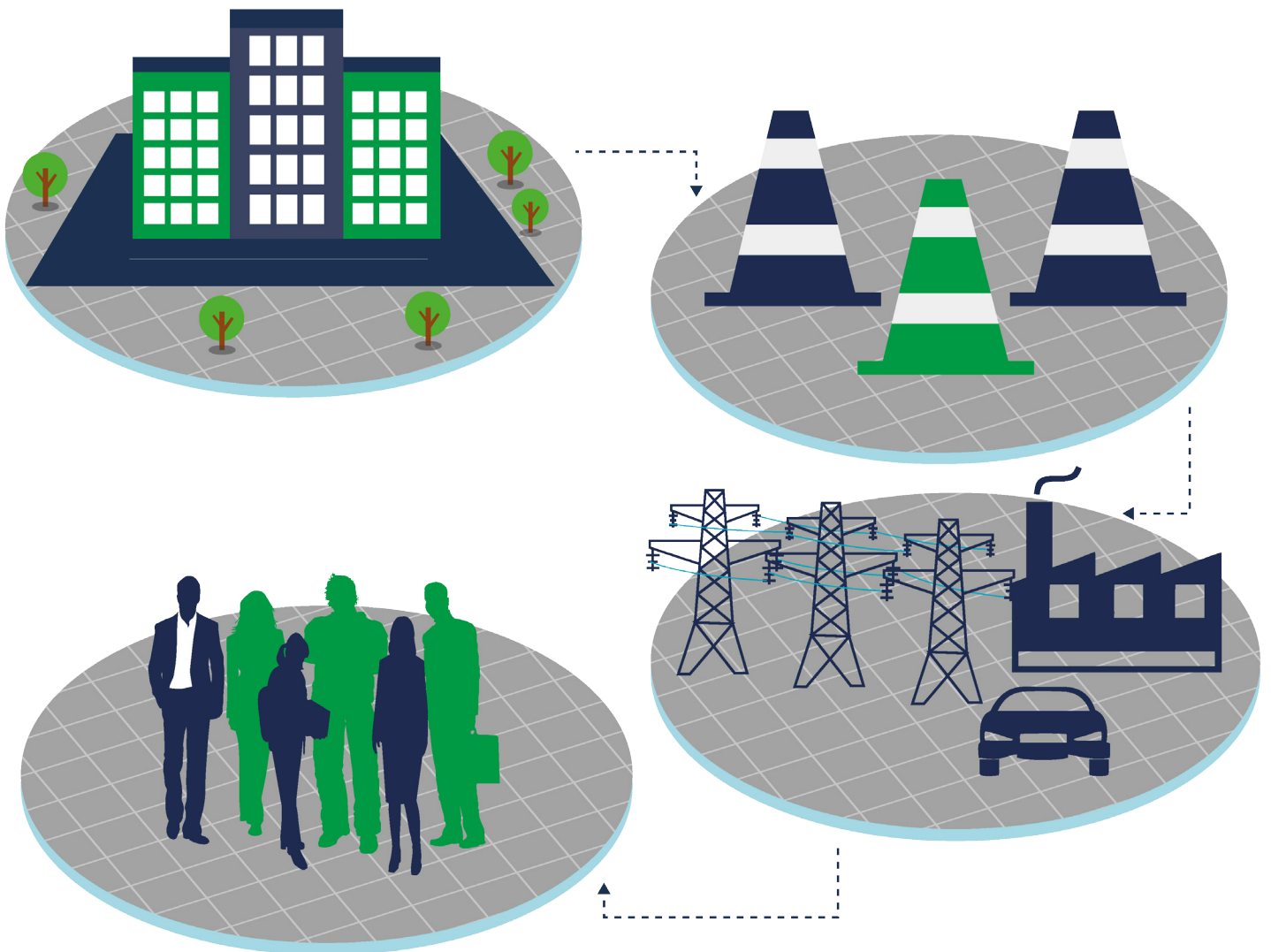


## 4 STEPS TO IMPROVING YOUR CDP PERFORMANCE

CDP's rankings measure transparency of climate change impacts, as well as the efforts taken to mitigate and reduce those negative impacts.



“The supreme reality of our time is...the vulnerability of our planet,” said former US President John F. Kennedy, a notable leader and strong activist for the resolution of environmental concerns.

As climates around the globe shift, countries are impacted by smog, typhoons, floods and droughts. As a result, the public, businesses, governments and international organizations are shifting to more sustainable means.

In order to measure progress from corporate and government efforts, standards need to be set and organizations need to be assessed on their progress toward meeting their sustainability and climate change goals. CDP is one of the most credible ranking organizations in the world on this topic, according to GlobeScan’s Rate the Raters survey. CDP’s rankings communicate the progress companies have made in addressing environmental issues, and highlight where risks may be unmanaged.

## CDP SCORES

2016 brought significant changes to the CDP scoring criteria and scoring presentation. Previously, companies would receive two scores for reporting to CDP: a Disclosure Score and a Performance Band. The Disclosure Score was based on the completeness of a company’s response and was rated from 1 (lowest) to 100 (highest). The Performance Band was based on the actions taken by a company to reduce their negative climate change impacts and was graded from A (highest) to E (lowest).

Beginning in 2016, companies received a single Letter Band, corresponding to a particular Scoring Level. Your Scoring Level (Disclosure, Awareness, Management, Leadership) demonstrates your company’s level of environmental stewardship and your actions and approaches in managing climate change. Your Letter Band (A/A-, B/B-, C/C-, D/D-) corresponds to a Scoring Level and is awarded based on the score you obtained in the highest achieved Scoring Level.

This new scoring presentation allows for simpler and clearer messaging and comparison. Companies will no longer have to wonder if a 90C is better or worse than a 75B, for example. CDP Water and CDP Forests also follow this scoring presentation, allowing for alignment and clarity across schemes. CDP published the Supplier Engagement Rating in 2016. The Supplier Engagement Rating is a scoring methodology that assesses a company’s supplier engagement strategies for climate change mitigation.

In addition to conducting business and operations more efficiently, companies with the highest scores are recognized in the CDP A List. To achieve A List status, companies must obtain a minimum Leadership score, submit a public response, pass a reputation risk and get approved by CDP, as well as meet other additional requirements. With the new scoring presentation, CDP has eliminated the Disclosure Leadership Index (CDLI).

Companies with higher CDP performance report the ways that sustainability measures are integrated in their operations. They show how their respective leaderships have prepared for, and are continuing to prepare for, climate change-related threats.

<b>A</b>	<b>LEADERSHIP</b> Implements current best practices in the field of environmental management or climate action
<b>A-</b>	
<b>B</b>	<b>MANAGEMENT</b> Has implemented actions, policies and strategies to address environmental or climate change issues
<b>B-</b>	
<b>C</b>	<b>AWARENESS</b> Has addressed environmental or climate change issues, risks and impacts in relation to its business
<b>C-</b>	
<b>D</b>	<b>DISCLOSURE</b> Is transparent about environmental or climate change issues
<b>D-</b>	
<b>F</b>	<b>Fails to provide sufficient information to CDP to be evaluated for this purpose. Not all companies requested to respond to CDP do so. Companies who are requested to disclose their data and fail to do so, or fail to provide sufficient information to CDP to be evaluated, will receive an F. An F does not indicate a failure in environmental stewardship.</b>

Disclosing this information shows a strong understanding of the risks they are facing – which is a plus on their CDP performance.

On the other end of the spectrum, companies that perform well also report a deep grasp of the opportunities that these challenges present. An innovative vision can turn potentially significant threats into viable business opportunities. They have learned how to measure and manage their emissions. Reporting the details of where these emissions occur, as well as the types and volume, is vital for better CDP performance. Lastly, companies that score well report on the ways they are actively involving stakeholders. When more people become aware of, and involved in, company projects benefitting the environment, it follows that the reductions achieved are greater.

This white paper aims to provide the top reasons organizations score well on their disclosures, as well as steps to help them improve their performance.

## STEP 1: PLAN AHEAD

- ✓ SHOW HOW PLANS ARE INTEGRATED
- ✓ INCLUDE BASELINES AND SHORT- AND LONG-TERM TARGETS
- ✓ SEEK OUTSIDE SUPPORT

Disclosing an organization’s sustainability efforts as a part of its core business strategies can improve its CDP scores. Respondents gain credit by demonstrating how sustainability plans are integrated into their business cases, corporate planning or risk management programs. Responses should also highlight board-level insight and discuss the financial incentives of improved sustainability efforts.

In addition to providing the answers to these issues, respondents should detail short- and long-term plans to reduce resource and energy use, as well as ways to reduce emissions. To round it out, respondents should include targets and baselines to quantify the progress they are making. This makes their improvements and the gradual attainment of their goals more tangible.



### BEVERAGE COMPANY IMPROVES

In 2015, a beverage company was one of the 114 companies that committed to setting science-based emissions reduction targets. In the same year, the beverage company was also one of the 10 companies whose targets were already approved by the Science Based Targets initiative, a joint initiative by CDP, the World Resources Institute (WRI), the UN Global Compact (UNGC) and the World Wildlife Fund (WWF). The Science Based Targets initiative aims to help companies establish GHG reduction targets that are in accordance with COP21’s goal of keeping global warming below 2° Celsius. COP21 is the historic climate change agreement whose main objective is to keep global warming below 2° Celsius.

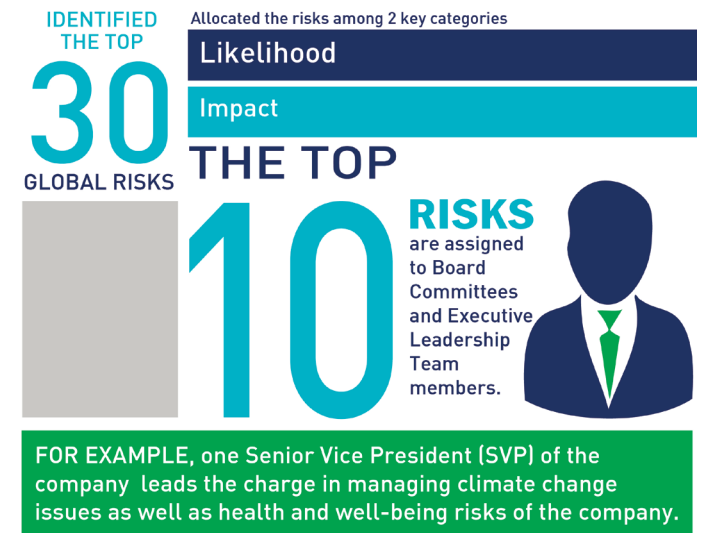
All 10 of the companies across industries whose targets were already approved aimed to prevent 799 million tons of carbon dioxide emissions throughout the duration of their targets. The aforementioned beverage company pledged to reduce the carbon footprint of each of its finished products by 25% by 2020.

One of the steps the company took to live up to this pledge is investing in renewable energy. It plans to use renewable energy to meet about 30% of the electricity needs of its manufacturing sites in Europe. As of 2016, 17% of the beverage company’s energy consumption in Europe comes from renewable sources. In fact,

all of its manufacturing sites in Spain now use electricity from renewable sources.

The beverage company also came up with more sustainable packaging. In 2015, it unveiled a prototype of the world’s first 100% plant-based PET bottle. The bottle’s earlier version—one that is made of 30% plant-based materials—cut the beverage company’s carbon dioxide emissions by 365,000 metric tons in 2016. As a result, in 2015, the beverage company succeeded in reducing the carbon footprint of each of its finished products by 13%.

The beverage company made it on to CDP’s Climate A List for 2016.



**It is a good start for companies to declare their commitment to sustainability. However, they must also demonstrate this commitment by having concrete sustainability goals as well as specific steps on how to achieve these goals. A company that works towards a concrete sustainability goal is more likely to integrate sustainability measures into its business operations. By doing so, that company becomes a genuinely sustainable organization that has the trust and respect of stakeholders.**

## STEP 2: MASTER YOUR RISKS AND EXPLORE POSSIBILITIES

- ✓ PRESENT QUANTITATIVE INFORMATION
- ✓ ANTICIPATE TAXES, REGULATIONS AND PRICING FLUCTUATIONS
- ✓ CONSULT WITH EXTERNAL PARTIES

The risks and opportunities section of the questionnaire can account for a significant value, so it's as important to focus on this foundation as it is to spend time on the other sections. 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.

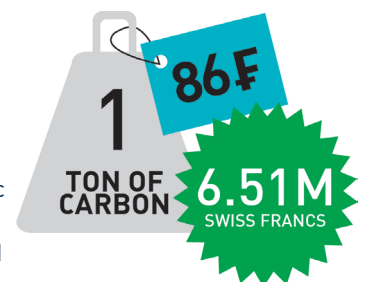
Knowing the why, what, where and how of a company's risks is essential in improving its CDP performance. Respondents who demonstrate an understanding of climate-related risks specific to their operations gain CDP points. In addition, thorough descriptions of management methods help clarify some responses.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

### FLAVORINGS AND FRAGRANCES MANUFACTURER MITIGATES RISK

Switzerland's carbon tax gradually increased in recent years. In 2014, the country's carbon tax was at CHF60 per ton of carbon dioxide. In January 2016, the Swiss government increased it to CHF86 (USD86) per ton of carbon dioxide. A flavorings and fragrances manufacturer responded to this development by designing a 2020 strategy of "Responsible Growth. Shared Success." This business model will mitigate the manufacturer's carbon tax risk and, ultimately, help it save millions of Swiss Francs.

Under the strategy, the manufacturer aims to reduce its direct and indirect carbon dioxide emissions by 25% per ton of product by 2020. In 2015, the manufacturer achieved a 30.9% reduction in its direct and indirect carbon dioxide emissions. One of the factors that drove this accomplishment is the manufacturer's energy efficiency initiatives. In 2015, the manufacturer built a nitrogen plant in Vernier, Switzerland, which helps the manufacturer save 238MWh of electricity every year.

The manufacturer also installed a second photovoltaic tree in its site in Argenteuil, France in 2015, to generate extra electricity for the Argenteuil site and its fleet of electric vehicles. Unlike the Argenteuil site's first photovoltaic tree, which produces 4,300KWh of electricity annually, the second tree produces 5,350KWh of electricity annually. These two photovoltaic trees generate enough electricity to power all of the Argenteuil site's electric vehicles, reducing the manufacturer's carbon dioxide emissions by 7.65 tons per year. The manufacturer's energy efficiency initiatives mitigated its carbon tax risk, earning the manufacturer a 2016 CDP overall ranking of A- (at the Leadership level) and the distinction of being a country leader for Switzerland under CDP's new methodology for 2016.



### SOFTWARE COMPANY IDENTIFIES OPPORTUNITY

Since identifying carbon taxes as an opportunity in its 2013 Climate Change disclosure, one software company has implemented a number of key sustainability measures. These measures include carbon offset community projects, in which the company purchases carbon credits to compensate for its carbon-intensive activities in locations where it is unable to avail itself of renewable energy. They then use the carbon credits to finance sustainable development projects in various parts of the world.

As of 2016, the software company's carbon offsetting has led to 47 sustainable development projects in 26 countries. These projects have benefitted more than 7 million people and, at the same time, reduced the company's carbon dioxide emissions by more than 2 million metric tons. Because of its commitment to carbon emissions reduction and sustainable development, the company was included in CDP's Climate A List for 2016.

### COMPUTER ELECTRONICS COMPANY IMPROVES RISK MANAGEMENT

One computer electronics company found a way to improve its risk management strategies by involving carbon emissions as a factor in their decision making. Taking into account the effects of climate change on its processes, the company reevaluated its supply chain, energy consumption, and end-product sustainability. In 2012, the company came up with 21 sustainability goals that it hopes to achieve by 2020.

One of these 21 goals is to "reduce [GHG] emissions from [the company's] facilities and logistics operations by 50%." The company intends to achieve this goal through energy efficiency and greater renewable energy use. The company made lighting upgrades in its sites across the world, replacing old florescent and high wattage bulbs with LEDs. The company also upgraded its sites' heating, ventilation and cooling systems and components to more energy-efficient models.

In 2016, 20 of the company's facilities are running entirely on electricity purchased from renewable sources. In the same year, the company finished the construction of a solar photovoltaic system at its Panama location. As a result, the company's GHG emissions from its combined facilities and logistics operations in 2016 were 15.9% lower than in 2015.

ONE COMPUTER ELECTRONICS COMPANY FOUND A WAY TO IMPROVE ITS RISK MANAGEMENT STRATEGIES BY INVOLVING CARBON EMISSIONS AS A FACTOR IN THEIR DECISION MAKING.

### ELECTRICITY AND NATURAL GAS COMPANY PROMOTES TRANSPARENCY

An electricity and natural gas company based in the US serves 3.6 million electricity consumers and 2 million natural gas customers through its various regulated companies. Given the nature of its business, the company believes in the importance of environmental leadership in driving the efficiency and transparency of their initiatives. In 2015, the company's carbon emission reduction has amounted to 68 million tons. With new plans in the works, the company is set to target a carbon reduction rate of 30% by 2020.

By recognizing the critical role of risk management and the importance of disclosing valuable information to the public, the company earned a 2015 CDP disclosure score of 95.

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**It is very important that a company is aware of its sustainability risks, as well as how and why they exist in the first place. Full awareness of the risks it is facing drives a company to come up with a strong risk strategy, which leads to innovative solutions that mitigate risk while generating profit.**

## STEP 3: TRACK AND MANAGE YOUR EMISSIONS

- ✓ BREAK EMISSIONS INTO CATEGORIES
- ✓ IMPLEMENT ENTERPRISE-LEVEL SOFTWARE
- ✓ ENGAGE THIRD-PARTY EXPERTS

The Emissions Management category of CDP’s questionnaire accounts for up to about half of your overall score. You should ensure you have strong systems in place to accurately report emissions, including location- and market-based figures for Scope 2 emissions. 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 enterprise-level software to track and manage this information, and avoid this being a time-consuming and error-prone endeavor.

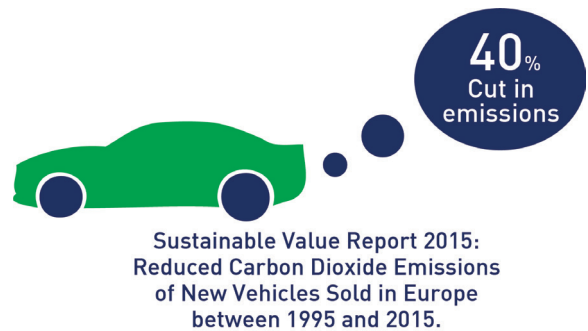
In 2016, CDP greatly expanded its focus on target-setting to encourage companies to set more ambitious targets with a larger scope and longer time horizon. They are also a partner of the Science Based Target Initiative, which promotes target-setting based on climate science.

<p><b>SCOPE 1</b></p>	<p>Covers all direct GHG emissions</p>	  <p>DIRECT</p>
<p><b>SCOPE 2</b></p>	<p>Covers indirect GHG emissions from consumption of power, heat or steam</p>	  <p>INDIRECT</p>
<p><b>SCOPE 3</b></p>	<p>GHG emissions from purchased goods and services, the use of sold products, production and extraction of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the respondent, other power-activities not covered in Scope 2, as well as outsourced activities, waste disposal, etc.</p>	    <p>INDIRECT</p>

### AUTOMOBILE MANUFACTURER ACHIEVES EMISSIONS REDUCTIONS

As reported in its Sustainable Value Report 2015, between 1995 and 2015, an automobile manufacturer managed to lower the carbon dioxide emissions of its new vehicles sold in Europe by 40%. This was achieved after the manufacturer increased its resource efficiency through improved processes in all of its plants, investing in low-consumption technologies like water-efficient paint shops and sustainably operating its power and heat plants.

This accomplishment gave the company a spot in the CDP’s Climate A List for 2016. The company was also included in the list in 2015.



**A company must be innovative and thorough in tracking and managing its carbon emissions. When calculating targets, all emissions—both direct and indirect—should be included in the calculation. It also helps to use sustainable technologies and processes so that the carbon emissions of all its operations—not just its products—are reduced.**

## STEP 4: GET OTHERS INVOLVED

Another issue that positively affects respondents' CDP Disclosure Scores is disclosure of your position on climate change. An emission assurance from the companies would likewise help improve their scores. Businesses can also engage their employees for greater sustainability awareness and practices.

### AUTOMOBILE MANUFACTURING COMPANY INCENTIVIZES EMPLOYEES

In its 2016 sustainability report, another automobile manufacturing company reported that it offered incentives to employees who submit proposals to reduce GHG emissions. Company executives evaluate these recommendations and give monetary rewards depending on achievement levels. The company also recognizes exceptional contributions to sustainability efforts by employees, giving them thank-you cards as well as monetary bonuses.

The firm's climate change risks and opportunities, as well as its emissions information, are included in its 2016 sustainability report – ensuring that stakeholders remain informed about its sustainability efforts.

In its sustainability report, the company's water stewardship initiatives are highlighted. As a result of these efforts, the company earned a 'Leadership' score of A- in the CDP Water Programme in October 2016. In addition to its sustainability report, the company also used its website to report initiatives to go green.

### FOOD AND BEVERAGE COMPANY ACHIEVES TOP SCORES

One food and beverage company achieved CDP's Climate A List for 2016. According to its CDP disclosure, it employs different verification methods for France, UK and Italy while taking into account countries looking to launch voluntary schemes like China, Greece and Thailand. For the scope of its GHG emissions, it uses ISO 14064-3, a globally-recognized benchmark for its third party verification. According to ISO.org, the standard used specifies "requirements for selecting GHG validators/verifiers, establishing the level of assurance, objectives, criteria and scope, determining the validation/verification approach, assessing GHG data, information, information systems and controls, evaluating GHG assertions and preparing validation/verification statements."

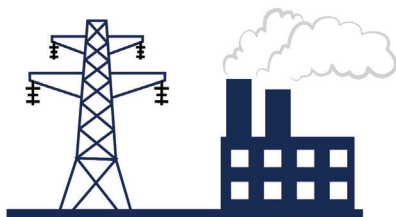
Reduce water usage by



Reduce GHG emissions by



Cut energy consumption by



Sustainability commitments aimed to be accomplished by the year 2020 or earlier.

## CDP Accredited Partners for Third Party Verification\*



BUREAU  
VERITAS

Bureau Veritas



Lloyd's Register  
Quality Assurance

LUCIDEON  
insight creating advantage

Lucideon

\*CDP does not require that verification be performed by a CDP-accredited provider.

It is not isolated actions but the collective efforts of all stakeholders that achieve sustainability. By being fully transparent about its environmental risks and emissions information, a company opens up opportunities for all stakeholders to assist in its sustainability efforts. For instance, after identifying its problem areas, a company can implement one sustainability initiative in its head office and another in its branches. As a result, all sites can contribute to the company's sustainability efforts despite their varying capacities.

## CONCLUSION

It is important for investors, NGOs, customers, the public and other stakeholders to have access to information on CDP performance. An organization's CDP Scores can greatly affect the way partners, consumers, clients and the public perceive it. Public responses are available on CDP's website, Bloomberg, Deutsche Boerse's website, Google Finance, and country-specific and publicly accessible sites. Placement on the A List also indicates that a company is a responsible and sustainable supplier. These endorsements give a measurable sense of how a business is managing its environmental initiatives. To ensure the continuity of a business, it is imperative to have suppliers that are also sustainable. Due to these facts, suppliers and clients alike benefit from maximizing their CDP performance. There are simple ways to improve a corporation's score, the simplest of which is proper reporting to CDP. Responses should be as informative, complete and exact as possible.

<b>STEP 1</b>	<b>Plan ahead</b>	1. You must demonstrate integration of sustainability in your business cases, corporate planning and/or risk management programs.
<b>STEP 2</b>	<b>Master your risks and explore possibilities</b>	2. You must show an awareness of which climate-related risks can, and do, pose threats to your business activities.
<b>STEP 3</b>	<b>Track and manage your emissions</b>	3. Think "out-of-the-box": show how threats become opportunities with a little innovation.
<b>STEP 4</b>	<b>Get others involved</b>	4. Show a strong grasp of emissions from end-to-end operations.
		5. Disclose ways in which employees, suppliers, the community and other stakeholders are being tapped by your organization to promote sustainability and minimize the environmental impacts of your organization. Work with a third party verifier using a CDP accepted verification standard.

With the right tools, partners and guidance, you can improve your CDP performance and business case. Sustainable organizations create leaner operations with less costs and higher revenues. Aside from financial gains, sustainability promotes business continuity – the biggest value any operation can offer its stakeholders.

**CDP ACCREDITATION MEANS BOTH CDP AND OUR CLIENTS ENDORSE OUR SERVICES. AFTER SCORING 20,000+ CDP RESPONSES SINCE 2011, ADEC INNOVATIONS (ADEC), FORMERLY KNOWN AS FIRSTCARBON SOLUTIONS (FCS), IS AN EXPERT IN THE CDP SCORING METHODOLOGY\* AND BUILDING STREAMLINED CORPORATE SUSTAINABILITY SYSTEMS USING OUR STATE-OF-THE-ART SOFTWARE AND DATA COLLECTION SERVICES†.**

**\*Data Collection and Analysis.** Drive efficiency and reduce costs by outsourcing specific business functions to ADEC, CDP's Global Scoring and Outsourcing Partner. We have over 30 years of experience providing services, devising solutions and creating opportunities that get you out of spreadsheets and into saving resources like fuel, energy, manpower and, of course, money.

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



