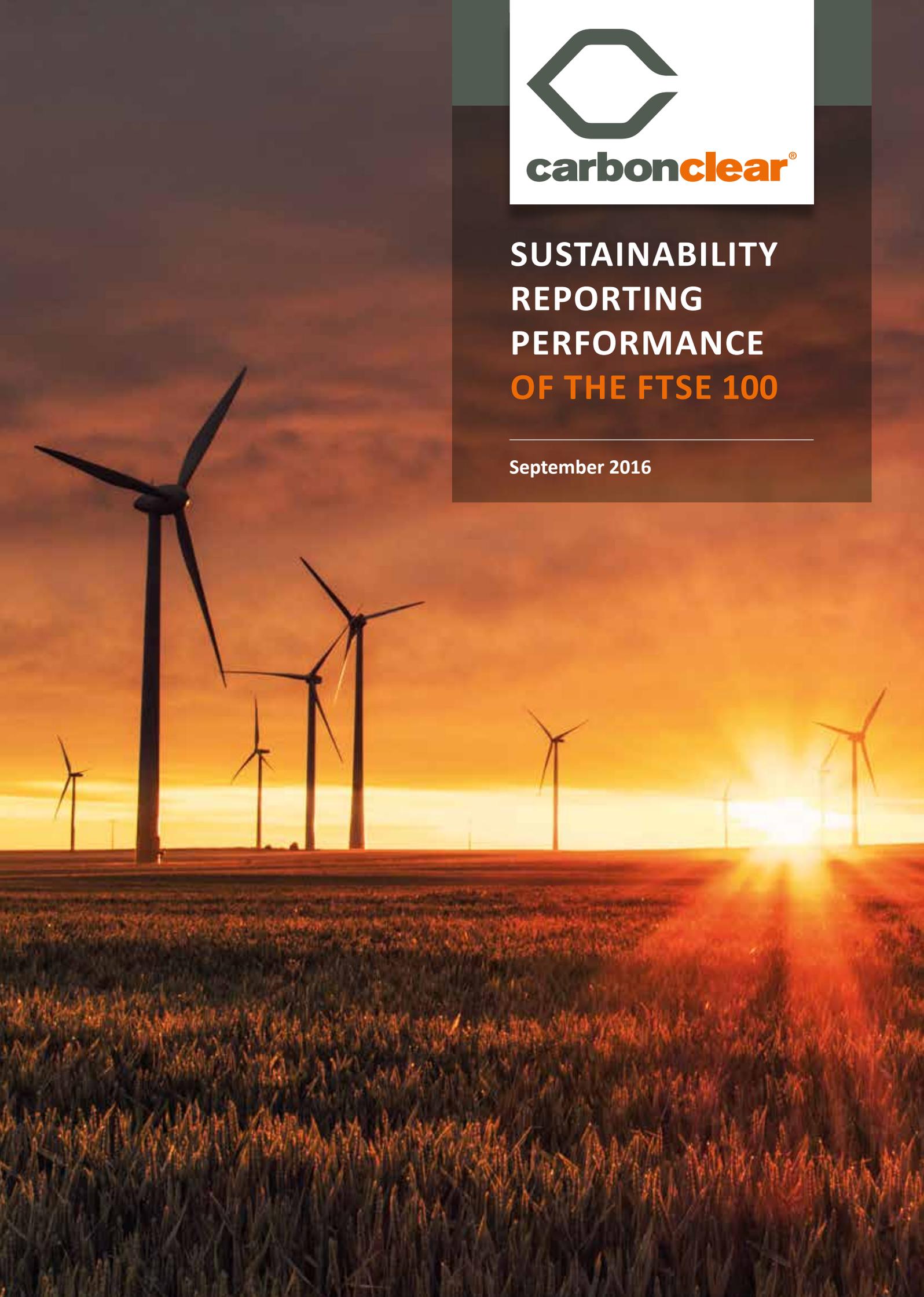


carbonclear[®]

**SUSTAINABILITY
REPORTING
PERFORMANCE
OF THE FTSE 100**

September 2016





Sustainability Reporting Performance of the FTSE 100

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2016 is a pivotal year for the planet and for managing the dangers of anthropogenic climate change.

Welcome

Many of us entered 2016 with positivity and optimism: the Paris Conference of Parties (COP 21) resulted in a multi-lateral commitment by hundreds of countries to work towards managing the risks of climate change. The next step of the process came to fruition in February with the publication of the final Paris Agreement.

Since then, countries have been working towards understanding what that means for their policy and commercial landscape with a number already having signed the accord.

In the UK, Brexit has dominated the political agenda. There is still uncertainty about what the future may hold for carbon targets and energy legislation. However, what we must remember is that the UK has its own legally binding carbon targets (80% greenhouse gas emissions reductions by 2050 versus a 1990 baseline) enshrined in the Climate Change Act. We are on track to meet these thanks mostly to the work done to green the grid. Now we must focus on increasing the contribution made by businesses as current levels of ambition are inconsistent with the UK targets.

In the financial world, there have been numerous interesting pockets of news: shareholder activism faced by the Boards of extractive businesses with investors demanding an assessment of the risks that climate change poses to their business model; pension funds and institutional investors announcing they will no longer invest in fossil fuel industries; the continued narrative by the Governor of the Bank of England, Mark Carney, about embedding considerations of climate change risk into investment decisions.

From our offices in London we continue to have conversations with leading businesses looking to achieve more when it comes to managing their environmental impacts. From setting greenhouse gas emissions targets based on the science of climate change to commitments to purchasing 100% renewable energy, the trajectory of change is moving in the right direction.

Is all of this fast enough? Will it be effective enough? There is no crystal ball to give us the answers to these questions. However, we hope that this report can provide some insight into the trends and pace of change for businesses managing climate risk in an intelligent way.

We also hope that it encourages positivity and optimism; that innovative and creative thinking can result in a better, more sustainable way of managing complex business challenges in a resource constrained world.

**Mark Chadwick,
Chief Executive, Carbon Clear**



Proactively reducing carbon to manage energy supply and climate change risks is a key issue for business and is critical for the kind of smart growth we need to see to ensure long term prosperity.

It is really encouraging to see that FTSE 100 companies are leading the way towards a productive, zero carbon future.

The global agreement reached at COP21 Paris in 2015 raised the bar for climate action, building on the UK's own legally binding targets to reduce an 80% reduction in carbon emissions by 2050 – less than a generation. A challenge of this magnitude brings significant opportunities for business. From new products and services, through more efficient and effective operations to meaningful engagement across whole value chains.

The focus on innovation within Carbon Clear's sixth annual assessment report is an important addition as it highlights the critical role that innovation will play in securing a prosperous future for business and society.

I am delighted to see the progress that the UK's leading companies are making to act on carbon and welcome the leadership being shown by Carbon Clear in shining a light on both areas of best practice and opportunities to do more.

**Gudrun Cartwright,
Environment Director at Business in the Community**



Introduction

Welcome to our sixth annual study of the carbon reporting performance of the UK's 100 biggest companies, examining the sustainability performance of the FTSE 100 using publicly available information. We've changed the name of the report this year to Sustainability Reporting Performance of FTSE 100 to reflect the wider scoring criteria for 2016.



Each year, we place emphasis on the importance of best practice and innovation. As the world changes and new risks of climate change become apparent, so too does the sustainability space. This is evident in legislation at an international and national level and through the activities of companies looking to ensure that their business models are genuinely sustainable and built to be accountable and operational in a resource constrained world.

For this reason, we have introduced a fifth scoring section for 2016: Innovation. As resource scarcity and reliability of energy access become more pressing issues, innovative and holistic approaches to sustainability become vital. Measurement and reporting alone cannot take businesses where they need to be to meet the demands of climate change, whether legislative compliance, consumer or shareholder demands or simply emerging environmental risks.

Assessment and disclosure of these environmental risks falls under the fiduciary responsibility of company Directors, but too often it is only considered as an afterthought. To continue to be successful and fulfill obligations to shareholders, companies need to consider the risks of climate change and embed these in their business models.

At Carbon Clear, we call such a joined up approach Intelligent Sustainability. We know that this type of thinking is challenging. It requires commitment to embed the considerations of environmental impacts into the core of the business. But we believe that this approach is an essential one for all businesses. The challenge for companies is to ensure long term value, growth and commercial success (as opposed to a focus on short term profits), which requires the risks of climate change being built into their fundamental values. Without this happening, it will become increasingly difficult to overcome the complex business sustainability challenges that exist now, and indeed those that lie ahead.

The good news is that we have a variety of businesses within the FTSE 100 who are doing just that – managing sustainability in an intelligent way. The hard work and dedication these companies have towards developing a more sustainable business model is excellent, and they show that growth is enhanced by sustainable business practices, not limited by it. It is therefore disappointing that more companies are not following their lead. The gap between those pushing the boundaries of best practice and those simply complying with legislation remains as large as ever.

What we mean by sustainability

Sustainability incorporates a number of social, environmental, economic and ethical issues. For the purposes of this report we are focusing on sustainability solely from an environmental perspective.

The pledges made at COP 21 and through the Paris Agreement will be translated into country-level policies to drive emission reductions. Companies that operate across many countries will face the challenge of complying with increasingly stringent country specific environmental legislation. However, global companies also have the opportunity to benchmark their sustainability reporting performance against overseas competitors, enabling the private sector to strive for leadership across borders. With this in mind, and as our Spanish office continues to grow, this year we also ranked the IBEX 35 on their sustainability reporting performance, using the same methodology as the FTSE 100.

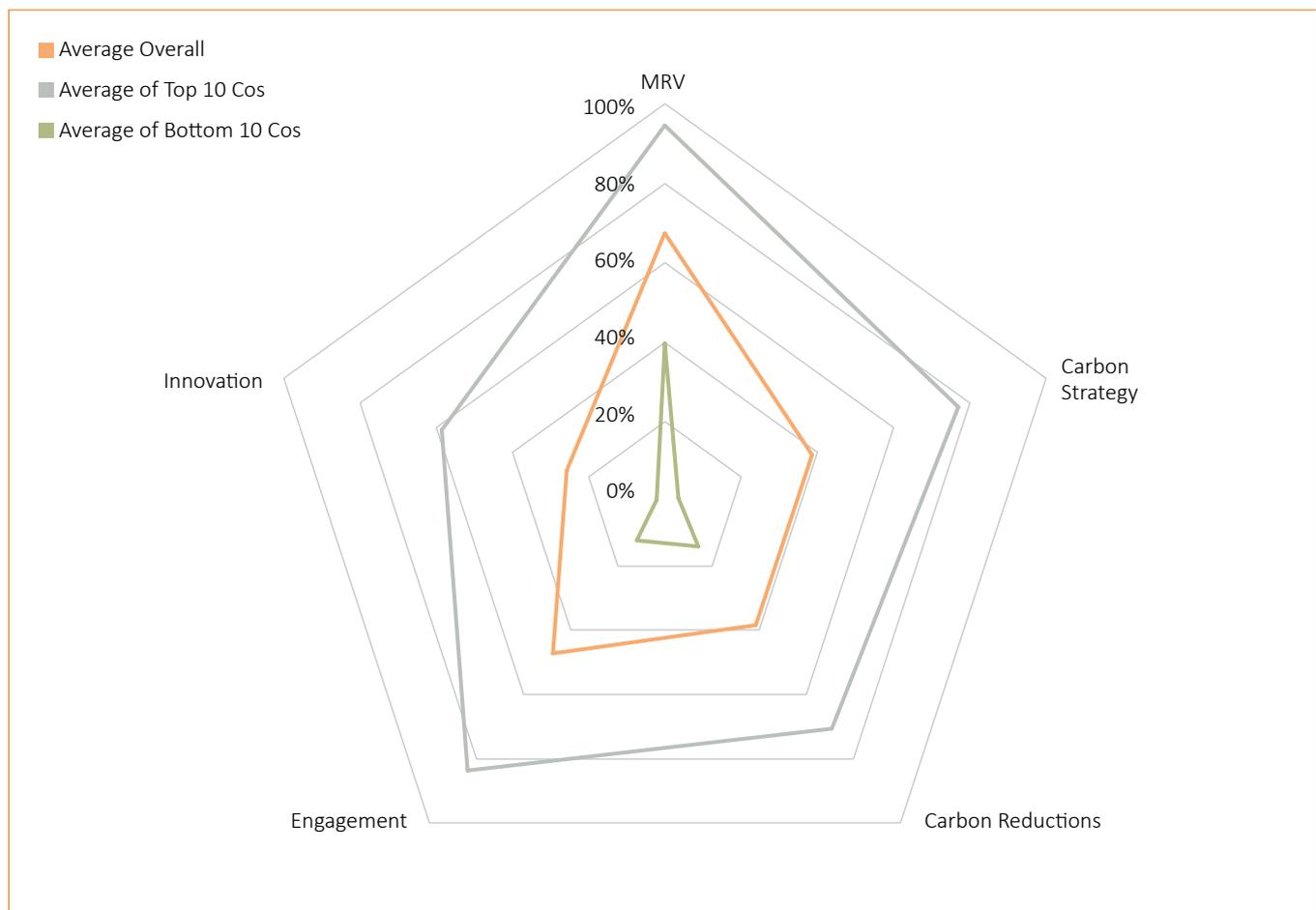
The business community must now look to embed intelligent sustainability into their thinking to prosper and survive in a resource constrained and low carbon world.

2016 Results

2016 top 20 ranking

2016 Ranking	Change	Company	Score	2016 Ranking	Change	Company	Score
1	=	BT Group	89%	=10	↑	Diageo	70%
2	=	Marks & Spencer Group	88%	=10	↑	Reckitt Benckiser Group	70%
3	↑	Unilever	86%	13	↑	AstraZeneca	69%
4	↑	Coca-Cola HBC AG	83%	14	↑	Hammerson	66%
=5	↓	Kingfisher	81%	15	↑	Royal Mail Group	65%
=5	↓	Sky	81%	=16	↑	CRH	64%
7	↓	Aviva	78%	=16	↑	GlaxoSmithKline	64%
8	↑	Mondi	76%	18	↓	Taylor Wimpey	63.5%
9	↑	RELX Group	73%	=19	↓	TUI AG	63%
=10	↓	Centrica	70%	=19	↑	United Utilities Group	63%

Average 2016 scores across the scoring sections¹



¹ See Appendix for scoring section definitions

2016 Results

2016 scoring section leaders

Section	Company	Score
MRV	BT Group	100%
	Coca-Cola HBC AG	100%
	Mondi	100%
Carbon Strategy	BT Group	90%
	Unilever	90%
Carbon Reduction	Marks & Spencer	95%
Engagement	BT Group	100%
	Marks & Spencer	100%
	Kingfisher PLC	100%
Innovation	Unilever	100%

Innovative and creative thinking can result in a better, more sustainable way of managing complex business challenges.

2016 Key Findings

99 companies report on carbon

66 report Scope 3 data, 10 more than 2015

47 report Scope 3 beyond business travel, 7 more than 2015

30 companies had no carbon reduction targets (their average reduction section score is 25%)

66 companies show an assessment of materiality of climate change issues, or an assessment of the risks climate change poses to their business

6 companies set science based targets (1 in 2015). 6 further companies have committed to setting science based targets in the future

14 companies offset emissions. 5 are carbon neutral

48 companies publish environmental and sustainability KPIs in their annual report beyond the mandatory requirement. The most commonly reported KPIs are water, waste and other resource use

39 companies set targets for a reduction in water usage

12 companies are working to quantify their use of natural capital in their financial accounts

2016 Themes

Each year, we aim to refine and rethink the scoring criteria to reflect what is considered to be best practice in carbon reporting and to incorporate findings from the previous year. The criteria gets continually tougher as we aim to recognise those companies that are truly pushing the boundaries and remove ‘easy win’ points for activities we believe all companies should be carrying out.

For 2016, in the Measurement, Reporting and Verification (MRV) section, the criteria was changed to ensure that only robust Scope 3 calculations were rewarded. For the highest score in this section, a company will have performed a materiality assessment of their Scope 3 footprint, to ensure that there is a clear rationale behind the categories calculated, rather than simply choosing the categories which are the easiest to calculate.

In the Strategy section, we expanded the criteria to include the extent to which a business is adapting to climate change risks, as opposed to acknowledging risks, without taking action. The scoring of reduction targets was more stringent, with a strong focus on science based targets.

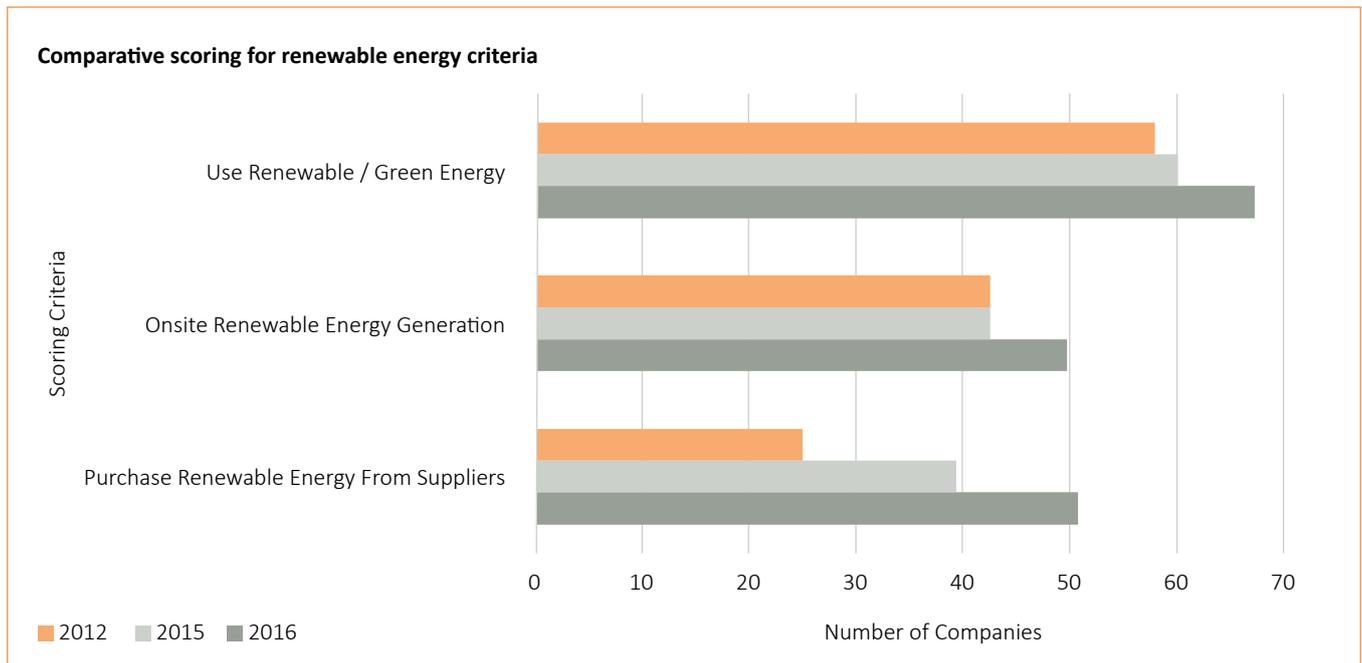
In the Reduction section, the criteria surrounding renewable energy was amended to reflect the Greenhouse Gas Protocol²'s "good quality criteria".

We also introduced a new section to the scoring methodology: Innovation. This section looks to reward companies who are going above and beyond what is already considered best practice. Companies scoring well in this section are relishing the challenge of deconstructing complex theories such as the circular economy³ and natural capital accounting⁴, and are beginning to adopt them into their business strategies. Highly developed supplier relationships are commended, with a particular focus on evidence of co-innovation – working together to develop new technologies, products or processes with an environmental benefit (while most likely benefiting both companies involved).

The full methodological breakdown can be found in the Appendix.

Our research this year has uncovered four interesting and dominant key themes for 2016.

1. Renewable energy is playing a key role in business sustainability



We are comparing the 2016 data to 2015, in order to see year on year progression. We have also included 2012 as a baseline for the FTSE performance.

² www.ghgprotocol.org

³ www.wrap.org.uk/about-us/about/wrap-and-circular-economy

⁴ www.naturalcapitalforum.com/about

2016 Themes

The number of FTSE 100 companies using renewable energy remained fairly consistent between 2012 and 2015. However, for 2016 there is a significant increase. Similarly, there has been a large increase in the generation of onsite renewables, after no change in the 2012-2015 period. The use of purchased renewables has increased steadily since 2012, but again 2016 has seen a large increase in companies buying renewable energy.

There is no one reason why there has been such a significant uptake of renewable energy in the past 12 months, but there are a number of influencing factors:

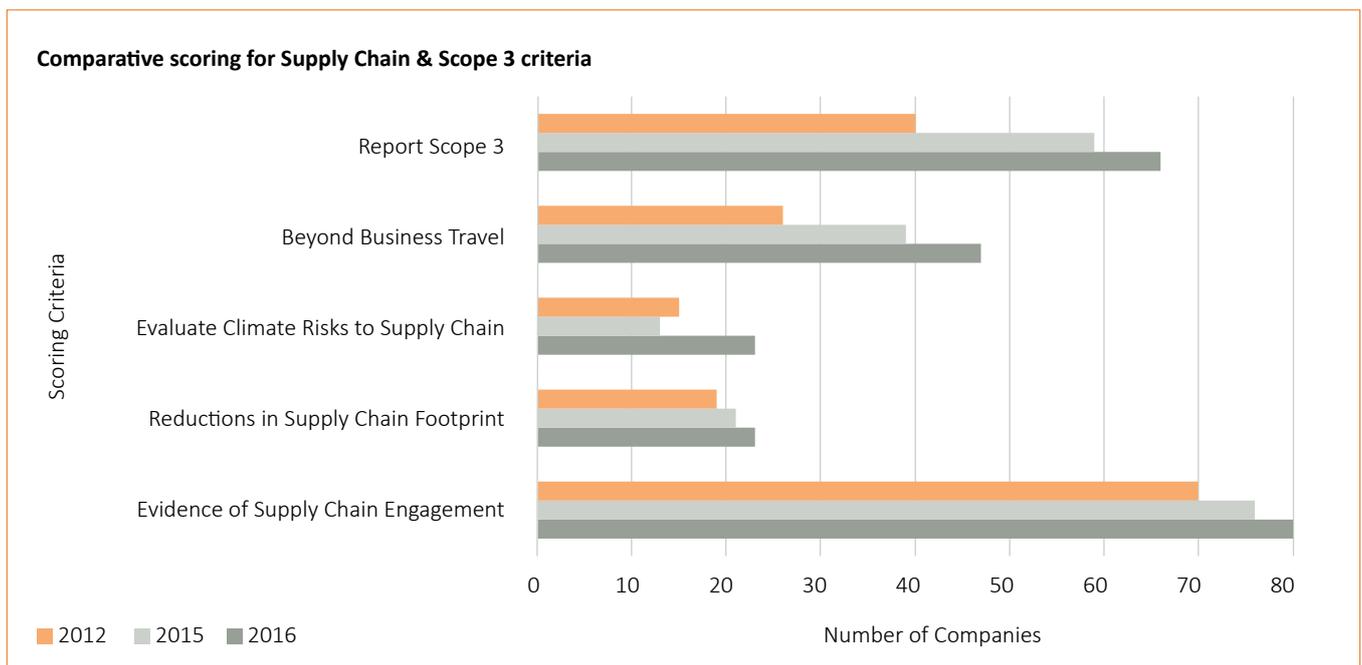
Global initiatives such as RE100 (a campaign to get large companies to commit to using 100% renewables) may have had some effect,

and indeed 10% of the FTSE 100 have now signed up to RE100.

Uncertainty over energy supply and improved economics may have led to the increase in onsite renewable as companies look to both secure their energy supply by making full use of their assets (i.e. solar panels on the roof of large buildings) as well as decrease their carbon footprint.

Companies may have improved the reporting of renewable energy activity, aided by the introduction of the market/location based reporting standards and the requirement by the GHG Protocol that companies must evidence the quality of their renewable procurement. 17 FTSE 100 companies now report both market and location based Scope 2 emissions.

2. Supply chain reporting and engagement is improving, but there is still work to do



We are comparing the 2016 data to 2015, in order to see year on year progression. We have also included 2012 as a baseline for the FTSE performance.

FTSE 100 companies are showing improvements in their approach to indirect emissions (Scope 3). The highest number of companies to date (66) are now reporting Scope 3 emissions, with over 70% of these reporting beyond business travel alone. However, despite these improvements, still only a quarter of companies are performing materiality assessments of their Scope 3 emissions, suggesting that in many cases the reported Scope 3 categories may be the ones that are the most readily available, rather those which are most significant within the businesses.

80 companies are now engaging with their supply chain on sustainability issues. However, the transition from reporting to actual emissions reductions, is still proving difficult. Despite a marked improvement in the number of companies evaluating the risks climate change poses to suppliers, less than a quarter of companies in the FTSE 100 are taking action.

We understand that engaging the supply chain to get to grips with Scope 3 emissions can be daunting. But there are companies that have taken on this task and have found significant value in doing so, BT being an excellent example.

2016 Themes

3. The adoption of science based targets (SBT) is increasing

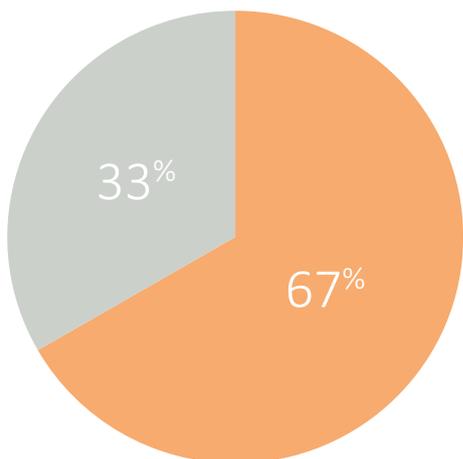
Awareness of climate issues is more common place within the FTSE 100, with 70 companies now setting carbon reduction targets. However many of these targets do not push companies to make the reductions required if we are to meet global carbon reduction goals. Setting SBTs addresses this. Recently, there has been a push for companies to start setting more ambitious targets, which align with climate science and the global aim to keep warming below 2°C. The Science Based Targets initiative⁵, a collaboration between CDP, UN Global Compact, WRI and WWF, allows companies to achieve these aims.

Last year BT showed its desire to continue leading the way, in becoming the first FTSE 100 company to commit to an SBT. This year, five more companies have joined BT in setting science based targets, with a further six also committing to set them in the next two years. SBTs are inherently ambitious, but companies should not be put off; ambitious targets tend to drive innovation and the changes made in energy, efficiency and throughout the value chain, will provide both economic, as well as environmental benefits. Companies are naturally aware of the reputational risk that may come with failing to achieve an environmental target, however we advocate that it is much better to slightly miss an ambitious target (such as an SBT) than to over-achieve on a non-ambitious target.

Of those that have set SBTs, four are exceeding their aims, and the other two are on course to meet them. Compare that to the FTSE as a whole where just 19% are exceeding their targets, and 46% are on course to meet them (the remainder have either missed their targets, or have not set them).

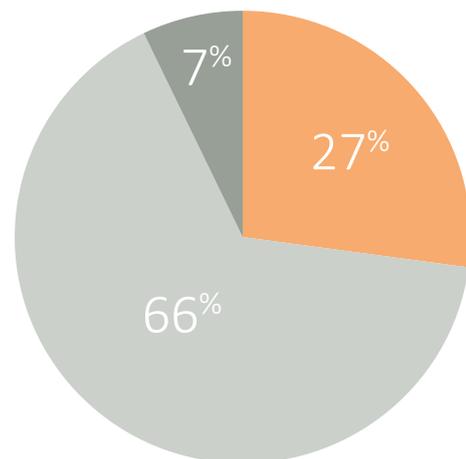
Recently, there has been a push for companies to start setting more ambitious targets, which align with climate science and the global aim to keep warming below 2°C.

Companies with any Carbon Reduction Targets



Exceeding Targets Meeting Targets Missing Targets

Companies with Science Based Targets



Exceeding Targets Meeting Targets Missing Targets

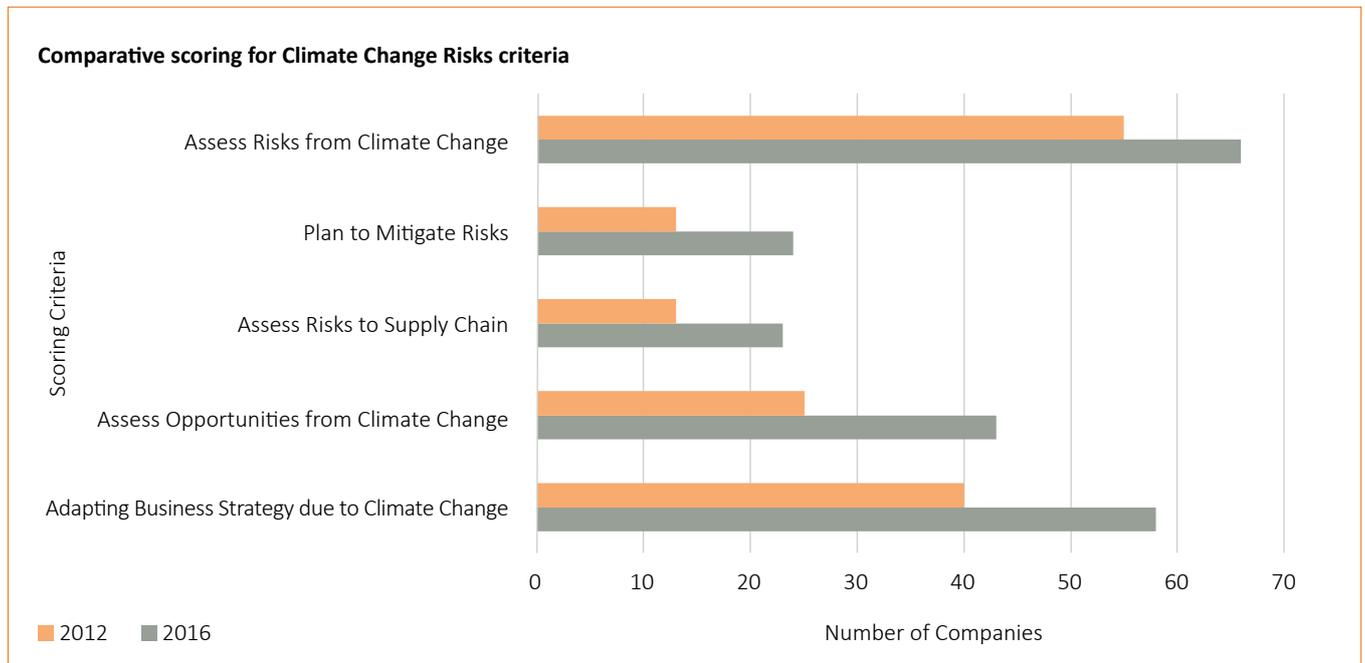
The setting of ambitious targets doesn't stop companies from reaching them, it actually means that they are more likely to achieve them, or even exceed them. Therefore, the reductions in emissions to keep warming below the 2°C threshold are possible, when companies put them at the top of their agenda by setting SBTs.

⁵ www.sciencebasedtargets.org/about-us

2016 Themes

4. Climate change risk assessments lead to action

Awareness of climate change, not only as an environmental issue, but also as a risk to business, is becoming more widespread within the FTSE 100. Since last year there has been an 11% rise in the number of companies assessing the risks that climate change poses to their business. This has translated into 58 companies now actively adapting their business strategy in order to address these issues.



Despite this, many companies are still lacking a plan to mitigate risks, and less than a quarter have assessed risks to their supply chain. As climate change issues come to the fore, understanding of risks and mitigation strategies will be key to business success and longevity.

As well as posing risks to businesses, climate change can also lead to new opportunities, for companies that are aware and agile enough to take them. Whether these opportunities are cost savings, for example through efficient new technology or onsite renewable energy generation, or new lines of business, e.g. providing low carbon products, the first step is to identify these opportunities. Last year only a quarter of companies were doing this, now 43 companies are actively assessing opportunities. This is a significant increase, but it still means over half of the FTSE 100 are not disclosing potential business opportunities and may even be unaware of them.

43 companies are actively assessing opportunities from climate change.

Path to Best Practice

BT – Leader of the pack with a standout sustainability strategy



BT has ranked in first position for the third year in a row. The telecommunications giant has demonstrated a comprehensive approach to carbon and sustainability reporting through an extensive and broad strategic approach, firmly cementing their position as one of the best practice leaders of the FTSE 100.

BT has a continuously evolving approach to carbon and sustainability management. They are exploring the application of the circular economy, and are a member of the CE100⁶. This is an initiative set up by the Ellen MacArthur Foundation, in order to speed progress towards a circular economy. The company has also committed to the RE100 initiative⁷, and already sources 95% of electricity bought worldwide from renewable resources.

BT met its science based target ahead of its 2020 goal, achieving an 81% reduction in their net emissions compared to their 1996/97 baseline. They have plans to incorporate their mobile business into their target, eventually setting a new ambitious target. Until this year, BT have been the only FTSE 100 company to have a science based target. It's now encouraging to see that a further five companies following their lead by setting science based targets.

Marks and Spencer Group – Consistent and holistic approach to delivering meaningful reductions



Marks and Spencer continues to demonstrate an outstanding commitment to their carbon and sustainability performance. Through offsetting, Marks and Spencer now operate as carbon neutral worldwide, and have been carbon neutral in their UK operations for four years. Alongside this they continue to be committed to reducing their impact, and have completed a study of the carbon impact of their end-to-end logistics footprint to identify carbon 'hotspots' and are making further improvements throughout their entire value chain¹¹.

Marks and Spencer has implemented its 'Plan A' strategy: a holistic approach to sustainability management, with a scope beyond just carbon emissions. In their renewed 'Plan A 2020', launched in 2014, 100 commitments were set out, which focus not only on carbon, water and refrigerant use within the company, but also aim to reduce the footprints of suppliers and customers, from sustainable food sourcing to customer recycling schemes. Whilst such an all-encompassing strategy can be difficult to implement, Marks and Spencer has shown that embedding sustainability into the core of the business will drive innovation and produce real results.

Unilever – An all-round innovator



This year a new section, Innovation, was added to the FTSE 100 scoring criteria in order to assess which companies were truly pushing the boundaries of sustainability strategy and reward those who strive to be game changers. We expected it to be tough to score high marks in the new Innovation section with many of the scoring criteria focusing on new ideas which the majority of companies haven't even considered, let alone begun to adopt. Despite this, Unilever managed to score full marks in this section, demonstrating an admirable commitment to long term sustainability leadership.

Unilever has a broad sustainability strategy, the 'Sustainable Living Plan', which enables such an innovative approach. As part of their pioneering strategy they demonstrate clear leadership in renewable energy. They are committed to RE100 (100% renewable energy).

They also reward progress on sustainable business through the remuneration packages of a growing number of managers, including the CEO and several members of the Unilever Leadership Executive. This shows that the commitment is more than just window dressing and they aim to put sustainability issues on a par with financial success.

6 www.ellenmacarthurfoundation.org/ce100

7 www.there100.org

8 www.btplc.com/Purposefulbusiness/Energyandenvironment/BetterFutureSupplierForum

9 www.btplc.com/Purposefulbusiness/Energyandenvironment/BetterFutureSupplierForum/Casestudies/sagemcom_case_study.pdf

10 www.btplc.com/Purposefulbusiness/Deliveringourpurpose/Downloads/2016/2016_BTDeliveringOurPurposeReport.pdf p.40

11 www.corporate.marksandspencer.com/plan-a/our-approach/89db73e54804477bb1e2b52e09306e43

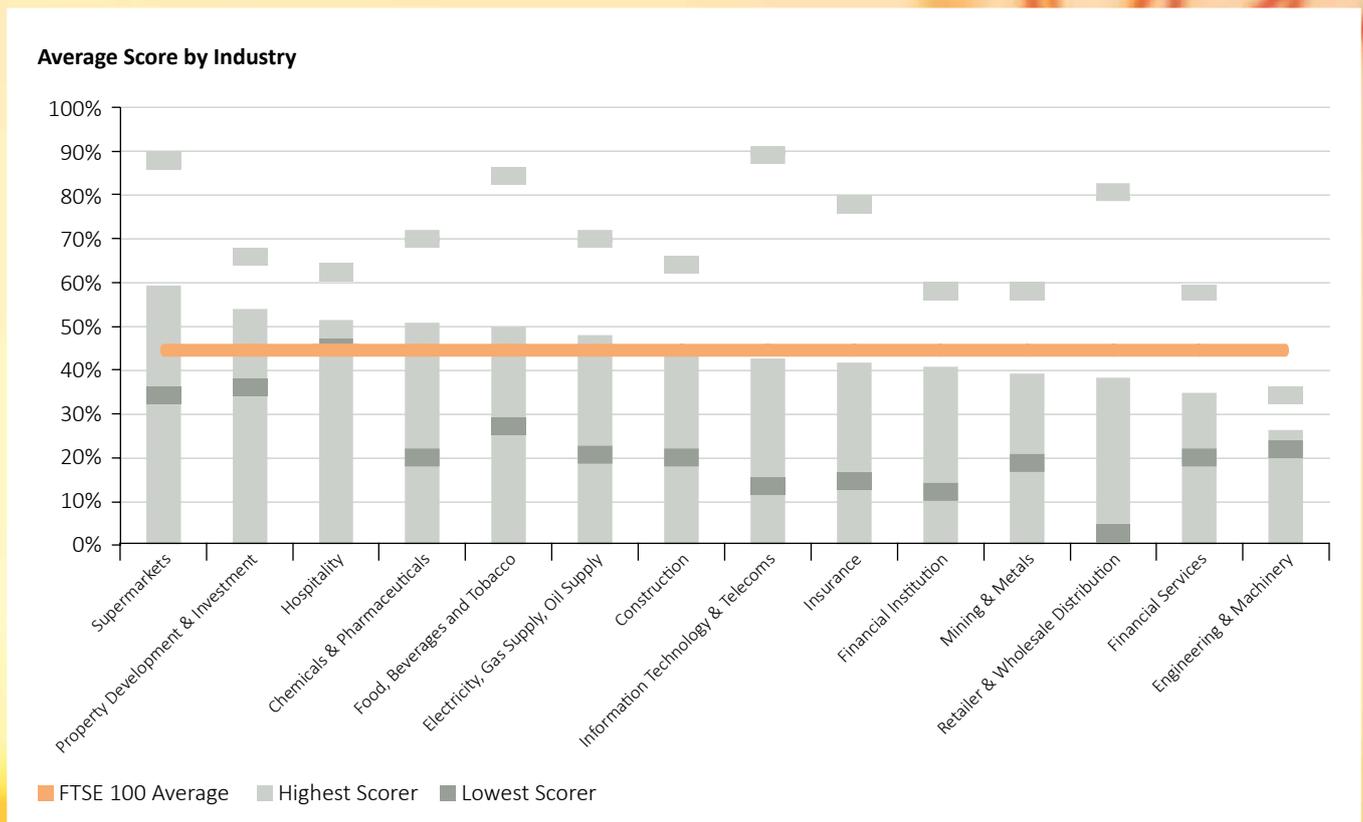
Industry Sector Performance

Sector analysis is an essential part of our research. Industry sectors can be hugely influential on policymakers, as well as other companies and industries. This was particularly evident last year as the pressure from large numbers of industry leaders helped form the ambitious targets set in the Paris Agreement. In order to continue this momentum, and the drive towards targets informed by climate science, businesses must continue to be at the forefront of climate innovation; showing that growth is possible because of climate action, not in spite of it.

As reduction of emissions is the ultimate goal, the lessons that can be learnt from the leading sectors are important, as are the mistakes made by those sectors lagging behind. Whilst some industries may be inherently carbon intensive, that shouldn't stop reductions being made.

This year's analysis shows that supermarkets are the best performing sector with 59%. That being said, the average score is down, from 74% last year. Engineering and machinery are the worst performing sector with an average score of 26%, down from 34% in 2015.

The graph below shows all FTSE 100 sectors that have over three companies and their average scores.

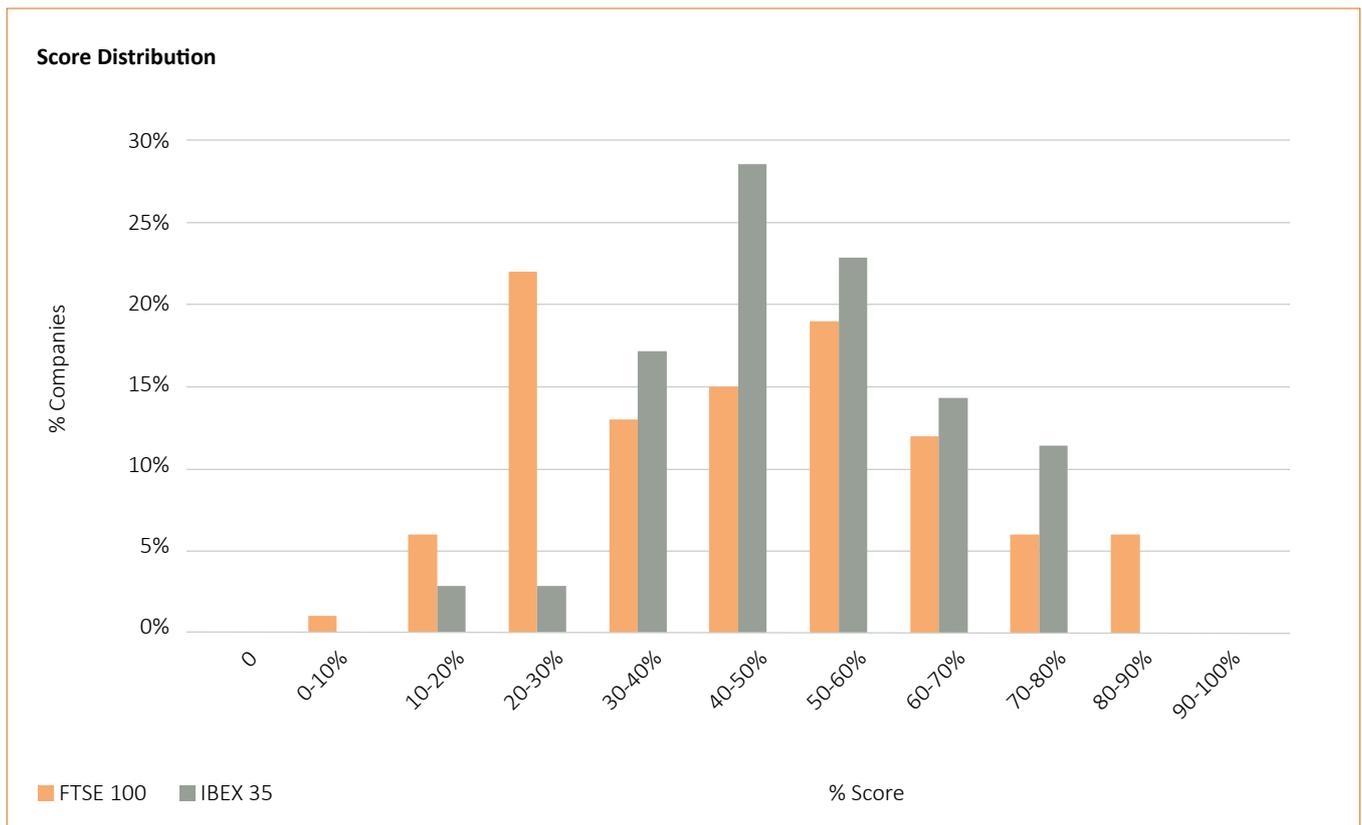


As reduction of emissions is the ultimate goal, the lessons that can be learnt from the leading sectors are important.

FTSE 100 and IBEX 35 Performance

Looking beyond the UK market, for the first time this year we have compared the FTSE 100 with the Spanish IBEX 35 index. Overall, the IBEX 35 has demonstrated a stronger performance in sustainability reporting. Just 23% of the IBEX 35 scored below 40%, compared to 42% of the FTSE 100. There is also a greater gulf between the leaders and the laggards in the FTSE 100 compared to the IBEX 35. The lowest score in the FTSE 100 is 3%, the highest 89%. For the IBEX 35 the lowest is 12%, the highest 73%. This may be partly due to the vast majority of IBEX 35 companies adhering to the GRI framework¹² (that requires strategic reporting beyond compliance) whereas less than half of FTSE 100 companies do so.

However, the top scoring companies are from the FTSE 100. While 6% of FTSE 100 scored over 80%, no companies from the IBEX 35 scored as high. This highlights that although IBEX 35 companies may be performing higher on average, some FTSE 100 companies are pushing the boundaries further to demonstrate sustainability leadership.

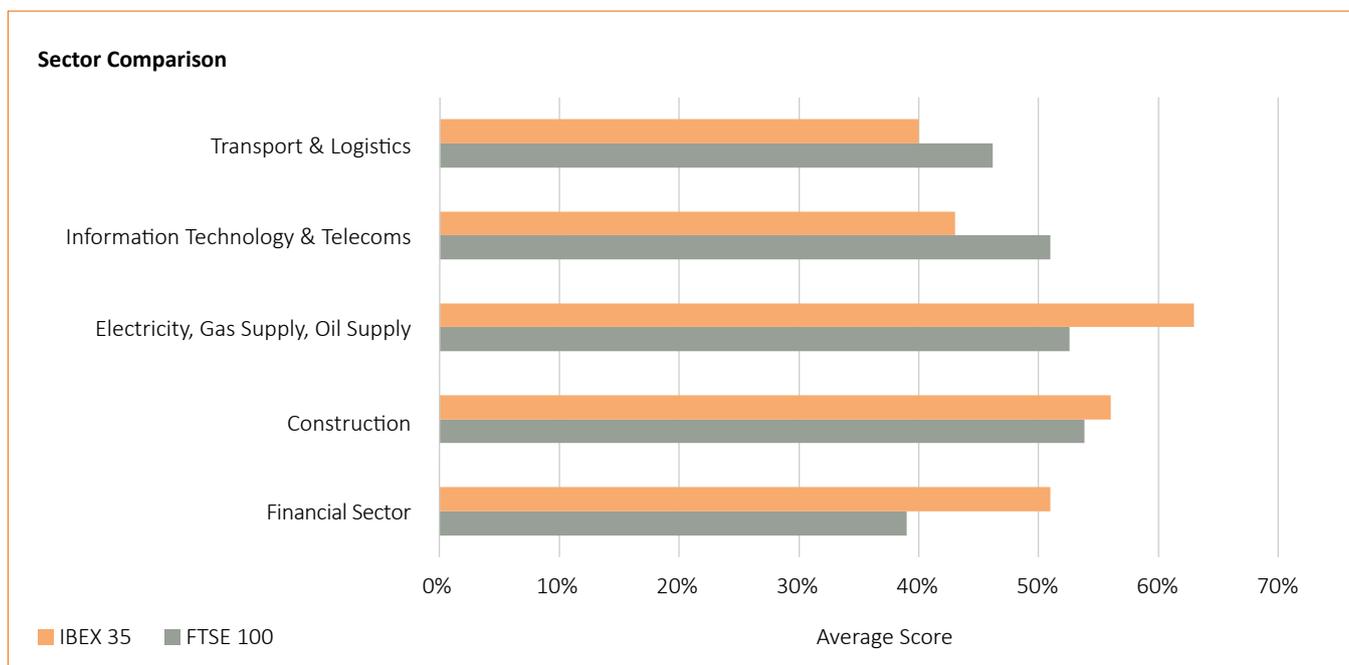


While these comparisons are of two different sized samples (100 and 35 companies), the trends observed can still help us understand the differences in approach, and progress, towards sustainability in the two countries.

¹² www.globalreporting.org

FTSE 100 and IBEX 35 Performance

A sectoral comparison can help companies to align their sustainability strategies and initiatives with best practice in their industry, not just in their country. As BT was the FTSE 100 top scorer, we have compared BT with the IBEX 35 top scorer from the Technology and Telecommunications sector, Telefonica. Although three of the top five companies from the IBEX 35 are from the Industry and Construction sector, no FTSE 100 companies from this sector ranked in the top 20. As such, we have also chosen to compare the top scorers from the Electricity, Gas Supply and Oil Supply sectors, Centrica and Iberdrola.



Information Technology & Telecoms - BT 89% / Telefonica 70%

Both BT and Telefonica have a well-defined and holistic approach to environmental management. There is deep understanding of what is required for them to mitigate the impacts of climate change, with a strong focus on a circular economy. The main differences between the two companies came down to BT's commitment to reducing carbon emissions through the implementation of a science based target. BT also placed a greater emphasis on renewable energy. In 2015 both companies purchased green electricity or had on-site renewable energy, but 95% of BT's worldwide electricity was from renewable resources, compared to 16% for Telefonica.

Electricity, Gas Supply, Oil Supply - Centrica 70% / Iberdrola 70%

As customer demand for green energy increases, both Centrica and Iberdrola are considering how low-carbon products could benefit their business. Iberdrola is further along this journey, with the company's main focus being renewable energy generation, primarily through wind power. Centrica's approach is to prioritise efficient thermal production technologies, which are generating emission reductions. Both companies have detailed carbon reduction plans, solid climate change risks and opportunities assessments and a high degree of engagement. While both companies have set water and emission reduction targets, Iberdrola has also committed to setting a science based target. However, Scope 3 targets and evidence of supply chain emissions reductions remain gaps in both companies' sustainability reporting performance.

Conclusion

This year's research shows some promising progress in the sustainability reporting and performance of the FTSE 100, notably the increase in purchasing of renewable energy and adoption of science based targets. Having said this, many companies still have a long way to go in order to embed sustainability into their business, with 57 companies in the FTSE 100 scoring under 50%.

We cannot stress enough the risks of ignoring climate change – whether it's losing business to a competitor who mirrors customer values in sustainability, or infrastructure being disrupted due to severe weather, climate change risks will have an effect on all businesses in the near future.

There are so many opportunities arising from climate change, that it presents a double benefit to intelligently build sustainability into any business plan: the planet is healthier, and profits are healthier. Leading companies provide countless examples of growth being aided by successful management of climate change risks and opportunities.

Throughout this report, we have showcased some of the activities that we consider to be best practice, with the hope that other companies will be inspired and incentivised to follow suit. We appreciate that many of these activities can only occur once the foundations of robust and reliable reporting have been laid. It's therefore important for companies in the early stages of their sustainability journey not to be discouraged. As the saying goes: "don't run before you can walk". It's vital to understand that securing your business against future climate change risk begins with relatively simple steps. It is these simple steps that often see the quickest returns, whilst paving the way for a longer term strategy.

Finally, we would like to congratulate the top performers this year, especially the top scorer BT. These companies show that a consistent and considered approach to sustainability will reap rewards ; they set an example for all companies to follow, in the FTSE 100 and beyond.

There are so many opportunities arising from climate change, that it presents a double benefit to intelligently build sustainability into any business plan.

Appendix – Methodology Detail

The research was based solely upon publicly available information readily accessible to an interested third party. This is because we believe that in order for companies to be transparent in managing their carbon emissions it is important that any member of the general public has access to this information and it is provided in a way that they can understand.

Companies were scored against criteria across five broad subject areas, based upon information available in 2015/16 corporate sustainability reports, annual reports and any additional links from company websites, including sustainability micro-sites. CDP¹³ disclosures are only considered if a company directly links to their CDP response documentation on their website, meaning it is readily and easily accessible to any person browsing the company's sustainability material. The reasoning behind this decision is that an interested party, who may not be aware of the CDP disclosures, is likely to go straight to the company website for this information and is unlikely to come across the CDP report unless directed.

Each company was judged against 75 criteria across each of the following areas:

Measurement, reporting and verification (MRV) focused on the rigour of a company's basic carbon reporting, including the disclosure of carbon footprint data and its calculation methodology. Carbon Clear also assessed: compliance with recognised standards (such as the GHG Protocol, ISO 14064); inclusion of multi category Scope 3 emissions in measurement and reporting, and; external auditing of carbon footprint data. Companies were ranked on the amount of historical carbon data provided in this year's reporting, as well as the use of a historical baseline to benchmark data.

Strategy considered whether companies have set carbon reduction targets and have a reduction plan in place; if there is evidence of a person or team responsible for carbon management; if there has been an assessment of the future climate change risks and opportunities; if resilience and adaptation of their supply chain to climate change risks has been acknowledged, and; if the company considers investment decisions regarding fossil fuels.

Carbon reduction performance considers if absolute or relative carbon reductions have been demonstrated. Inclusion of both absolute and relative reductions ensures companies are not penalised for growth. In addition to historic reductions, progress towards targets and plans to achieve them are also scored. This section also looked at companies' energy efficiency, staff behavioural change initiatives, and type of energy consumption or generation. We also examined whether companies develop low-carbon products and if companies purchase carbon offsets.

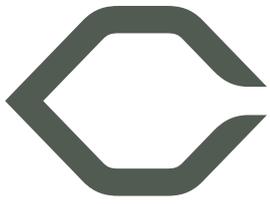
Engagement with stakeholders is key to both achieving carbon reductions and to gaining commercial benefits from a low-carbon approach. Stakeholders include consumers, the supply chain, investors, government and the wider community. This section scores companies on their efforts to connect with each of these stakeholder groups to collectively deal with sustainability issues. The extent of internal and external engagement is considered, for example if a company is successfully influencing stakeholder behaviour, rather than simply providing them with information. Any external recognition in the form of credible certificates and awards is given credit.

Innovation looks to reward companies who are going above and beyond best practice. This section scores companies on their efforts to deconstruct challenging concepts and apply them to their business – for example the principles of a circular economy and natural capital accounting. Any co-innovation with suppliers is recognised as excellent supplier engagement – developing new technologies, products or processes with an environmental benefit, which also mutually benefit all companies involved. Finally, this section rewarded companies that are reporting and tackling sustainability issues beyond carbon emissions, for example those monitoring and setting water reduction targets.

Leading companies provide countless examples of growth being aided by successful management of climate change risks and opportunities.

13 www.cdp.net





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