CDP’s Mission and Programs

To transform the global economic system to prevent dangerous climate change and value our natural resources by putting relevant information at the heart of business, investment and policy decisions.
How CDP Works

Signatory Investors and Corporate Purchasers

Corporations and Cities

Information

Authority
2014 CDP supply chain members
Transparency Leads to Accountability and Drives Action

Disclosure process improves performance

Benchmarking accelerates learning

Data informs investment and procurement analysis and engagement
Realizing value from engaging suppliers on climate change and water

$11.5 Billion in Savings
From emissions reduction activities reported by suppliers in 2013, **but over two thirds are not yet investing**. There is ample opportunity to work with suppliers to collaboratively reduce emissions and share in the savings.

Strengthen Relationships
CDP’s members report that engaging suppliers strategically on climate, water and environmental issues **opens doors and shifts relationships** based primarily on price toward more collaborative, productive partnerships.

Risk Awareness & Mitigation
Members use the data collected from suppliers to conduct a **risk and opportunity analysis on climate risk management**. This provides greater insight into suppliers’ preparedness and resiliency in a changing climate.

Focusing on Water Stewardship
Only **53% of suppliers disclosing water risks have water-related targets**, and most haven’t even begun considering their risk profile. The immediate risks of water leave many supply chains vulnerable.
Sustainability requests are cascading up and down the value chain

“A growing number of existing clients and prospects are asking sustainability questions and inquiring about the bank’s operations and what it’s doing to influence suppliers”

Since PepsiCo operates in more than 200 countries, we understand that our emissions are not only within our own operations, but also embedded in our products through our global supply chain. By collaborating with CDP Supply Chain, we gather primary data from our suppliers and growers to be better positioned to meet our emissions reduction goals.
Sending a strong, clear message of supplier sustainability expectations

Dell’s guidelines for suppliers:
- Report scope 1 and 2 emissions
- Set public goals to reduce operational GHG impacts
- Tier 1 suppliers to establish GHG management and reporting requirements for their suppliers

Failure to meet these requirements can impact your supplier ranking and potentially diminish your ability to compete for Dell’s business.

Cisco’s guidelines for suppliers:

By integrating sustainability into business reviews, we aim to show suppliers that Cisco takes sustainability in the supply chain seriously and that they [suppliers] must have an acceptable level of sustainability performance to do business with Cisco.

- 100% of preferred suppliers to report their GHG emissions through CDP (in FY13)
- 100% of preferred suppliers to report Cisco’s share of their GHG emissions (by end of FY15)
Some Key Findings from Our 2012 Supplier GHG Survey

Of the suppliers responding...

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<th>Percentage</th>
<th>Description</th>
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<tr>
<td>90%</td>
<td>Nearly have a person or committee that is directly responsible for managing climate change issues within their company.</td>
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<td>80%</td>
<td>Nearly have integrated climate change management into their overall business strategy.</td>
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<td>A large majority of suppliers have active greenhouse gas emissions-reduction programs.</td>
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<td>More than 65% have set greenhouse gas emissions-reduction targets (an increase from 2011), and more than 75 percent have active emissions-reduction initiatives. In general, more Ford suppliers responded that they have set intensity-based targets than absolute targets.</td>
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<td>A majority of suppliers track and report on their greenhouse gas emissions.</td>
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Declaring ambitious goals and clear KPIs

We encourage our suppliers to measure, reduce and report their climate change and water-related impacts and strategies through CDP. A factor of our success in driving supplier performance and ambition in these areas is that it is no longer solely our environmental experts who discuss these issues and areas for improvement with suppliers; purchasers trained in this area have now also become ambassadors.

Miguel Castellanos, Director of Global Safety, Health &
Embedding sustainable procurement in “business as usual”

2009: L’Oréal joins CDP’s supply chain program

2011: L’Oréal’s Environment, Health & Safety department and CDP design supplier response profiles to simplify CDP disclosure information.

2012: Training of 100 L’Oréal buyers in 4 geographical zones to discuss CDP. Supplier relationship owners send all sustainability-related communications to suppliers.

2013: L’Oréal becomes a founding member of CDP supply chain +water and invites a pilot sample of suppliers for water-related business information alongside climate change. Average supplier performance makes marked improvement.

2014: L’Oréal becomes pilot CDP Action Exchange member to further encourage suppliers to implement cost-effective emissions reduction activities
Addressing the significant gap in emissions reductions: Action Exchange

A platform to accelerate the deployment of profitable solutions to climate change

- Identify emissions reduction opportunities and cost savings potential for key suppliers
- Connect suppliers with technology and solutions providers
- Address common barriers to investing in emissions reduction activities

In 2013, 84% of members reported monetary savings from emissions reduction activities, compared to 31% of their suppliers.

$11.5 billion was saved as a result of the emissions reduction activities reported by this 31%.

Source: CDP supply chain 2013-14; Collaborative Action on Climate Risk
### Supplier Performance Tracking

3 year plan: *what would success look like in 2017?*

#### Climate Change KPIs

- Response rate
- % integrating climate change into business strategy (CCQ.2.2)
- % reporting scope 1 and 2 emissions (CCQ.9 and Q.10)
- % reporting emissions reduction target (CCQ.3)
- % reporting implementation of emissions reduction activities (CCQ.3.3)
- % proposing collaborative emissions reduction activities (SM2.1)

#### Water KPIs

- Response rate
- Integration of water management into business strategy (WQ6.1)
- Water accounting: suppliers reporting total withdrawal, discharge and recycling (WQ.5)
- % with a company wide target or goal (QW.8.1)
- Importance of water quality and quantity (WQ.1.1)
- % suppliers with a comprehensive and publically available water policy (WQ.6.3)
Key Points

- What gets measured gets managed... and what gets disclosed gets reduced
- Cost-positive GHG reduction opportunities abound
- Start with response rate goal, then move to disclosure and performance expectations
- Must focus on metrics, goals and tracking of progress
Over **70%** of suppliers identified a **current or future risk** related to climate change with the potential to significantly affect business or revenue.

**51%** of suppliers are either currently experiencing, or report they will **experience the impacts** from change in precipitation extremes and droughts over the next 5 years.

The performance gap is widening between supply chain members and suppliers: the number of suppliers expecting to **miss their emissions reduction targets** by target year end increased from **35%** in 2011 to **40%** in 2013.
No water means no business

With increasing competition for the highly localized resource, managing water risk can secure a licence to operate, enhance brand value and help ensure business growth. For many companies, the threat from climate change will manifest itself first by exacerbating water risk.

- 70% of Global 500 companies reported exposure to substantive water related risks in 2013.
- Among reported physical risks, 52% of suppliers highlighted water stress or scarcity as the biggest concern with 72% expecting an impact on operations within the next 5 years.
- Only 53% of suppliers disclosing information on water risks have water-related targets; suppliers are recognizing water risks but all are not taking action to mitigate them.