on reducing GHG emissions — which also drives cost savings and improved operational efficiencies — CDP's programs help you improve your branding and overall image by demonstrating to investors and clients that you are environmentally engaged.

In today's sustainability-conscious world, consumers weigh sustainability efforts in purchasing decisions. In a survey by Research Data + Insights, a majority of respondents (86%) say they expect beverage manufacturers to "actively help increase recycling of their packages." Moreover, 45% say their loyalty to food and beverage companies is influenced by environmental initiatives. One such initiative may be more research and development (R&D) on improvements to packaging that are both environmentally-friendly and more cost-effective for the company.

BEING A COMPANY OF CHOICE

Firms with higher CDP scores are preferred by investors and clients, as they are seen as more responsible and sustainable. They are less susceptible to climate-related threats — through mitigation and adaptation — which assures the continuity of a client's operations.

Since many companies have supply chains that source materials from all over the world, climate change-related events on one side of the globe can be detrimental to clients on the other side. For example, a company which sources its materials from a supplier who is not proactively managing their water-related risks may face operational setbacks should the supplier go through a drought. A supplier that operates sustainably and is prepared for the threats that a drought or flood poses is better positioned to overcome the challenge and ensure improved continuity.

Sustainable suppliers may offer more competitive prices, with fewer resources used to produce their products. Lower prices from suppliers translates into lower costs for clients, providing more reasoning for them to be considered a supplier of choice.

Many companies recognize these facts, which is one reason the practice of instituting supplier sustainability scorecards is starting to take hold. In 2009, Walmart started limiting their suppliers to those who demonstrated leadership in sustainability. They unveiled their Sustainability Index, a guide for rating the sustainability of products they sell — or may choose not to sell — in their stores. In 2013, Procter & Gamble launched its own Supplier Environmental Sustainability Scorecard, developed to track and encourage improvement on key sustainability measures along their supply chain. The message is clear: both consumers and other businesses prefer to work with organizations that integrate sustainability into their business practices.

UNDERSTANDING CDP SCORES

CDP's rankings measure transparency through the Disclosure Score, as well as action to mitigate climate change through the Performance Band. The Disclosure Score and the Performance Band enable you to properly assess your efforts, and give investors and other stakeholders the information they need to ensure the data they are reviewing and evaluating is precise. The Disclosure Score and Performance Band also help instruct you in the pursuit of sustainable practices that best fit your organization.

DISCLOSURE SCORE

An organization's Disclosure Score depends on its response to the CDP survey form. Scores are determined by the level of transparency in which the organization answers the questions. With 1 considered the lowest disclosure score and 100 the highest, CDP considers scores:

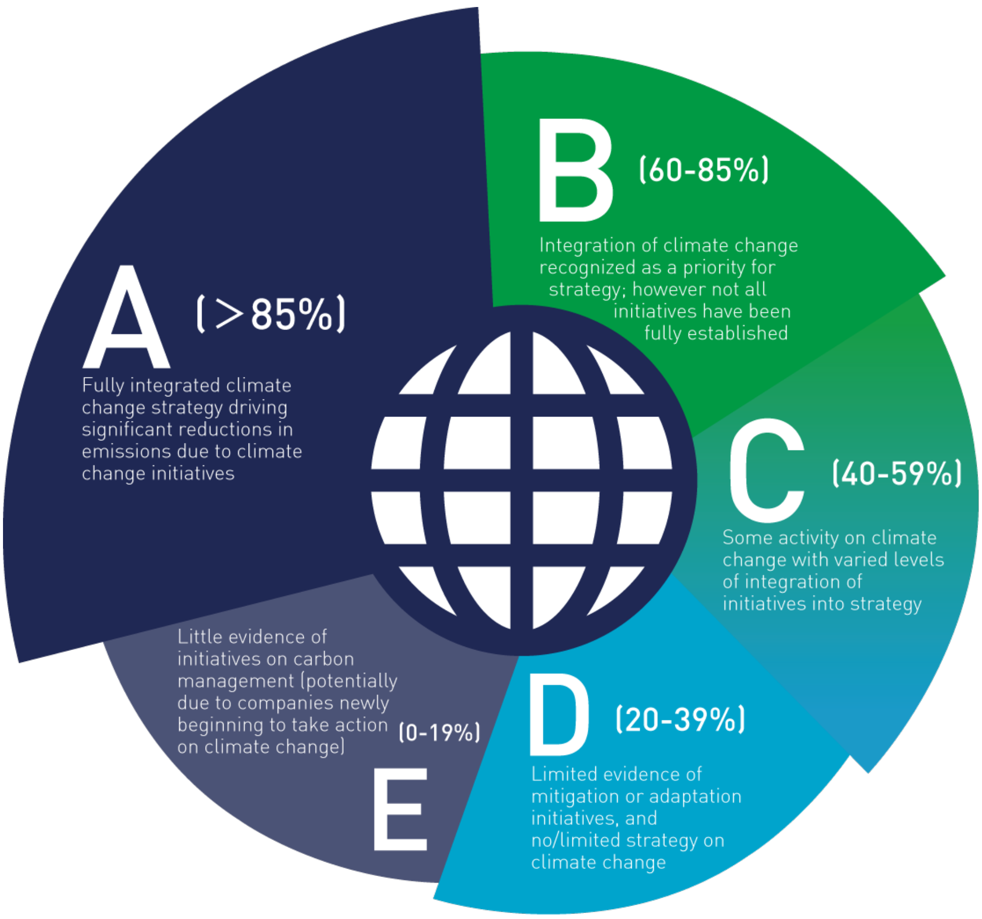
Disclosure Scores rely heavily on your knowledge of your organization's sustainability efforts. In order for corporate efforts to be effective, everyone in the organization must know them and their purpose. This makes the objectives easier to achieve since everyone knows how to put the plans into action.

>70	establish that senior management has a strong understanding of the climate-related risks and opportunities in its organization
50-70	indicate an increased understanding and measurement of company-specific, climate-related risks and opportunities
<50	demonstrate limited or restricted transparency to disclose and measure climate-related risks, opportunities and emissions

PERFORMANCE BAND

CDP's Performance Band measures the actions an organization has taken to increase efficiency and reduce its contribution to climate change. Such actions include climate change mitigation, adaptation and transparency. A score of A is the highest and E the lowest.

Rather than focusing on your knowledge of your organization's sustainability efforts, as the Disclosure Score does, the Performance Band rates your organization's efforts and associated results.



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 a combined score of '100A' (Disclosure Score of 100 and Performance Band A). Achieving Leadership status is possible. 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 2014, these 29 companies received a 100A and were recognized in 'The A List: The CDP Climate Performance Leadership Index 2014'

AUTODESK	gasNatural	PHILIPS
Bank of America	GENERALI DEUTSCHLAND	SAMSUNG C&T
Bayer	GM	SAP
BMW	HARMONY	SK hynix
BNY MELLON	hp	Spectra Energy
centrica	HYUNDAI HEAVY INDUSTRIES CO.,LTD.	StanleyBlack&Decker
CISCO	LG Electronics	steria
CommonwealthBank	NISSAN	TOSHIBA Leading Innovation
DAIMLER	novozymes Rethink Tomorrow	UPM
DIAGEO	Pepco Holdings Inc	

To demonstrate the commitment these companies have made to combat climate change, below are high level summaries of 5 of the Leadership companies from 2014 who achieved this feat with solid long-term planning and strong corporate dedication.

TOSHIBA CORPORATION

Electronics company Toshiba Corporation centers its global operations on sustainability to combat climate change issues and minimize impact on the environment. By doing so, Toshiba Corporation received a 100A in the 2014 CDP scoring, marking the growing presence of Japanese companies in the Climate Disclosure Leadership Index (CDLI) and Climate Performance Leadership Index (CPLI). Toshiba developed Environmental Vision 2050, consisting of four "Green" initiatives that aim to transform Toshiba into one of the world's most trusted eco-companies by 2050. The initiatives include "Greening of Products," the creation of products with the highest level of environmental performance; "Greening by Technology," the use of low-carbon energy technologies; "Greening of Process," the concept of Environmentally Conscious Manufacturing; and "Green Management," the continuous improvement of the foundation of environmental management.

BANK OF AMERICA

Since 2007, Bank of America has allotted US$31.7 billion to finance low-carbon economy and other environmental initiatives. In addition, it created a 10-year plan with US$50 billion backing it up to help the world transition to a low-carbon economy by providing economic solutions on lending, equipment finance, capital markets and advisory activities, carbon finance, and investment advice and solutions to global clients. In 2007, a US$20 billion multi-year environmental business commitment was announced, which they were able to achieve four years ahead of schedule. According to Bank of America Global Corporate Social Responsibility and Consumer Policy Executive Andrew Plepler, the organization has been engaging every part of their organization — business, people, operations and partners — to participate in the company's corporate vision of promoting a low-carbon economy through the US$70 billion environmental business goal and the latest US$10 billion Catalytic Finance Initiative — a program focused on high-impact clean energy projects. These combined efforts gained them a perfect 100A score in the 2014 CDP S&P Climate Change Report.

NISSAN MOTOR CORPORATION

In 2014, for the second straight year, Nissan Motor Co., Ltd., was nominated as a CDP global leader for the proper disclosure of its environmental performance, corporate governance practices and carbon reduction in its vehicle manufacturing processes. CDP gave Nissan a perfect 100A score, recognizing their transparency in reporting and their environmentally-friendly corporate standards. In 2013, Nissan was able to lessen its carbon emissions while increasing profits in vehicle production by 5.1%. The automotive company implemented what it calls the Nissan Green Program 2016 (NGP2016) that aims to cut carbon emissions by 20% by 2016, compared with its 2005 carbon production. Based on the 15.4% (t- CO_2/vehicle) carbon reduction it achieved in fiscal year 2013, they are on track.

DAIMLER AG

Acknowledged as a global leader in the automotive industry during the 2014 CDP Climate Leadership Award Conference in Munich, Daimler AG received a 100A as a testament to its unwavering efforts in reducing climate change impacts. CDP recognized Daimler AG for being able to lessen carbon emissions by more than 20%, or 134g/km, for its new car fleet in Europe since 2009. The company envisions a 20% carbon reduction by 2020, compared with its 1990 carbon emissions across all its European production plants. This figure represents a two-thirds carbon reduction per passenger car produced.

CENTRICA

For the first time, Centrica received an 'A' Performance Band while scoring a perfect 100 for disclosure in the 2014 CDP assessment. Centrica has an efficient management system responsible for climate change issues that affect the way they do business and the environment. Improvements in energy efficiency and the 9.8mm tons of carbon saved were the result of the sustainable installation of insulation, new boilers and solar in customer homes since 2010. This impressive figure can be compared to taking 688,000 cars off the road. Centrica also made strategic investments in sourcing sustainable energy from gas (cleanest fossil fuel), nuclear (low carbon) and wind energy (renewable) to further reduce impacts that harm the environment.

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 organizaton
- 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. Over 10% of Disclosure points and over 20% of Performance points are scored by demonstrating how sustainability plans are integrated into your business cases, corporate planning or risk management programs. Your response should also highlight board-level insight and discuss the financial incentives of improved sustainability efforts.

> "THE RISKS AND OPPORTUNITIES SECTION OF THE QUESTIONNAIRE CAN ACCOUNT FOR AS MUCH AS 35% OF YOUR DISCLOSURE SCORE AND NEARLY 20% OF YOUR PERFORMANCE BAND, SO IT'S IMPORTANT TO FOCUS ON THIS FOUNDATION."

MITIGATE RISKS AND CAPITALIZE ON OPPORTUNITIES

- Present quantitative information
- Anticipate taxes, regulations and pricing fluctuations
- Consult with external parties

The risks and opportunities section of the questionnaire accounts for as much as 35% of your Disclosure Score and nearly 20% of your Performance Band, so it's important to focus on this foundation. If you're unsure what these might be, reading other companies' responses, especially those within a similar industry that scored well, will help. This exercise may be useful in boosting your performance, as well as helping to start the process of thinking about your business in this context.

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

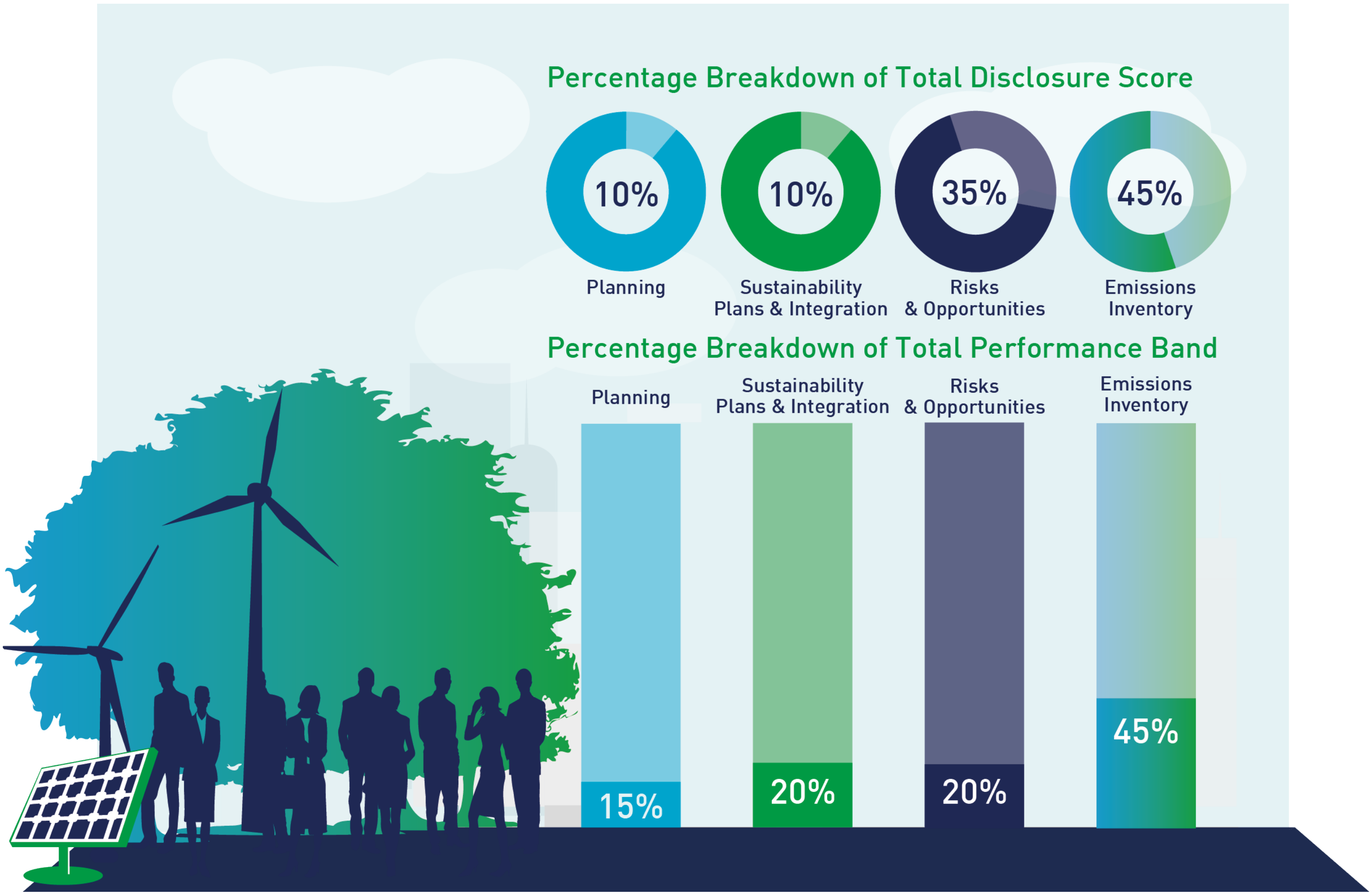
- Break emissions into categories
- Set targets
- Track and manage

The emissions inventory section of CDP's questionnaire accounts for up to 45% of your total Disclosure Score and 45% of your Performance Band. The Disclosure Score measures whether you've reported your emissions, so you need to have strong systems in place to accurately report. In addition to reporting total emissions, you are required to break that down into further categories like fuel sources, business unit and type of gas emitted. Many companies implement third-party software to track and manage this information and avoid this being a time-consuming and error-prone endeavor.

A good start is having external experts conduct peer reviews and assist with calculations of targets. Incorporating an enterprise-level software automates your energy, sustainability and supply chain programs for optimal performance and profitability.

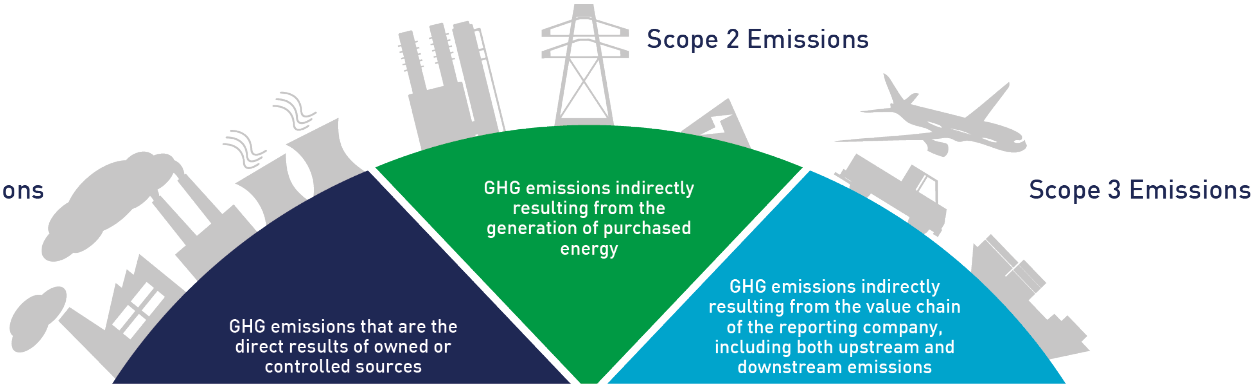
Another issue that positively affects CDP Disclosure Scores is disclosure of your position on climate change. Emissions assurance likewise helps to improve performance.

"THE EMISSIONS INVENTORY SECTION OF CDP'S QUESTIONNAIRE ACCOUNTS FOR UP TO 45% OF YOUR TOTAL DISCLOSURE SCORE AND 45% OF YOUR PERFORMANCE BAND."



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.



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

Business intelligence on energy use and emissions embedded in supply chains can be used to improve efficiency and risk management, revealing opportunities to gain a competitive advantage. Companies also measure carbon in supply chains to strengthen sustainability, supply chain management and brand value.

According to Proceedings of the National Academy of Sciences of the United States of America (PNAS), emissions from international trade have increased by more than 80% since 1990. Emissions from supply chains are a significant part of this increase.

Extending carbon management to procurement helps uncover resource and process inefficiencies that deliver cost savings, or helps protect cash flows from increasing input costs. Organizations use these findings to manage risks from increasing energy costs and carbon restrictions, and realize the associated opportunities. Working with critical suppliers to cut emissions helps strengthen supply chain management and brands. Forward-thinking organizations include measures to address supply chain carbon in their climate change strategies.

VERIFYING YOUR DATA

CDP does not currently require companies to have their data verified by third parties. 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.

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.

CDP hopes to encourage the practice by allocating over 5% of Disclosure Score points and 15% of the Performance Band as recognition for companies that participate in third-party verification. For 2015, CDP set 70% as the minimum percentage of reported emissions to be verified. Only partial points will be awarded to companies that choose to have less than 70% of their reported emissions verified. The verification is required to be submitted in a report that was created by the chosen third party.

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 IS A LEADING SUSTAINABILITY SOLUTIONS PROVIDER WITH EXPERTISE IN CLIMATE CHANGE. ADEC HAS SCORED 15,600+ 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 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 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. From 2012-2013, every one of our CDP clients saw an increase in their score from year to year.

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