



# The IMS guide to CDP

Introduction to CDP changes in 2016



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IMS Consulting (Europe) Ltd

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Over the course of the past 15 years, CDP has become established as one of the most well-known and respected corporate sustainability benchmarks. It currently engages more than 5,500 companies worldwide, and the 800 investors that support its programs represent more than a third of the world's invested capital.

Yet the 2016 version of CDP's climate change questionnaire promises to be somewhat different. Alongside the regular annual changes to the questionnaire itself (which this year introduce renewable energy targets, science-based targets, low-carbon products and revised scope 2 emissions accounting), CDP are for the first time introducing a fee for responding companies as well as making significant alterations to how responding companies' submissions are scored. Taken together, these changes promise one of the biggest shake-ups in the history of CDP's climate change program.

IMS Consulting (Europe) Ltd has been supporting clients with their CDP submissions since 2010 and has been a CDP-accredited service provider since 2013. In 2015, we helped a record number of clients across Europe improve their CDP disclosure and performance. This document gives our reflection of where CDP got to in 2015, and looks at some of the changes planned for 2016.

IMS Consulting's clients can keep up-to-date with changes in the 2016 CDP Climate Change Program by joining our [LinkedIn group](#).

## CDP in 2015

### (1) Scoring methodology

For the last year, companies that participated in CDP's climate change program were scored against two parallel assessment schemes: performance and disclosure.

The disclosure score (measured by CDP since its inception in 2002 and publically reported since 2006) assesses the completeness and quality of a company's response.

*"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."*

**CDP, 2015**

The performance score (introduced by CDP in 2010) assesses the level of action, as reported by the company, on climate change mitigation, adaptation and transparency.

*"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."*

**CDP, 2015**

### (2) Disclosure scores

Over time, it has become increasingly difficult to differentiate companies based on their disclosure score. When IMS started to support companies with their CDP submissions in 2010, a disclosure score of over 90 was seen as a genuine achievement. In 2015, such scores were commonplace; for instance, almost two thirds of responding UK FTSE 350 companies achieved 90% or above for disclosure, and 11 (5%) scored a 'perfect' 100%.

This has been reflected in the scores needed to enter the Climate Disclosure Leadership Index (CDLI). In 2015, companies typically needed to score 99 or higher<sup>1</sup> to achieve this status.

### (3) Performance scores

Although introduced with good intentions (to highlight positive climate actions, thought to speak louder than the 'words' that were previously scored by the disclosure score), CDP's performance scoring has, in our experience, always been more contested by responding companies. This perhaps reflects the fact that the final performance score is essentially based on compliance with

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<sup>1</sup> The exact threshold is defined by CDP as the top 10% of disclosure scores, meaning there is some variation between regions.

a pre-defined list of measures that CDP have established as ‘good’ practice. However, this is necessarily a ‘one-size-fits-all’ list, designed to be applied to all types of companies operating in all parts of the world. We know from our work with clients from differing companies that not all of these measures necessarily make sense in every case.

Yet, over the last few years, CDP have steadily increased the emphasis on the performance score, culminating in the launch of the global A List in 2014, which includes all companies worldwide that scored A for performance. In 2015, only 113 (<6%) companies entered the A List, suggesting that the criteria for leadership for performance, perhaps rightly, are significantly more stringent than for disclosure (for which around 10% companies are considered ‘leaders’).

#### **(4) Alignment of the three programs**

Another feature of CDP in recent years has been the continued alignment of its three programs – climate change, water and forests – as evidenced, for example, by its production of single ‘environment’ reports in the UK and Nordic region in 2014 and 2015<sup>2</sup>, with the (relatively few) companies that responded to all three programs highlighted, and by the introduction of aligned scoring from 2016.

Despite this apparent ambition to move towards a single ‘natural capital’ disclosure (covering climate change, water use and forest products), there is no real evidence among our clients of an increasing appetite to report on more than climate change. This might be because neither water nor forest products are perceived as particularly relevant. It is also likely that neither are as well understood or quantified as carbon. However, if CDP decide to move towards an integrated questionnaire in future years – an approach for which CDP has already produced a blueprint for the Food, Beverage and Agriculture (FBA) sector – companies that have not previously disclosed other environmental impacts to CDP may well be at a disadvantage.

#### **(5) Sector approach**

Part of CDP’s strategic aim to increase corporate transparency on environmental impact and performance is to increase disclosure from companies in high impact sectors. In 2015, CDP started to seek to increase and tailor disclosure from companies with the greatest carbon emissions, impact on water resources and use of forest-risk commodities. It has initially chosen seven priority sectors based on their high impact and dependency on natural capital:

1. Oil, gas and consumable fuels
2. Sectors heavily dependent on agriculture commodities
3. Electric utilities
4. Metals and mining
5. Financial services
6. Transportation
7. Materials

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<sup>2</sup> Although in 2015 both were titled ‘Climate Change reports’, which could be perceived a step backwards from the ‘Environment Reports’ produced in 2014.

Over the course of 2015, CDP produced a series of sector-specific research reports to provide investors with the best and most tailored environmental data in the market.

Over the next few years CDP intend to gradually strengthen this sector approach, initially through the climate change program, later expanding to cover additional environmental areas. The aim of the sector approach is to produce data that is more meaningful to investors, address concerns on reporting burden by amending reporting requirements for key sectors, and build a scoring methodology that incentivizes transparency and relevant sector-specific action. Companies that are not included in the priority sectors will continue responding to CDP as usual using the core CDP questionnaires.

## What is changing in 2016?

### (1) Questions

To maintain the relevance of its questionnaires and reflect developments in environmental accounting, CDP revises its questionnaires on an annual basis. The 2016 version of the climate change questionnaire will contain the following main changes:

#### **Renewable energy targets**

CC3.1 (Targets) will explicitly include renewable energy consumption or production targets.

#### **Science-based targets**

CC3.1 (Targets) will ask whether emissions reduction targets are science-based .

#### **Low carbon products**

CC3.2 (formerly Emissions avoided to third parties) is now a table (rather than open text) and additionally includes low-carbon products.

#### **Scope 2 accounting**

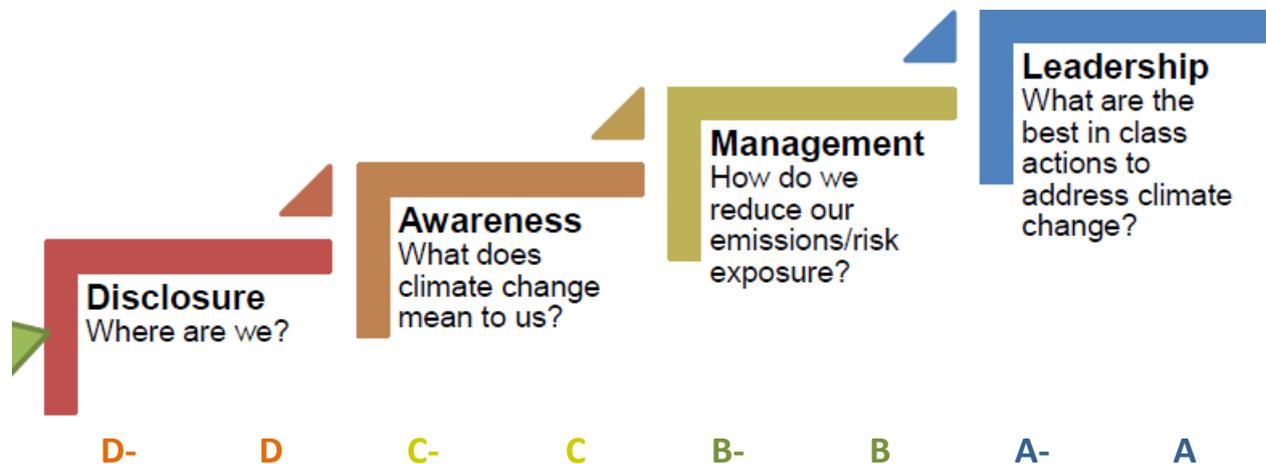
In order to align with the final version of the [GHG Protocol Scope 2 Guidance](#) (January 2015), CDP will ask that companies account for their Scope 2 emissions using two methodologies: a location-based method, and a market-based method. If this is not applicable to your company, you only need to provide one location-based figure. This change will impact a number of CDP questions and CDP will be producing a technical note to assist companies through the changes.

### (2) Scoring

Potentially the biggest change responding companies to the climate change program will notice will be to the scoring system. Gone are the separate disclosure and performance scores, to be replaced with a single stewardship score.

Using the scoring approach that was launched for water and forests in 2015, in 2016 all CDP climate change submissions will be scored across four levels which represent the steps a company moves through as it progresses towards climate leadership. The response must score over a threshold number of points in order to progress to the next level. The four levels are divided into eight bands (A to D-):

- **Disclosure** – measures the completeness of the company’s response
- **Awareness** – measures the extent to which the company has assessed environmental issues, risks and impacts in relation to its business
- **Management** – measures the extent to which the company has implemented actions, policies and strategies to address environmental issues
- **Leadership** - looks for particular steps a company has taken which represent best practice in the field of environmental management.



**Disclosure** points will be awarded for every question. **Awareness** points will be awarded for some questions, where the response indicates that the company has enough knowledge of the topic to provide a definitive answer. **Management** and **Leadership** points will be awarded where a company highlights that it is undertaking, or has undertaken, a 'positive' action that contributes to better governance, awareness of impact, disclosure, accounting or management. For example:

Illustrative example

Question		DISCLOSURE LEVEL CRITERIA	AWARENESS LEVEL CRITERIA	MANAGEMENT LEVEL CRITERIA	LEADERSHIP LEVEL CRITERIA
CC8.6	Please indicate the verification/assurance status that applies to your reported Scope 1	Any drop down option			
CC8.6a	Please provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements	Columns must be completed for 8 pts i) type of verification or assurance; ii) page/section reference; iii) relevant standard; iv) proportion of reported Scope 1 emissions verified (%) If any of the above are left blank the question will be scored 0/12. For additional point: v) statement attached in column 2 - 4 pts	Table complete and attachment checked against normal verification criteria (reference to emissions, scope, reporting year, standard, opinion)	Total verification covers 70% of S1 emissions, and CC8.4 answered with "No" OR CC8.4a second column only has the selections below: a) No emissions excluded b) No emissions from this source c) Emissions are not relevant d) Emissions excluded due to recent acquisition	i) Level of assurance is "Reasonable" or "High"



Although full details of the new scoring approach are not yet available, it is clear that this marks a significant change in the evolution of CDP, and promises to dramatically change the list of companies that are 'leaders' in 2016. For example, we don't think it will necessarily be the case that all the existing companies that score performance band A will automatically score A under the new system. Similarly, companies that up to now have scored very highly for disclosure in the past, but have scored lower for performance, may well find themselves some way down the new CDP tables.

### **(3) Cost**

From 2016, CDP is introducing a flat-rate administrative fee of £625 (excl. VAT) for companies responding to one or more of its investor requests on climate change, water or forests. In 2016 the fee will apply to companies listed, incorporated or headquartered in Austria, Benelux, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland, the UK or the USA.

When submitting responses through CDP's online response system, companies will be able to pay by credit card or generate an invoice to pay by other means. The £625 (excl. VAT) annual fee is payable only once regardless of how many programs (climate change, water and forests) a company responds to.

We don't know yet what impact the fee will have on the response rate. On the one hand, some responding companies might simply choose not to participate now that it is no longer free. On the other hand, the new fee might focus responding companies' attention even more on getting most out of their submission.

### **(4) Sector approach**

During 2016 CDP will conduct a sector scoring pilot project for Electric Utilities, auto-manufacturers and retail sectors for climate change only. It is welcoming expressions of interest from companies and investors interested in participating in working groups with CDP in this pilot project.

### **About IMS Consulting (Europe) Ltd**

IMS Consulting supports clients with their submissions to the CDP Climate Change Program with a goal of helping them improve and gain most value from their responses. Our detailed and robust CDP process has been fine-tuned over the course of several years, and the positive results are shown through the consistently high CDP scores obtained by our clients. We have worked with companies including Carillion, Kentz, Klépierre, SAB Miller, Imperial Tobacco, Michelin, Morgan Sindall Group, J Murphy & Sons, Saint-Gobain, and Skanska. Clients supported this year by IMS include 25% of the UK companies represented in the A List, 10% of companies who have so far committed to support CDP's Climate Action initiative, and clients in the FTSE 350 who among them



scored 99A, 99B, 98A and 97B. In addition, international clients supported by our Paris office include a perfect score of 100.

The starting point for our work is a review of the previous year's CDP submission, if available, to provide a detailed analysis of the current status and to understand where points have been lost. Based on this, we work with the company in order to identify areas of improvement, benchmark them against peer companies where appropriate, and develop a draft response with the client. Further reviews will allow IMS to identify whether additional improvements are possible, and to provide clients with an indication of what score they will obtain.

### **What our clients say about us:**

#### *Skanska:*

“In preparing our submission to CDP in 2013, Skanska once again used the services of IMS to help produce answers to parts of the questionnaire based on material available in-house. IMS have good drafting skills allied to a good understanding of the subject. This is the fourth year in a row that Skanska has worked with IMS on its CDP Nordic 260 Climate Change Report submission, and the fourth year running Skanska is the highest scoring construction company in the Report as well as #1 in Sweden across all sectors”.

**SKANSKA**

#### *Morgan Sindall Group:*

“Measuring and reporting our carbon emissions underpins our total commitment to sustainability and in particular our objective of reducing our energy consumption and carbon emissions. In 2014 we were delighted to have achieved a ranking of 97b, positioning us as the highest scoring UK construction company disclosing emissions through CDP. This is a real testament to effort we are putting into identifying, reporting and managing our carbon emissions”.

**MORGAN  
SINDALL  
GROUP**

## **Looking for support in 2016?**

**Find out more about how we can help you and discover our range of CDP services; call us on +44 (0)117 325 0612.**



## ***Why work with IMS Consulting***

- ***IMS are sustainability strategy, materiality, engagement and communication experts***
- ***IMS has delivered engagement and materiality projects for organisations such as the UK Government, The World Business Council for Sustainable Development, Saint-Gobain, Bouygues, Skanska, Michelin, British Land, Carillion, UK Green Building Council, Green Construction Board and many more***
- ***IMS works extensively in the built environment sectors, so know building and property markets and sustainability drivers intimately***
- ***IMS developed StakeholderTALK, an online engagement toolkit created and used by organisations worldwide to engage with differing stakeholder audiences online***
- ***IMS are an organisational partner of GRI and so understand reporting and materiality in great detail***
- ***IMS engagement research has been used in reports produced by UK Government, HM Treasury and United Nations***
- ***IMS has offices in the UK and France (Paris) and are adept at working with companies with global operations and complex structures***
- ***IMS has experienced engagement facilitators, data analysts and planners***
- ***IMS has experienced communications managers, designers, web developers and deliverers***



IMS Consulting  
Royal London Buildings  
42-46 Baldwin Street Bristol  
BS1 1PN

[www.imsplc.com](http://www.imsplc.com)

[info@imsplc.com](mailto:info@imsplc.com)