

WHY DISCLOSE TO CDP?

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Since 2000, the non-profit organization CDP has been working with companies, governments, policymakers and investors to mitigate climate change and environmental impacts caused by the unsustainable use of natural resources.

By encouraging a system of sustainability disclosure and transparency among companies and cities, CDP enables organizations to benchmark, measure and manage their environmental risks, while at the same time improving their brand reputation, increasing operational efficiency and lowering their costs. Sustainability and profitability go hand-in-hand. As organizations comprehensively measure their sustainability performance and manage their risks, the executive management team is empowered with the right information, putting them in a better position as a whole, to improving financial performance.

The tools, guidelines and methods needed for standardized sustainability reporting are provided online by CDP. All of these help organizations and their respective stakeholders achieve transparency in their reporting.

Data gathered from these disclosures facilitate the planning and implementation of results-oriented actions to abate potentially irreversible impacts to the environment.



CDP PROGRAMS

CDP manages multiple disclosure programs, each of which addresses a specific environmental concern or information area.



CDP's **climate change program** encourages the measurement of greenhouse gas (GHG) emissions and disclosure of climate change mitigation initiatives among companies, which can be used as a foundation for creating effective carbon management and climate resiliency strategies. This program helps companies act on and achieve their sustainability goals. Scores for companies who participate in this program are publicly available for investors' and other stakeholders' review.



Closely tied to the climate change program is CDP's **Carbon Action**—an “investor-led initiative” aimed at incentivizing carbon emission reductions and energy efficiency projects among companies. Simply put, lower emissions leads to higher return on investment (ROI).



CDP's **water program** is designed as a platform for companies to disclose information to promote transparency on water use and management. The program facilitates informed decision-making to achieve water resilience, better governance of water issues, incentivizing long-term water management planning, and the development of standard water metrics and performance benchmarks for better water quality and quantity.



The **supply chain program** is CDP's initiative to help reduce emissions coming from 89 member companies' supply chains. In fact, it is not uncommon for suppliers to be asked to participate in this program by multiple customers. There is recognition that suppliers are a significant source of Scope 3 GHGs. While it is highly challenging to track, suppliers' emissions reductions substantially impact a business' overall sustainability performance. The supply chain program is also a platform for the implementation of supplier engagement strategies and management of climate change risks, and has recently evolved to help regulate water impact across supply chains. Participating suppliers receive tailored recommendations for the best possible results in ROI and emissions reduction.



CDP's **forests program** helps secure companies and their investors from risks incurred by forest land being converted for agricultural use and harvesting of forest products. With the help of information voluntarily disclosed to and collaboration facilitated by the CDP forests program, companies gain opportunities to improve their supply chains. The initiatives of the CDP forests program have also helped governments and policymakers provide for the protection of forest covers under their respective jurisdictions.



Participating cities have their own approach for voluntarily reporting climate change information through CDP's **cities program**, which helps participating cities reap cost savings, attract investors and new businesses, and secure the health and well-being of residents. The data collected, collated and analyzed by CDP provides cities around the world with ideas on finding ways and means to reduce their impacts. CDP also runs The Compact of States and Regions.



CDP spearheads the development of the **Climate Disclosure Standards Board (CDSB)**, an international organization that aims to aggregate existing climate change reporting standards and information, and integrate them to mainstream corporate financial reporting.



CDP is a partner in the **Science Based Targets** Initiative, which helps companies determine how much they must cut emissions to prevent the worst impacts of climate change.

To date, CDP has the most comprehensive collection of voluntary reports containing climate change, water, forest and supply chain data, and information from companies and city governments around the world. It starts with filling out CDP's Climate Change Information Request.

CDP's goal is to accelerate the creation of effective strategies, laws and regulations that advance sustainable operations, growth and development, both in developed and developing nations through collaboration and cooperation with governments and policymakers. Investors, companies and policymakers access CDP's all-inclusive database to guide their investment decisions, risk-mitigation plans and revenue generation strategies so that their actions have minimal environmental impact.

By reducing emissions and becoming more sustainable, companies' consumption of limited resources and production of waste will also decrease. When this happens the results are positive—costs will go down, resulting in greater savings and a better bottom line.

WHO SHOULD DISCLOSE TO CDP?

While many organizations are invited to disclose, any institution concerned with its sustainability and environmental impact can disclose to CDP. Governments from around the world, businesses from various industries and suppliers of all sorts of services and materials voluntarily disclose to CDP to help make a sustainable difference. The data gathered by CDP from its various programs are crucial towards making policies that provide a real solution and not a temporary answer.

CITIES SHOULD DISCLOSE TO CDP

In 2010, C40, a network of megacities all over the world looking to reduce GHG emissions, collaborated with CDP to provide a voluntary climate change reporting platform for cities. CDP continues to evolve and expand its programs through the measurement and management of climate change adaptation efforts of the world's largest and most influential cities.

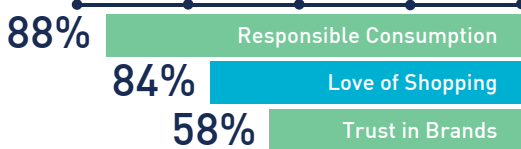
From an initial 53 cities who responded for the first report, 533 global cities took part in the CDP cities program in 2016, finding that measures to mitigate climate change are actually making cities leaner, cleaner and financially better. 36% of participating cities reported an emissions reduction target. There is significant economic opportunity with partnerships; cities reported 720 climate-related projects that they are seeking private sector involvement from, worth over \$26 billion.¹

¹<https://www.cdp.net/en/research/global-reports/global-cities-report-2016>

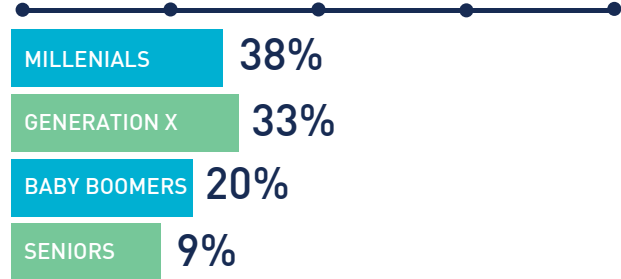


As companies strive to reduce emissions and become more sustainable, their consumption and waste will also decrease. When this happens, their costs will consequently lower, resulting in greater savings and a better bottom line.

40%
of the population are
ASPIRATIONALS
They define themselves by their:



Ratio of Aspirational Consumers in all groups



BUSINESSES SHOULD DISCLOSE TO CDP

If cities reap numerous benefits by taking part in CDP programs, so too can businesses. It improves their branding and overall image when businesses show consumers and clients that they are environmentally-concerned and engaged as well.

For example, in today’s sustainability-conscious market, consumers are placing greater weight on sustainability efforts. In a survey done by Research Data + Insights, a majority of their respondents (91%) say that they expect food and beverage manufacturers to “actively help increase recycling of their packages”. Further, in a telling indication of how environmentally-conscious the market is today, 58% say their loyalty to food and beverage companies are influenced by environmental initiatives. Such initiatives could be more research and development (R&D) on improvements to packaging that are both environmentally-friendly and more cost-effective for the company.

Aside from brand improvement, businesses can also make a strong business case from sustainability efforts. As companies strive to reduce emissions and become more sustainable, their consumption and waste will also decrease. When this happens, their costs will consequently lower, resulting in greater savings and a better bottom line. Integrating sustainability and green aspects into products also opens up new markets through qualifying for LEED credits or government contracts by meeting the EPA’s procurement guidelines.

According to CDP’s 2016 Global Report, 68% of the world’s market capital have disclosed to CDP, including 78% of the companies in the S&P 500 and 92% of FTSE 350 equity index. CEO Paul Simpson raises similar figures in CDP’s Global Climate Change Report 2016 saying, “Today some 5,800 companies representing close to 60% of global market capitalization, disclose to CDP.”³

² Five Human Aspirations 2016 report (p. 7/slide 7)

³ https://b8f65cb373b1b7b15feb-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/001/228/original/CDP_Climate_Change_Report_2016.pdf?1485276095

WHY IS DISCLOSING TO CDP IMPORTANT?

INCREASED AWARENESS OF GHG EMISSIONS

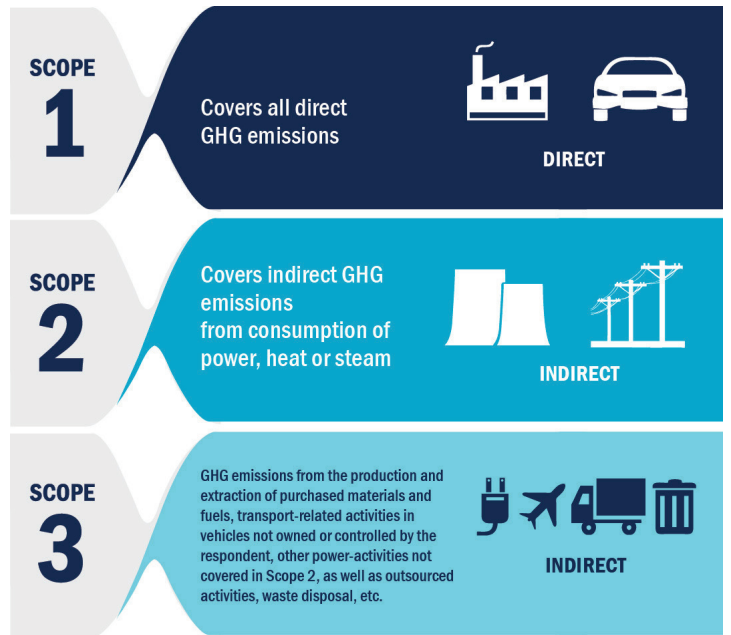
An integral part of being a CDP Supply Chain member company is having a strong understanding of how an organization's end-to-end operation affects the environment. One of the focal points should be emissions—what they are, where they come from and how much of them the company is producing. In fact, CDP member companies are more aware of the sources of their emissions than those that are not members of one or more of the CDP programs. According to CDP's 2016 Supply Chain Report, there may be a gap between suppliers' risk perception and actual risk. When suppliers don't understand their risks, they cannot prepare for them and, consequently, actually increase their risks.

The CDP questionnaire asks where along a company's operations emissions are produced, what major activities of the company produce the most emissions, and to classify the emissions into Scope 1, 2 and 3 (see infographic on the side). This encourages the respondents to identify whether their emissions come directly from their operations, through power consumption, or from the supply chain, transport or extraction of materials.

Aside from the sources of emissions, CDP also asks whether companies provide incentives for the management of climate change issues, as well as the attainment of sustainability goals. Additionally, CDP asks how integrated emission reduction programs are with company-wide policies.

In effect, it encourages respondents to become more aware of their GHG emissions. This awareness allows companies to find better ways to reduce their emissions and improve their reduction targets at the same time. About 44% of companies responding to CDP have set targets to reduce their emissions, according to the 2015 Global Report and 2016 Supply Chain Report.

According to a 2014 report by CDP entitled "Lower Emissions, Higher ROI: the rewards of low carbon investment," companies with published emissions reduction targets realized a return on invested capital (ROIC) of 9.9%, and were more profitable than those with no targets (ROIC=9.2%). It is clear that targets are a strong and clear differentiator of performance.



CONVERTING ENVIRONMENTAL RISK INTO BUSINESS OPPORTUNITIES

More than just ingenuity, it is necessary for organizations to find hidden opportunities in the threats presented by climate change. These threats can be turned into business opportunities and integrated into core strategies. As part of the questionnaire, in fact, CDP asks respondents how they were able to turn threats into viable business opportunities. Companies must, therefore, have an understanding of which specific threats related to climate change could have material effects on their operations, how much this will affect their bottom line and what actions need to be taken to avoid these threats in the first place.

This reiterates the importance of why companies and governments should disclose to CDP. The data gleaned from previous CDP reports can be used as a guide towards formulating strategies or policies that will prove invaluable to the continuity of their operations.

Some companies like Avaya, Edwards Group plc and TOTO have already made such business innovations. Strong communication with all stakeholders, combined with innovative approaches through science and technology is vital. Organizations are encouraged to come up with new solutions that have never been tried before. Overcoming the challenges posed by climate change through innovative products, services and methods will help identify new possibilities for the organizations that are open to change. This adds value to the business as it safeguards its endurance, while producing more products, services and other means of revenue for the companies that are climate-resilient.



A research study by Shelton Group in its sixth annual Eco Pulse study shows that the greenest consumers are affluent and very loyal to brands.⁴ This group of consumers buys green products and is willing to pay more for a brand they trust. This means that aside from the gains they directly receive from green and innovative products and services, organizations can leverage their sustainability measures to strengthen their brand. This is yet another reason disclosing to CDP makes perfect business sense.

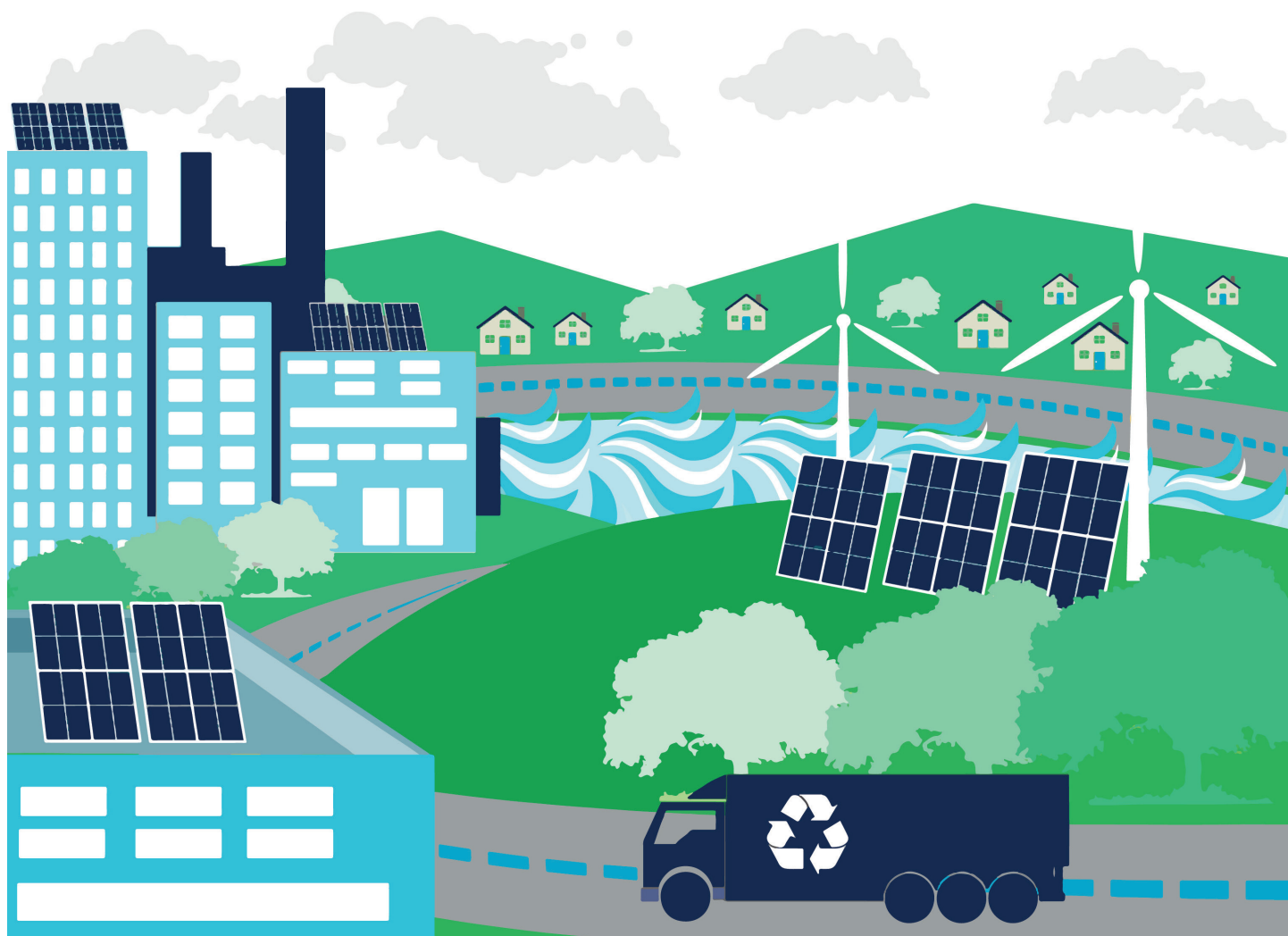
BETTER RISK MANAGEMENT, INCREASED EFFICIENCIES

Turning risks into valuable business strategies is just one of the many learning opportunities available to an organization that reports to CDP. When engaging a third party consultant to assist with their CDP disclosure, organizations receive feedback on how to improve their sustainability performance and disclosures.

Experts from CDP and its affiliates help organizations uncover the possible threats to specific businesses. These threats may be known or unknown to the leadership of the reporting organizations.

When working with a third party, these firms are given expert advice on how to curb these threats, manage the risks and ensure the continuity of their operations. Part of business continuity is finding ways to improve and evolve year after year. Companies benchmark their own performances against the data, support and insights they receive from CDP, using the reports published on its website or through performance reviews conducted by CDP and other sanctioned organizations. These tools give companies feedback and provide insight as to how to improve performance. Scope 1, 2 and 3 emissions are also broken down for respondents to see where along their end-to-end operations the greatest emissions occur. The raw data from respondents helps provide the answers toward improved efficiencies within an organization.

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⁴ <http://www.marketwatch.com/story/shelton-groups-latest-eco-pulse-study-shows-that-the-greenest-consumers-arent-who-you-think-they-are-2013-07-16>

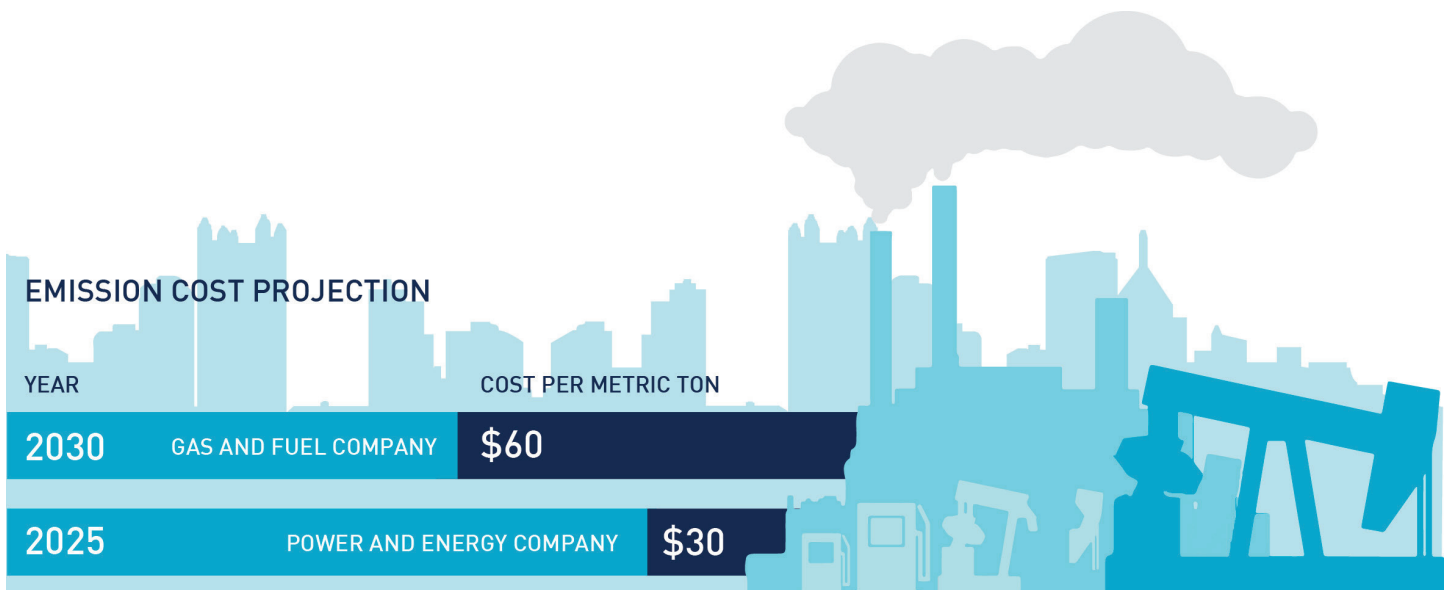
Businesses who report to CDP may have the opportunity to engage with their peers and share best practices in climate management and reporting. They are also exposed to innovative ideas from industry experts that could further their sustainability pursuits. This gives companies the ability to start a new initiative to better meet their environmental targets or choose to adapt a sustainability program implemented by other businesses in the same field. Doing so would lead to a more business-specific approach for an organization to become more sustainable. For CDP members, exclusive networking opportunities provide venues to engage in dialogue with leading global peers and thought-leaders who shape climate change reporting.

Lastly, resources such as roundtables, webinars, newsletters and an online library are provided to members, containing insights and strategies on future steps a company may take on their way to better manage carbon emissions.

CLIMATE RESILIENCY

CDP's Climate Change Report 2016 states that companies are increasingly utilizing internal carbon pricing as an approach to help them manage climate risks and opportunities. It adds that companies are using this tool in a range of different ways including risk assessment in their scenario planning, as a real hurdle rate for capital investment decisions and to reveal hidden risks and opportunities in their operations. Of the 1,089 companies that disclosed to CDP in 2016, 29% reported having an internal price of carbon. A further 19% plan to set an internal carbon price in the future.

COMPANIES PUT A CORRESPONDING PRICE ON ALL OF THE POSSIBLE EFFECTS AND RISKS ASSOCIATED WITH CLIMATE CHANGE, AND BECAUSE OF THIS "PRICING," COMPANIES ARE ABLE TO COMPUTE THEIR POSSIBLE SAVINGS OR POTENTIAL LOSSES.



⁵ https://b8f65cb373b1b7b15feb-c70d8ead6ced550b4d987d7c03fcd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/001/228/original/CDP_Climate_Change_Report_2016.pdf?1485276095

WATER STEWARDSHIP

Aside from the reduction of carbon emissions, water conservation is also an important issue that needs to be prioritized. This is why organizations are now engaging themselves in water stewardship—the growing involvement of the private sector with water issues.

This way, companies increase the water efficiency and decrease the waste their operations cause. Water stewardship recognizes how exploitation of water resources will ultimately lead to threats on their businesses' standard operations. The threat to the continuity of their company operations have caused organizations to act swiftly.

There was an increase of responders to CDP's disclosure report on water stewardship from 405 in 2015 to 607 in 2016. Companies reported US\$14 billion in water-related impacts in 2016. This is a five-fold increase from the previous year. Water stewardship or safeguarding a business from water-related risks guarantees a business can prevent or survive the negative impact on their businesses.⁶

The same principle applies to other risks that a business may face. For example, resource use plays a big part in the costs that any operation incurs. The more electricity and raw materials a business requires, the greater its vulnerability to threats from scarcity or price increases of these resources.

Knowing where these resources are being wasted leads to leaner operations and lower costs. This not only improves an operation's bottom line; it also ensures business sustainability.

RESULTS-DRIVEN PROGRAMS

Companies that make long-term investments to mitigate risks presented by climate change report that these plans provide them a strategic advantage over their competitors. 35% of companies with at least one investment whose payback is one year or less state this to be true.

To further make the business case for sustainability, CDP reports that 87% of companies responding identified business opportunities in pursuing emissions reduction programs. CDP also highlights a 67% higher return on equity for respondents than non-responding companies. A total US\$53 billion worth of savings was reported to CDP. In 2016, CDP's Carbon Action, an investor-led initiative to accelerate company action on climate change, reported that 522 million tons of CO₂ were saved due to investment projects in emissions reduction. Carbon Action reports that the average three-year return of investment on emissions reduction or carbon reduction projects is 1 ton of CO₂ for every US\$5 invested in such projects.⁷

Performance is improving and a higher percentage of these findings are being verified. In 2016, 533 cities reported climate change-related data and 189 cities publicly reported their yearly city-wide emissions. This positive trend increases the credibility of the disclosures of companies and the use of such data.

Participants in the CDP cities program are also seeing the benefits of their efforts to become more sustainable. Cities striving to reduce emissions see these initiatives as pro-business. For cities to succeed, they must be able to attract and retain strong business ventures that provide jobs to the community and increase tax revenues. 74% of the 190 cities who have an emissions reduction target also collaborate with businesses.⁸



\$53 BILLION/522 MILLION
TONS OF CO₂ EMISSIONS
SAVED ANNUALLY



⁶ <https://www.cdp.net/en/research/global-reports/global-water-report-2016>

⁷ <https://www.cdp.net/en/articles/media/carbon-action-paves-the-way-for-investor-led-climate-action>

⁸ <https://www.cdp.net/en/research/global-reports/global-cities-report-2016>

VISIBILITY AMONG CDP PROGRAM MEMBERS: BEING THE SUPPLIER AND PARTNER OF CHOICE

Yet another advantage that reporting to CDP brings to the table is the possibility of becoming a supplier and partner of choice. Firms with higher CDP scores are preferred by their clients, as they are seen as responsible and sustainable suppliers. This means that they are less susceptible to climate-related threats which, in turn, safeguards 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 the other side of the globe can be detrimental to their clients. For example, a company which sources its materials from a supplier who is not proactively managing water-related risks may face operational setbacks and even collapse should the supplier go through a drought. If the supplier was operating sustainably and better prepared against the threats that a drought or flood poses, it may weather the challenge better, equating to improved continuity for its client and more validation as the supplier of choice.

Sustainable suppliers may also be able to offer more competitive prices because fewer resources are used to produce their products. Lower prices from suppliers lead to lower costs for clients, another reason to be a supplier of choice.

Additionally, leaner suppliers improve their bottom lines and could pass these savings to their clients as well. Take, for instance, the initiative of Walmart.

Walmart categorized their products and scored their suppliers based on a category-specific scorecard that contains questions on GHG emissions, energy efficiency and waste management. The suppliers' answers will assess their sustainability. By meeting the minimum standards enforced by this system, suppliers help bring Walmart one step closer to reaching their 20 million metric ton carbon reduction goal.

Companies with better CDP performance become more attractive in today's sustainability-conscious market.

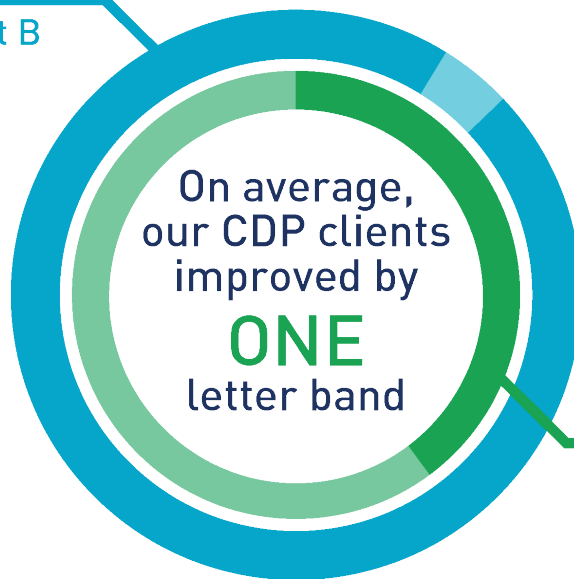
Organizations who disclose to CDP can avail of expert consultations from CDP partners. These consultations can point to areas of an organization's sustainability strategy that need improvement, or solid strategies which can still be reinforced. With less waste, companies can improve their bottom lines and become more profitable. More savings can help them prepare better for financial and operational impacts that climate change-related threats may bring. Better preparation leads to better mitigation and, for CDP disclosures, better scores. Moreover, they can become suppliers of choice as they are seen as more reliable, more stable and, ultimately, more efficient than their counterparts. Better CDP scores can lead to better business operations internally and externally.

In order to improve an organization's bottom line, optimize resource use and gain the competitive advantage, organizations are reporting to CDP to pave the way in turning the threats brought about by climate change into business opportunities. All the tools, methods and guidelines for standard sustainability reporting are readily provided by CDP to achieve transparency in an organization's sustainability reporting. The data from a company's CDP disclosure serves as a guide to empower their management team with the right information that will help them improve their sustainability efforts and their financial performance.

HOW ADEC INNOVATIONS CAN HELP

ADEC Innovations (ADEC) provides services that help improve your performance and disclosures to CDP. Like CDP, ADEC works to transform the way the world does business, in an effort to curb the impacts of climate change and protect our natural resources. Every year, thousands of organizations and cities across the world's largest economies measure and disclose their GHG emissions and climate change strategies through CDP, in order to set reduction goals and improve performance.

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
in 2015
despite changes in scoring

Source: 2016 CDP stats

ADEC is a CDP Gold Consultancy Partner and Silver Software Partner, as well as a Global Scoring and Outsourcing Partner. With experience scoring 20,000+ CDP disclosures globally since 2011, ADEC has the unique, proven capabilities to help you measure, develop and implement a carbon and climate change strategy.*

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



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