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 thousands 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.” Further, 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, 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 2016 SCORING METHODOLOGY

CDP has a new scoring methodology for 2016.

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CLIMATE CHANGE SCORING METHODOLOGY

With CDP’s previous methodology, organizations received a disclosure score [0-100] and a performance band (A, B, C, D or E). As part of the new methodology, organizations will receive 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 (direct responsibility for climate change within the organization). CDP’s updated methodology will help organizations come up with a more transparent and detailed plan to counter climate change. Climate change targets will be easier to achieve because organizations know how to put the plan into action.

In addition, CDP’s 2016 scoring methodology has a laddered approach. An organization must score at least 75% on a scoring level before advancing to the next, ensuring that organizations perfect all aspects of their climate change plans. This outcome, in turn, will improve their CDP performance.

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 goal of attempting to keep global warming well below 2°C Celsius, look further into the future and be more ambitious with reductions.
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 2015, the Climate A List consisted of 115 companies:

**CONSUMER DISCRETIONARY**

- Best Buy Co., Inc.
- BMW AG
- Coway Co Ltd
- Fiat Chrysler Automobiles NV
- Las Vegas Sands Corporation
- LG Electronics
- Melia Hotels International SA
- NH Hotel Group
- Nissan Motor Co., Ltd.
- Sky UK Limited
- Sony Corporation
- Wyndham Worldwide Corporation
- YOOX SpA

**ENERGY**

- Galp Energia SGPS SA
- PTT Exploration & Production Public Company Limited

**FINANCIALS**

- Bank of America
- BNY Mellon
- CaixaBank
- Citigroup Inc.
- Credit Suisse
- Dexus Property Group
- Foncière des Régions
- Grupo Financiero Banorte SAB de CV
- Host Hotels & Resorts, Inc.
- ING Group
- Intesa Sanpaolo S.p.A
- Investa Office Fund
- Investec Limited
- Kiwi Property Group
- Macerich Co.
- MAPFRE
- Nedbank Limited
- Principal Financial Group, Inc.
- Raiffeisen Bank International AG
- Shinhan Financial Group
- Simon Property Group
- Standard Chartered

**CONSUMER STAPLES**

- Asahi Group Holdings, Ltd.
- Brown-Forman Corporation
- Diageo Plc
- J Sainsbury Plc
- Kesko Corporation
- Kirin Holdings Co Ltd
- L’Oréal
- Nestlé
- Philip Morris International
- SABMiller
- Suntory Beverage & Food
- Unilever Plc
**FINANCIALS continued**

- State Street Corporation
- T.GARANTI BANKASI A.S.
- The Hartford Financial Services Group, Inc.

**HEALTH CARE**

- Roche Holding AG

**INDUSTRIALS**

- Abengoa
- Carillion
- CNH Industrial NV
- CSX Corporation
- Dai Nippon Printing Co., Ltd.
- Deutsche Bahn AG*
- Deutsche Post AG
- Ferrovial
- Huber + Suhner AG
- Hyundai E&C
- Kingspan Group PLC
- Kone Oyj
- Obrascon Huarte Lain (OHL)
- Pitney Bowes Inc.
- Raytheon Company
- Royal BAM Group NV
- Royal Philips
- Samsung C&T
- Samsung Engineering
- Schneider Electric
- Senior Plc
- Shimizu Corporation
- Siemens AG
- Stanley Black & Decker, Inc.
- United Technologies Corporation

**MATERIALS**

- BillerudKorsnäs
- Givaudan SA
- Harmony Gold Mining Co Ltd*
- International Flavors & Fragrances Inc.
- Kumba Iron Ore
- Sealed Air Corp.
- Symrise AG
- The Mosaic Company

**TELECOMMUNICATION SERVICES**

- Proximus (formerly Belgacom)
- KT Corporation
- LG Uplus
- Sprint Corporation
- Swisscom
- Telefonica
- Telenor Group

**UTILITIES**

- ACCIONA S.A.
- E.ON SE
- EDP - Energias de Portugal S.A.
- Enertig Corporation
- Iberdrola SA

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*Deutsche Bahn responded through Mittelstand program and is not included in analysis
*Harmony Gold Mining is not part of analysis sample
To demonstrate the commitment these companies have made to combat climate change, below are high level summaries of 5 of the Leadership companies from 2015 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 second consecutive year in 2015. The company also got a disclosure score of 99 out of 100, earning it a slot in CDP’s Climate Disclosure Leadership Index (CDLI), a list of the top 10% of companies that are most transparent in terms of their GHG emissions reporting. Since setting its fiscal 2007 baseline, Accenture has saved around 530,000 total megawatt hours of electricity and reduced its CO2 emissions by at least 330,000 metric tons. Furthermore, its renewable energy portfolio grew by 30% since 2013.

**FIRMENICH**

For the second consecutive year, Firmenich made it to the CDP Supplier Climate A List. In 2016, the Swiss perfume and flavor company scored a perfect “100A.” In 2015, all of Firmenich’s manufacturing plants worldwide were certified fully compliant with Occupational Health and Safety (OHSAS 18001) and Environmental Management (ISO 14001) Systems Standards. In the same year, the company also received its first carbon credits with the Livelihoods Fund, an investment fund that supports agriculture and rural energy projects in Asia, Africa and South America. Firmenich is one of the 71 companies (out of 3932) that made it to the CDP Supplier Climate A List.

**CISCO SYSTEMS, INC.**

In 2015, Cisco once again made it to CDP’s Climate A List. In 2014, the company installed 3 solar photovoltaic (PV) systems at its facilities in Texas and Bangalore, India. These PV systems are expected to produce 2 million kilowatt hours of electricity every year, preventing more than 1150 metric tons of carbon emissions annually. Cisco’s PV systems are also expected to help the company save at least USD380,000 each year.

**NESTLE**

Nestle received a 100A score from CDP in 2015. The food and beverage giant achieved this score primarily because of its usage of technology to reduce GHG emissions. Nestle provides financial assistance to dairy farms so that they can buy biogas digesters that will help them cut back on their methane gas and nitrogen emissions. In addition, the company aims to achieve zero net deforestation by 2020 through using responsibly-sourced raw materials like paper and board, timber, palm oil, and soya.

**DAIMLER AG**

Acknowledged as a global leader in the automotive industry during the 2014 CDP Climate Leadership Award Conference in Munich, Daimler AG again received this distinction in 2015 as a testament to its unwavering efforts in reducing climate change impacts. CDP recognized Daimler for scoring the maximum number of 100 points in the CDLI. Daimler also received an “A-” performance rating for its CO2 emissions reduction initiatives, putting it in the top 10 percent of CDP’s 2015 Climate A List.

**NISSAN MOTORS CORPORATION**

In 2015, for the third straight year, Nissan Motor Co., Ltd., was nominated as a CDP global leader for 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 their environmentally-friendly corporate standards. Nissan achieved a perfect score due to its efforts to develop vehicles with 90% less “well-to-wheel” CO2 emissions by 2050. The Nissan LEAF, the world’s top-selling zero-emission vehicle, was another noteworthy factor behind the company’s high score.
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 targets
- Track and manage
- Organize and track your energy and emissions savings across operations

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 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.

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. Start by understanding the 15 different sources, and evaluating and targeting those sources that are actually relevant to you.

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.

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 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 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. On average, since 2011, our clients improved over 25% in their Disclosure Score and go up one letter band.

REFERENCES:


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