

# Thank you for joining us

Thank you for logging into ERM's webinar on *CDP Reporting - Strategies for Improving Scores as the Bar is Being Raised*. We will begin the webinar at 1pm EST. All lines have been muted but the chat feature will be active during the call. The call will be recorded and sent out to all registrants. We look forward to our discussion today!



# ERM Webinar: CDP Reporting - Strategies for Improving Scores as the Bar is Being Raised

Part of ERM's 2019 Sustainability Means Business Webinar Series

April 9, 2019

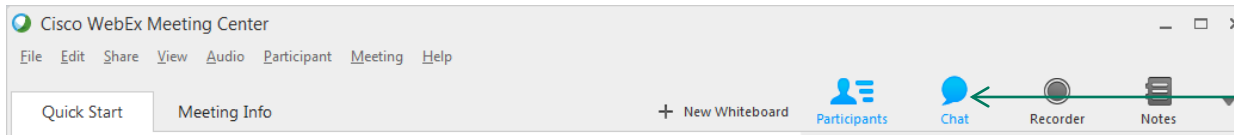
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*The business of sustainability*



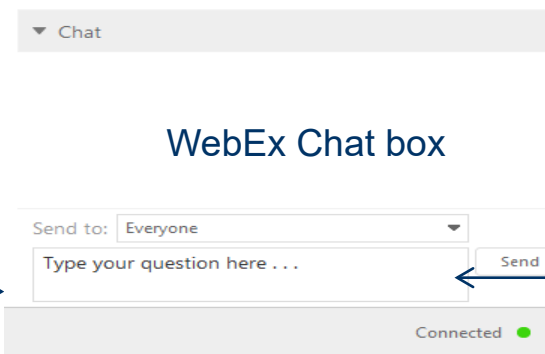
# Welcome

- This presentation will be recorded and all who registered will receive a follow-up email containing a link to the presentation within a week.
- Participants can ask questions throughout the presentation using the WebEx chat function and they will be answered during the last 10 minutes of the webinar in the order that they were received.



*Click on  
chat*

- Send your question to "Everyone" so that those answering the questions will be able to see them.



*Select  
"Everyone"*

*Type your question  
and send*

**SUSTAINABILITY**

**MEANS**

# BUSINESS

## 2019 ERM Webinar Series

**CDP Reporting**  
Strategies for  
Improving Scores  
as the Bar is  
Being Raised  
*(April)*

**Watershed  
Stress &  
Efficiency**  
Improving  
manufacturing  
water use is often  
not the highest  
priority  
*(June)*

**Disclosure  
Trends**  
A Look at  
Sustainability  
Reporting in 2019  
*(September)*

**Sustainability  
Performance**  
To disclose, or not  
to disclose, that is  
the question  
*(November)*

# Today's Speakers



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# Presentation Overview

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How to leverage a CDP from setting science-based targets to creating engagement with the C-suite

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Case study - Assurant

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Q&A

# The evolving climate context

Presented by Barbara Brown, BrownFlynn, an ERM Group Company

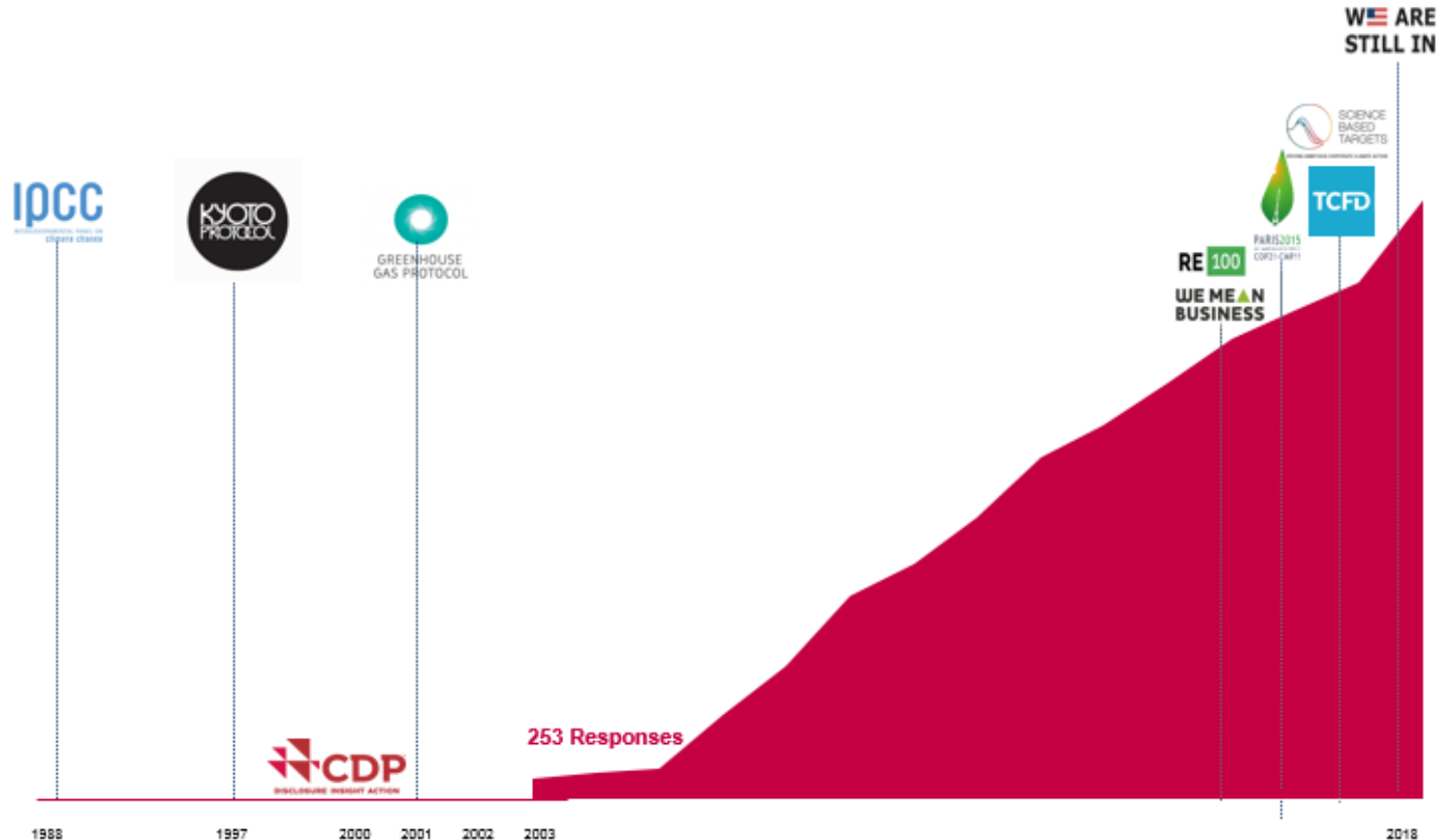
# CDP is a global leader in collecting climate data

**\$87tn**

Over 650 investors

**\$3.3tn**

Over 115 supply chain CDP partners





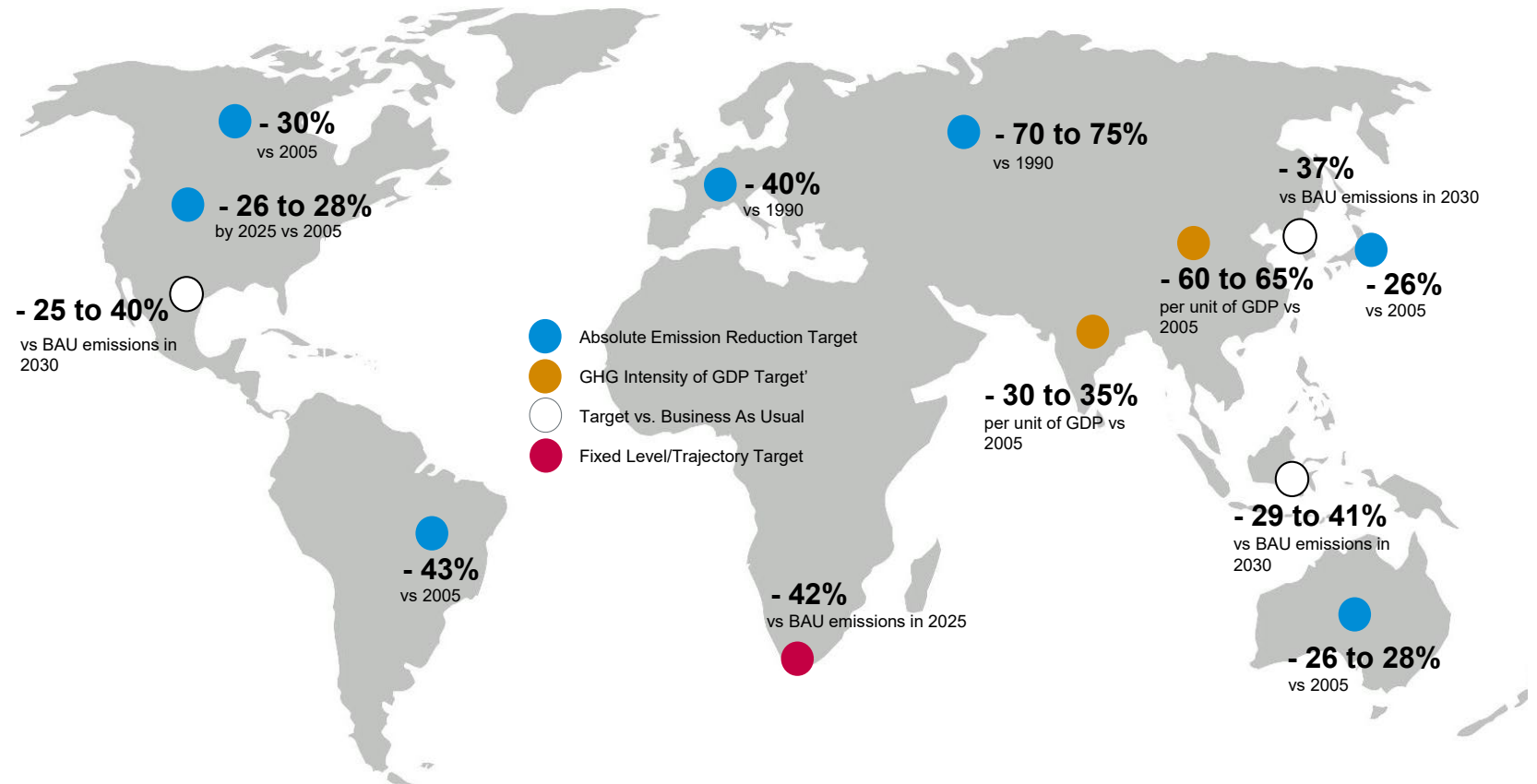
# Since Paris, countries are pledging to reduce emissions...

Countries submitted Nationally Determined Contributions' (NDCs) to reduce emissions

These won't deliver <2°C, but are a statement of intent from the majority of the G20

Under Paris, they will be 'ratcheted up' at 5 year intervals, starting early 2020s

'Leaders' are now setting 'net zero' emissions targets for 2050



# Looking beyond 2 degrees to 1.5 degrees

If unabated, global temperature increase will hit 1.5°C by 2030, and 3-4°C by the end of the century

Scientists point to risk of climate 'tipping points' above 2°C; benefits of 1.5°C

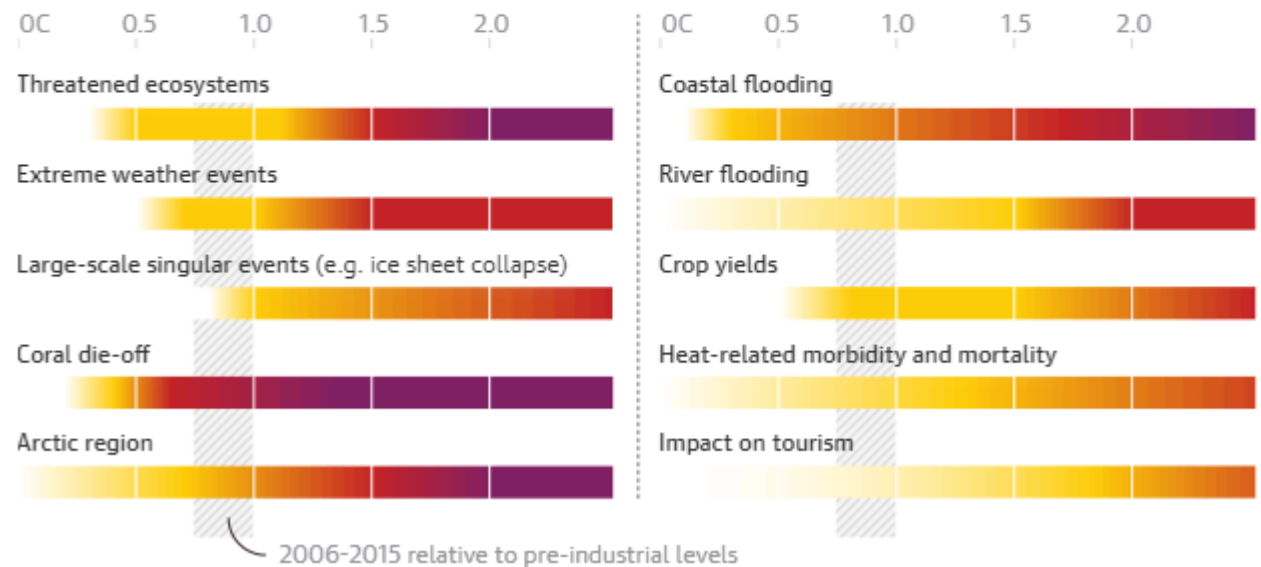
The IPCC warns that the world is already 1°C warmer than pre-industrial levels which could have disastrous consequences

Setting off a push for carbon neutrality and carbon positive

Key to impacts and risks



Global mean surface temperature change relative to pre-industrial levels, C



Source: Guardian graphic. Source: IPCC Special Report on Global Warming of 1.5°C

# 2019 investor ESG pressure

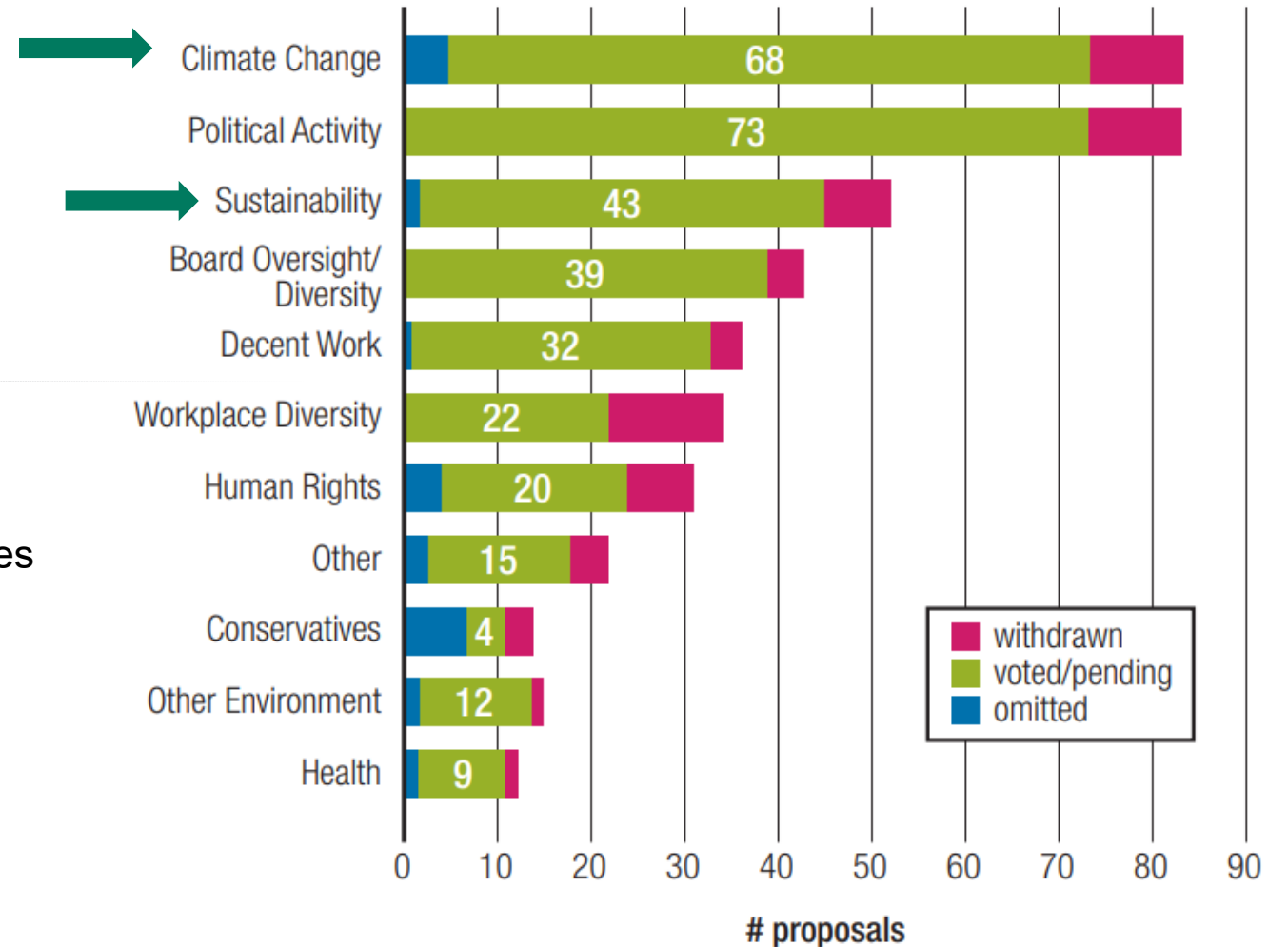
## Report on targets

- ▶ Science-based targets
- ▶ Methane emissions/reduction targets
- ▶ Renewable energy goals

## Report on TCFD scenario analysis

- ▶ Physical and transition risks and opportunities
- ▶ 2-degree analysis and strategy
- ▶ Changed carbon asset mix options
- ▶ Coal ash risks

2018 Proposals by Topic

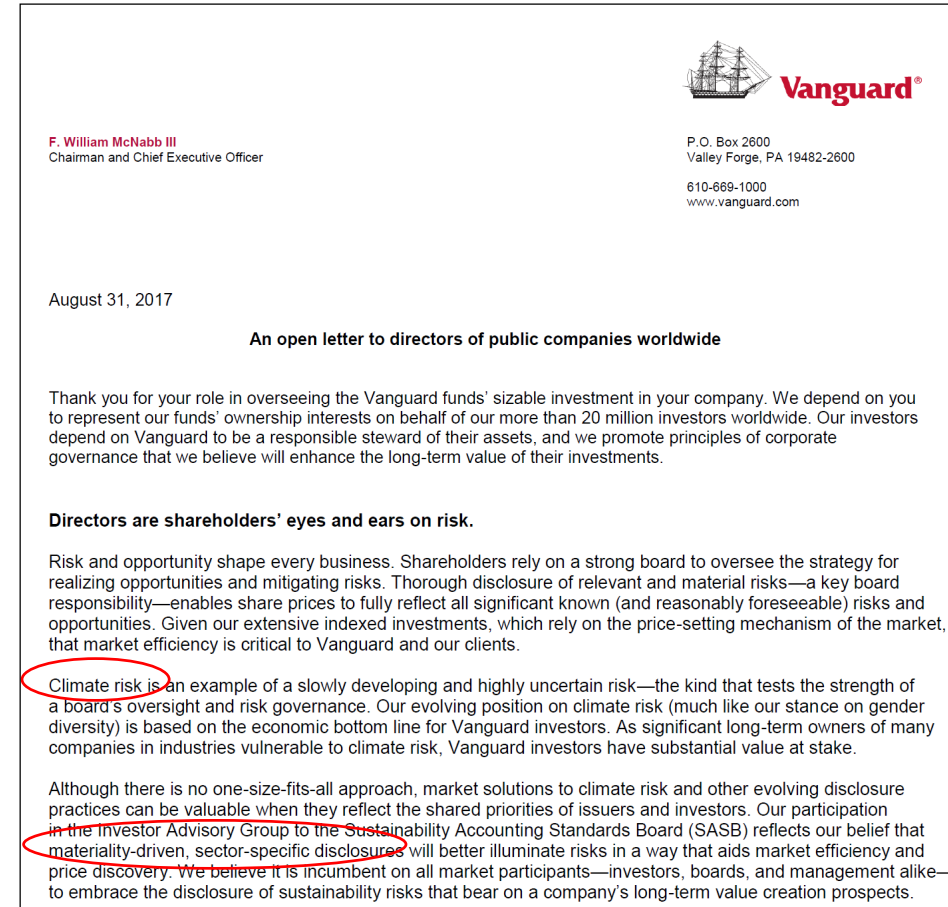


Source: As You Sow, Ceres

Source: Ceres Engagement Tracker. 2019 retrieved from: <https://ceres.secure.force.com/tracker/>

# The biggest passive investors are active

BlackRock, State Street, and Vanguard are engaging CEOs on climate risk



<https://about.vanguard.com/investment-stewardship/governance-letter-to-companies.pdf>

# Investor action now has a common platform



*“As institutional investors and consistent with our **fiduciary duty to our beneficiaries**, we will work with the companies in which we invest to ensure that they are minimising and disclosing the risks and maximizing the opportunities presented by climate change and climate policy.”*

5 year, investor-led initiative, engaging the world’s largest corporate emitters to:

- 1 Improve governance on climate change
- 2 Curb GHG emissions across company value chains, consistent with the < 2 °C goal
- 3 Strengthen climate-related financial disclosures, in line with TCFD

310 investors, with more than USD \$33 trillion in AUM, support the initiative.

<http://www.climateaction100.org/>

Asia Investor Group on Climate Change ([AIGCC](#)); [Ceres](#); [Investor Group on Climate Change \(IGCC\)](#); [Institutional Investors Group on Climate Change \(IIGCC\)](#) and [Principles for Responsible Investment \(PRI\)](#)

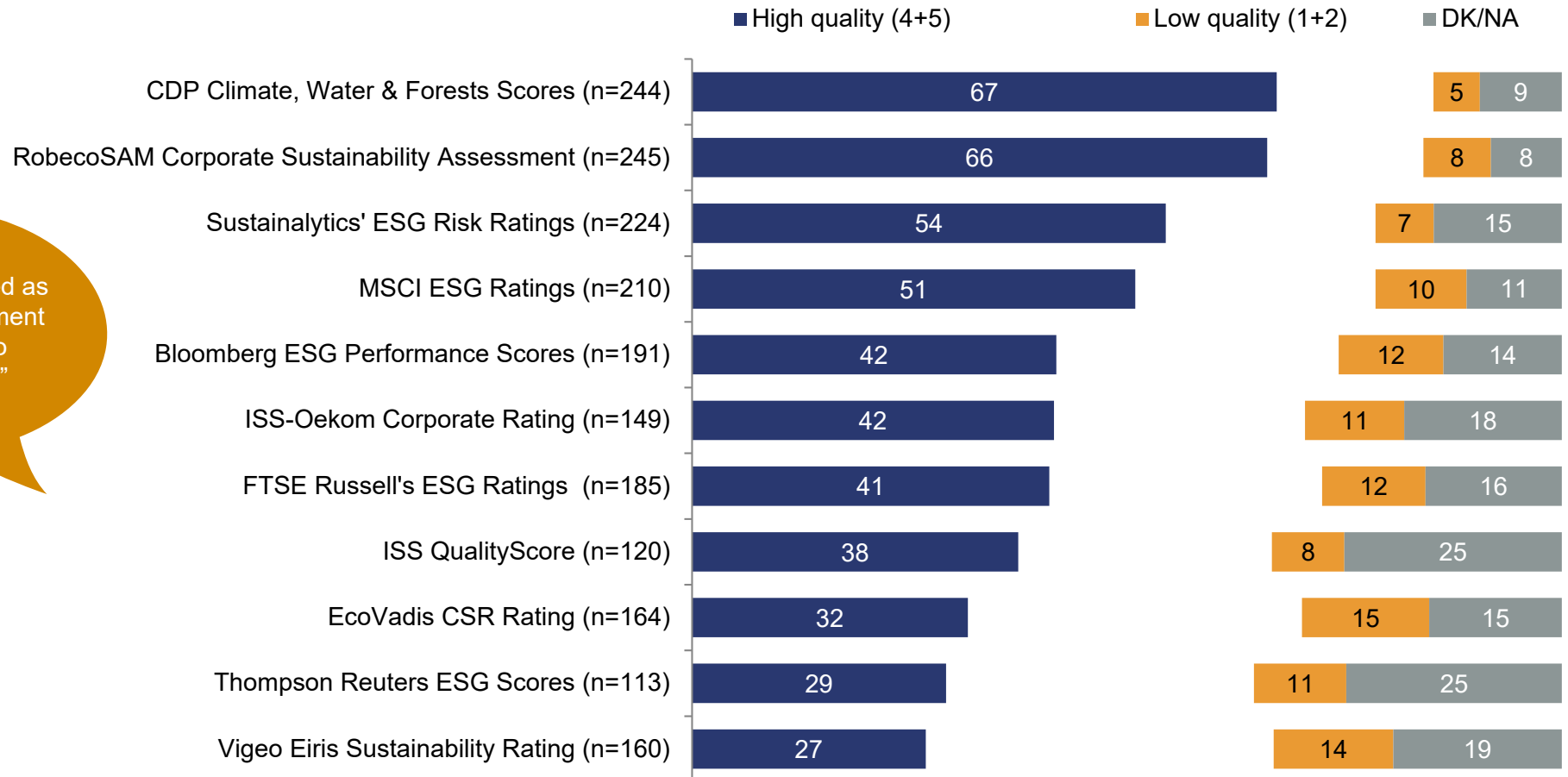
# Making the time

2018: ESG ratings quality, bars indicate percentage of respondents selecting each quality score

"We mainly use CDP and DJSI. While not decisive, they inform us on trends in disclosures and complement direct requests for information or feedback from stakeholders."

"CDP has been used as an internal assessment tool since it is so comprehensive."

"We use DJSI, MSCI and CDP to benchmark against industry and identify gaps so that we can 1) improve on responses to questions in the areas, and 2) to improve business practices."



Source: [SustainAbility Rate the Raters 2019](#)

# What's new in the 2019 survey

Presented by Ariane Burwell, ERM

# 2018 overview: changes to the CDP questionnaires & reporting process

01

## Aligned with the Task Force on Climate-Related Financial Disclosures (TCFD)

- Restructured questionnaire significantly
- Modified significantly and added new questions
- Evolution of the questionnaires to better align with other frameworks and more forward-looking metrics

02

## Enhanced sector-specific reporting and scoring methodology

- Incorporated questions throughout the worksheet, instead of being a separate module
- Introduced new scoring method that weights sector-specific questions
- Focused on company specific examples

03

## Launched new online response system (ORS)

- Platform challenges (late start, poor upload/download functionality and review options, no phasing in of previous responses), which led to the CDP frequently shifting their timelines

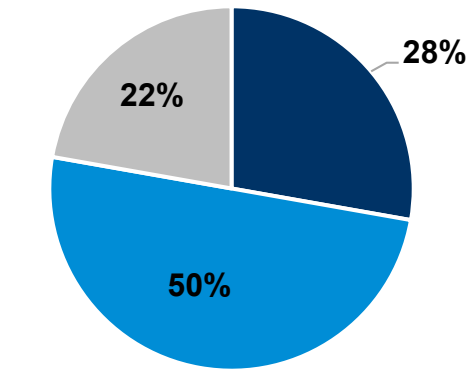
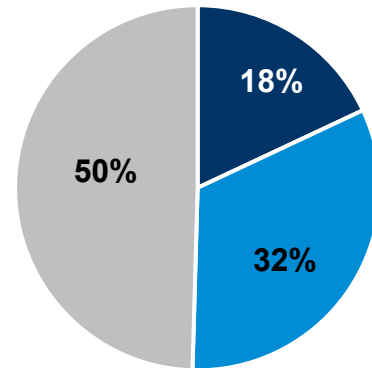


# Stabilizing the questionnaire

## Climate Change

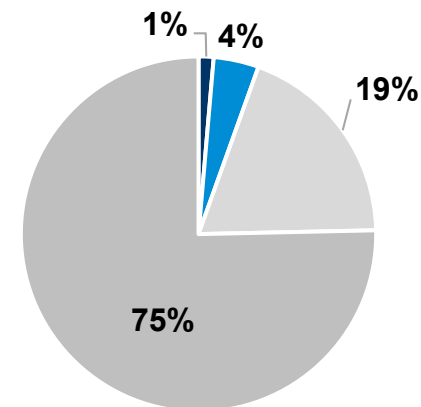
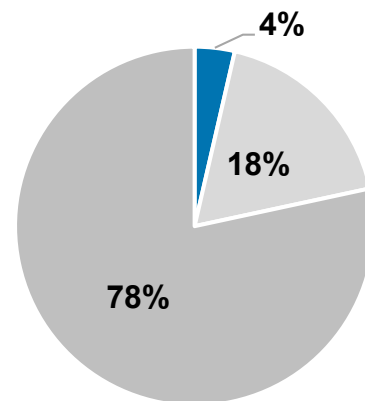
## Water Security

2018



- New question
- Modified question
- Minor change
- No change

2019



# Changes across the questionnaires

## Modifications

- ▶ Clarifications
- ▶ Increased drop-down response options
- ▶ Ranges (min and max) are being allowed for financial impact questions

## New Questions

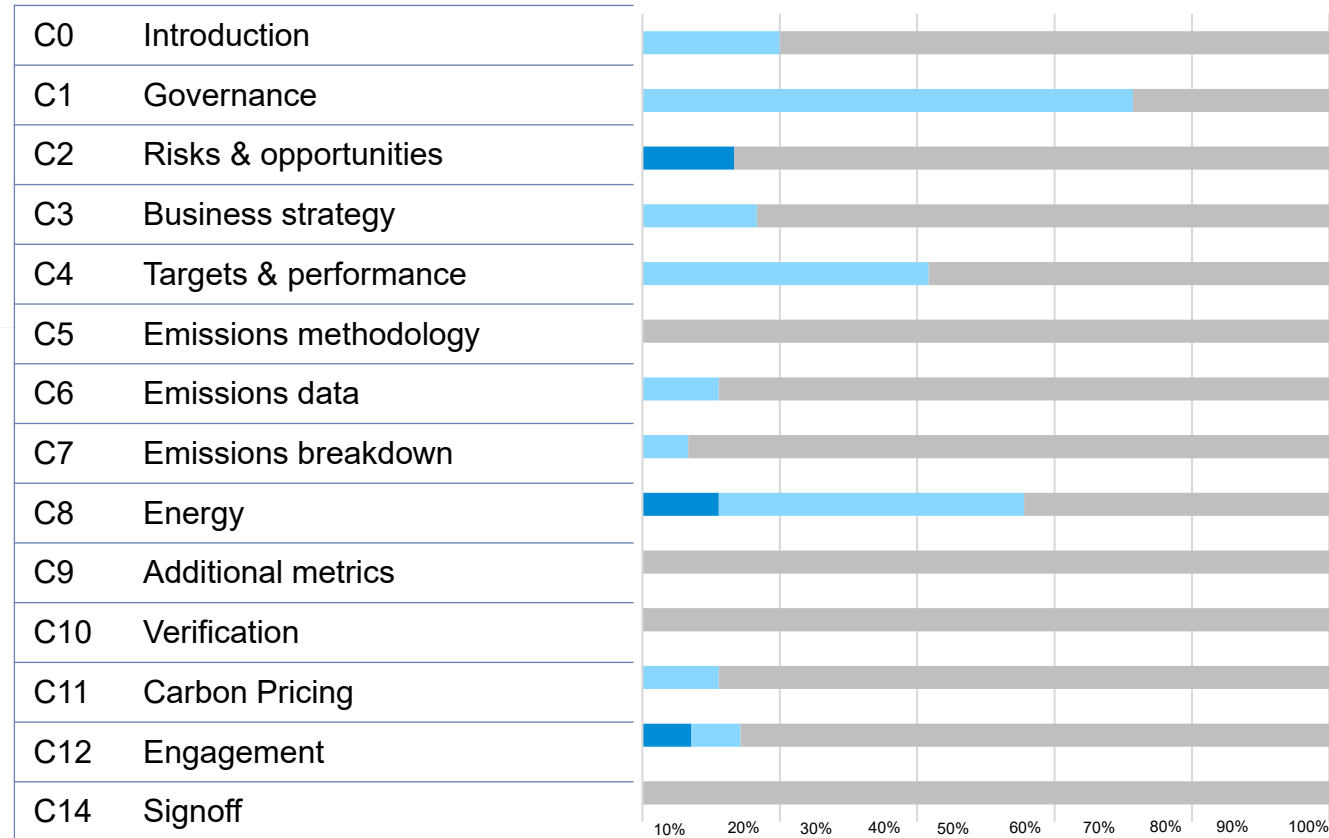
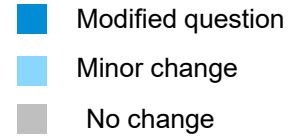


Water - Did your organization include information about its response to water-related risks in its most recent mainstream financial report?



Forestry - Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?

## 2019 Question Changes: Climate Change



# 2019 scoring levels

## D/D-

### Disclosure

- Questions scored on completion.
- Data points are roughly 1 point.
- Score 0-44% of total Disclosure points for a D- and 45% -79% for a D.
- An 80% and above score is required to move to Awareness level.

## C/C-

### Awareness

- Scored on how aware a company is on key climate change, water, and forestry issues.
- Each data point is roughly 1 point.
- Same threshold as Disclosure applies.

## B/B-

### Management

- Scored on whether a company has implemented specific management actions to address climate change, water, or forestry.
- Scores are **weighted** at the management level to account for actions with more importance and to account for variations across sectors.

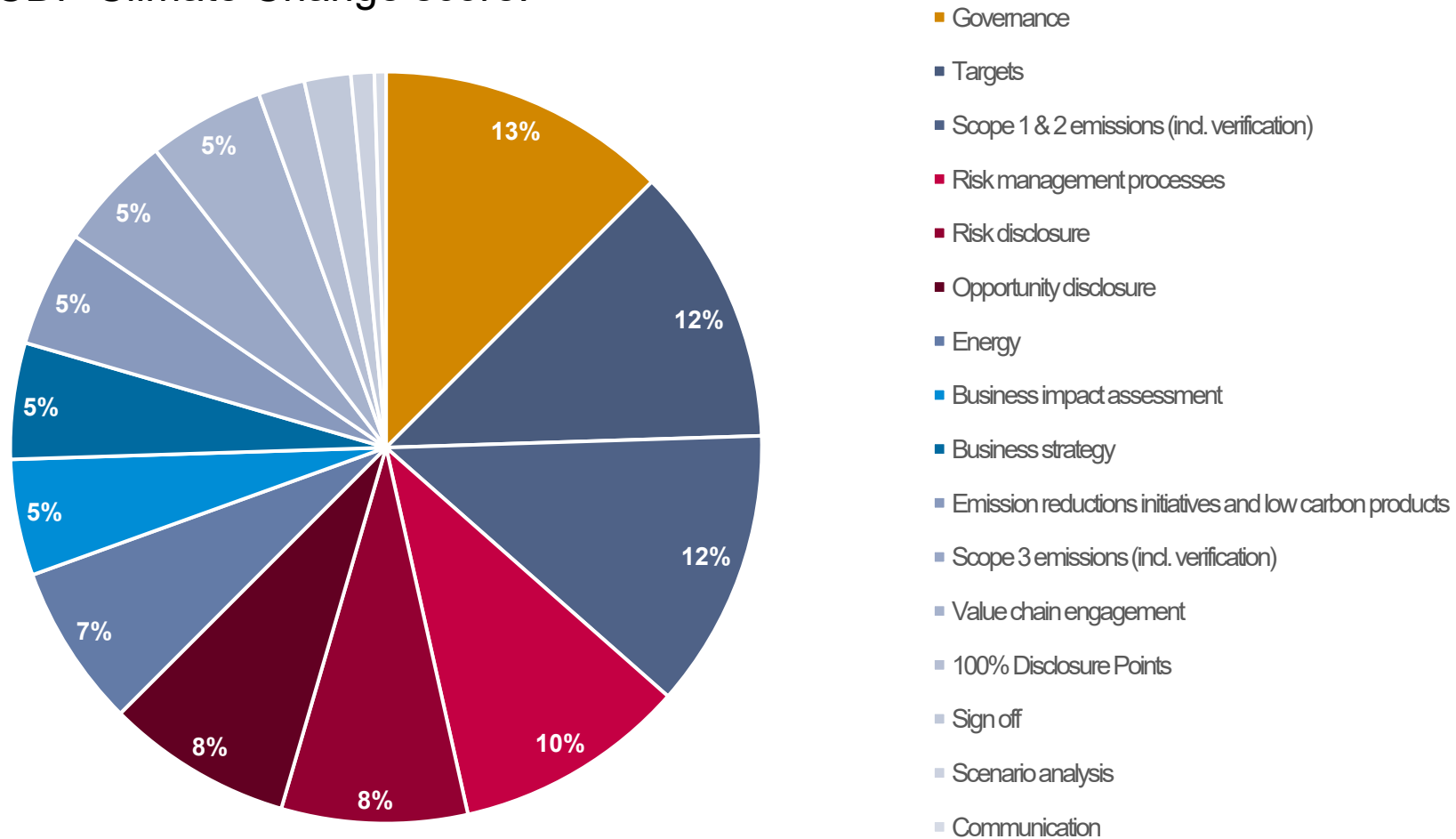
## A/A-

### Leadership

- Questions are scored on whether a company is taking the most bold and ambitious actions.
- Scores are **weighted** at the leadership level to account for actions with more importance and to account for variations across sectors.

# CDP climate scoring

The governance, strategy, risks, and opportunities sections comprise almost 50% of the total CDP Climate Change score.



# Case Study - Axalta

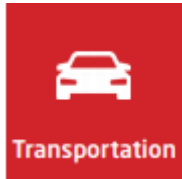
Presented by Sarah Barnett, Axalta

# About Axalta

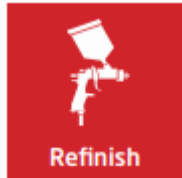


**Leading global coatings company dedicated to the development, manufacture and sale of liquid and powder coatings with over 150 years in the coatings industry.**

Our products include:



Vehicle coatings protect cars, trucks, buses, and trains and our unique pigments contribute to colorful finishes. Our superior corrosion protection of electrocoats, lush basecoats, and durable clears are formulated to provide a flawless finish that will endure the toughest conditions.



Our full spectrum of superior coating systems, technologies and color matching tools are designed to help body shops achieve the perfect color match as efficiently as possible.



Axalta coatings add durability and brilliant color to building components, architectural facades, pipes, furniture, sporting equipment, wood flooring, kitchen cabinets, electric motors, electronic devices, and other products that are built for performance.

# Engaging our customers



5 key customers asked us to respond to the 2018 CDP Supply Chain questionnaire for climate change and water

The 2018 Chemical Sector Questionnaire drove us to focus on:

View the CDP as a critical tool to tell our story

- Our business impact and strategy around climate change and water supply
- The products we make and how they enable our customers to meet their business objectives and sustainability goals
- The most material part of our business impacts, which is our manufacturing processes

# Evolution of our approach

- Energy, GHG emissions, and water data have improved significantly, despite challenges of including new sites each year from both acquisitions and new facilities
- Continue to refine our understanding of what is material from a climate and water risk standpoint. For example, we have increasingly focused on our manufacturing processes

**CDP  
Climate  
Change**

**Not  
Available**

**C**

**C**

**B**

2015

2016

2017

2018



# How to leverage a CDP from setting science- based targets to creating engagement with the C- suite

Presented by Ariane Burwell, ERM

# Identify best practices

## TCFD Scenario Analysis

- C3.1a\_Does your organization use climate-related scenario analysis to inform your business strategy?

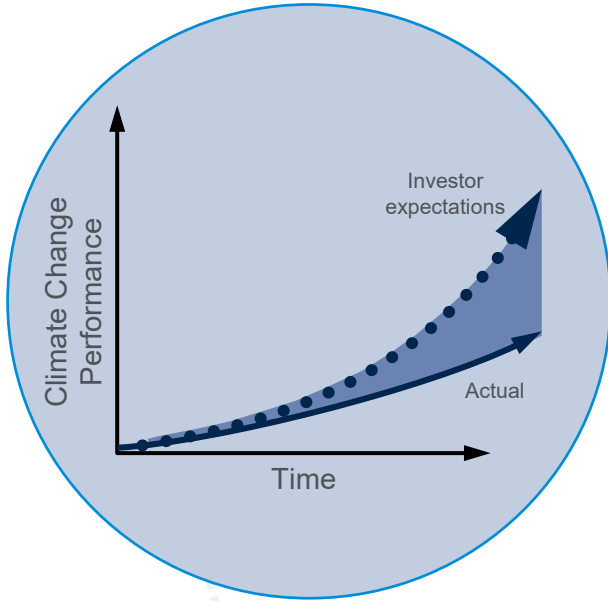
## Science-Based Targets

- C4.1a\_C9\_Provide details of your absolute emissions target(s) and progress made against those targets. - Is this a science-based target?
- C4.1b\_C10\_Provide details of your emissions intensity target(s) and progress made against those target(s). - Is this a science-based target?

## Product Innovation and Engagement

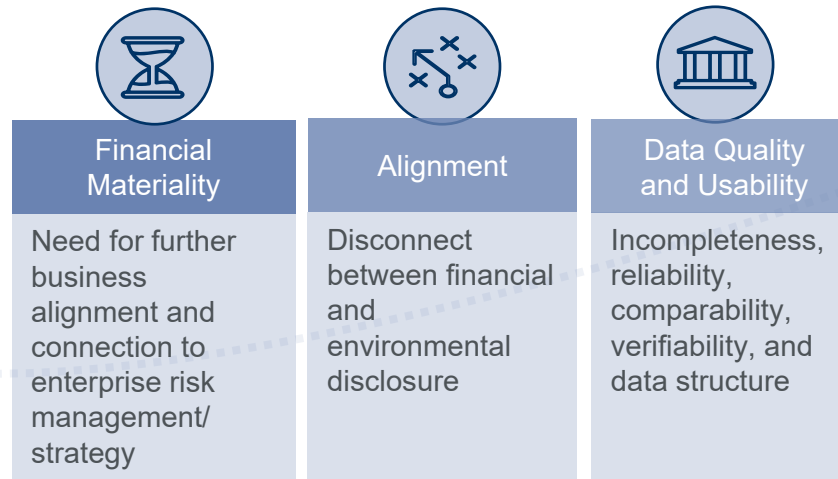
- C12.1\_Do you engage with your value chain on climate-related issues?

# Leverage TCFD

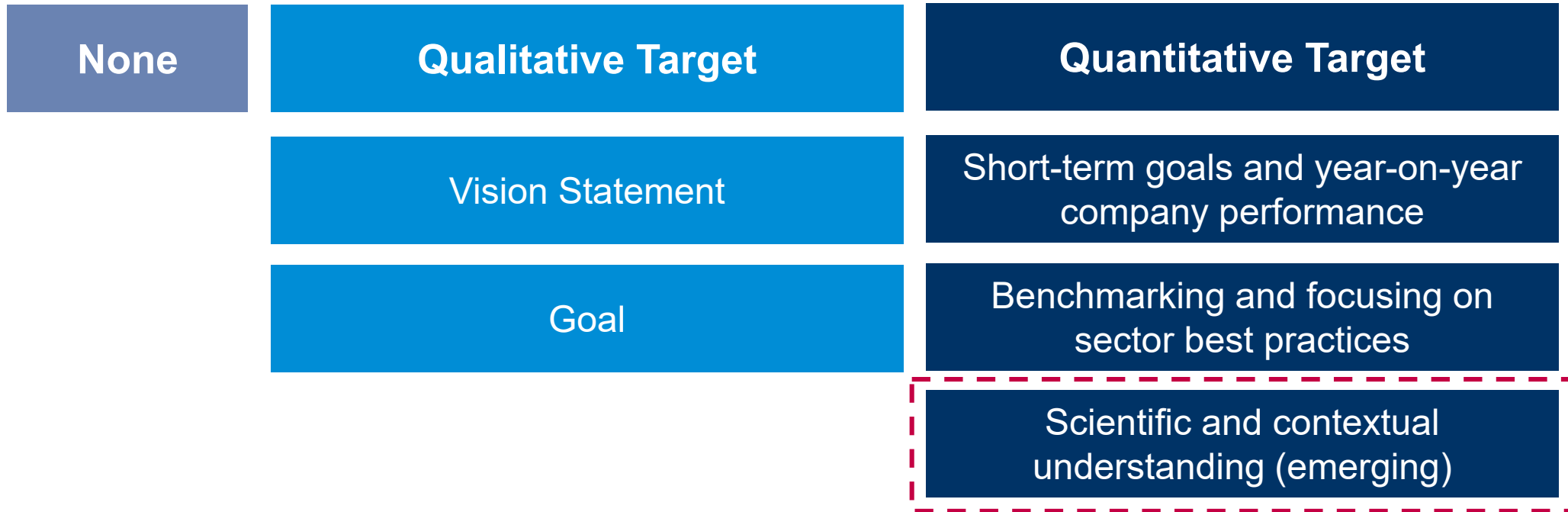


Investor demand for greater climate change performance and action is driving corporate investments.

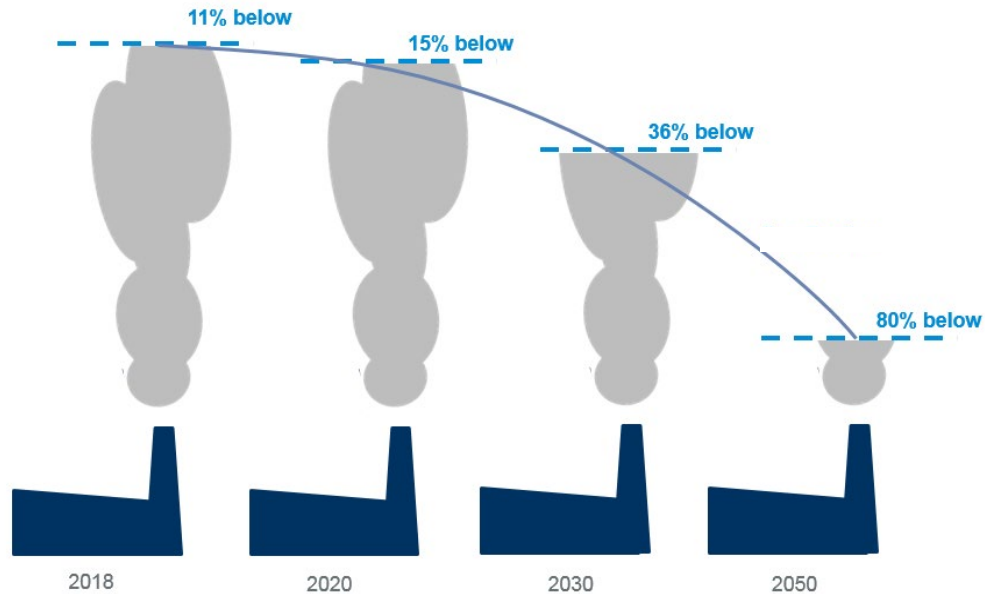
Business Impact					
Transition Risk				Physical Risk	
Policy	Technology	Market	Reputation	Acute	Chronic
Carbon pricing	Energy efficiency & renewables	Supply chain	Consumer change in products	Event driven	Show onset of risk



# Target setting approaches



# Set a science-based target



\*Below 1990 greenhouse gas emissions levels



## Boundary

All company-wide Scope 1 and Scope 2 emissions must be covered.

## Timeframe

All targets must cover a minimum of 5 years and a maximum of 15 years.

## Level of Ambition

At a minimum, the target will be consistent with the level of decarbonization required to keep global temperature increase to 2°C.

## Reporting

Publicly report its company-wide GHG emissions inventory and progress against their targets on an annual basis.

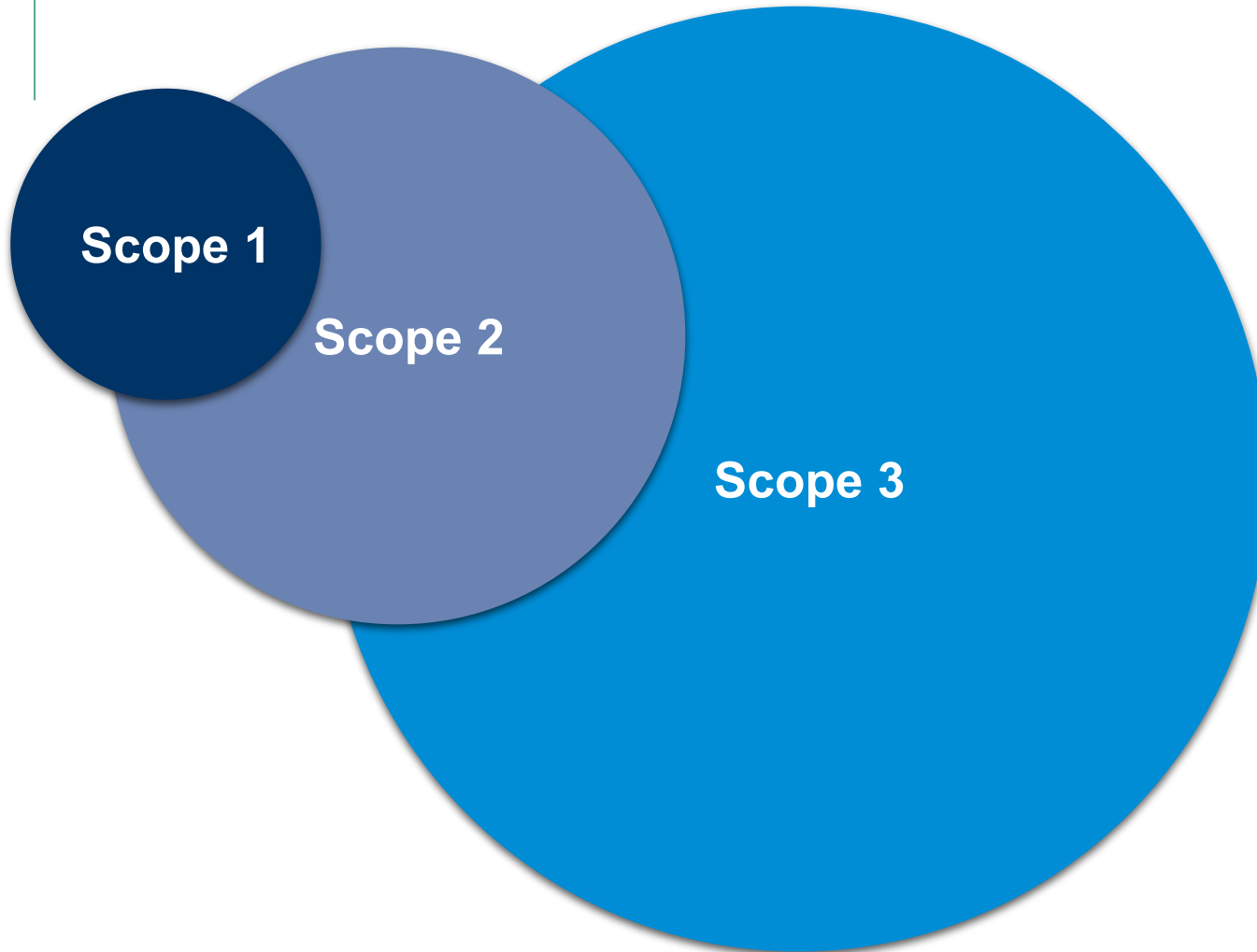
## Absolute vs. Intensity

Intensity targets are only eligible when they lead to absolute emission reductions or when they are based on an approved sector pathway.

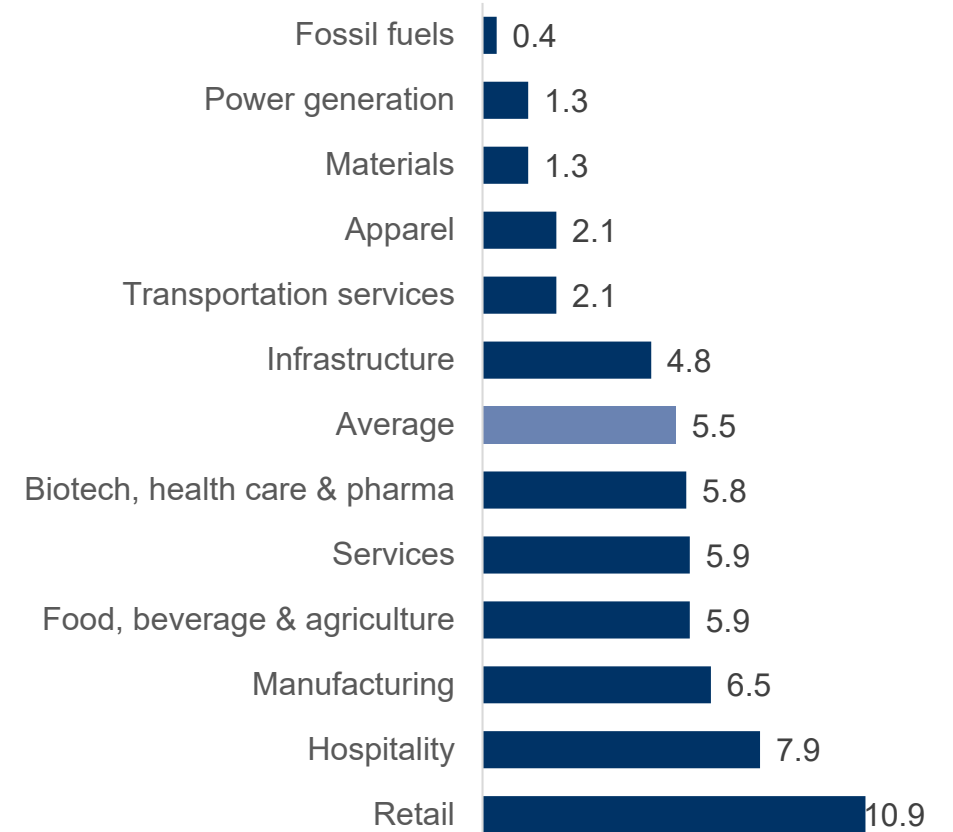
## Scope 3

Scope 3 screening is required. An ambitious and measurable Scope 3 target is required when Scope 3 emissions are greater than 40% of the GHG footprint.

# Importance of Scope 3

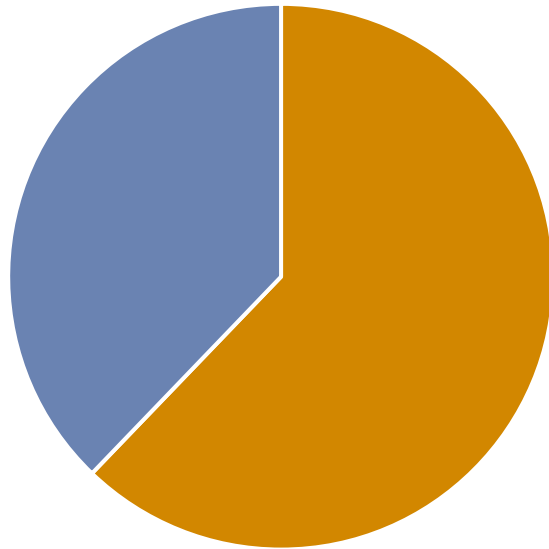


Ratio of supply chain to direct emissions



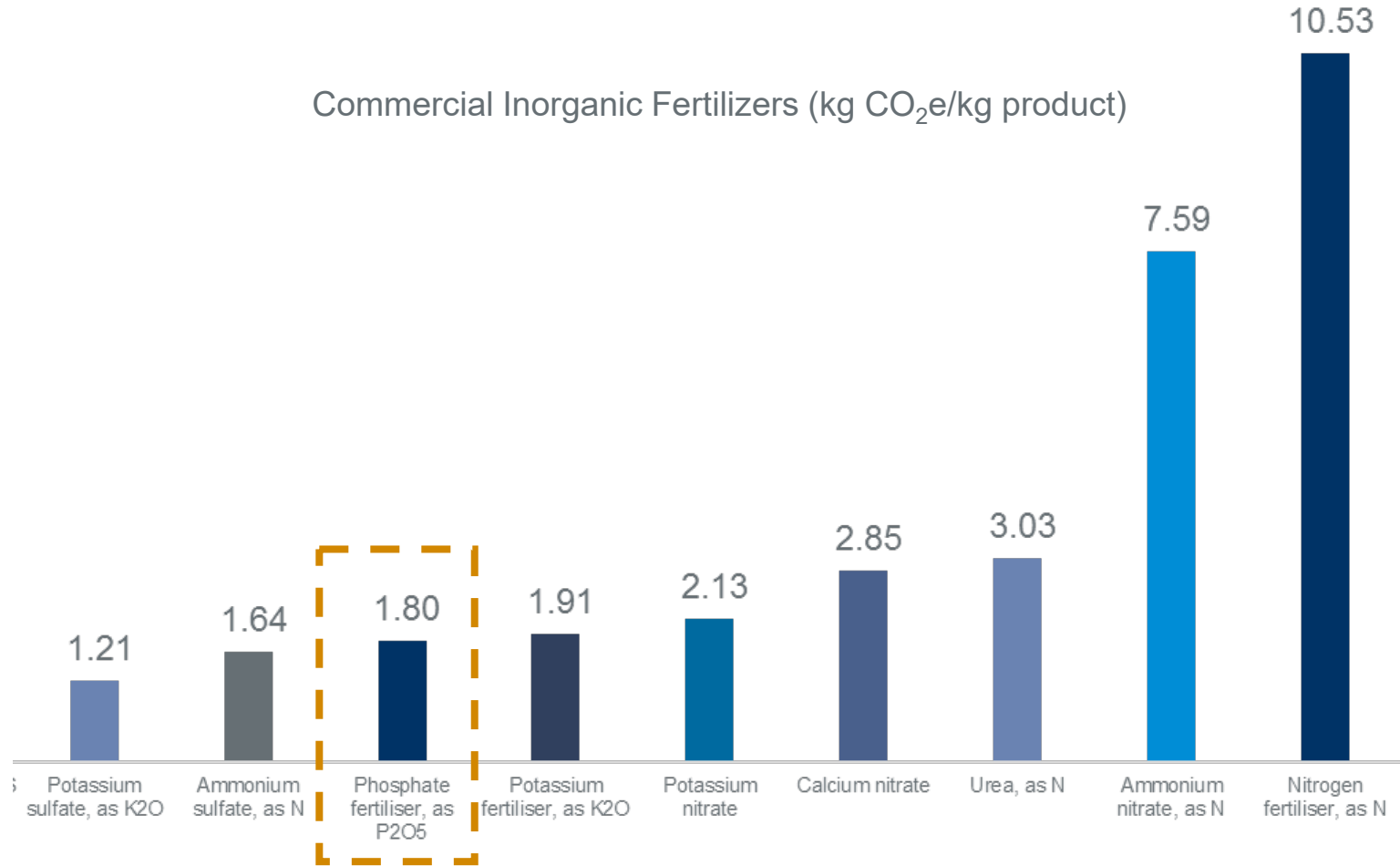
# Unlock innovation

Cradle-to-grave Carbon Footprint (kg CO<sub>2</sub>e/acre)



- Emissions (direct and indirect) from Use Phase
- Production

Commercial Inorganic Fertilizers (kg CO<sub>2</sub>e/kg product)



# Case Study - Assurant

Presented by Shawn Kahle, Assurant



# Assurant helps our clients connect and protect over 300 million consumers around the world

## Assurant services...

**35 million** mortgage loans to ensure people's homes stay protected.

## Assurant helps keep ...

**46 million** mobile devices connected & protected.

## Assurant protects ...

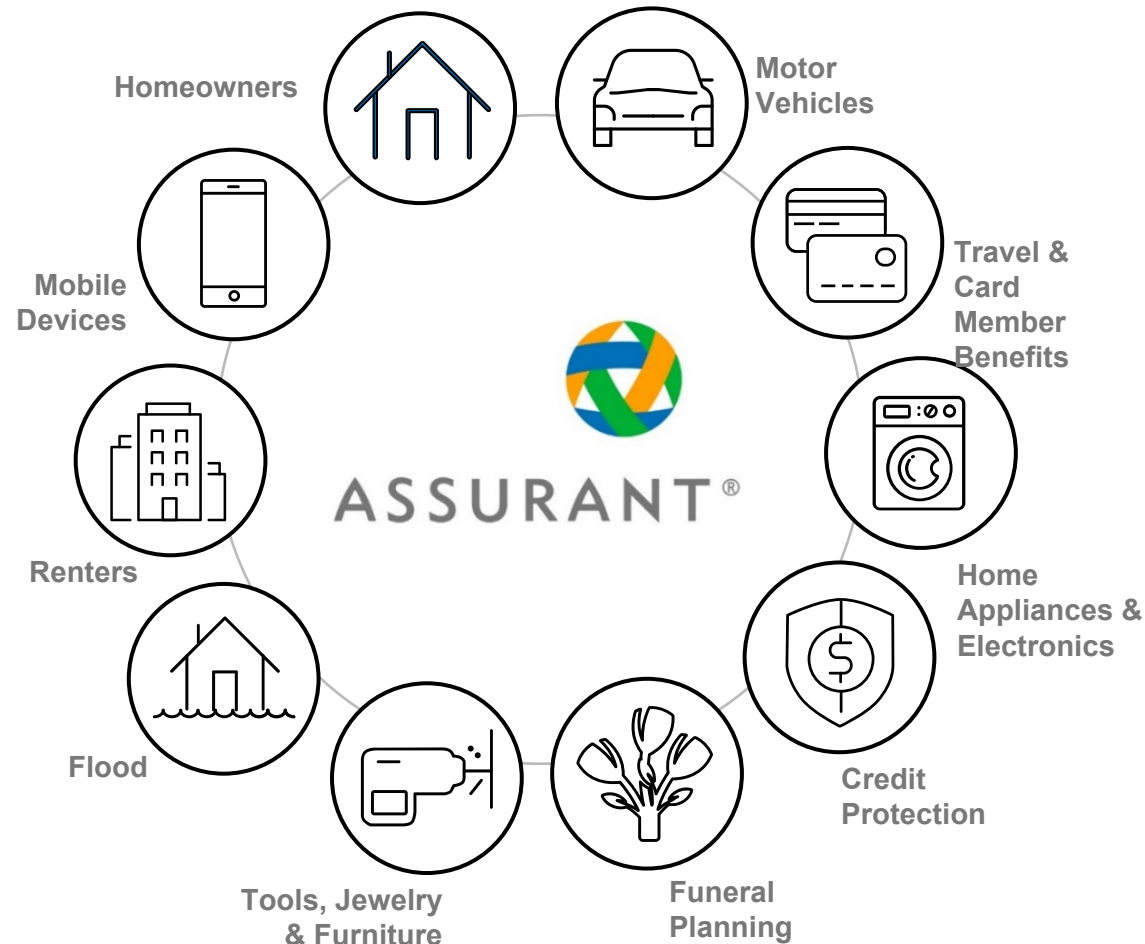
**2 million** rental units from losses due to fire, vandalism and other perils.

## Assurant protects ...

**600,000** homeowners from losses due to flood damage.

## Assurant protects ...

**17 million** tools plus **9 million** pieces of jewelry & furniture.



## Assurant helps keep ...

**48 million** motor vehicles running smoothly.

## Assurant helps keep ...

**64 million** travelers & credit card holders supported with added member benefits.

## Assurant helps keep ...

**80 million** appliances & electronics humming.

## Assurant helps keep ...

**11 million** customers with financial products covered with credit protection.

## Assurant helps keep ...

**1.9 million** families prepared for the expenses of end-of-life arrangements.

# Assurant corporate social responsibility strategic framework

*At Assurant, we uphold our purpose – to help people protect what matters most – with a deep commitment as a responsible corporate citizen. Our values – common decency, common sense, uncommon thinking and uncommon results - guide the way we support our customers, how we work with each other and strengthen the communities where we operate.*

## Our Four Core Pillars



### Community Impact

We actively engage to strengthen the communities where we live and work worldwide, while operating our business with a meaningful environmental commitment.

### Responsible Employer

We strive to be a responsible and progressive employer that values diversity and promotes inclusion.



ASSURANT®



### Integrity & Ethics

We adhere to unwavering standards for integrity, ethics and governance.

### Customer Commitment

We anticipate the needs of our clients and consumers and offer products, services and customer experiences that help them protect what matters most.



# Assurant CSR pillars and significant ESG topics

Four CSR core pillars encompass 12 most significant “Environmental, Social, Governance” (ESG) topics according to Assurant leadership and key stakeholders, including clients, investors, Assurant Board members and employees.

 <b>Community Impact</b>	 <b>Responsible Employer</b>	 <b>Integrity &amp; Ethics</b>	 <b>Customer Commitment</b>
Community Giving	Talent Management	Corporate Governance	Production & Services
Responsible Investing	Inclusion & Diversity	Ethics & Compliance	Innovation
Climate Action		Risk Management Integration	Customer Experience
Energy, Emissions & Waste			

# About Assurant

Assurant has worked with ERM (legacy BrownFlynn) since 2017 on ESG Materiality Assessment, CDP reporting and CSR Strategy. Assurant published our first Corporate Social Responsibility Report in 2018.

Assurant's score improved on the CDP Climate Change survey in 2018 from a D to a B.

This significant jump reflected CSR strategy, Board-level, C-suite and SME engagement from multiple functions and business lines with tight project management.

## History of CDP reporting

- 2017 Response: identified broader SME participation and business relevance
- 2018 Response: built on learnings; early engagement to improve on gaps; data verification



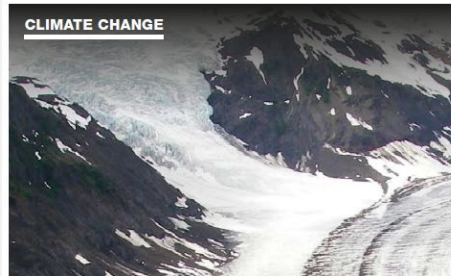
**Questions**

# ERM Sustainability Report 2018

**Better business.** Helping our clients balance the tension between societal responsibilities and commercial demands.

## Megatrends

We see our clients responding to the impacts from four key megatrends:



[Click here to view our online Sustainability Report 2018 ERM Foundation Annual Review 2018](#)





# Thank you

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