

# CDP Public Procurement Programme 2010 Public Procurement Report

For the UK Government and GLA group



Report written for  
Carbon Disclosure Project by:



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**Carbon Disclosure Project 2010**

Public Procurement Report for the UK Government and GLA group.

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 finding out more about the programme, please email: [publicprocurement@cdproject.net](mailto:publicprocurement@cdproject.net)

**Participating members** (For a full list of participating members, see Appendix 4)



# Foreword by The Rt Hon Oliver Letwin MP



I am delighted to provide the introduction to this year's 2010 Carbon Disclosure Project Public Procurement Report.

Reducing carbon emissions is a massively important insurance policy for our planet. And increasing energy efficiency is a massively important insurance policy for our economy.

Luckily, we can buy both of these insurance policies simultaneously: for as long as we continue to use hydrocarbons to produce energy, the very same measures that save energy will save carbon.

Even more luckily, the firms that save energy and save carbon benefit not only the environment and the economy as a whole, but also themselves. So there is an identity of interest between a coalition that is determined to be the greenest government ever and businesses that want to increase shareholder value by reducing energy bills.

In short, increased energy efficiency is a very rare example of an insurance policy which costs less than nothing.

Because increasing energy efficiency is in everyone's interest, we can use a technique to reduce energy waste that avoids heavy-handed regulation. By measuring and disclosing carbon emissions, both Government and business can discover where the big energy losses are in the supply chain of Government procurement - and we can then begin to work together to reduce these wasteful losses through clever technology, re-engineering of production and distribution processes, and innovative approaches to procurement.

And this, of course, is just what the 2010 Carbon Disclosure Project has enabled us all to do.

I am tremendously inspired by the departments and suppliers who have participated in the project. From the suppliers disclosing this year, it is estimated that over £200 million in annual savings have been achieved, and I understand that participating organisations anticipate further savings of £750 million in the near future. The number of suppliers disclosing this climate change information publicly - to Government, each other and the wider general public - is also increasing, which gives some re-assurance that suppliers are managing climate change and risks prudently.

Government and business have an obligation to future generations. By working together to identify the source of wasteful emissions, and by working together to reduce these emissions, we are helping to fulfil that obligation - and at the same time, we are helping to increase profitability and growth in our economy. If the term 'win-win' applies anywhere, it applies here.

A handwritten signature in black ink, appearing to read 'Oliver Letwin'. The signature is written in a cursive, flowing style.

**The Rt Hon Oliver Letwin MP**  
Minister of State  
Cabinet Office

# Executive summary

The UK Government has tasked itself with becoming the 'greenest government ever', saving £81 billion and increasing transparency in its operations. All of these commitments will need the support of its supply chain. This report, for the third year of the Carbon Disclosure Project's Public Procurement Programme, gives insight into the greenhouse gas emissions, and climate change risk and opportunity in the Government's supply chain.

In 2010, 25 Government departments and non-departmental public bodies participated, as well as the GLA group and five NHS organisations. The number of participating suppliers measuring emissions and reporting to these organisations on their carbon management and climate change actions grew by more than 60% (262) compared with 2009 figures. The diversity of the supplier group was evident in the number of small- and medium-sized enterprises reporting (now 56, an increase of 330%) and the range of companies that are publicly listed outside the UK (over 100). There was also a sharp increase (58% from 36% in 2009) in companies choosing to make their disclosure public, demonstrating a commitment to transparency.

## Efficiency

The analysis of the data supplied in 2010 provided evidence that progress is being made. It showed that the average supplier performance was maintained or improved in all aspects of carbon management compared with 2009. In addition, there was also an increase in the number of suppliers achieving the highest levels of performance in each area of analysis. However, there is broad recognition that more needs to be done. Government suppliers are providing insight into an array of implemented and planned measures that deliver significant reductions in carbon and cost, which contribute to UK emissions

reductions and operational efficiencies for the delivery of services. The most popular actions reported were reducing travel and increasing teleconferencing.

Reduction activities reported by suppliers have achieved savings of 32 million tonnes of carbon dioxide equivalent and £221 million. With 83% of companies now achieving emissions reduction, further efficiencies should be achieved in the future. However, fewer than 20% of the suppliers reporting in 2010 could explain how decisions were made in their organisation and if the cost of carbon was incorporated into the cost evaluation. Changes in legislation in the UK and internationally, most notably the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) becoming the first mainstream carbon tax, means that organisations must react in a strategic manner to ensure that they maintain their competitive edge.

## Transparency

Increased transparency has been seen from those reporting their emissions. 85% of respondents were able to provide scope 1 and 2 emissions data, up from 77% in 2009. However, only 54% of these cited recognised emissions factors and verification remained constant at 34%. While it is encouraging that more suppliers are measuring emissions, a focus on data quality is required. An estimated 70% of the Government's carbon footprint comes from scope 3 emissions (more specifically, its supply chain). To fully understand what risk this poses to the Government, suppliers have to be collecting comprehensive data of a high quality.

## Risk management

The majority of responding suppliers (57%) reported having a carbon mitigation plan, but only 12% have an adaptation strategy. This is very low considering that extreme weather

events and increased precipitation levels are among the risks reported that will require management. Over half the suppliers reported opportunities associated with climate change. However, with the Government looking to implement initiatives like the Green Investment Bank and the Green Deal, suppliers should be seeking to ensure they are among the first to capitalise on the opportunities that climate change presents and remain ahead of the competition.

## Collaborative working

Following the release of this report, Government departments will provide feedback to the suppliers that participated. The analysis will provide a uniform format for these discussions, highlighting areas where suppliers can continue to improve. With the Comprehensive Spending Review completed and changes to the CRC announced, it does not make business sense to stand still on climate change.

2010 will be remembered as a year of reform, efficiency and transparency. The 2010 results show that suppliers have made a solid start towards supporting the Government on all three counts. However, there is still a long way to go in mitigating greenhouse gas emissions, reducing risks and taking advantage of opportunities. 2010's results will need to be built into Government supplier relationship management as normal practice. Working collaboratively with customers, such as the UK Government, to identify and implement more efficient ways of working will yield benefits for all parties.

# Decision time

It is true to say that, in the past, every organisation had a choice on how it reacted to climate change. Now, with regulatory, investor and consumer-driven pressures rapidly increasing, organisations cannot avoid the need to manage their greenhouse gas emissions.

Organisations that are proactive in their approach reap a range of benefits including the ability to set best practice, minimise the risk of financial or regulatory exposure, influence others in their supply chain, enhance brand, increase operational efficiencies, improve employee retention and, most importantly, gain a competitive edge. In doing all of the above, organisations set a sustainable agenda, managing risk in the long-term and realising opportunities.

The business case for identifying, prioritising and implementing carbon reduction measures has never been stronger. For example, in the UK, changes to the Carbon Reduction Commitment Energy Efficiency Scheme have increased the general cost of carbon. As a result, energy efficiency is attractive again. Add to this the new Feed-in Tariff and the forthcoming Renewable Heat Incentive, and the self generation of energy also becomes a viable option.

From the 2010 Public Procurement Programme disclosure, it is clear that progress on managing emissions growth has been made, though much still needs to be done. With more organisations reaching for best practice and leadership standards, a new aspirational standard of best practice may soon be set, with full carbon maturity making the transition from an end goal to an ongoing, embedded approach in organisations and the wider economy.

We believe that there is more to do, even for the most proactive of organisations.

The 2010 disclosure showed that, while most organisations are now addressing climate change, fewer than 20% have a joined-up strategy, with even fewer looking at it as an inherent part of their overall organisational strategy. Yet, it is only by linking activities together in a longer-term context, making balanced decisions and focusing on priority areas that an organisation can optimise opportunities, prepare itself for future risks and ensure organisational sustainability.

We are starting to see signs of engagement at the highest levels of organisations, with the 2010 disclosure showing evidence of a growing trend to make climate change a board-level discussion point. So, what is the next step? Organisations need to accept that they must embed carbon and wider sustainability metrics into everyday decision-making and strategic planning. This is a major leap for many, but one that is essential to the ultimate success and impact of any implementation programme.

We believe that now is the time to act and we urge all organisations to do so, situating carbon risks and opportunities firmly in the context of business strategy and decision-making.



**Christine St John Cox**  
Knowledge Leader for Carbon Management



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# 1

# The Public Procurement Programme

“Government and business have an obligation to future generations. By working together to identify the source of wasteful emissions, and by working together to reduce these emissions, we are helping to fulfil that obligation - and at the same time, we are helping to increase profitability and growth in our economy. If the term ‘win-win’ applies anywhere, it applies here.”

**The Rt Hon  
Oliver Letwin MP**

2010 was a year of change for the UK public sector and its suppliers. The new coalition Government has tasked itself with saving £81 billion<sup>1</sup> to reduce the budget deficit, in addition to becoming the ‘greenest Government’ ever. Both of these commitments cannot be achieved without the support of its supply chain.

However, it is not just the UK Government that is seeking greater efficiencies. Following the global recession, businesses of all sizes in all sectors have been assessing the way in which they operate, with the aim of cutting costs. Reducing an organisation’s carbon footprint is one mechanism that can have a dramatic impact.

## **Overview of the UK climate change regulatory framework affecting business**

The legal framework for action on climate change in the UK is provided by the Climate Change Act 2008. It establishes a system of carbon budgets to ensure that the Government remains on track to meet its target to reduce UK greenhouse gas (GHG) emissions by at least 80% by 2050, compared with the 1990 baseline. Each carbon budget lasts for five years. The first three, covering the period 2008 to 2022, were set in May 2009 and the latest emissions projections (published in June 2010) show that the UK is on track to meet them. The Government must set the fourth budget, which will run from 2023 until 2027, by June 2011.

Improvements in business energy efficiency are critical for the UK to meet the carbon budgets, achieve its renewables targets and ensure security of energy supply. GHG emissions from the business sector amounted to 198.7 million tonnes of carbon dioxide equivalent (MtCO<sub>2</sub>e) in 2008, the latest year for which figures are available. This is a decrease of 3% relative to 2007 and 18% relative to 1990.

While the Government recognises that the recession has had a significant impact in reducing emissions, it also believes that a step change in the implementation of policies and measures is still needed to ensure that emissions continue to fall as the economy recovers. The Annual Energy Statement to Parliament, published in July 2010, sets out the actions being taken to deliver these emissions savings through energy efficiency in businesses. Some of the main measures include:

- The Carbon Reduction Commitment Energy Efficiency Scheme (CRC) - the UK’s mandatory climate change and energy saving scheme requiring large public and private sector organisations to purchase allowances to cover emissions from their energy use. The introduction of the CRC has already focused attention on energy efficiency among the target group of large energy users.
- The EU Emissions Trading System (EU ETS) - a cap-and-trade scheme placing a limit on CO<sub>2</sub> emissions from electricity and heavy industry (and aviation from 2012). The EU ETS covers about 50% of the UK’s CO<sub>2</sub> emissions and will deliver emissions reductions of 500 MtCO<sub>2</sub>e across the EU by 2020 compared with 2005 levels.
- Climate Change Levy (CCL) and Climate Change Agreements (CCAs) - CCAs are a series of voluntary agreements that allow eligible energy intensive businesses to obtain a discount from the CCL if they meet challenging energy efficiency or emissions reduction targets. As made clear in the Annual Energy Statement, the Government will look at the future of CCAs to ensure they deliver significant improvements in energy efficiency with minimal complexity and policy overlap.

<sup>1</sup> Taken from Spending Review 2010, HM Treasury, Oct 2010, p.17, [www.direct.gov.uk/prod\\_consum\\_dg/groups/dg\\_digitalassets/@dg/@en/documents/digitalasset/dg\\_191696.pdf](http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_191696.pdf)  
‘This adjustment brings total spending cuts to £81 billion by 2014-15’

- The Green Deal - it is intended that the Green Deal will be available for businesses as well as households, helping to reduce the up-front costs of energy efficient investments in buildings.
- A range of other measures including product standards, Building Regulations, and support and advice through the Carbon Trust and Business Link.

The Government acknowledges that managing and reporting GHG emissions can deliver benefits to business and investment, and help to reduce emissions. In 2011, the Government will be announcing how it intends to proceed with promoting more widespread and consistent reporting of GHG emissions. This is in line with the duties set out in the Climate Change Act 2008, which requires Government to introduce mandatory reporting under the Companies Act 2006 by April 2012, or to explain to Parliament why this has not happened.

Finally, taking action on climate change can also offer real growth opportunities for organisations of all sizes. The low-carbon environmental goods and services sector in the UK was worth £112 billion in 2008/09, an increase of 4% over the previous period. The Government is working to ensure that British firms can take full advantage of these opportunities.

## Reform of Government operations and procurement

The UK Government recognises the need to lead by example and reform its own operations and procurement.

In November 2010, the Department for Environment, Food and Rural Affairs (Defra) published its *Action Plan for driving sustainable operations and procurement across government*<sup>2</sup>, which sets out how the Government will achieve its aim to be the greenest Government ever. It will take action to significantly reduce the impact it has on the environment by:

- Reducing GHG emissions.
- Reducing waste.
- Reducing water usage.

- Making procurement more sustainable.

Defra, the Department of Energy and Climate Change (DECC), the Department for Transport (DfT) and the Cabinet Office are developing an ambitious Framework of Green Government Commitments for their operations and procurement. These are due to be published by January 2011.

## Leading by example

Following its own commitments for national emissions reductions, the UK Government itself has sought to get its house in order. In August 2010, the Government announced it was committed to cutting carbon emissions on the central Government estate by 10% over the following 12 months<sup>3</sup>.

Departments are implementing a wide range of initiatives to help deliver these savings. From a procurement perspective, this has involved working with information and communication technologies (ICT), and facilities management suppliers. Activities range from negotiating shared energy saving contracts (gain share arrangement) to improved contract management (eg working with suppliers to optimise building control systems).

In addition, real-time energy consumption data, together with performance analysis and leading practice, is now available online<sup>4</sup>. This will provide insights into energy consumption, as well as showcasing examples of success in reducing energy consumption, which will serve to share best practice across the Government's departments.

The Government is also endeavouring to gain a better understanding of its carbon footprint. A recent Defra study provides the most detailed analysis to date of the total GHG emissions footprint of the UK Government. This work found that central Government activities were responsible for producing nearly 1.2 billion tonnes of GHGs over a 19-year time period - on average around 6% to 7% of the total annual UK footprint. This figure included the Government's scope 3 emissions<sup>5</sup>.

## The Carbon Disclosure Project

Launched 10 years ago, the Carbon Disclosure Project (CDP) is an independent not-for-profit organisation. It holds the largest database of primary, corporate, climate change information in the world. It is designed to accelerate solutions to climate change by putting relevant information at the heart of business, policy and investment decisions.

More than 3,000 organisations in some 60 countries worldwide now measure and disclose their GHG emissions and climate change strategies through CDP.

CDP acts on behalf of groups with a financial interest in the climate change performance of companies. These groups comprise 534 institutional investors, holding USD<sup>6</sup>64 trillion in assets under management and some 60 purchasing organisations such as Vodafone, Royal Mail, Dell and BT. All are looking to minimise the impacts of climate change on their supply chain.

The data collected are made available to a wide audience including institutional investors, corporations, policymakers and their advisors, public sector organisations, academics and the public to help raise awareness in the global effort to mitigate the effects of climate change.

<sup>2</sup> Action Plan for Driving Sustainable Operations and Procurement across Government [www.defra.gov.uk/sustainable/government/gov/estates/](http://www.defra.gov.uk/sustainable/government/gov/estates/)

<sup>3</sup> Cutting central government emissions by 10% in 12 months [www.decc.gov.uk/en/content/cms/news/pn10\\_059/pn10\\_059.aspx](http://www.decc.gov.uk/en/content/cms/news/pn10_059/pn10_059.aspx)

<sup>4</sup> Greener Government: our challenge to reduce emissions by 10% <http://data.gov.uk/content/real-time-energy-data-government-headquarters>

<sup>5</sup> Measuring the pan-government carbon footprint – EV0464 <http://randd.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&Completed=0&ProjectID=17486>

<sup>6</sup> Where USD is the US dollar

“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.”

**Sir Gus O’Donnell,  
Head of the Civil  
Service**

“We are incentivising federal suppliers to complete their GHG inventories. The government purchasers, the people that we are encouraging to purchase, the contracting officers, we want them to be considering those GHG emissions when they are making their decisions.”

**Martha N Johnson,  
Administrator,  
General Services  
Administration of the  
Federal Government  
of the United States  
of America**

## The Public Procurement Programme

The approach taken by the UK Government and other public sector bodies to explore their supply chains and encourage suppliers to reduce emissions and improve operational efficiency is presented in detail throughout this report.

In 2010, the third year of the Public Procurement Programme (PPP), there has been an increase in the number of members requesting information from their suppliers and the suppliers responding. In total, 25 government departments and non-departmental public bodies (NDPBs) participated. In addition to an increase in central Government members, the 2010 PPP welcomed the GLA group and five NHS organisations.

## Members

Figure 1 shows the relationship between participating members. A complete list of members can be found in Appendix 4.

## A joined-up, efficient approach

The Efficiency and Reform Group in the Cabinet Office (previously The Office of Government Commerce’s Centre of Expertise in Sustainable Procurement) has continued to lead the overall pan-Government approach. This has included ensuring that a single data request is issued to suppliers and that the data returned are shared across Whitehall. Departmental sustainable procurement teams will feed back performance as part of the supplier relationship management process. The annual CDP process identifies suppliers’ strengths and weaknesses, and enables fact-based discussions between Government and its suppliers on how best to tackle climate change.

The success of the pan-Government approach adopted in 2009 resulted in the PPP being shortlisted for an Edie Environmental Excellence 2010 award for carbon reduction<sup>7</sup>.

## Working internationally

Climate change is not a problem that exists within national boundaries. The UK Government recognises that its suppliers have an international footprint. As such, it has endeavoured to share experience and leading practice with other international administrations.

The PPP has gained attention across the globe. CDP is working with the US administration following the release of Executive Order 13514. The order asks the General Services Administration to investigate the impacts of ‘requiring vendors and contractors to register with a voluntary registry or organization for reporting greenhouse gas emissions’<sup>8</sup>. The aim of the project is to assess the cost and benefit of Federal suppliers measuring and disclosing climate change data.

<sup>7</sup> Awards for Environmental Excellence 2010, [www.edie.net/awards/project\\_shortlist\\_2010.asp?cat=8](http://www.edie.net/awards/project_shortlist_2010.asp?cat=8)

<sup>8</sup> Sec13a [www.whitehouse.gov/assets/documents/2009fedleader\\_eo\\_rel.pdf](http://www.whitehouse.gov/assets/documents/2009fedleader_eo_rel.pdf)

Figure 1 Map of members\*



\* See Appendix 1 for an explanation of the abbreviations used in this Figure.  
 \*\* OGC is now part of the Cabinet Office

## GLA group commentary

“The Mayor of London, Boris Johnson, wants to create a thriving low carbon economy in the capital. We are participating in this programme as it is key for identifying financially viable energy efficiency opportunities within the GLA group, including Transport for London and the Metropolitan Police. This is helping us not only to save money from procurement processes, but also rightly to practise what we are asking others to undertake to meet London’s tough carbon emissions targets.”

**Martin Powell,  
Mayor of London’s  
environment advisor**

The organisations known collectively as the GLA group – the Greater London Authority (GLA), Transport for London (TfL), the London Development Agency (LDA), the London Fire and Emergency Planning Authority (LFEPA) and the Metropolitan Police Authority (MPA)/ Service (MPS) – buy a vast array of goods and services to meet the needs of London’s citizens. The group’s annual procurement expenditure amounts to more than £3 billion, representing more than 20% of all local government expenditure in London.

The GLA group’s Central Responsible Procurement Team (CRPT) coordinated the group’s approach and, in early March, the Responsible Procurement Steering Group - a director-level group chaired by the Statutory Deputy Mayor, Richard Barnes - agreed to pilot CDP’s Developmental Membership. It was felt that CDP’s disclosure process provided the GLA group with a coordinated approach to the capture and reporting of its supply-chain carbon emissions.

The pilot involved 15 suppliers to the GLA group. A mix of large and small business, and those that were new to disclosure and previous disclosers were approached. The pilot was aligned to the Mayor’s draft Climate Change and Energy Mitigation Strategy, which requires the group to reduce the carbon emissions in its supply chain and to promote London’s low carbon economy.

Suppliers were selected on the basis of scope to deliver improved carbon management practices, the quantity of carbon emissions associated with the operational requirements, the length of current contract and the existing supplier relationship. Disclosed suppliers ranged from small- and medium-sized enterprises (SMEs) providing vehicle recovery services and personal protective equipment for fire fighters to larger blue-chip organisations providing construction and professional services.

14 of the 15 suppliers responded, with 79% disclosing publicly. This latter statistic shows confidence as well as increased transparency. Seven suppliers, three of which are SMEs, estimated the carbon emissions associated with their GLA group contractual operations, all for the first time.

As part of the Development Membership offered by CDP, a supplier workshop in June proved successful in not only providing the suppliers with an introduction to the project and the requirements of the questionnaire, but also with an opportunity to discuss and share best practice on the collation of carbon emissions. Direct support from CDP and the GLA group’s CRPT ensured suppliers received appropriate advice and support when required. This has led directly to a higher than average response rate.

“We are new to this as a company, so have not traditionally tracked much of this data. This response has prompted that”.

**GLA group supplier**



Image: Transport for London

“Ontime Automotive provides fleet assistance, rescue and recovery, parking solutions, specialist transport and prestige distribution services throughout the UK. It operates in a service sector currently dependent on fossil fuels. It was, therefore, with the realisation that we needed to take action that we accepted the Greater London Authority’s invitation, as one of its flagship suppliers, to disclose our greenhouse

gas emissions and carbon data to the CDP.

The initial data we provided has given us a robust baseline, from which we are now working to improve not only the quality of the data we are collecting (eg through our vehicle tracking system), but also how we use the data to make decisions (eg investment in fuel efficient vehicles). We now feel as though we are playing a small part in the mitigation of climate change.

This is, though, the very start of our journey. We hope this transparent approach will enable us to help our customers, such as the GLA group, to achieve their sustainability goals and make informed decisions when working with us. We, in turn, are looking to improve on our baseline figures and benchmark ourselves against other service providers in our sector in a process of shared learning.”

**Ontime Automotive**

# 2

## Participation in 2010

**In 2010, the number of participating suppliers grew by more than 60%. The diversity of the supplier group was evident in the number of SMEs reporting and the range of companies publicly listed outside the UK. The majority chose to make their disclosure public demonstrating a commitment to transparency.**

### Programme growth

As the CDP has matured, the number of suppliers invited to participate has increased. In 2010, 262 suppliers disclosed through the PPP, about 100 more than in 2009 (see Figure 2).

There has also been an increase in the total number of SMEs participating, with 56 disclosing information in 2010 - 17 more than in 2009. The Government has set a goal to have a quarter of Government procurement directed to SMEs<sup>9</sup>. Much like larger businesses, they will face challenges related to climate change and will benefit from 'future proofing' their operations in collaboration with Government and other customers.

### Global reach

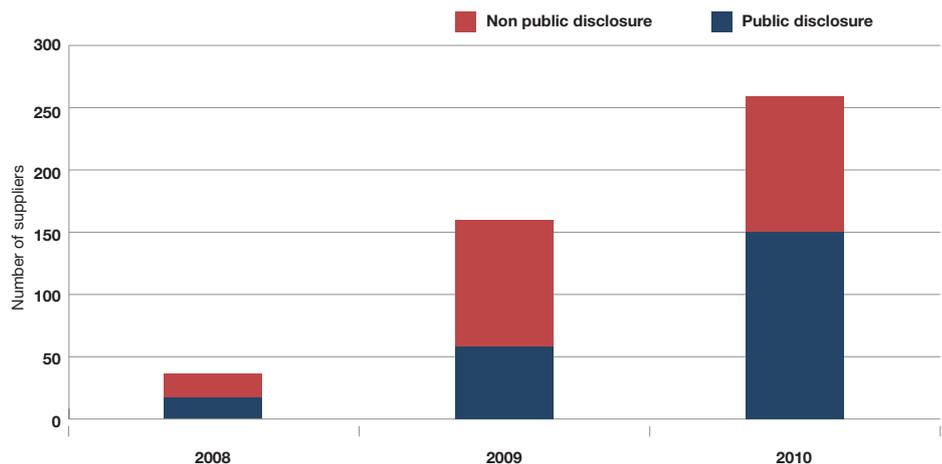
Of the 262 suppliers that responded, over 101 already disclose as publicly listed companies to CDP in their local region, reaching as far afield as Australia, Canada and Japan. This breakdown is shown in Figure 3, illustrating the UK Government's global reach.

The international nature of the UK Government's supply chain clearly highlights the importance of understanding climate change risks that are associated with supplier operations outside of UK borders.

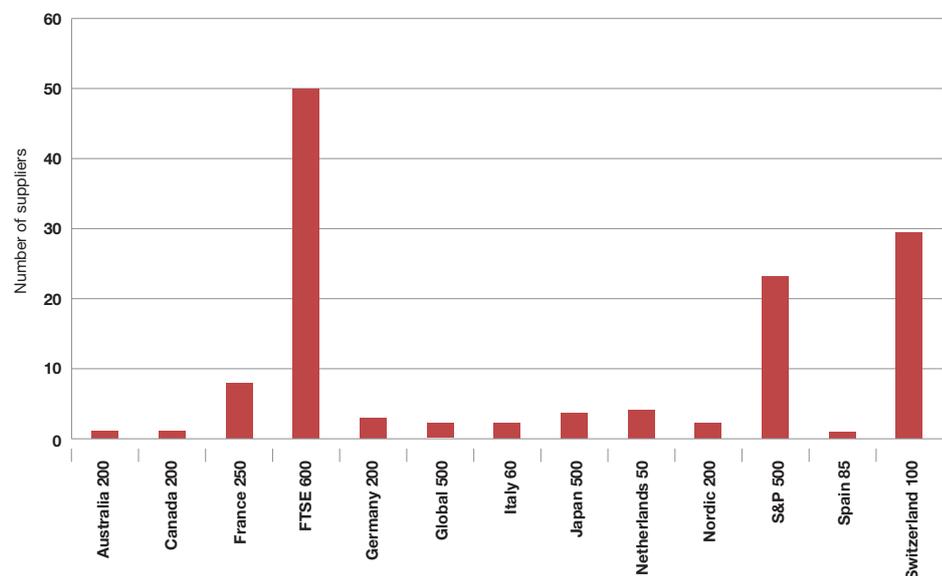
### Transparency

The UK Government has committed to being open and transparent in the way it operates. The Prime Minister recently established the Public

**Figure 2 Total number of public disclosures 2008 - 2010**



**Figure 3 Additional disclosure routes used by suppliers**



Sector Transparency Board. This will drive forward the Government's transparency agenda, making it a core part of all Government business and ensuring that all departments meet the new tight deadlines set for releasing key public datasets<sup>10</sup>. Organisations that disclose to CDP can opt to disclose privately (only to the participating departments) or

publicly, so that any stakeholder - be it a business or member of the public - is able to read the response on the CDP website.

In 2010, over half of the suppliers disclosed publicly (Figure 2). This typically means that suppliers are more confident in their data, want to be more transparent with their stakeholders and

<sup>9</sup> Backing small business [www.number10.gov.uk/news/topstorynews/2010/11/small-business-56408](http://www.number10.gov.uk/news/topstorynews/2010/11/small-business-56408)

<sup>10</sup> Cabinet Office Minister opens up corridors of power, [www.cabinetoffice.gov.uk/newsroom/news\\_releases/2010/100531-open.aspx](http://www.cabinetoffice.gov.uk/newsroom/news_releases/2010/100531-open.aspx)

are happy to share leading practice with other organisations.

The Home Office was the first Government department to publicly disclose its climate change information as a participant in the CDP Programme, as well as a Government department asking its suppliers to respond.

### Response rates

In 2009, 268 suppliers were asked to disclose and 164 responded. This gave a total response rate for central Government members of 61%. In 2010, the number of requests increased by 78% to 478, but the response rate was slightly lower at 55%.

The 2010 response rate for the central Government members that participated in 2009 is 60%, very similar to the 2009 rate.

Analysis of the number of suppliers responding at a member level shows that there have been many successes (Figure 4). For example, the Foreign and Commonwealth Office (FCO) gained 100% disclosure from those it invited. The Ministry of Defence (MOD), which was a Developmental Member in 2009, achieved an 84% disclosure rate in 2010 by working closely with suppliers.

The GLA group, a new Developmental Member in 2010, achieved a 93% response rate.

Several NHS organisations piloted the PPP for the first time. It is worth noting that the supply chains for these organisations are more localised, with many companies being approached for the first time. In 2010, 17 suppliers disclosed, with many more indicating that they would seek to gather this information for 2011.

### Capturing a range of sectors

As with previous years, there was a good response rate from a variety of sectors. The greatest number of responses came from the commercial and professional services sector. In all, suppliers from over 20 sectors disclosed to Government. The breakdown of sectors responding to the CDP PPP can be seen in Figure 5.

Figure 4 Member response numbers

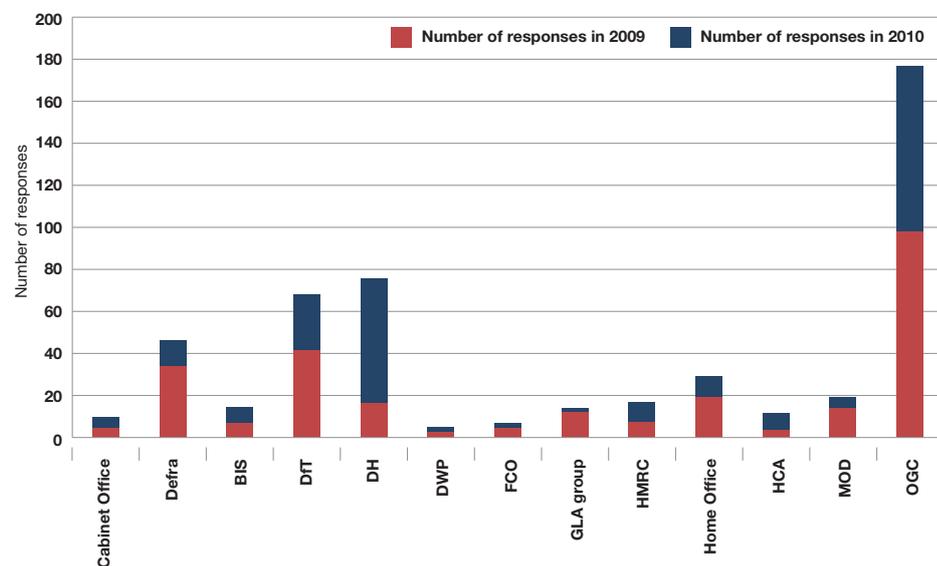
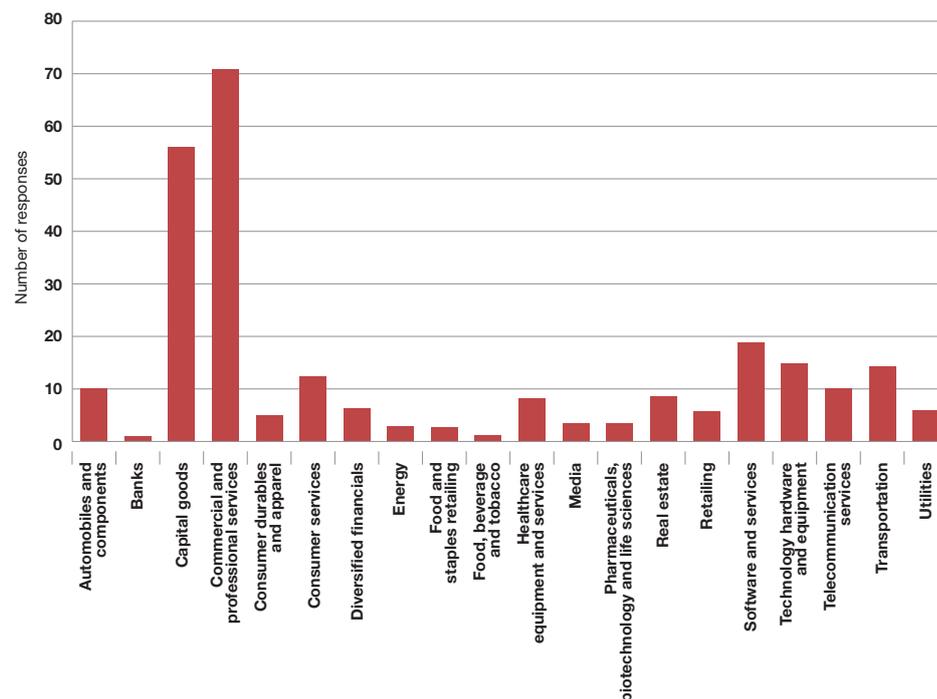


Figure 5 Responses by sector



CDP takes its sector definitions from The Global Industry Classification Standard (GICS). The GICS structure comprises 10 sectors, 24 industry groups, 68 industries and 154 sub-industries.

Feedback from suppliers in 2009 highlighted that some companies did not appear in the sector expected - particularly construction suppliers. It should be noted that, in 2010, in

the capital goods sector, over half of the responding organisations (28) were construction firms. The remainder included aerospace and military equipment suppliers. Similarly, suppliers from the consultancy sector appear mainly in the commercial and professional services sector, but also in the diversified financials, software and services, and capital goods sectors.

# 3

## 2010 analysis and trends

“The greatest danger for most of us lies not in setting our aim too high and falling short, but in setting our aim too low and achieving our mark.”

**Michelangelo Buonarroti**  
(1475 - 1564)

All responses are appraised so that feedback can be provided to the supplier. Compared with 2009 figures, the average performance of suppliers in 2010 was maintained or improved in all aspects of carbon management. There was also an increase in the number of suppliers achieving high performance in each area of analysis.

### The 2010 analysis

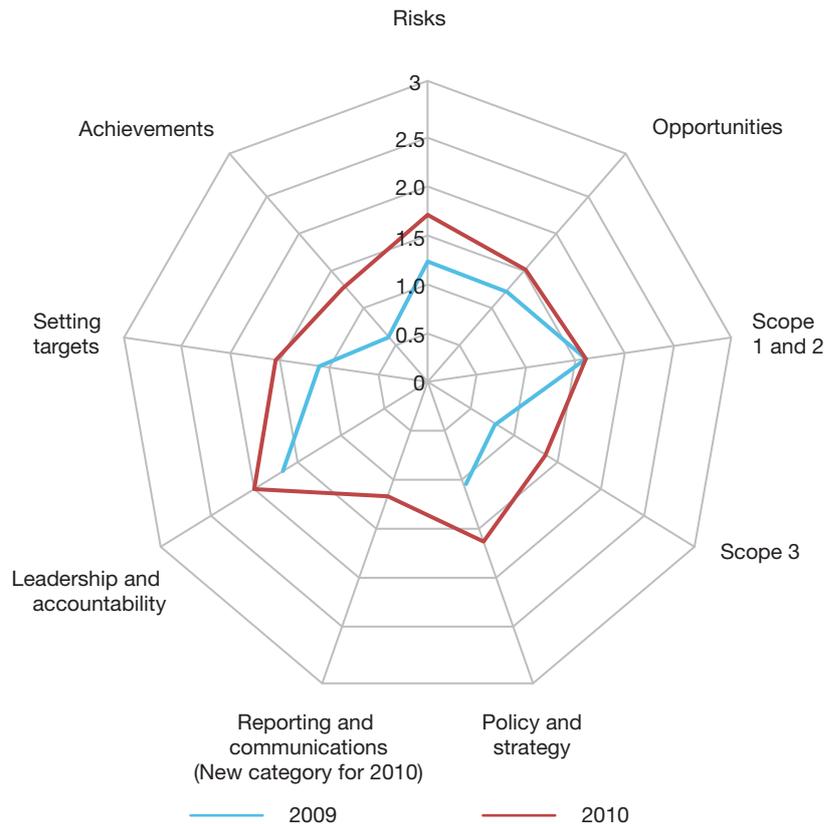
In 2010, the suppliers were appraised using two methodologies. The information from these will be fed back to suppliers to improve understanding and catalyse change.

The first is the Carbon Disclosure Methodology which analyses the quality and completeness of the data disclosed. The second is the Organisational Carbon Appraisal (OCA), a performance-based analysis covering a range of carbon management metrics. The OCA was developed in 2009 by AEA in conjunction with CDP and UK Government departments.

This performance-based assessment looks at multiple criteria and helps suppliers and procurers to understand a supplier's strengths and weaknesses.

The OCA was used to compare supplier performance in 2009 and 2010. Figure 6 shows the Government suppliers' average scores across all OCA metrics. Suppliers are more

Figure 6 Government average 2010 and 2009



aware of climate change and are taking action. This is encouraging given that a wider range of suppliers (including an increase in SMEs) were approached.

### Changing goalposts

In the past, a progressive organisation might have been considered to be one that measured and monitored its emissions. However, this is no longer the case. Progressive organisations are expected to address a wider range of topics, which include supply chain, future business adaptation and general risk resilience.

For those leading and innovating, it means exploring new areas of risk and opportunity. To capture this continual progression of an organisation, the OCA has remained the same in many elements focusing on the standard questions. However, in other areas,

such as strategy, achievements and emissions allocation, it has expanded its assessment against a framework (see Appendix 2 for details).

### High-level trends

Results for 2010 show that responding organisations are adopting a more mature approach to tackling climate change. This can be attributed to a number of factors, which may include greater ownership of this agenda by the board, the need to comply with legislation and manage reputational risk, and the increased pressure to identify and deliver efficiency savings in a recession.

Figure 6 shows how the average performance of organisations has improved or been maintained in all aspects of carbon management. In particular, the 2010 analysis shows

that suppliers have made the most progress in understanding scope 3 emissions and achievements.

### Individual criteria analysis

By comparing the range of scores given in 2009 and 2010, progress against each metric has been tracked. The following pages show the progress captured using this approach.

### Leadership and accountability

A cultural shift is essential in any organisation wishing to successfully achieve substantial carbon reduction. Figure 7 shows that the transition to a 'carbon culture' is beginning to happen, with respondents demonstrating improved leadership and accountability.

Metrics analysed include the governance structure for managing climate change in the company, the provision of incentives, and policy and strategy aspects.

Climate change is increasingly becoming a board-level priority. Ownership by senior stakeholders, coupled with staff incentives, is ensuring that acceptance of the need for mitigation measures is becoming embedded in organisations.

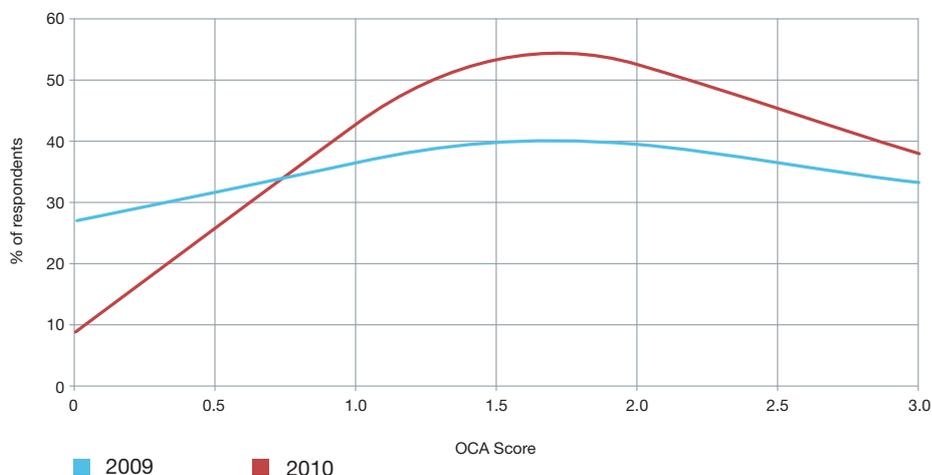
Additionally, organisations are demonstrating leadership externally by supporting policy makers during the decision-making processes.

### Scope 1 and 2 emissions

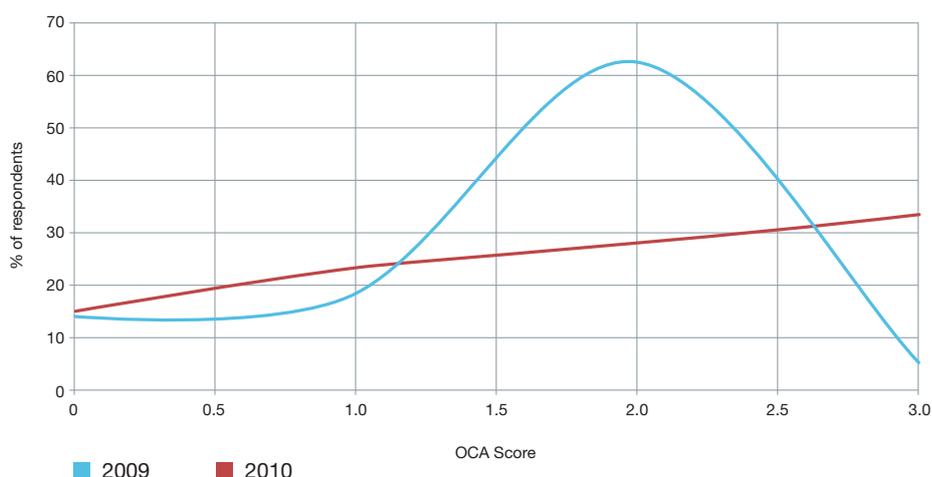
A number of the respondents that were above average in 2009 have become outstanding in 2010. This improvement is shown in Figure 8, but this figure also reveals an increase in the number of suppliers that do not fully understand how to measure emissions.

Metrics include: a description of procedures; the standards, protocols and methodologies followed; and emissions factors used.

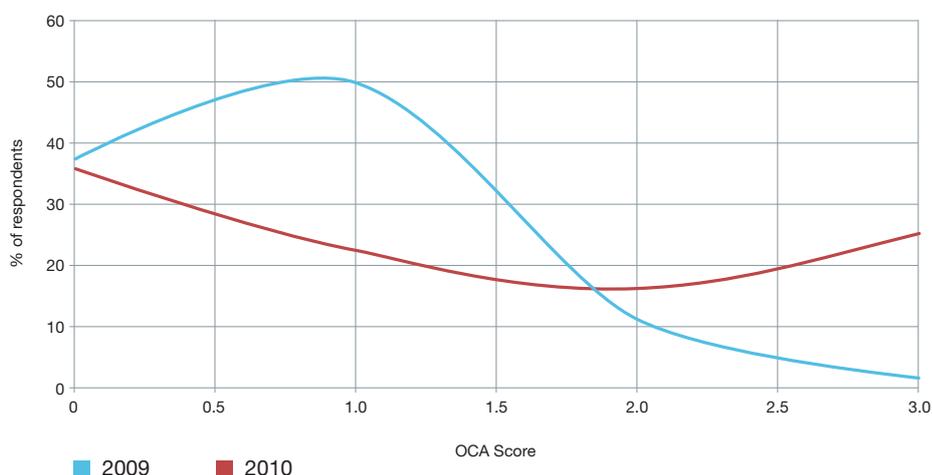
**Figure 7 Change in average leadership and accountability score 2009/10**



**Figure 8 Change in average scope 1 and 2 emissions score 2009/10**



**Figure 9 Change in average scope 3 emissions score 2009/10**



### Scope 3 emissions

An organisation's understanding of its scope 3 emissions generally increases as the need to reduce carbon emissions becomes integrated in its business practices. Scope 3 emissions capture many different areas, most of which are generally beyond an organisation's direct influence.

The 2010 analysis shows that a higher number of organisations have a more sophisticated understanding (a score greater than 2) of their scope 3 emissions (see Figure 9). This may be related to the development of the GHG Protocol's new scope 3 standard and guidance.

### Target setting and achievements

There was a steady improvement in target setting with more organisations demonstrating ambitious targets and reduction plans integrated with wider company policies (see Figure 10). Achievements are represented by actions to reduce emissions and the supply of goods or services that avoid emissions in the use phase. Figure 11 shows an encouraging increase in high performance and decrease in low performance.

### Risks and opportunities

It is clear from Figure 12 that a greater number of organisations have a more in-depth understanding of the risks and opportunities presented by climate change, and the process to identify them.

Chapters 4 to 8 discuss in more detail the activities being undertaken by organisations to mitigate the effects of climate change.

Figure 10 Change in average target setting score 2009/10

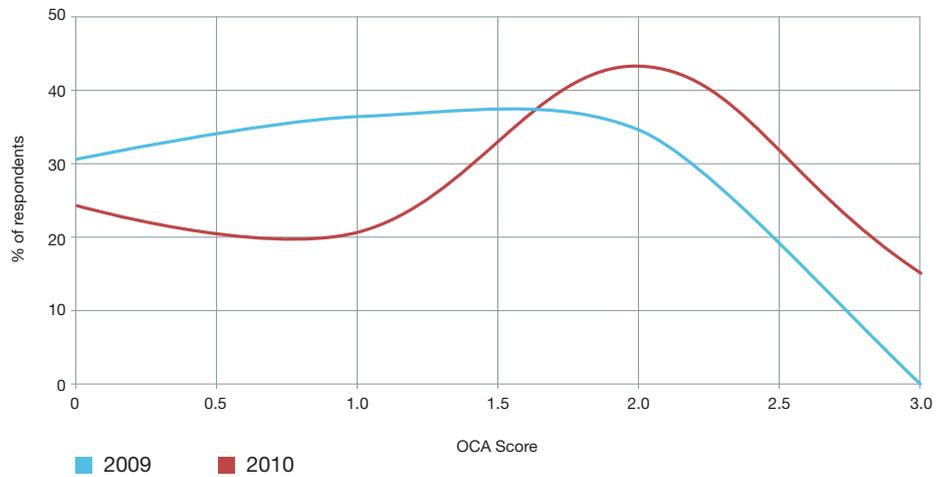


Figure 11 Change in average achievement score 2009/10

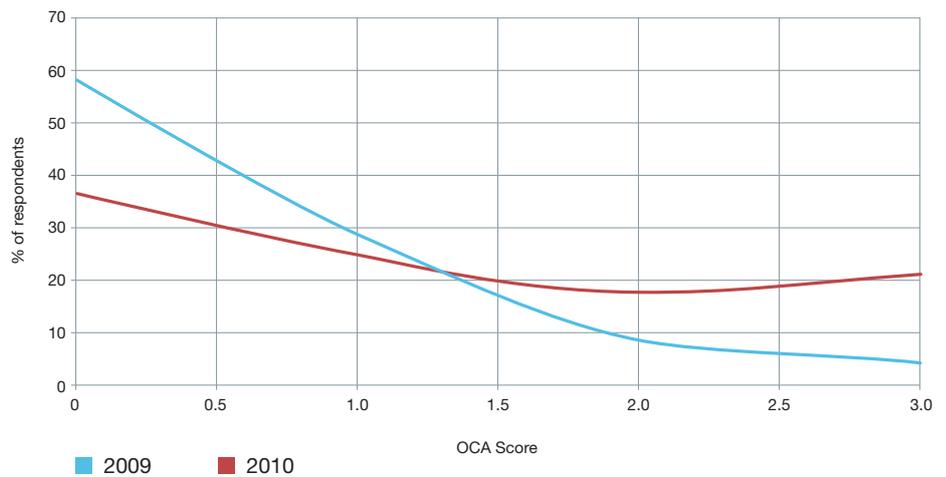
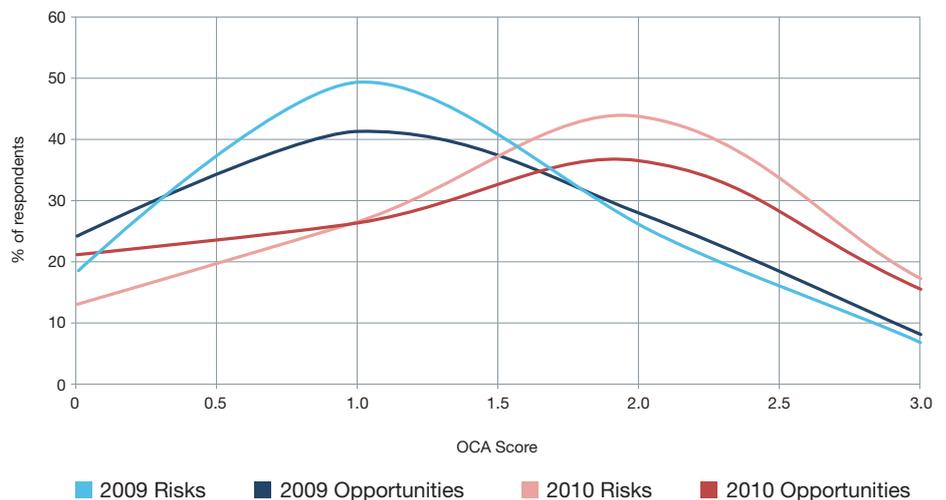


Figure 12 Change in average risk and opportunity scores 2009/10



# 4

# Achievements

**GHG reduction activities reported by the disclosing organisations have cut emissions to the atmosphere by 32 MtCO<sub>2</sub>e and achieved significant cost savings. 83% of companies have achieved emissions reduction. Further efficiencies should be achievable in the future.**

The key goal of the CDP PPP is GHG emissions transparency and reductions. A 'low-carbon' supplier would expect to be a more cost-efficient supplier.

## Changing the perception

There is a perception that implementing emissions reduction activities will increase the financial burden on a business.

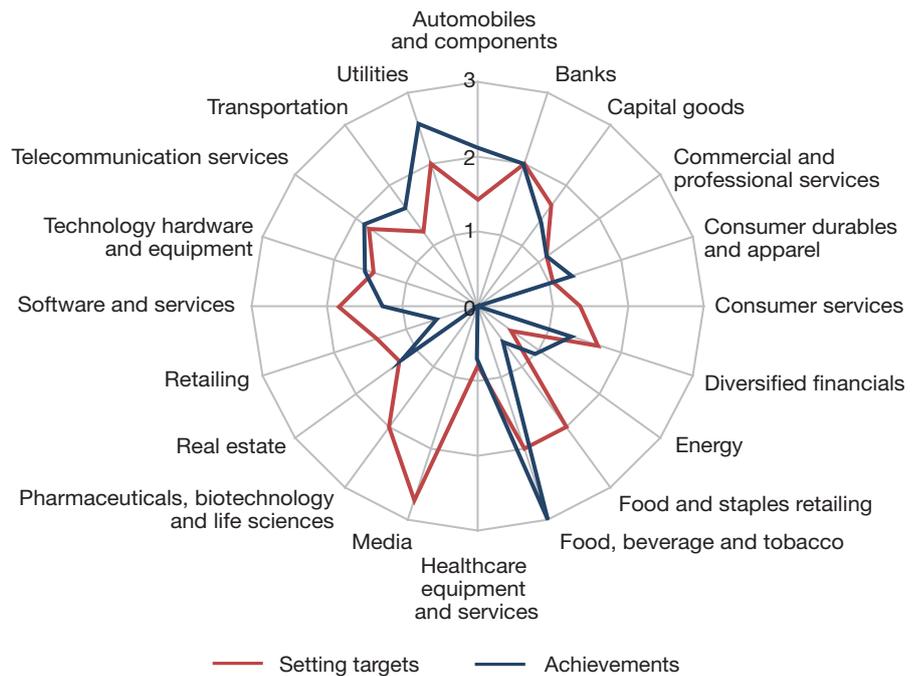
However, emissions reduction should actually be seen as an opportunity to develop and identify operational and efficiency savings.

Producing fewer emissions can lead to a reduction in cost and an overall lowering of overheads. Therefore, it is in the interest of any business to deliver reductions.

The business case is strengthened for organisations captured by the CRC, with the cost of carbon being increased by around 10%.

For these reasons, identifying and implementing emissions reductions opportunities must be a priority for any competitive business.

**Figure 13 Setting targets and achievements**



**“In 2009 the Energy Efficiency Program accounts for:**

- Over 22 GWh of electric energy consumption avoided.
- Over 1,600 m<sup>3</sup> of natural gas consumption avoided.
- CO<sub>2</sub> indirect emissions avoided (for electric energy reduction): over 9,000 tonnes.
- CO<sub>2</sub> direct emissions avoided (for natural gas reduction): over 3,000 tonnes.
- CO<sub>2</sub> total emissions avoided (by the Energy Efficiency Program): over 12,000 tonnes.”

**Finmeccanica - emissions reduction activities**

**For the 262 organisations that responded, a total annual saving of £221 million has been achieved as a result of carbon reduction initiatives over the last 3 years, with a further £750 million expected.**

**Respondents quoted 32 MtCO<sub>2</sub>e averted, with a further 32 MtCO<sub>2</sub>e reduction expected.**

“For Accenture’s FY09, our target was to reduce our net per employee CO<sub>2</sub> emissions (combined scope 1, 2 and 3) by 25% compared with our FY07 baseline. We met this target and slightly exceeded it.”

**Accenture**

“Each static premise will have a ‘Green Office Policy’ or Energy Management Plan. At the Technology Centre Offices in 2010, a 50% reduction in energy consumption has been realised where an energy management plan was implemented.”

**Vinci Construction UK Ltd**

### Reduction intent

In 2009, 68% of disclosing organisations had reduction plans. In 2010, 83% of respondents reported some form of emissions reduction. 58% (151, of which 11 were SMEs) disclosed their emissions reduction target, while a further 19% (51, of which 14 were SMEs) stated they were developing one. Action to reduce GHG emissions had already been taken by 37% of those with a reduction plan. 11 SME respondents disclosed that they had achieved emissions reductions, while 16 (33%) anticipated making savings.

### Delivering results

In 2009, significant emissions reductions were seen in certain sectors where the recession had a major impact, such as the automotive industry. With economic growth returning, the evidence of such dramatic emissions reductions are no longer as visible. However, the recession has left its mark, with many organisations focused on making efficiency savings through carbon reduction. In 2010, as well as seeing an increase in awareness of the risks climate change presents, many respondents were able to explain in detail the measures they had implemented and the financial savings achieved.

For the 262 organisations that responded, a total annual saving of £221 million has been achieved as a result of carbon reduction initiatives over the last 3 years, with a further £750 million expected.

Respondents quoted 32 MtCO<sub>2</sub>e averted, with a further 32 MtCO<sub>2</sub>e reduction expected.

It is worth noting that the financial savings do not correlate proportionately with the expected carbon reduction emissions. In addition, once the no- and low-cost measures have been implemented, further reductions may require more investment and have a diminishing financial return.

Sectors with the largest number of organisations reporting savings included automobiles and components (6), capital goods (20), commercial and professional services (16), consumer services (6), diversified financials (5), software and services (6), and telecommunication services (6).

Other areas achieving significant reductions were consultancies that specialise in carbon management, ICT, sustainable building and engineering.

Large corporations highlighted that implementing a company-wide programme of initiatives will lead to a better return on investment, and higher financial and emissions savings. These companies come from a range of sectors including: automobiles and components; capital goods; technology hardware and equipment; pharmaceuticals, biotechnology and life sciences; and telecommunication services.

### Popular sources of carbon and financial savings

Many respondents were able to break down the savings figures and detail the sources of reductions achieved. The most popular methods stated were:

- Use of communications technology - 37 respondents noted that they have undertaken activities to reduce business travel by promoting and enhancing the use of technology, such as teleconferencing, webinars and videoconferencing.
- Heating, ventilation and air conditioning (HVAC) - 33 respondents highlighted initiatives that had been undertaken on their estate to improve the efficiency of their HVAC operations.
- Technology and ICT improvements - 32 respondents said that they had invested in technology virtualisation and software improvements.
- Staff awareness - 31 respondents commented that they had invested in a behavioural change programme to highlight to staff the impact they could have through enacting the changes made to environmental policy.
- Lighting initiatives - 30 respondents said that they had invested in lighting technologies to deliver more efficient workspaces.

Some of the initiatives outlined above are having a significant impact on the way organisations work, both internally and externally. Teleconferencing, for example, is becoming commonplace. It provides a time-efficient and cost-effective solution that also saves carbon.

## Influencing others

Some organisations have the ability to significantly reduce the emissions associated with their own operations. For others, the greater opportunity for reduction lies with how they influence 3rd parties - customers and/or suppliers. However, tracking and monitoring these emissions reductions is often more difficult.

Of the 212 non-SMEs that were asked whether they could influence the wider emissions reduction challenge, 121 (57%) considered that they could. Of these, 43 said they could influence emissions reductions through consultancy and design advice, 17 through the supply of ICT and software services, 40 through sustainable products, 10 through green transport and 1 through finance.

In addition, 131 organisations claimed to be influencing their customers' GHG reductions through the procurement of their goods and/or services. This could be through the provision of products or services with lower embedded carbon, higher energy efficiency or information on how to avoid emissions in the use or disposal of the product.

## Offsetting emissions

Organisations can purchase carbon credits or originate project-based carbon credits to compensate for their own emissions. The UK Government made a commitment in 2005 to offset all emissions arising from official and ministerial air travel and it continues to do so through a Government Carbon Offsetting Facility (GCOF), which launched its 2nd phase in 2010<sup>11</sup>.

Only 6% (12) of participants stated that they originated project-based or purchased carbon credits. Of these 12, only 4 were from project-based activity. This is a significant reduction from 2009 when 27 companies stated that they had purchased credits.

The 12 organisations that highlighted this activity were from the construction and engineering, banks, utilities, air freight and logistics, media, leisure equipment and products, and professional services sectors.

“By November 2009, Mansell had installed video conferencing technology at 12 of its regional offices around the UK. Since then, we have gathered data which show that the technology has been used approximately 213 times throughout the business.

Potentially, the overall saving as a result of installing the video conferencing technology in Mansell offices is 16.28 tonnes of CO<sub>2</sub> and £42,600 in a period of just 5 months.”

**Mansell PLC**

“Barclays Capital is rolling out compact computers across the business to reduce power consumption. Desk PCs will be replaced with smaller devices, known as ‘thin clients’, which typically use less than 10% of the power of a standard PC. Applications will run from a remotely located server, while all the other hardware, such as the screen, keyboard and mouse, remain unchanged. The initial rollout of 4,700 thin client units will save more than £1.7 million in energy costs and reduce Barclays Capital’s UK output of carbon emissions by more than 5,000 tonnes a year.”

**Barclays Capital**

<sup>11</sup> Public Sector Offsetting, [www.decc.gov.uk/en/content/cms/what\\_we\\_do/uk\\_co2\\_offsetting/gov\\_offsetting/gov\\_offsetting.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/uk_co2_offsetting/gov_offsetting/gov_offsetting.aspx)

# 5

# Measuring change in emissions

**85% of respondents were able to provide scope 1 and 2 emissions data (77% in 2009). However, only 54% of these cited recognised sources for emissions factors and verification remained steady at 34%. While it is encouraging that more suppliers are measuring emissions, a focus on data quality is required if progress towards allocating emissions to customers is to be achieved, thus enabling accurate scope 3 reporting.**

It is not possible for an organisation to measure improvement or assess the associated risks from climate change, without establishing a baseline and measuring annual energy and fuel consumption.

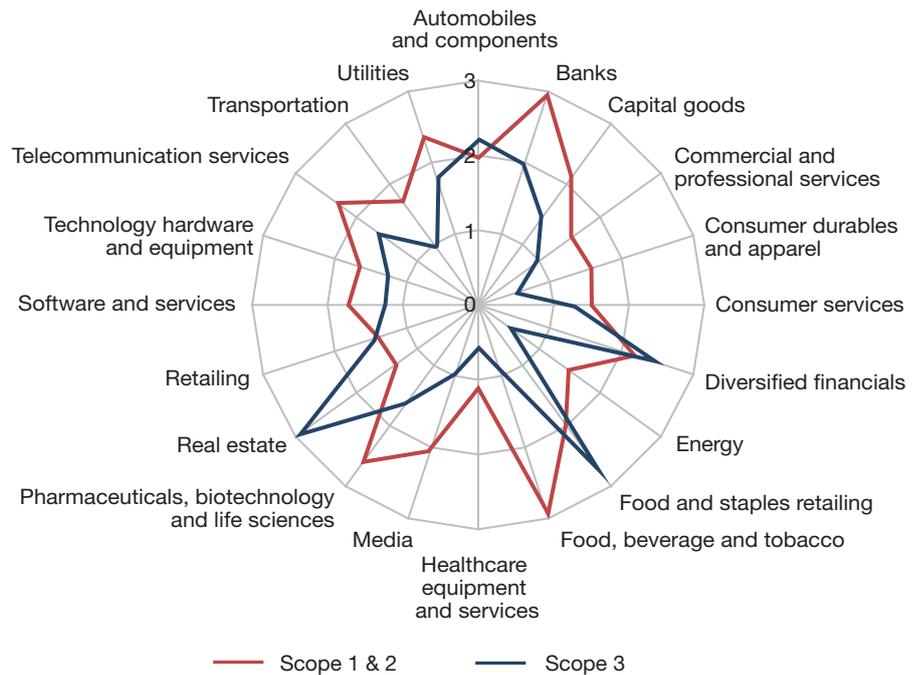
GHGs are emitted from a wide variety of sources and require continual monitoring. Capturing data and calculating emissions in a robust and consistent manner are essential to the transparency of any disclosure. Figure 14 shows the average emissions scores, by sector, for organisations reporting their emissions.

## Scope 1 and 2 reporting

In 2009, 77% of the disclosing organisations were able to provide details of their scope 1 and 2 emissions. In 2010, the figure was 85% (222). Of those, 29 were SMEs.

All non-SME organisations were asked to break down their scope 1 and 2 emissions by GHG. Of those asked, only 27% (57) reported a range of GHG emissions. 20% (43) reported only CO<sub>2</sub> emissions and 53% (103) failed to provide a breakdown of their emissions by type.

**Figure 14 Emissions scores by sector**



## Scope 1 and 2 calculation methodologies

Disclosed emissions are only as good as the data that they are based on and the methodology used to calculate them. If these elements are not robust or applied in an inconsistent manner, then the resulting analysis can be misleading.

Respondents were asked to explain how they calculated their emissions and what protocol, if any, they adopted.

83% of those responding provided details of a methodology to establish at least part of their emissions. The split of these is shown in Figure 15<sup>12</sup>.

The majority of responding SMEs cited Defra's company reporting guidelines, which are UK specific. However, an international organisation with no global boundaries is more likely to adopt an internationally recognised protocol such as the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) GHG protocol.

Organisations were also asked to provide details about the sources for the emissions factors that they used to calculate their emissions. 54% of the respondents provided recognised sources such as Defra, US Environmental Protection Agency (EPA), Intergovernmental Panel on Climate Change (IPCC) and the WRI.

<sup>12</sup> The Greenhouse Gas Protocol (GHG Protocol) is an internationally accepted accounting tool to help business and government understand, quantify and manage GHG emissions. [www.ghgprotocol.org](http://www.ghgprotocol.org)

Defra provides GHG conversion factors that allow organisations to convert existing data sources for a range of activities into CO<sub>2</sub> equivalent emissions by applying relevant conversion factors (eg calorific values, emissions factors and oxidation factors). [www.defra.gov.uk/environment/business/reporting/conversion-factors.htm](http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm)

ISO14064-1 is a standard that assists organisations with the quantification and reporting of GHG emissions. It includes requirements for the design, development, management, reporting and verification of an organisation's GHG inventory. [www.iso.org/iso/catalogue\\_detail?csnumber=38381](http://www.iso.org/iso/catalogue_detail?csnumber=38381)

The Carbon Trust is a not-for-profit company that provides support to organisations to cut carbon emissions and commercialise low carbon technologies. It provides a number of tools to help organisations calculate their carbon emissions including site energy audits, online footprinting tools and conversion factors. [www.carbontrust.co.uk](http://www.carbontrust.co.uk)

EU ETS is one of the key policies introduced by the EU to help meet its GHG emissions target of 8% below 1990 levels under the Kyoto Protocol. It's a Europe-wide cap-and-trade scheme that covers electricity generation and the main energy intensive industries. Companies are required to measure and report their GHG emissions under this scheme.

## Providing transparency

Collating a GHG inventory can be a difficult and complicated task. To provide a level of confidence, when reporting this inventory to interested stakeholders, organisations will often have the calculations checked by another party and verified against the chosen methodology.

In 2009, 34% (56) of the respondents stated their emissions were verified to some degree. In 2010, it was also 34% (72). 44 companies had 80% to 100% of their scope 1 and 2 emissions verified, while the remainder had lower proportions verified. Sectors with high levels of verification for scope 1 and 2 emissions were automobile and components (3), capital goods (11), commercial and professional services (5), diversified financials (3), technology hardware and equipment (3), telecommunication services (4) and transportation (4).

## Scope 3 reporting

When asked about scope 3 emissions, 153 organisations responded to the question, indicating that they are aware of what their scope 3 emissions are. 129 (84%) of these organisations were able to give a figure (tonnes of CO<sub>2</sub>) for at least some part of their scope 3 inventory (Figure 16). The remainder were not able to give any figures. 35 companies (17%) had, in part, verified their scope 3 emissions.

## Scope 3 calculation methodologies

The majority of organisations quoted Defra GHG guidance and the GHG Protocol when asked which methodology they used to measure scope 3 emissions.

## Allocation of emissions

Scope 3 covers a number of different categories. Some are easier to understand and calculate than others. One of the harder areas, as shown in Figure 16, which the progressive organisations are beginning to tackle, is supply chain (purchased goods and services).

Figure 15 Methodologies used to report GHG emissions

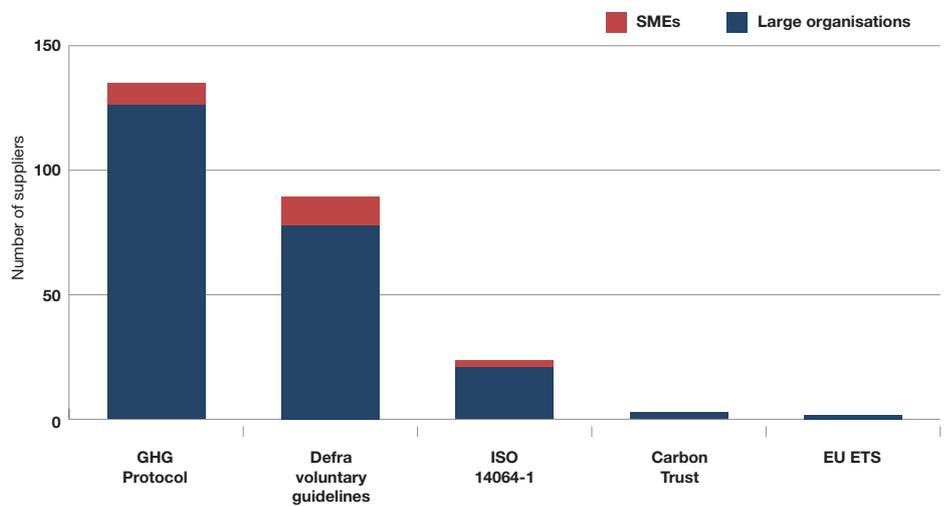
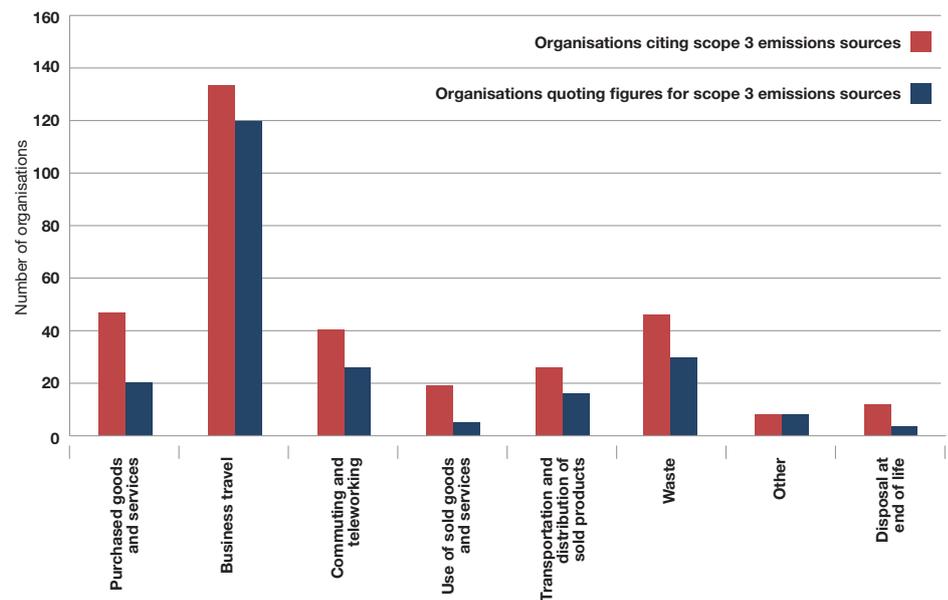


Figure 16 Sectors reporting on scope 3 emissions



“Dell’s primary suppliers are expected to:

- Publicly disclose annual GHG emissions by participating in the Carbon Disclosure Project.
- Establish a public goal for reducing operational GHG impacts.
- Set expectations for Tier 2 suppliers to manage and publicly disclose emissions per GHG Protocol.”

Dell

In 2010, to support the progress in this area, the WRI and WBCSD developed and piloted a draft protocol on scope 3 emissions<sup>13</sup>. While the protocol is still under development, the initial drafts suggest that it aims to relate allocation of emissions to a specific customer.

To support the pan-Government approach, the MOD agreed to lead the cross-Government and industry Carbon Apportionment Working Group which informally participated in the pilot of the WRI Scope 3 protocol.

In 2010, organisations were asked if they could split their emissions by region, business division or facility. The ability to determine a granular level of emissions offers a number of benefits including allocating emissions to specific activities and identifying where anomalies lie.

In 2010, 35% of companies split scope 1 and 2 emissions for multiple regions and 16% provided an emissions subtotal for one region.

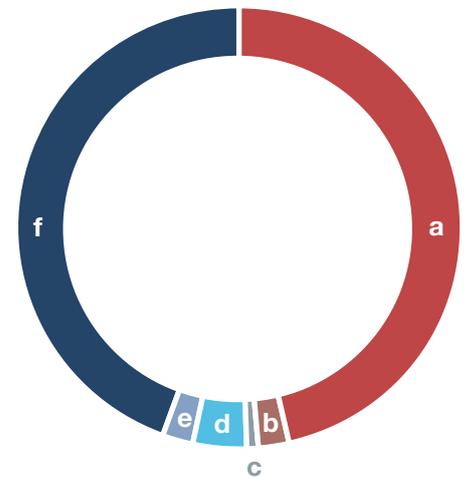
In addition, 24% of companies were able to break down their scope 1 and 2 emissions by business unit and 18% were able to do so by facility.

Sectors able to do so included automobiles and components, banks, capital goods, commercial and professional services, technology hardware and equipment, telecommunication services, transportation and utilities.

## Intensity factors

Agreeing company-wide intensity metrics allows organisations to compare like-for-like activity across business units and boundaries. Typically, this can be done using a financial metric or activity-based unit. In 2009, 62% of those responding were able to provide emissions intensity factors by turnover. In 2010, 61% of respondents were able to provide details of intensity factors. Details are provided in Figure 17. The most popular financial value used was turnover. The capital goods sector adopted intensity factors most widely.

Figure 17 Reported activity metrics



- a. Per full-time equivalent employee (47%)
- b. Per hour worked (2%)
- c. Per revenue tonne km (1%)
- d. Per tonne of output (4%)
- e. Per unit of service provided (2%)
- f. Other (44%)

<sup>13</sup> WRI Draft Protocol on reporting GHGs, [www.ghgprotocol.org/files/ghg-protocol-scope-3-standard-draft-for-stakeholder-review-november-2009.pdf](http://www.ghgprotocol.org/files/ghg-protocol-scope-3-standard-draft-for-stakeholder-review-november-2009.pdf)

## Apportioning GHG emissions

The work carried out by CDP's PPP has provided a valuable insight into the carbon emissions of public sector suppliers. PPP activities to date provide a platform from which a better understanding of the proportion of total supplier emissions that relate directly to UK Government business can be developed. Apportioning emissions in this way would better enable suppliers and departments to work together to identify opportunities for emissions reduction.

To support a pan-Government approach to apportioning these emissions, a cross-Government and industry Carbon Apportionment Working Group has been set up, consisting of the following members:

- MOD.
- Office of Government Commerce (now Cabinet Office).
- Defra.
- DECC.
- DfT.
- Department of Health.
- AEA.
- Atkins.
- BAE Systems.
- Interserve.
- Logica.
- VT Group (now Babcock).

As a result of the working group, five Government supplier members agreed to informally trial the draft Scope 3 Accounting and Reporting Standard<sup>14</sup>. Atkins, BAE Systems, Logica and VT Group focused on assessing emissions related to MOD contracts, while Interserve assessed emissions associated with work for Defra (this split reflects the relative size of MOD's procurement budget and the availability of relevant data).

As a result of the trial, the working group concluded that the methodology set out in the draft Scope 3 Standard provided a good basis for detailed analysis of supply chain GHG emissions, but that, at present, it is too complex and time consuming for general use by the public or private sectors.

Therefore, the group has recommended that departments invite their major suppliers to work with them in carrying out a high-level apportionment of their emissions (following the broad principles of the Scope 3 Standard and agreeing the basis of apportionment with their key Government customers).

This information could then be used to establish a baseline against which voluntary, bilateral emissions reduction initiatives (with appropriate targets) can be agreed between departments and their suppliers.



MINISTRY OF DEFENCE



Department for  
**Transport**



OGC is now part of  
the Cabinet Office

<sup>14</sup> Developed by the WRI and the WBCSD.

# 6

## Targeting change

**The majority of respondents (57%) reported that they had a carbon mitigation plan, but only 12% had an adaptation strategy. 67% of respondents said the responsibility for the delivery of climate change programmes lies with the board or senior management.**

### Developing and implementing a strategy

Responsibility for climate change is no longer limited to the department that manages energy consumption for an organisation. It is a challenge for business operations and must be considered at the highest management level. It should be incorporated in the organisation's strategy and embedded in every decision, activity and process. Having an integrated strategy can offer significant benefits in the short and long term - it provides a sustained approach to efficient operations.

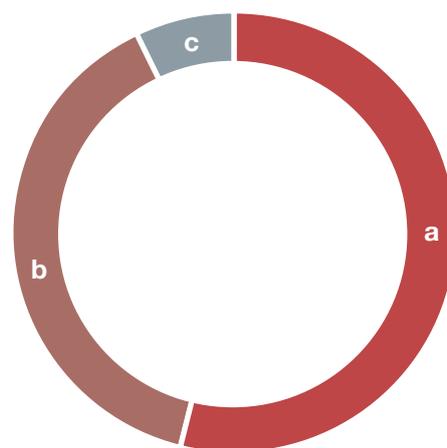
In the 2010 disclosure, respondents were asked to describe their overall group business strategy and how it is linked with actions taken on climate-related risks. 59% of respondents provided a genuine link between strategy and action taken. Overall, 57% reported having a carbon management mitigation plan, while only 12% had an adaptation strategy.

### Target setting

In 2009, the GHG emissions reduction targets that organisations disclosed were mapped against the national targets for the UK. It showed that the targets set by many companies followed the correct trend line to allow the national targets to be met. However, it also revealed that many organisations were setting short-term targets rather than considering their long-term strategy. To meet the challenge of climate change, an organisation should have a long-term plan and a short-term or milestone target to highlight the need for ongoing action and ensure long-term goals are met.

In 2010, of the organisations participating in the PPP, 54% said that they had set absolute targets. In addition, a further 39% set intensity-based targets, while 7% of respondents set rolling targets. This is shown in Figure 18.

Figure 18 Target type



a. Absolute target (54%)  
b. Intensity based target (39%)  
c. Rolling target (7%)

### Absolute or not?

Each of these approaches offers benefits. An absolute target allows an organisation to establish reductions in line with national and international expectations, but can be challenging if high business growth is expected. Alternatively, an intensity-based target allows an organisation to show progress independent of growth. A rolling target is flexible and enables an organisation to respond to changes.

Having well-established base years is an indicator of good target setting. 10% of those responding stated that their initial base year was set before 2000. Only one organisation indicated that it set year-on-year baseline figures. Some organisations, such as Ferrovia, indicated a wide range of base years spanning the period 1990/2009.

Results showed that most respondents set recent base years, with 2008 being the most common (29% of respondents). A further 14% set their baseline in 2007. However, 25% of respondents reported 2009 as their base year with a further 8% citing 2010. This indicates that monitoring is in its infancy or a strategy refresh has been undertaken recently.

A number of mechanisms can be adopted that ensure organisation-wide emissions reduction targets are set. Two methods were highlighted by respondents in 2010.

### Carbon budgets

This method introduces divisional carbon budgets and/or a carbon price for internal decision-making. In 2010, two respondents explained that delivery of group targets was the shared responsibility of different divisions through carbon budgets.

**Cost of carbon**

Increasingly, organisations are assessing the financial impact of carbon and considering how they might incorporate it into their day-to-day decision-making. This can relate to regulation, energy and other service procurement, mitigation and the social cost of carbon where it could impact brand reputation. Several organisations explained how they already use the cost of carbon as part of their decision-making, which influences their investment decisions.

**Reporting mechanisms and accountability**

Once a strategy is established, a governance structure must be put in place to ensure successful delivery. This structure must include a range of senior stakeholders, with clear roles and responsibilities, and defined reporting channels.

At the highest level, the Chief Executive Officer (CEO) or Chief Finance Officer (CFO) should have ultimate accountability for reporting to the board on progress. This should be done on a quarterly basis or in line with other reporting activities.

Of the 212 disclosing organisations, 33% did not specify that their board or senior management were involved in a climate change programme. 44% stated that the board was responsible and the remainder were able to name the role that took overall responsibility (most frequently, the CEO (14% of respondents)). Fewer than 20% of the suppliers reporting in 2010 could explain how decisions were made in their organisation and if the cost of carbon was incorporated into the cost evaluation.

Of the organisations that disclosed, 44% stated the frequency of reporting and progress updates. 15% received reports on an annual basis, typically linked to the publication of an external annual report. However, 7% said reporting was done monthly, 13% said quarterly and 6% said six-monthly.

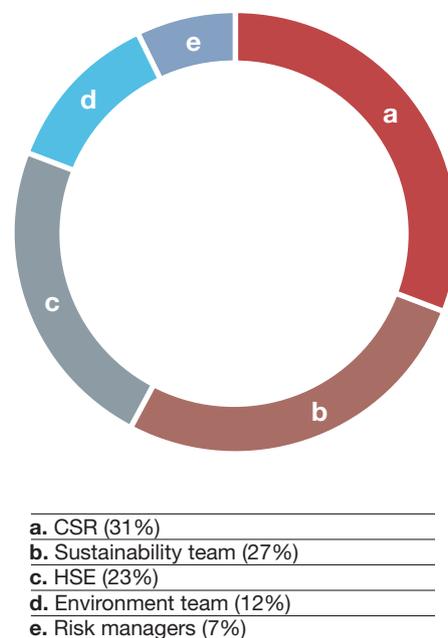
In 2010, 12% of respondents (25 organisations) detailed a network of champions as part of their reporting and communications strategy.

**Who ‘owns’ climate change?**

The debate continues on where the responsibility for climate change issues rests in an organisation. For many businesses, it has been associated with health, safety and environment (HSE) and, more recently, corporate social responsibility (CSR). However, increasingly, the responsibility lies with an organisation’s sustainability officer.

Of the 212 organisations (excluding SMEs) that disclosed, 27 respondents stated that responsibility rested with CSR, 23 said it was with the sustainability team, 20 with HSE, 10 with environment and 6 with risk managers (Figure 19).

**Figure 19 Responsibility for climate change issues in an organisation**



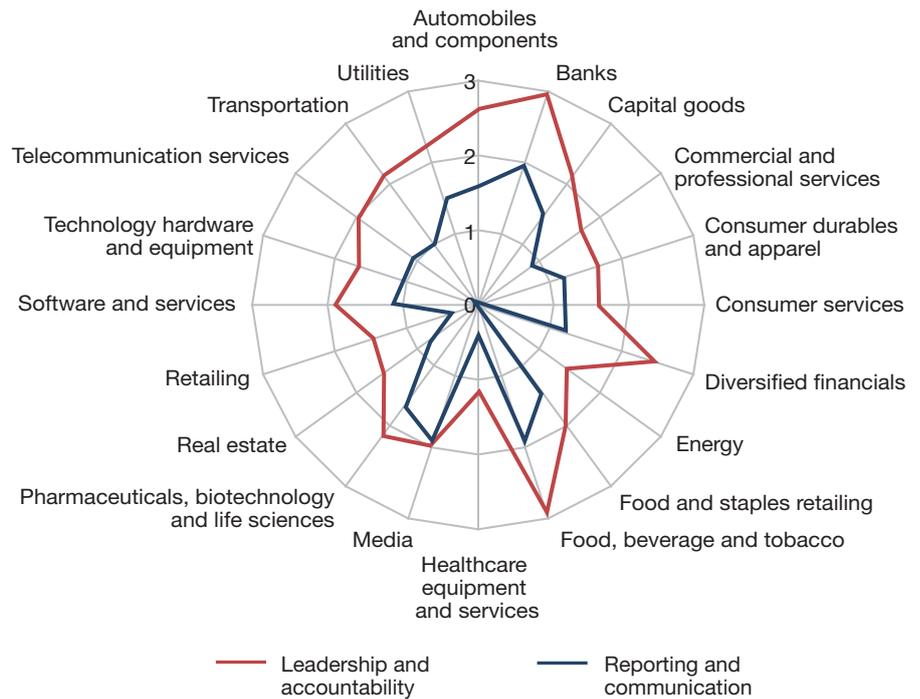
# 7

# Behavioural changes

“In 2009, we implemented our bronze, silver and gold sustainability standards across our global business, with 7 out of our 11 businesses achieving bronze by January 2010. These standards have been developed to enable our businesses to take a flexible approach to sustainability according to their local needs.”

**WSP Group**

**Figure 20 Organisational culture**



**Climate change is becoming a board-level responsibility in more and more companies, and there is a growing use of bonuses, awards and recognition to incentivise employees to address climate change issues. In 2010, 91.5% of respondents placed responsibility for climate change issues at the board or other executive level - a significant increase on the 68% reported in 2009.**

Engaging with an organisation’s internal and external stakeholders can offer a wide range of benefits.

Difficulties in changing the behaviour of staff in an organisation can be one of the biggest barriers to the delivery of a climate change programme. Measuring how effectively an organisation communicates and motivates individuals will provide an indication of the likely success of such a programme.

In 2010, 91.5% of respondents placed responsibility for climate change issues at the board or other executive level - a significant increase on the 68% reported in 2009. Only 1.9% of respondents stated that one person held responsibility for climate change issues in their organisation. Average sector scores for organisational culture for 2010 are shown in Figure 20.

In 2009, it was speculated that companies would raise the profile and strategic importance of climate change due to the introduction of CRC, which requires a board member to take responsibility for compliance.

In 2009, certain sectors received particularly poor scores for their reporting and communication, and leadership and accountability practices, with the retailing, and consumer durables and apparel sectors not scoring at all. In 2010, although reporting and communication practices remained weak, leadership and accountability scores improved.

## Engagement and motivation

Engagement can take a number of forms in an organisation. However, generally, the objective is the same - to promote knowledge sharing and stimulate action. In 2009, organisations were asked if they offered an incentive that was linked to climate change issues. 35% responded with a positive answer.

In 2010, this figure increased to 45%. The incentives covered a range of stakeholders at all levels.

Of the organisations that do offer incentives, 73% give money, 26% award prizes, 57% confer recognition and 11% provide other benefits.

Several respondents stated that they offer three or more different forms of incentive, all of which include money, prizes and recognition.

## Communication

For most organisations, raising awareness and promoting action on climate change meets a number of objectives:

- Internally, it supports ongoing activity and openly encourages stakeholders to participate.
- Externally, it informs customers about the level of activity and allows an organisation to manage its brand risk.
- At the investment level, it allows investors to assess the risk associated with operations.

In August 2010, the Department for Business Innovation and Skills (BIS) published a consultation looking at corporate law and governance around reporting<sup>15</sup>. The consultation asked for opinions on how a reporting requirement may burden or benefit an organisation.

Section 85 of the Climate Change Act 2008<sup>16</sup> still mandates the UK Government to introduce regulations on a requirement for corporate GHG reporting under the Companies Act<sup>17</sup> by 2012. Therefore, there is growing speculation that climate change reporting may become mandatory.

Based on the above, it is not surprising that 123 of the total respondents (including 6 SMEs) published their response to climate change and included emissions data. Of these, 99 published through a voluntary communication such as a CSR report. In addition, companies are beginning to consider how they brand their CSR reports (eg in 2010 Vodafone changed the title of its CSR report to 'Sustainability').

## Influencing future decisions

As the amount of legislation related to climate change increases, organisations have a choice - to pre-empt future requirements by being proactive and supporting Government or, simply, to comply when required.

For those organisations choosing to be proactive, an important aspect of their ongoing communications strategy should be to support policy makers by providing views and context to allow them to make decisions for the future.

Interestingly, 131 of the 262 disclosing companies described how they support and communicate with policy makers. The sectors showing the greatest levels of engagement included: banks; energy; food and staples retailing; food, beverage and tobacco; and utilities.

**“CSC’s choice to submit to the CDP is a step towards integrating our external communications with our internal sustainability choices and direction.”**

**CSC UK**

<sup>15</sup> The Future of Narrative Reporting – A Consultation, [www.bis.gov.uk/assets/biscore/business-law/docs/n/10-1057-future-narrative-reporting-consultation](http://www.bis.gov.uk/assets/biscore/business-law/docs/n/10-1057-future-narrative-reporting-consultation)

<sup>16</sup> Climate Change Act 2008, [www.legislation.gov.uk/ukpga/2008/27/contents](http://www.legislation.gov.uk/ukpga/2008/27/contents)

<sup>17</sup> The Companies Act is a piece of primary legislation that largely applies to companies directly, [www.companieshouse.gov.uk/companiesAct/companiesAct.shtml](http://www.companieshouse.gov.uk/companiesAct/companiesAct.shtml)

# 8

# Assessing the risks and opportunities

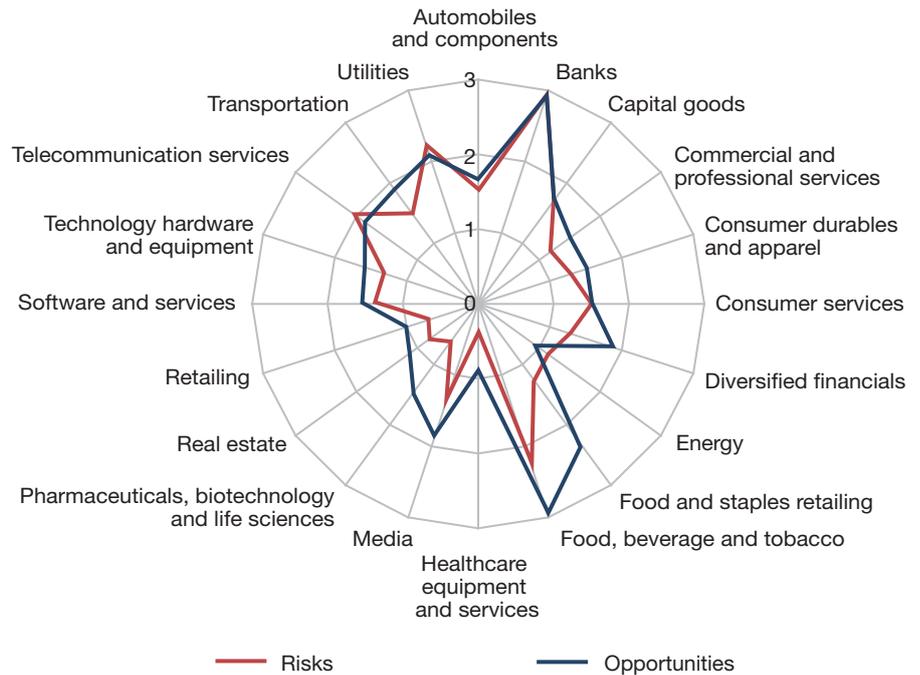
“The inclusion of the airline industry in the EU Emissions Trading System could lead to increased costs in air travel which comprises a major element of business travel undertaken by EY employees....EY encourages the use of alternatives to air travel where possible in order to minimise the risk of increased costs as well as to reduce overall GHG emissions from our business travel.”

**Ernst & Young, UK**

“There are financial risks surrounding carbon taxation, carbon trading and statutory emissions limits. There is also a significant cost to business of ensuring compliance with legislation, which is heightened by the fact that governments across the EU are not consistent in their approach.”

**Computacentre plc**

**Figure 21 Risks and opportunities<sup>18</sup>**



**Extreme weather events and increased precipitation levels are reported risks that will require management. Regulatory developments such as the CRC and the inclusion of aviation in the EU ETS were also cited. In addition, opportunities related to the adaptation of buildings and infrastructure were identified.**

Increasingly, companies are establishing methods of assessing climate related risks. These are usually embedded in the overall risk management procedures for the company. However, identifying opportunities that arise from climate change is often less developed, less well integrated into company procedure and not formally reviewed at regular intervals.

Over 50% of suppliers reported risks and opportunities from climate change. For Government, this information means that suppliers are innovating to reduce disruption from climate change and seizing opportunities from the low carbon economy.

While the banks sector scored highly in 2009, the food and staples retailing, and food, beverage and tobacco sectors appear to have rapidly improved their awareness of the potential risks. Average risk and opportunity scores for 2010 are shown in Figure 21.

### Physical risk and opportunity

59% of respondents felt that climate change posed significant physical risks to their organisation.

Interestingly, 15% cited supply chain disruption caused by production and transport issues as a concern, while 10% highlighted the increasing risk associated with securing the supply of raw materials. 4% mentioned security of energy supply. These are concerns that could directly impact the costs of Government-procured goods and services.

46% of respondents speculated that extreme weather events were a risk factor, while 26% cited increased

<sup>18</sup> It should be noted that results for the 'banks' and 'food and staples retailing' sectors are based on sole respondents.

precipitation levels as a concern. In many cases, these incidents were linked to the potential impact on fuel availability. Others discussed the additional service and cooling requirements that increased temperatures would bring.

Although 59% of organisations identified physical risks associated with climate change, 51% felt that it also presented opportunities.

The vast majority of these respondents identified business opportunities arising from the need for customers to adapt to climate change (eg adapting buildings and infrastructure).

### Regulatory risk and opportunity

Just over half of respondents (55%) felt that climate change posed significant regulatory risks to their organisation.

Many organisations highlighted the risks associated with carbon taxation and mandatory emissions reporting. The CDP disclosure period closed in summer 2010, at a time when many organisations may have been considering their forthcoming CSR statement on the CRC, with this influencing their responses to CDP.

As widely anticipated, the CRC has had a significant impact on the market.

It is the most widely mentioned piece of legislation by respondents under the risks and opportunities section of the disclosure. The CRC was cited by 49% of respondents as a regulatory risk - a substantial increase on the 38% who mentioned it as a risk in 2009.

Interestingly, only 32% saw the CRC as a financial and compliance risk, but almost half also saw it as a brand and reputation risk. With the changes to the scheme announced in October 2010, this reputation risk remains and the financial risk has increased.

Other commonly mentioned regulatory risks were the EU ETS, including the inclusion of aviation, and rising fuel costs as a result of regulation.

55% of suppliers thought that there were opportunities associated with legislation. In 2009, a few organisations saw CRC as an opportunity, but in 2010 only one did.

EU ETS was seen by 8% of organisations as an opportunity. Some felt they could offer advisory support to other organisations, while others stated that trading and carbon price provided the opportunity.

Interestingly, it was not just the aviation sector that commented on the introduction of aviation into the EU ETS. Some organisations said that its

introduction would have an influence on their operational business model through increased air travel costs. One aviation company speculated about competitive distortions around the scheme and global marketplace.

57% of respondents felt that they were exposed to 'other' risks, the most common of which was a combination of reputation and stakeholder expectation. Organisations are recognising that people are becoming increasingly aware of climate change and are expecting to see companies take action. A number of respondents also see risk resulting from potential changes in the market.

Meanwhile, 55% of suppliers reported 'other' opportunities. The newly introduced Feed-in Tariffs (FITs) scheme was mentioned by a few organisations as opportunities. The construction and engineering, and utilities sectors saw it as an opportunity to develop service offerings and support the renewable energy marketplace. Others saw it as a way to create new revenue streams through the utilisation of the tariffs.

Some organisations also speculated about the sectors currently not regulated, with transport (aviation excluded) and agriculture being the most commonly quoted.

### Cost of carbon

With the 'cost of carbon' set to rise over the coming years, many organisations are beginning to include it in their financial decision-making. The following statement from Barclays is one such example.

"Clear lines of communication exist between Barclays lending managers, credit teams and the central Environmental Risk Management team. The team is supported by a global network that raises awareness, provides guidance and acts as a point of regional referral. Risk assessment is conducted on a transaction basis. In 2009, the team screened 290 project and non-project finance transactions. Activities outside of project financing which involve clients operating in environmentally sensitive sectors

or which are subject to sanction by Group Credit Committee (GCC) are referred to the team every two years as a minimum. The team also advises on a range of banking products such as corporate loans, trading facilities and bonds for clients which operate in environmentally or socially sensitive sectors.

Banks are challenged to reach an accurate assessment of the material risks of climate change over time and in different countries. As a result, we are increasing our expertise in evaluating how climate change factors can create financial and business risks by working with a range of organisations to research emerging climate change impacts. For some risk types, data sets are available to assess materiality using

core risk assessment models. For example, when assessing credit decisions regarding heavier emitters, the actual, or potential, cost of carbon is included in the financial risk modelling. For instance, lending to the power sector routinely includes financial modelling of scenarios which assume a cost of carbon. This is applied beyond project finance transactions and used for assessing general purpose credit lines. Where climate risks are more diffuse, for instance in affecting access to natural resources or in increasing commodity price volatility, we do consider several potential business impacts when assessing the viability and creditworthiness of a borrowing business."

# 9

## Final thoughts

### Showing progress

The third year of the CDP PPP has seen an increase in the number of Government departments and other public bodies participating. In turn, there has been a significant increase in the number of suppliers disclosing, up by 60%.

With a headline figure of an estimated £221 million saved, suppliers are increasingly implementing actions that can deliver carbon and financial savings. A further £750 million of savings is anticipated. As such, it is expected that further innovative actions will be reported in 2011.

### Enhancing sustainable procurement practices

The CDP process continues to complement the wider sustainable procurement strategy and provides a useful supplier engagement channel. It allows procurement teams to ask organisations about their climate change strategies and emissions reduction plans, without being limited to the sustainability aspects of a specific product or service.

It also enables year-on-year benchmarking to determine progress against pre-defined criteria.

In 2009, many suppliers had reservations about the CDP PPP and how it would be used. In 2010, despite the change of Government, the provision of data on a voluntary basis has been forthcoming. The disclosure of such an array of emissions and cost-reducing initiatives provides a source of leading practice and gives insight into the efficiency savings that organisations are instigating.

### Quality and quantity

In 2010, not only was there an increase in the number of disclosures, but also in the completeness of the returns and the quality of the information supplied. The information disclosed has been assessed using CDP's disclosure methodology and the OCA. Both the performance-based measure, and the completeness and quality measure provide insight into the level of commitment to address climate change within an organisation.

### Continuing to aspire

While organisations acknowledge that significant progress has been made, it is recognised that more needs to be done.

The CRC is the first mainstream carbon tax in the UK and organisations affected cannot afford to stand still. They must react in a strategic manner. Implementing measures on an ad-hoc basis or in isolation does not provide the most economic or effective solution. Yet, in 2010, fewer than 20% of participants reacted strategically.

### Next steps for Government

Following the release of this report, Government departments will provide feedback to suppliers that participated and those that were invited but declined. The results of the OCA and CDP disclosure analysis will provide a uniform format for these discussions, highlighting areas where suppliers can continue to improve.

Government departments will continue to invite their major suppliers to work with them in carrying out a high-level apportionment of their emissions (following the broad principles of the Scope 3 Standard and agreeing the basis of apportionment with their key Government customers).

Departments can then begin to establish a baseline against which voluntary, bilateral emissions reduction initiatives (with appropriate targets) can be agreed with suppliers.

With the ambition to become the 'greenest government', it is expected that suppliers and Government will work more strategically and in collaboration with one another.

## Next steps for CDP

CDP must continue to innovate and support organisations as they endeavour to address the effects of climate change. To do this, CDP must expand and support different types of business on a global scale, as well as enhance its ability to analyse data and identify leading practice.

2010 saw CDP take some steps towards this with the expansion and development of the online reporting facilities, as well as the launch of online analytical capabilities. These must be developed to support Government supplier relationship management fully, and direct suppliers and procurers to potential areas of risk in the supply chain.

2010 also saw the launch of the Water Disclosure, CDP's first report on the impact of water constraints on the world's largest corporations. This report clearly illustrated the significance and immediacy of water as a corporate issue. Water also holds risks and opportunities in the supply chain and CDP should start to work with members to address these.

## Next steps for suppliers

With the Comprehensive Spending Review completed and changes to the CRC announced, it no longer makes business sense to do nothing.

Developing a forward-thinking strategy will allow organisations to evaluate the cost of carbon to their business and give them the insight required to ensure business longevity.

CDP expects to see:

- An increase in the number of organisations preparing climate change mitigation and adaptation plans.
- More financial savings from carbon saving initiatives, as well as more forward-thinking targets and strategies.
- Continued transparency in operational emissions reporting, as well as an increased granularity of reporting, which will allow emissions to be allocated to specific clients.

Working collaboratively with customers, such as the UK Government, to identify and implement more efficient ways of working will yield benefits for all parties.

# Appendix 1

## List of abbreviations and glossary

### List of abbreviations

#### Key terms

**CDLI** - Carbon Disclosure Leadership Index

**CO<sub>2</sub>e** - Carbon dioxide equivalent

**CRC** - Carbon Reduction Commitment Energy Efficiency Scheme

**CSR** - Corporate social responsibility

**EU ETS** - European Union Emissions Trading System

**FITs** - Feed-in Tariffs

**GHG** - Greenhouse gas

**GICS** - Global Industry Classification Standard

**HSE** - Health, safety and environment

**ICT** - Information and communication technologies

**HVAC** - Heating ventilation and air-conditioning

**NDPB** - Non-departmental public body

**OCA** - Organisational Carbon Appraisal

**PPP** - Public Procurement Programme

**SMEs** - Small- and medium-sized enterprises

**UK** - United Kingdom

#### Organisations

**BIS** - Department for Business, Innovation and Skills

**BS** - Buying Solutions

**CDP** - Carbon Disclosure Project

**CESP** - Centre of Expertise for Sustainable Procurement

**DE** - Defence Estates

**DECC** - Department of Energy and Climate Change

**Defra** - Department for Environment, Food and Rural Affairs

**DfT** - Department for Transport

**DH** - Department of Health

**DSA** - Driving Standards Agency

**DVLA** - Driver and Vehicle Licensing Agency

**DWP** - Department for Work and Pensions

**EA** - Environment Agency

**EPA** - US Environmental Protection Agency

**FCO** - Foreign & Commonwealth Office

**GCDA** - Government Car and Despatch Agency

**GLA** - Greater London Authority

**GSS** - Gloucester Shared Services

**HA** - Highways Agency

**HCA** - Home and Communities Agency

**HMRC** - HM Revenue and Customs

**HMT** - HM Treasury

**HO** - Home Office

**HPC** - Healthcare Purchasing Consortium

**IPCC** - Intergovernmental Panel on Climate Change

**LDA** - London Development Agency

**LFEPA** - London Fire and Emergency Planning Authority

**MCA** - Maritime and Coastguard Agency

**MOD** - Ministry of Defence

**MPA** - Metropolitan Police Authority

**MPS** - Metropolitan Police Service

**NDA** - Nuclear Decommissioning Authority

**NHS** - National Health Service

**NHS PASA** - National Health Service Purchasing and Supply Agency

**NHSSC** - NHS Supply Chain

**OGC** - Office of Government Commerce

**TfL** - Transport for London

**UCLH** - University College London Hospitals NHS Foundation Trust

**VCA** - Vehicle Certification Agency

**VOSA** - Vehicle and Operator Services Agency

**WRI** - World Resources Institute

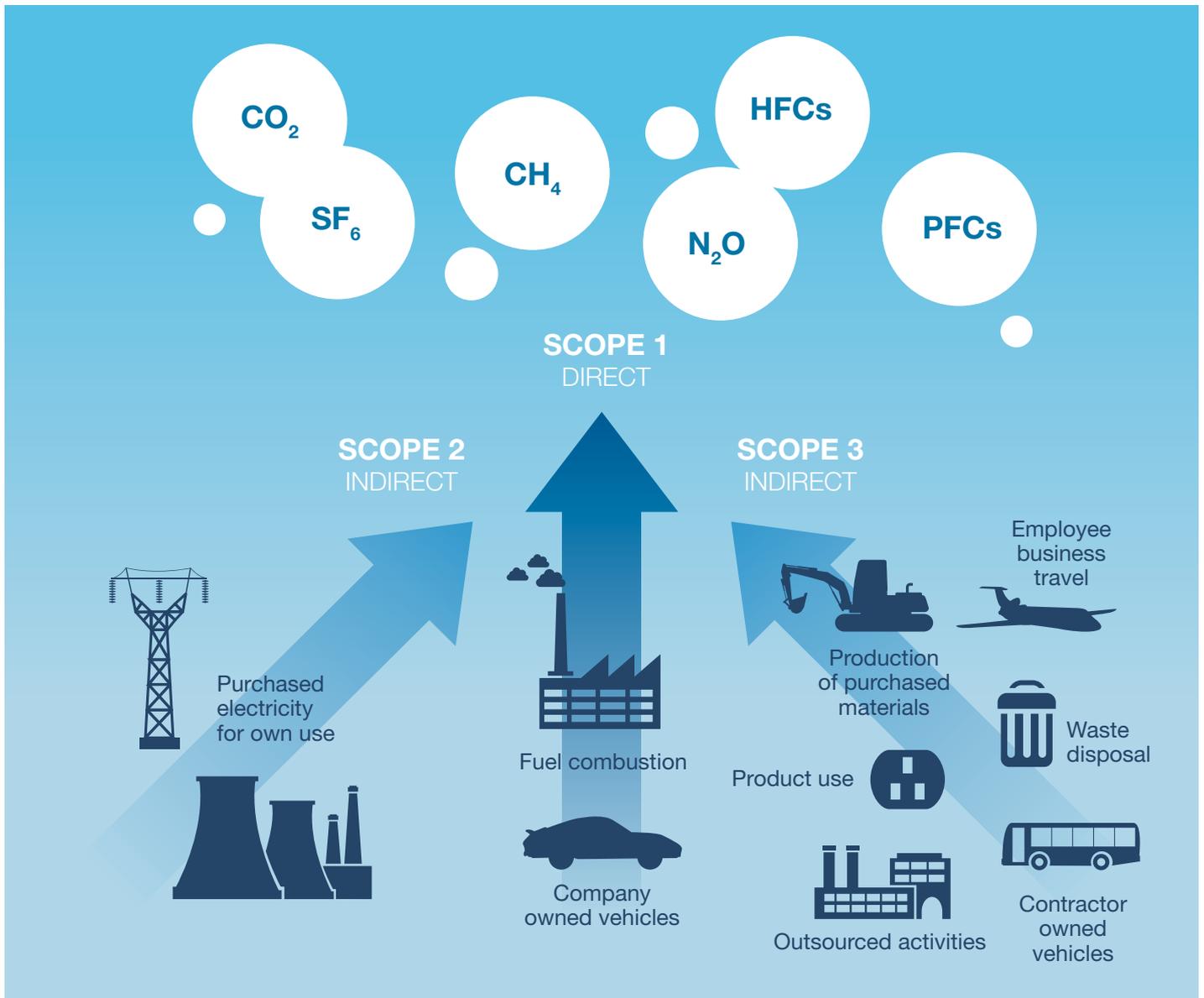
#### Glossary

**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 and waste disposal.

Figure A-1 Scope 1, 2 and 3 GHG emissions sources



Source: WRI/WBCSD GHG Protocol

# Appendix 2

## Further detail on methodology

### 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 to three in the CDP matrix shown on pages 31 and 32. The questions feeding into each column of the matrix are shown in the following table.

Core areas	Feeder questions	Question title
Integration		
Leadership and accountability	1.1	Where is the highest level of responsibility for climate change within your company?
	1.4	Do you provide incentives for the management of climate change issues, including the attainment of greenhouse gas (GHG) targets?
	1.5	If so, who is entitled to benefit from the incentives and what type of incentives exist?
Policy and strategy	1.2	What is the mechanism by which the board committee or other executive body reviews the company's progress and status regarding climate change?
	9.1	Please describe how your overall group business strategy links with actions taken on risks and opportunities (identified in questions 3 to 8), including any emissions reduction targets or achievements, public policy engagement and external communications.
	9.10	Do you engage with policy makers on possible responses to climate change including taxation, regulation and carbon trading?
	9.11	Please describe (9.10).
Reporting and communications	22.1	Have you published information about your company's response to climate change/ GHG emissions in other places than in your CDP response?
	22.2	In your Annual Reports or other mainstream filing? (If so, please attach your latest publication(s)).
	22.3	Through voluntary communications such as CSR reports? (If so, please attach your latest publication(s)).
Perception		
Risks	2.1	Describe your company's process for identifying significant risks and/or opportunities from climate change and assessing the degree to which they could affect your business, including the financial implications.
	3.1	Do current and/or anticipated regulatory requirements related to climate change present significant risks to your company?
	4.1	Do current and/or anticipated physical impacts of climate change present significant risks to your company?
Opportunities	2.1	Describe your company's process for identifying significant risks and/or opportunities from climate change and assessing the degree to which they could affect your business, including the financial implications.
	6.1	Do current and/or anticipated regulatory requirements related to climate change present significant opportunities for your company?
	7.1	Do current and/or anticipated physical impacts of climate change present significant opportunities for your company?

Core areas	Feeder questions	Question title
Awareness		
Scope 1 and 2 emissions	11.1	Please give the name of the standard, protocol or methodology you have used to collect activity data and calculate scope 1 and scope 2 emissions and/or describe the procedure you have used.
	11.1b	Please describe the procedure that you use.
	11.4	Please give the emission factors you have applied and their origin.
	20.1	Please indicate the percentage of reported emissions that have been verified/assured and attach the relevant statement for scope 1 and 2 emissions.
Scope 3 emissions	15.1	Please provide data on sources of scope 3 emissions that are relevant to your organisation.
	15.1C	Methodology.
Actions		
Setting targets	9.2	Do you have a current emissions reduction target?
	9.4	Please give details of the target(s) you are developing and when you expect to announce it/them. (If you are in the process of developing a target).
	9.6	Please describe your current or recently completed target.
Achievements	9.7	Please describe your company's actions to reduce its GHG emissions.
	16.1	Does the use of your goods and/or services enable GHG emissions to be avoided by a third party?
	16.2	Please provide details including the anticipated timescale over which the emissions are avoided, in which sector of the economy they might help to avoid emissions and their potential to avoid emissions.

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

Other analysis	Questions	Question title
Global warming potential used	11.3	Please give the global warming potentials you have applied and their origin.
Allocation of emissions	12.2/12.4/12.5	Please break down your total gross global scope 1 emissions in metric tonnes CO <sub>2</sub> e by country/region/by business division/by facility.
	13.2/13.4/13.5	Please break down your total gross global scope 2 emissions in metric tonnes CO <sub>2</sub> e by country/region/by business division/by facility.
Breakdown of emissions by GHG	12.6	Please break down your total gross global scope 1 emissions by GHG type.
Emissions intensity	18.1	Please describe a financial and an activity-related intensity measurement for the reporting year for your gross combined scope 1 and scope 2 emissions.
External verification of emissions	20.1	Please complete the following table indicating the percentage of reported emissions that have been verified/assured and attach the relevant statement.
Project-based or purchased carbon credits	21.4	Has your company originated any project-based carbon credits or purchased any within the reporting period?

	LEADERSHIP AND ACCOUNTABILITY	RISKS	OPPORTUNITIES	POLICY AND STRATEGY	SETTING TARGETS	SCOPE 1, 2 AND 3 AWARENESS	ACHIEVEMENTS	REPORTING AND COMMUNICATIONS
<b>3 - Lead</b>	<ul style="list-style-type: none"> <li>Responsibility for climate change integrated into responsibilities of board/ executive body</li> <li>Incentives in place to award individual management of GHG emissions and achievement of targets</li> </ul>	<ul style="list-style-type: none"> <li>Robust audited process for identifying climate change risks, including financial ones</li> <li>Awareness of a wide range of risks</li> <li>Demonstrates understanding of most/all relevant risks and their corporate impact</li> <li>Adaptation plan in place</li> </ul>	<ul style="list-style-type: none"> <li>Method for identifying climate change related opportunities in place</li> <li>Awareness of potential business opportunities</li> <li>Demonstrates understanding of most/all relevant opportunities and their impact</li> </ul>	<ul style="list-style-type: none"> <li>Company has developed a clear business strategy that links with action taken on risks and opportunities identified</li> <li>Active engagement in shaping national climate change policy</li> <li>Formal process for executive board to regularly review progress and status with reference to climate change</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions and energy reduction plan integrated with wider company policies</li> <li>Ambitious GHG long-term (3 years +) reduction targets integrated within plan</li> <li>Continual corporate financial investment in emissions reduction</li> </ul>	<ul style="list-style-type: none"> <li>Externally audited emissions declaration</li> <li>Widely accepted GHG methodology in place</li> <li>Widely accepted emissions factors used</li> <li>Valid assumptions made</li> <li>Clear breakdown of figures given (scope 1: gas/oil consumption, scope 2: electricity generation, scope 3: (eg employee travel, external distribution, use/disposal of company's products and services))</li> </ul>	<ul style="list-style-type: none"> <li>Significant emissions savings as a result of company's goods or services (including through the use of goods by 3rd parties)</li> <li>Significant emissions savings as a result of internal activities/ energy reduction plan</li> <li>Significant corporate financial investment in emissions reduction</li> </ul>	<ul style="list-style-type: none"> <li>Formalised communications plan for most staff on carbon and energy-related matters</li> <li>Publication of company's approach to climate change embedded in all reports and communications</li> <li>Internal and external stakeholders, investors, suppliers, etc, formally kept 'up to date' with action taken and progress made</li> <li>Media, other than CDP return, identified and utilised to communicate with stakeholders</li> </ul>
<b>2 - Practice</b>	<ul style="list-style-type: none"> <li>Responsibility for climate change integrated into responsibilities of managerial level staff</li> <li>Incentives in place to award individual management and reduction of GHG emissions and achievement of targets</li> </ul>	<ul style="list-style-type: none"> <li>Some process in place to identify risks presented by climate change, but not clear or not well integrated</li> <li>Some awareness of potential risks</li> <li>Reference to regular risk assessment process</li> <li>Demonstrates understanding of some relevant risks and their impact – only minor risks not identified</li> </ul>	<ul style="list-style-type: none"> <li>Some process in place to identify opportunities presented by climate change, but not clear or not well integrated</li> <li>Some awareness of opportunities</li> <li>Demonstrates understanding of some relevant opportunities and their impact – only minor opportunities not identified</li> </ul>	<ul style="list-style-type: none"> <li>Company has developed a clear business strategy which encompasses action to be taken to mitigate its carbon impacts</li> <li>Limited engagement in national climate change policy discussions Ad-hoc process for management to review progress and status with reference to climate change</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions and energy reduction plan in place, but standalone</li> <li>GHG reduction short-term (0-3 years) targets in place</li> <li>Ad-hoc corporate financial investment in emissions reduction</li> </ul>	<ul style="list-style-type: none"> <li>Non-audited, widely accepted GHG methodology in place</li> <li>Widely accepted emissions factors used</li> <li>Valid assumptions made</li> <li>Clear breakdown of figures given</li> </ul>	<ul style="list-style-type: none"> <li>Some emissions savings as a result of company's goods or services</li> <li>Some emissions savings as a result of internal activities/ energy reduction plan</li> <li>Ad-hoc corporate financial investment in emissions reduction to date</li> </ul>	<ul style="list-style-type: none"> <li>Regular ad-hoc communications delivered to all staff on carbon and energy-related matters</li> <li>Publication of company's approach to climate change in some reports and communications</li> <li>Internal and external stakeholders, investors, suppliers, etc, kept 'up to date' with action taken and progress made</li> <li>Media, other than CDP return, identified and utilised to communicate with stakeholders</li> </ul>

	LEADERSHIP AND ACCOUNTABILITY	RISKS	OPPORTUNITIES	POLICY AND STRATEGY	SETTING TARGETS	SCOPE 1, 2 AND 3 AWARENESS	ACHIEVEMENTS	REPORTING AND COMMUNICATIONS
1 - Foundation	<ul style="list-style-type: none"> <li>Responsibility for climate change not assigned to any individual within the company</li> <li>Incentives in place to award individual management and reduction of GHG emissions and achievement of targets</li> </ul>	<ul style="list-style-type: none"> <li>A little awareness of the risks</li> <li>Reference to ad-hoc risk assessment process</li> <li>Demonstrates understanding of some relevant risks – some major impacts not identified and no reference to corporate impact</li> </ul>	<ul style="list-style-type: none"> <li>A little awareness of the opportunities available</li> <li>Demonstrates understanding of some relevant opportunities and their impact – some major opportunities not identified</li> </ul>	<ul style="list-style-type: none"> <li>Has strategy which recognises carbon impacts</li> <li>Very limited engagement in national climate change policy discussions</li> <li>Limited review of progress and status with reference to climate change</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions and energy reduction targets/ plan under development/ planned</li> <li>Limited corporate financial investment in emissions reduction</li> </ul>	<ul style="list-style-type: none"> <li>Non-standard, non-audited GHG methodology in place</li> <li>Non-standard emissions factors used</li> <li>Valid assumptions made</li> <li>Limited breakdown of figures given</li> </ul>	<ul style="list-style-type: none"> <li>Limited emissions savings as a result of company's goods or services</li> <li>Limited emissions savings as a result of internal activities/ energy reduction plan</li> <li>Limited corporate financial investment in emissions reduction to date</li> </ul>	<ul style="list-style-type: none"> <li>Limited communications delivered to some staff on carbon and energy-related matters</li> <li>Limited communication to external stakeholders on carbon or energy-related matters</li> <li>CDP response published in the annual report</li> </ul>
0 - No action	<ul style="list-style-type: none"> <li>Responsibility for climate change not assigned to any individual within the company</li> <li>No incentives in place for GHG reduction or achievement of targets</li> </ul>	<ul style="list-style-type: none"> <li>No risk assessment process listed</li> <li>No risks identified</li> </ul>	<ul style="list-style-type: none"> <li>No opportunities identified</li> </ul>	<ul style="list-style-type: none"> <li>No discussion of carbon impacts in strategy</li> <li>No process to monitor progress</li> <li>No involvement in national policy formation</li> </ul>	<ul style="list-style-type: none"> <li>No GHG emissions reduction targets/plan</li> <li>No financial investment in emissions reduction</li> </ul>	<ul style="list-style-type: none"> <li>No carbon footprint</li> <li>No breakdown of figures given</li> <li>No appreciation of scope 1, 2 and 3 emissions</li> </ul>	<ul style="list-style-type: none"> <li>No emissions savings from goods, services or internal activities</li> <li>No financial investment</li> </ul>	<ul style="list-style-type: none"> <li>No communication to staff on carbon or energy-related matters</li> <li>No communication to external stakeholders on carbon or energy-related matters</li> <li>CDP response not publicised at all</li> </ul>

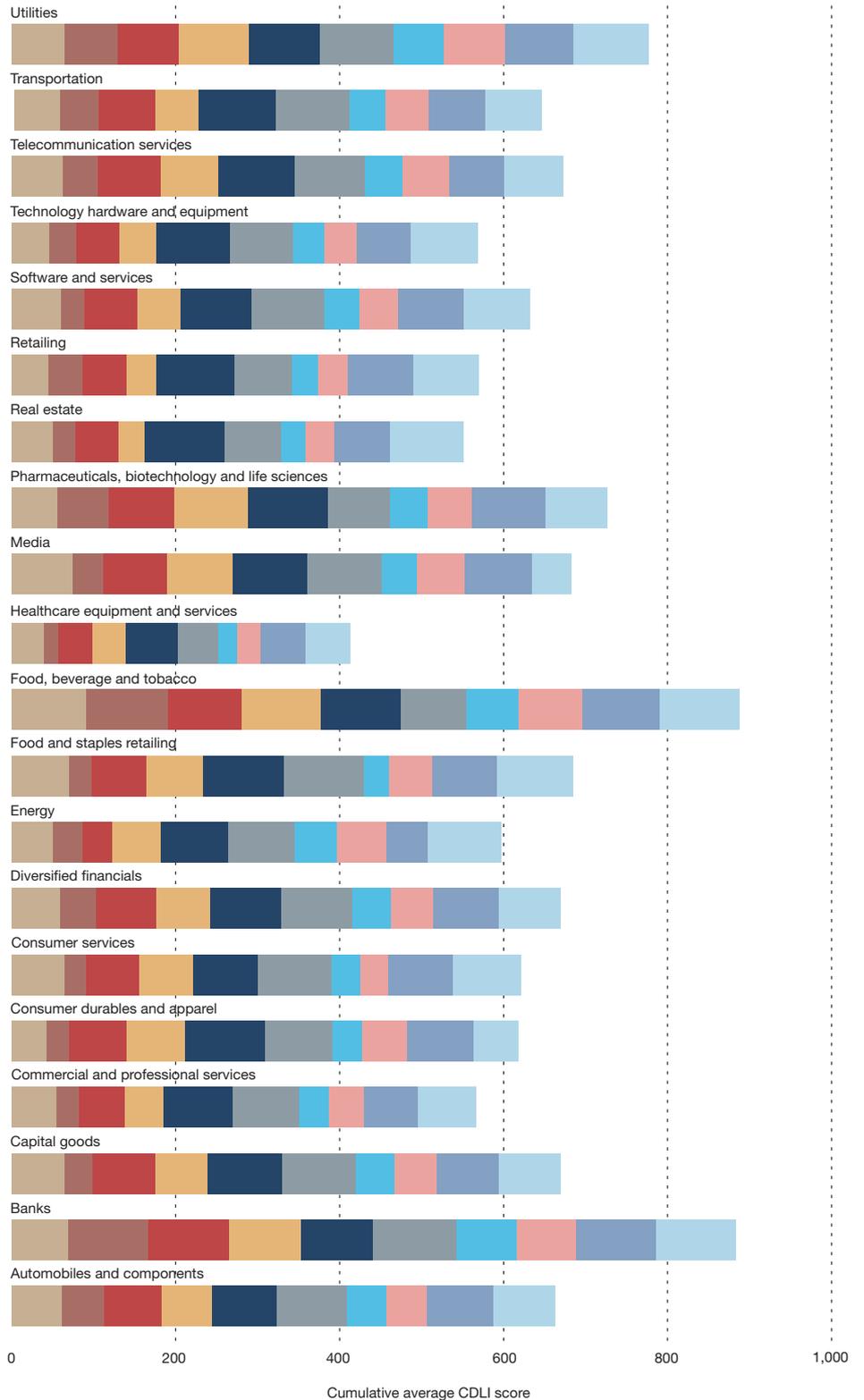
# Appendix 3

## 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](http://www.cdproject.net)).

**Figure A-2 CDLI average disclosure scores**



### Using the OCA analysis

Figures A-3 and A-4 show the average OCA scores achieved by each of the sectors. These show the highest and lowest scoring sectors respectively.

**Figure A-3 Highest OCA scoring sectors**

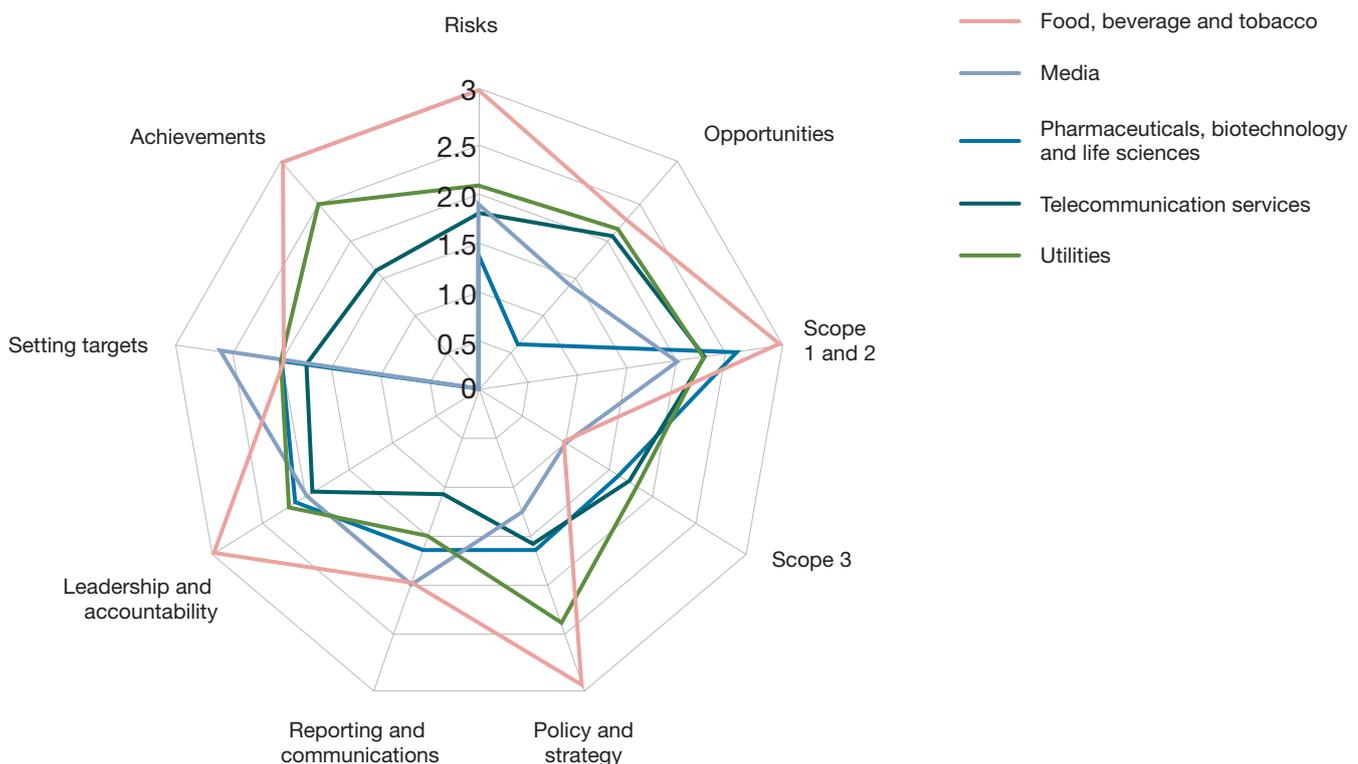
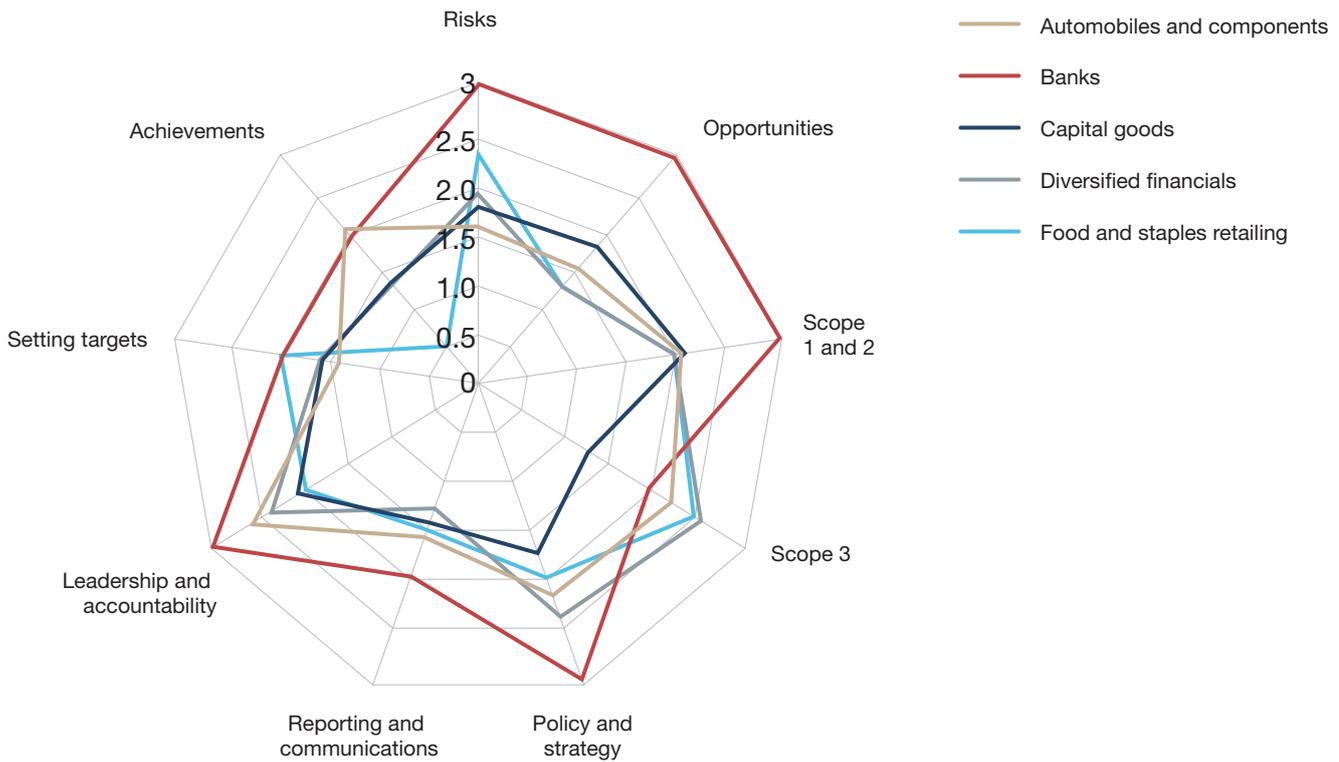
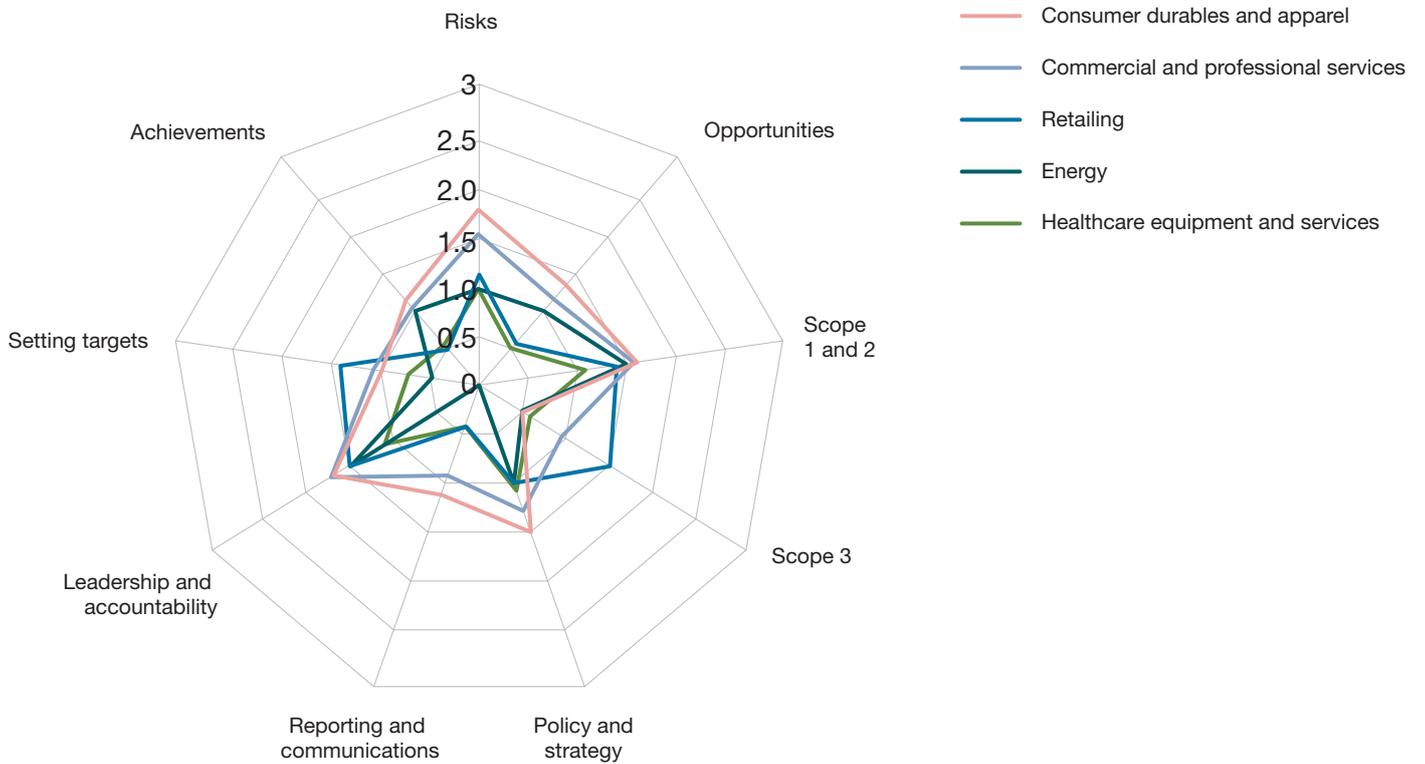
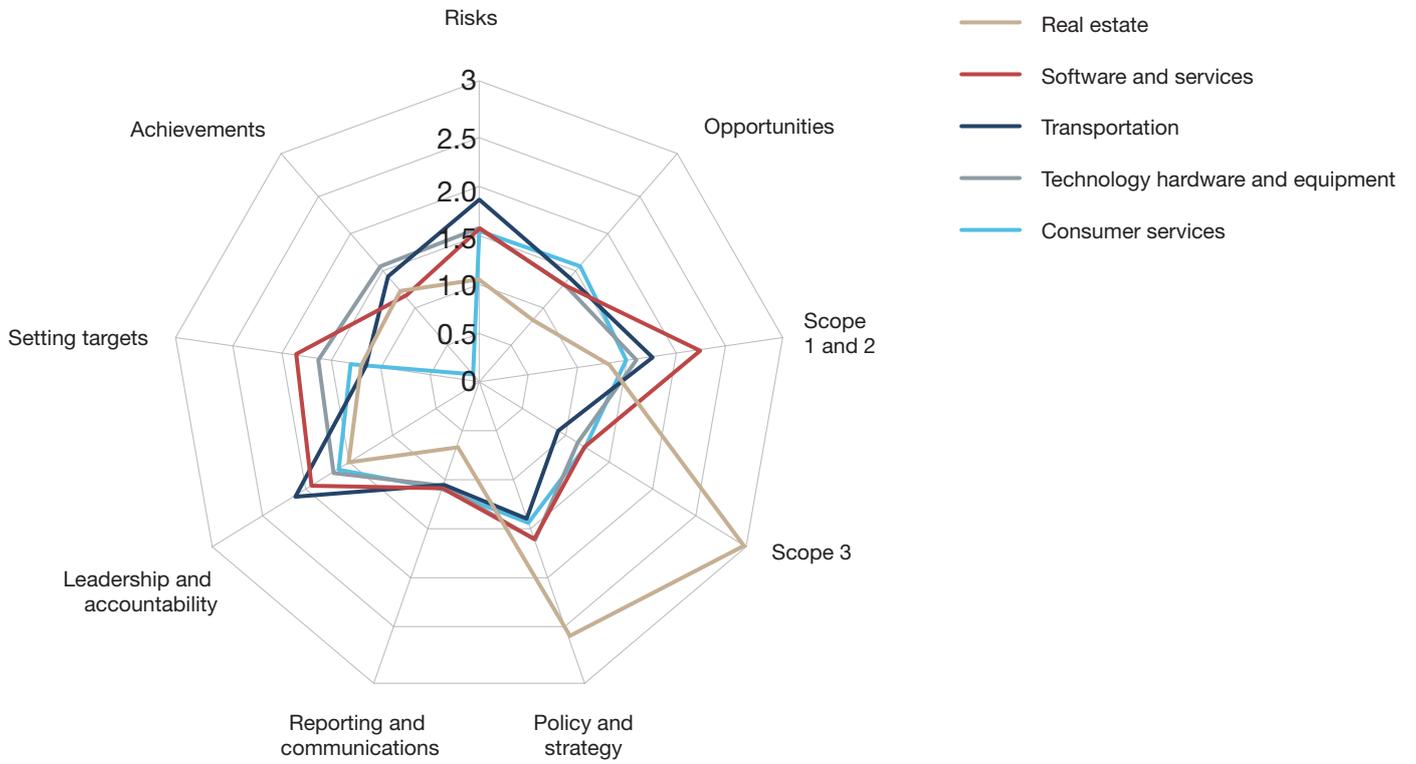


Figure A-4 Lowest OCA scoring sectors



# Appendix 4

## Participating members

### Lead member

#### Department for Business Innovation and Skills

Department of Energy and Climate Change, Nuclear Decommissioning Authority

#### Cabinet Office

#### Department for Environment, Food and Rural Affairs

Environment Agency

#### Department for Transport

Driver and Vehicle Licensing Agency, Government Car and Despatch Agency, Vehicle and Operator Services Agency, Vehicle Certification Agency, Highways Agency, Maritime and Coastguard Agency, Driving Standards Agency

#### Foreign and Commonwealth Office

#### HM Revenue & Customs

#### Home Office

#### Homes and Communities Agency

#### Ministry of Defence

Defence Estates

#### Department for Work and Pensions

#### Office of Government Commerce

HM Treasury, Buying Solutions

#### Department of Health

NHS Supply Chain, University College London Hospitals NHS Foundation Trust, Birmingham and Solihull Mental Health NHS Foundation Trust, Gloucester Shared Services, Welsh Health Supplies

#### GLA group

Greater London Authority, Transport for London, London Development Agency, London Fire and Emergency Planning Authority and the Metropolitan Police Authority/Service

**This report was written and prepared by AEA**



AEA is a world-leading and internationally renowned consultancy with expertise in energy and environmental consulting, and information management.

The company has a strong track record of working successfully with governments to help define and develop policy, and with organisations worldwide to address the risks and opportunities that climate change presents.

**With special thanks to the  
Guardian Sustainable Business for  
supporting the launch of the report**



**In addition, CDP has been made  
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funding of**



# Notes

# Notes



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