Integrating climate change into business strategy

CDP Benelux 150 Climate Change Report 2012
On behalf of 655 investors with assets of US$ 78 trillion
The pressure is growing for companies to build long-term resilience in their business. The unprecedented debt crisis that has hit many parts of the world has sparked a growing understanding that short-termism can bring an established economic system to breaking point. As some national economies have been brought to their knees in recent months, we are reminded that nature’s system is under threat through the depletion of the world’s finite natural resources and the rise of greenhouse gas emissions.

Business and economies globally have already been impacted by the increased frequency and severity of extreme weather events, which scientists are increasingly linking to climate change. Bad harvests due to unusual weather have this year rocked the agricultural industry, with the price of grain, corn and soybeans reaching an all-time high. Last year, Intel lost $1 billion in revenue and the Japanese automotive industry was expected to lose around $450 million of profits as a result of the business interruption floods caused to their Thailand-based suppliers.

It is vital that we internalise the costs of future environmental damage into today’s decisions by putting an effective price on carbon. Whilst regulation is slow, a growing number of jurisdictions have introduced carbon pricing with carbon taxes or cap-and-trade schemes. The most established remains the EU Emissions Trading Scheme but moves have also been made in Australia, California, China and South Korea among others.

CDP has pioneered the only global system that collects information about corporate behaviour on climate change and water scarcity, on behalf of market forces, including shareholders and purchasing corporations. CDP works to accelerate action on climate change through disclosure and more recently through its Carbon Action program. In 2012, on behalf of its Carbon Action signatory investors, CDP engaged 205 companies in the Global 500 to request they set an emissions reduction target; 61 of these companies have now done so.

CDP continues to evolve and respond to market needs. This year we announced that the Global Canopy Programme’s Forest Footprint Disclosure Project will merge with CDP over the next two years. Bringing forests, which are critically linked to both climate and water security, into the CDP system will enable companies and investors to rely on one source of primary data for this set of interrelated issues.

Accounting for and valuing the world’s natural capital is fundamental to building economic stability and prosperity. Companies that work to decouple greenhouse gas emissions from financial returns have the potential for both short and long-term cost savings, sustainable revenue generation and a more resilient future.

Paul Simpson
CEO Carbon Disclosure Project

Climate change is becoming increasingly important for Benelux companies. The vast majority of Benelux respondents indicate having implemented emission reduction activities, such as using waste as fuel. While 47% of respondents have implemented specific energy efficiency, divestments and lower production levels. These points are important for companies to address if they want a place on the Carbon Disclosure and Performance Leadership indices.

Executive Summary

Climate change is becoming increasingly important for Benelux companies. CDP continues to stimulate more companies to respond to the Investor information request. Since 2011, the top 150 Benelux companies have been responding to the Carbon Disclosure Project (CDP) Investor information request. With 57 respondents (38%) in 2012, the response rate slightly increased compared to 2011. Yet in comparison with response rates for other reports (e.g. 78% for the Global 500 report), there is still room for improvement in the Benelux region.

The level of quality of Benelux responses is high, especially considering that 2012 marks the first Benelux report. The average disclosure score of 68 is not far behind the Global 500 average score of 76. Benelux companies included in this year’s Carbon Disclosure Leadership Index (CDLI) that were also scored last year have significantly improved both their disclosure and performance scores. These observations suggest that climate change is becoming increasingly important for Benelux companies.

Economic downturn as a driver for efficiency

Cost reduction is a key priority for many companies in response to the implications of the economic downturn and euro crisis. Benelux companies report taking actions that have a positive impact on the environment, such as energy efficiency, divestments and lower production levels. In addition, 47% of respondents have implemented specific emission reduction activities with an outcome of decreased Scope 1 and 2 emissions, such as using waste as fuel. While the vast majority of Benelux respondents indicate having implemented emission reduction activities, only 20% have quantified the carbon saving potential which relates to the overall reduction targets. One challenge companies will face once the economy recovers is how to meet carbon reduction targets.

Decarbonisation requires company level target setting

Stakeholders are placing more demands on companies to act responsibly towards the environment. In response, climate change is increasingly viewed as an important topic to integrate into overall risk management processes and business strategy. This suggests that Benelux companies acknowledge the interrelations between financial and non-financial drivers for success. However, only a minority of Benelux respondents clearly demonstrate how climate change is actually integrated into multi-disciplinary risk management (42%) and strategy (24%). More than half of Benelux respondents have difficulty in showcasing how investment in sustainable solutions is at the same time financially beneficial. 62% of respondents demonstrate how and to what extent they plan to reduce their carbon emissions. Most Benelux companies focus on shorter term reduction targets, though 29% of the Benelux respondents have set targets on the longer term (at least until 2020), with the average long term reduction target of around 2% per year. In order to limit the global temperature rise by 2050 to 2 degrees, a decrease of more than 4% in carbon emissions is required annually.

Benelux companies have difficulty committing to targets exceeding the required 4% annually when setting longer term targets. Responses in this area show that companies can improve the integration of climate change in business strategy and risk management processes.

Future regulation stimulates climate change business strategy

93% of Benelux respondents believe that climate change potentially generates a substantive change in business operations, revenue or expenditure. Over 40% of all risks and opportunities identified relate to changes in regulations. Physical climate change parameters and other climate change developments are deemed important, but are mentioned less frequently by Benelux companies. Air pollution limits, carbon taxes, cap and trade systems and product efficiency requirements are the main risk drivers related to regulations. By implementing these measures, governments stimulate Benelux companies to take action to do business in a more sustainable way. Regulations are deemed necessary to push the market a step further than what would be achieved by voluntary measures. While companies tend to link their longer term strategies to government ambitions, most are rather reactive towards policy makers. Pro-active companies demonstrate taking responsibility to improve future regulations and can potentially gain early adopter advantages.

Global impact requires global action

Most Benelux companies operate internationally, and more than 70% of respondents disclose their total Scope 1 and 2 emissions in the various countries in which they operate. Results show that only few Benelux companies include all their operations when setting targets and implementing climate change activities. Alongside international operations, supply chain emissions are important. While these Scope 3 emissions can be complex to calculate and require cooperation between partners in the supply chain, more than half of Benelux respondents disclose their Scope 3 emissions. Taking responsibility by disclosing information about the company’s impact on emissions in the supply chain will become increasingly important in the near future. Benelux companies need to take action in response to an increasing demand by customers, investors and other stakeholders for more sustainable products and services.

Verification of data contributes to communicating reliable information

Most Benelux companies (73%) publish information about their climate change performance. The majority of Benelux companies (82%) have implemented activities leading to emission reductions. Yet very few companies clearly demonstrate how climate change is integrated into day-to-day business, and how this integration contributes to effectively tackling climate change risks and opportunities. These points are important for companies to address if they want a place on the Carbon Disclosure and Performance Leadership indices.

Standing out from the crowd

The minimum score threshold to enter the 2012 Benelux CDLI was 79. Philips leads the CDLI with 98, with Koninklijke KPN N.V. in second with a score of 94. CDLI companies account for 97% of the total disclosed Scope 1 and 2 emissions by Benelux respondents. Leaders are also thinking longer term when it comes to setting targets and strategies. 87% of the CDLI companies demonstrate verification on their Scope 1 and 2 emissions, while only 17% of non-CDLI companies did so. Leaders are also better in disclosing information about Scope 3 emissions. While risks and opportunities are heavily weighted in CDP’s scoring, many companies struggle to achieve high scores in these areas. This indicates that risks and opportunities are important areas of focus for Benelux companies. With regards to performance, Koninklijke KPN N.V. was the only company to achieve a performance score high enough to enter the CPLU. This suggests that while Benelux companies score relatively high on disclosure, there is room for improvement to embed strategies into day-to-day business and increase climate change performance.

“"In the long term, GDF Suez intends to further diversify its energy production mix. This strategy is defined in a very specific context: some governments’ decisions, in response to climate change challenges, have set ambitious objectives in terms of proportions of renewables in their national energy mixes in the long run (2020, 2050...), launching calls for tenders following these policies. Such orientations are able to impact GDF Suez’s core business focus.”"
CDP Investor Members 2012

CDP works with investors globally to advance the investment opportunities and reduce the risks posed by climate change by asking almost 6,000 of the world's largest companies to report on their climate strategies, GHG emissions and energy use in the standardized Investor CDP format. To learn more about CDP's member offering and becoming a member, please contact us or visit the CDP Investor Member section at https://www.cdpproject.net/investormembers.

### Aegon

AKBANK T.A.Ş.

Allianz Global Investors

Aviva Investors

AXA Group

Bank of America Merrill Lynch

Bendigo and Adelaide Bank

Blackrock

BP Investment Management

California Public Employee Retirement System - CalPERS

California State Teachers Retirement Fund - CalSTRS

Calvert Asset Management Company

Catholic Super

CCLA

Daiwa Asset Management Co. Ltd.

Generation Investment Management

HSBC Holdings KLP

Legg Mason

London Pension Fund Authority

Mongeral Aegon Seguros e Previdencia S/A

Morgan Stanley

National Australia Bank (NAB) Investments

Neuberger Berman

Newton Investment Management

Nordea Investment Management

Norges Bank Investment Management

PFA Pension

Robeco

Rockefeller & Co.

SAM Group

Sampension KP

Livedforsikring A/S

Schorers

Scottish Widows Investment Partnership

SEB

Sampo Japan Insurance Inc

Standard Chartered

TD Asset Management Inc.

and TDAM USA Inc.

The RBS Group

The Welcome Trust

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### CDP Signatory Investors 2012

655 financial institutions with assets of US$76 trillion were signatories to the CDP 2012 information request dated February 1st, 2012.

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<th>Authority</th>
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<td>National Australia Bank (NAB) Investments</td>
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<td>Neuberger Berman</td>
<td>Newton Investment Management</td>
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**1. CDP INVESTOR SIGNATURES & ASSETS (US$ TRILLION) AGAINST TIME**

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<tr>
<th>Year</th>
<th>Number of Signatories</th>
<th>Number of Asset Managers</th>
<th>Number of Asset Owners</th>
<th>Number of Banks</th>
<th>Number of Insurance</th>
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<tr>
<td>2003</td>
<td>21%</td>
<td>32%</td>
<td>30%</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>2004</td>
<td>18%</td>
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<td>33%</td>
<td>10%</td>
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<td>2005</td>
<td>16%</td>
<td>34%</td>
<td>37%</td>
<td>12%</td>
<td>7%</td>
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<tr>
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<td>14%</td>
<td>35%</td>
<td>38%</td>
<td>13%</td>
<td>6%</td>
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<tr>
<td>2007</td>
<td>12%</td>
<td>36%</td>
<td>40%</td>
<td>14%</td>
<td>5%</td>
</tr>
<tr>
<td>2008</td>
<td>10%</td>
<td>37%</td>
<td>42%</td>
<td>16%</td>
<td>4%</td>
</tr>
<tr>
<td>2009</td>
<td>8%</td>
<td>38%</td>
<td>44%</td>
<td>18%</td>
<td>3%</td>
</tr>
<tr>
<td>2010</td>
<td>6%</td>
<td>39%</td>
<td>46%</td>
<td>20%</td>
<td>2%</td>
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<tr>
<td>2011</td>
<td>4%</td>
<td>40%</td>
<td>48%</td>
<td>22%</td>
<td>1%</td>
</tr>
<tr>
<td>2012</td>
<td>2%</td>
<td>41%</td>
<td>50%</td>
<td>24%</td>
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**2. 2012 SIGNATORY INVESTOR BREAKDOWN**

<table>
<thead>
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<th>Category</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
<tr>
<td>Asset Managers</td>
<td>21%</td>
</tr>
<tr>
<td>Asset Owners</td>
<td>33%</td>
</tr>
<tr>
<td>Banks</td>
<td>33%</td>
</tr>
<tr>
<td>Insurance</td>
<td>39%</td>
</tr>
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<td>HKB Cowles Securities</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Ban鬲s de Seguridad Social</td>
<td>Carretta Investment Management of CA, Inc.</td>
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Guest Foreword

“...we need to promote competitiveness, prosperity and quality of life within the limits of our planet.”

As the world struggles to exit from the financial and economic turmoil, we must look ahead and focus not only on jobs and growth, but also on the type of growth we want. We can no longer continue to ignore the severity of debt in our natural capital. Environmental degradation is becoming more and more evident everywhere. The state of our oceans, soils, forests and biodiversity, and the impacts of climate change are just some of the signs that we are beginning to see. This will have severe consequences not only on health and the environment but also on the economy.

If we do not want resource scarcities and pressures to be a major constraint on growth in the near future, we need to promote competitiveness, prosperity and quality of life within the limits of our planet. This is why the European Commission places resource efficiency at the centre of its agenda for economic transformation. The objective is to achieve environmentally compatible growth, decoupling resource use from economic growth and reducing greenhouse gas emissions.

The important impact of better resource efficiency on climate change is too often underestimated. This is why the European Commission places resource efficiency at the centre of its agenda for economic transformation. The objective is to achieve environmentally compatible growth, decoupling resource use from economic growth and reducing greenhouse gas emissions. The framework is a learning process, and the first lessons already have been identified. Integrated reporting does not necessarily require the integration of two or more reports into one. The biggest challenge is integrated thinking.

Integrated thinking requires a mindset and an approach comparable with the developments CDP has gone through in guiding companies to structure their carbon management. CDP reporting really is integrated reporting “avant la lettre”; CDP applied the integrated thinking principle before the term “Integrated Reporting” existed.

CDP reporting: what’s the next step?

It is widely recognised that CDP reporting has raised tremendous awareness of how corporate reporting on climate change can be made more relevant and many lessons have been learned. CDP reporting is not a simple compliance exercise; it is a roadmap, with a step-by-step approach, beginning with the end in mind. CDP reporting is not just about data and KPIs, it is about aligning a company’s strategy with wider societal objectives and embedding climate change issues in the business. The challenge of responding to CDP is to show how climate change thinking is integrated into the management reporting process.

Since the beginning of CDP, we have seen the trend of a growing number of companies developing their roadmap towards CDP reporting, step-by-step. The number is still growing, especially within the Benelux region.

At the same time, in 2011 the discussion about the future of corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum. The discussion around corporate reporting gained momentum.

CDP reporting: so what is the next step? Naturally, the roadmap towards CDP reporting still lies before us. But the road gets wider. It is the roadmap towards integrated reporting. Let’s make sure that we align the discussions of CDP with integrated reporting.
Setting the scene: the key facts of responding
This CDP Benelux 150 report aims to provide insight into climate change management trends at the top listed Benelux based companies. Although this marks the first publication of a CDP Benelux 150 report, the top 150 Benelux listed companies have been invited to participate in the CDP Investor request since 2011. The 2012 response rate is 38%, which is a slight improvement over 2011’s 35% response rate. 15 of the respondents in 2012 (28%) have been included in the CDP Global 500 or FTSE 350 reports in previous years. This means that for the majority of respondents (72%), responses are being scored and included in a CDP report. The increased response rate in the Benelux region is an indication that insight into climate change management in the region is becoming more important.

Economic downturn as a driver for efficiency
The global economy has gone through a turbulent period since 2008 and the current euro crisis imparts a serious threat to European countries and companies. While growth seems to be difficult to achieve for Benelux companies, cost reduction has been a key focus for many. 64% of Benelux respondents report having dedicated energy efficiency activities as a means to reduce emissions, with the added benefit that these also cut costs. Other reasons provided for reduction of carbon emissions are divestments of buildings and staff due to lower production levels and reduction of business travel.

Although business has generally been tough for companies, the CDP responses indicate that emissions reductions remain important for Benelux companies. 21 respondents (47%) have implemented emission reduction activities which led to a decrease of Scope 1 and 2 emissions, while 27% of respondents have achieved reductions of more than 3% due to emission reduction activities. Belgacom for example demonstrates several successful activities to save energy in their data centres and networks.

Innovation will drive many companies’ long term growth. AcelorMittal for example invested $306 million in research and development in 2011 despite the economic slowdown. They believe this will support their future success and support their customers in their sustainability goals.

Despite these positive indications, responses show that the majority of Benelux companies face difficulties in effectively implementing emission reduction activities. Only nine companies (20%) quantify the carbon savings achieved by their emission reduction activities, and how these savings relate to the targets they have set. The question is to what extent emission reduction is tied to economic growth. Will companies be able to increasingly meet the carbon reduction targets once the economy recovers? Or perhaps even more challenging, how will they do so?

Decarbonisation requires company level target setting
The vulnerability of the regional and global economies is reflected in the financial performance of companies both outside and within the Benelux region. Financial results have been under pressure and at the same time stakeholders expect companies to act responsibly towards the environment.

In their efforts to reduce environmental impact, Benelux companies are investing in sustainable solutions that are also financially beneficial. To enable management to engage in strategic sustainable decision making, 82% of companies have set intensity targets until 2020. Many of these targets also coincide with the carbon footprint reduction targets. By setting clear absolute (29%) and intensity targets (71%), companies demonstrate how and to what extent they are planning to reduce their emissions over time. 54% of respondents with clear absolute targets and 40% of companies with clear intensity targets have set these at least until 2020.

Although these companies demonstrate that climate change is important in the long run, half of Benelux companies only focus on the shorter term when setting emission reduction targets. The average yearly reduction target for companies who have set intensity targets until 2020 is only 2%. This is 2.8% lower than the 4.8% which is required by the G20 countries by 2050 in order to limit the temperature rise to 2 degrees celsius, as concluded in the IPCC Low Carbon Economy Index (2011) which provides annual measurement and assessment of G20 countries’ carbon reduction progress. While it appears especially difficult for those companies with large Scope 1 and 2 emissions to commit to annual targets higher than 4.8%, Benelux companies will increasingly need to focus on reducing carbon emissions. Logica demonstrates leadership by setting longer term emissions reduction targets.

47% of respondents have implemented emission reduction activities with quantified carbon savings. While on the company level Benelux companies struggle to set clear longer term targets, many demonstrate a great variety of specific emission reduction projects. Besides activities such as energy efficiency and divestments, Benelux companies have implemented the following types of carbon reduction activities:

- Using less carbon intensive fuel sources, such as natural gas
- Redesigning processes that enable using waste as fuel;
- Redesigning products and / or facilities to be less carbon intensive.

Arheuser Busch InBev provides a good example of how companies can reduce their carbon footprint by investing in sustainable solutions on a project basis.

Key Themes and Highlights of 2012 Responses

In total, 57 Benelux companies responded to CDP in 2012. The response of 3 companies consisted of a reference to the response of an affiliated company. In addition, 8 respondents have a listing in Benelux without having operations and management activities in the Benelux area, and one Belgian company submitted a late response. These 11 companies have not been included in the analysis of the Benelux responses to ensure that the conclusions of this report provide a fair representation of the climate change management in the region. All analyses in this report based on the 45 relevant responses.

In total, 57 Benelux companies responded to CDP in 2012. The response of 3 companies consisted of a reference to the response of an affiliated company. In addition, 8 respondents have a listing in Benelux without having operations and management activities in the Benelux area, and one Belgian company submitted a late response. These 11 companies have not been included in the analysis of the Benelux responses to ensure that the conclusions of this report provide a fair representation of the climate change management in the region. All analyses in this report based on the 45 relevant responses.

“KPN continuously implements multiple measures to optimize energy efficiency in datacenters.”

KPN
Political influence stimulates climate change strategy

93% of Benelux respondents identify climate change-related risks and/or opportunities that can generate a substantive change in business operations, revenue or expenditure. Responding companies are able to report on risks and opportunities driven by changes in regulations, physical climate change parameters and other climate-related developments. Figures 5 and 6 illustrate that Benelux companies identify more risks than opportunities, and that most risks and opportunities are driven by change in regulations, such as air pollution limits, carbon taxes, cap and trade systems (e.g. EU ETS) and product energy efficiency requirements. Akuo Nobel for example identifies risks related to air pollution caused by strengthening of environmental legislation in different regions in which they operate. Stricter air pollution limits may lead to forced relocation of production plants.

Why are risks and opportunities related to changes in regulations so important? In general, regulations are developed to enforce action on areas where the private market is not able to tackle issues in a timely and effective way. An increase in regulations may also occur when new issues arise related to climate change, for instance in regulations on biofuel usage. The fact that most risks and opportunities are related to regulations suggests that regulations-stimulate companies to take action, more so than if actions are voluntary. Early adopters of regulations can benefit in comparison with those who take longer to comply, through better understanding of the requirements and lower cost of compliance. In addition, keeping track of future regulatory developments can enable companies to influence policy makers in advance to develop regulation efficiently and effectively.

Governments in the Benelux region are very pro-active towards climate change regulations, often implementing regulations on a local level before EU regulations are implemented, and follow the measures planned at EU level. In response, companies tend to link their long term strategies and targets to policy maker ambitions and regulations. This is an indication that climate change regulations are useful in helping companies to develop strategies in the right direction. Cap and trade systems, carbon taxes and fuel/energy taxes are the top regulatory risk drivers for Benelux companies. For cap and trade systems, monitoring, reporting and verification of carbon emissions are mandatory elements. Although corporate sustainability reporting remains voluntary, in countries around Benelux like France and the UK, mandatory reporting and verification of corporate sustainability is a rising trend.

Benelux companies are engaging with policy makers mainly by taking part in sector associations/initiatives on sustainable development (e.g. World Business Council for Sustainable Development) and responding to consultations. The majority of initiatives disclosed by responding companies are rather reactive towards policy makers. Yet there are good examples of companies who demonstrate taking a pro-active role to engage with policy makers, for example through responding to consultations or participating in stakeholder discussion groups. Royal BAM Group provides a good example with their active involvement in the European Partnership of construction companies.

Taking responsibility for environmental impact

Global impact requires global action

Most Benelux respondents have worldwide operations and are working to report on their global impact on the environment. 78% of respondents mention disclosing Scope 1 emissions in more than one country or region, while 71% disclose Scope 2 emissions in multiple areas. 94% of these companies actually disclosed the emissions in the various countries they operate.

Companies must take global action in order to manage impacts on their global operations. Many companies in the Benelux region are taking the first step in setting targets and implementing climate change activities on their home turf. Unfortunately few demonstrate taking responsibility for their global impact by assessing and mitigating relevant risks and opportunities in all their countries of operation. TNT Express illustrates their undertaking of worldwide initiatives through their “Drive Me Challenge” competition.

Since 2011, CDP has been measuring disclosure and performance of Scope 3 emissions. Although Scope 3 emissions are still rather complex to measure, an encouraging 51% of Benelux companies provide clear information on relevant Scope 3 emissions. More and more companies are taking responsibility for both direct and indirect emissions, as evidenced by the 50% of Benelux companies that are including Scope 3 emissions in their climate change strategies. Companies depend on others in the supply chain for information and reduction initiatives, and an emerging trend is that different companies in the supply chain are starting to work closely together in order to share information and find more sustainable solutions.
Responses indicate that companies are investing in a variety of initiatives to showcase their commitment to climate change issues. Good communication about these initiatives contributes to building a strong reputation as a sustainable organisation. Company responses suggest that while reputation is about being perceived as environmentally sound, the real challenge is to embed climate change in everyday business and demonstrate excellence in performance. Heineken provides a good example with its ‘Brewing a better future’ programme that aims to create real sustainable value for all stakeholders.

Board level commitment accelerates company focus on climate change

By responding to CDP, companies show they believe climate change is an important issue. 89% of Benelux respondents mention board level involvement in climate change issues. It is interesting to observe that only 67% of the respondents provide clear information on the highest level of direct responsibility for climate change and the position of the responsible individual or committee within the company. More than half of the Benelux companies (58%) provide clear information on management incentives related to climate change, such as monetary rewards as an incentive for meeting emission reduction targets. Koninklijke DSM implements this incentive for rewards as an incentive for meeting emission reduction incentives related to climate change, such as monetary rewards. ISAE 3000 (43%) and the Dutch Standard 3410N for sustainability assurance (21%) are the most common standards for providing assurance on CO₂ emissions. These standards are mainly used by audit firms to provide assurance on CO₂ emissions.

Both the assurance standards and the level of assurance provided on the CO₂ emissions varies between companies. Figure 7 illustrates that 64% of the assurance reports include “limited assurance” and 21% include “reasonable assurance” on CO₂ emissions. Data verified with reasonable assurance is more reliable than data verified with limited assurance, as verifiers put more focus on the effectiveness of processes and systems, as well as examining data in more detail to obtain reasonable assurance.

While Scope 3 is a relatively new area for CDP, 71% of the respondents report their calculated Scope 3 emissions. Twelve respondents (27%) report having more than 80% of their Scope 3 emissions verified and eight companies (17%) provide clear detailed information about the verification obtained. Although at present companies mainly focus on Scope 1 and 2 emissions, Scope 3 emissions reporting will become more significant in the near future. In order to take responsibility for the role companies play in the supply chain, reporting Scope 3 emissions will become more important. As calculating all Scope 3 emissions can be rather complex for companies, it will be a challenge for companies to do so in a cost-effective way. Advanced companies have obtained assurance on all relevant climate change indicators in their annual report. Koninklijke KPN N.V. and AirFrance-KLM for example obtained assurance on multiple climate change-related indicators as well as other non-financial indicators. TNT Express has obtained assurance on all chapters in their sustainability report, including climate change. Obtaining assurance is important for companies to demonstrate that the information reported externally to stakeholders is accurate and reliable.

Relevance is about insight in context and priorities

Climate change is undoubtedly a relevant topic for Benelux companies. Apart from regulatory developments, reputation and changing consumer behaviour, events such as environmental disasters have made companies more aware of the physical risks of climate change. 82% of Benelux respondents show a great variety of initiatives (132 implemented initiatives in 37 companies) to deal with climate change issues. Few companies demonstrate how climate change is integrated into their day-to-day business and how this integration contributes to effectively tackling climate change-related risks and opportunities. Only companies that have demonstrated integration of climate change issues into their mainstream business entered the Carbon Disclosure and Performance Leadership Index. Companies must show good performance and focus on climate change-related risks and opportunities that are substantially relevant for their business. The response results show that climate change is closely connected to companies’ overall business strategy, therefore a successful approach requires a more integrated way of steering organisations.

While climate change represents risks and opportunities for almost all Benelux companies, for some other non-financial aspects are equally or more important to address, such as material scarcity, people, culture and behaviour or human rights. As an example, Philips Electronics N.V. details their perceived climate change-related risks and opportunities and explains clearly why climate change does not have the potential to generate a substantive change in their business operations. Other Benelux companies do not detail the risks and opportunities or clearly explain why climate change is less relevant to their business operations. With integrated thinking and integrated reporting as an upcoming trend, companies will be encouraged to report on the most important value drivers for stakeholders.
**Leaders**

“Life Cycle Assessment (LCA) methodology has been used for calculating AkzoNobel’s total Scope 3 (upstream) emissions. Extraction, production and transport of raw materials are included. It is based on 330 key value chains and has been extrapolated to cover the complete AkzoNobel business (except Chemicals Pakistan). The software ‘GaBi’ has been used for the calculations.” Akzo Nobel

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**CDLI**

**Introduction to the Carbon Disclosure Leadership Index (CDLI) and the Carbon Performance Leadership Index (CPLI)**

Each year, company responses are reviewed, analysed and scored for the quality of disclosure and performance on actions taken to mitigate climate change. The highest scoring companies for disclosure and/or performance enter the CDLI and the CPLI.

**What are the CDLI and CPLI criteria?**

To enter the CDLI, a company must:
- Make their responses public and submit them via CDP’s Online Response System before the deadline
- Achieve a score within the top 10% of the total Benelux 150 population (18 companies in 2012)
- Disclose global Scope 1 and Scope 2 figures
- Disclose any company’s total Scope 3 (upstream) emissions

To enter the CPLI (Performance Band A), a company must:
- Achieve a score within the top 10% of the total Benelux 150 population (18 companies in 2012)
- Disclose gross global Scope 1 and Scope 2 figures
- Disclose any company’s total Scope 3 (upstream) emissions

CDP reserves the right to exclude any company from the CPLI if there is anything in its response that calls into question its suitability for inclusion.

**Why are the CDLI and CPLI important to investors?**

Analyses of the CDLI and CPLI provide insights into the characteristics and common trends among the leading companies on carbon disclosure and performance. They highlight good practices in reporting, governance, risk management, verification and emissions reductions activities towards climate change adaptation and mitigation.

**What identifies the leaders**

Philips Electronics (98) leads the Carbon Disclosure Leadership Index (CDLI) by 4 points over the second place Koninklijke KPN NV (94). CPLI companies that were scored for the Global 500 or FTSE 350 report in 2011 have on average improved their score by 16% in 2012. ING Group, Heineken and Arcelor Mittal showed the highest level of improvement compared to 2011. Royal BAM Group and Air France – KLM are the highest scorers in the Benelux region that are not included in Global 500.

**Leaders CDLI**

<table>
<thead>
<tr>
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**CDLI companies on average score 26% higher than non-CDLI companies (96 compared to 70) in disclosing information about integration of climate change strategy into business strategy. Air France-KLM for example clearly discloses their short and longer term strategy for climate change with targets for energy efficiency until 2020, carbon neutral growth from 2020 and absolute reduction targets by 2050. In addition they clearly describe how climate change is integrated into overall business.**

**With an average score of 88 compared to 58, CDLI companies score 30% higher on targets and initiatives than non-CDLI companies. Companies are awarded points in this area for providing information on CO2 savings and monetary savings, investments amounts and payback period. In addition, CDLI companies better describe how their goods and/or services directly enable third parties to reduce emissions. GDF Suez explains that they provide green electricity, generated for example by hydro and waste, and details the methodology used to calculate their contribution to avoid emissions for third parties.**

All CDLI companies detail publication of their company’s response to climate change and emissions performance outside their CDP responses. A clear and specific reference to external published information is particularly important.

**With an average score of 80% for risks and 79% for opportunities, these are the lowest scoring CDP areas for CDLI companies. In order to manage climate change effectively, companies should be able to provide sufficient details about their risks and opportunities, demonstrate...**

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**Notes:**

- 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.
- CDLI companies on average score 26% higher than non-CDLI companies (96 compared to 70) in disclosing information about integration of climate change strategy into business strategy. Air France-KLM for example clearly discloses their short and longer term strategy for climate change with targets for energy efficiency until 2020, carbon neutral growth from 2020 and absolute reduction targets by 2050. In addition they clearly describe how climate change is integrated into overall business.
- All CDLI companies detail publication of their company’s response to climate change and emissions performance outside their CDP responses. A clear and specific reference to external published information is particularly important.
- With an average score of 80% for risks and 79% for opportunities, these are the lowest scoring CDP areas for CDLI companies. In order to manage climate change effectively, companies should be able to provide sufficient details about their risks and opportunities, demonstrate...
their potential implications, and detail the methods used to mitigate these risks and opportunities and the costs associated.

Not surprisingly, companies outside the CDLI also find this a difficult area to achieve points. GDF Suez excels in this area by providing company-specific information and clear insight into the climate change-related risks and opportunities for their business, and how these are managed.

The high average scores in the area of emissions data (96% for CDLI and 74% for non-CDLI) indicate that the majority of Benelux respondents disclose valuable information on their Scope 1 and 2 emissions; 87% of CDLI companies obtained assurance on their Scope 1 and 2 emissions, while only 17% of companies outside the CDLI did the same.

Companies included in the CDLI provided more complete information in the energy section than their non-CDLI counterparts, which earned them higher scores. In terms of emissions performance, all respondents scored relatively well, with CDLI companies achieving an average of 86% and those not included in the index an average of 81%. These high scores suggest that the majority of companies are being transparent about the differences in their emissions year on year and the reasons for any changes. Leaders differentiate themselves by providing information about the development in emissions per unit total revenue, per FTE and other intensity measures.

Leaders distinguish themselves in the area of Scope 3 emissions not only by emissions disclosure, but also by verification and comparison year on year. Where 40% of the CDLI companies demonstrate verification of Scope 3 emissions, only 7% of non-CDLI companies have demonstrate this. Akzo Nobel for example, has carried out a Life Cycle Analysis to calculate the upstream Scope 3 emissions of 11.4 million tons of CO2 for purchased goods and services, based on 330 key value chains.

**Conclusion**

Based on the responses to this year’s CDP Investor information request, Benelux companies perceive climate change as a relevant issue and are making efforts to disclose detailed information about their climate change management.

While Benelux companies are beginning to integrate climate change management into their business strategies and risk management structures, demonstrating this integration remains challenging. Companies have room to improve on disclosing their climate change-related risks and opportunities. Benelux company responses focus around regulatory risks and opportunities related to climate change. A minority of companies are addressing these risks by taking a proactive approach to influence policymakers. As stakeholders continue to require company transparency about strategy execution and results, Benelux companies must continue to focus on embedding climate change strategy into day-to-day business and communicating clearly about their key performance indicators.
We also provide services such as teleconferencing, data centers and energy efficient customer equipment. Reductions for our customers by using energy-efficient equipment.

Over the last 2 years we even realized an absolute energy reduction for the whole KPN Group. We achieve energy efficiency. An example: in 2011 the energy efficiency of our data centers improved by 28% in relation to 2005.

In the area of climate change, we are sticking to the target we set ourselves in 2008: to be climate neutral by 2020, not only by reducing our own energy consumption and using 100% energy from renewable sources, but also aiming to reduce as much energy for our customers as we use ourselves.

The sharp growth in data traffic and storage makes the energy reduction in our telecommunication network a challenging task, but we managed to improve the energy efficiency.

Flexible workspace concepts, which reduce energy usage and carbon emissions due to car and flight traveling. Where does CDP fit into this process? How has reporting to CDP impacted this journey?

CDP is a very good method to internationally benchmark our performance with other leading companies and our peers. And it gives information about the way other companies and peers are involved and manage the energy efficiency and climate change agenda and what are best practices. Our recent listings on the 2012 Dow Jones Sustainability World Index, the 2012 CDP Global 500 Performance Leadership Index and on the 2012 CDP Global 500 Disclosure Leadership Index show that we are on the right track in the area of sustainability. The CDP listing makes our efforts and performance visible to our customers, partners, employees and shareholders.

How do you convey the business case to get staff and suppliers on board with the sustainability agenda? Our long term vision is translated to short and medium targets for each business unit. As of 2011 sustainability targets are part of the incentive program of top management. Also our suppliers are challenged to fit into our sustainability agenda and have to comply to our sustainability procurement demands.

Does collaboration with NGOs and policy makers play a part in your green agenda?

Another way to benchmark and challenge the focus on a sustainable society, we use a 360 degree feedback program. We do that by organizing stakeholder dialogues with policy makers, NGOs, suppliers and customers where we discuss topics and ask for feedback on our program.

We have a close collaboration with WWF, and we are the first Telecom operator worldwide to enter their Climate Saver program. In 2012 WWF Netherlands reported KPN as the only climate saver program being frontrunner on all aspects.

Do you see CDP as a driver in setting emissions reduction targets and climate change strategies? (Why/How?)

ICT is known as an enabler for energy savings, but ICT itself is also globally responsible for 2% of energy consumption. To be credible on the enabling part, ICT has to show energy efficiency improvement itself. Our strategy was therefore that we started reducing our own carbon footprint and using the knowledge and experience we got in this process to help our customers to improve their own energy performance.

The CDP helped us, in the way they set up their tools which enables customers to calculate the savings they could realize by using a number of ICT services and by changing to the new way of working. Also ICT has great possibilities to reduce energy in the process on changing from paper to electronic information. A few examples: teleconferencing and videoconferencing reduce travel, electronic invoicing improves the process, while reducing paper and transport. And the transport-sector can improve their performance if they could improve the planning and combine loads.

Can you describe the journey KPN is taking to become a more sustainable company?

The key points are focus and management commitment. In 2008 we defined our first Energy Efficiency and Climate Change goals as an important part of the sustainability agenda. We defined an overall company goal for 2020: Climate Neutral and 100% green energy and set short-, mid- and long term goals for all the business units on energy efficiency. From 2011 CSR targets on energy efficiency have been part of the incentive program of top management. At the end of 2011 we had a strategic reorientation on our CSR themes. We decided to focus on 5 social themes, including “the new way of living and working” and “energy”.

In the area of climate change, we are sticking to the target we set ourselves in 2008: to be climate neutral by 2020, not only by reducing our own energy consumption and using 100% energy from renewable sources, but also aiming to reduce as much energy for our customers as we use ourselves.

The sharp growth in data traffic and storage makes the energy reduction in our telecommunication network a challenging task, but we managed to improve the energy efficiency. An example: in 2011 the energy efficiency of our data centers improved by 28% in relation to 2005. Over the last 2 years we even realized an absolute energy reduction for the whole KPN Group. We achieve energy reductions for our customers by using energy-efficient data centers and energy efficient customer equipment. We also provide services such as teleconferencing, data centers and energy efficient customer equipment.
## Appendix

Please refer to the Key on page 27 for further explanation of the abbreviations used.
The 2012 score is comprised of the disclosure score number and performance score letter. Only companies that have scored 50 or more for their disclosure score are given a performance score. Companies that have not responded have the relevant response status code in this column. See the key for c below.

c AQ Answered Questionnaire
AQ(L) Answered Questionnaire Late (after analysis cut off date of July 1, 2012)
NP Non Public Response

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<th>2012 Performance Status</th>
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<th>Scope 2</th>
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**KEY TO APPENDIX**

a CD Consumer Discretionary  
CS Consumer Staples  
EFGY Energy  
FIN Financials  
HC Health Care  
IND Industrial  
IT Information Technology  
MAT Materials  
TCOM Telecommunications  
UTIL Utilities  

b The 2012 score is comprised of the disclosure score number and performance score letter. Only companies that have scored 50 or more for their disclosure score are given a performance score. Companies that have not responded have the relevant response status code in this column. See the key for c below.

c AQ Answered Questionnaire  
AQ(L) Answered Questionnaire Late (after analysis cut off date of July 1, 2012)  
NP Non Public Response  

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d Emissions in metric tonnes CO2e  
e Only Scope 3 categories reported using the Greenhouse Gas Protocol Scope 3 named categories (as provided in the Online Response System) are included when determining the number of categories reported. Companies that have reported one or more additional categories of “Other upstream” and/or “Other downstream” are indicated with an asterisk (*). Where companies have not provided emissions data or where they have not reported a named Scope 3 category according to the GHG Protocol Scope 3 standard, this column is blank.

f Abs Absolute target,  
Int Intensity target, based on entering a value for “% reduction from base year”
Benelux launch Partner:

ING

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duurzaamheid.jhtml

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