

CDP 2010: Tips for Developing Your Response

Increasingly, customers, investors, and the broader stakeholder community are evaluating the impact that companies have on climate change. Consumers are making conscious efforts to buy products that are more environmentally-friendly. Investors are evaluating carbon emissions intensity as part of their investment criteria. Major corporations, such as Walmart, P&G, and Ford, are requiring their suppliers to report their greenhouse gas (GHG) emissions as part of doing business. Regulators, such as the US EPA, are also requiring certain “heavy emitters” to disclose their GHG emissions. It is clear that measuring, managing and reporting GHG emissions is no longer a voluntary initiative but a requirement for doing business. This is why responding to the Carbon Disclosure Project (CDP) is so important.

Approaching the Survey

First time responders to the CDP can sometimes be overwhelmed by the process of completing the survey, but there are a number of ways that responding companies can develop a thoughtful response with limited resources. To facilitate this process, it can be very useful to gain a basic understanding of the critical points to touch upon and the most common sources of information that can be tapped into to answer each question. We took a look at each of the five sections of CDP 2010: Corporate Governance, Risks and Opportunities, Strategy, Carbon Accounting, and Stakeholder Communications. What follows is a brief discussion of how companies can find simple ways to put together a valuable response.

Corporate Governance

The focus of Corporate Governance is to identify *who* in the organization is responsible for addressing climate change and *how* their performance is incentivized. In many cases, these individuals can be part of the board of directors, corporate executives, or managers/directors specializing in sustainability. In some cases, they may be the teams responsible for creating shareholder reports or marketing, sales or public relations materials that discuss the company's sustainability issues. If any corporate guidelines or protocols have been produced, they may be very useful in answering this first question completely.

Risks & Opportunities

Risks and Opportunities asks the company to identify what is *significant*: Are there risks and opportunities from climate change that could materially impact the organization. Key sources of information to draw upon for your response are the company's 10-K and/or Annual Report, in which these risks are often already discussed. These documents can also serve as a guideline for the tone of your CDP response. As risks and opportunities may be similar within a given industry, it might also be beneficial to consult reports or case studies published by trade organizations or industry associations to formulate a company-specific response.

Strategy

Strategy provides an opportunity for respondents to share the actions that their organization has identified to address the risks and take advantage of the opportunities. The reduction activities that are planned or may already have begun and the targets that have been set by the organization paint a picture of how your organization is showing climate leadership. Use this section to tout your accomplishments. Corporate Social Responsibility (CSR) reports and any other sustainability literature that has been published by the organization can be one of the best places to find appropriate responses to these questions.

Carbon Accounting

Carbon accounting is a key component of the CDP survey. Calculating and reporting corporate GHG emissions is the most time consuming and resource intensive part of the public disclosure process. For organizations attempting to account their emissions for the first time, ClearCarbon recommends taking a Two-Phase Approach when conducting an inventory by first defining key parameters and then quantifying the associated emissions. In addition, it is highly recommended that companies use the WRI/WBCSD *GHG Protocol* Corporate Standard for extensive guidance on how to calculate your corporate GHG Inventory.

Data for carbon accounting can often be provided by the utility companies: this should give you the foundation for a few questions in this section. For those organizations that engage in emissions trading or carbon offsetting, the carbon registry that they report to will also prove to be a valuable source of information for responding to the CDP.

Two-Phase GHG Inventory Approach

Phase I: Defining

- ✓ GHG inventory parameters
 - Organizational boundaries, base year, business units and key individuals
- ✓ Identify operational boundaries:
 - Scope 1, 2 and 3 emissions sources

Phase II: Quantifying

- ✓ Data collection and gap analysis
- ✓ Data review, modeling, and completion
- ✓ Data integration and quality analysis
- ✓ Calculate GHG emissions
- ✓ Analysis and reporting

Stakeholder Communications

The final section of the survey requests that the organization disclose the ways in which they communicate their climate change initiatives to their stakeholders. Referring to the company website, CSR reports, and related press releases can be a good starting point for answering the last few questions.

Now is the time to start

These tips and information are provided as a guide for responding to the CDP in a quick turn, but they are really just the beginning. The end goal is for companies to use their responses as a benchmark for themselves and find ways in which they can reduce their carbon intensity. That's where ClearCarbon can help. We work with companies to measure their carbon footprint to create a foundation for driving operational performance improvements. We use carbon as a lens for helping companies find ways to reduce energy, fuel, industrial gas, refrigerant, and water usage and minimize waste. Using the results of the corporate footprint, we can help companies identify risks and opportunities, set goals, and develop carbon reduction strategies that improve their performance – and their CDP response – year after year.