

CDP Public Procurement Programme 2009 Central Government Report



Report written for
Carbon Disclosure Project by:



A world leading energy and climate change consultancy

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Carbon Disclosure Project 2009

Public Procurement Report for the UK Government.

CDP Public Procurement Programme is a mechanism for the Public Sector to engage with, and gather information from, Government supply chains to better assess their impact on climate change and the risk it poses to disrupting Government services.

If you are interested in becoming a Member for 2010, please email publicprocurement@cdproject.net

Participating Members



Foreign &
Commonwealth Office
London

BIS | Department for Business
Innovation & Skills



Department for
Transport

 **CabinetOffice**

 **HM TREASURY**



MINISTRY OF DEFENCE

NHS PASA

OGC

buying
solutions


Home Office

 **HM Revenue
& Customs**

Foreword by Sir Gus O'Donnell



I am pleased to provide this introduction to the second Carbon Disclosure Project (CDP) Report on the CDP Public Procurement Programme. This year, 14 Government departments and executive agencies have participated in this initiative. In doing this, they have begun a process of communicating with our suppliers that climate change is a business issue, and that Government expects them to be taking it seriously.

Government knows how important robust measurement systems are to tackling climate change. For the last ten years we have been on a journey to understand and reduce our own impact on the global climate. We have learnt a great deal and found many ways to make our operations more efficient. This has served the twin aims of being responsible custodians of public money and reducing our output of climate changing gases.

This is why I welcome the initiative taken by the participating departments and executive agencies to encourage our suppliers to do the same thing. Suppliers that participated in the CDP when requested to do so by departments are likely to reduce operational costs and be in a better position to respond to new regulatory and climatic changes. This is good for the planet, good for society and makes good economic sense.

I am particularly pleased that Government has engaged in this initiative on a collaborative basis. Through this process, which was guided by the newly formed Centre of Expertise for Sustainable Procurement, departments have learned from one another in an open and constructive way. They have also shared the responsibility of engaging and communicating with suppliers.

This is important because there could be nothing worse as a Government supplier than having multiple departments come to you and ask exactly the same set of questions. We need to allow suppliers to tell us once and to ensure that we then share the information. CDP can play a hugely important role in ensuring that we are co-ordinated and, therefore, don't impose an unnecessary burden on suppliers, but still get consistent information. Climate change is not an issue that we can tackle in our traditional departmental silos and I hope that this initiative is just the beginning of deeper collaboration between departments.

We are all trying to get improvements in value for money and what better way to achieve that efficiency gain than by thinking about reducing operational and supply chain emissions? If we can reduce our carbon footprint by working with more energy efficient suppliers, we will save money and help save the planet. I have often said that prevention is more cost-efficient than cure and this report is a clear example of the visionary way in which Government needs to anticipate future changes and act before it is too late.

A handwritten signature in black ink that reads "Gus O'Donnell". The signature is fluid and cursive, with the first letters of "Gus" and "O'Donnell" being larger and more prominent.

Sir Gus O'Donnell
Cabinet Secretary and Head of the
Home Civil Service

Executive summary

Figure 1 Government average



'Defra was a founding member of CDP's Public Procurement Programme. I am therefore delighted to see so much support across Government for this important initiative. CDP is an excellent tool for public-sector buyers who want to work with their suppliers to reduce CO₂ emissions. It puts climate change mitigation and adaptation firmly on procurement directors' agendas and sends a very clear signal to suppliers that acting on CO₂ emissions is good for business as well as the environment.'

Dan Norris MP

Minister for Rural Affairs and Environment

The UK Government is seen as a world leader in the development of energy and climate change policies. This ethos flows throughout its policies and is put into practice by the setting of carbon reduction targets for each of its departments. However, to realise its true impact and prepare itself for climate change, the Government must also understand the impact of its scope 3 emissions, most notably those associated with its supply chain.

This year, 14 Government departments and executive agencies have worked together to capture the wider impact on the environment of the UK Government's activities by requesting that suppliers respond to the Carbon Disclosure Project (CDP) Public Procurement Programme (PPP).

In all, over 250 suppliers across all sectors were asked to complete the CDP questionnaire. 164 suppliers responded making a response rate across all departments of 64%, an excellent outcome considering that many of these companies were disclosing for the first time.

Participating departments are keen that the data collected lead to action while reassuring suppliers that it has not reached the stage where emissions performance can influence commercial contracts. To this end, CDP has adopted a new appraisal methodology, the Organisational Carbon Appraisal (OCA) (see Figure 1). This 'radar' diagram is designed to show the change in values from a central point. The highest performance is indicated by how far the line extends outwards. OCA was developed by AEA following senior stakeholder meetings with Member departments and agencies. It provides procurement teams with a platform to understand the current level of climate change awareness and emissions reduction activity that suppliers are engaged in. This will enable departments to work with suppliers to identify areas for improvement.

The OCA assesses an organisation's perception of its climate change risks and opportunities, awareness of its emissions, its environmental leadership and reporting procedures, and emissions reduction targets and achievements. Through this analysis, a number of trends have been detected.

The OCA will enable procurers in Government to have conversations with individual suppliers about performance against a range of metrics related to climate change.

Responses

While many suppliers have started on their carbon reduction journey, most are still in the early stages. Strengths appear in the areas of environmental leadership and 'direct' emissions reporting (scope 1 and 2). Further details on these areas are included within this report. Conversely, the core areas of weakness include the integration of carbon reduction plans and targets in organisational policies.

Only by understanding all aspects of scope 3 emissions, such as supply chain and product emissions, can organisations start to appraise the potential weaknesses.

Suppliers reported emissions totalling 138 million tonnes of carbon dioxide (CO₂) equivalent. It needs to be recognised that this covers their entire business, not just that relating to central Government contracts. The number of suppliers participating in the CDP PPP in the future is likely to increase. This illustrates the potential that exists for central Government departments and their suppliers to work together to achieve real and meaningful reductions in greenhouse gas (GHG) emissions.

The diversity of Government suppliers is huge. Government procures from suppliers across the world and a number of these organisations disclose their emissions through other CDP programmes, most notably the Investor Programme. There was also a spread of suppliers with bases in the USA,

Japan, France and other European countries. This crossover is unique to Government and the broad spectrum of goods and services it purchases.

The introduction of legislation related to climate change appears to have stimulated action among a number of suppliers. This was particularly apparent with just under 40% of the organisations identifying the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) as a potential risk. Similarly, the most popular disclosure period was the calendar year for 2008, the qualification year for CRC.

Interestingly, the trend in carbon reduction targets appears to be in line with UK targets of a 34% reduction in emissions by 2020. However, the majority of targets disclosed are short-term, small targets, which is not in line with the aspirational targets that the UK has set itself or would hope to see from others.

This year has seen an ever-accelerating release of white papers, regulations and guidance, including Low Carbon Transition, the CRC, the World Resources Institute's development of scope 3 emissions guidance and the appearance of a Presidential Executive Order in Washington. The latter requires Federal agencies not only to reduce their emissions, but also to work with suppliers to achieve reductions. Organisations can no longer afford to ignore the climate change agenda.

Going forward, the CDP PPP looks to:

- Feed back more detailed results to suppliers.
- Pilot an allocation process to apportion supplier emissions to individual departments, depending on the services provided.
- Expand the pan-Government approach to capture more departments and increase the number of participating suppliers.
- Consolidate the OCA methodology and increase migration of suppliers to a low carbon culture, including agreeing long-term emissions reduction targets between Government departments and their suppliers.

This year has seen the PPP evolve and gain momentum. In recognition of this, the group of participating departments has been short listed for a Civil Service Award in the sustainability category.

The leadership shown by the participating departments in 2009 has established new leading practice in terms of data gathering and collaboration in the drive to make public procurement low carbon. This is a very positive sign at such a critical point in history. The challenge to Government is now to translate this into significant, tangible emissions reductions. If this is achieved over the next 12 months, UK Government procurement will have delivered something of long-term, global significance.

'I welcome the launch of this report detailing the findings of the CDP Public Procurement Programme 2009. Involvement in the Programme provides Government and its suppliers with the opportunity to work together to bring about real reductions in carbon emissions through joint working and sharing of best practice. I would like to thank participants in this initiative and would commend future involvement to all those concerned with effecting change in this important area.'

The Rt Hon Lord Mandelson
Secretary of State for Business,
Innovation and Skills

The end of the single footprint

These days, most organisations recognise they have a carbon footprint. The more progressive ones measure it, report it and take action to reduce it. But, increasingly, organisations have to manage multiple carbon footprints, relating to differing scopes, and legislative and voluntary reporting standards. This poses regulatory and brand risks along with management and logistical challenges, as the right data manipulation is needed to make sure the right body has the right footprint at the right time.

An organisation that operates in the UK, Europe and North America is likely to have a number of footprints. In the UK, it is likely to manage its emissions, report through the EU Emissions Trading Scheme and the Carbon Reduction Commitment Energy Efficiency Scheme, and may be a member of the Carbon Trust Standard. In addition, it may, for brand and reputation purposes, report to its shareholders and potential customers through an annual corporate social responsibility report. And, finally, organisations are increasingly starting to capture data about their scope 3 emissions to appraise their adaptability to climate change, using the process as an opportunity to highlight weaknesses in their supply chain and products.

To manage these individual emissions footprints requires the capture and manipulation of a significant number of datasets, which may well be applied in numerous situations. Our advice to customers with this challenge is that, while spreadsheets are good, the only way to track extensive datasets is to run carbon data management systems.

As organisations become more carbon mature, tracking carbon emissions has transitioned from being a 'good thing to do' to becoming a legal requirement and a key element of brand and reputation and, indeed, business as usual. This means that sophisticated data management systems are required to track emissions from energy use, transport and other sources. But, while organisations are perfecting the art of capturing their scope 1 and 2 emissions through legislation and good carbon management, the tools for easily capturing scope 3 emissions are still, in many situations, absent. This makes the Carbon Disclosure Project a unique and powerful tool to capture supply chain emissions.

It also acts as an incentive or 'carrot' for supplier organisations to adopt emissions reporting and develop their own carbon management programme in advance of legislation. As well as financial risk from exposure to energy prices, many supplier businesses also face risks in terms of brand, market share and even gaining access to the best potential recruits if they are seen to be lagging in this area.

Similarly, sustainable procurement can become a powerful tool with the emergence of organisations using the existence of an active carbon management programme and public reporting of emissions as prequalification criteria when considering new suppliers.

Organisations must also look outside of their own activities to the wider marketplace. How will consumer demands change, either through the need to adopt a lower carbon lifestyle or through needing help to adapt to the impacts of climate change? Put simply, will sales of patios go through the roof or will it be too warm to sit outside in comfort?

Given the pace at which the debate over greenhouse gas (GHG) emissions has changed in the past 10 years and the clear imperative shown by politicians all over the world, it is only reasonable to assume that GHG emissions reporting and reductions will become an increasingly important part of business life. The pioneering work carried out in this project, the imminent publication of the GHG Protocol guidance on reporting supply chain emissions and the US Executive Order requiring Federal Agencies to accurately report scope 3 activities will all contribute to making supply chain emissions reporting and cooperative reduction commonplace in the near future.



**Daniel Waller and
Christine St John Cox**
AEA



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1

Introduction - the CDP Public Procurement Programme

Climate change is having, and will continue to have, a significant financial impact on every organisation on the planet. The truth of this is undeniable; the regulatory response to climate change is transforming the way we use energy and is shifting the profit centres of our economy. As a result, there will be winners and losers in the business community. Additionally, organisations cannot manage this impact or their progress towards reducing it unless they can accurately measure their emissions and assess their climate change risk.

These are the principles behind the CDP, which, since 2000, has collected and distributed high-quality information to motivate investors, corporations and governments to take action to prevent dangerous climate change.

CDP collects this information on behalf of two main groups. The first is 475 institutional investors controlling USD55 trillion in assets under management who request disclosure from listed companies in whom they invest. The second is more than 55 purchasing organisations from the public and private sectors that request disclosure from their suppliers.

After 7 years of operation, CDP hosts the world's largest registry of self-reported, corporate, climate-change information, which, in 2009 alone, was collected from some 2,500 companies.

What is the CDP Public Procurement Programme?

This report focuses on the participation of 14 departments and executive agencies of the UK Government in the CDP Public Procurement Programme (PPP) in 2009. This was the second time that CDP ran a full-scale programme in the public sector. The level of participation from the Government, and the response from suppliers, show a significant step-up in terms of ambition and action compared with 2008.

In 2008, only three departments (Foreign & Commonwealth Office (FCO), Department for Environment, Food and Rural Affairs (Defra) and Office of Government Commerce (OGC)) participated and, together, approached 60 suppliers for disclosure. In 2009, the Government built on this, with ten departments and four associate members sending disclosure requests to over 250 suppliers.

Members (Associate Members in italics)

This year's participants include:

- Department for Business, Innovation and Skills (BIS).
- *Department of Energy and Climate Change (DECC).*
- Cabinet Office.
- Defra.
- *Environment Agency.*
- Department for Transport (DfT).
- FCO.
- HM Revenue and Customs (HMRC).
- Ministry of Defence (MoD).
- NHS Purchasing and Supply Agency.
- OGC.
- *HM Treasury (HMT).*
- *Buying Solutions.*
- The Home Office.

There are two reasons why an organisation might have participated as an Associate Member:

- They were an executive agency for a department.
- They held joint procurement capabilities. For example, DECC, as a newly formed department, shared membership with Defra and BIS.

The pan-Government approach

During the preparation phase for the 2009 disclosure process, the Centre of Expertise for Sustainable Procurement (CESP), which sits within the OGC, identified that there was a risk that all 14 Members and Associate Members could request disclosure from the same suppliers. This would have led to a duplication of effort by the Government and a lack of interconnectivity. Therefore, CESP, working with participating departments, developed a pan-Government implementation approach, including a single request to suppliers from the participating departments and an agreement to share the data across Whitehall.

This approach has been highly successful and is an exemplary approach to collaborative working in the public sector. The departmental project team was short listed for a Civil Service Award in the sustainability category.

Collaborative approach

The aim of this project is to encourage meaningful conversation between suppliers and procurers so they can better collaborate on the climate change agenda.

Supplier Relationship Management (SRM) is a discipline of working collaboratively with suppliers that have the potential to impact on Government services, costs and ability to adapt and respond to changing horizons.

There are several clear benefits from supporting the procurement process with SRM. These range from improved efficiency and transparency in the management of the process, to increased innovation, extra intelligence in the sector or cost reductions.

The process of gathering climate change information from suppliers through CDP and feeding back to them in a meaningful way can contribute to the supplier management agenda and build supply chains that are resilient to the problems posed by climate change.



Increasing engagement with suppliers around sustainability

A key commitment, identified in the UK Government's Sustainable Procurement Action Plan, is to deliver carbon reduction and resource efficiency across the Government estate and supply chain. Working with suppliers to improve the sustainability of their goods and services is critical to the Government achieving this.

The main emphasis over the last 12 months has been to build upon the success of the 2008 CDP pilot by mainstreaming the measurement of greenhouse gas (GHG) emissions.

The main aim of the project was to have a central request for GHG emissions data from Government to suppliers. This has helped to:

- Provide a clear and consistent Government message that climate change is a priority issue.
- Drive cohesion between the private and public sectors.
- Enable Government to work with suppliers to make GHG emissions reporting transparent, support a reduction in their carbon footprint and plan adaptation to climate change.
- Encourage shared learning across Government and between suppliers to reduce duplication of effort and drive this agenda forwards.

To facilitate this, participating suppliers attended a pan-Government conference, which communicated the Government's priorities and had a single departmental point of contact throughout the process.

Additionally, this project is a working example of successful departmental collaboration. It has reinforced the Government's stance on sustainability and is providing a clear message that Whitehall is approaching suppliers in a more co-ordinated manner. In adopting a collaborative approach, departments have had to change their behaviour and demonstrate:

- A pan-Government mindset.
- Cross-departmental, integrated decision making, based on agreed priorities.
- Clearly defined processes and reports.
- Improved communication and information sharing.
- Working together across internal and external boundaries to capture insight, innovate and identify opportunities.

Most importantly, it provides a platform from which common departmental sustainability priorities can be identified and addressed on a collaborative basis.

Work is about to commence with the private sector to develop a common apportionment methodology for GHG emissions that effectively determines how suppliers' carbon emissions may relate to individual departments. This is being led by the MoD, with involvement from Defra, DfT, the Department of Health (DH) and OGC.

Additionally, a standard approach for the analysis, reporting and use of results by departments with suppliers is being led by DfT.

The work is vital to advancing the understanding of suppliers and encouraging them to improve the impacts of their supply chains.

Samantha Dunn

Centre of Expertise for Sustainable Procurement, Office of Government Commerce

The rapidly changing landscape

There are a number of contributing drivers for all stakeholders involved in the PPP. The landscape of doing business is evolving rapidly, especially when it comes to climate change. Businesses and governments are facing the introduction of legislation, risk from changing weather patterns and media scrutiny on the way the business and political systems are meeting the challenges that climate change presents.

With carbon continuing to be released into the atmosphere at an alarming rate, the world continues to focus on how we best meet the challenges that climate change presents. At international, European, national and organisational levels, a wide spectrum of topics are being considered:

- How will energy demands be met?
- How can business continue to operate in the changing environment?
- In which ways does business need to adapt to meet every eventuality?

This growing momentum for change is being reflected in a number of ways, but 2009 has seen the biggest change in legislation and guidance.

CDP provides a platform for organisations to demonstrate their awareness and knowledge of climate change, an understanding of their perceptions of emissions, the risks climate change poses and how they integrate these into their normal practices. To preserve an organisation's standing for prudent business planning, as well as reputational risk, it will soon become the norm to publish a detailed corporate social responsibility (CSR) report and cut emissions.

In the UK

The UK Government has introduced the Carbon Reduction Commitment Energy Efficiency Scheme (CRC)¹ and, at the same time, released guidance on carbon neutrality² and company reporting³. It has also updated its emissions factors⁴.

In addition, DECC released the Low Carbon Transition Plan⁵ (LCTP), which plots how the UK will meet the 34% cut in emissions on 1990

levels by 2020, as set out in the 2009 Budget. It also shows that the UK has already reduced emissions by 21% – equivalent to eliminating emissions from four cities the size of London. In the LCTP, DECC states: 'Transforming the country into a cleaner, greener and more prosperous place to live is at the heart of our economic plans for "building Britain's future" and ensuring the UK is ready to take advantage of the opportunities ahead.'

Even sectors that were previously unaffected by legislation are beginning to feel the pressure with the European Union Emissions Trading Scheme (EU ETS) expanding into aviation.

Many sectors are signing up for voluntary targets such as the 10:10 campaign⁶.

Adapting for the future

Similarly, organisations need to be aware of the growing movement towards preparation for the changing weather patterns the world is experiencing.

Adaptation needs to be built into planning and risk management now to ensure the continued and improved success of businesses, Government policies, and social and environmental operations. To this extent, the CDP questionnaire asks organisations to identify the risks and opportunities related to climate change. This year, the UK Government has been consulting about if some organisations should start reporting on adaptation⁷.

UK public-sector impact

The Government has been clear in showing leadership in emissions reduction for many years. Each department has a sustainability plan that lays out how it intends to meet its Sustainable Operations on the Government Estate (SOGE) targets.

These targets cover a wide spectrum, including carbon, waste and water. Progress is reported annually through the OGC, but will come to an end in 2010/2011. Discussions have already begun on the content of the next phase.

The US Government recently released an Executive Order⁸ stating that within 240 days a percentage reduction target must be established and reported 'for reducing agency-wide scope 3 greenhouse gas emissions in absolute terms by fiscal year 2020,

relative to a fiscal year 2008 baseline of agency scope 3 emissions.'

Through the process that the CDP has developed, the UK Government and other international governments have the ability to understand, appraise and influence organisations, their carbon ethos, culture and, most importantly, emissions.

Just one week after the publication of this report, world leaders will assemble in Copenhagen to 'seal the deal' and agree on deep cuts in carbon emissions in an attempt to prevent the worst effects of climate change.

The expected 'Copenhagen Protocol' is likely to set more rigorous targets than have previously been agreed for countries, organisations and individuals to adopt.

The UK Government is seen by many as a world leader in climate change policy, guidance and legislation. Through the CDP PPP, the Government is starting to understand its supply chain's climate change impact and to reduce the risks associated with its current activities. It is also demonstrating its commitment to carbon reduction and showing how it intends to continue building its reputation as a world leader.

¹ www.decc.gov.uk/en/content/cms/what_we_do/lc/lc_crc/crc.aspx

² www.decc.gov.uk/en/content/cms/consultations/open/carbon_neutrality/carbon_neutrality.aspx

³ www.defra.gov.uk/environment/business/reporting/pdf/ghg-guidance.pdf

⁴ www.defra.gov.uk/environment/business/reporting/conversion-factors.htm

⁵ www.decc.gov.uk/en/content/cms/publications/lc_trans_plan/lc_trans_plan.aspx

⁶ www.1010uk.org/

⁷ www.defra.gov.uk/corporate/consult/climate-change-adapting/index.htm

⁸ www.whitehouse.gov/assets/documents/2009fedleader_eo_rel.pdf

2

Analysis approach

The PPP continues to evolve and so do the analysis process and outputs. This section provides an explanation of the methodology and reasons for the development of a further phase. More detail on the developed methodology can be found in Appendix 2.

The traditional analysis route

To date, the methodology used to score disclosure and performance has been based on the Carbon Disclosure Leadership Index (CDLI) (see Figure 2) scoring methodology, which is based on the level of detail supplied in responses.

From this, key trends were drawn out under four headings:

- Risks and opportunities.
- Emissions accounting, verification and trading.
- Performance.
- Governance.

Comparisons were carried out for industrial groupings and organisational size.

However, a number of Government departments highlighted their wish to ensure that a ranking of organisational disclosure was not linked to public procurement. It was felt this could

be considered or perceived as divisive, especially where Government procurement is concerned.

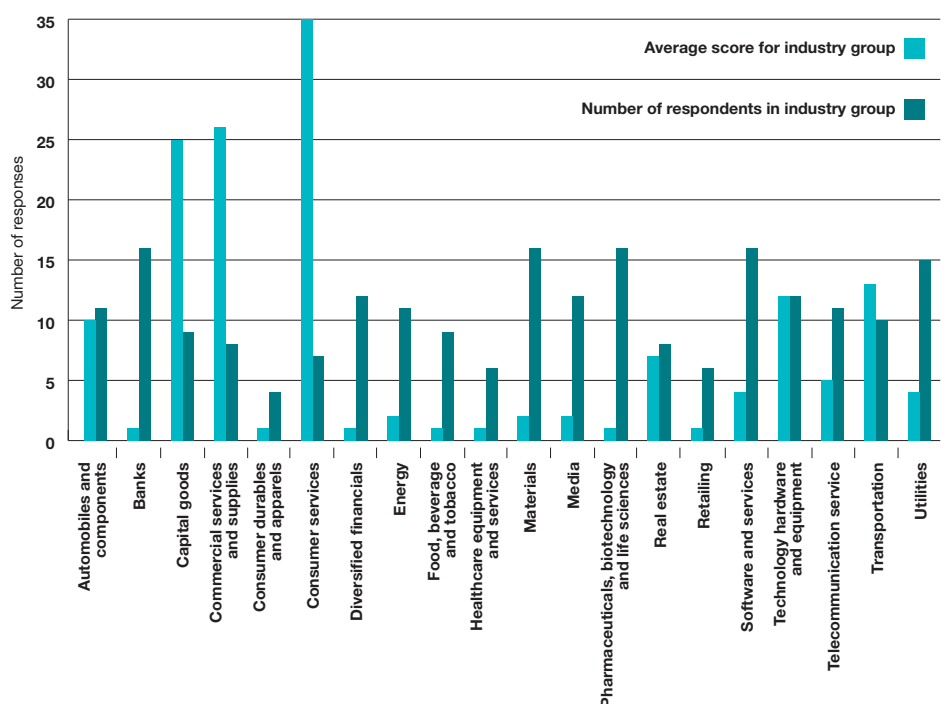
So, this year, as part of the evolving Programme, AEA developed an analysis methodology following senior stakeholder meetings with Member departments and agencies. The methodology, called Organisational Carbon Appraisal (OCA), assesses how companies are addressing climate change, specifically GHG emissions. One of the primary objectives is to analyse and score the data in a way that facilitates dialogue between suppliers and procurers.

Developing a framework for appraisal

Capturing an organisation's migration to a low carbon culture needs to cover a wide range of aspects including:

Perception - how an organisation perceives climate change and if it has identified the associated risks and opportunities. This is linked to the risks

Figure 2 Performance score by industry group



and opportunities section of CDP's questionnaire.

Awareness - how aware an organisation is of its environmental impact and how it is measured. This is linked to the emissions section of CDP's questionnaire.

Integration - how an organisation has integrated its environmental practices into business processes. This is linked to the section on organisational culture, roles, responsibilities and reporting in CDP's questionnaire.

Action - what firm action an organisation has taken through committed carbon reduction plans, target setting and reductions achieved. This is linked to the emissions and cutting carbon section of CDP's questionnaire.

OCA was then used to capture each organisation's progress and score it on a scale from zero to three - zero for no activity and three for optimum performance.

This was then mapped onto a radar chart (see Figure 3) with each spoke representing one of those areas and linked back to at least three of the performance metrics.

The scoring was developed to provide a platform for analysis on an annual basis and support the sharing of best practice. This should help and encourage the supply chain to reduce its emissions and prepare for the potential impacts of climate change.

As a result, the Government can take on a facilitative role in disseminating best practice to help build a robust, low carbon supply chain.

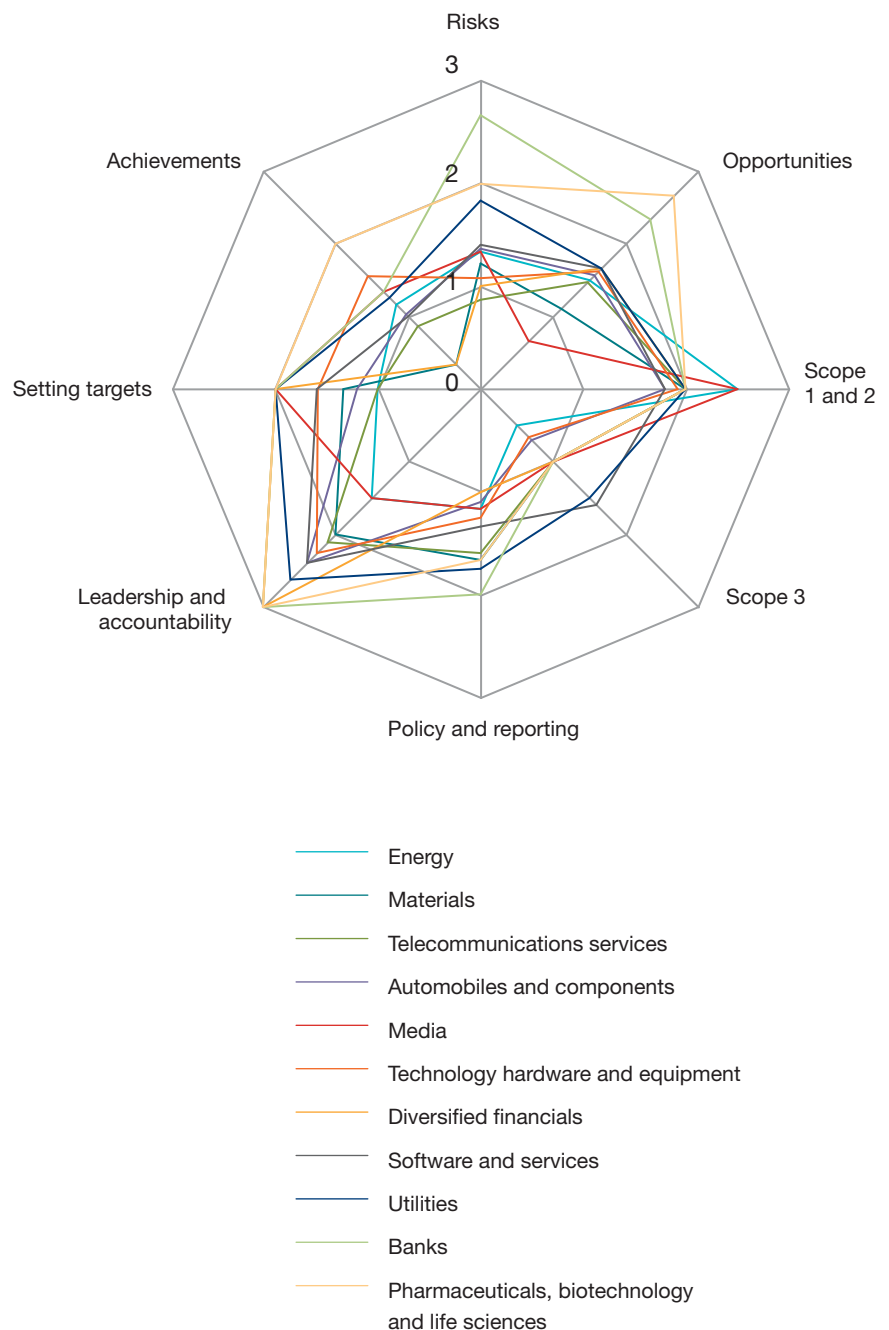
Use of results

Providing information in this format will also enable Government departments to use it as a procurement aide and provide feedback to their suppliers.

Through discussions between departments and suppliers, the graphical representations in each sector will be used to encourage

suppliers to consider their performance and discuss how it might improve in the future.

Figure 3 Industry group averages



3

Approaches to the Public Procurement Programme by Members

An evolving programme

Last year (2008) in the PPP pilot, data were captured from Government departments and other public-sector bodies (eg local authorities).

FCO, Defra and OGC participated and each department selected a limited number of suppliers.

OGC limited its selection to just two areas: automotive and energy supply. This year, it expanded its selection to capture a number of different sectors.

One key learning point from the pilot was that there was duplication of effort in the 2008 process.

However, each participating department realised the benefit of the PPP and committed to continue with it. Indeed, even the suppliers that had disclosed saw the benefit; at a Defra feedback session, one supplier stated: 'If you don't do this again, we will think less of you.'

This year

Though 2009 saw the launch of the pan-Government approach (detailed earlier), each department had a different approach or ethos for engaging suppliers on the PPP.

The PPP has expanded to include ten Members and four Associate Members, and has seen Members supporting each other, sharing knowledge, best practice and events. Figure 4 shows the breakdown of responses received by participating Members.

OGC, HM Treasury, Buying Solutions

As home to the pan-Government procurement, OGC approached many suppliers that work with several departments. HMT procurement works closely with the OGC procurers and shares many functions. This year, it has expanded its focus to capture a number of different sectors (eg the automobile industry) and invited suppliers from all key supplier sectors to disclose; 53 were invited and 36 responded.

BIS, DECC

BIS joined the scheme for the first time this year. It will soon be responsible for all of the suppliers for BIS and DECC, but currently shares the procurement for DECC with Defra. As such, BIS and Defra already had a good working relationship. Much of their work was independent, but they joined forces to provide suppliers with more detailed information.

Cabinet Office

The Cabinet Office is a smaller department than many of those participating in the PPP. This allows it to approach things in a slightly different way; it works in parallel with its sustainable development policy advisors and treats the PPP as part of its overall sustainability strategy.

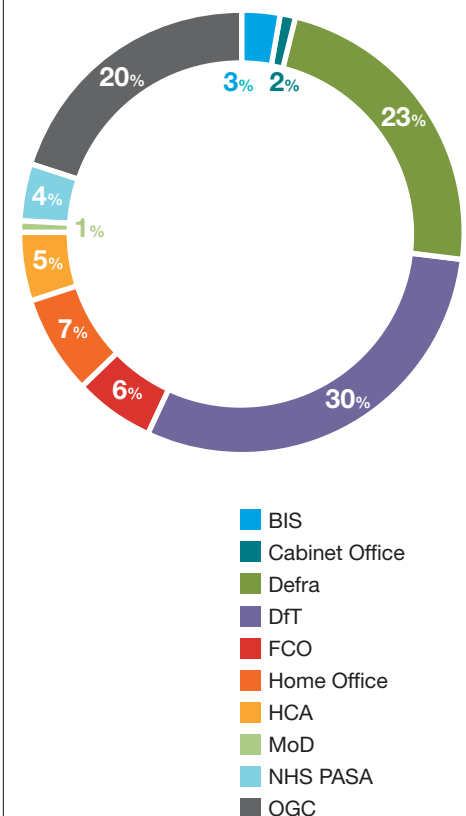
Defra, Environment Agency

Defra has a mature supplier engagement programme aiming to build capacity among suppliers on sustainability issues. It has been hosting annual conferences and supplier forums since 2007, as well as numerous other workshops. This year, it invited BIS and its suppliers to attend its workshops. It also selected diverse suppliers to encourage greater awareness levels across the business community. Having piloted the process in 2008, Defra invited suppliers that had already participated to disclose again, but expanded the selection with

suppliers of varying sizes and types. This tested the disclosure system and challenged suppliers of different sizes and sectors to respond to the request. Defra was delighted with the response rate - 40 out of an initial 65 suppliers.

It was the first time the Environment Agency had been involved. It targeted a small group of high-impact suppliers from its construction, plant and vehicles supply chains that had not disclosed previously.

Figure 4 Percentages of total responses received in 2009



FCO

The FCO is a second-year member of the PPP. It also used the 2009 Programme to stress test the process to better understand how to engage suppliers of varying sizes and countries of operation. This included organisations that are sub-contractors to FCO's first-tier suppliers, those that declare in other programmes (eg BA and Virgin) and SMEs from across the world. Much like Defra, the FCO aimed to measure how difficult assessing the full supply chain might be. However, by opening communications at a senior level in supplier organisations, the FCO achieved a response rate of 50% with which it was very pleased.

DfT

DfT, which joined the PPP earlier in the year than some, prioritised suppliers on potential sustainability risk/impact. Initially, it wrote to 90 organisations to request participation – 65 agreed to participate and a massive 55 disclosed. DfT has seven executive agencies (eg the Highways Agency, Maritime and Coastguard Agency) and has worked closely with its internal stakeholders to draw up a list of participating suppliers, spanning a wide range of goods and services.

The Home Office

The Home Office has benchmarked its top suppliers and, through use of the prioritisation methodology, it identified those suppliers that have the greatest impact on the sustainability agenda. It worked with commercial managers to encourage the selected suppliers to participate in the PPP, as well as engaging with these suppliers on a one-to-one basis. This included providing information, prompts/reminders and updates via a regularly monitored dedicated email inbox.

Developmental Members

This year, alongside the Members, a number of Developmental Members participated in the PPP. These include:

MoD

The MoD invited its largest supplier, BAE, to disclose this year. MoD used the year to begin incorporating CDP into business as usual for 2010.

It has created a synergistic sustainable procurement group with its key suppliers. This group has been developing a sustainable procurement strategy for the MoD.

HMRC

Likewise, HMRC spent this year developing a clear strategy for the forthcoming year's PPP, using another sustainability tool for appraising all of its 250 suppliers. It has created a balanced score card to engage its suppliers and envisions the CDP data being incorporated within one of the scorecard modules.

NHS Purchasing and Supply Agency

NHS PASA (now dissolved into the Department of Health and Buying Solutions) has long been among the leaders on sustainable procurement. As a part of its pilot year with the CDP, it opened its membership to the Healthcare Purchasing Consortium (HPC). HPC selected a number of strategic suppliers to approach about carbon disclosure. In addition, NHS PASA/DH has led work with over 15 further NHS procurement organisations and key suppliers, in conjunction with CDP, to identify how the carbon disclosure model could be used within a suite of guidance and tools being developed under the NHS Procuring for Carbon Reduction programme.

Independent Members

Homes & Communities Agency (HCA)

HCA was trialling the CDP PPP independently this year rather than participating in the pan-Government approach. Its aim was to see if the PPP fits with its internal mechanisms and structures.

As such, it was not included in the list of 14 participating Government departments and agencies.

4

Results

Response rate

Of the 268 suppliers that were invited to disclose in 2009, 164 responded. The economic climate was one of the most frequently quoted excuses for declining to disclose.

In total, 43 organisations stated that they already disclose under another CDP programme. Figure 5 shows the range of sister programmes that overlap with the PPP. This diverse range of programmes is unique to the PPP and shows its international impact.

Of the Developmental Members, the MoD had the highest response rate (100%), but it invited only one supplier. DfT had an 85% success rate and BIS 75% (see Figure 6).

SMEs

This year, CDP trialed a questionnaire for use with small and medium sized enterprises (SMEs). The specially designed questionnaire reduces the burden on SMEs, but can still be mapped directly onto the traditional questionnaire for fair comparison.

17 SMEs participated out of an invited 24, giving a good overall response rate of 70%. They also covered all the sectors, with the largest number in consumer services, commercial and capital goods.

The OCA methodology was trialed on large organisations and SMEs. However, it is recognised that the assumptions made for one group do not always apply to another.

Figure 5 Participation in other supplier disclosure subsets

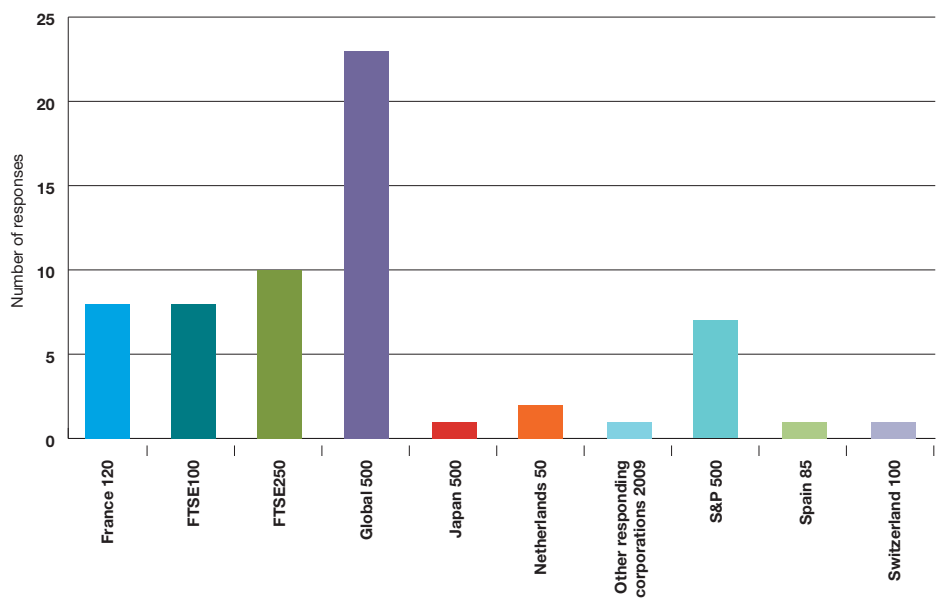
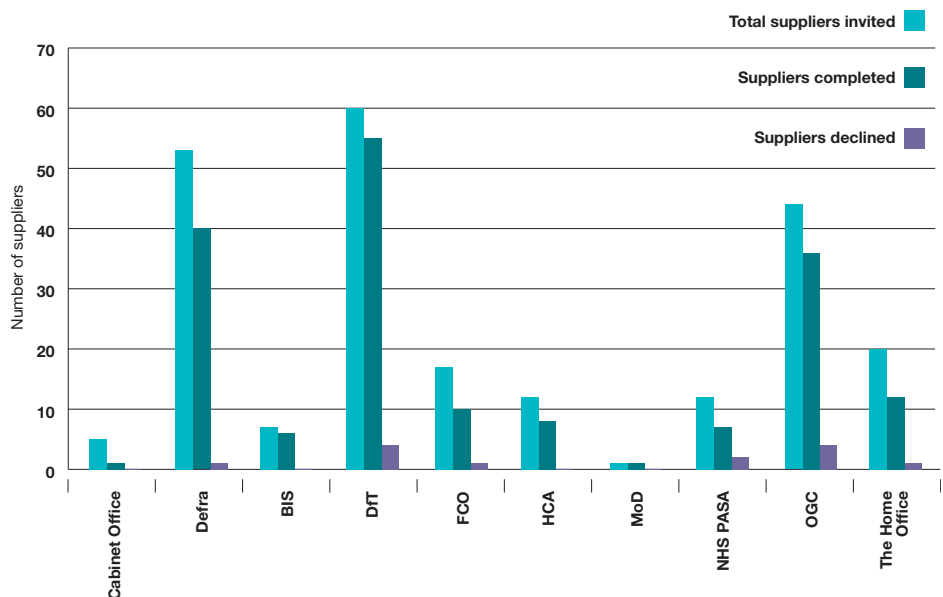


Figure 6 Suppliers invited and response rate



Key trends

The effects of the political and economic changes of 2008

Over 80% of responding organisations disclosed their scope 1 and 2 emissions. This shows that there is a clear awareness of emissions within organisations. However, the demonstration of real reductions has been less positive; certain sectors disclosed reductions that are likely to be associated with the recession rather than investment in emissions reduction.

The introduction of legislation appears to be driving a transition towards the intent to reduce emissions in the majority of responding organisations. This was particularly apparent as almost 40% of the organisations identified CRC as a potential risk. Similarly, the most popular disclosure period was the 2008 calendar year, the qualification year for CRC.

Interestingly, the trend in carbon reduction targets appears to be in line with UK targets of a 34% reduction in emissions by 2020. However, the majority of targets disclosed are short-term, small targets, which is not in line with the aspirational targets that the UK has set itself or would hope to see from others.

The emerging picture

Using the OCA methodology, it was clear that, while many organisations have started their carbon journey, the majority have a long way to go (see Figures 7 and 8) - three organisations failed to score anything. Appendix 3 provides further detail on sector analysis.

The shape shown on Figure 7 indicates the areas of strength (those scoring higher on the scale) and the areas where organisations could improve (scores lower on the scale). However, it would be expected that some criteria need to be fully developed before the others can start to improve. Typically, an organisation might set a target and thus score well in that respect, but it will be the following year before the organisation can demonstrate achievements and improve its score on that metric.

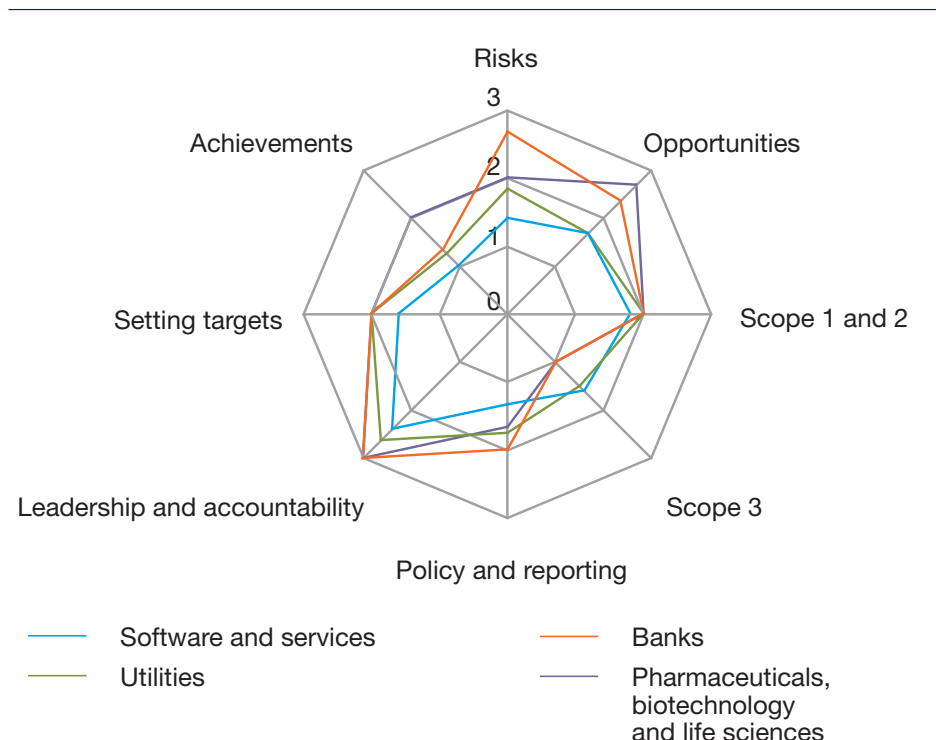
Awareness and integration

The average shape and format for this year's analysis (Figure 7) clearly shows

Figure 7 OCA average score



Figure 8 Top performing industry groups



that organisations are most aware of their 'direct' emissions (scope 1 and 2) and, surprisingly, a large number have senior-level environmental leadership and accountability within their organisations.

The lower awareness of scope 3 emissions indicates that, while organisations profess to be aware of the impacts of climate change and many identify senior-level management

interest in climate change issues, there is scope to improve carbon management.

Action

Organisations have a general awareness of their direct emissions and many are considering how they might start cutting them. However, over half have not set long-term targets or considered the options available to achieve them.

Centrica

'We are also exposed to regulatory risks from environmentally led changes in legislation or regulation that could impact on the profitability of our upstream portfolio. Regulatory risks include failure by governments to deliver legislative frameworks that support our low-carbon strategy.'

Barclays

'Although carbon is a new market driven by regulation and is yet to grow to market maturity, carefully designed cap-and-trade schemes offer real potential to manage emissions globally. The UNFCCC conference at Copenhagen must move forward on the international architecture to ensure that market participants have the certainty and confidence to make longer-term investment decisions. In time, these (cap-and-trade) schemes could easily merge into a new global carbon market. Investors are concerned about climate change and climate policy because these will have an impact on the global economy as well as on individual assets.'

Perception

Similarly, while the majority of organisations consider themselves aware of the impacts of climate change, only a few have given in-depth consideration to the potential effects on business. Only by understanding all aspects of scope 3 emissions (eg their supply chain and product emissions) can they start to appraise the potential risks that climate change poses to their business.

Sectors

In addition, there are sector differences in performance (ie where specific legislation, brand and reputational issues demanded excellence in sustainability). These sectors include telecoms and utilities. (Note - only one bank submitted a disclosure under the PPP).

This year has been the pilot year of the OCA appraisal and it may well be refined in years to come. However, it has shown a number of different trends. As organisations continue to evolve, it is hoped that the webs on the radar patterns will move outwards as organisations and departments work together towards low carbon adaptive operations.

Risks and opportunities

By capturing an organisation's awareness of the potential risks and opportunities associated with climate change, it is possible to understand the degree of its knowledge and understanding of climate change issues and how this may affect future performance. The benefits to organisations that explore the scenarios are substantial.

With the carbon landscape moving at a rapid pace, it is essential that organisations are aware of potential risks posed through regulation, business and physical changes. Figure 9 shows the average score by sector.

Risks

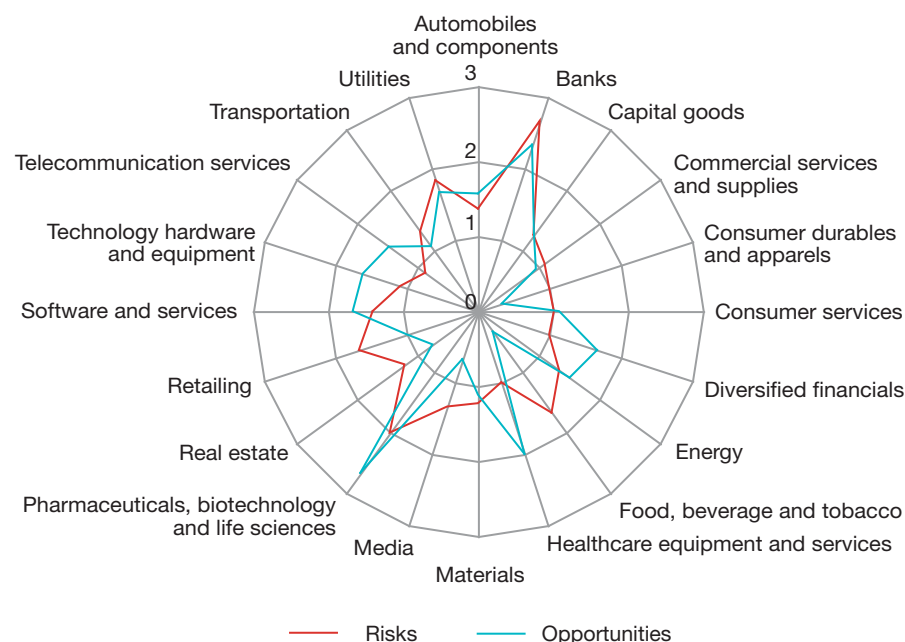
Legislation

CRC was the most commonly named regulation, listed by 38% of the respondents. For 21% of respondents it was the only regulation specifically named.

This trend links to the response received regarding the baseline year used by organisations for emissions reporting. 2008 was the most popular year, which is in line with CRC reporting requirements.

EU ETS was the next most common legislation mentioned, with 31 respondents recognising it as a

Figure 9 Risks and opportunities



relevant regulatory risk. Suppliers from the aviation sector, in particular, regarded the addition of aviation to the EU ETS as a risk to their businesses.

These two pieces of legislation alone were listed as regulatory risks by over half the participating suppliers.

When considering the results at a more granular level, few SMEs stated specific pieces of legislation. Conversely, car manufacturers demonstrated the most in-depth understanding of international regulatory impacts on their business. Construction companies also demonstrated good understanding of the UK legislation governing climate change impacts.

Physical

Changes in weather conditions, and the resulting floods and temperature changes were the most frequently cited physical risks. It was recognised that this would have financial impacts in terms of greater damage to properties and increased insurance premiums.

Many suppliers also list rising sea levels as a risk, although few cite it as a direct risk to any of their properties. Conversely, water shortages were listed as another physical risk due to higher summer temperatures.

Responding companies identified a variety of potential physical risks resulting from climate change, including travel disruptions, relocating offices, increased use of air-conditioning, and extreme weather impacts on power and IT infrastructure.

Business continuity

Organisations also considered the aspects of their business that might be linked to business continuity.

These risks include increased costs (energy, materials and transport) and changing client needs/expectations. It was recognised that a new client expectation is for carbon footprinting/management, resulting in the need to have appropriately trained staff in this area. Similarly, employees are increasingly looking to their employers to act sustainably, making environmental performance a key consideration for recruitment and retention of staff.

Interestingly, increased incidence of staff illness is listed as a risk associated with climate change. Meanwhile, adapting to changes in working practices (eg flexible and remote working) is seen as a potential solution to some issues, especially those associated with changing weather patterns.

Sourcing products/components from multiple suppliers was a solution suggested by a number of suppliers to ensure continued supply should one supplier be badly affected by the physical impacts of climate change.

Other, less frequently cited, risks include reduced availability of raw materials, energy scarcity, reduced willingness of staff to travel (due to weather extremes and increased public transport costs) and reduced demand for services, due to shifting markets and reduced client spending power.

Opportunities

What is also apparent from this analysis is that many organisations recognise the potential benefits that climate change may present.

Legislation

With regard to legislation, 85% of all respondents and 59% of SMEs believe that regulatory requirements do present them with opportunities.

Physical

Interestingly, just over two thirds of responding organisations believed physical changes offered opportunities to them. Many organisations identified certain aspects (eg flooding) as presenting new business opportunities for regeneration and adaptation. Conversely, the majority of SMEs (65%) felt that physical changes do not offer them opportunities.

Other opportunities

74% of respondents believe climate change does offer other opportunities.

59% of SMEs do not think it offers other opportunities.

The most commonly identified opportunities were cost savings, employee engagement, recruitment, retention and protection of brand reputation.

Kier Homes

'The number of very hot days in summer is also predicted to rise sharply and this has implications for worker health. There is an increased risk of skin cancer from long-term exposure to ultraviolet radiation. Kier has in place an occupational health team that provides advice to workers on how to reduce this risk. All workers on Kier sites must wear shirts and long trousers. Sun block is freely available.

'There is a risk that buildings designed using current design codes and standards are not sufficiently "future proofed" against the effects of climate change, such as increasing temperatures. Together with our design teams, we will, for our clients, endeavour to identify and mitigate these risks.'



Committee on Climate Change Adaptation

Why ignoring the risks is not an option

Climate change is already happening. We know that the average global mean temperature is already around 0.8°C above pre-industrial levels⁹. Gases, such as CO₂ that cause global warming, stay in the atmosphere for a long time and this means that, even with a global agreement to curb GHG emissions, changes to our climate will continue for many decades to come. In fact, the most optimistic view is that the average temperature rise might be kept to about 2°C.

Therefore, preparing for the inevitable future changes in our climate will be just as important as making strenuous efforts to reduce our GHG emissions. The impacts from climate change will depend on how we, as a society, adapt. For national and regional governments, measuring, monitoring and reducing the vulnerability of supply chains will be crucial in ensuring that essential services are well adapted to climate change. Suppliers will need time to understand the threats they are likely to face and what they can do to reduce them.

What do we need to prepare for?

The future is uncertain, but the starting point is the latest UK Climate Projections (UKCP09) generated by the Met Office's Hadley Centre. These projections attempt, for the first time, to generate probabilities of changes in key climate variables on a national, regional and local scale. The overall headline is that summers are likely to be hotter and drier while winters may be warmer and wetter. Climate change is also likely to lead to increased risks of flooding, water shortages and drought.

The 2008 Climate Change Act created the Adaptation Sub-Committee. Our goals are to:

- Help identify the risks climate change will create for the UK.
- Assess our preparedness to cope with these risks.
- Promote effective steps to reduce these risks.

Since our creation in June 2009, we have set up a programme of work to assess and build the UK's capacity to adapt and provided our first advice on the Government's Climate Change Risk Assessment¹⁰.

Government departments will begin to draw up their adaptation plans early in 2010 and could begin to address these challenges by modifying their procurement policies. Purchasers may want to check that suppliers have robust contingency plans and adequate insurance before agreeing new contracts. These would cover business interruption, and loss of key employees and premises as a result of, say, flooding. Trade associations could help smaller businesses assess risks by sharing best practices. Suppliers may even obtain a competitive edge if they can show purchasers how their strategies exploit opportunities presented by future climates. Within this context, the information provided by the CDP is a very welcome start. These measures, in combination with others already introduced by the Government, such as the Reporting Powers requirement introduced under the Climate Change Act, could improve businesses' preparedness and ensure the continued delivery of key public services in a world of changing climate.

Lord John Krebs Kt FRS

Chair
Adaptation Sub-Committee
Committee on Climate Change
Adaptation

⁹ Solomon, S., et al. (eds.) *Climate Change 2007: The Physical Science Basis. Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*. Cambridge, UK, Cambridge University Press. p36

¹⁰ These can be found at: www.theccc.org.uk/asc-home

Organisational culture

Crucial to the migration of an organisation towards greater carbon reduction is the carbon culture. Who takes responsibility and shows leadership? How is emissions reduction managed, communicated and reported?

If senior stakeholders in an organisation do not endorse the need for action through mitigation measures, then climate change often remains a low-level priority, with activities being undertaken on an ad-hoc and localised basis. Typically, the role will be undertaken by a champion rather than a senior level appointment, whose remit is to drive change. As such, responding to climate change does not become embedded in the organisation's strategy. The management team often remains unaware of some activities as, typically, they are not included in the management reports. Financial support is discretionary and the general organisational awareness limited.

A cultural shift is essential within any organisation wishing to successfully achieve substantial carbon reduction.

The ideal scenario is where the chief executive has accountability and this is linked to his/her overall performance.

This individual must be supported by a number of senior-level executives from a range of departments¹¹ (eg finance, HR, supply chain, marketing, R&D, facilities) for carbon reduction to truly become embedded in the business processes. Figure 10 shows sector average scores.

Leadership

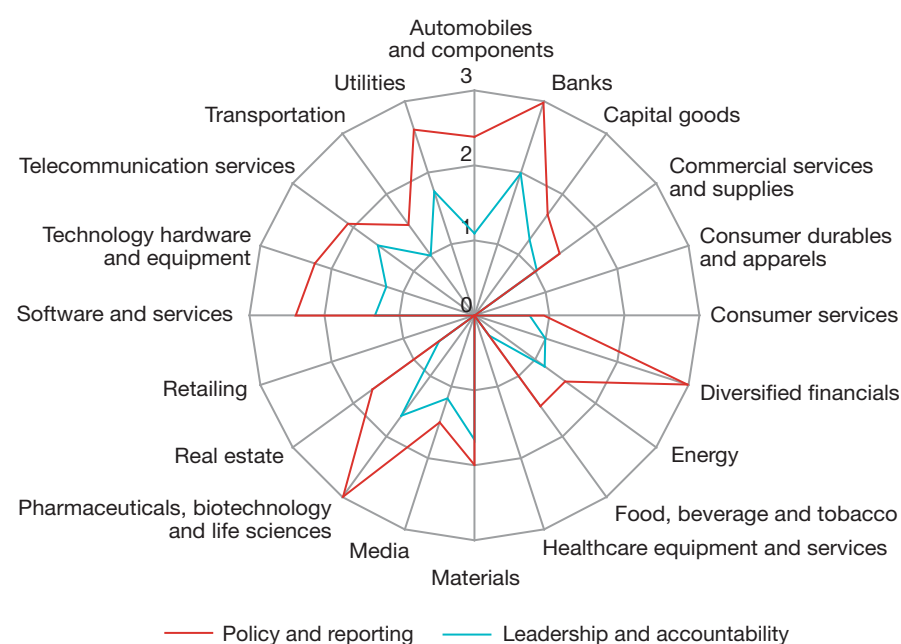
In this information request, 68% of organisations stated that their board or executive committees, or a representative on the board, has overall accountability for climate change mitigation. However, only 32% could provide some level of detail or clarity on how responsibility was assigned. This is disappointing and it is hoped that, in future, many more quantitative explanations as to how responsibility is assigned and how this is incorporated in the performance management process will be reported.

Next year, it will be interesting to see whether the CRC, which requires a senior management owner to be responsible for compliance, influences the responses to the leadership section of the CDP questionnaire.

Barclays

'Barclays has an ongoing dialogue with a range of NGOs on issues related to climate change. For example, we are a member of The Climate Group and sit on its Financial Services Working Group. We are also one of the founding members of the Business in the Community May Day network of UK companies. Barclaycard is part of the Together campaign – a national consumer climate change engagement campaign that started in the UK and is now being rolled out to other countries. The objective of the campaign is to provide consumers with ideas for behavioural change and practical solutions to help them reduce their household emissions by one tonne over three years.'
www.together.com

Figure 10 Organisational culture



¹¹ Size of organisation dependent

Bunzl

'Bunzl remains focused on the efficient use of fuel by better transport management. In the US, a vehicle tracking system has been implemented that has helped to reduce fuel consumption by reducing "engine idling time". Similarly, in the UK, a vehicle routing system is currently being implemented that will reduce fuel usage and the number of vehicles required for deliveries. Liquefied petroleum gas (LPG) vehicles have been used for some of Bunzl's operations in London to reduce emissions. We are currently investigating the viability of using electric vehicles in certain circumstances and using biofuel for our vehicles. Bunzl continues to look for innovative solutions to reduce fuel usage. For example, some plastic goods have been vacuum packed to reduce volume and allow more goods to be delivered per vehicle. The introduction of minimum order sizes has also assisted in reducing the environmental impact.'

Vodafone

'Employees based at our Newbury headquarters are rewarded with a green travel allowance for commuting by public transport or car-pooling.'

Reporting mechanisms and accountability

Only 16% of responding companies could provide details on the mechanism used by the board/ executive to review the organisation's progress and status regarding climate change.

This may be due to the fact that organisations are not integrating carbon into their regular reporting practice and it is not being embedded in their culture.

Engagement and motivation

Internal communication, which can take a variety of forms, can be used to engage and motivate staff. Encouraging cultural change can also include a variety of incentives, from key performance indicators (KPIs) to behavioural-change programmes.

Only 35% of organisations stated that they provide incentives for the management of climate change issues and attainment of GHG targets; 70% of the incentives were monetary rewards. Few organisations provided details on who was entitled to the incentives. Of those that did, it was mostly management and executives. However, there were some good examples of other schemes that organisations have put in place.

It is only when these facets are all adopted that a business can be considered to have successfully integrated climate change throughout all of its business practices.

Moving forward

The starting point on this journey is for an organisation to clearly outline its intent. Typically, this takes the form of a signed commitment by the board that can then be used to develop the implementation strategy.

The next step is to communicate the strategy and implementation plan to all employees through standard communication routes. The annual report should be used to convey progress to internal and external stakeholders. Increasingly, annual CSR reports now show the organisation's emissions footprints and progress on reductions against short, medium and long-term targets.

Ultimately, environmental reporting becomes 'business as usual' and is delivered to the board at the same time and in the same way as financial reports. Budget is allocated and expended on an annual basis in an integrated manner with facilities and other influential departments.

Emissions

Theoretically, if an organisation understands what its emissions footprint is, then it is able to strategically consider how to reduce it.

Similarly, appraising the footprint through a number of routes (eg bill validation) can lead to the correct management and procurement of energy and other emissions sources.

An organisation that is unable to assess its emissions footprint is unlikely to be able to understand environmental or financial impacts of its operations on the environment.

Clearly, this will present challenges for an organisation wanting to cut its emissions - how can it appraise the most effective measures to invest in if it is unable to assess these mechanisms or is not aware of their environmental impact.

A lack of awareness of its emissions figure might indicate that an organisation is not taking any action to manage its environmental impact and that it has no plans to do so. Figure 11 shows sector average scores.

Scope 1 and 2 emissions

Unsurprisingly, the majority of organisations detailing their GHG reporting methodology (52% of suppliers) referenced the World Resource Institute GHG Protocol. Six suppliers chose ISO 14064-1 and a further six chose Defra's guidance as their preferred methods. Other methods mentioned by a minority of respondents included the Carbon Trust Standard/footprint tool and the US Environmental Protection Agency GHG Protocol.

Further commitment to emissions reporting was demonstrated by 56 companies (34%) that have their reported emissions externally verified, either in whole or in part.

Scope 1 and 2 reporting trends

77% of respondents disclosed their scope 1 emissions. About half of these broke down their emissions by country or region. This extra layer of granularity provides greater clarity of the supplier's worldwide carbon impact. Furthermore, 54% of respondents disclosed a breakdown of their scope 1 emissions by GHG type.

The large car manufacturers (Renault and PSA Peugeot Citroën), technology companies (IBM, Vodafone, Siemens AG and Dell Inc) and an energy company (Centrica) provided the greatest level of detail for their scope 1 emissions.

78% of respondents disclosed their scope 2 emissions, 44% providing a breakdown by country or region. Again, car manufacturers (BMW, Renault, PSA Peugeot Citroën, Honda, Toyota, Nissan, Volkswagen and Volvo), technology companies (Canon, IBM, HP, Hitachi, Motorola and Xerox) and telecommunications companies (BT Group and Vodafone) provided the greatest level of refinement in the data provided. In many cases, emissions were listed for a large number of countries.

Interestingly, more organisations (88%) stated the start and end dates of disclosure than those that disclosed their emissions figures. The most popular year for disclosing was the 2008 calendar year. This is in line with, and possibly a result of, CRC reporting requirements.

The majority of respondents specified their reporting boundaries and understood the primary sources of their emissions.

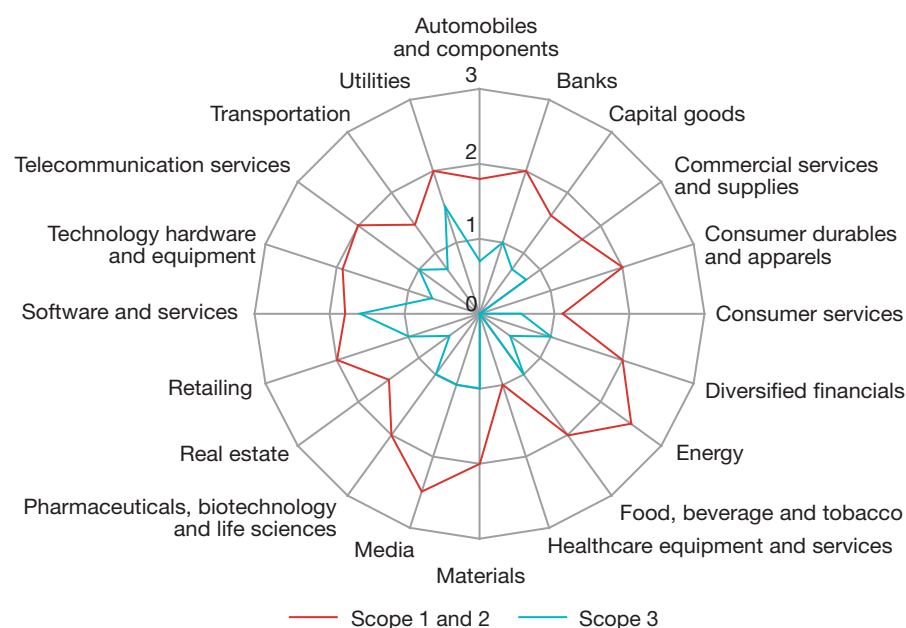
Scope 3 emissions

Awareness of climate change and the need to reduce carbon emissions increases within organisations as environmental impacts become integrated with business practices. A good measure of awareness is the organisation's understanding of its scope 3 emissions. Scope 3 emissions capture many different areas, most of which are generally beyond an organisation's direct influence.

Typically, once an organisation is fully aware of its scope 1 and 2 emissions, and is advanced in its reduction programme, it will consider some or all elements of scope 3 emissions.

Understanding scope 3 emissions will enable organisations to monitor/predict the effects that changes in energy prices, legislation (eg CRC/EU ETS) and other climate change risks may have on its suppliers' costs/prices as well as the continuity of service that the supplier will be able to provide. This provides valuable insight into potential long-term risks and the changes a business may need to make to adapt to climate change.

Figure 11 Emissions



Scottish & Southern Energy (SSE)

'Although overall energy demand is likely to reduce, this is likely to be achieved by reducing heat and transport. Many of the associated carbon reductions are likely to be achieved by using decarbonised, renewable electricity, the demand for which may well increase. Although SSE is a major reseller of gas, the company's real expertise lies in producing, transmitting, distributing and supplying electricity.'

The scope 3 emissions questions focused on five distinct areas:

- Business travel – 117 organisations disclosed.
- External distribution/logistics – 47 organisations disclosed.
- Use/disposal of company's products/services – 36 organisations disclosed.
- Company supply chain – 40 organisations disclosed.
- Other – 18 organisations disclosed.

Unsurprisingly, business travel was the most frequently disclosed area of scope 3 emissions with over half of the organisations providing this information. Less than a third of the organisations responded to each of the other areas.

Scope 3 reporting trends

30% of SMEs provided emissions figures for employee business travel and indicated their methodology for gathering this information. Business travel for SMEs seems to be predominantly by car, although some companies do collect data on air and rail travel.

Less than 30% of SMEs provided data on external distribution/logistics emissions.

Half of automobile and component suppliers did not indicate their main source of employee business travel emissions or figures for these.

Reporting of emissions

Increasingly, organisations are choosing to report their environmental impacts to shareholders and other interested parties annually. Some are already required to do so through international, European and national legislation. Others volunteer this information to enhance their brand or reputation.

Most companies recognise the three pillars of sustainability (ie social, economic and environmental) and, as such, will link them to create a platform for explaining their overall sustainability and emissions performance.

Reporting in such a way is commonly adopted by larger organisations. 31 suppliers indicated that this was their first year for reporting emissions. SMEs have yet to adopt a similar approach - no SMEs provided reporting information.

One of the benefits of organisations reporting their emissions is that it enables visibility of emissions variations. This year, 47 companies (29%) indicated that their reported emissions vary significantly from that reported in previous years. Annual emissions are often influenced by a number of factors such as business growth, technology investments and emissions-reduction initiatives.

The previous 12 months have been difficult for many businesses because of the economic recession. In addition, the anticipation of forthcoming legislation changes has led some organisations to give increased attention to their ongoing approach to emissions reduction.

Interestingly, and despite the recession, some organisations have experienced significant increases in emissions, mainly due to growth in operations or to expanding the scope for emissions reporting throughout the organisation.

However, significant decreases can be seen in some of the industries hardest hit by the recession, such as:

- Automobiles and components manufacturers – seven companies.
- Capital goods – five companies.
- Technology, hardware and equipment – five companies.

It is unlikely that these decreases can be attributed to investment in carbon reduction alone.

Interestingly, only 41 companies (25%) report GHG emissions under other reporting schemes. Of note are the 80% of companies in the automobiles and components industry group that report GHG emissions under another scheme. All utility companies report under other schemes too (eg the EU ETS).

A surprising few organisations declared that they have recently purchased carbon credits with only 27 companies (16%) having purchased project-based carbon credits/offsets. Of those companies that did buy project-based carbon credits, 21 (78%) bought them voluntarily. The remaining six companies bought their credits primarily for compliance purposes.

Cutting carbon emissions

The clearest demonstration of an organisation's commitment to reducing its emissions is to have agreed reduction targets, implemented abatement methods and demonstrated energy savings.

Typically, once an organisation is aware of its emissions, it is then able to appraise and prioritise the reduction opportunities that are available. Initially, organisations will start with the opportunities that are easy to implement, have a relatively high impact and demonstrate a return on investment (eg good housekeeping - such as switch-off campaigns and retrofitting energy efficient lighting). Such initiatives tend to run over a relatively short time period (a couple of years) and have a short-term reduction target. However, experience shows that, as an organisation continues to look for opportunities, longer-term plans and, indeed, longer-term targets must be considered. Figure 12 shows the sector average scores.

Of those responding to the question about reduction plans, 68% said they had plans in place, including 100% of SMEs.

Baseline year

Interestingly, 2008 was the most popular year to set as a baseline year. This could be linked to the CRC and year-on-year target setting (see Figure 13). The data also demonstrates that organisations are only just calculating their baselines and setting targets accordingly.

Targets

Of those that do not have plans, 62% (31) answered that they are in the process of defining a reduction plan and 24% (12) responded that they felt it is not necessary.

In response to the question about targets, 66% of respondents said they have targets in place (only 35% of SMEs have targets). 94% of the organisations provided details of the targets.

97% of those that have targets have stated a baseline year. In addition:

- Of the 103 organisations that have reduction targets, 97% (100) have clearly identified timeframes over which the targets extend.
- Very few organisations factor future emissions into capital expenditure and investment decisions.

With regards to SMEs, only 23% have established a baseline year and 17% have identified the timeframes over which the targets extend.

PSA Peugeot Citroën

'PSA Peugeot Citroën has set a priority objective of reducing the amount of CO₂ emitted by Peugeot and Citroën vehicles. To significantly reduce the carbon footprint of its model lines, the Group is focusing on the most cost-effective technologies capable of being deployed on mass-produced models – the only way to make a real impact on the environment.'

'We believe that the growing mobility needs of today's world cannot be met with a "one-size-fits-all" solution, no matter how green. That's why PSA Peugeot Citroën's research is dedicated to improving the environmental performance of vehicles and developing new technologies is being pursued in several different directions.'

Figure 12 Cutting carbon emissions

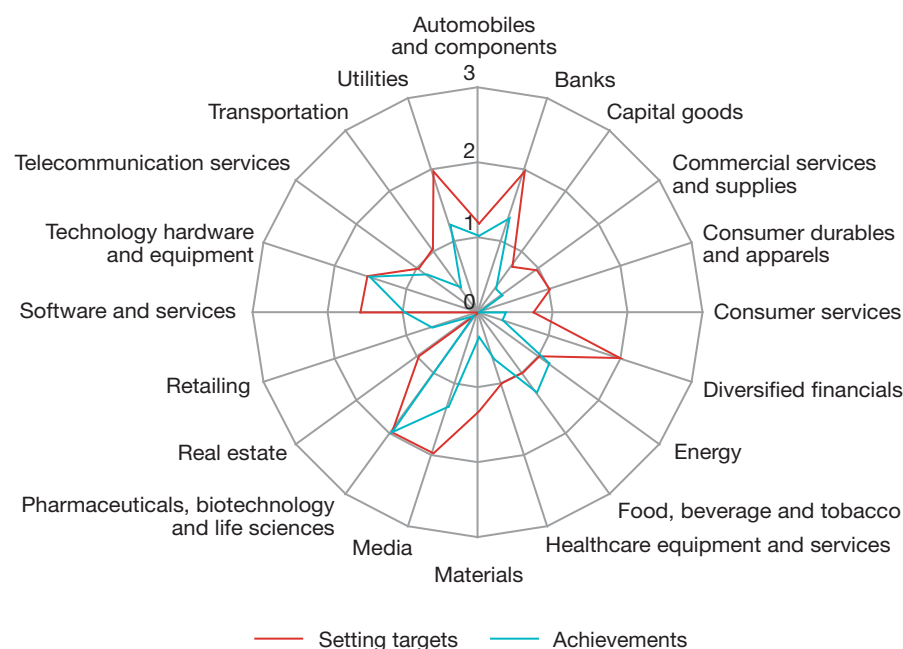


Figure 13 Baseline years

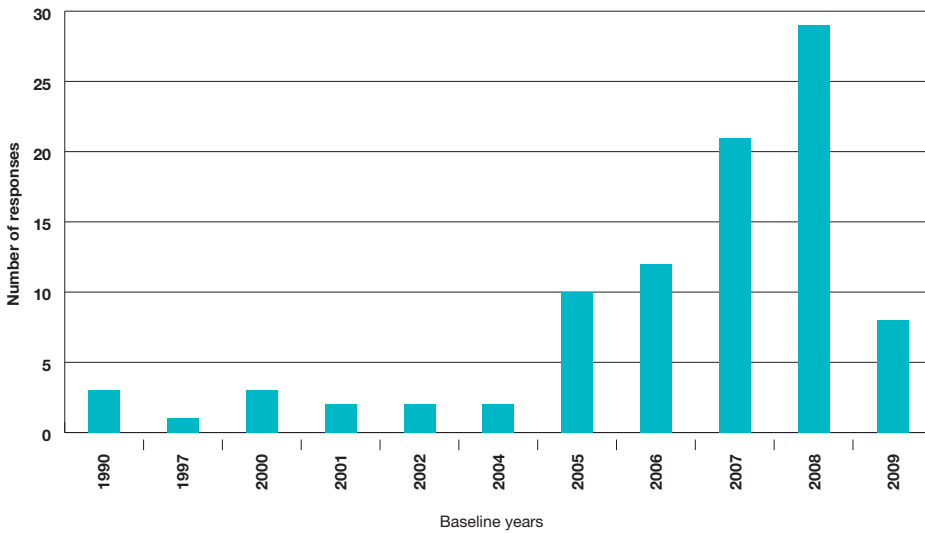
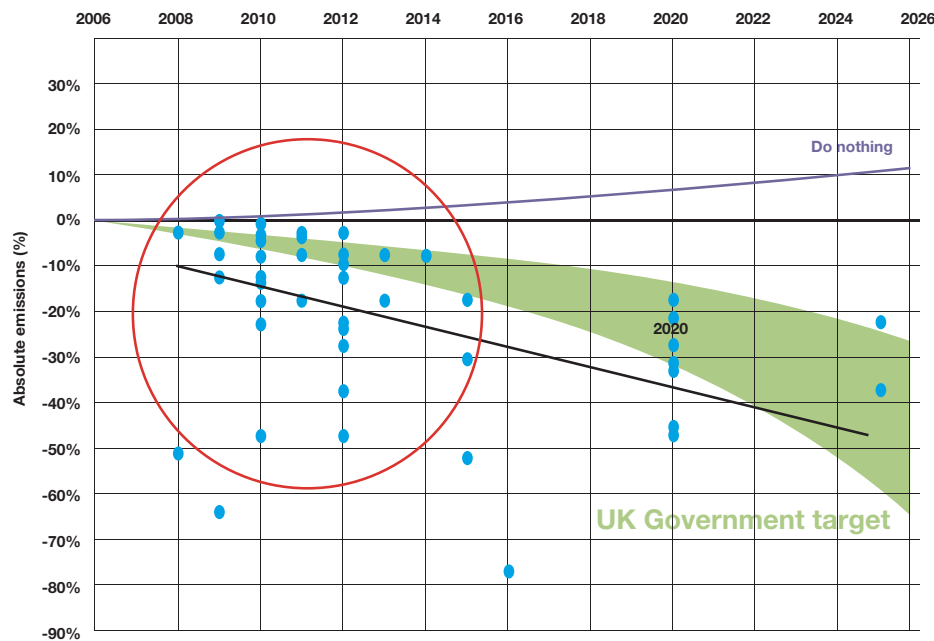


Figure 14 Organisational reduction target (for illustration purposes only)



Meeting UK policy expectations

With all of these organisations setting targets, it is important to consider how they fit with the UK Government’s aspiration for carbon reduction.

When mapped on a scatter graph, which captures only the organisations that have disclosed targets (see Figure 14), the trend line shows that the average of the targets set is in line with the 2020 target of 34% low carbon transition. But, having so many short-term targets indicates that organisations are still at the beginning of their emissions reduction journey. Few suppliers have set long-term, aspirational targets.

To demonstrate its commitment to sustainability, one organisation has set aspirational long-term targets to meet the UK Domestic Climate Change Targets set out in the Climate Change Bill. These CO₂ reduction targets are set at 34% by 2020 and 80% by 2050. In line with these projections, another organisation has a reduction target in European CO₂ emissions of 41% per person by 2011. This equates to a 2.5% annual reduction in CO₂ for the next 3 years.

It is imperative that businesses that have set short-term targets now consider how to map out and establish longer-term targets.

5

Conclusions

A growing programme

This year has been a fantastic second year of the PPP, with a significant number of members participating in a co-ordinated and collaborative manner. It clearly demonstrates the Government's intent to gain a better understanding of its suppliers' climate change impacts and risks. All of the departments are on a journey themselves. They have committed to reducing their own footprints through the SOGE targets and, increasingly, through integrating sustainability into the procurement process where it directly relates to the product or service being bought.

This year, the PPP has been put forward and short listed for a Civil Service Award for the pan-Government approach and the way in which the CDP complements the spectrum of initiatives being undertaken by policy makers, procurers and others throughout the departments.

Enhancing sustainable procurement practices

The CDP process is well aligned with evolving sustainable procurement practice and enhancing supplier relationships. It raises suppliers' awareness of carbon issues and the OCA provides a framework that can be used by departments for future appraisals.

All departments achieved a good response rate and demonstrated some interesting approaches to supplier selection and communication. Two departments (Defra and the FCO) challenged the system and approached non-typical organisations with outstanding response rates.

One of the core issues with departments and some suppliers is that they found it difficult to understand the supplier's impact on a departmental basis. For example, some supply different services to different departments. To address this, some suppliers have agreed to take part in an allocation trial where they will, in accordance with the guidance developed by the World Resources Institute, pilot the potential methods available to allocate emissions on a departmental basis.

In running the PPP next year, many departments are aware that some suppliers are cautious of the Government's intentions for the Programme. Departments are keen to provide more clarity upfront of how CDP fits in the context of sustainable procurement.

CDP process

The new and developmental members found that the introductory phase to the PPP was on a tight timeline. While this has been challenging, it has created a sense of urgency that was required to initiate the process.

The current CDLI methodology has been used in the initial appraisal for consistency of reporting. This year, a new tailored approach was also used to identify the core elements that an organisation must adopt if it is to truly integrate its approach to climate change into business as usual. It indicates the variety of step changes that are required to continue to encourage organisations to migrate to a low carbon culture. Additionally, it complements the existing procurement processes and provides a mechanism for feedback to suppliers. Starting fact-based discussions regarding current and future plans will help organisations progress on the journey. Notably from the scoring, no organisation is at the end of its journey. It will be interesting to see how the strengths and weaknesses highlighted through OCA change and evolve over the next few years as organisations change.

At present, the OCA methodology assesses eight metrics, only one based on achievement, the other seven focus on reporting-based activities. While, at present, this is considered appropriate for the GHG maturity of the majority of organisations, it is expected that, as organisations mature, the list of achievements should potentially be expanded to reflect a more granular level of detail.

The suppliers

Organisations are becoming more and more aware of the risks and opportunities that climate change presents.

The world is ever changing and new legislation and guidance is being introduced on a more frequent basis. For example, CRC is capturing the attention of many organisations and they are declaring their 2008 calendar emissions in line with the CRC qualification year. This is great news and means there is a growing trend for change.

While many organisations have set targets, many are small and short-term reductions, which could be achieved through good housekeeping, rather than the aspirational long-term targets that really require complete business integration. It is accepted that many businesses do not plan more than 5 to 10 years in advance, but a genuinely strategic approach would involve more targets being set for 5 to 10 years hence, rather than just 1 to 2 years.

To encourage these organisations, further action should be taken by the many organisations that have already achieved substantial cost savings and carbon emission reductions.

Carbon reductions in many sectors could be linked to the decline in activity associated with the recession rather than through investment in low carbon technologies. It is hard to differentiate between the two, but the motor manufacturing industry, in particular, has significantly reduced its output.

One of the weaknesses highlighted by the OCA chart, but seemingly demanded by CRC, is the need for senior level organisational responsibility. It will be interesting to see how it changes over the next 12-24 months. Many organisations are now reporting and publicly declaring their carbon emissions and reduction intentions in response to customer demand. This is potentially driven by brand and reputational considerations.

Many organisations have, of course, set targets. However, a particular area of weakness highlighted under the OCA scoring is the number that have gone on to take action. Targets and intentions are only the start; action and demonstrable savings are now required.

6

Next steps

For Government

Following the release of this report, Government departments will feed back information to those suppliers that participated and those that were invited, but did not participate this year. The results of the OCA analysis provide a uniform format for these discussions as they highlight areas where suppliers could improve.

Fitting climate change into Government SRM

On a wider scale, the departments must consider how to use these CDP results and the OCA to integrate sustainability as business as usual into their SRM. For 2010, this will involve:

- Communicating the results to all suppliers that participated and those that were unable to this year, at all levels. This could take the form of letters, forums, workshops or larger scale events.
- Supporting procurers in disseminating the results and the key points to talk around from the analysis.
- Sharing best practice within and between sectors.

Also, one of the key achievements for 2010 will be to work with a selection of suppliers to pilot an emissions allocation programme. This will consider the issue of apportionment to ensure the risk of double counting is reduced and the correct allocation of supplier emissions are allocated to the correct Government department. This will assist Government in the reporting of its own scope 3 emissions.

For suppliers

As climate change impacts become more apparent, the business pressure imposed on those organisations with little awareness of the potential threats and opportunities will increase.

Changing client needs and expectations were identified as risks by a number of suppliers. Coupled with the physical and regulatory impacts of climate change, many suppliers have no option but to act to reduce their emissions and environmental impact.

The results of the questionnaire show that many organisations are improving. However, there is still a clear division between those that excel and those that are just starting to react.

Working collaboratively with clients, such as the UK Government, sharing best practice and learning from other organisations and sectors could help yield benefits for all involved.

For many, the CRC will inevitably ensure that senior stakeholders take an interest and become responsible for compliance, brand and reputation.

The next step is for this to translate into aspirational long-term targets and actions to reduce scope 3 emissions as well as scope 1 and 2.

For CDP

Great progress has been made in developing the CDP PPP over the past 12 months and it will continue to evolve over the coming year. CDP will be inviting more departments to join and share their suppliers and best practice with the group.

Forward planning will also be vital, especially when working with new members. Providing suppliers with advance notice of deadlines and events can ensure greater participation. Therefore, CDP will work closely with Government departments to identify suppliers at an early stage to ensure they have sufficient notice to submit complete responses.

CDP should also take an active role in the apportionment trials. Integrating the process into the PPP in the future and preparing to support suppliers and departments through that transition will be key to the PPP's success.

Linking up members and sharing best practice from across all the programmes will continue to be a challenge as they increase in size and number.

CDP also recognises that some areas of climate change need to be assessed to a greater depth and that, in doing so, novel approaches need to be developed. Recognising the importance of water-related issues, both as a critical part of the wider climate change challenge and as a stand-alone issue, CDP carried out a water disclosure pilot in 2008 and 2009, and is launching the CDP Water Disclosure Programme in 2010.



The changing nature of value for money

By Professor Alan Knight OBE

It is the year 2050, the Prime Minister returns home having visited the flooded plains of the Severn. He is about to meet with the Chancellor of the Exchequer to finalise his lines to take on the new sea defence strategy for the UK. So high is the value of this multi-billion-pound scheme that income tax will need to rise. All things considered, the deal is seen as good value for money. What is an extra penny on income tax given the potential destruction and coastal flooding of potentially 5% of UK land?

Far fetched? In early November 2009, the European Council, the EU's leaders, agreed to a €100 billion (£89.5 billion) annual package of public and private finance by 2020 to help poorer nations develop green industries and adapt to climate change. The Environment Agency recently revealed that the number of properties in England and Wales at the highest risk of flooding could increase by over 60% from 560,000 today to over 900,000 by 2035 if investment in flood defences does not increase annually. The Stern Report indicates that global warming could shrink the global economy by 20%, but taking action now would cost just 1% of global gross domestic product. The scenario outlined above is looking more and more likely.

Back to today, the challenge for any value-for-money conditionality is defining the value system and time span that shapes the judgement. Climate change is about the future stability of the planet. What is the short-, medium- and long-term value of that? The awkward, possibly inconvenient, truth is that we simply do not know. So is 'value for money' as a criterion for decision making flawed? Not necessarily.

Slowly but surely, the value-for-money landscape is changing.

The business case for resource, in particular energy efficiency, is becoming more and more compelling. Government policy is also at the forefront of the business-case drivers for reducing energy use. Up to, and following, the Climate Change Act, new laws are encouraging businesses to reduce their emissions and, where possible, innovate, more-efficient products. Changes in response to changing weather patterns are affecting risk of supply and, subsequently, the costs of supply. The way procurers and suppliers negotiate through these changing times will have profound impacts on Government services.

That being said, industry needs to mobilise and energise itself to reduce emissions and innovate across the supply chain in response to climate change. Building strong relationships between companies and procurers opens the procurement process up to innovation, risk reduction and lower costs.

In conclusion, the right business offer, supported by the right Government procurement, can make a massive difference! That must be good value for money.

Value for money is about spending money well, but it is also about embedding values into procurement. It is not so much value for money, but values in the money spent.

Alan Knight was a Commissioner in the Sustainable Development Commission from 2000 to 2009. For 6 years, he was the chair of the Government's Advisory Committee on Consumer Products and the Environment (ACCPE). He was also a founding Director at the Forest Stewardship Council and Environmental Director at B&Q, Kingfisher Group and SAB Miller. He currently advises the Virgin Group on sustainable development.

Appendix 1

Glossary of key terms

List of acronyms

Key terms

CDLI - Carbon Disclosure Leadership Index

CRC - Carbon Reduction Commitment Energy Efficiency Scheme

CSR - Corporate Social Responsibility

EU ETS – European Union Emissions Trading Scheme

GHG - Greenhouse Gas

LCTP - Low Carbon Transition Plan

LPG - Liquefied Petroleum Gas

OCA - Organisational Carbon Appraisal

SMEs - Small- and Medium-sized Enterprises

SOGE - Sustainable Operations on the Government Estate

SRM - Supplier Relationship Management

UNFCCC - United Nations Framework Convention on Climate Change

Organisations

BIS - Department for Business, Innovation and Skills

CDP - Carbon Disclosure Project

CESP - Centre of Expertise for Sustainable Procurement

DECC - Department of Energy and Climate Change

Defra - Department for Environment, Food and Rural Affairs

DH - Department of Health

FCO - Foreign & Commonwealth Office

HCA - Home & Communities Agency

HMRC - Her Majesty's Revenue and Customs

HMT - Her Majesty's Treasury

HPC - Healthcare Purchasing Consortium

KPI - Key Performance Indicator

MoD - Ministry of Defence

NHS PASA - National Health Service Purchasing and Supply Agency

OGC - Office of Government Commerce

Glossary of terms

Scope 1 emissions - GHG emissions from sources that are owned or controlled by the reporting entity (direct emissions).

Scope 2 emissions - GHG emissions that are a consequence of the activities of the reporting entity, but occur at sources owned or controlled by another entity (indirect emissions) from consumption of purchased electricity, heat or steam.

Scope 3 emissions - other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities not covered in scope 2, outsourced activities, waste disposal.

Appendix 2

Detailed analysis

Carbon Disclosure Leadership Index (CDLI) 2009 analysis

The responses received from suppliers were scored using the CDLI methodology. A copy of the supplier questionnaire and the scoring metric can be found at:

https://www.cdproject.net/Documents/CDP_2009_CDLI_Methodology_Scoring.pdf

The results of the analysis are presented in the main body of this report. Additional graphs are provided here for information.

Perception

This first section considers the risks and opportunities associated with climate change that an organisation considers to be important. The detail provided within the supplier responses indicates the degree to which organisations assess risks (regulatory, physical and other) and to what extent they are innovating to create opportunities out of the impacts of climate change.

Figure A-1 shows the number of suppliers in each industry group that identified risks and opportunities.

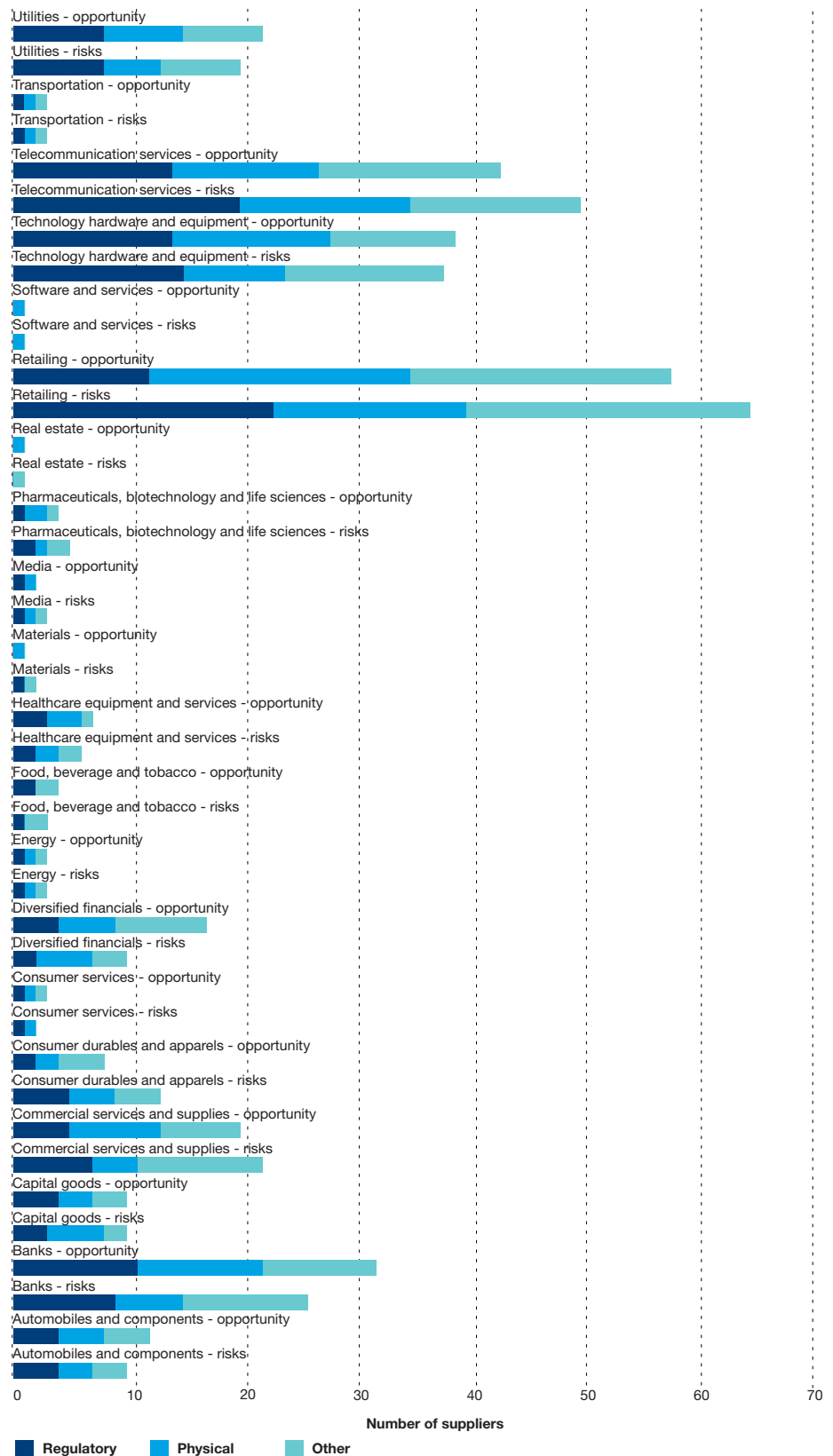


Figure A-1 Risks and opportunities by industry group

Awareness

This section considers the level of awareness each supplier has of its own scope 1, 2 and 3 emissions and whether it currently reports its emissions publicly. Figure A-2 shows that the GHG Protocol is the most popular reporting methodology.

Figure A-3 demonstrates the split by industry group of those disclosing their scope 1 and 2 emissions. The consumer services sector displays the largest percentage of suppliers not disclosing their emissions.

Figure A-2 GHG reporting methodology

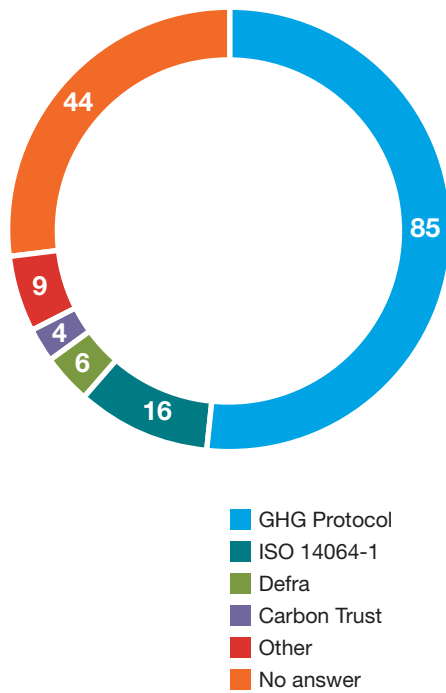


Figure A-3 Disclosure of scope 1 and 2 emissions by industry group

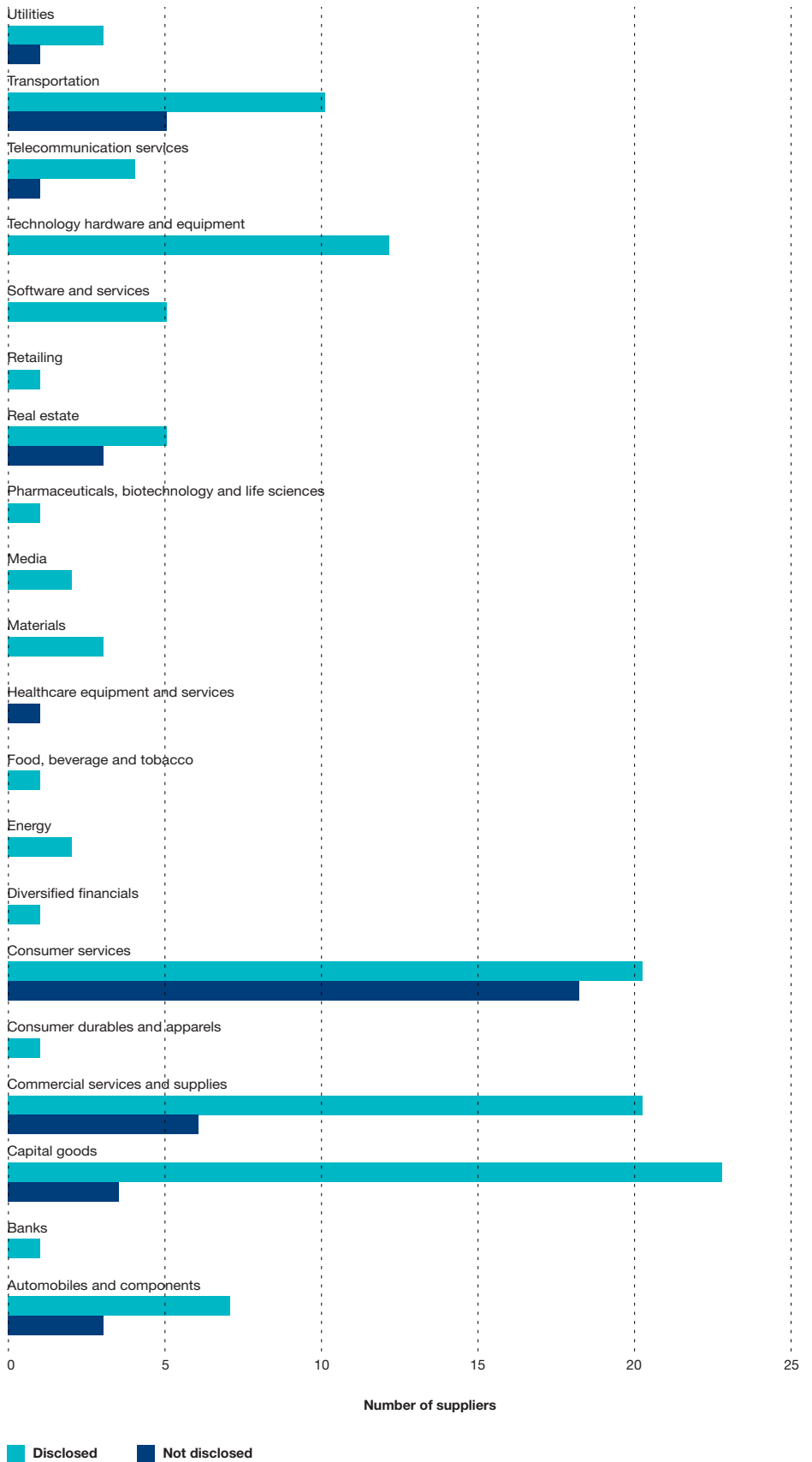


Figure A-4 demonstrates the number of suppliers disclosing information about their scope 3 emissions. It demonstrates that business travel is the most reported element of scope 3 emissions, with the largest number of suppliers providing the source of the emissions, an emissions figure and details on the methodology used for calculating the emissions.

Integration

This section considers the degree to which climate change planning and reporting is integrated within the activities of the organisation. Part of the integration process is to secure the support of senior management. Figure A-5 demonstrates that the majority of suppliers do have senior support.

Figure A-4 Scope 3 emissions disclosure

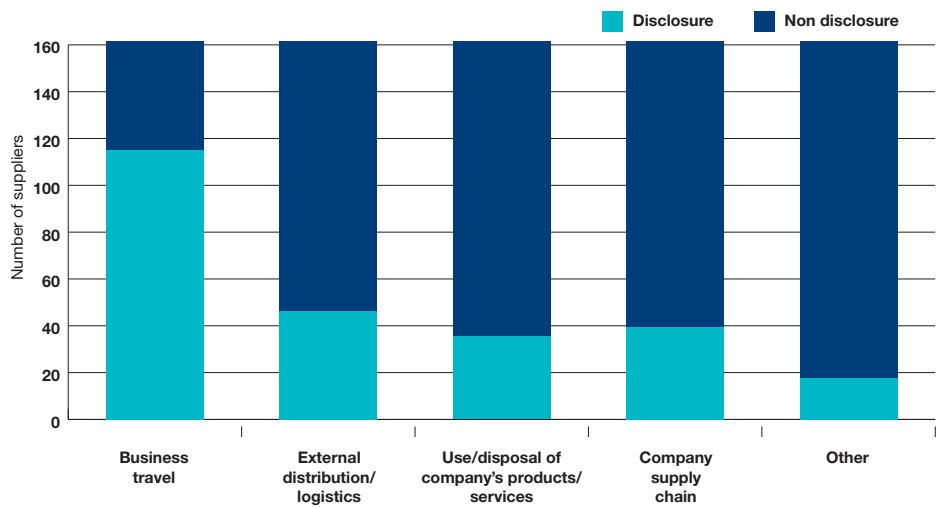


Figure A-5 Does a board, committee or executive body have overall responsibility for climate change?

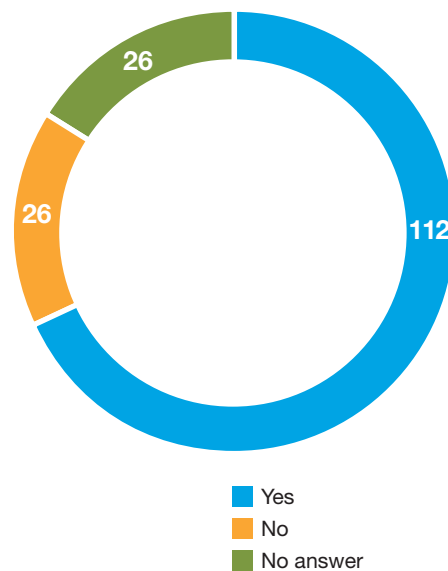
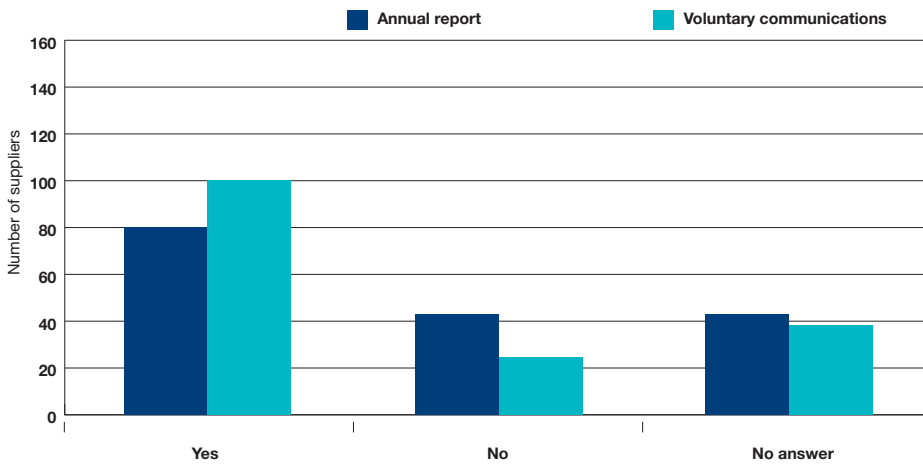


Figure A-6 Publication of climate change information

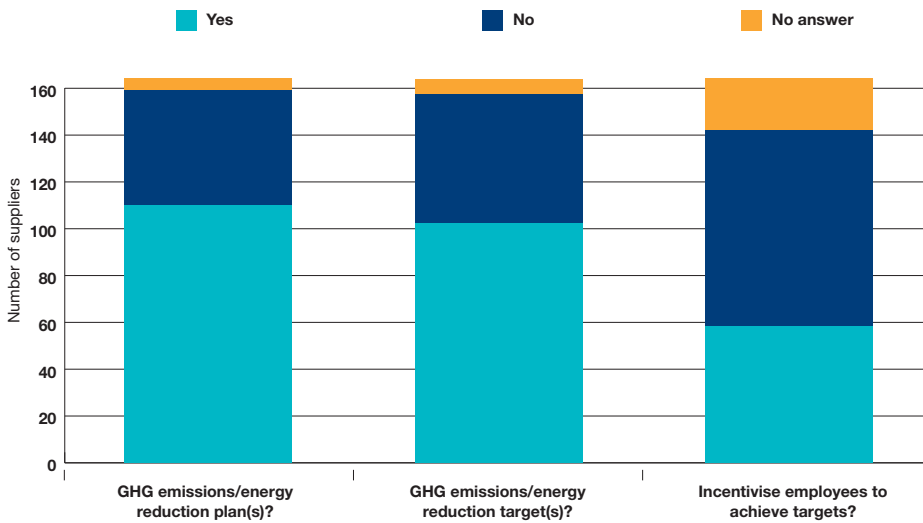


Open communication is an important aspect in the integration of climate change planning into the culture of an organisation. Figure A-6 demonstrates that a number of suppliers use their annual reports and voluntary communications, such as CSR reports, to communicate the risks and opportunities presented by climate change.

Action

This section looks at the action taking place to reduce emissions. Figure A-7 demonstrates that a large proportion of suppliers have plans and targets in place to reduce emissions. It also demonstrates where suppliers go a step further and actively encourage their employees to work towards these targets and achieve real savings. An interesting point to note is that 98 organisations have plans and targets in place, 11 have plans but no targets and five have targets but no plan.

Figure A-7 Suppliers with energy reduction plans



Organisational Carbon Appraisal (OCA)

For the OCA, several questions were re-analysed to focus on the performance of suppliers rather than the disclosure of information. The responses to these questions were assessed based on the levels zero-three in the CDP matrix, which is shown on page 31. The questions feeding into each column of the matrix are shown in the following table.

Core areas	Feeder questions	Question title
Perception		
Risks	1.1	Is your company exposed to regulatory risks related to climate change?
	2.1	Is your company exposed to physical risks related to climate change?
	3.1	Is your company exposed to other risks related to climate change?
Opportunities	4.1	Do regulatory requirements on climate change present opportunities for your company?
	5.1	Do physical changes resulting from climate change present opportunities for your company?
	6.1	Does climate change present other opportunities for your company?
Awareness		
Understanding scope 1 and 2 emissions	9.1	Please describe the process used by your company to calculate scope 1 and scope 2 GHG emissions.
	9.2	Details of any assumptions made.
	9.5	The emission factors you have applied and their origin.
Understanding scope 3 emissions	13.1	Employee business travel - state the methodology, assumptions, calculation tools, databases, emission factors (including sources) and global warming potentials (including sources) you have used for calculating emissions.
	13.2	External distribution/logistics - state the methodology, assumptions, calculation tools, databases, emission factors (including sources) and global warming potentials (including sources) you have used for calculating emissions.
	13.4	Company supply chain - state the methodology, assumptions, calculation tools, databases, emission factors (including sources) and global warming potentials (including sources) you have used for calculating emissions.

Core areas	Feeder questions	Question title
Integration		
Policy and reporting	25.4	What is the mechanism by which the board or other executive body reviews the company's progress and status regarding climate change?
	27.1	Do you publish information about the risks and opportunities presented to your company by climate change, details of your emissions and plans to reduce emissions?
	28.1	Do you engage with policymakers on possible responses to climate change including taxation, regulation and carbon trading?
Leadership and accountability	25.3	Which board committee or executive body has overall responsibility for climate change?
	25.1	Does a board committee or other executive body have overall responsibility for climate change?
	26.1	Do you provide incentives for individual management of climate change issues including attainment of GHG targets?
Action		
Setting targets	23.1	Does your company have a GHG emissions and/or energy reduction plan in place?
	23.3	Do you have an emissions and/or energy reduction target(s)?
	23.5	What is the emissions and/or energy reduction target(s)?
Achievements	14	If your goods and/or services enable GHG emissions to be avoided by a third party, please provide details including the estimated avoided emissions, the anticipated timescale over which the emissions are avoided and the methodology, assumptions, emission factors (including sources) and global warming potentials (including sources) used for your estimations.
	23.10	What emissions reductions, energy savings and associated cost savings have been achieved to date as a result of the plan and/or the activities described above? Please state the methodology and data sources you have used for calculating these reductions and savings.
	23.11	What investment has been required to achieve the emissions reductions and energy savings targets or to carry out the activities listed in response to Q 23.8 above and over what period was that investment made?

Some additional questions were also assessed for performance independent of the matrix.

Other analysis	Questions	Question title
Baseline year for targets	23.4	What is the baseline year for the target(s)?
Timeline for targets	23.7	Over what period/timescale does the target(s) extend?
CRC inclusion	1.1	Is your company exposed to regulatory risks related to climate change?
EU ETS inclusion	21	Does your company operate or have ownership of facilities covered by the EU ETS?

OCA scoring framework

	RISK	OPPORTUNITIES	SCOPE 1, 2 AND 3 AWARENESS	POLICY AND REPORTING	RESPONSIBILITIES	SETTING TARGETS	ACHIEVEMENTS
3 - Lead	<ul style="list-style-type: none"> Awareness of a wide range of risks Robust audited process for identifying climate change risks Demonstrates understanding of most/all relevant risks and their corporate impact Adaptation plan in place 	<ul style="list-style-type: none"> Awareness of potential business opportunities Demonstrates understanding of most/all relevant opportunities and their impact 	<ul style="list-style-type: none"> Externally audited/verified emissions declaration Widely accepted GHG methodology in place Widely accepted emissions factors used Valid assumptions made 	<ul style="list-style-type: none"> Formalised comms plan for most staff on carbon and energy related matters Formal process for executive board to regularly review progress and status re climate change Active engagement in shaping national climate change policy 	<ul style="list-style-type: none"> Responsibility for climate change integrated into responsibilities of executive body Incentives in place to award individual management of GHG emissions and achievement of targets 	<ul style="list-style-type: none"> GHG emissions and energy reduction plan integrated with wider company policies Ambitious GHG long-term reduction targets integrated within plan Continual corporate financial investment in emissions reduction 	<ul style="list-style-type: none"> Significant emissions savings as a result of company's goods or services Significant emissions savings as a result of internal activities/energy reduction plan Significant corporate financial investment in emissions reduction
2 - Practice	<ul style="list-style-type: none"> Some awareness of potential risks Reference to regular risk assessment process Demonstrates understanding of some relevant risks and their impact – only minor risks not identified 	<ul style="list-style-type: none"> Some awareness of opportunities Demonstrates understanding of some relevant opportunities and their impact – only minor opportunities not identified 	<ul style="list-style-type: none"> Non-audited, widely accepted GHG methodology in place Widely accepted emissions factors used Valid assumptions made 	<ul style="list-style-type: none"> Regular ad-hoc comms delivered to all staff on carbon and energy related matters Ad-hoc process for management to review progress and status re climate change Ad-hoc engagement in national climate change policy discussions 	<ul style="list-style-type: none"> Responsibility for climate change integrated into responsibilities of managerial level staff Incentives in place to award individual management and reduction of GHG emissions and achievement of targets 	<ul style="list-style-type: none"> GHG emissions and energy reduction plan in place, but stand-alone GHG reduction short-term targets in place Ad-hoc corporate financial investment in emissions reduction 	<ul style="list-style-type: none"> Some emissions savings as a result of company's goods or services Some emissions savings as a result of internal activities/energy reduction plan Ad-hoc corporate financial investment in emissions reduction to date
1 - Foundation	<ul style="list-style-type: none"> A little awareness of the risks Reference to ad-hoc risk assessment process Demonstrates understanding of some relevant risks – some major impacts not identified and no reference to corporate impact 	<ul style="list-style-type: none"> A little awareness of the opportunities available Demonstrates understanding of some relevant opportunities and their impact – some major opportunities not identified 	<ul style="list-style-type: none"> Non-standard, non-audited GHG methodology in place Non-standard emissions factors used Valid assumptions made 	<ul style="list-style-type: none"> Limited comms delivered to some staff on carbon and energy related matters Limited review of progress and status re climate change Limited engagement in national climate change policy discussions 	<ul style="list-style-type: none"> Responsibility for climate change not assigned to any individual within the company Incentives in place to award individual management and reduction of GHG emissions and achievement of targets 	<ul style="list-style-type: none"> GHG emissions and energy reduction targets/plan under development/planned Limited corporate financial investment in emissions reduction 	<ul style="list-style-type: none"> Limited emissions savings as a result of company's goods or services Limited emissions savings as a result of internal activities/energy reduction plan Limited corporate financial investment in emissions reduction to date
0 - No action	<ul style="list-style-type: none"> No risk assessment process listed No risks identified 	<ul style="list-style-type: none"> No opportunities identified 	<ul style="list-style-type: none"> No carbon footprint 	<ul style="list-style-type: none"> No communication to staff on carbon or energy related matters No process to monitor progress No involvement in national policy formation 	<ul style="list-style-type: none"> Responsibility for climate change not assigned to any individual within the company No incentives in place for GHG reduction or achievement of targets 	<ul style="list-style-type: none"> No GHG emissions reduction targets/plan No financial investment in emissions reduction 	<ul style="list-style-type: none"> No emissions savings from goods, services or internal activities No financial investment

Appendix 3

Sector analysis

CDLI

The CDLI includes the companies with the highest scores in the two categories of the carbon-intensive sectors and the non-carbon-intensive sectors. It provides a valuable perspective on the range and quality of responses to CDP's questionnaire. For full information about the classification and scoring of companies, please consult the CDP website (www.cdproject.net).

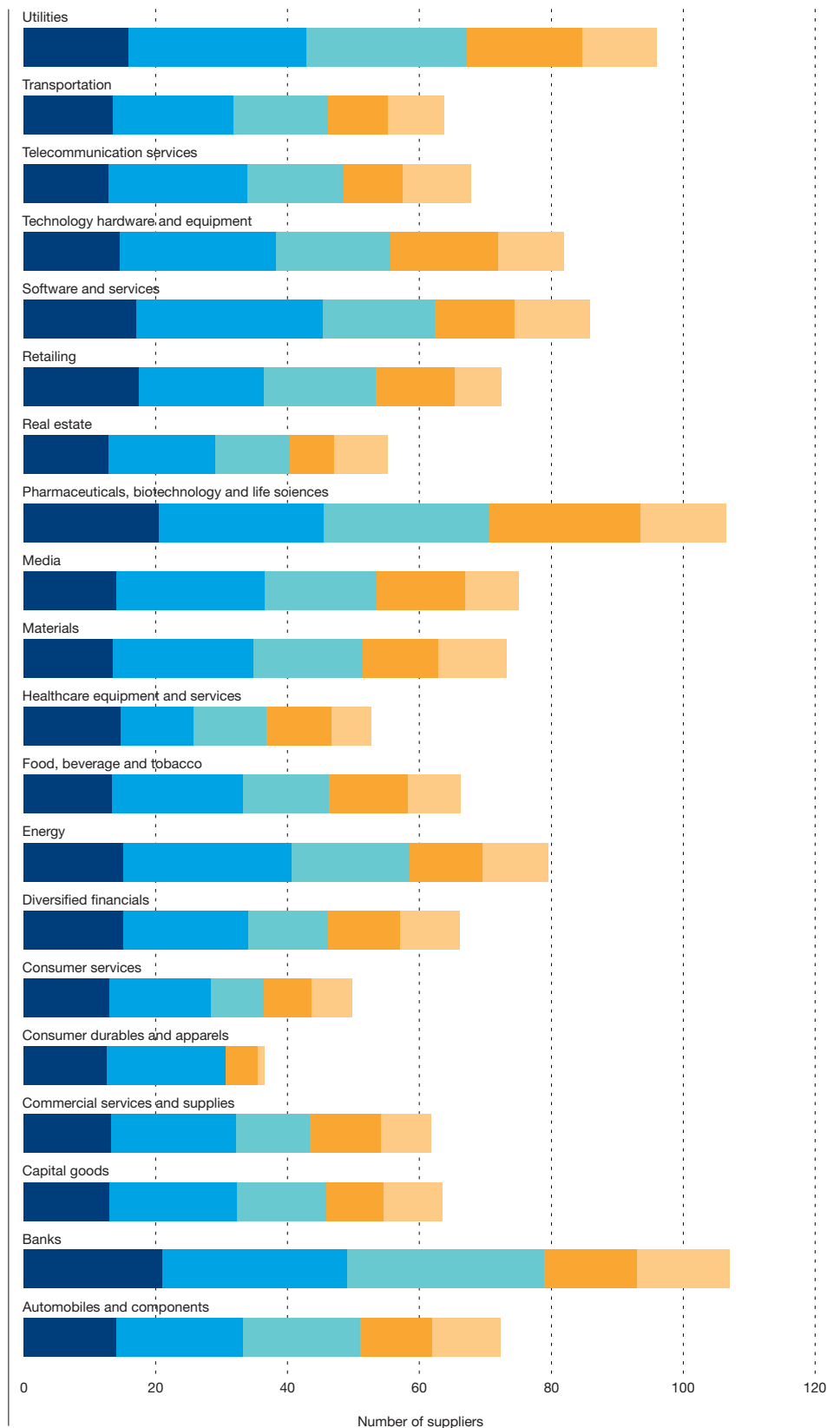


Figure A-8 Average disclosure scores

- Risks and opportunities
- Emissions accounting
- Verification and trading
- Performance
- Governance

Using the OCA analysis

Figures A-8 and A-9 show the average scores for each of the different sectors - the sectors have been split over two figures for clarity. While there is huge variability in sectoral performance, it is possible to see a consistent pattern (eg a 'rugby ball' shape is quite distinct in Figure A-8b) showing the scope 3 and achievement weaknesses throughout the sectors.

Figure A-8 Industry group averages - higher scores

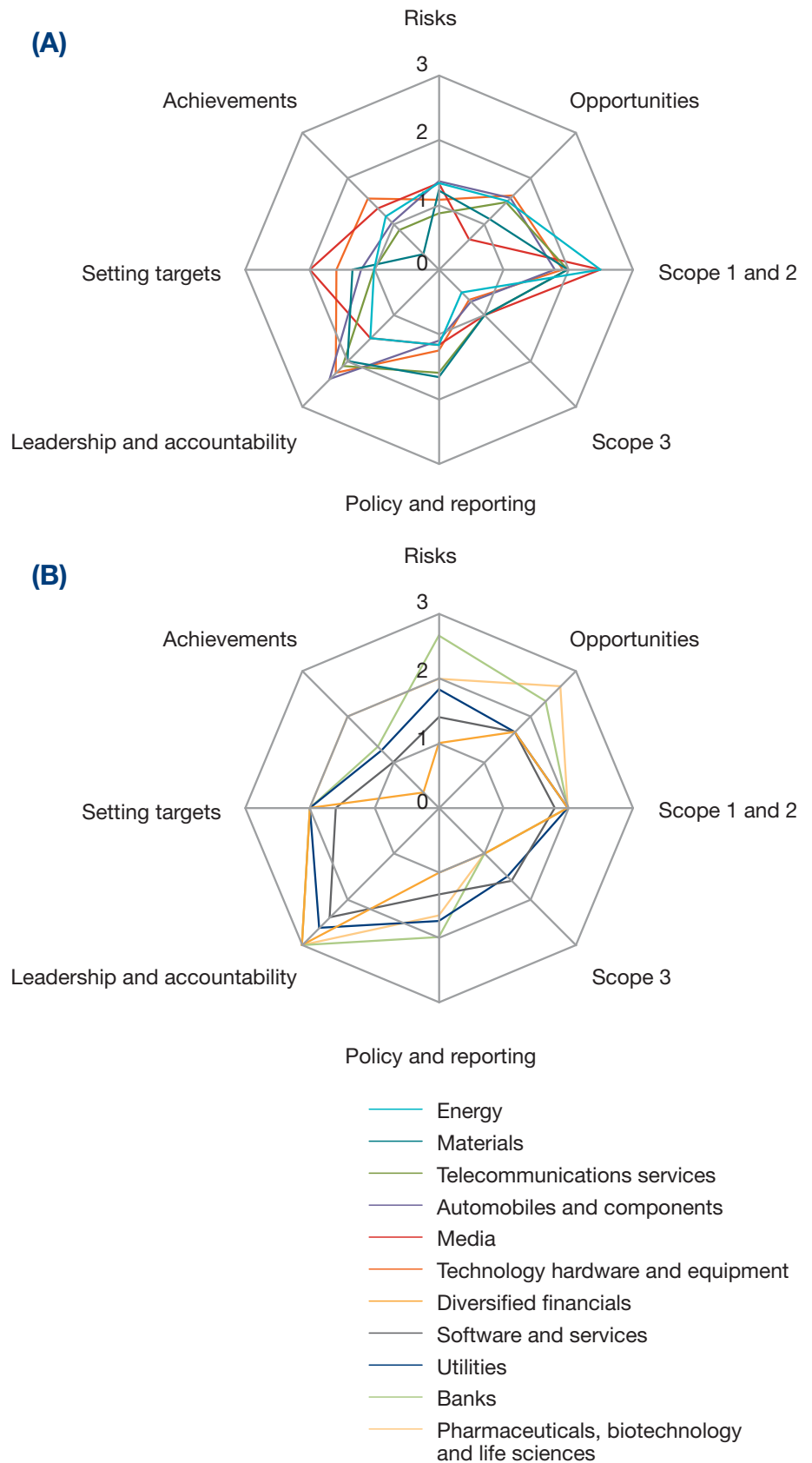
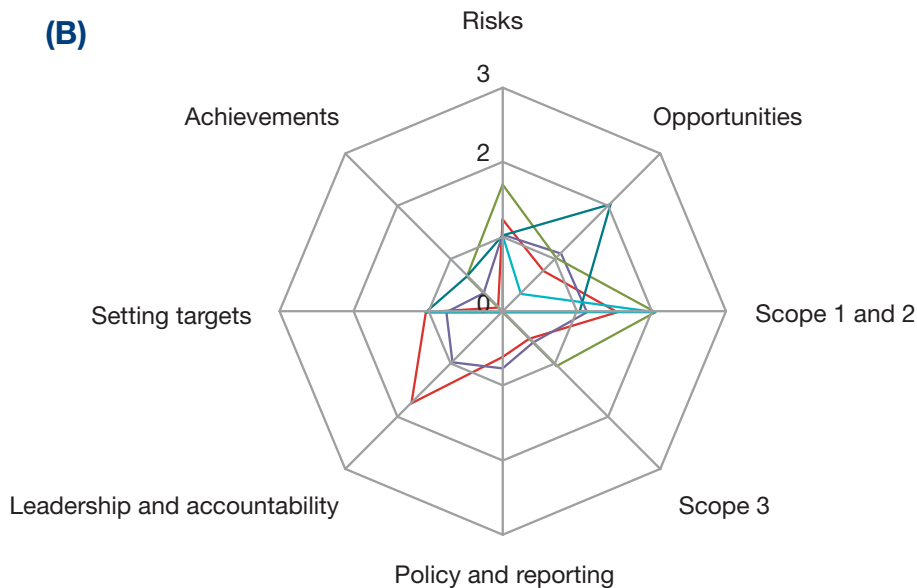


Figure A-9 Industry group averages - lower scores



- Consumer durables and apparels
- Healthcare equipment and services
- Retailing
- Consumer services
- Real estate
- Commercial services and supplies
- Transportation
- Capital goods
- Food, beverage and tobacco

Notes

This report was written and prepared by AEA



AEA is a leading energy and climate change consultancy with operations in the UK, Europe and the US. It provides advisory services to the UK Government and works extensively with the EU and private sector organisations around the world to deliver fully integrated and business-oriented solutions to today's environmental challenges.

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