



Energy & Carbon Emissions

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WE DO COMMITMENT

We will reduce our carbon footprint in all the countries where we operate at a client sites by 2020.

The Energy & Carbon Emissions Context

What is our carbon footprint, and why are we focusing where we are?

Rising Energy Use, Rising Emissions

Sodexo, our clients and our world are living at a challenging time, faced with increasing difficulties to produce enough food and energy to meet growing demands while pressures grow to find cleaner energy sources. Power generation is one of the two leading causes of greenhouse gases (GHG) or “carbon” pollution from the burning of fossil fuels to supply energy¹. Food production is another major source of GHG emissions that results from an array of activities involved in farming including methane emissions from livestock, carbon dioxide emissions from deforestation and nitrous oxide from soils and fertilizer use. Including deforestation, Livestock production alone accounts for nearly one fifth of the world’s GHG emissions, while the management of commercial buildings accounts for about half of all emissions².

With each passing year, the severity of changes to earth’s climate continues along with the challenges to Sodexo’s business and the communities where we work.

If business as usual continues, the International Energy Agency estimates that global energy demand will triple over the next three and a half decades. This energy consumption will only be possible if our economy, our ability to find sources, our energy infrastructure and our environment can keep pace with demand. All of these are far from certain. At the same time, some studies show pathways to a clean energy future with existing technologies where society can source 100% energy from renewable sources to meet all needs by 2050. This will require a substantial transition across society at an extraordinary scale not seen before. Those companies able to move proactively and alter their business model and their offerings will be leaders.

A Changing Climate

In the natural world, significant new challenges stem from the mix of higher overall global temperatures and increasing regional variations in weather conditions such as severe storms, droughts and flooding along with changes in growing conditions and seasons, and the movement of pests and disease into new regions. According to the United Nations, within two decades the impacts from climate change are forecast to cause more than 20 million more people to go hungry, be the leading cause of refugees from famine and flooding, and be the leading cause of food price increases and scarcity stemming from increasing crop failures and reduced overall productivity.

The World Health Organization already estimates that 150,000 people each year die from extreme weather, drought, famine and migration of diseases.

As national and global efforts to help moderate and abate climate change continue to evolve, Sodexo and our clients face new regulations and requirements aimed at reducing emissions. These include specific requests from clients, investors, government agencies and NGOs to measure and report on our greenhouse gas emissions, achieve specific reduction targets and develop plans to reduce emissions.

¹ Intergovernmental Panel on Climate Change, IPCC 4th Assessment Report, http://www.ipcc.ch/pdf/assessment-report/ar4/syr/ar4_syr_spm.pdf

² IPCC 4th Assessment Report



Business: At Risk and Leading


Beginning in the 1990s, global companies started taking early action to address climate change and reduce emissions, ahead of government regulation. More than 1,000 of the world's largest companies, including Sodexo, now voluntarily participate in the Carbon Disclosure Project, providing detailed reports on our GHG emissions, steps to reduce them, and how we manage the risk to the business. Increasingly, companies require suppliers to also participate in the CDP or submit other specific information on their emissions and reduction plans.


Private sector leadership in addressing GHG emissions and impacts from climate change makes good business sense and companies that make the investment are reaping rewards. Addressing climate change impacts reduces business risks like costs and hardship from transportation and supply and travel disruption, property damage, resource scarcity and future regulation. Also, getting a head start on developing new services, products and technologies that use less energy and reduce emissions helps many companies gain a strong position in the rapidly growing market for "clean" technologies, products and services. Understanding and proactively addressing risks and opportunities in supply chains ensures more efficient and secure supply chains in the present and the future.


Sodexo has a unique opportunity to respond to these challenges of climate change and to help our clients' in a meaningful way to reduce their GHG emissions.


Potential Business Impacts

Sodexo's exposure to climate change risk is our energy and emissions footprint, from operations at our client sites and emissions in our supply chains. Proper management and emissions reduction efforts throughout our business are therefore increasingly important.

 **Impact on Revenue, Retention, and Development.** The increased incidence of extreme weather conditions impacts Sodexo business through the interruption that it brings to our clients' business and therefore to the services that we are required to provide. Due to our geographical spread, the overall risk is small as a share of our total business but it will increase. Sodexo relies heavily on agricultural produce for the provision of food services to its clients and consumers. We anticipate that key food supplies will be affected by climate related production disturbances, meaning our capacity to guarantee stable supplies (both with regards to price and availability) will become increasingly hindered. Clients and consumers must have confidence in Sodexo's ability to address the impacts of climate change in order to mitigate the risk of potential loss of business or missed new business opportunities.




 **Business Disruption from Severe Weather.** In large parts of the world increasing instances of severe weather, flooding and drought all will contribute to increased business disruptions including client site upheavals as seen with Hurricane Katrina or recent hurricanes, , travel disruptions, transportation delays, building closures and property damage.

 **Rising Costs for Food.** Climate change is forecast to reduce agricultural productivity overall and lead to rising food costs. The reliance on biomass crops as a lower-carbon fuel source also is a contributor to increased food costs. The increased frequency of severe weather, flooding and drought in some areas will be a greater challenge to manage, as crop failures and poor quality harvests become more likely to occur but no easier to predict. A resilient supply management strategy that allows Sodexo to source products from regions that are more likely to have dependable harvests is a critical new competency.

 **Increased Energy Cost and Decreased Reliability.** New regulations favor energy efficiency to reduce overall environmental economic cost but also increase the cost of energy production. Simultaneously, it is becoming more technically difficult and expensive to develop new oil, gas and coal in more remote and environmentally challenging areas. At the same











time, current energy infrastructure is aging and there has not been significant investment to support increased demand in many parts of the world.

-  **Brand Risk.** Sodexo's brand is very valuable and there are potential reputational risks to the brand as clients and consumers increase their awareness of climate risks and more public sector and business client seek service providers who have world class services, offering management systems to help reduce energy use and greenhouse gas emissions. Without a clear position, Sodexo risks being seen as a poor partner for helping our clients meet and maintain their leadership positions.
-  **Increased Reporting Requirements.** Standards for reporting on emissions, progress and risk are now becoming widespread and standard with investors, governments and NGOs requiring the same or similar data from all businesses as large and leading companies require from their suppliers. Sodexo's ability to gather and manage emissions data must improve within our operations and in our supply chain and the service sector overall needs to develop specific measurement methods for activities we conduct at our clients' sites.
-  **Opportunities.** Our clients will increasingly want, and need, to find ways to operate their businesses using less energy and with lower greenhouse gas emissions. Sodexo's on-site service solutions can be a part of their sustainability success if we are able to develop new services and offers that provide measurable reductions while improving the efficiencies of current offerings and of the products we provide today. Level 2

The Sodexo Strategy on Carbon and Energy









With the 2009 launch of the Better Tomorrow Plan, the Group reinforced its commitment to reduce our carbon footprint in all the countries where we operate and all clients' sites by 2020. Sodexo has developed a carbon and energy strategy to maximize opportunities and minimize risks, which includes:

-  Measuring Sodexo's carbon footprint using standard data and established methodologies that deal with site operations and complex supply chains and publicly disclose our results, progress, plans and risks through the Carbon Disclosure Project.
-  Focus on the two largest opportunities: reducing energy use in operations at client sites and reducing emissions in our supply chain.
-  Establish global and country-level targets and provide each country with a set of tools to choose from in achieving their targets, while maintaining a forum for exchanging best practices among sites and countries.
-  Develop new service offers to help clients reduce energy and emissions at their sites through better monitoring, tracking and active management
-  Develop food service offers that take in to account carbon emissions such as reducing the use of animal proteins and increasing the use of plant based proteins.
-  Work with supply chain partners to actively manage risk from climate change, principally unexpected changes in food cost and availability.
-  Work with supply chain partners to source sustainably grown or raised products that help implement best practices and reduce impacts such as deforestation
-  Raising internal and external stakeholder awareness.










Progress to Date




To support the Better Tomorrow Plan implementation, a Subject Matter Experts Working Group for energy and emissions was established in 2010. This group meets on a regular basis and is assisted by WWF as part of its technical agreement to work together globally on environmental and supply chain issues of mutual interest. This has started with seafood, agricultural commodities, water and greenhouse gas emissions and focuses on promoting environmental and sustainable supply-chain practices. To date the Subject Matter Experts Working Group for energy and emissions has:

-  Engaged with WRI (World Resources Institute) and others to determine which of our business activities fell in to scopes 1, 2 & 3, within the WRI GHG Protocol.
-  Implemented a methodology for calculation of our scope 1 and 2 emissions that is consistent with the WRI's Protocol.
-  Based on the measurements that we made using this methodology, we publicly disclosed emissions data through the Carbon Disclosure Project.
-  Identified the two largest opportunities for reduction through better operations at our client sites and improvements in the farming and livestock production practices within our supply chain to improve the efficiency of farming.
-  Developed a methodology to determine our carbon footprint for our US supply chain and are applying the same methodology for our global supply chain. This allows us to know what the biggest sources of emissions are and to prioritize which areas of the supply chain to focus on.
-  Worked with suppliers to reduce emissions from the products we buy and sell – the largest source of scope 3 emissions
-  Prepared a Unit Managers toolkit, which includes a “Call to Action” document, a “What can I do” guide, internal team and client presentations, and a “What can I do next” guide. All toolkit information is in the final stages of review.
-  Worked with leading industry groups and experts to understand where our greatest points of leverage are.

Next Steps

-  Extend our methodology for calculating scope 1 & 2 emissions and scope 3 supply chain emissions to more countries in the Group.
-  Benchmark our baseline emission data for the 4 pilot countries and set reduction targets for the future.
-  Work on a standard Group methodology for the evaluation of our energy and emission reductions.
-  Work towards having our scope 1 & 2 emissions independently verified.
-  Collaborate with suppliers to increase joint efforts to reduce emissions and adapt to climate change.
-  Finalise the Group wide site manage toolkit that will help raise awareness.
-  Create additional offers and services that will help our clients reduce energy use and emissions at their sites and in the upstream production of the products we buy and sell,



-  Create additional food offers that incorporate more plant-based ingredients and less on animal proteins.
-  Use the deployment of our new IT tool to support progress.
-  Work on a model to evaluate the impact of our awareness and behaviour and equipment process actions at our client sites

More info on Sodexo's Sustainability efforts and the Better Tomorrow Plan are available on Citizen and www.sodexo.com. To share any advance communication drafts or projects you may have on the subject, please contact: Bettertomorrow.group@sodexo.com.