

ANNEX 2: CARING FOR CLIMATE: THE BUSINESS LEADERSHIP PLATFORM

We are pleased to outline our current progress and plans in regard to climate change:

1 RISKS AND OPPORTUNITIES

2 OUR GOALS

3 PROGRESS AND PLANS:

- (a) Greenhouse gas inventory and public disclosure
- (b) Practical measures to improve energy efficiency and reduce emissions
- (c) Capacity building
- (d) Engagement and collaboration

REPORT ON PROGRESS 2009 INTRODUCTION AND CONTEXT

Against a background of growing scientific certainty about the impacts of climate change and the seriousness of the challenges they present to the world, Scott Wilson was one of the first global businesses to lend its support to this unique initiative in July 2007.

At that time, we had already converted a number of our offices onto certified renewable electricity contracts and we were in the closing stages of an internal review of our carbon footprint of our UK operations.

The output from that exercise helped us fully appreciate what we need to do as a business, not only in regards to our contribution to global climate change through reducing the emission of greenhouse gases (GHGs) resulting from our activities, but also in relation to the need to adapt the designs, advice and consultancy we offer our clients.

That review underlined shortcomings in accessible GHG data and correcting those deficiencies has been our first priority in order to better inform decision-making within our carbon management programme.

1 RISKS AND OPPORTUNITIES

Given the nature of our global professional services business, we are very well placed to exploit the undoubted commercial opportunities that will accrue, especially once the need for improved adaptation strategies becomes more generally appreciated.

Nevertheless, the Group will not be entirely immune from the various impacts of climate change and our risk management and mitigation processes are being developed accordingly:

- **Physical risks:** as we have no substantial physical assets, we consider that there are no major risks to the business. Most offices are based in leased premises and only a small proportion of them are located in areas likely to be impacted by rising sea levels or major flood events. However, we have yet to fully ascertain the indirect effects of the physical consequences of climate change in regard to staff homes and disruption to transport and utilities infrastructure. More importantly perhaps we recognise the potential for adverse economic impacts of climate change on our clients – especially those engaged in the sectors at greatest risk. We shall therefore remain vigilant and seek to identify any potential ramifications for our business as they become apparent.

- **Regulatory risks:** whilst we are unlikely to be affected by any new legislation in regards to site or process permitting, we are keeping under review market-based regulations including the UK government's Carbon Reduction Commitment (CRC). We anticipate other legally binding initiatives are likely to be introduced to stimulate further cuts in emissions. Although the financial implications of such measures are likely to be manageable in the short-medium term, we shall need to monitor the evolution of legal devices so that we can make any essential changes to our business model in a timely and effective manner. Further anticipated government measures that may impact upon the Company include new reporting guidelines under the Climate Change Act.

- **Reputational risks:** we believe that adoption of the UNGC Caring for Climate declaration and implementation of a programme to reduce our carbon footprint strengthens our reputation with key stakeholders. We are also aware of the true response time and the range and depth of actions needed to introduce effective changes to our operations. There is no 'quick fix' solution, hence our initial decision to offset any residual greenhouse emissions only after we have implemented a range of measures that reduce our footprint.

- **Risk of litigation:** we are aware that latest body of the scientific evidence means that our designs and professional advice to clients should already incorporate appropriate climate change information. Whilst we are reasonably confident that the professional competencies of our staff are being rapidly updated and that there are no shortfalls in the quality of our client services, we will provide further training and guidance as needed to mitigate against any potential for any future litigation. We also believe that good corporate governance, together with transparent disclosure to recognised high standards in regards to our carbon footprint is another way to reduce potential litigation risks.

- **Economic risks:** given the volatility of fossil fuel costs and currency exchange rates, we will need to closely monitor the potential financial impacts of increasing costs of energy, carbon offsets and/or carbon taxes/trading mechanisms. We are also investigating the commercial opportunities from equity share or other participation in Clean Design Mechanism projects that realise quality Certified Emission Reduction offsets.

2 OUR GOALS

After due deliberation, we initially decided upon a balanced, long term approach to improving our energy efficiency and reducing our carbon footprint towards an eventual goal of achieving 'carbon neutrality'.

In order to achieve those goals, we will:

- **Disclose an annual inventory of our emissions** using a model based upon the internationally accepted Greenhouse Gas Protocol Corporate Standard¹ for reporting inventories and applying the relevant DEFRA fuel conversion factors² for calculating the weight of those emissions as their carbon dioxide equivalent. We intend to report our footprint via our annual UN Global Compact Communication on Progress, disclosing our UK inventory by autumn 2009 and the Group's global inventory by autumn 2012.
- **Implement a range of cost-effective measures aimed at reducing the greenhouse gas emissions** that make up the inventory and that we exercise management control over progressively throughout our business. Essentially, this means only those emissions falling within Scope I and Scope II of the Greenhouse Gas Protocol, i.e. those resulting from direct fuel consumption, the indirect emissions resulting from our procurement of electricity or any 'material' direct emissions of the six Kyoto gases.
- **Offset – as a last resort, our residual Scope I and Scope II greenhouse gas emissions** through the purchase of carbon credits produced by high quality schemes certified to the Voluntary Gold Standard or equivalent.

ANNEX 2: CARING FOR CLIMATE: THE BUSINESS LEADERSHIP PLATFORM CONTINUED

REPORT ON PROGRESS 2009 (CONTINUED)

2 OUR GOALS (CONTINUED)

Our strategic approach to managing our energy consumption and meeting the challenge of the low carbon economy will therefore embrace the following:

- procurement of utilities at best cost and from renewable or CHP sources wherever economic to do so;
- energy efficient design for new builds and major office refurbishments;
- operating existing offices more efficiently;
- investment in new technologies that reduce utility costs and deliver energy savings;
- providing motivational tools that enhance staff awareness of climate change issues and help modify end users' behaviour; and
- researching the various challenges, risks and opportunities to the business associated with future structural switches towards a true low carbon economy.

A Carbon Reduction Strategy is being refined to implement our plans and monitor our progress in the UK; a later version will consider what needs to be done internationally within the Group. Responsibility for overall delivery lies with the Group Executive Committee, with specific programmes delegated to the Sustainability Board, Group FM and Management Systems managers and other relevant functions.

The plan takes due account of existing measures and will be updated regularly in line with changing circumstances.

3 PROGRESS AND PLANS (A) GREENHOUSE GAS INVENTORY AND PUBLIC DISCLOSURE

We have been calculating our carbon footprint since 2006. However, our calculations for the calendar year 2008 are the most comprehensive yet although they still apply only to our UK operations. The exercise has used the Greenhouse Gas Protocol principles as outlined below. Our conclusion was that our emissions of CO₂ amounted to 9,052 tonnes or approximately 1.5 tonnes per employee. We are confident that this provides us with a reliable base for future monitoring.

In future years we will use the following reporting format to present information:

(a) Scope I emissions comprising all:

- gas procured by Scott Wilson for use in fuel boilers or other heating systems;
- oils used in back-up generators or heating systems;
- ozone depleting substances such as refrigerants released from air conditioning, chilling or fire suppression systems, if material (i.e. > 1% of total emissions); and
- fuels (petrol, diesel and LPG) used in Company owned or leased vehicles in support of site operations.

(b) Scope II emissions comprising:

- electricity directly procured by Scott Wilson (i.e. excluding any procured by landlords on our behalf)³.

(c) Scope III emissions comprising the following subject to test of 'materiality':

- business travel – air/rail journeys, car travel including 'grey fleet' business mileage, plus any freight or courier use – but excluding all home-work commuter travel.
- other sources of emissions such as other 'Scope I/II' type emissions where we have no direct control (i.e. joint ventures like Chongqing; permanent offices where Scott Wilson does not control utilities procurement or building plant/equipment; temporary project offices that are often housed in client premises; etc.).

(B) PRACTICAL MEASURES TO IMPROVE ENERGY EFFICIENCY AND REDUCE EMISSIONS

In 2008 we commissioned a Carbon Trust study across a representative sample of our UK offices to help us identify which specific energy efficiency improvement and technological measures to target, and quantify the likely emissions reductions and associated costs and returns on investment. Once prioritised, any proposed technical solutions are likely to be phased in over the next few years.

However, we anticipate some quick, modest savings in emissions will be realised from installing the new electricity monitoring system,

whilst other relatively low cost measures such as correction of time clocks and improved labelling will lead to other reductions. In addition, planned changes to our internet servers in 2008–2009 will also make a substantial contribution to improved energy efficiency and lower carbon emissions.

(C) CAPACITY BUILDING

One initiative in response to the rapidly evolving climate change agenda consisted of an internal Sustainability Conference in January 2008. This resulted in the formation of a new Sustainability Board made up of Sector Directors to take the matter forward on behalf of the Group as a whole.

We have also established a new Environmental Committee to drive forward environmental and climate change initiatives within the Group.

Scott Wilson established a dedicated carbon management team in the UK in 2006 to provide cutting edge climate change services to existing clients and to develop advisory business services as a retained consultant of the Carbon Trust. Today, we are progressively rolling out these services throughout our global network of offices with the UK-based team acting as a centre of excellence to provide technical support worldwide.

(D) ENGAGEMENT AND COLLABORATION

During the year, we organised a series of monthly breakfast seminars to demystify some of the complex issues surrounding climate change. The topics covered included:

- Responding to Policy;
- Corporate Climate Change Strategies;
- Flood Risk and Water Supply;
- Sustainable Design and Construction;
- Managing Travel Demand and Climate Change;
- The Economics of Climate Change;
- Consultation, Engagement and Behavioural Change;
- Low carbon Energy Solutions; and
- Biodiversity Challenges of Climate Change.

1. The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard: Revised Edition (2004) – World Resources Institute/World Business Council for Sustainable Development.

2. No decision has been taken yet in regard to which specific overseas conversion factors will be used to calculate any GHG emissions from our offices in China, India or elsewhere.

3. Note that we intend to use the DEFRA 'brown' conversion factor initially but, given our current preference for obtaining electricity from renewable and CHP energy sources, we may recalculate in the future using a suitable 'green' energy tariff pro rata to the supply mix as/when suitable conversion factors emerge.