

→ **The 2nd Meeting of the Caring for Climate Signatories**

Our Progress and the Path Forward

April 8, 2010

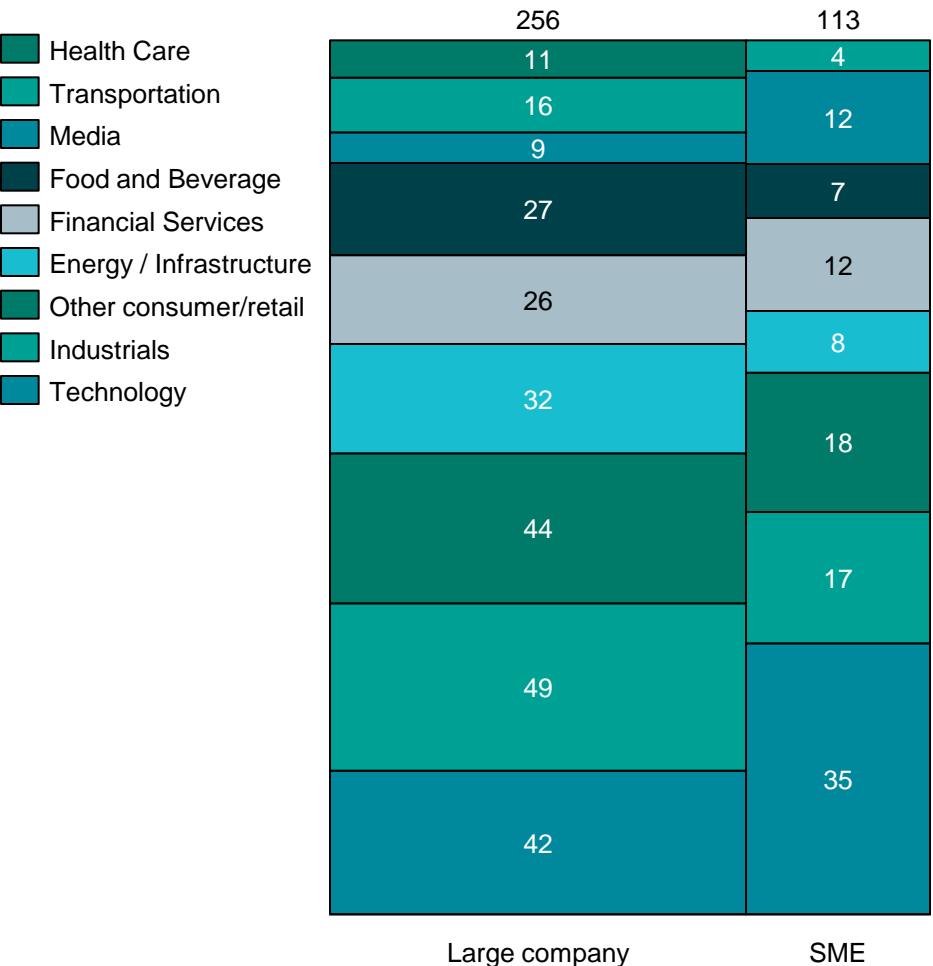
The purpose of this presentation is to celebrate the achievements of Caring for Climate signatories and catalyze further progress

In today's session, we will:

- **Review the collective successes of Caring for Climate (C4C) signatories over the past 3 years**
 - Define a framework for how we can think about and measure our climate change activities in a common way
 - Highlight examples of leadership and innovation in both large and small companies across sectors and regions
- **Share suggestions on how companies can accelerate their activities against climate change**
- **Clarify how the UN Global Compact can support signatories in their climate change efforts**

Caring for Climate signatories are a diverse group, comprising 256 large companies and 113 small and medium sized enterprises (SMEs)

Number of signatories by sector and type



Number of signatories by region and type



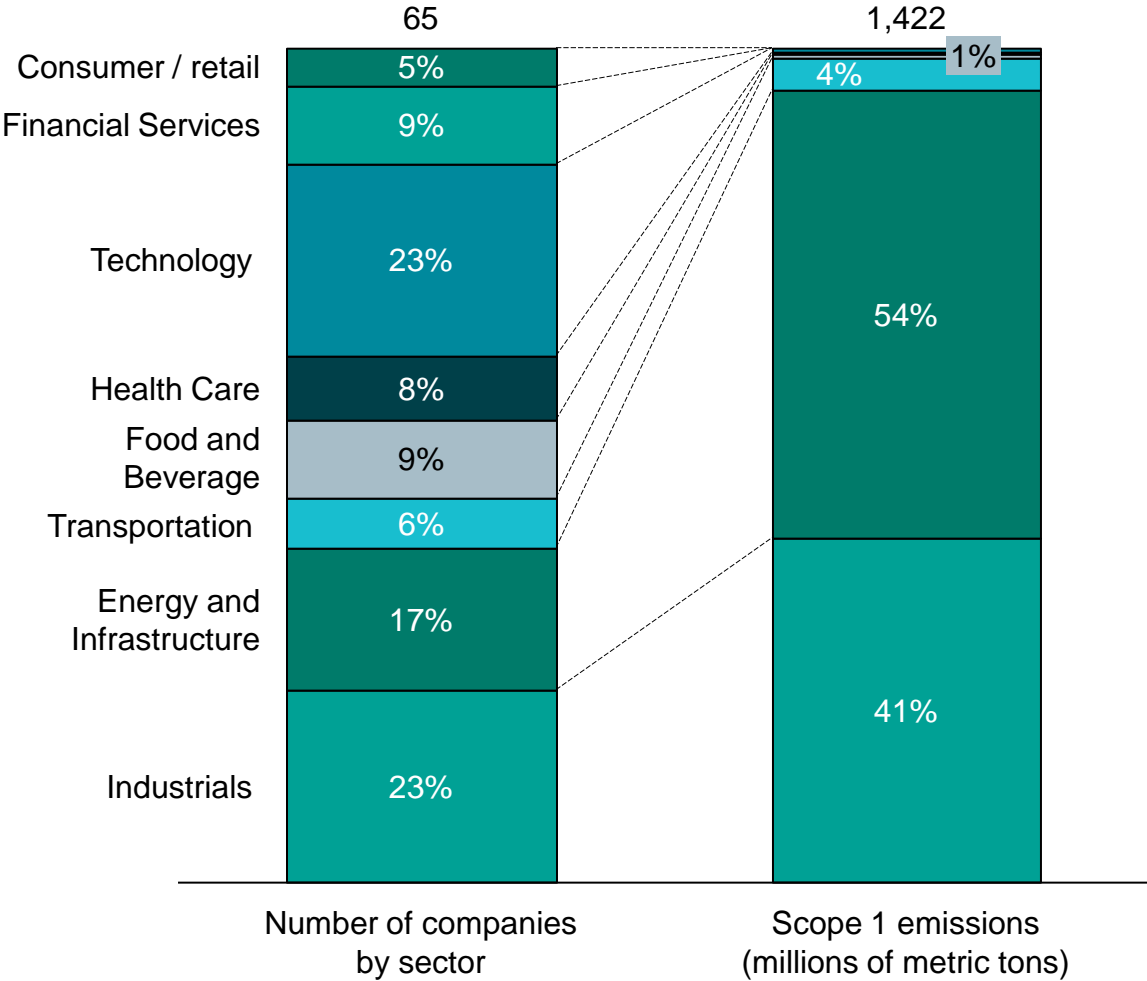
We selected 65 companies (~25% of all large company signatories) for our sample, optimizing for data availability and proportional representation

Defining characteristics of sample:

- Robust data available on carbon emissions and other climate-related activities from Carbon Disclosure Project, Communications of Progress, and other public sources
- Representative of entire signatory pool across region and sector
- Mix of large and smaller companies

In 2008, these 65 sample companies emitted ~1.4B metric tons in direct emissions (Scope 1) from operations, primarily in Energy & Infrastructure

Scope 1 GHG (CO2-e) Emissions by Sector, 2008



Included are emissions directly occurring from “sources that are owned or controlled by the institution”*



- **Energy & infrastructure and Industrials** generated highest proportion of CO2 emissions (95%)
- **Consumer / retail** drove the lowest (<1%)

5% of ~30B metric tons of CO2 emitted globally in 2008

*Scope 1 emissions as defined by the GHG Protocol

Traditionally, climate change efforts have been seen through the binary lens of mitigation or adaptation

Mitigation

Efforts to reduce direct damage done to environment through carbon emissions and energy use

Adaptation

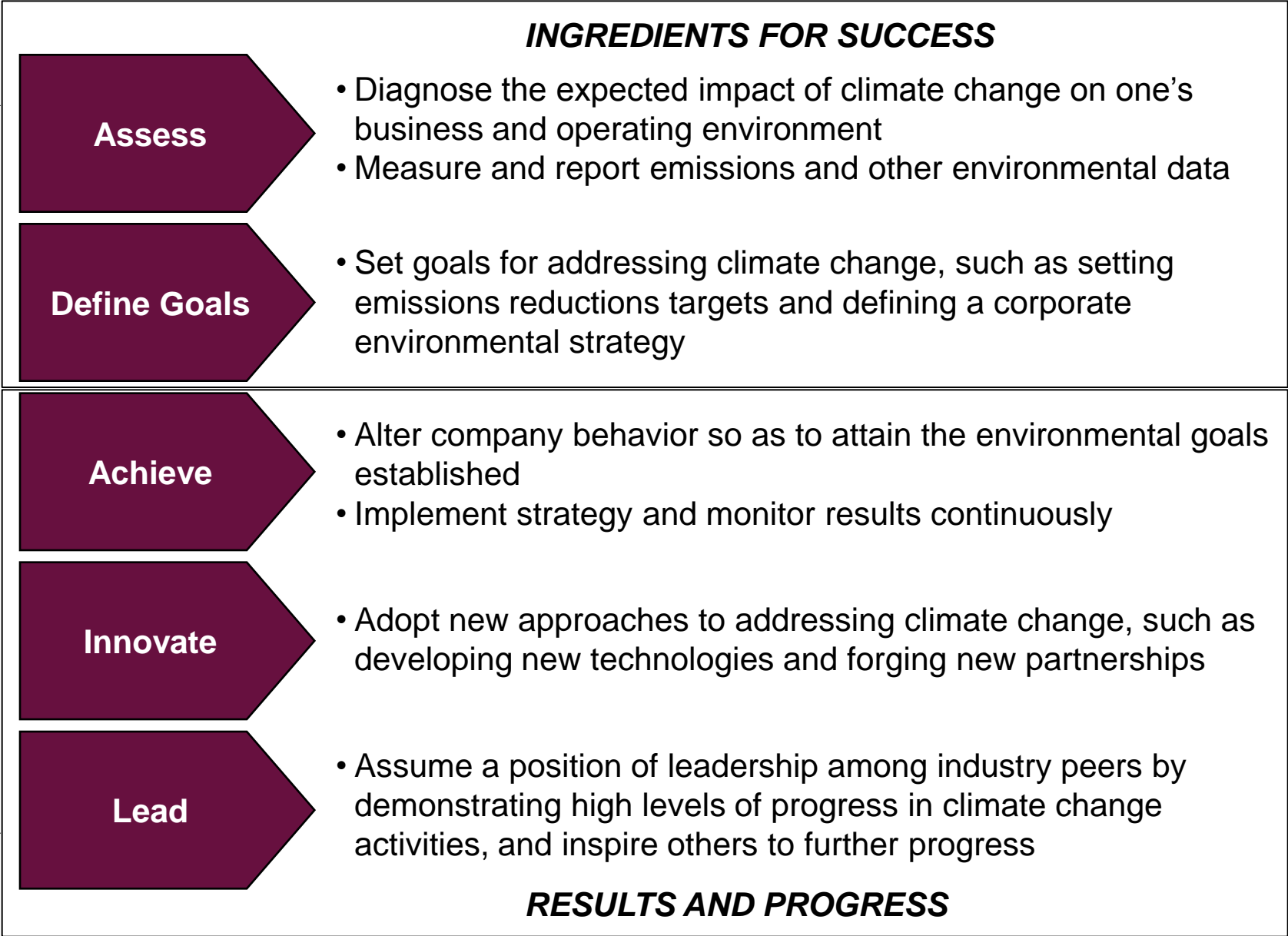
Efforts to fundamentally change business model or aspects of business to minimize effects of climate change

Examples

- Server manufacturer implements best-practice disciplines to reduce energy usage for data centers
- Media company implements carbon-neutral production processes to reduce footprint

- Agriculture company utilizes drought-resistant crop varieties
- Alternative energy companies redesigns wind and solar generator products anticipating long-term temperature changes

During the course of our analysis, a more nuanced framework emerged that reflects a spectrum of corporate climate change activity



As companies progress across this spectrum, they can also broaden their engagement to include industry, public agencies, and civil society

SPHERES OF INFLUENCE

Company

- 1. Reduce environmental footprint by cutting greenhouse gases and energy usage
- 2. Lower costs by reducing utilities spending and developing green-friendly supply chains
- 3. Redesign and launch new products that help customers reduce their own footprint

Industry

- 1. Influence policy and regulation that pertains to the industry
- 2. Reach out to the general public as a collective industry forum
- 3. Generate R&D activity for technologies that may apply to the industry as a whole

External environment
(e.g. governments, UNGC, UNEP)

- 1. Partner with the regulatory community to guide legislation and directly advise governments in adaptation activities
- 2. Promote green activities in local communities in support of UN development goals
- 3. Continue broad support of UN initiatives such as the Global Compact and UNEP

Assess

Define Goals

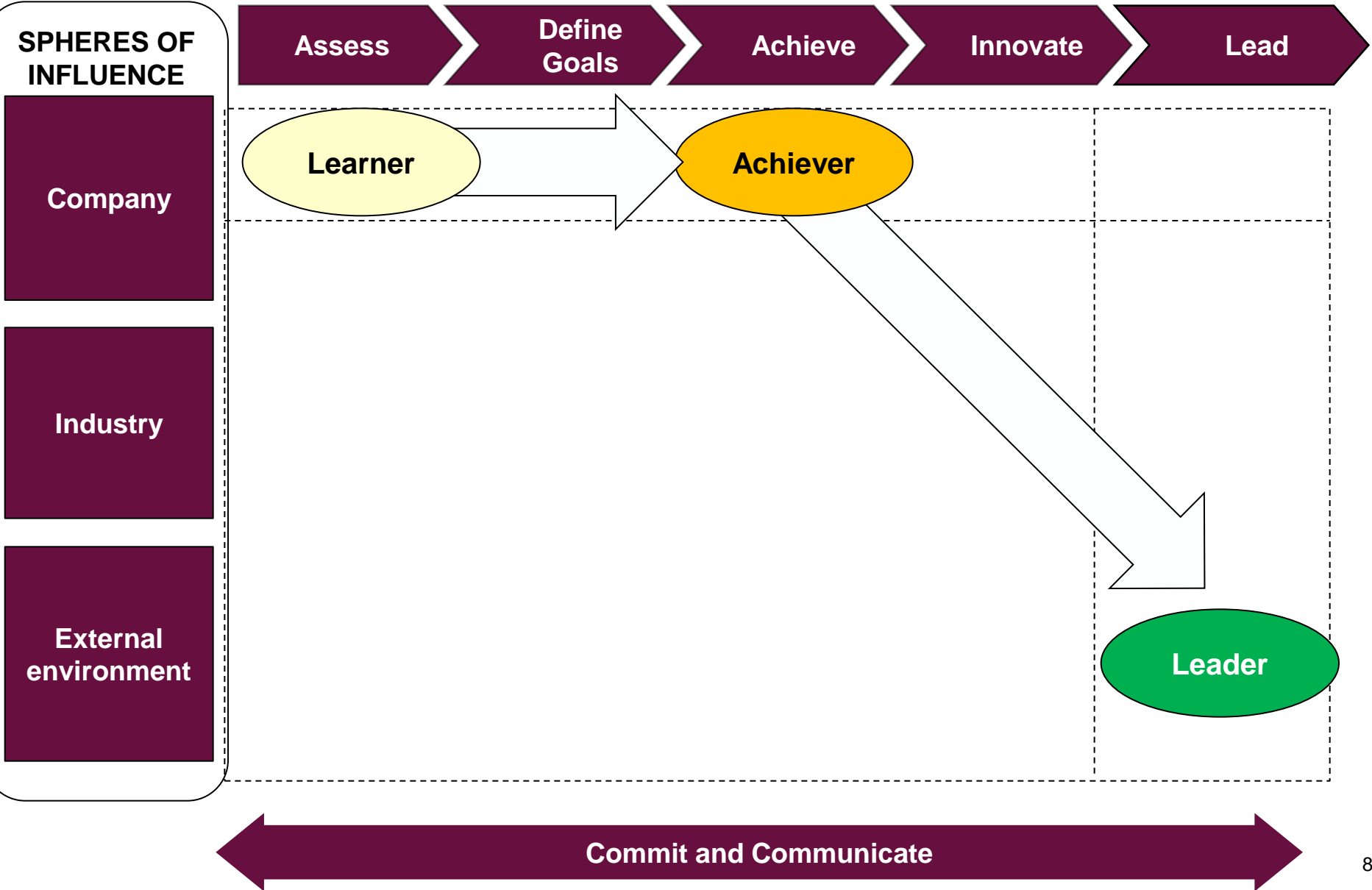
Achieve

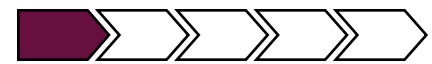
Innovate

Lead

Commit and Communicate

Signatories can aspire to true leadership by transitioning from company-specific achievements to leading across all three spheres of influence

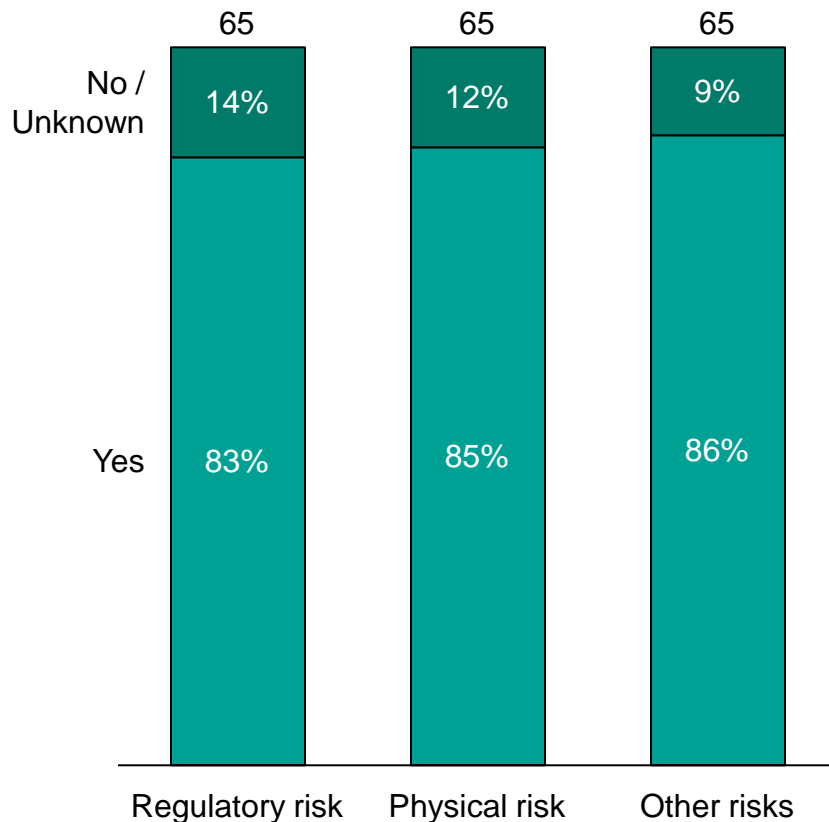




Assess: The first step in assessing climate change is to recognize and acknowledge the nascent risks and opportunities

Most companies recognize considerable risk from the effects of climate change

Signatories that consider themselves exposed to regulatory, physical, and other risks



Description of risks

Regulatory risks

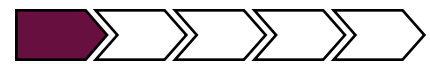
- Effects of emissions legislation and other restrictive policies affect company operations and raise costs

Physical risks

- Weather changes and other inclement events can damage company operations
- Events can also restrict company supply chains

Other risks

- Reputational risks, market risks associated with products



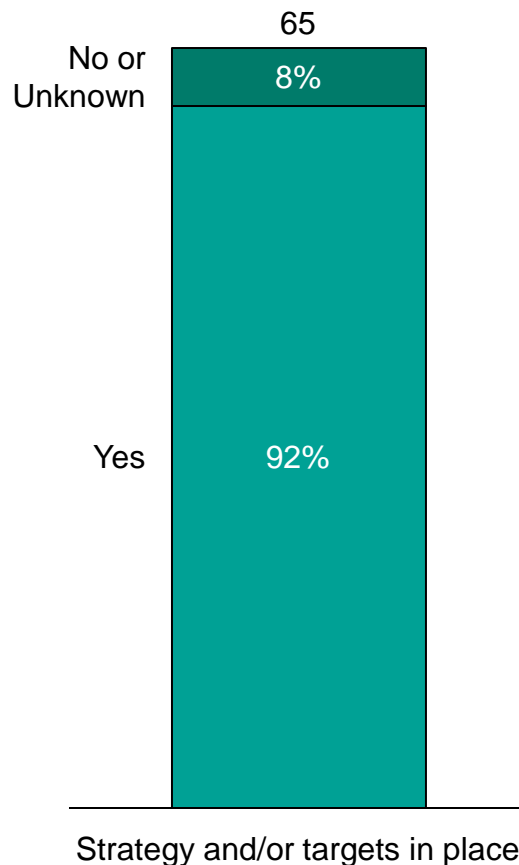
Assess: Upon recognizing these risks & opportunities, companies have proactively assessed and reported their environmental footprint

	Large company illustrations	SME illustrations
Company	<p><u>Novo Nordisk (Denmark)</u></p> <ul style="list-style-type: none">• Risk Management Board• ISO14001 management system for production site planning	<p><u>Dean's Bean Coffee (US)</u></p> <ul style="list-style-type: none">• Environmental Mgmt System for ISO14001 management• UPS carbon emissions calculation tool
Industry	<p><u>Munich RE (Germany)</u></p> <ul style="list-style-type: none">• High-Tech Strategy for Germany Finance Initiative on Climate-Change Adaptation and Mitigation Measurement	<p><u>Generation Investment (UK)</u></p> <ul style="list-style-type: none">• Member of Chicago Climate Exchange, requiring companies to measure & report all emissions
External Environment	<p><u>Infosys (India)</u></p> <ul style="list-style-type: none">• Infosys Enterprise Risk Management team monitors regulatory risk and adapts company operations	<p><u>Tanitim (Turkey)</u></p> <ul style="list-style-type: none">• Advising Scientific and Technological Research Council of Turkey on public relations management of green issues



Define Goals: Most signatories have established concrete targets or action plans to reduce their carbon emissions

Sample signatories that have future reduction plans or targets



*"We have made considerable strides simply by **sharing learning within our own business**, in an effort to bring all our sites up to the **benchmark of the best.**"*

- Lakshmi Mittal, CEO ArcelorMittal

*"We intend... [to reduce] emissions, **improving energy efficiency and using cleaner forms of energy, like [hydrocarbon] fuel cells.**"*

- Brian Kelley, President and General Manager
Coca-Cola N. America Still Beverage and Supply Chain

*"China Mobile initiated in 2007 the **Green Action Plan.** We have... joined hands with a large number of suppliers and partners to develop a green telecom industry chain."*

-Wang Jianzhou, CEO China Mobile



Define Goals: The following company examples from the various sectors illustrate successful strategies used to meet environmental targets

Sample reduction strategies

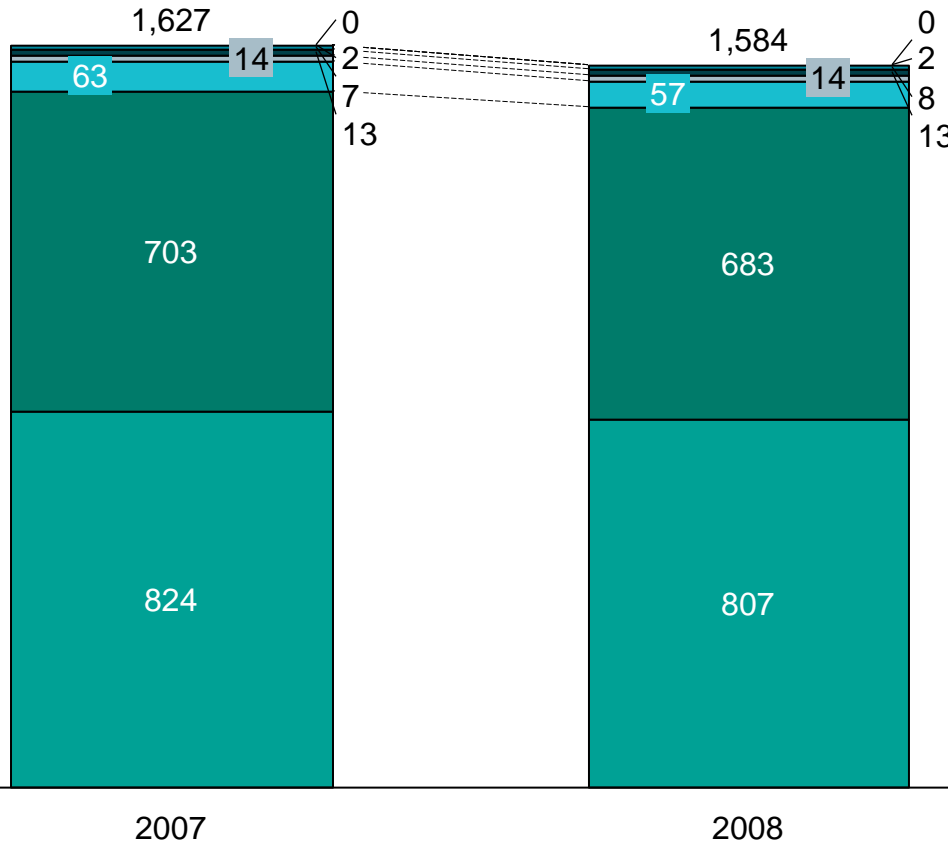
<u>Industry</u>	<u>Example</u>	<u>Target reduction</u>	<u>Strategy & Actions</u>
Consumer / Retail	L'Oreal	2% in Scope 1 + 2 from 2007 to 2008	Green energy system installation, presence sensors for room lighting, benchmarking of sites, LEED certification, solar water heating
Financial Services	Westpac	5% in Year 1 30% in Year 5	Hybrid vehicles, energy mgmt plans for sites, relocation to energy efficient HQ, recycling program roll-out, teleconferencing, discounts for green purchases
Transport	A.P. Moller	3% energy use by 2011	Waste Heat Recovery System, software in containers to reduce cooling energy, new flare gas system, carbon capture and storage development
Health Care	Novartis	5% in Scope 1 by 2010	Hybrid sales fleet, behavioral measures for energy usage, Energy Excellence Awards, energy management roles, renewable energy investments
Industrials	Sasol	10% per ton of product by 2015	Technology acquisitions in clean energy and carbon sequestration, compressor upgrades, heat recovery project, electricity import reductions
Tech	Deutsche Telekom	20% up to 2020	Power and air solutions, hydrogen cells, energy-efficient telephones, green IT investments, green dynamics simulation model to optimize energy
Energy	Repsol	2.5M tonnes between 2005 - 2013	Flare gas recovery compressors, heat recuperation, new coordination of energy mgmt team, biofuels and hydrogen projects, carbon capture technologies
Food	PepsiCo	Electricity by 20% Fossil fuels by 25% by 2015	Fleet team vehicle emissions reduction, refurbished manufacturing sites, hydrofluorocarbon-free equipment, solar thermal water heating system, boiler training



Achieve: Signatories achieved a net reduction of 3% in greenhouse gas emissions from 2007 to 2008

Some of this reduction was driven by implemented climate change strategies, but other exogenous factors, such as divestitures, may have contributed as well

Scope 1 and Scope 2 GHG emissions from 2007 to 2008
(millions of metric tons)



Sector	% change
Consumer / Retail	-1%
Financial Services	-4%
Health Care	15%
Technology	-4%
Food and Beverage	-2%
Transportation	-9%
Industrials	-3%
Energy and Infrastructure	-2%
TOTAL:	-3%

Compared to total reductions of 2.2% in United States nationally in 2008*



Achieve: Various success stories across large and small companies serve as inspiration to all signatories

Illustrative examples

Transportation sector

- Waste heat recovery systems to save fuel costs
- Lighting and equipment retrofits
- Six sigma projects to reduce manufacturing losses

Technology sector

- More energy-efficient data centers
- Energy-efficient fans to cool manufacturing plants
- Fuel switching (fuel to electricity) for factories
- Utilities optimization (e.g. air conditioning)

SMEs

- Article 13 (15-person support services firm in UK)
 - **27% overall decrease in CO2 tonnage emitted per person** from 2008 to 2009
- Avon Metals (60-person industrials firm in UK)
 - **93% reduction in CO2 emitted per cubic meter** 2006 to 2008
 - State-of-the-art fume arrestment plant
 - £500K investments in facilities and equipment
 - **5% reduction in energy consumption** 2006 to 2008

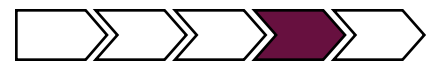
Success is possible!



Achieve: Two Industrials companies illustrate the influential forces affecting company progress on climate change

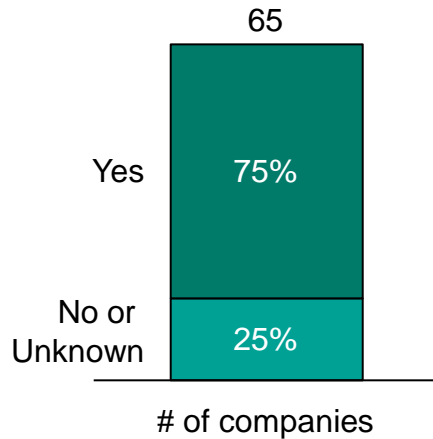
Two examples from sample signatories (Industrials sector)

	Company A	Company B
Facilities under EU Emissions Trading Scheme?	Regulatory factors necessitating emissions control and reduction	
	✓	✗
Stated renewable energy sources?	Use of innovative solutions to reduce overall energy consumption	
	✓	✗
Reduction targets or plan in place?	Actionable plan and commitment to concrete reduction targets	
	✓	✗
Direct CEO / Chairman involvement?	Strong commitment from senior leadership	
	✓	✗
Estimated investments in environmental initiatives	\$150M	\$0.75M
2007 Scope 1 + 2 emissions (mt)	~16M	~4M
2008 Scope 1 + 2 emissions (mt)	~13M	~5M
% change	~17% decrease	~40% increase



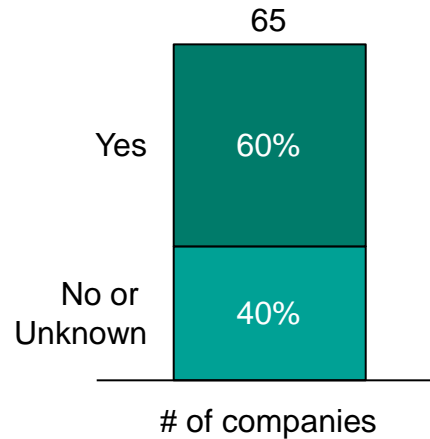
Innovate: Signatories are beginning to invest in innovative approaches to climate change, but there's room for improvement

Signatories that have redesigned products to "go green"



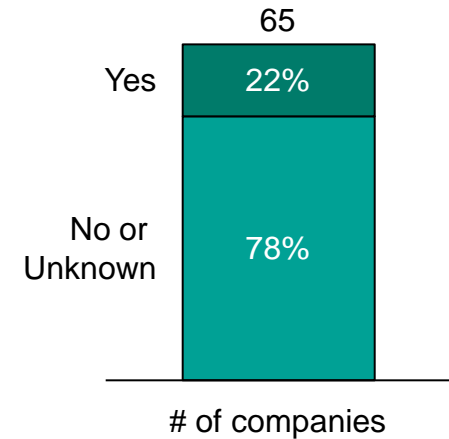
- **Kikkoman:** "Eco-Cap" can be easily removed when recycling bottles
- **AVIVA:** Special "green" insurance package for drivers who also bicycle frequently

Signatories with stated investments in renewable energy

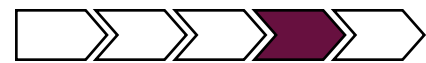


- **Deutsche Post:** 68% of electricity in German facilities from renewable sources
- **Diageo:** Bioenergy plant diverts wastewater to make site self-sufficient

Signatories interested in carbon capture and storage / sequestration



- **ENI:** Partnering with Italian Minister of Environment on sequestration project
- **ESKOM:** Developing national carbon storage atlas for South Africa



Innovate: Innovation can occur across all three spheres of influence

Company

Cost reduction

- **Tata Steel:** Energy management technology in Wales that re-uses generated gas, reducing consumption by 60%

Revenue generation

- **CEMEX:** Launch of Rizal Green (“green cement”) with lower carbon footprint than ordinary cement

Security

- **BT Group:** Development of ICT to monitor weather activity due to climate change

Industry

Industry-wide forums

- **Nokia:** Board member of Global e-Sustainability Initiative (GESI)
- Published SMART 2020, identifying potential ICT industry contributions to low carbon activities

Collective action campaigns

- **Pepsi Co:** Leading party in Beverage Industry Environmental Roundtable
- Submitted testimony to Congress on role of federal government in water supply, conservation and management

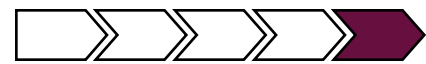
External environment

Civil society engagement

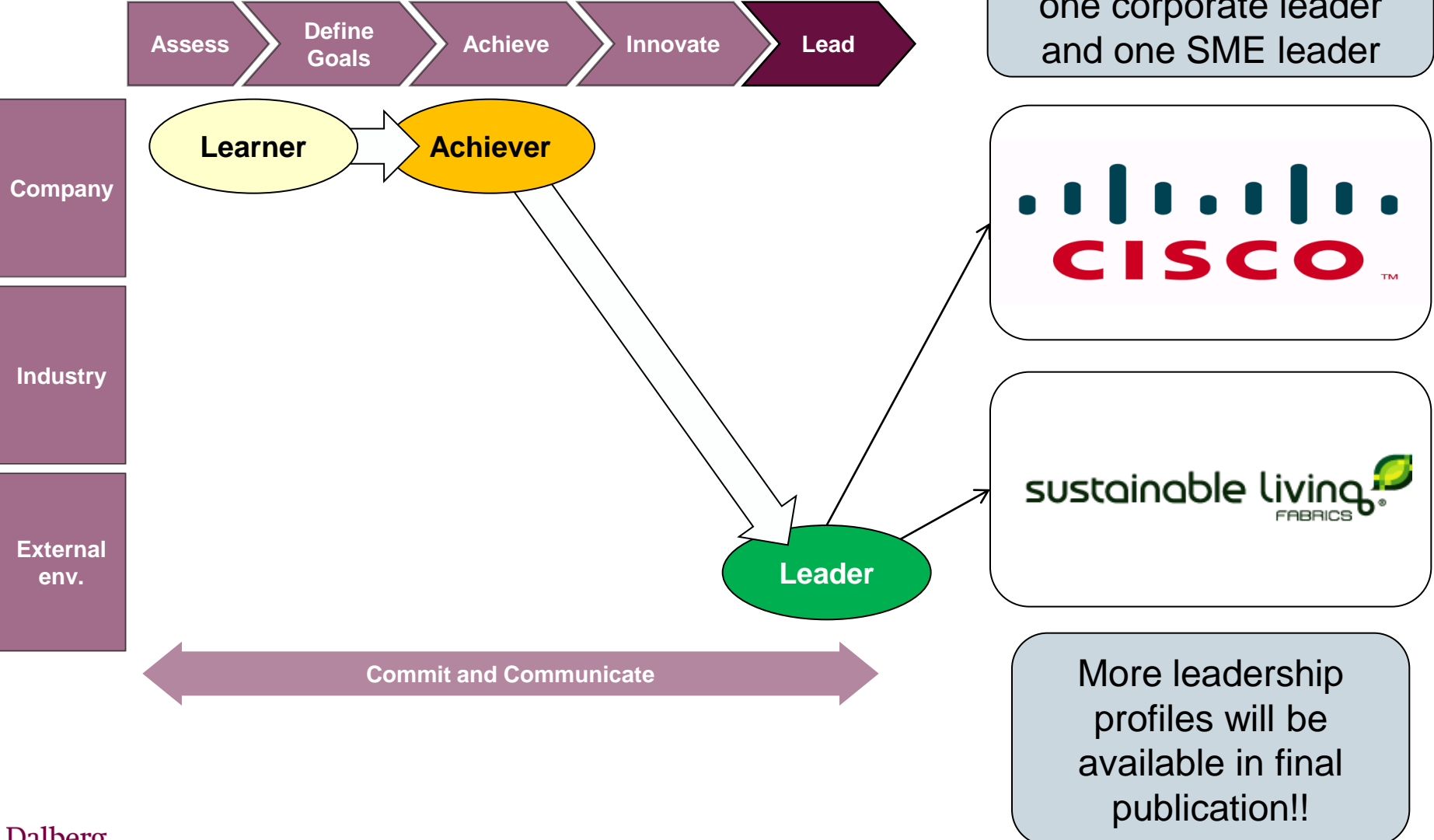
- **Veolia Environnement:** Partnership with Poznan, Poland, to conduct carbon assessment for the city using proprietary technology

Regulatory engagement

- **Saint-Gobain:** Supported regulatory progress for energy-efficient buildings by introducing energy performance diagnostics system



Lead: Several signatories stand out as leaders in their field and can be considered benchmarks to inspire others



Today we will discuss one corporate leader and one SME leader



More leadership profiles will be available in final publication!!




Lead: Cisco has led the way in developing green-enabling ICT products

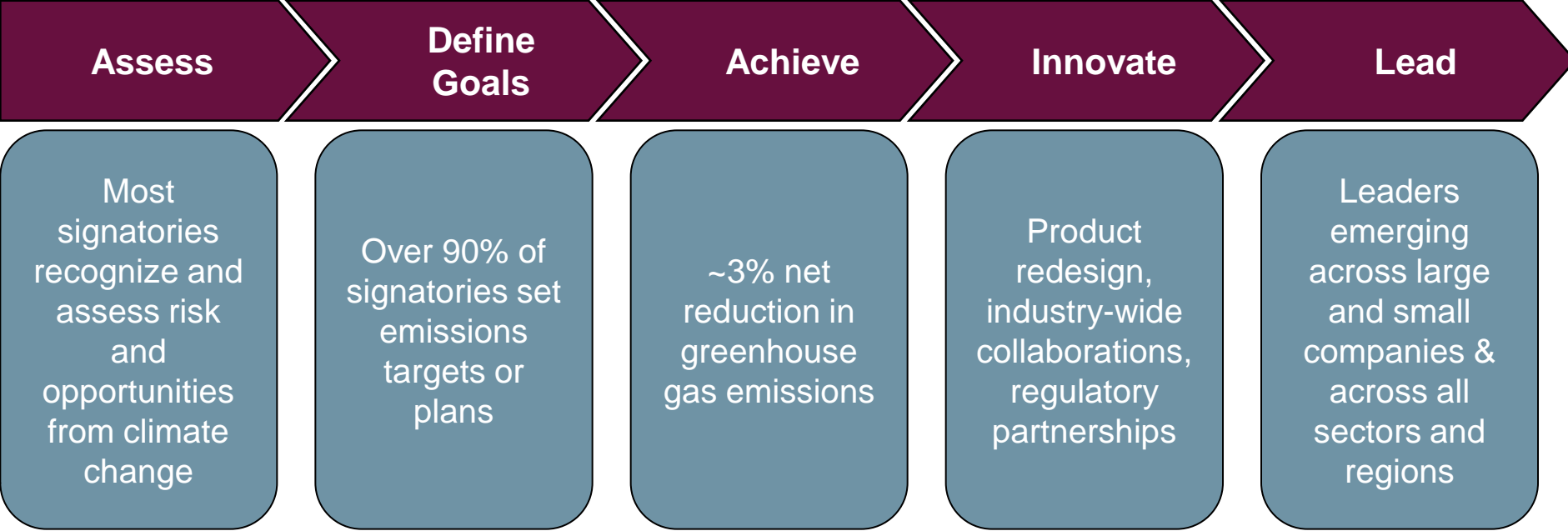
		CISCO SYSTEMS			
		Sector	Technology	2008 emissions*	~600K mt
		Region	Americas	2007 emissions*	~660K mt
		Employees	55,000	% change	10% reduction
		Fortune 500?	Yes	GC join date	9/6/2001
		Opportunities Identified		Approach	
<ul style="list-style-type: none"> Recognized market for their products in enabling other companies to go green CEO John Chambers identified “green” as an important market adjacency and priority 		<ul style="list-style-type: none"> Expanded remote collaboration and utilities management product line <ul style="list-style-type: none"> – Telepresence (WebEx, MeetingPlace) – Data center virtualization – Building / real estate efficiency Invested \$20M over next 3 years to improve energy use <ul style="list-style-type: none"> – Remote technologies – Renewable energy – Green Engineering Task Force Created executive “EcoBoard” to lead green strategy 		<ul style="list-style-type: none"> Select products have demonstrated energy usage reductions of 20-25% Data center services achieve resource savings of up to 70% More than 3M registered users on WebEx in 2009 Internally, 200% increase in renewable energy used \$3M annual cost savings through sustainable supply chain practice 	



Lead: Sustainable Living Fabrics is a green-driven business model

SUSTAINABLE LIVING FABRICS				
	Sector	Industrials	2008 emissions	3207 mt
	Region	Australia	2005 emissions	5626 mt
	Employees	15	% change	43% reduction
	Fortune 500?	N/A	GC join date	3/25/2008
Opportunities Identified	Approach		Results	
<ul style="list-style-type: none"> Identified a clear market demand for green products Recognized need to develop environmentally-friendly supply chain, especially for wool 	<ul style="list-style-type: none"> Launched “Green Living Collection” of 400+ eco fabrics “Keep It Simple Sustainably” program to incentivize behavioral changes among staff <ul style="list-style-type: none"> – Reimbursement to employees who use public transport – Financial incentive for hybrid vehicle purchases Custom “LEAP” wool buying scheme ensures that only environmentally-friendly pesticides are used 		<ul style="list-style-type: none"> First manufacturer in Australia to have all product offerings certified 100% carbon neutral 43% reductions in GHG emissions since 2005 Multiple awards recognizing excellence in green product development & marketing, and sustainable operations 	

In its first three years, Caring for Climate has made significant steps forward in fulfilling the Global Compact principles



More remains to be done!



To accelerate progress, we propose the following recommendations...



- Set-up more consistent and standardized ways of collecting and reporting data

- Increase understanding of potential climate change impact

- Define expected reductions targets for each sector

- Establish best practices for strategy development / implementation

- Define achievement beyond simple emissions reductions

- Shift into other spheres of influence (i.e. Industry and External Environment)

- Shift from downside risk management to upside benefit maximization

- Shift into other spheres of influence

- *Current leaders:* Inspire others to action and progress

- *All:* Shift leadership into other spheres of influence

- Drive thought leadership in fully assessing climate change impact

...which can be tactically achieved through both “quick-win” actions as well as longer term strategies

Assess

Define
Goals

Achieve

Innovate

Lead

Examples of “quick-wins”

- Align reporting templates with industry or initiative standards such as CDP
- Commission study to explore and benchmark expected emissions ratios
- Set up investment group to evaluate green technology investments
- Retrofit buildings with solar energy and consider LEED certification
- Encourage peers to join Caring for Climate

Examples of “long-term goals”

- Establish diagnostic tool and share with industry peers to standardize data capture
- Create unit to mobilize response to legislative changes and support drafting of green policies
- Establish green task force to implement and monitor climate change strategy
- Establish R&D unit to redesign products as “green”
- Become “green champions” in communities
- Launch action campaigns to promote green living

Caring for Climate was set up as an actionable platform to assist companies in progressing to true leadership

Caring for Climate activities

Advocacy

- Provides interface for business and governments at a global level in shaping public policy
- Engages in global outreach campaigns and raises awareness on the role of business in advancing climate change action

Advisory

- Provides a platform for businesses to showcase best and emerging climate change solutions, policies and practices
- Develops thought leadership and best practice recommendations through the Caring for Climate Series

Authority

- Gives recognition to leading companies and inspire a larger number of companies to take action on climate change
- Promotes transparency and disclosures of GHG emissions and climate change action

Caring for Climate stands ready to support signatories in the exploration of new frontiers in addressing climate change

Examples of possible new initiatives

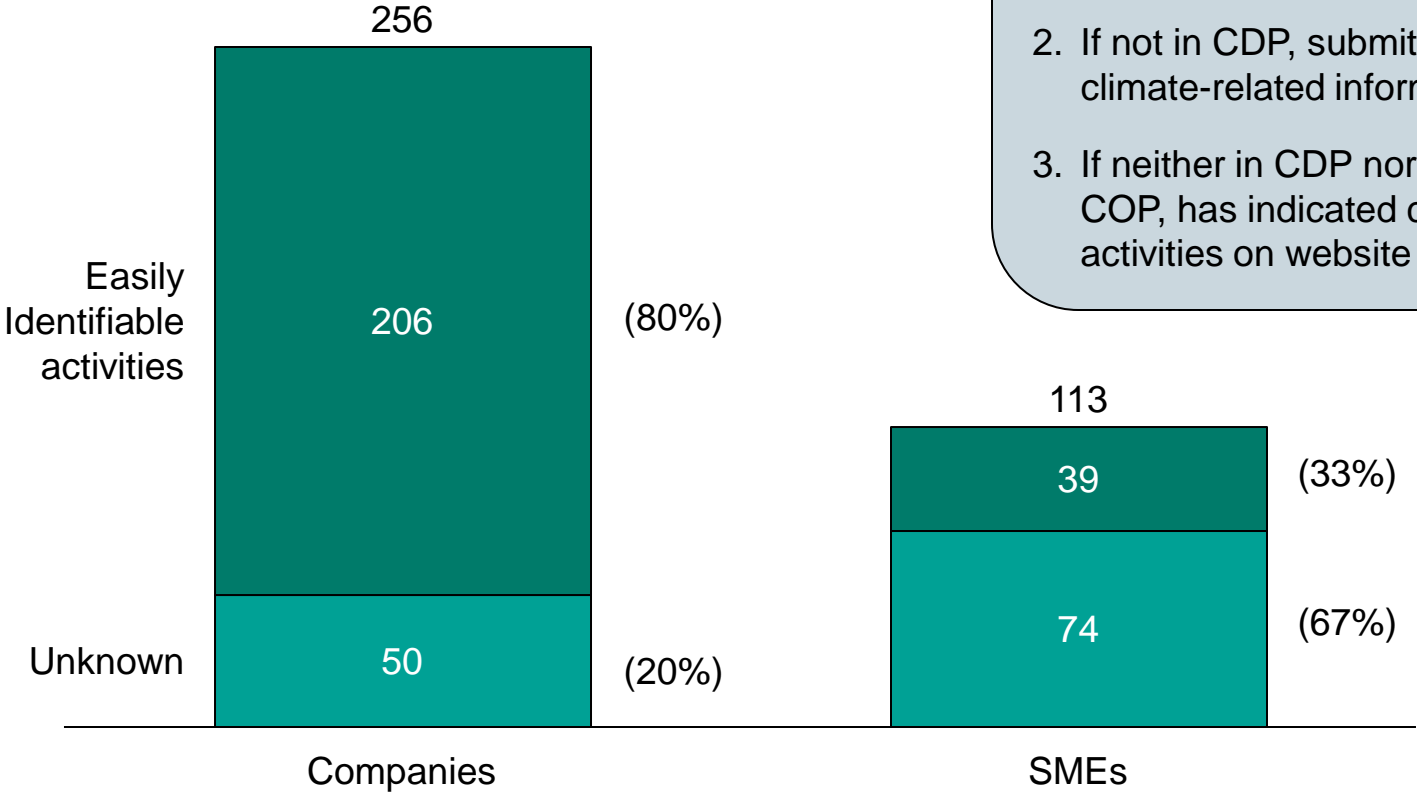
	Company	Industry / Sector	External Environment
Advocacy	<ul style="list-style-type: none"> Develop studies that quantify benefit and cost savings associated with climate change actions 	<ul style="list-style-type: none"> Organize collective action forums to facilitate innovative solutions Collaborate with investors to accelerate adoption of clean technologies 	<ul style="list-style-type: none"> Amplify the voice of companies in advocating for climate action through global advocacy campaigns
Advisory	<ul style="list-style-type: none"> Provide best practice recommendations and implementation tools around climate change & development, strategic value chain management and low carbon technologies 	<ul style="list-style-type: none"> Facilitate and organize industry-wide discussion and advisory forums 	<ul style="list-style-type: none"> Provide recommendations to governments on sound policies that would set the right incentives for business and investors to accelerate the movement to a low-carbon economy
Authority	<ul style="list-style-type: none"> Assist companies in meeting transparency and disclosure requirements 	<ul style="list-style-type: none"> Organize national/regional workshops to foster partnerships and collective action on climate change 	<ul style="list-style-type: none"> Encourage the usage of corporate climate change disclosures by external stakeholders (e.g., investors, consumers, civil society, governments)

Please tell us how Caring for Climate can help by completing the questionnaire

Annex

The majority of signatories have clear and readily accessible strategies for addressing climate change

Easily identifiable climate change activities related to mitigation and adaptation?

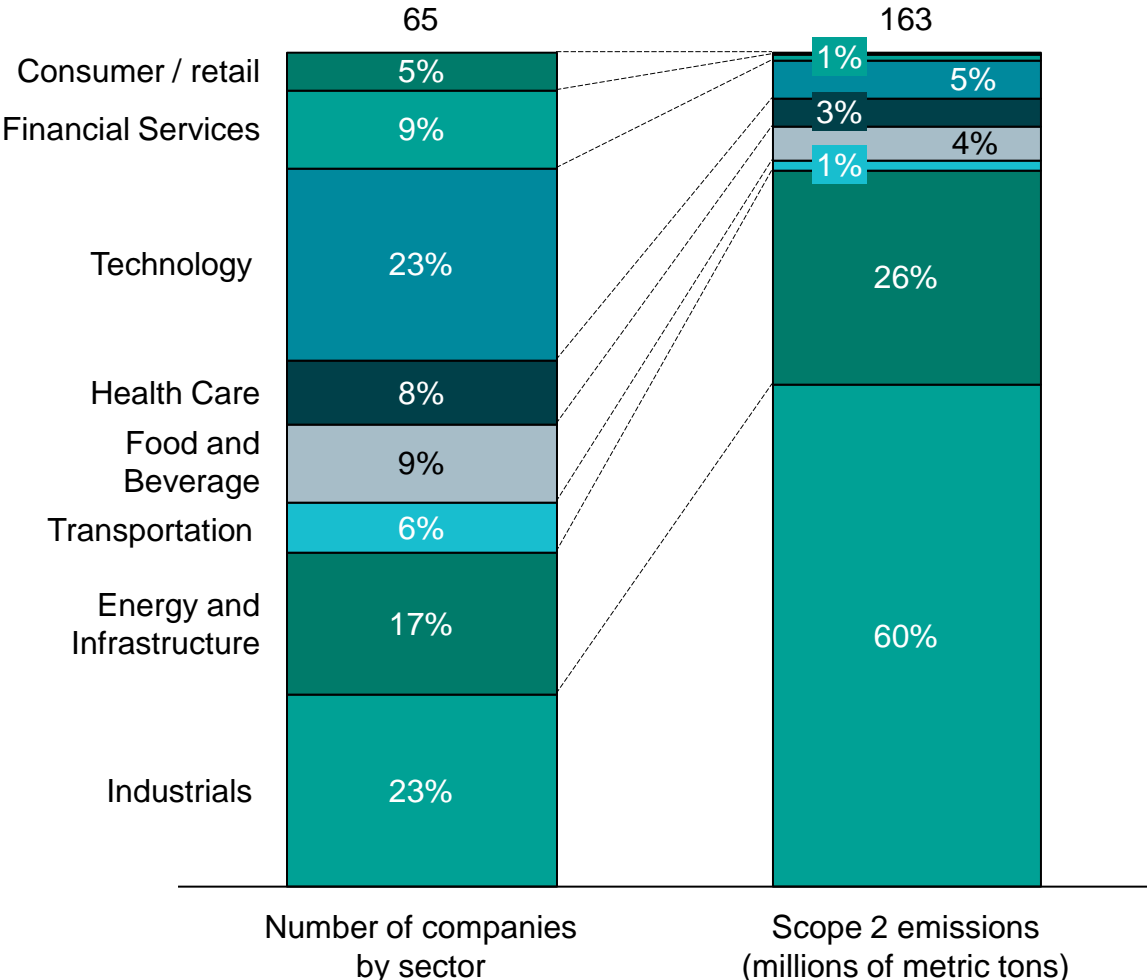


Easily identifiable =

1. Included in the Carbon Disclosure Project (CDP)
2. If not in CDP, submitted COPs with climate-related information
3. If neither in CDP nor has relevant COP, has indicated climate change activities on website or report

In 2008, the 65 companies emitted ~160M metric tons in indirect (Scope 2) emissions, primarily in Industrials

Scope 2 GHG (CO2-e) Emissions by Sector, 2008



Included are “indirect emissions generated in the production of electricity consumed by the institution”*



- **Energy & Infrastructure and Industrials** emitted the most indirect emissions (86%)
- **Technology** generated high indirect emissions vis-à-vis its direct emissions (5% vs. 0.4%)
 - Electricity-heavy operations may be primary driver of this