
Leadership now: UK companies and the global environmental challenge

CDP 2014 UK Corporate Environmental Report



Contents

| | |
|--|----|
| CEO foreword | 4 |
| Investor foreword | 5 |
| Executive summary | 6 |
| 2014 UK climate change CPLI and CDLI | 8 |
| Key themes and highlights of 2014 responses | 12 |
| Appendix I: Investor members | 25 |
| Appendix II: Responding companies | 26 |
| Appendix III: Responding FTSE SmallCap climate change companies | 29 |
| Appendix IV: Non-responding climate change companies | 30 |
| Appendix V: Building on climate change leadership: Natural capital | 31 |
| Appendix VII: References | 32 |
| Appendix VI: Mind the Science, Mind the Gap | 33 |

Important Notice

The contents of this report may be used by anyone providing acknowledgement is given to CDP. This does not represent a licence to repackage or resell any of the data reported to CDP or the contributing authors and presented in this report. If you intend to repackage or resell any of the contents of this report, you need to obtain express permission from CDP before doing so.

CDP has prepared the data and analysis in this report based on responses to the 2014 climate change, forests and water information requests. No representation or warranty (express or implied) is given by CDP or any of its contributors as to the accuracy or completeness of the information and opinions contained in this report. You should not act upon the information contained in this publication without obtaining specific professional advice. To the extent permitted by law, CDP and its contributors do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this report or for any decision based on it. All information and views expressed herein by CDP and its contributors are based on their judgment at the time of this report and are subject to change without notice due to economic, political, industry and firm-specific factors. Guest commentaries where included in this report reflect the views of their respective authors; their inclusion is not an endorsement of them.

CDP and its contributors, their affiliated member firms or companies, or their respective shareholders, members, partners, principals, directors, officers and/or employees, may have a position in the securities of the companies discussed herein. The securities of the companies mentioned in this document may not be eligible for sale in some states or countries, nor suitable for all types of investors; their value and the income they produce may fluctuate and/or be adversely affected by exchange rates.

'CDP' refers to CDP Worldwide, a United Kingdom company limited by guarantee, registered as a United Kingdom charity number 1122330.

© 2014 CDP Worldwide. All rights reserved.

CEO foreword



One irrefutable fact is filtering through to companies and investors: the bottom line is at risk from environmental crisis.

The global economy has bounced back from crisis and a cautious optimism is beginning to pervade the markets. As we embrace recovery we must remember that greenhouse gas emissions continue to rise and we face steep financial risk if we do not mitigate them.

The unprecedented environmental challenges that we confront today—reducing greenhouse gas emissions, safeguarding water resources and preventing the destruction of forests—are also economic problems. One irrefutable fact is filtering through to companies and investors: the bottom line is at risk from environmental crisis.

The impact of climate events on economies around the world has increasingly been splashed across headlines in the last year, with the worst winter in 30 years suffered by the USA costing billions of dollars. Australia has experienced its hottest two years on record and the UK has had its wettest winter for hundreds of years costing the insurance industry over a billion pounds. Over three quarters of companies reporting to CDP this year have disclosed a physical risk from climate change. Investing in climate change-related resilience planning has become crucial for all corporations.

Investor engagement on these issues is increasing. In the US a record number of shareholder resolutions in the 2014 proxy season led 20 international corporations to commit to reduce greenhouse gas emissions or sustainably source palm oil.

As mainstream investors begin to recognize the real value at risk, we are seeing more action from some of the 767 investors who request disclosure through CDP's climate change programme. The Norwegian pension fund, Norges Bank, with assets worth over US\$800 billion, expects companies to show strategies for climate change risk mitigation and water management, and have divested from both timber and palm oil companies that did not meet their standards.

There is growing momentum on the policy front with President Obama's announcement of new federal rules to limit greenhouse gases in the US. In the EU, some 6,000 companies will be required to disclose on specific environmental, social and governance criteria as part of their mainstream reporting to investors. In China over 20,000 companies will be required to report their greenhouse gas emissions to the government.

There is a palpable sea change in approach by companies driven by a growing recognition that there is a cost associated with the carbon they emit. Measurement, transparency and accountability drives positive change in the world of business and investment. Our experience working with over 4,500 companies shows the multitude of benefits for companies that report their environmental impacts, unveiling risks and previously unseen opportunities.

We are standing at a juncture in history. With the prospect of a global climate deal coming from the United Nations process, governments, cities, the private sector and civil society have a great opportunity to take bold actions and build momentum in the run up to the Paris 2015 meeting. The decisions we make today can lead us to a profitable and secure future. A future that we can all be proud of.

Paul Simpson
Chief Executive Officer, CDP

Investor foreword



There is wind in the sails of the stranded assets argument.

The anti-climax that was the Conference of the Parties in Copenhagen in 2009 marked the beginning of a period when the energy and will for action on climate change was debilitated by understandable short-term worries over the global recession. Now that the recession appears to be receding, we are getting back a sense of opportunity, and a will – judging by President Obama's rear-guard action on regulating emissions in the US and China's planned action on pollution and energy security – to have another go.

There is wind in the sails of the stranded assets argument, with even well-known City columnists for the Financial Times and The Telegraph lending support. As Martin Wolf put it, the risk to investors "cannot be zero." Some hope a catalyst will be the Conference of the Parties in Paris in 2015 (COP21), billed as the successor to Copenhagen – only hopefully better organised and with meaningful, binding targets.

Free market thinking argues that the tortured negotiations are a sideshow, but *nil desperandum*: technology disruption may achieve what global regulation never could. Some sell-side commentators are beginning to say the unsayable: that the dominance and longevity of the oil economy are not assured. They say the penetration of low-cost solar, likely improvements in battery storage and electric vehicles are threatening to undermine the economic case for dragging expensive and often risky marginal barrels of oil and gas from the earth. Coal is taking a bruising at least in part thanks to regulation and the US shale gas revolution, which is of course not without its own issues.

And there is greater recognition of the energy-water-resources nexus. More desalination requires more energy and emissions. Increasing yields in some crops through irrigation or expansion of agricultural areas may not be an option because of supply shortages, the impact of deforestation, conflicts and so on. This

interconnectedness is recognised in the format of the CDP UK corporate environmental report 2014, which for the first time includes company responses on water and forests, respectively. I'm pleased that 71% of the FTSE 350 has responded to CDP's climate change information request and that more companies are looking at water and products associated with deforestation in their supply chain. Even so, the standard of reporting and of planning is highly variable, even amid sectors most commonly associated with these risks.

At Royal London Asset Management, we are also trying to come to terms with what these issues mean for our investments. Some of the long-dated debt we own is financing climate-sensitive assets out to the 2060s, for example. CDP has done the world a service by providing pressure and some consistency in how companies and cities report their risks, opportunities and actions on climate, water and forests. Still, I have the sense that markets still don't know what to do with this information, if they even know it's there. We can but hope that, as momentum returns to the debate, a strong price for carbon emerges and action on water and forests accelerates, these reports provide a rich seam of insight for those seeking to identify the companies that will still be around in the 2050s having adapted to a defining phenomenon of our time.

Robert Talbut
Chief Investment Officer
Royal London Asset Management

Executive summary

The planet faces ever-growing pressure from the demands of a rapidly increasing human population and its myriad, often unpredictable impacts on every aspect of the natural environment. In 1800, less than 2% of the world's population lived in cities; today, more than half do¹. Annual global carbon dioxide emissions for 2014 are expected to rise to 40 billion tonnes – 65% above 1990 levels¹. Further, as populations in some parts of the world find themselves with more disposable income, diets are becoming increasingly meat-based and the demand for rare and finite resources is becoming more intense, further accelerating deforestation and land use change.

The effects of these changes are already being felt: the planet's average temperature has increased by 0.85°C since 1880 and is increasing faster than ever before²; the global water cycle has been affected³; crop yields have altered⁴; and tree mortality has escalated⁵. The Intergovernmental Panel on Climate Change's (IPCC) Fifth Assessment Report (AR5) concludes that these impacts are a result of the unprecedented increase in atmospheric greenhouse gases (GHG) from specifically human activities⁶. Climate change and its far-reaching impacts will cause a loss of global consumption of up to 4% by 2030⁷.

Impacts such as these will affect human well-being and sustainable economic growth; indeed, inadequate responses to the effects of climate change are already eroding the potential for truly sustainable development⁸.

The world must take action and the next year holds great potential for real reform. The world's leaders met in New York in September 2014 for the UN Climate Summit, hoping to lay the groundwork for meaningful legal action at COP21 in Paris in the winter of 2015. The private sector has a crucial role to play: companies provide up to three quarters of annual mitigation financing⁹. Further, they have huge scope to control emissions and accelerate action in reducing them, as well as enhancing water stewardship and managing land use responsibly and sustainably.

To help drive consensus and action toward an agreement at COP21, CDP has launched CDP Road to Paris 2015, which invites businesses to commit to a set of practical initiatives. The initiatives range from putting a price on carbon emissions, to developing a strategy to procure electricity from renewable sources, to setting GHG emissions reduction targets that align with climate science.

This year, for the first time, the CDP UK corporate environmental report² explores data disclosed through all three of CDP's programmes (climate change, water and forests) and reveals what UK companies are doing to target global environmental challenges. In 2014, CDP issued its climate change information request to the FTSE 350 companies³ on behalf of 767 investors representing US\$92 trillion in assets, asking them to disclose what climate change means for their business. 71% (248) of companies in the FTSE 350 sample responded to this request⁴.

Leading companies are now also benefiting from measuring, managing and reporting water use management and the deforestation linked to corporate supply chains. 2014 was the inaugural year for CDP's Water FTSE 100 sample; the water information request was sent to 61 companies from the FTSE 100⁵. The water data analysis is based on the responses of 32 Water FTSE 100 companies and three other UK-based companies^{6, 7}. The forests data analysis is based on the responses of 27 UK-based companies⁸ requested to take part.

This report explores some of the key areas in which companies are addressing environmental issues, including those outlined in the AR5; primarily, are they managing natural resource and climate change issues appropriately; are they setting ambitious enough targets; and what are the top environmental risks and opportunities companies are identifying? It also illustrates what the climate performance leaders⁹ are doing differently to the rest. UK companies are uniquely positioned because of the scope of mandatory GHG reporting¹⁰ in this country and legally-binding carbon

budgets; the Timber Procurement Policy¹¹ to ensure the legality and sustainability of sourcing, as well as the Government's commitment to sustainable palm oil use by 2015¹²; and the proposed water abstraction reforms¹³. With this framework in place, what are UK companies doing to manage and minimise their environmental impact?

The findings show that the UK companies are taking the lead in some aspects of their forest-risk commodity target setting but there's disparity in the timelines companies disclose for different commodities' targets. Meanwhile, the majority of UK respondents' targets are focussed on water efficiency measures in direct operations UK climate leader companies are showing much more commitment to reducing their GHG emissions.

Companies are identifying reputational factors as a serious risk associated with procurement or production of forest-risk commodities, although within climate change, the leaders have a much more even spread of risk type. Similarly, companies report a range of direct water risks, including increased water scarcity and flooding. Encouragingly, all companies that identify risks in their supply chain through the water programme also require their suppliers to report on their water use and management. This is positive because ensuring resilience to water challenges in the supply chain depends on collaboration and communication.

There are encouraging indications within the opportunities companies are identifying in relation to their forest-risk commodities, whilst many more companies report water opportunities than risks. Interestingly, the majority of the most common climate opportunities companies report are also the top risks.

Leaders are more likely to meet their GHG targets, and are more likely to set absolute targets.

Sustainable palm oil is widely seen as a business opportunity, and other commodities could follow this trend.

The majority of companies are still focussed predominately on efficiency measures, but need to focus on local watershed risk management.

Roman numerals refer to document references. Please see p.32 for more details

1 http://www.globalcarbonproject.org/carbonbudget/14/files/UK_UEA_GCPBudget2014.pdf

2 In previous years, this report has been the CDP UK FTSE 350 Climate Change report

3 The FTSE 350 index used by CDP is based on the market price of 350 companies listed on the London Stock Exchange, including companies on the FTSE 100 index and FTSE 250 index as of 1 January 2014

4 This report is based on the analysis of the 230 responses received by 1 July 2014

5 CDP's water information request is targeted at a subset of the biggest companies by market capitalisation that have the greatest potential to be impacted by, or to impact upon, water resources. To see a full list of the companies in the Water FTSE 100 sample, please visit: <https://www.cdp.net/en-US/Programmes/Documents/2014-water-companies.pdf>

6 Responses submitted to the Forests and Water programs by 1 August 2014 were included in analysis. Several companies submitted after this date.

7 The three UK-based companies that chose to take part in CDP's water programme this year, without being requested to do so by our signatory investors, are: Croda International, DS Smith and Morgan Advanced Materials.

8 One company, Greencore Group plc, is headquartered in Ireland but it also takes part in CDP's climate change program as part of the FTSE 350 sample so its forests data is included in this report's analysis as well

9 Companies that achieve an "A" performance band

10 A result of the Climate Change Act 2008 and which took effect from 1 October 2013, requiring all UK quoted companies to report on their greenhouse gas emissions as part of their annual Directors' Report. For more information: <https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance>

11 For more information, please see: <https://www.gov.uk/timber-procurement-policy-tp-prove-legality-and-sustainability>

12 For more information, please see: <http://sd.defra.gov.uk/2012/11/uk-commitments-to-source-sustainable-palm-oil/>

13 For more information, please see: <https://www.gov.uk/government/policies/reforming-the-water-industry-to-increase-competition-and-protect-the-environment/supporting-pages/protecting-our-water-sources-the-future-of-abstraction-reform>

2014 climate change leadership criteria

Each year, company climate change responses are analysed and scored against two parallel scoring schemes: performance and disclosure.

The performance score assesses the level of action, as reported by the company, on climate change mitigation, adaptation and transparency. Its intent is to highlight positive climate action as demonstrated by a company's CDP climate change response. A high performance score signals that a company is measuring, verifying and managing its carbon footprint, for example by setting and meeting carbon reduction targets and implementing programs to reduce emissions in both its direct operations and supply chain.

The disclosure score assesses the completeness and quality of a company's response. Its purpose is to provide a summary of the extent to which companies have answered CDP's questions in a structured format. A high disclosure score signals that a company provided comprehensive information about the

measurement and management of its carbon footprint, its climate change strategy and risk management processes and outcomes.

The highest scoring companies for performance and/or disclosure enter the Climate Performance Leadership Index (CPLI) and/or the Climate Disclosure Leadership Index (CDLI). Public scores are available on the CDP website and in CDP reports, through Bloomberg terminals, Google Finance and Deutsche Boerse's website.

This year, for the first time, CDP has published a report that looks at all climate leader companies around the world – "The A List: The CDP Climate Performance Leadership Index 2014". To find out more, please visit www.cdp.net/reports

What are the CPLI and CDLI criteria?

To enter the CPLI (Performance Band A), a company must:

- Make its response public and submit via CDP's Online Response System
- Attain a performance score greater than 85
- Score maximum performance points on question 12.1a (absolute emissions performance) for GHG reductions due to emission reduction actions over the past year (4% or above in 2014)
- Disclose gross global Scope 1 and Scope 2 figures
- Score maximum performance points for verification of Scope 1 and Scope 2 emissions
- Furthermore, CDP reserves the right to exclude any company from the CPLI if there is anything in its response or other publicly available information that calls into question its suitability for inclusion.

Note: Companies that achieve a performance score high enough to warrant inclusion in the CPLI, but do not meet all of the other CPLI requirements are classed as Performance Band A- but are not included in the CPLI.

To enter the CDLI, a company must:

- Make its response public and submit via CDP's Online Response System
- Achieve a score within the top 10% of the total regional sample population*

* Note: while it is usually 10%, in some regions the CDLI cut-off may be based on another criteria, please see local reports for confirmation. The minimum disclosure score needed to achieve a place on the FTSE 350 CDLI in 2014 is 95.

How are the CPLI and CDLI used by investors?

Good performance and disclosure scores are used by investors as a proxy of good climate change management or climate change performance of companies.

Investors identify and then engage with companies to encourage them to improve their score. The 'Aiming for A' initiative which was initiated by CCLA Investment Management is driven by a coalition of UK asset owners and mutual fund managers. They are asking major UK-listed utilities and extractives companies to aim for inclusion in the CPLI. This may involve filing supportive shareholder resolutions for Annual General Meetings occurring after September 2014.

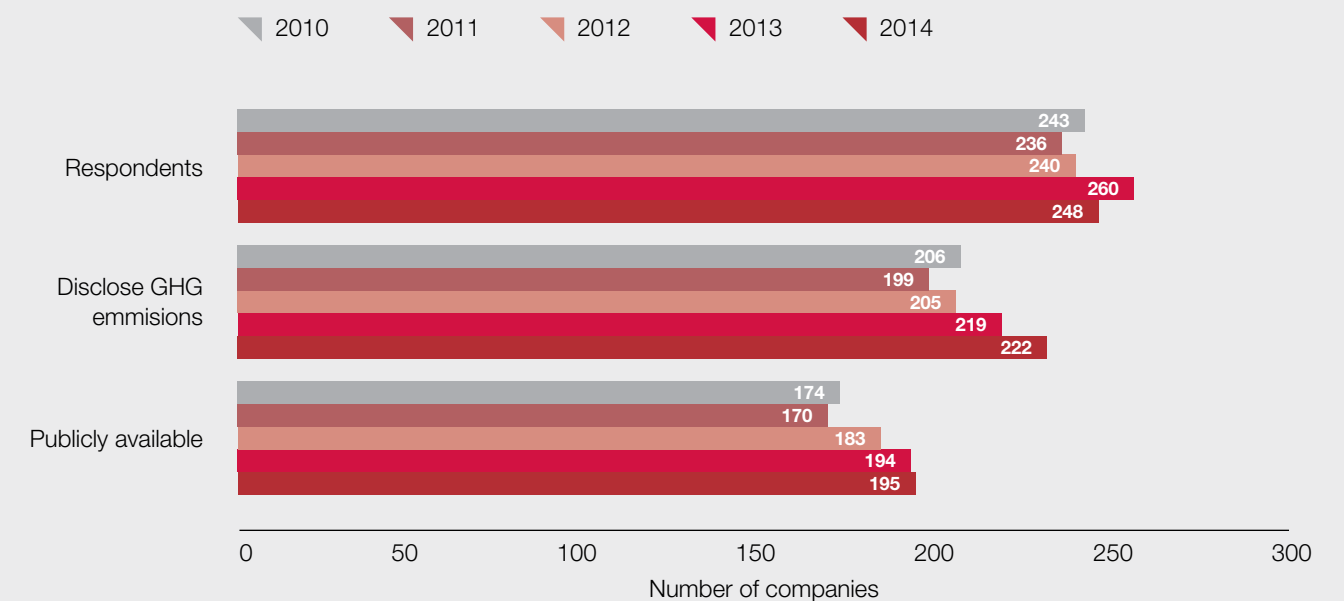
Investors are also using CDP scores for creation of financial products. For example, Nedbank in South Africa developed the Nedbank Green Index. Disclosure scores are used for selecting stocks and performance scores for assigning weight.

For further information on the CDLI and the CPLI and how scores are determined, please visit www.cdp.net/guidance.

Table 1: Top companies by disclosure and performance

| Company Name | Sector | Disclosure Score | Performance Score |
|---------------------|----------------------------|------------------|-------------------|
| Centrica | Utilities | 100 | A |
| Diageo | Consumer Staples | 100 | A |
| Carillion | Industrials | 99 | A |
| Standard Chartered | Financials | 99 | A |
| Unilever | Consumer Staples | 99 | A |
| Johnson Matthey | Materials | 98 | A |
| BT Group | Telecommunication Services | 97 | A |
| Henderson Group | Financials | 97 | A |
| HSBC Holdings | Financials | 97 | A |
| Coca-Cola HBC AG | Consumer Staples | 96 | A |
| Reed Elsevier Group | Consumer Discretionary | 96 | A |

Figure 1: Year on year climate change disclosure levels for FTSE 350 companies



2014 FTSE 350 Climate Performance Leadership Index (CPLI)



| Sector | Company | Disclosure score | Performance band | Consecutive years in the FTSE 350 CPLI |
|----------------------------|--------------------------|------------------|------------------|--|
| Consumer Discretionary | Reed Elsevier Group | 96 | A | 2 |
| Consumer Staples | Diageo Plc | 100 | A | 3 |
| | Unilever plc | 99 | A | 3 |
| | Coca-Cola HBC AG | 96 | A | 1 |
| | J Sainsbury Plc | 94 | A | 1 |
| | Morrison Supermarkets | 92 | A | 1 |
| | Associated British Foods | 89 | A | 1 |
| | SABMiller | 85 | A | 1 |
| Financials | Standard Chartered | 99 | A | 1 |
| | Henderson Group | 97 | A | 1 |
| | HSBC Holdings plc | 97 | A | 2 |
| | Aviva | 94 | A | 1 |
| Health Care | AstraZeneca | 93 | A | 1 |
| Industrials | Carillion | 99 | A | 2 |
| | Balfour Beatty | 94 | A | 1 |
| | Cobham | 92 | A | 1 |
| Materials | Johnson Matthey | 98 | A | 1 |
| Telecommunication Services | BT Group | 97 | A | 2 |
| Utilities | Centrica | 100 | A | 1 |
| | SSE | 94 | A | 1 |

2014 FTSE 350 Climate Disclosure Leadership Index (CDLI)



| Sector | Company | Disclosure score | Performance band | Consecutive years in the FTSE 350 CDLI |
|----------------------------|---|------------------|------------------|--|
| Consumer Discretionary | TUI Travel | 100 | A- | 7 |
| | WPP Group | 98 | B | 2 |
| | Next | 96 | B | 1 |
| | Reed Elsevier Group | 96 | A | 7 |
| | British Sky Broadcasting | 95 | A- | 5 |
| | Kingfisher | 95 | A- | 1 |
| Consumer Staples | Diageo Plc | 100 | A | 4 |
| | Reckitt Benckiser | 100 | A- | 6 |
| | Unilever plc | 99 | A | 1 |
| | Coca-Cola HBC AG | 96 | A | 1 |
| Financials | British Land Company | 99 | A- | 4 |
| | Standard Chartered | 99 | A | 3 |
| | Lloyds Banking Group | 98 | B | 7 |
| | Old Mutual plc | 98 | B | 6 |
| | Royal Bank of Scotland Group | 98 | B | 7 |
| | Henderson Group | 97 | A | 1 |
| | HSBC Holdings plc | 97 | A | 7 |
| | Prudential PLC | 97 | B | 1 |
| | Land Securities | 96 | A- | 3 |
| | London Stock Exchange | 96 | B | 1 |
| | Standard Life | 95 | B | 2 |
| | Quintain Estates* | 95 | C | 1 |
| Health Care | GlaxoSmithKline | 96 | B | 7 |
| | Smith & Nephew | 95 | B | 3 |
| Industrials | Carillion | 99 | A | 2 |
| | Morgan Advanced Materials | 97 | B | 3 |
| | Morgan Sindall Group* | 97 | B | 3 |
| | Serco Group | 97 | B | 5 |
| | International Consolidated Airlines Group, S.A. | 95 | B | 2 |
| Materials | Johnson Matthey | 98 | A | 1 |
| | Marshalls* | 98 | B | 1 |
| | Lonmin | 96 | B | 2 |
| | Mondi PLC | 96 | B | 1 |
| | Anglo American | 95 | B | 5 |
| Telecommunication Services | BT Group | 97 | A | 5 |
| Utilities | Centrica | 100 | A | 7 |
| | United Utilities | 99 | A- | 1 |
| | National Grid | 97 | B | 2 |

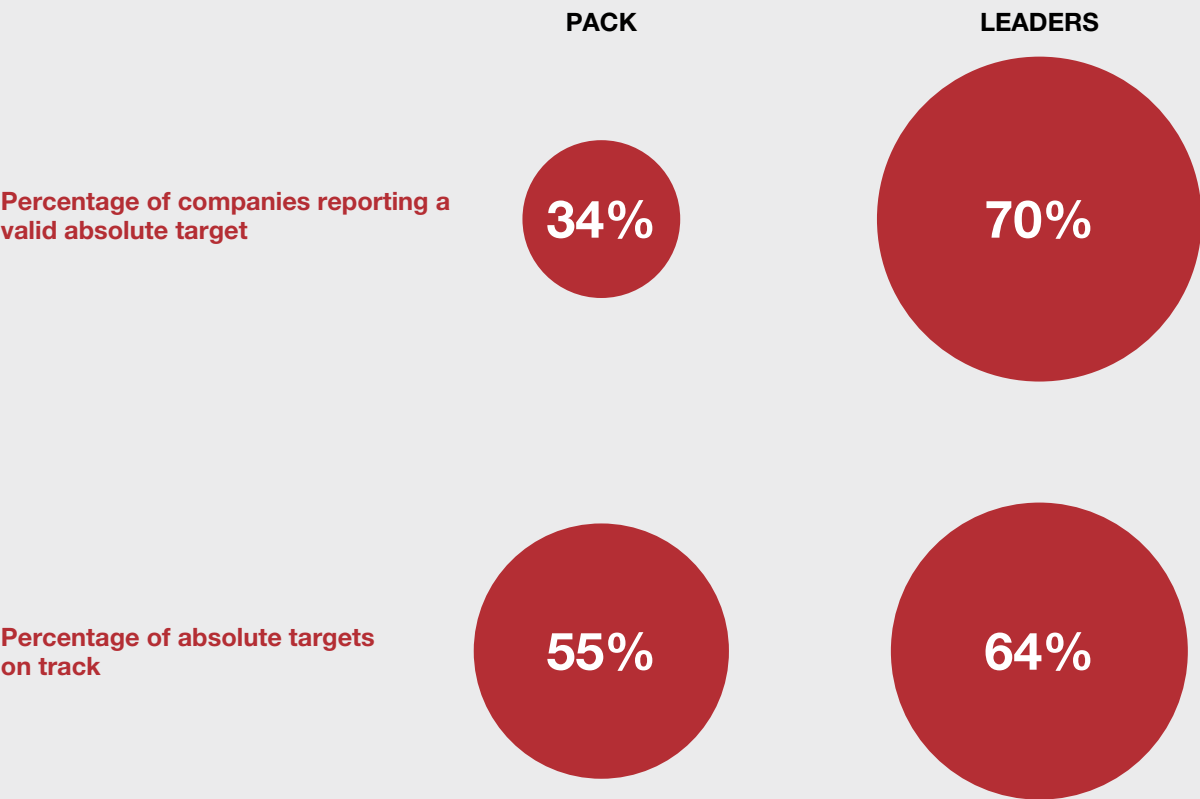
* These FTSE SmallCap companies aren't in the FTSE 350 but achieved the required score to be recognised on the CDLI

Key themes and highlights of 2014 responses

Targets

Climate change: Leaders are more likely to meet their GHG targets, and more likely to set absolute targets

Figure 2: Climate change targets

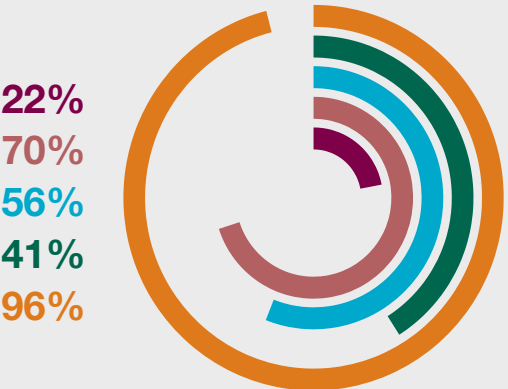


More than double the number of leader companies are setting absolute targets; further, nearly two thirds (64%) of their absolute targets are on track, as opposed to just over half of the pack's (55%). Both these factors demonstrate "A" companies' real commitment to reducing their emissions.

* "Pack" companies are all those respondents that didn't achieve a performance band "A"

Forests: A third of responses across the commodities demonstrate no quantified target for certification

Figure 3: Percentage of companies reporting on each commodity



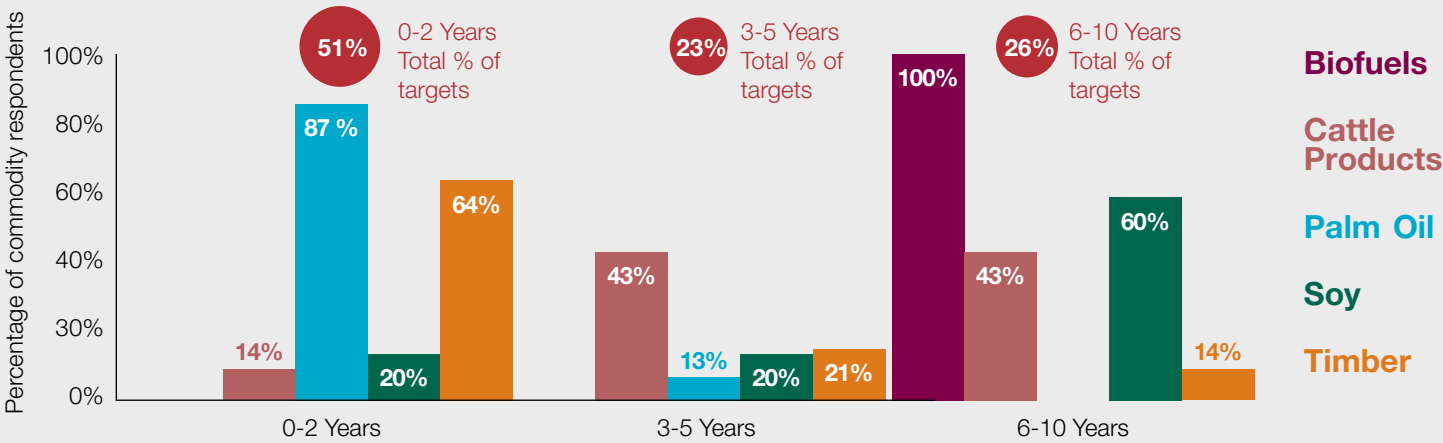
An unusually high percentage of companies report on cattle products (surprisingly, higher than palm oil), indicating that UK companies may be taking a lead on a commodity for which work on deforestation is still at an early stage.

Figure 4: Percentage of commodity responses stating a quantified target for third party certification



It is very concerning that a third of responses across the commodities demonstrate no quantified target for certification, given the urgency of the challenges in the AR5.

Figure 5: Timeline of targets for third party certification



* excludes commodities with no target or targets that are 100% achieved

It is interesting to compare the reported short term targets for soy and palm oil (see Figure 5). The responses demonstrate considerable ambition in the short term for reaching 100% third-party certified palm oil. Soy has received less attention from non-governmental organisations (NGOs) than palm oil over the last few years, perhaps accounting for the lower ambition being reported. With the soy moratorium in Brazil destined to finish at the end of 2014, this will be an interesting commodity to watch over the coming year.

Key themes and highlights of 2014 responses *continued*

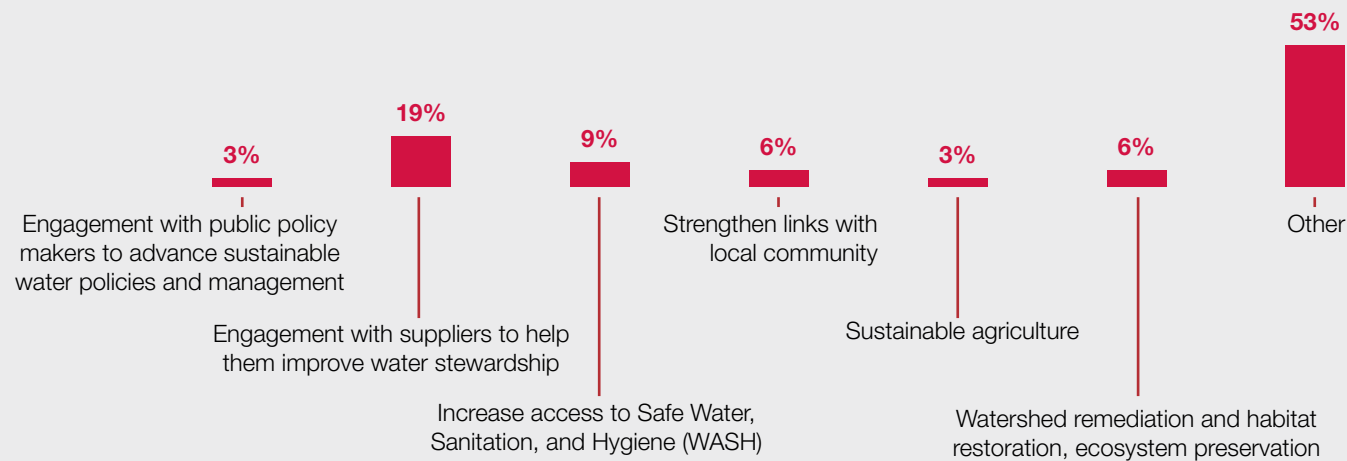
Water: The majority of companies are still focussed predominantly on efficiency measures, but need to focus on local watershed risk management

Figure 6: Frequency and timeline of water targets

| Target | Near-term targets (0-5 years, as % of all reported targets) | Long-term targets (>5 years, as % of all reported targets) |
|---|---|--|
| Absolute reduction of water withdrawals | 7% | 5% |
| Reduction in consumptive volumes | 7% | 2% |
| Reduction of water intensity | 9% | 27% |
| Water pollution prevention | 5% | 7% |
| Other* | 11% | 20% |

e.g. product development, WASH

Figure 7: Frequency of water goals



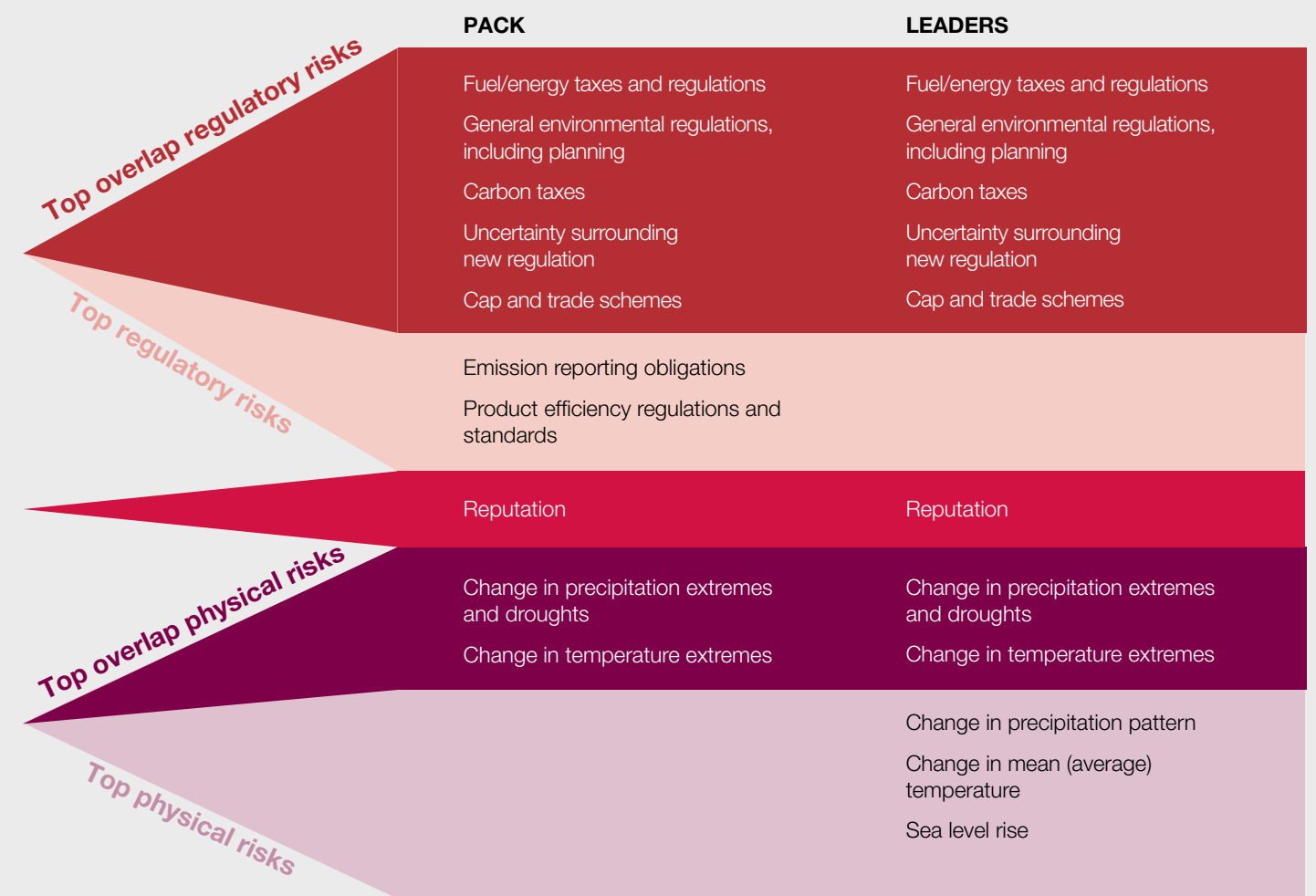
'Reduction in water intensity' is reported by 36% of respondents. This suggests that some companies are still focusing predominantly on efficiency measures and are perhaps not considering how other actions may reduce their risk exposure at the watershed level. Whilst being a more efficient water user is an important first step, and critical if located in a water stressed region, corporate water stewardship must go beyond efficiency measures. It should include appropriate action at the watershed level to reduce impact and therefore mitigate risk. Such measures could include public policy, community and supply change engagement as well as actions to improve water quality.

Unilever's targets on WASH (access to safe water, sanitation and hygiene) is a great example of leading behavior as it shows the company is taking measures that look beyond the company fence line to consider how they can positively impact the wider communities that they operate in/do business with. They are also taking measures to ensure the products they develop are water efficient in order to reduce consumer impact.

Risks

Climate change: Leaders are likely to have absorbed climate reporting into their business-as-usual and are targeting physical challenges

Figure 8: Top climate change risks*



* All risks data includes Regulatory, Physical and Other: Reputational risks

Remarkably, there is little disparity between the top risks the leaders and pack identify apart from the most common risk for leaders ("Change in precipitation pattern") (see figure 8). Further, one of the pack's top long-term risks ("Emission reporting obligations") is only a near-term risk for the leaders (see Figure 9). Together, this indicates the leaders are more aware and better prepared for any additional reporting legislation that may be put into place and therefore don't see reporting obligations as a long-term risk but are more aware of physical challenges that may arise. Indeed, the leaders have a much more even and consistent spread of the types of risks they report (see Figure 10), demonstrating the thoroughness and scope of their risk assessments.

Key themes and highlights of 2014 responses *continued*

Figure 9: Timeline of climate change risks

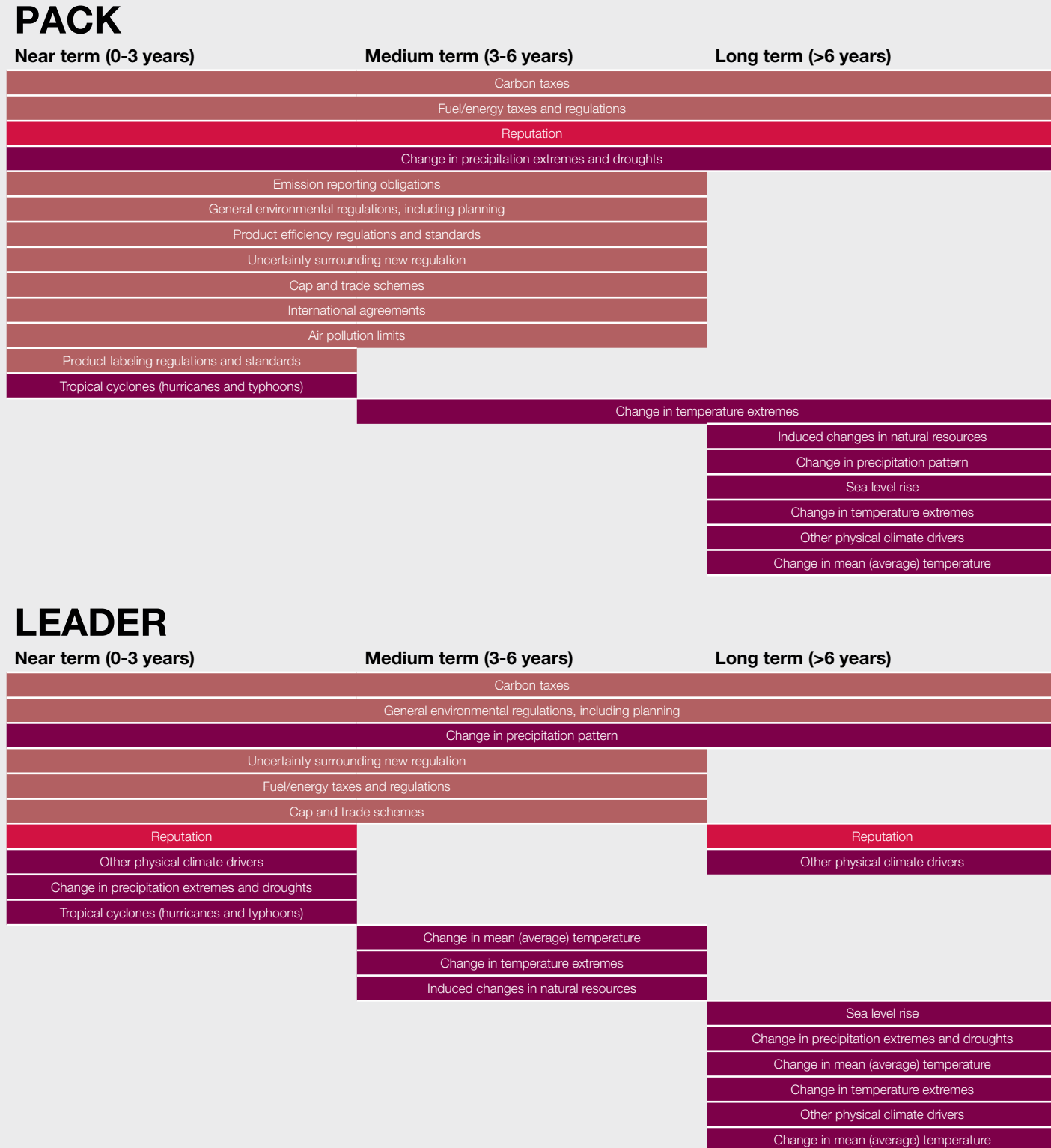


Figure 10: Types of climate change risks

| Type of risk | Overall | Near term | Medium term | Long term |
|---------------------------|---------|-----------|-------------|-----------|
| PACK Physical | 34% | 49% | 15% | 36% |
| Regulatory | 58% | 69% | 17% | 14% |
| Reputational | 8% | 85% | 0% | 15% |
| All types of risk | | 30% | 32% | 15% |
| LEADER Physical | 42% | 43% | 12% | 45% |
| Regulatory | 51% | 71% | 16% | 13% |
| Reputational | 7% | 63% | 16% | 21% |
| All types of risk | | 29% | 33% | 14% |

Our assets are long-lived so we must take a robust, risk-based approach to managing the physical impacts of climate change.

BHP Billiton
(2014 water response)

Consumers would prefer to buy products which are sustainably sourced or protect the earth's natural resources.

Unilever
(2014 climate change response)

Key themes and highlights of 2014 responses *continued*

Forests: Reputational risks remain dominant for forest-risk commodities, but physical risks are well recognised

Figure 11: Number of companies reporting material risks associated with forest-risk commodities

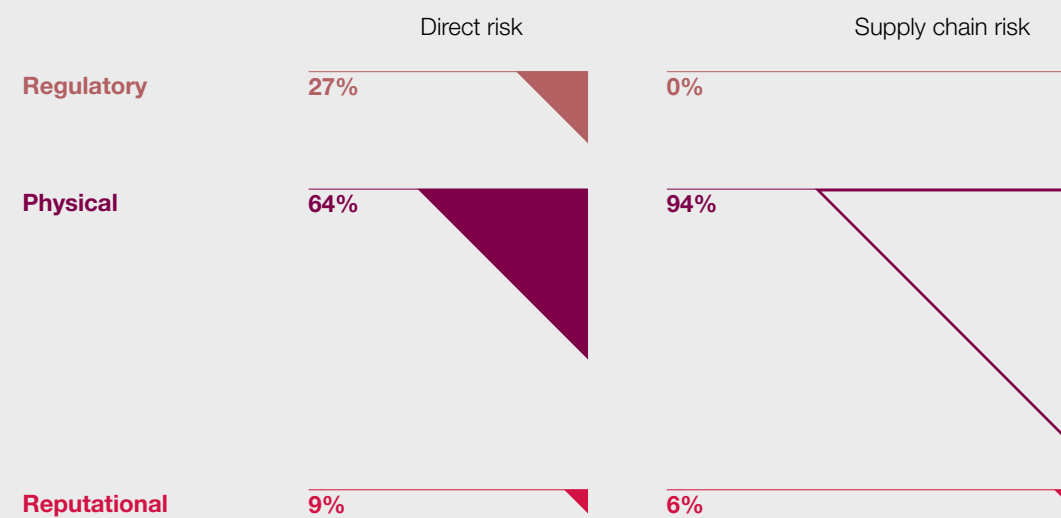


As expected, given many high profile NGO campaigns, companies reporting on palm oil identify material reputational risks more frequently than other risks. Companies also frequently recognise reputational risks associated with their use of soy and cattle products. Despite these perceived risks, there is a lack of ambition in the targets set for certification of these commodities (see figure 5).

It is not surprising that reputational risk is the most commonly reported risk but it is encouraging to note that physical risks are well recognised for all commodities. This shows an understanding within these organizations that they may be affected by commodity supply shocks or price spikes.

Water: The majority of risks identified are near term, and only a minority report risks from their supply chain

Figure 12: Category of water risks*



* Excludes "Other" risk drivers

Two-thirds of respondents (66%) report direct risks with a range of drivers; contrastingly, only 37% of respondents report risks in their supply chain and the overwhelming majority are the result of physical drivers (see Figure 12). This suggests that some companies are focussing on risk assessment in direct operations and are still grappling with assessing risk in supply chains (where often the majority of risk lies). Investors recognise corporate water risk assessments as a proxy for good governance. If a company has a robust water risk assessment that includes direct operations and supply chain, considers near and long term contextual issues as well as relevant stakeholders, the company may be better prepared in the face of water challenges and therefore better able to protect shareholder value.

However, 100% of companies that report risks in their supply chain also require their key suppliers to report on water use, risk and management. This is a positive step in understanding risk in the supply chain as well as building relationships to manage water collaboratively.

Access to sufficient water resources (quantity & quality) is critical to maintaining manufacturing activities both in the present and in the future.

British American Tobacco
(2014 water response)

Beef and leather face significant social, environmental and land use change challenges.

Marks and Spencer Group
(2014 forests response)

Key themes and highlights of 2014 responses *continued*

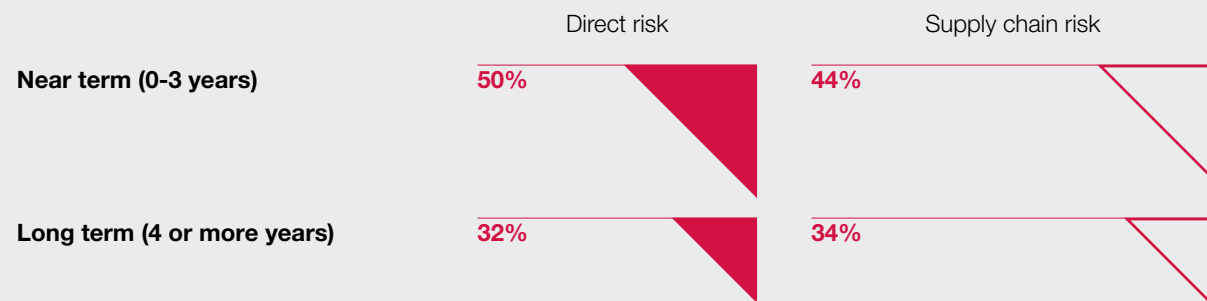
Figure 13: Top water risks and impacts in direct operations

| Risks | Impacts |
|--|-------------------------------|
| Increased water scarcity | Constraint to future growth |
| Flooding | Higher operating costs |
| Projected water scarcity | Closure of operations |
| Increased water stress | Other |
| Regulation of discharge quality/volumes leading to higher compliance costs | Supply chain disruption |
| Community opposition | Loss of license to operate |
| Climate change | Property damage |
| Declining water quality | Brand damage |
| Statutory water withdrawal limits/changes to water allocation | Decrease in shareholder value |
| Increased difficulty in obtaining operations permit | |

Figure 14: Top water risks and impacts in supply chain*

| Risks | Impacts |
|--------------------------------------|-----------------------------|
| Increased water scarcity | Supply chain disruption |
| Climate change | Other |
| Increased water stress | Brand damage |
| Reputational-Negative media coverage | Higher operating costs |
| Drought | Constraint to future growth |
| Flooding | |
| Inadequate infrastructure | |
| Projected water stress | |
| Projected water scarcity | |

Figure 15: Timeline of water risks

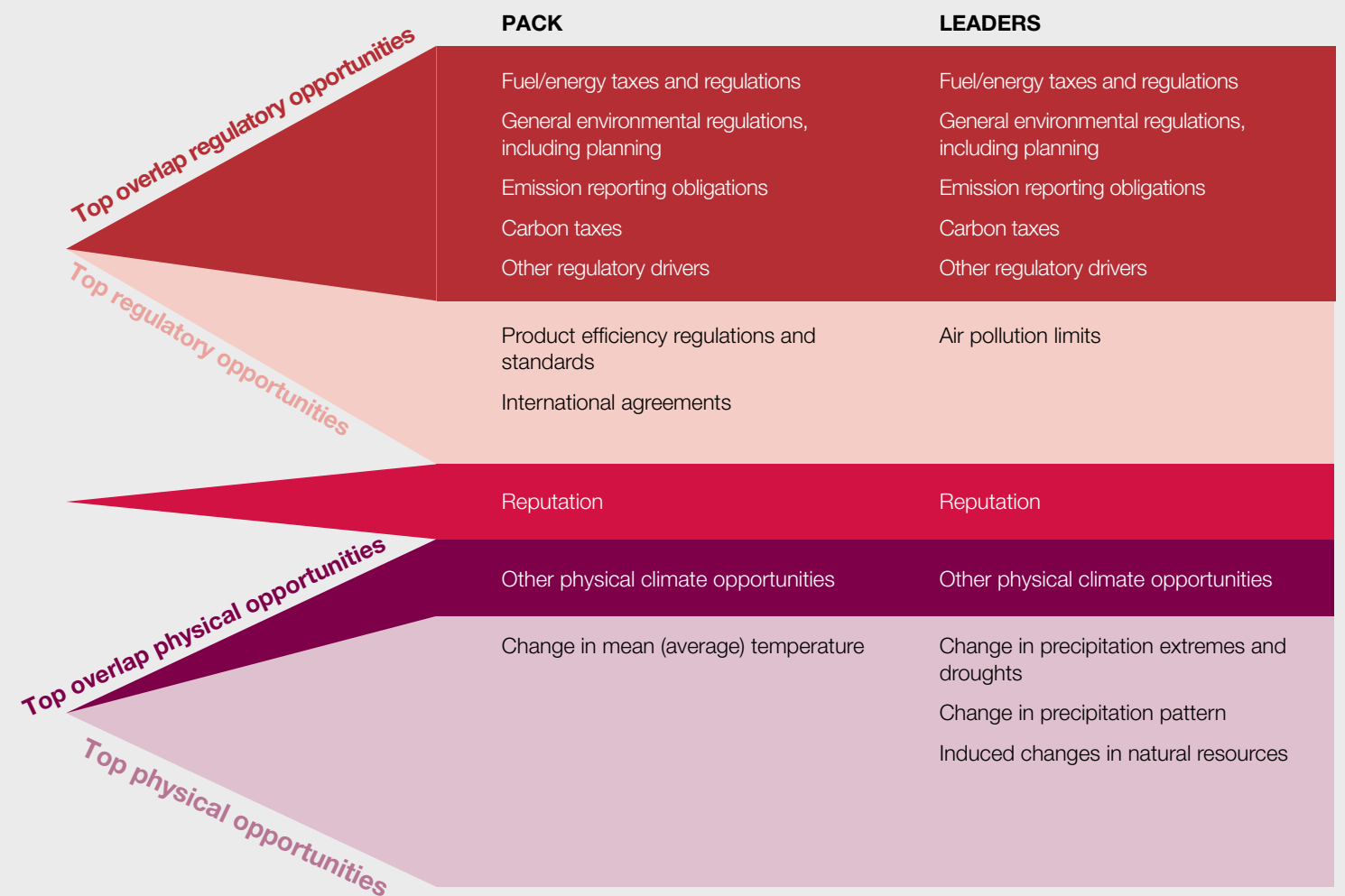


The majority of water risks reported are expected to impact now or in the next 3 years (see Figure 15) which demonstrates the need for urgent action on tackling corporate water issues

Opportunities

Climate change: Non-leader companies could benefit from deeper assessment of potential physical opportunities

Figure 16: Top climate change opportunities*



* All opportunities data includes Regulatory, Physical and Other: Reputational opportunities

Similarly to the top risks reported, the vast majority of top opportunities the pack report, the leaders also do (see Figure 16) and the leaders report more evenly across the different types of risks (see Figure 18); pack companies therefore are aware of the most obvious opportunities but could benefit from a more thorough assessment of potential physical opportunities. Interestingly, 55% of the leaders' top opportunities are also their top risks (compared to 50% for the pack), demonstrating that every business activity can have positive and negative impacts.

Key themes and highlights of 2014 responses *continued*

Figure 17: Timeline of climate change opportunities

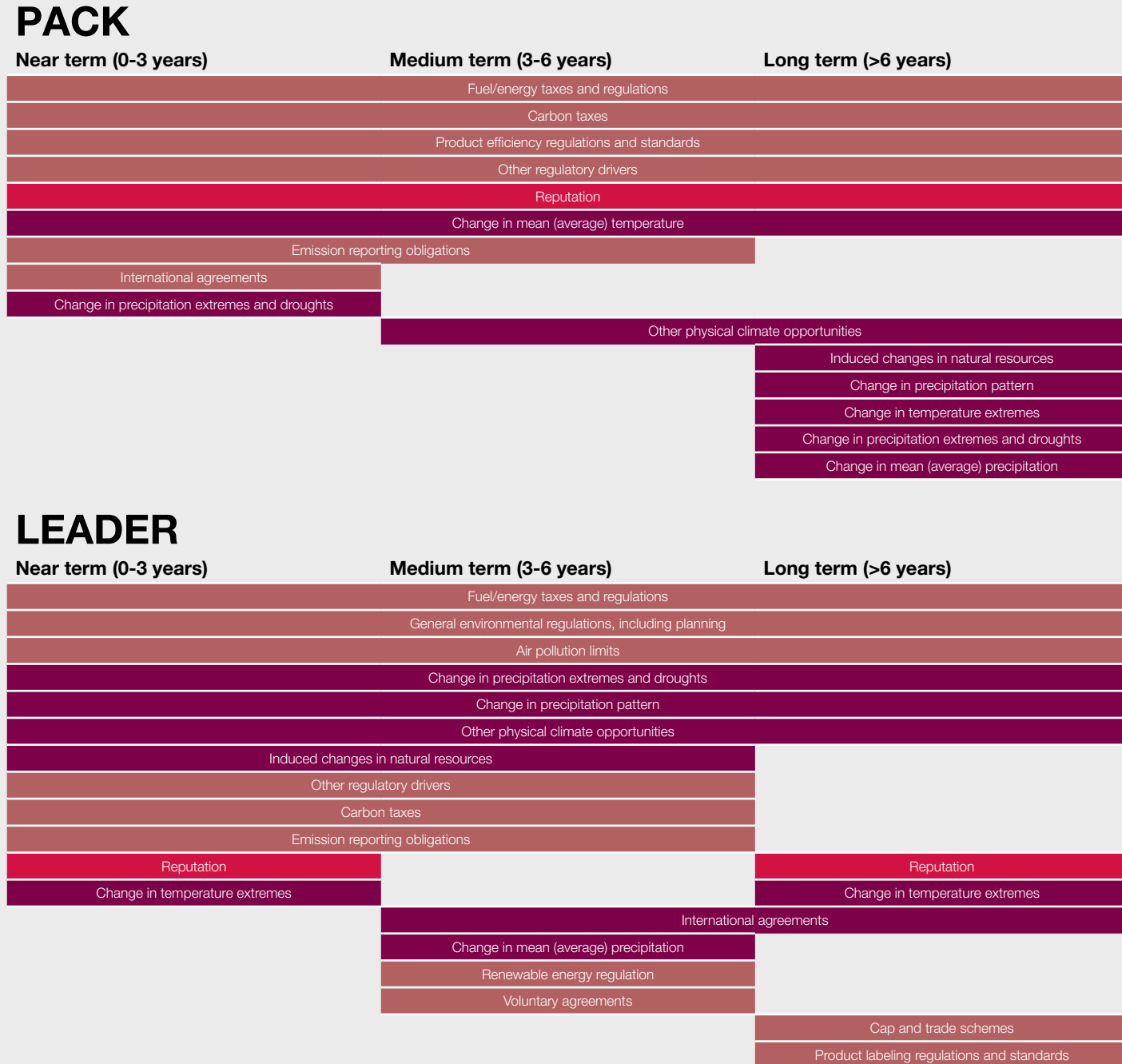


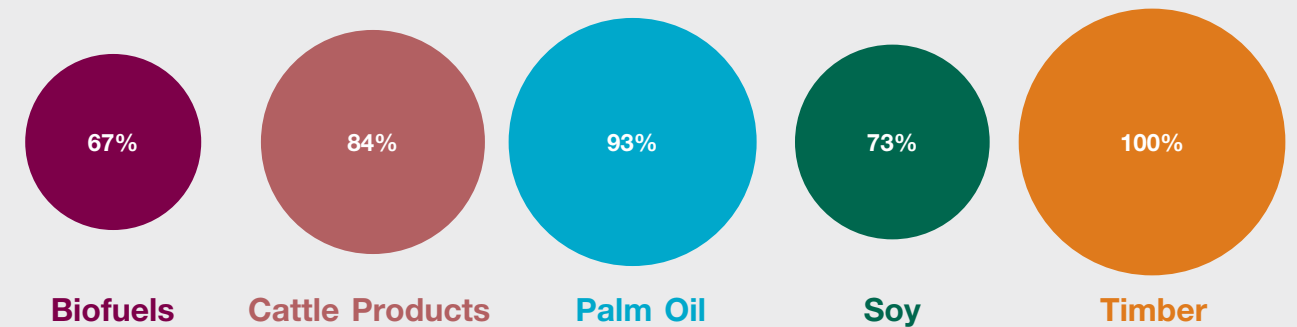
Figure 18: Types of climate change opportunities

| Type of opportunity | Overall | Near term | Medium term | Long term |
|---------------------------------|---------|-----------|-------------|-----------|
| PACK Physical | 27% | 49% | 18% | 34% |
| Regulatory | 59% | 75% | 16% | 9% |
| Reputational | 14% | 77% | 12% | 11% |
| All types of opportunity | | 68% | 16% | 16% |
| LEADER Physical | 34% | 70% | 19% | 11% |
| Regulatory | 52% | 59% | 29% | 13% |
| Reputational | 14% | 80% | 0% | 20% |
| All types of opportunity | | 66% | 21% | 13% |

Forests: Sustainable palm oil is widely seen as a business opportunity, and other commodities could follow this trend

It is very encouraging to see that sustainable palm oil is now seen by most companies as presenting a business opportunity (see Figure 19) and that all UK companies reporting on timber recognise opportunities. The opportunities reported by companies include brand differentiation, increased market share, securing the best suppliers and innovative solutions to becoming a more sustainable business.

Figure 19: Percentage of companies identifying commodity opportunities



Key themes and highlights of 2014 responses *continued*

Water: Some respondents recognize the true value of water

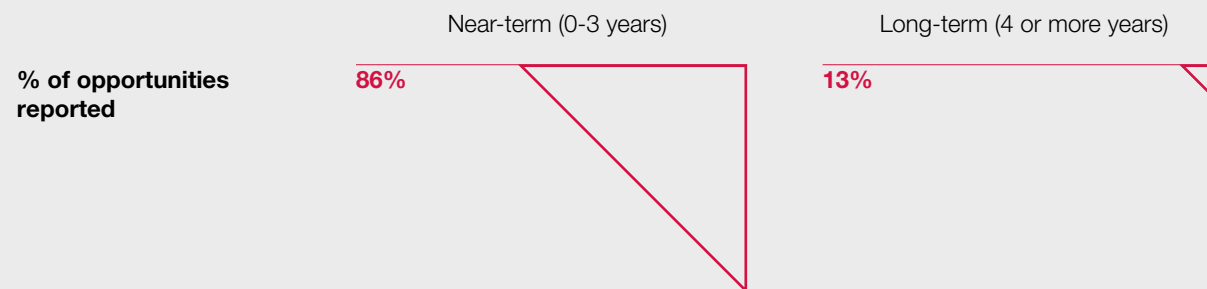
Encouragingly, 80% of companies are identifying opportunities, compared to 69% reporting risks (in direct operations or supply chain).

Figure 20: Respondents recognise the true value of water



* Excludes "Other" opportunities

Figure 21: Timeline of water opportunities



Business continuity was reported as an opportunity which is interesting because it means that some companies recognize the true value of water, which does not lie in what it costs, but resides in business continuity, licence to operate and brand value.

Enhanced supplier relationships was also reported which is encouraging because it demonstrates some companies understand the importance of engaging with key suppliers in order to mitigate risk, reduce costs and ensure resiliency in the face of water challenges.

Appendix I Climate change investor members

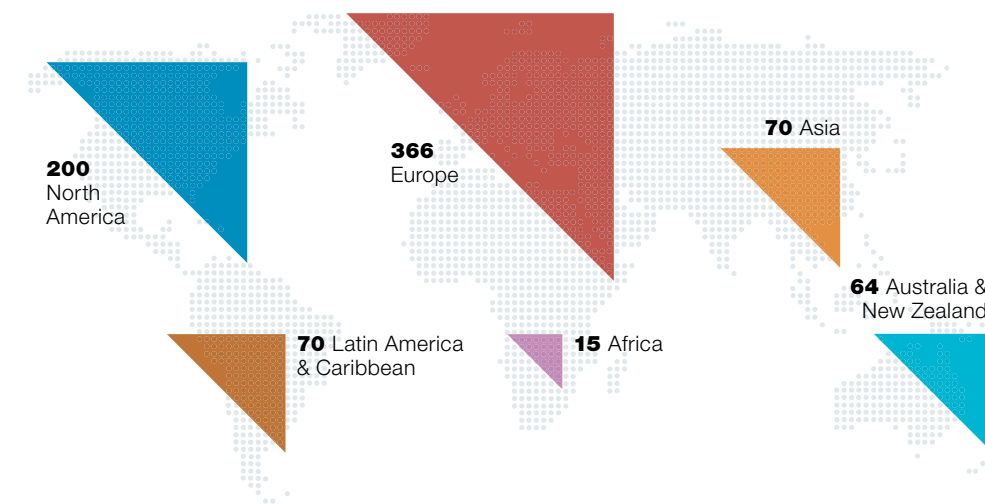


CDP works with investors globally to advance the investment opportunities and reduce the risks posed by climate change by asking over 5,000 of the world's largest companies to report their climate strategies, GHG emissions and energy use through CDP's standardized format. To learn more about CDP's member offering and becoming a member, please contact us or visit www.cdp.net/en-US/WhatWeDo/.

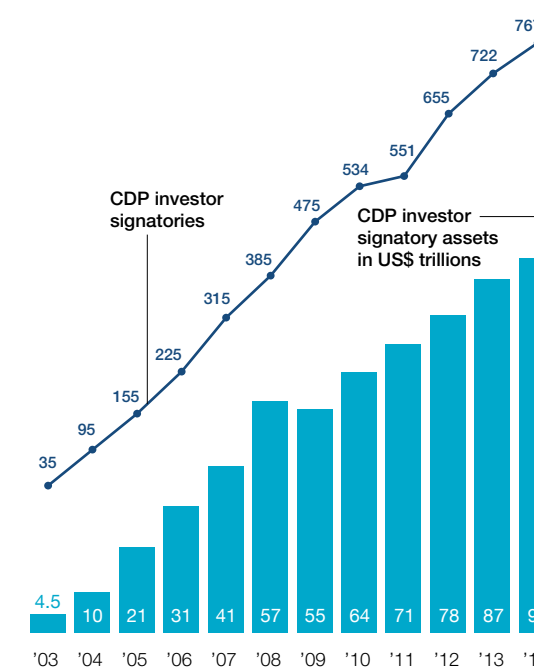
CDP investor members 2014

- [ABRAPP—Associação Brasileira das Entidades Fechadas de Previdência Complementar](#)
- [AEGON N.V.](#)
- [ATP Group](#)
- [Aviva plc](#)
- [Aviva Investors](#)
- [Bank of America Merrill Lynch](#)
- [Bendigo & Adelaide Bank Limited](#)
- [BlackRock](#)
- [Boston Common Asset Management, LLC](#)
- [BP Investment Management Limited](#)
- [California Public Employees' Retirement System](#)
- [California State Teachers' Retirement System](#)
- [Calvert Investment Management, Inc.](#)
- [Capricorn Investment Group, LLC](#)
- [Catholic Super](#)
- [CCLA Investment Management Ltd](#)
- [ClearBridge Investments](#)
- [DEXUS Property Group](#)
- [Fachesf](#)
- [Fapes](#)
- [Fundação Itaú Unibanco](#)
- [Generation Investment Management](#)
- [Goldman Sachs Group Inc.](#)
- [Henderson Global Investors](#)
- [HSBC Holdings plc](#)
- [Infraprev](#)
- [KLP](#)
- [Legg Mason Global Asset Management](#)
- [London Pensions Fund Authority](#)
- [Mobimo Holding AG](#)
- [Mongeral Aegon Seguros e Previdência S/A](#)
- [Morgan Stanley](#)
- [National Australia Bank Limited](#)
- [Neuberger Berman](#)
- [Nordea Investment Management](#)
- [Norges Bank Investment Management](#)
- [NEI Investments](#)
- [Petros](#)
- [PFA Pension](#)
- [Previ](#)
- [Real Grandeza](#)
- [Robeco](#)
- [RobecoSAM AG](#)
- [Rockefeller Asset Management, Sustainability & Impact Investing Group](#)
- [Royal Bank of Canada](#)
- [Royal Bank of Scotland Group](#)
- [Sampension KP Livsforsikring A/S](#)
- [Schroders](#)
- [Scottish Widows Investment Partnership](#)
- [SEB AB](#)
- [Serpro](#)
- [Sistel](#)
- [Sampo Japan Nipponkoa Holdings, Inc](#)
- [Standard Chartered](#)
- [TD Asset Management](#)
- [The Wellcome Trust](#)

Where are the signatory investors located?*



CDP investor base continues to grow*



Investors by type

- 312** Asset managers
- 256** Asset owners
- 152** Banks
- 38** Insurance
- 27** Other

* There were 767 investor signatories on 1st February 2014 when the official CDP climate change letter was sent to companies, however some investors joined after this date and are only reflected in the 'geographical' and 'type' breakdown.

Appendix II - Responding companies, scores and emissions data

| Company name | Country | 2014 Climate Change Score | 2013 Climate Change Score | 2014 Forests response status | 2014 Water response status |
|--|-----------------|---------------------------|---------------------------|------------------------------|----------------------------|
| Consumer Discretionary | | | | | |
| Barratt Developments | United Kingdom | 94 B | DP | | |
| Bellway Plc | United Kingdom | 81 C | 61 D | | |
| Bovis Homes Group | United Kingdom | 59 D | 60 D | | |
| British Sky Broadcasting | United Kingdom | 95 A- | 95 A | AQ | |
| Burberry Group | United Kingdom | 91 C | 75 C | AQ | NR |
| Carnival Corporation | United Kingdom | 75 C | 83 C | NR | AQ |
| Compass | United Kingdom | 90 B | 82 C | AQ | AQ |
| Crest Nicholson | United Kingdom | 75 B | AQ | | |
| Debenhams | United Kingdom | 76 C | 74 B | NR | |
| Dignity | United Kingdom | 74 E | 72 D | | |
| Domino's Pizza Group | United Kingdom | 84 D | 63 E | NR | |
| Enterprise Inns | United Kingdom | 59 E | 25 | | |
| Euromoney Institutional Investor PLC | United Kingdom | 47 | 49 | NR | |
| GKN | United Kingdom | 67 C | 60 D | | AQ |
| Greene King | United Kingdom | 51 E | 61 D | NR | |
| Home Retail Group | United Kingdom | 83 B | 80 B | NR | |
| Infoma | United Kingdom | 74 C | 74 D | NR | |
| Intercontinental Hotels Group | United Kingdom | 92 B | 85 B | NR | NR |
| Kingfisher | United Kingdom | 95 A- | 83 B | AQ | NR |
| Marks and Spencer Group | United Kingdom | 79 B | 85 B | AQ | NR |
| Millennium & Cophthorne Hotels | United Kingdom | 64 D | 68 C | AQ | |
| N Brown Group | United Kingdom | 86 B | 75 B | NR | |
| Next | United Kingdom | 96 B | 87 B | NR | NR |
| Pearson | United Kingdom | 69 C | 72 B | AQ | AQ |
| Persimmon | United Kingdom | 65 D | 71 C | | NR |
| Redrow Homes Ltd | United Kingdom | 86 C | 66 D | | |
| Reed Elsevier Group | United Kingdom | 96 A | 91 A | AQ | AQ |
| Rightmove | United Kingdom | 31 | 26 | | |
| SuperGroup | United Kingdom | 50 E | 7 | | |
| Taylor Wimpey | United Kingdom | 88 C | 75 D | | NR |
| Ted Baker | United Kingdom | 89 C | 71 C | | |
| Thomas Cook Group | United Kingdom | 84 B | 69 C | | |
| TUI Travel | United Kingdom | 100 A- | 92 B | NR | NR |
| UBM plc | United Kingdom | 88 B | 80 A | | |
| WH Smith | United Kingdom | 62 C | 64 B | NR | |
| Whitbread | United Kingdom | 75 B | 77 B | NR | NR |
| WPP Group | United Kingdom | 98 B | 95 B | | |
| Consumer Staples | | | | | |
| A.G. Barr | United Kingdom | 59 D | NR | | |
| Associated British Foods | United Kingdom | 89 A | 85 B | AQ | AQ |
| British American Tobacco | United Kingdom | 91 B | 94 B | NR | AQ |
| Britvic | United Kingdom | 79 B | 65 D | NR | |
| Coca-Cola HBC AG | Switzerland | 96 A | Not public | | AQ |
| Cranswick | United Kingdom | 68 D | 56 D | AQ | |
| Dairy Crest Group | United Kingdom | 87 B | 71 C | NR | |
| Diageo Plc | United Kingdom | 100 A | 98 A | | AQ |
| Greencore Group | Ireland | 81 C | 66 D | AQ | |
| Imperial Tobacco Group | United Kingdom | 84 C | 83 B | NR | AQ |
| J Sainsbury | United Kingdom | 94 A | 95 B | AQ | NR |
| Morrison Supermarkets | United Kingdom | 92 A | 83 B | AQ | NR |
| PZ Cussons | United Kingdom | 67 C | 67 C | NR | |
| Reckitt Benckiser | United Kingdom | 100 A- | 99 B | AQ | AQ |
| SABMiller | United Kingdom | 85 A | 74 B | | AQ |
| Tate & Lyle | United Kingdom | 91 B | 94 A- | | AQ |
| Tesco | United Kingdom | 87 A- | 96 A- | AQ | NR |
| Unilever plc | United Kingdom | 99 A | 85 A | AQ | AQ |
| Energy | | | | | |
| Afren | United Kingdom | 77 D | 37 | | |
| AMEC | United Kingdom | 78 B | 75 C | | |
| BG Group | United Kingdom | 94 A- | 89 A | | AQ |
| BP | United Kingdom | 80 B | 80 C | NR | AQ |
| Cairn Energy | United Kingdom | 85 C | 80 D | | |
| Caracal Energy Inc | Canada | 33 | New in 2014 | | |
| Hunting | United Kingdom | 52 E | 49 | | |
| Petrofac | United Kingdom | 83 B | 77 B | | NR |
| Premier Oil | United Kingdom | 58 D | 66 D | | |
| Royal Dutch Shell | Netherlands | 90 B | 90 B | NR | NR |
| SOCO International Plc | United Kingdom | 75 C | 39 | | |
| Tullow Oil | United Kingdom | 76 D | 72 B | | NR |
| Wood Group | United Kingdom | 93 B | 82 D | | |
| Financials | | | | | |
| 3i Group | United Kingdom | 77 C | 63 D | | |
| 3i Infrastructure (See 3i Group) | Channel Islands | SA(AQ) | SA(AQ) | | |
| Aberdeen Asset Management | United Kingdom | 87 B | 91 B | | |
| Alliance Trust | United Kingdom | 89 B | 74 C | | |
| Amlin | United Kingdom | 64 D | 77 C | | |
| Ashmore Group | United Kingdom | 18 | NR | | |
| Aviva | United Kingdom | 94 A | 79 B | | |
| Bankers Investment Trust (See Henderson Group) | United Kingdom | SA(AQ) | SA(AQ) | | |
| Barclays | United Kingdom | 92 A- | 92 A | | |
| Beazley Group | United Kingdom | 68 D | 44 | | |
| Big Yellow Group | United Kingdom | 85 B | 71 D | | |
| BlackRock World Mining Trust (See BlackRock - see S&P 500) | United Kingdom | SA(AQ) | SA(AQ) | | |
| British Empire Securities & General Trust plc | United Kingdom | 16 | 15 | | |
| British Land Company | United Kingdom | 99 A- | 98 A | | |
| Capital & Counties Properties | United Kingdom | 87 B | 70 C | | |
| Catlin Group Ltd | United Kingdom | 86 C | 85 C | | |
| City of London Investment Trust (See Henderson Group) | United Kingdom | SA(AQ) | SA(AQ) | | |
| CLS Holdings | United Kingdom | 69 D | NR | | |
| Derwent London | United Kingdom | 86 C | 89 C | | |
| Direct Line Insurance Group | United Kingdom | 24 | SA(AQ) | | |
| Electra Private Equity | United Kingdom | 0 | 0 | | |
| F&C Asset Management | United Kingdom | 52 D | 60 D | | |
| F&C Commercial Property Trust (See F&C Asset Management) | United Kingdom | SA(AQ) | SA(AQ) | | |
| Fidelity China Special Situations (See Fidelity European Values) | United Kingdom | SA(AQ) | SA(AQ) | | |
| Fidelity European Values | United Kingdom | 36 | 48 | | |
| Foreign & Colonial Investment Trust Plc (See F&C Asset Management) | United Kingdom | SA(AQ) | SA(AQ) | | |
| Friends Life | United Kingdom | 81 B | 81 B | | |
| Grainger | United Kingdom | 88 C | 78 C | | |
| Great Portland Estates | United Kingdom | 87 B | 81 C | | |
| Hammerson | United Kingdom | 66 C | 67 C | | |
| Henderson Group | Ireland | 97 A | 81 B | | |
| Hiscox | United Kingdom | 90 C | 70 C | | |
| HSBC Holdings | United Kingdom | 97 A | 97 A | | |
| ICAP | United Kingdom | 13 | 4 | | |
| International Personal Finance | United Kingdom | 83 C | 77 C | | |
| Intu Properties | United Kingdom | 82 C | 74 B | | |
| Investec plc (See Investec Limited - see South Africa) | United Kingdom | SA(AQ) | SA(AQ) | | |
| Jardine Lloyd Thompson Group Plc | United Kingdom | AQ(L) | NR | | |
| John Laing Infrastructure Fund | Guernsey | 71 D | 49 | | |
| JPMorgan American IT (See JPMorgan Chase & Co. - see S&P 500) | United Kingdom | SA(AQ) | SA(AQ) | | |
| JPMorgan Emerging Markets Investment Trust | United Kingdom | SA(AQ) | SA(AQ) | | |
| Jupiter Fund Management | United Kingdom | 80 C | 58 E | | |
| Lancashire Holdings | Bermuda | 74 D | DP | | |
| Land Securities | United Kingdom | 96 A- | 88 B | | |

| Company name | Country | 2014 Climate Change Score | 2013 Climate Change Score | 2014 Forests response status | 2014 Water response status |
|--|----------------|---------------------------|---------------------------|------------------------------|----------------------------|
| Law Debenture Corporation | United Kingdom | 26 | 25 | | |
| Legal and General Investment Management | United Kingdom | 78 C | 75 C | | |
| Lloyds Banking Group | United Kingdom | 98 B | 90 B | | |
| London Stock Exchange | United Kingdom | 96 B | 73 D | | |
| Mercantile Investment Trust (See JPMorgan Chase & Co. - see S&P 500) | United Kingdom | SA(AQ) | SA(AQ) | | |
| Monks Investment Trust | United Kingdom | 1 | 0 | | |
| Old Mutual | United Kingdom | 98 B | 91 B | | |
| Perpetual Income & Growth Investment Trust (See Invesco Ltd - see S&P 500) | United Kingdom | SA(AQ) | SA(AQ) | | |
| Personal Assets Trust | United Kingdom | 31 | 7 | | |
| Provident Financial | United Kingdom | 91 C | 74 D | | |
| Prudential | United Kingdom | 97 B | 70 D | | |
| Rathbone Brothers | United Kingdom | 78 D | 67 E | | |
| Redefine International (See Redefine Properties Ltd - see South Africa) | South Africa | SA(AQ) | New in 2014 | | |
| Royal Bank of Scotland Group | United Kingdom | 98 B | 88 B | | |
| RSA Insurance Group | United Kingdom | 92 B | 81 B | | |
| Savills | United Kingdom | 93 C | 84 C | | |
| Schroders | United Kingdom | 91 B | 86 B | | |
| Scottish Mortgage Investment Trust | United Kingdom | 1 | 0 | | |
| Segro | United Kingdom | 84 C | 79 D | | |
| Shaftesbury | United Kingdom | 87 B | 88 B | | |
| St. Modwen Properties | United Kingdom | 62 D | NR | | |
| St.James Place | United Kingdom | 90 C | 72 E | | |
| Standard Chartered | United Kingdom | 99 A | 91 B | | |
| Standard Life | United Kingdom | 95 B | 90 B | | |
| Templeton Emerging Markets IT | United Kingdom | SA(AQ) | SA(AQ) | | |
| TR Property Investment Trust | United Kingdom | SA(AQ) | SA(AQ) | | |
| UK Commercial Property Trust | United Kingdom | SA(AQ) | SA(AQ) | | |
| Unite Students | United Kingdom | 86 B | 56 E | | |
| Workspace Group | United Kingdom | 86 B | 70 D | | |
| Health Care | | | | | |
| AstraZeneca | United Kingdom | 93 A | 85 B | | AQ |
| BTG | United Kingdom | 76 D | 55 D | | |
| GlaxoSmithKline | United Kingdom | 96 B | 98 A | | AQ |
| Hikma Pharmaceuticals | United Kingdom | 82 B | 72 C | | |
| Shire | Ireland | 91 B | 83 C | | AQ |
| Smith & Nephew | United Kingdom | 95 B | 92 B | | NR |
| Synergy Health | United Kingdom | 75 C | 61 D | | |
| UDG Healthcare | Ireland | 75 D | 33 | | |
| Industrials | | | | | |
| Aggreko | United Kingdom | 26 | 21 | | |
| Ashtead Group | United Kingdom | 36 | 36 | | NR |
| Atkins | United Kingdom | 81 B | 84 B | | |
| BAE Systems | United Kingdom | 77 C | 69 C | | NR |
| Balfour Beatty | United Kingdom | 94 A | 87 B | | |
| BBA Aviation | United Kingdom | 46 | 44 | | |
| Berendsen | United Kingdom | 70 C | 6 | | |
| Bodycote | United Kingdom | 30 | 29 | | |
| Bunzl | United Kingdom | 90 B | 74 C | NR | NR |
| Capita Group | United Kingdom | 4 | DP | | |
| Carillion | United Kingdom | 99 A | 92 A | NR | |
| Cobham | United Kingdom | 92 A | 84 B | | |
| DCC | Ireland | 89 C | Not public | | |
| De La Rue | United Kingdom | 66 D | 55 E | | |
| easyJet | United Kingdom | 34 | 30 | NR | |
| Experian Group | Ireland | 76 B | 82 B | | |
| FirstGroup | United Kingdom | 86 B | 78 B | | |
| G4S Plc | United Kingdom | 89 B | 78 C | | |
| Galliford Try | United Kingdom | 79 B | 73 B | | |

| Company name | Country | 2014 Climate Change Score | 2013 Climate Change Score | 2014 Forests response status | 2014 Water response status |
|--|----------------|---------------------------|---------------------------|------------------------------|----------------------------|
| Go-Ahead Group | United Kingdom | 84 B | 77 B | | |
| Hays | United Kingdom | 78 C | 67 D | | |
| IMI plc | United Kingdom | 83 B | 81 B | | NR |
| International Consolidated Airlines Group, S.A. | Spain | 95 B | 88 B | | |
| Interserve | United Kingdom | 88 B | 86 C | | |
| Intertek Group | United Kingdom | 86 D | 71 D | | |
| Invensys (See Schneider Electric - see France) | United Kingdom | SA(AQ) | 71 B | | |
| ITE Group | United Kingdom | 77 D | 71 D | | |
| Keller | United Kingdom | 60 D | NR | | |
| Kentz Corp Ltd | United Kingdom | 85 D | DP | | |
| Kier Group | United Kingdom | 89 C | 81 C | | |
| Meggitt | United Kingdom | 72 C | 45 | | AQ |
| Michael Page International | United Kingdom | 73 E | 62 E | | |
| MITIE Group | United Kingdom | 72 D | 79 C | | |
| Morgan Advanced Materials | United Kingdom | 97 B | 92 A | | AQ |
| National Express Group | United Kingdom | 85 B | 59 D | | |
| Qinetiq Group | United Kingdom | 71 C | 73 C | | |
| Regus Group | United Kingdom | 86 B | 67 C | | |
| Rentokil Initial | United Kingdom | 77 C | 70 C | | |
| Rolls-Royce | United Kingdom | 89 B | 85 B | | NR |
| Rotork | United Kingdom | 66 D | 59 E | | |
| Royal Mail Group | United Kingdom | 91 A- | New in 2014 | | |
| RPS Group | United Kingdom | 81 C | 76 C | | |
| Senior | United Kingdom | 67 C | 74 C | | |
| Serco Group | United Kingdom | 97 B | 92 C | | |
| SIG | United Kingdom | 73 B | 60 D | | |
| Smiths Group | United Kingdom | 66 C | 48 | | NR |
| Spirax-Sarco Engineering | United Kingdom | 82 D | 71 C | | |
| Stagecoach Group | United Kingdom | 81 C | 75 C | | |
| Travis Perkins | United Kingdom | 88 B | 88 B | AQ | AQ |
| Weir Group | United Kingdom | 90 C | 77 D | | NR |
| Wolseley | United Kingdom | 85 B | 80 B | | NR |
| Information Technology | | | | | |
| ARM Holdings | United Kingdom | 82 C | 75 C | | AQ |
| Computacenter | United Kingdom | 45 | 53 D | | |
| Domino Printing Sciences | United Kingdom | 81 B | 74 C | | |
| Electrocomponents | United Kingdom | 92 B | 86 B | | |
| Halma | United Kingdom | 85 C | 69 D | | |
| Laird Plc | United Kingdom | 87 C | 76 C | | |
| Micro Focus International | United Kingdom | 49 | 54 D | | |
| Oxford Instruments | United Kingdom | 75 D | DP | | |
| Pace | United Kingdom | 94 B | 91 B | | |
| Premier Farnell | United Kingdom | 85 B | 73 C | | |
| Renishaw | United Kingdom | 79 C | 51 E | | |
| Sage Group | United Kingdom | 68 D | 55 D | | |
| Spectris | United Kingdom | 89 B | 79 C | | |
| Spirent Communications | United Kingdom | 73 D | 66 D | | |
| Telety Group | United Kingdom | 39 | 14 | | |
| Materials | | | | | |
| African Barrick Gold (See Barrick Gold Corporation - see Canada) | United Kingdom | SA(AQ) | SA(AQ) | | |
| Anglo American | United Kingdom | 95 B | 96 A | | AQ |
| Antofagasta | United Kingdom | 93 C | 92 C | | AQ |
| BHP Billiton | United Kingdom | 87 B | 75 C | | AQ |
| CRH | Ireland | 71 B | 79 B | NR | AQ |

| Company name | Country | 2014 Climate Change Score | 2013 Climate Change Score | 2014 Forests response status | 2014 Water response status |
|-----------------------------------|----------------|---------------------------|---------------------------|------------------------------|----------------------------|
| Mondi | United Kingdom | 96 B | 87 B | AQ | AQ |
| Petra Diamonds Ltd | United Kingdom | 79 D | 13 | | |
| Randgold Resources | United Kingdom | 64 C | 84 C | | NR |
| Rexam | United Kingdom | 83 C | 77 D | | AQ |
| Rio Tinto | United Kingdom | 87 B | 88 B | | AQ |
| RPC Group | United Kingdom | 77 B | 73 D | | |
| Synthomer | United Kingdom | 75 D | 15 | | |
| Vedanta Resources | United Kingdom | 75 C | 82 B | | |
| Victrex | United Kingdom | 73 D | 53 E | | |
| Telecommunication Services | | | | | |
| BT Group | United Kingdom | 97 A | 93 A | | |
| Colt Technology Services | United Kingdom | 66 C | 63 D | | |
| TalkTalk Telecom Group | United Kingdom | AQ(L) | 73 C | | |
| Vodafone Group | United Kingdom | 84 B | 85 B | | |
| Utilities | | | | | |
| Centrica | United Kingdom | 100 A | 97 B | | AQ |
| Drax Group | United Kingdom | 73 B | 75 C | AQ | |
| National Grid | United Kingdom | 97 B | 98 B | AQ | AQ |
| Pennon Group | United Kingdom | 89 B | 96 A- | | |
| Severn Trent | United Kingdom | 85 B | 83 B | | |
| SSE | United Kingdom | 94 A | 90 B | | NR |
| United Utilities | United Kingdom | 99 A- | 80 C | | |

Appendices Key :

| | |
|------------|---|
| AQ | Answered questionnaire |
| AQ(L) | Answered questionnaire late (therefore climate change response wasn't included in analysis or scored) |
| DP | Declined to participate to climate change programme |
| IN | Information provided (e.g. CSR report) |
| NR | No response |
| SA(AQ) | See another - refers to another company response |
| Not public | The company's climate change score is not public |
| Bold | Companies that are either in the CPLI (performance band A) or CDLI (disclosure score 95 or higher), or both |
| Green | Companies that responded voluntarily (i.e. were not asked to do so by our signatory investors) |
| | Not requested to take part |
| Pink | Responded to all three programmes |

Publicly available responses can be viewed for free via www.cdp.net.

Forests-only UK responding companies

| Company name | Country |
|-------------------------------|----------------|
| Consumer Discretionary | |
| C & J Clark International Ltd | United Kingdom |
| Mulberry Group Plc | United Kingdom |
| Consumer Staples | |
| Boots UK | United Kingdom |
| Energy | |
| Greenergy | United Kingdom |
| Industrials | |
| British Airways | United Kingdom |
| Eurostar | United Kingdom |
| Virgin Atlantic Airways Ltd | United Kingdom |

Appendix III - Responding FTSE SmallCap climate change companies

| Company name | Country | 2014 Climate Change Score | 2013 Climate Change Score | 2014 Forests response status | 2014 Water response status |
|---|----------------------|---------------------------|---------------------------|------------------------------|----------------------------|
| Consumer Discretionary | | | | | |
| Aga Rangemaster Group PLC | United Kingdom | 91 C | 88 B | | |
| Henry Boot plc | United Kingdom | 54 E | 31 | | |
| Trinity Mirror | United Kingdom | 75 D | 65 C | | |
| UTV Media PLC | United Kingdom | 40 | 34 | | |
| Consumer Staples | | | | | |
| Greggs | United Kingdom | 77 B | 81 B | NR | |
| Hilton Food Group | United Kingdom | 36 | 34 | | |
| McBride plc | United Kingdom | 69 C | 75 C | | |
| Energy | | | | | |
| Heritage Oil | Channel Islands | 57 E | 18 | | |
| JKX Oil and Gas | United Kingdom | 71 E | 50 E | | |
| Lamprell Plc | United Arab Emirates | 38 | 25 | | |
| Financials | | | | | |
| Baillie Gifford Japan Trust Plc | United Kingdom | 0 | 0 | | |
| Baillie Gifford Shin Nippon PLC | United Kingdom | 0 | 0 | | |
| Edinburgh Worldwide Investment Trust plc | United Kingdom | 0 | 0 | | |
| Helical Bar Plc | United Kingdom | 77 D | 63 D | | |
| Impax Environmental Markets | United Kingdom | 67 D | 55 E | | |
| Mid Wynd International Investment Trust | United Kingdom | 1 | 0 | | |
| Pacific Horizon Investment Trust | United Kingdom | 1 | 0 | | |
| Quintain Estates | United Kingdom | 95 C | 10 | | |
| Scottish American Investment Company Plc | United Kingdom | 1 | 0 | | |
| Scottish Oriental Smaller Companies Trust PLC | United Kingdom | 16 | 9 | | |
| Health Care | | | | | |
| Vectura Group | United Kingdom | 74 C | 52 D | | |
| Industrials | | | | | |
| Brammer Plc | United Kingdom | AQ(L) | 0 | | |
| Chemring Group | United Kingdom | 10 | 31 | | |
| Costain Group | United Kingdom | 93 B | 84 A | | |
| Hyder Consulting (UK) Ltd | United Kingdom | AQ(L) | 58 D | | |
| Morgan Sindall Group plc | United Kingdom | 97 B | 91 B | | |
| Office2Office PLC | United Kingdom | 56 D | Not public | | |
| Ricardo Plc | United Kingdom | 66 D | Not public | | |
| Severfield-Rowen | United Kingdom | 64 E | NR | | |
| Shanks Group | United Kingdom | AQ(L) | 54 D | | |
| Stree Plc | United Kingdom | 57 E | NR | | |
| Stobart Group Ltd | United Kingdom | 74 D | 65 D | | |
| UK Mail Ltd | United Kingdom | AQ(L) | 30 | | |
| Wincanton plc | United Kingdom | 83 B | 75 C | | |
| XP Power | United Kingdom | 60 D | 53 D | | |
| Information Technology | | | | | |
| Innovation Group | United Kingdom | 80 D | DP | | |
| Materials | | | | | |
| Aquarius Platinum | Bermuda | 82 D | 76 E | | AQ |
| British Polythene Industries PLC | United Kingdom | 61 D | 41 | | |
| Hill & Smith Holdings | United Kingdom | 65 E | 51 E | | |
| Marshalls | United Kingdom | 98 B | 85 B | | NR |
| Talvivaara Mining Company | Finland | 66 E | 81 D | | |
| Telecommunication Services | | | | | |
| KCOM | United Kingdom | 78 B | 59 D | | |
| Utilities | | | | | |
| Greencoat UK Wind | United Kingdom | 55 E | New in 2014 | | |

Appendix IV - Non-responding climate change companies

| Company name | Country | 2014 climate change response status | Company name | Country | 2014 climate change response status |
|---------------------------------------|-----------------|-------------------------------------|-------------------------------------|----------------------|-------------------------------------|
| Consumer Discretionary | | | | | |
| 888 Holdings | Gibraltar | NR | NB Global Floating Rate Income Fund | United Kingdom | DP |
| Berkeley Group | United Kingdom | DP | Paragon Group of Companies | United Kingdom | NR |
| Betfair | United Kingdom | NR | Partnership Assurance Group plc | United Kingdom | NR |
| bwin.party digital entertainment plc | United Kingdom | NR | Phoenix Group Holdings | United Kingdom | NR |
| Carphone Warehouse | United Kingdom | NR | Polar Capital Technology Trust | United Kingdom | NR |
| Cineworld Group | United Kingdom | DP | Raven Russia | United Kingdom | NR |
| Darty plc | United Kingdom | DP | RIT Capital Partners | United Kingdom | DP |
| Dixons Retail | United Kingdom | DP | Riverstone | United Kingdom | NR |
| Dunelm Group | United Kingdom | DP | Scottish Investment Trust | United Kingdom | NR |
| Entertainment One Ltd | Canada | NR | SVG Capital | United Kingdom | NR |
| Halfords Group | United Kingdom | DP | Temple Bar Investment Trust | United Kingdom | NR |
| Howden Joinery Group Plc | United Kingdom | DP | Tullett Prebon Group Ltd | United Kingdom | NR |
| Inchcape | United Kingdom | DP | Witan Investment Trust | United Kingdom | DP |
| ITV | United Kingdom | DP | Healthcare | | |
| JD Sports Fashion | United Kingdom | DP | Al Noor Hospitals Group PLC | United Arab Emirates | NR |
| Ladbroke | United Kingdom | DP | Dechra Pharmaceuticals | United Kingdom | DP |
| Marston's PLC | United Kingdom | NR | Genus | United Kingdom | NR |
| Merlin Entertainments Group | United Kingdom | DP | NMC Health plc | United Arab Emirates | NR |
| Mitchells & Butlers | United Kingdom | DP | Worldwide Healthcare Trust | United Kingdom | NR |
| Ocado Group | United Kingdom | DP | Industrials | | |
| Perform Group Plc | United Kingdom | NR | Babcock International Group | United Kingdom | DP |
| Rank Group | United Kingdom | NR | Diploma Plc | United Kingdom | DP |
| Restaurant Group | United Kingdom | DP | Fenner Plc | United Kingdom | DP |
| Sports Direct International | United Kingdom | DP | Grafton Group PLC | Ireland | DP |
| Wetherspoon | United Kingdom | DP | Hellermannntyton Group | United Kingdom | DP |
| William Hill | United Kingdom | DP | Homeserve | United Kingdom | NR |
| Consumer Staples | | | Melrose PLC | United Kingdom | DP |
| Booker Group | United Kingdom | DP | Northgate Plc | United Kingdom | DP |
| Stock Spirits Group PLC | United Kingdom | NR | Paypoint | United Kingdom | NR |
| Energy | | | Ultra Electronics | United Kingdom | DP |
| Asia Resource Minerals | United Kingdom | DP | Vesuvius plc | United Kingdom | NR |
| EnQuest | United Kingdom | NR | Information Technology | | |
| Essar Energy | Mauritius | NR | Aveva Group | United Kingdom | NR |
| James Fisher & Sons | United Kingdom | NR | CSR Plc | United Kingdom | DP |
| Ophir Energy Plc | United Kingdom | DP | Fidessa Group Plc | United Kingdom | NR |
| Financials | | | Moneysupermarket.com Group | United Kingdom | NR |
| Aberforth Smaller Companies Trust plc | United Kingdom | NR | Playtech | United Kingdom | NR |
| Admiral Group | United Kingdom | DP | XAAR Plc | United Kingdom | NR |
| Bank of Georgia Holdings | United Kingdom | NR | Materials | | |
| BH Macro | Channel Islands | DP | Alent plc | United Kingdom | DP |
| BlueCrest AllBlue | United Kingdom | NR | AZ Electronic Materials S.A. | United Kingdom | DP |
| Brewin Dolphin Holdings | United Kingdom | NR | Ferrexpo | Switzerland | NR |
| Caledonia Investments | United Kingdom | DP | Kenmare Resources PLC | Ireland | NR |
| Close Brothers Group | United Kingdom | DP | Polymetal | Russia | NR |
| Countrywide PLC | United Kingdom | NR | Telecommunication Services | | |
| Daejan Holdings | United Kingdom | NR | Cable & Wireless Communications | United Kingdom | NR |
| Edinburgh Investment Trust | United Kingdom | DP | Inmarsat | United Kingdom | NR |
| esure Group PLC | United Kingdom | NR | Utilities | | |
| Foxtons Group | United Kingdom | DP | Telecom Plus | United Kingdom | NR |
| Genesis Emerging Markets Fund | United Kingdom | NR | | | |
| Hansteen Holdings | United Kingdom | DP | | | |
| Hargreaves Lansdown | United Kingdom | DP | | | |
| HICL Infrastructure Co Ltd | Channel Islands | NR | | | |
| IG Group Holdings | United Kingdom | NR | | | |
| Intermediate Capital Group | United Kingdom | DP | | | |
| International Public Partnerships | United Kingdom | NR | | | |
| IP Group Plc | United Kingdom | DP | | | |
| LondonMetric Property plc | United Kingdom | NR | | | |
| Man Group plc | United Kingdom | DP | | | |
| Murray International Trust | United Kingdom | NR | | | |

Building on climate change leadership



The impacts of climate change, water stress and deforestation are today affecting people's lives all over the world and if unchecked will cause devastation for generations to come.

Corporations, investors and governments must take responsibility to create the systemic change we need for an environmentally sustainable economy. For this reason we congratulate those companies that have achieved a position on CDP's 2014 Climate Performance Leadership Index.

All economic activity ultimately depends upon a steady flow of natural goods and services, such as fresh water, timber and food crops, or climate regulation and flood control. These goods and services can be considered the 'income' generated by the world's natural capital, the assets upon which the global economy rests.

However, as is becoming increasingly clear, we are eroding that natural capital base.

Businesses and investors are paying increasing attention to the erosion of the world's natural capital. By some estimates, the global economy is incurring unpriced natural capital costs of US\$7.3 trillion/year, or 13% of global output.

CDP has built a unique global system to drive transparency and accountability for business impacts across the earth's natural capital, starting with climate, then moving into water and forest-risk commodities. Our programs are designed to help assess and manage corporate exposures to environmental risks and ultimately to set companies on the path to natural capital leadership.

Deforestation and forest degradation accounts for approximately 15% of the world's greenhouse gas emissions, the equivalent of the entire transport sector. Land use change for agriculture is the main driver of deforestation, with five agriculture commodities responsible for most deforestation globally: Timber, palm oil, soy, cattle and bio-fuels. CDP's forests program provides the only unified system for disclosing corporate deforestation risk exposure and management information across these key commodities. Discover if you can help reduce your business risks and limit your contribution to deforestation at cdp.net/forests.

Water security is one of the most tangible and fast-growing social, political and economic challenges faced today according to the World Economic Forum. CDP's water programme helps businesses to respond to this challenge, to measure and manage water-related risks in their direct operations and supply chains, and to attain a position of leadership by starting the journey to water stewardship. Find out more at cdp.net/water

Through CDP, major multinationals are using their purchasing power to achieve **sustainable supply chains**. Our 66 member companies who represent US\$1.15 trillion in annual purchasing spend work with CDP. This enables them to implement successful supplier engagement strategies that reduce emissions, mitigate water and other environmental risks, and protect against escalating costs in supply chains. Join us at cdp.net/supplychain.

Appendix VI - References

- i UN's Urban Millennium – Urbanisation: Facts and Figures
<http://www.un.org/ga/istanbul+5/booklet4.pdf>
- ii IPCC Working Group I – The Physical Science Basis, Technical Summary, p.37:
http://www.climatechange2013.org/images/report/WG1AR5_TS_FINAL.pdf
- iii IPCC Working Group I – The Physical Science Basis, Summary for Policy Makers, p.17 & p.20:
http://www.climatechange2013.org/images/report/WG1AR5_SPM_FINAL.pdf
- iv IPCC Working Group II – Impacts, Adaptation, and Vulnerability, Summary for Policy Makers, p.15:
http://ipcc-wg2.gov/AR5/images/uploads/WG2AR5_SPM_FINAL.pdf
- v IPCC Working Group II – Impacts, Adaptation, and Vulnerability, Summary for Policy Makers, p.4:
http://ipcc-wg2.gov/AR5/images/uploads/WG2AR5_SPM_FINAL.pdf
- vi IPCC Working Group I – The Physical Science Basis, Chapter 10: Detection and Attribution of Climate Change: from Global to Regional, p.869: http://www.climatechange2013.org/images/report/WG1AR5_Chapter10_FINAL.pdf
- vii IPCC Working Group III – Mitigation of Climate Change, Technical Summary, p.33:
http://report.mitigation2014.org/drafts/final-draft-postplenary/ipcc_wg3_ar5_final-draft_postplenary_technical-summary.pdf
- viii IPCC Working Group II – Impacts, Adaptation, and Vulnerability, Summary for Policy Makers, p.28:
http://ipcc-wg2.gov/AR5/images/uploads/WG2AR5_SPM_FINAL.pdf
- ix IPCC Working Group III – Mitigation of Climate Change, Chapter 16: Cross-cutting Investment and Finance Issues, p.4: http://report.mitigation2014.org/drafts/final-draft-postplenary/ipcc_wg3_ar5_final-draft_postplenary_chapter16.pdf

Appendix VII - Mind the Science, Mind the Gap

CDP, United Nations Global Compact, World Resources Institute and World Wildlife Fund for Nature are asking companies to set the science-based greenhouse gas (GHG) emission reduction targets necessary to stay within a global 2°C temperature increase from pre-industrial levels. Currently, most company targets are not aggressive enough to account for their share of global GHG reductions. By electing to use the methodology created for the Mind the Science, Mind the Gap initiative, companies can set a reduction target that will converge with a target calculated for their sector by 2050.

For nearly a decade, an increase in the global mean surface temperature of 2°C compared to pre-industrial levels has been largely accepted by the international community as an upper limit beyond which climate change becomes catastrophic and irreversible. The United Nations Intergovernmental Panel on Climate Change concludes that without additional efforts to reduce GHG emissions beyond those in place today, emissions are expected to grow further. Achieving a target of staying below 2°C requires rapid decarbonization of our economy.

It is common practice for businesses not only to report their annual emissions but also to undertake efforts to reduce their carbon footprint. However, climate science shows that “business as usual” efforts are setting us on a path that will likely exceed 4°C of global warming by the end of the century with the well-known adverse consequences for our ecosystems, vulnerable communities, infrastructure and economy.

Science-based goal setting can spur ambition and generate the innovations needed to transition to a low-carbon, sustainable economy. This type of innovation can further redefine companies’ bottom line by creating new business models and sources of value and disrupting current unsustainable economic systems. Making these targets in advance of related regulations will let companies be well-equipped to respond to future requirements. Companies can demonstrate their commitment to climate change mitigation to investors and clients by committing to their fair share of GHG emission reductions.

Science-based targets align company GHG emissions reductions with global emissions budgets generated by climate models. The partners have created a new science-based target setting methodology that complements existent ones and disaggregates global GHG budgets to the sector level. Within each sector, companies can derive their science-based emission reduction targets based on their relative contribution to total sector activity. This contribution is measured by either a physical indicator (e.g. tonnes of crude steel produced for the Iron & steel sector) or \$ value added (revenue minus the cost of goods and services). If the required decreases in carbon intensity are compensated for by a company’s activity growth, company emissions are still allowed grow (up to the limit of the sector budget).

Through its questionnaire and scoring, CDP can catalyse a critical mass of companies to take on this important initiative and make substantial corporate GHG emission reductions. CDP will incorporate questions in its annual climate change questionnaire to incentivize and track company commitments to this initiative starting in 2016.

The methodology and additional information is available at www.sciencebasedtargets.org.

CDP Contacts

Paul Dickinson
Executive Chairman

Paul Simpson
Chief Executive Officer

Frances Way
Co-Chief Operating Officer

Sue Howells
Co-Chief Operating Officer

Marcus Norton
Chief Partnerships Officer

Daniel Turner
Head of Disclosure

James Hulse
Head of Investor Initiatives

Katie McCoy
Head of Forests

James Howard
Director, Disclosure

Rosie Mackenzie
Senior Project Officer, Disclosure

Sarah Robertson
Senior Program Officer, Water

Roberta Iley
Senior Project Officer, Forests

CDP Board of Trustees

Chairman: Alan Brown
Wellcome Trust

James Cameron
Climate Change Capital & ODI

Ben Goldsmith
WHEB

Chris Page
Rockefeller Philanthropy
Advisors

Jeremy Smith

Takejiro Sueyoshi

Tessa Tennant

Martin Wise
Relationship Capital Partners

CDP UK
40 Bowling Green Lane
London, EC1R 0NE
United Kingdom
Tel: +44 (0) 20 7970 5660

@cdp
info@cdp.net
www.cdp.net

CDP Advisors

Lord Adair Turner

Rear Admiral Neil Morisetti CB

For access to a database of public responses for analysis, benchmarking and learning best practices, please contact reporterservices@cdp.net.

This report is available for download from www.cdp.net.

CDP's global scoring and sustainability business process outsourcing (BPO) partner



Global Implementation Partner

accenture

High performance. Delivered.

Design and production



www.productionstudios.co.uk