Capgemini invent RE 100 | THE CLIMATE GROUP CDP DISCLOSURE INSIGHT ACTION

MAKING BUSINESS SENSE: HOW RE100 COMPANIES HAVE AN EDGE ON THEIR PEERS

Energy Transition & Profitability

INSIGHTS REPORT
SEPTEMBER 2018

FOREWORD

Pioneering companies are playing a leading role in addressing climate change by driving forward a complete transformation of our energy system. Across different sectors and countries, businesses are making commitments to cleaner, smarter energy – and they deliver.

Corporate sourcing of renewable electricity is taking off at lighting speed. In the first six months of 2018 alone, companies contracted 7.2GW of renewable electricity through power purchase agreements, already surpassing 2017's record of 5.4GW for the entire year[1]. Prices are falling, too: the cost of solar has dropped by 73% since 2010 and will be cost competitive with fossil fuels within a few years[2]. More and more companies are generating their own electricity, actively engaging with policymakers to build the case for renewable energy and calling on their suppliers to step up alongside them.

A growing group of companies are taking leadership on renewable electricity sourcing to a new level. RE100, led by The Climate Group in partnership with CDP, now brings together more than 150 companies committed to 100% renewable electricity across their global operations. They are creating demand for 184.6 TWh of renewable energy per year – more than enough to power a medium sized country like Poland.

As well as sending out a powerful demand signal and accelerating the growth of clean energy markets, RE100 members are demonstrating that a strategic approach to energy makes business sense. 88% of RE100 members responding to a survey[3] cited the economic case as a key driver for joining RE100. Now with this new report we are once again seeing that renewable electricity is good for both emissions cuts and business growth.

There is no longer a viable reason why companies cannot stand up and commit to place renewable power at the heart of their business strategies. Whilst market contexts differ, and no journey to 100% renewable electricity will look the same, RE100 members across the world are showing the art of the possible by stepping up their ambition and driving forward the clean energy system of tomorrow. Only by betting on a clean economy will businesses be able to safeguard a sustainable and prosperous future.

Sam Kimmins
Head of RE100, The Climate Group

Roshan Gya
Managing Director, Capgemini Invent
Global Head of Digital Industrial, Manufacturing & Operations

1 Bloomberg, 2018 – Corporations Already Purchased Record Clean Energy Volumes in 2018, and It's Not an Anomaly.

2 IRENA, 2018 – Renewable Power Generation Costs in 2017.

3 RE100 (The Climate group and CDP), 2018 – Approaching a tipping point: how corporate users are redefining global electricity markets. RE100 progress and Insights Report.

EXECUTIVE SUMMARY

Due to the dual trends of stronger CSR concerns and falling renewable energy costs, **companies increasingly consider energy an asset that can provide them with a real competitive advantage.** The unstoppable transition to a renewable-based, decentralized, flexible and digitalized energy system is well underway – and with companies consuming about two thirds of the world's electricity, they have a vital role to play in developing the clean energy systems of tomorrow.

Pioneering companies are taking the lead in this transition and have started to fully embrace its opportunities. **Members of the RE100 initiative, led by The Climate Group in partnership with CDP, are at the forefront of this movement:** by setting a public goal to source 100% of their electricity from renewable sources, they are re-writing the rulebook of corporate energy sourcing, showing a mature and sophisticated approach to energy management. The amount of clean electricity they are purchasing (and generating) is increasing at a staggering rate year on year, bringing a range of direct and indirect benefits such as costs savings or improved reputation.

New mechanisms for companies to source renewable electricity have appeared all over the world. Companies are now a driving force of renewable power capacity deployment: an Irena study shows that **world market for corporate sourcing of renewable electricity reached 465 TWh in 2017** - close to the electricity demand of France.

This study shows that there is a direct correlation between committing to 100% renewable electricity and achieving above-average financial performance. RE100 members consistently perform better than their peers on two key financial performance indicators, selected for their importance to assess a company's profitability: net profit margin and EBIT margin (Earnings Before Interests and Taxes). The difference is significant, ranging from 0.3 to 7.7 percentage points (excluding outliers), and remains true across all sectors.

Although this study does not suggest causality in one way or the other, it clearly shows that companies embracing the opportunities created by the clean energy transition are also leaders in their sectors. More companies should follow their lead and commit to transformational 100% renewable electricity targets, **either because it can help a business to outperform its competitors, or to follow those market leaders establishing renewable electricity sourcing as a priority.**

Embracing the clean energy transition can act as a powerful lever for change within a business, whatever stage of the transition they are at: it opens new opportunities for funding and can result in structural organizational changes that have impacts beyond energy sourcing alone; such as switching from OPEX to CAPEX when self-generating renewables.

The various sourcing strategies a company can choose from have different impacts on resources allocation and organizational set up. In all cases, the **transition needs to be properly planned and managed to maximize the benefits for the company.** Various models are possible to drive the implementation of an ambitious renewable energy sourcing strategy. In the medium and long-term, these can have significant impacts on a company's ways of working, but also on its business model. Therefore, strong internal support from senior management is key, as well as ensuring that the right skills exist in the workforce.

Companies joining RE100 are shaping the energy markets of tomorrow to their needs and therefore setting themselves up for success. Their peers should follow suit – it clearly makes business sense.

THE LINK BETWEEN CLEAN ENERGY LEADERSHIP AND FINANCIAL PERFORMANCE

RE100 members are leading the clean energy transition

This report looks at how the most 'mature' companies in renewable energy sourcing perform compared to their peers according to two key financial indicators – EBIT (Earnings before Interest and Taxes) and net profit margin. The RE100 initiative, led by The Climate Group in partnership with CDP, represents the main group of mature companies in renewable electricity sourcing. Companies part of the initiative set a public goal to source 100% of their electricity consumption from renewable sources by a specified target year. They report on progress annually, a transparency and accountability exercise demonstrating that they are walking the talk, strengthening the credibility of their commitments. They showcase a sophisticated understanding of the clean energy transition – its challenges, opportunities and modalities – and are committing to the highest level of ambition. As such, they are considered 'mature' for the purpose of this analysis.

RE100 member companies are re-writing the rulebook of renewable electricity sourcing. The RE100 Progress and Insights Report 2018[4] shows that they are increasingly utilizing more sophisticated approaches to renewable electricity sourcing - such as signing long-term power purchase agreements or installing on-site generation - which, while requiring greater effort and involvement from companies, maximize the potential benefits of an active renewable electricity sourcing strategy[5]. RE100 members are also developing innovative solutions, such as aggregating their demand to sign larger power purchase agreements.

Comparing RE100 companies with their peers

To understand the relationship between energy maturity and financial performance, we analyzed the industry-adjusted financial performances of over 3,400 firms in our sample (see methodological note). These companies include RE100 companies, as well as their global peers for which Bloomberg discloses financial information (See table 1). Private companies among RE100 members were excluded, as there was no financial information available for them.

We considered eight sectors, which are disclosed in the table below. The aggregation of these sectors was performed based on Bloomberg sectors, as well as on a consistent energy profile for each sector.

The financial KPIs taken into consideration for each company were the following:

- Revenue, especially to weigh the KPIs based on the company's representativeness within one sector;
- Net Profit Margin, which is key to assessing the profitability of a company, as it measures how much of each dollar earned by the company is translated into profits;
- EBIT Margin, which also measures the profit a company generates from its oper ations.

The analysis relies on 2016 financial information and the results are displayed in the figure below. The position of the data points illustrates how RE100 members from each sector compare to their peers. The Y axis represent the delta between the EBIT (in percentage) of RE100 members and that of their peers, while the X axis represents the delta between the net profit margin (in %) of RE100 members and that of their peers.

Results clearly show that RE100 companies are outperforming their peers on both indicators, and in each sector. Globally, RE100 companies are financially more profitable than their competitors in each sector. Discrepancies between the RE100 and average indicators can vary depending on the sector, but it is always in favor of the RE100 members. It ranges between 0.3 and 7.7% additional percentage points across both indicators (excluding the two specific cases outlined below)[6].

Two specific cases need to be highlighted:

- The significant discrepancy observed in the **Health Care sector** on both indicators[7] must be understood in the context of the limited size of the RE100 sample (four companies only) and the fact that those four companies are among the biggest in their sector worldwide[8].
- The **Travel, Logistics & Hospitality sector** has been deliberately aggregated to obtain at least four RE100 companies in each sector. This sector gathers activities that are completely different in reality: as an example, activity in postal services has a structurally different financial profile to airplane activity. The six RE100 companies included in this analysis consist of three airports, two postal companies and one resort company. However, when looking at each of those activities separately, the conclusions are the same.

4 RE100 (The Climate group and CDP), 2018 – Approaching a tipping point: how corporate users are redefining global electricity markets. RE100 progress and Insights Report.

5 For a definition of 'active renewable energy sourcing strategy', refer to the following publication: RE100 (The Climate Group and CDP), 2018 – Discussion paper on business leadership in the transition to renewable electricity.

6 The full and detailed list of results is presented in the methodological note.

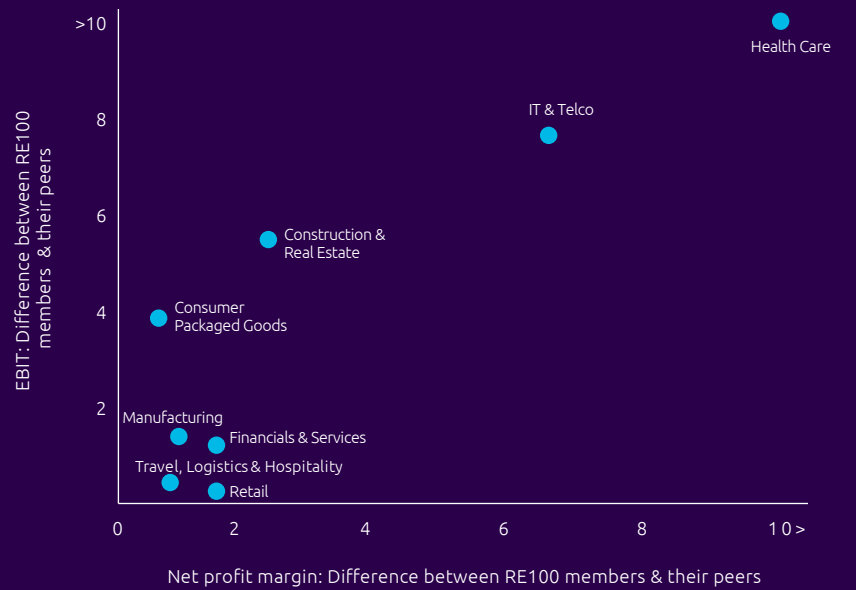
7 RE100 members in the Health Care sector have a NPM & EBIT above 24%, while their competitors are between 6 and 10%.

8 Including Johnson & Johnson (9th), AstraZeneca (34th) and Novo Nordisk (47th).

TABLE 1
NUMBER OF COMPANIES CONSIDERED IN THE FINANCIAL ANALYSIS

SECTOR	# OF COMPANIES	# OF RE100 COMPANIES AMONG THEM
Consumer Packaged Goods	451	16
IT & Telco	525	23
Manufacturing	742	19
Health Care	194	4
Retail	481	14
Financials & Services	457	34
Travel, Logistics & Hospitality	260	6
Construction & Real Estate	352	6
TOTAL	**3,462**	**122**

FIGURE 1
COMPARISON OF FINANCIAL KPIS BETWEEN RE100 MEMBERS AND THEIR PEERS



Is being a clean energy leader more profitable?

The analysis shows a strong link between good financial performance and having an ambitious renewable electricity strategy. It is not possible to assess causality from this analysis alone. Companies with greater profits might be more likely to invest time and resources in developing a strong renewable electricity sourcing strategy, supporting potential additional upfront costs to enjoy the benefits in the medium term.

However, there is straightforward evidence that companies embracing the opportunities created by the clean energy transition are also leaders in their sectors. This should convince their peers that setting a 100% renewable electricity target is a smart business decision, either because it helps a company to outperform its competitors, or because setting such targets is becoming established as a priority by market leaders.

A commitment to changing a company's energy sourcing strategy has a definitive impact: a focus on energy strategy usually goes along with additional energy efficiency gains, bringing with it indirect costs savings. But it can also lead to the reshaping of an organization, including its financial structure (for example when switching from OPEX to CAPEX through investment in renewable assets). Such restructuring can generate additional profits.

Finally, showing leadership on climate and renewable energy can create new opportunities, such as unlocking new sources of funding. In the past few years, many investment models – such as ESG[9] -focused investors and green bonds - have been developed to consider the corporate social responsibility of a company, including energy related issues. According to the World Bank[10], green bond issuance surpassed $130 billion in 2017, compared to $81.6 billion in 2016. By accessing green bonds, companies can trade at a higher price and yield a lower interest rate.

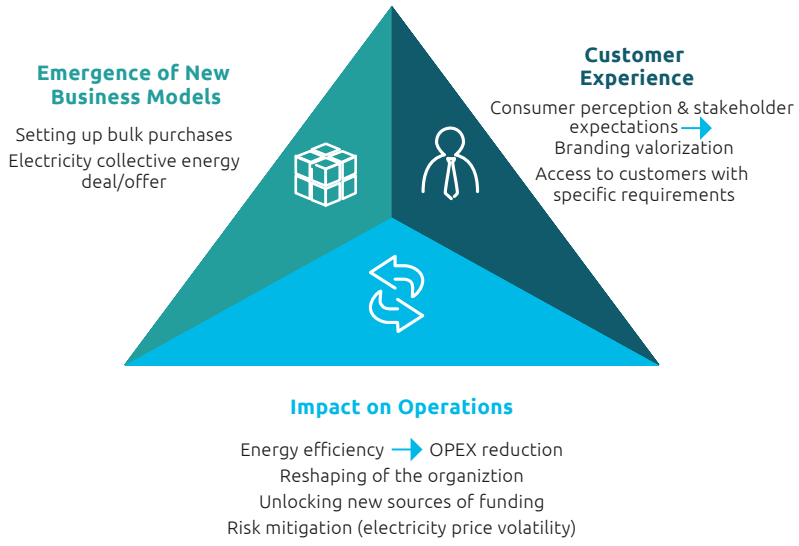
Early adopters are shaping the energy market

Early adopters of renewable electricity sourcing are shaping the energy market to their needs. They are disrupting existing energy systems and paving the way for the clean energy markets of tomorrow. As an example, the first corporate renewable PPAs were developed by companies reluctant to mobilize capital resources to acquire their own renewable assets; yet they still wanted their sourcing strategies to have a more direct impact on the grid.

Energy providers had to adapt to those demands and reshape their models – leading, as an example, to the now thriving PPA market. Similarly, some large companies are exploring the use of microgrids, energy storage, demand-response mechanisms and other such innovative solutions in a coordinated way. These companies are ready to make the most of the opportunities of the flexible, decentralized and decarbonized power systems of tomorrow.

This transformation also applies to the suppliers' side: The utilities that will win the largest market shares in the future are the ones that will allow their customers (private as well as corporate) to purchase and use energy in ways that meet their specific needs and align with the new opportunities of the digital revolution. Consequently, a wide range of market players are challenging traditional utilities: solar installers, peer-to-peer renewable trading systems, automotive brands, mass retailers and telecom businesses are all investing in the supply and services market.

FIGURE 2
DRIVERS FOR AN ENERGY STRATEGY SHIFT



9 Environmental, Social and corporate Governance criteria.
10 The World Bank, 2017 – Green Bonds.

STRATEGIES TO MEET A 100% RENEWABLE ELECTRICITY COMMITMENT

RE100 companies are rapidly progressing towards their target

The more than 150 companies members of the RE100 initiative to date are relying on a variety of strategies to meet their 100% renewable electricity commitment. The timeline, approaches and priorities of each company will depend on its unique market situation, influenced by external or internal factors such as the geographic breakdown of its operations, the size of its consumption and the company's appetite to take on risk[11].

The following picture maps the target year of each company and how close they are to meeting their commitment (using 2016 or 2017 data – depending on availability).

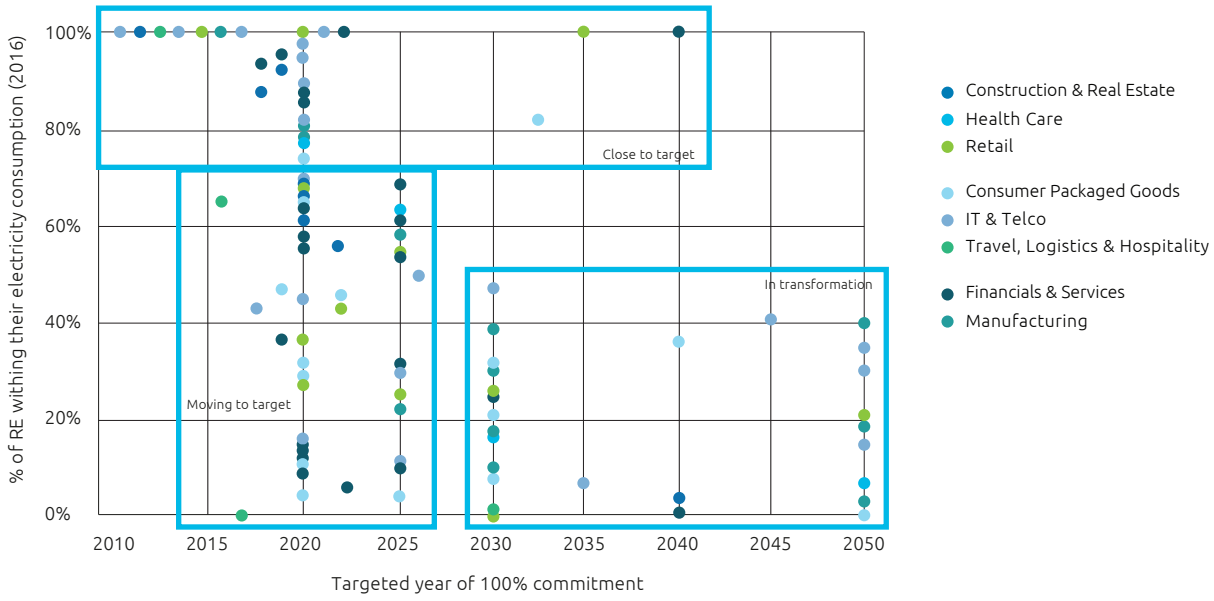
This analysis identifies three different patterns, with no clear sectorial differentiation; each pattern features representatives from all sectors.

The first group of companies are **close to target**. This group gathers companies with very different sourcing strategies, but which all source over 75% of their electricity from renewable sources; representing almost half of RE100 members. For these companies, a transformation of their energy strategy has already occurred. They now have a mature understanding of the risks and opportunities of the clean energy transition and can share their experiences with peers to accelerate business leadership on renewable electricity sourcing.

The second group of companies are **moving towards their target**. Representing about 40% of the membership, these companies are currently transforming and implementing measures to reach 100% before their targeted year. This group covers a wide diversity of companies with different approaches, priorities and energy maturity.

About 10% of RE100 companies are **in transformation**: they have decided to transition to renewable electricity over a longer period, i.e. between 2030 and 2050. This longer timeline often reflects specific challenges faced by these companies, ones which require a more comprehensive transformation of internal operations or relate to external factors over which they have no control. Companies headquartered in markets less mature for renewables sourcing – like Japan - or which are very large energy consumers, tend to be in this group. Setting a later date might also enable companies to undergo organizational transformations that will enable them to enjoy the greatest benefits of the energy transition - while meeting their commitments through methods that have a direct impact on the grid.

FIGURE 3
ENERGY MATURITY COMPARED TO THE TARGETED YEAR OF 100%



11 RE100 (The Climate Group and CDP), 2018 – Discussion paper on business leadership in the transition to renewable electricity.

Focus: How does Kingspan expect to switch to 100% renewables by 2020?

In line with its activity, Kingspan has always been very aware of the impact of climate change and the importance of reducing emissions as fast as possible. The EU Energy Performance of Buildings Directive (EPBD) requirement that new buildings must be nearly zero-energy by 2020 was a defining moment in Kingspan's processes. In 2011, the company decided to commit to Net Zero Energy (NZE) and in 2015, it joined the RE100 initiative.

Interview with Bianca Wong (Divisional Sustainability Manager)

How have you progressed towards your target and what is your strategy to reach it by 2020?

In 2017, we reached 69% renewable energy, with 85% of our electricity use coming from renewable sources. Last year, we managed to exceed our interim target and we are planning to reach 80% renewable energy in 2018.

As we work towards our target, we have made several investments in renewable energy. For example, in 2013 we installed a 2.5MW solar PV array at our Selby site, UK. In 2016, a further 5MW was deployed at Sherburn. Onsite generation currently accounts for 7.6% of our global energy consumption.

We have a three-step strategy to help us reach our goal which is 'Save More' – 'Generate More' – Buy More'. We believe that it is crucial to minimize energy use as the first step of the process, and we have implemented Energy Performance Contracts at multiple sites that have enabled us to achieve significant energy efficiency savings. We have also been switching our electricity contracts to certified renewable electricity when possible.

What organizational changes are you rolling out to support reaching your target?

Our target has been set at Group level, but our strategy is designed to provide flexibility to the divisions (five divisions around the globe). Each division can determine the optimum approach to achieve net zero energy in line with their business activities. This is usually done through multiple mechanisms such as energy efficiency projects, onsite generation and certified renewable energy. Our goal NZE team consists of members with a range of expertise including sustainability, operations and procurement. This enables great peer-to-peer learning and discussion at our quarterly meetings.

What challenges do you face in fully reaching your target?

As the Group continues to expand, the goal posts are constantly moving, and our strategy must be flexible to accommodate this. We experience transition periods with newly acquired businesses as they learn about the measures we are taking.

What would you say are the key factors in successfully reaching your goal?

A top-down approach has been crucial to our success to date; our NZE target was set by our CEO and progress is reviewed bi-annually by the board. Developing a cross functional team that actively manages and tracks progress towards the target is very important. Finally, tracking progress also allows you to demonstrate the business case and showcase the benefits achieved from the initiative.

How to switch to 100% renewable electricity

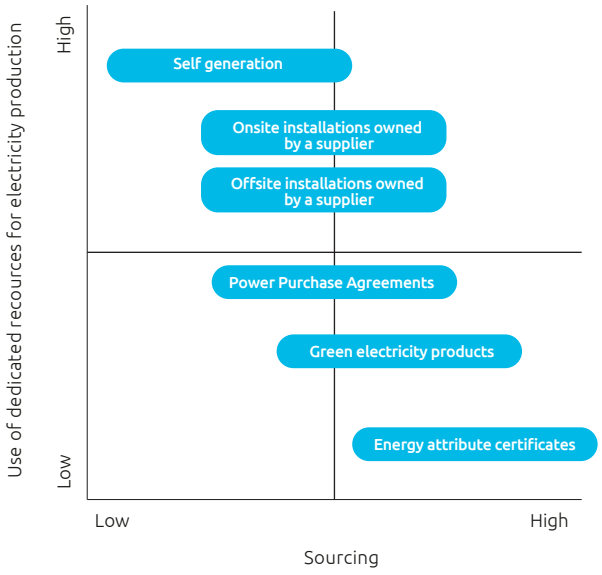
Companies joining RE100 are required to make a public commitment to source 100% renewable electricity for their global operations and to report on progress towards this objective on a yearly basis. Third party verification of consumption and, when necessary, generation of renewable electricity, is also encouraged.

There are several sourcing options available for companies to make progress towards their RE100 commitment:

- **Contracts with suppliers (green electricity products):** a contract for electricity procurement where the supplier (a utility, or other power developer or market entity) matches the electricity consumed by the company and delivered through the grid, with renewable electricity produced or purchased from a variety of sources and projects, or a specified project or set of projects.
- **Unbundled energy attribute certificate purchases:** companies may purchase certificates like RECs, Guarantees of Origin and I-RECs separately from electricity to compensate for their electricity consumption from non-renewable sources. The certificates must be issued by generators operating in the same market boundary as the claimant.
- **Purchase from on-site installations owned by a supplier:** includes renewable electricity generated from on-site facilities owned and operated by a supplier and consumed by the company.
- **Purchase from an off-site generator through a direct line and with no grid transfers:** includes renewable electricity produced from off-site installations owned and operated by a third party and delivered to the company via a direct line, with no grid transfers.
- **Direct procurement from offsite grid-connected generators:** usually through power purchase agreements (PPAs). This covers the purchase of renewable electricity from a power producer generated from a specific renewable project, with renewable energy attribute certificates.
- **Self-generated electricity:** renewable electricity produced from installations owned by the company, either on-site or offsite, connected to the local grid or entirely off-grid.

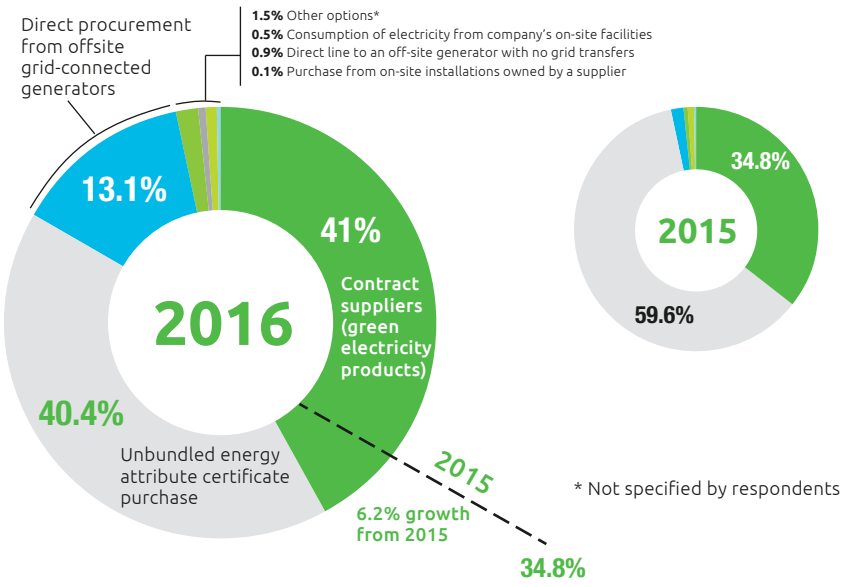
There are several criteria that companies must comply with when using any of the options above[12]. This is to ensure that companies' claims are credible and that risks of double-counting are avoided.

FIGURE 4
SOURCING OPTIONS TO SWITCH TOWARDS 100% RENEWABLES



12 RE100 (The Climate Group), 2018 – Technical Criteria - Technical note on renewable electricity options.

FIGURE 5
EVOLUTING SOURCING STRATEGIES[14]



How sourcing strategies impact organizational structure

Unbundled energy attribute certificates have historically been a main tool used by corporate buyers to source renewable electricity. This, however, is rapidly changing as alternative and more impactful sourcing methods gain global traction. A noticeable trend has been the growth in renewable electricity sourced through power purchase agreements: in the first 6 months of 2018 alone, 7.2GW of renewable electricity capacity were contracted by corporate buyers[13]. Companies are also increasing the amount of electricity directly generated on their premises (either by themselves or by a third party).

Figure 5 shows the change in the sourcing strategies of RE100 members between 2015 and 2016, with a strong growth in power sourced through power purchase agreements and a decrease in the share of electricity sourced through unbundled energy attribute certificates (from 59.6% to 40.5%) being key trends. These developments reflect the many new companies joining the initiative in 2016, but also the changing strategies within individual companies. Crucially, it makes clear that RE100 members go beyond simply meeting a target – instead, their approaches are re-shaping the landscape of corporate renewable energy purchasing, and their investments adding significantly to global renewable electricity capacity.

The sourcing options prioritised by a company will have a broader impact on its internal organization and overall business strategy. Each approach has different implications for a number of factors, including length of the commitment or types of financial resources mobilized (e.g. OPEX or CAPEX). They will also be driven by different company priorities. Three broad scenarios are summarised below:

- **Scenario 1**: the company sources renewable power through contracts with a utility or by purchasing unbundled certificates. This commits the company in the short term (on average, a yearly basis) and all the underlined costs are OPEX. This is likely to be driven mostly by CSR motives, and helps a company acquire a more refined understanding of energy markets.
- **Scenario 2:** a company has decided either to self-generate its electricity, to purchase electricity produced from its on-site installations owned by an external supplier, or to ensure direct procurement from a supplier (through a PPA contract). The related cost types are CAPEX and OPEX and the commitment period is close to a decade. As those options require a distinct set of skills and a deeper understanding of energy markets, they also involve more knowledge and staff resources. Relying on those methods is likely to be driven by CSR motives, but also by a desire for greater control over energy costs and benefits from future costs savings.
- **Scenario 3:** a company is already implementing an active and very sophisticated renewable electricity sourcing strategy and is willing to explore additional steps to embrace all the business opportunities of the clean energy transition. Those next steps include energy management systems, energy efficiency measures, energy storage, or even micro-grids.

13 Bloomberg, 2018 – Corporations Already Purchased Record Clean Energy Volumes in 2018, and It's Not an Anomaly.

14 RE100 (The Climate group and CDP), 2018 – Approaching a tipping point: how corporate users are redefining global electricity markets. RE100 progress and Insights Report

IMPACT ON ORGANIZATIONAL STRUCTURE

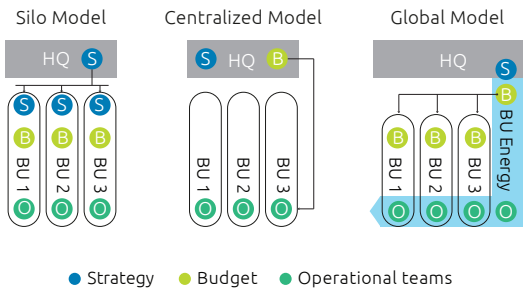
Operating models and measures for a successful transformation

No ambitious switch to 100% electricity consumption from renewable sources would be possible without strong leadership from top management and ensuring that the correct organizational structure is in place.

Companies' perspective on energy was originally driven by costs concerns. However, other priorities emerged for companies (such as CSR), while the global energy system has started to transition to a renewable-based, flexible and decentralized system. Companies signing up to the RE100 initiative are therefore developing a new approach to energy by fully transforming their mindset and defining ambitions such as 100% of renewable energy sourcing. However, once an organization has defined its ambitions, most of the time the company's organization needs to be adjusted to accommodate them. It is necessary to find the right balance between centralization and local initiatives.

Not all the companies use the same organization model when referring to energy management. Different principal governance models can be defined to ensure the consistency of energy transition initiatives within a company. If some firms set up specific programs across business units, others will entrust the task to a dedicated entity. Four models can be identified, all balancing between coordination level and:

FIGURE 6
GOVERNANCE MODELS FOR DEPLOYING AN ENERGY STRATEGY



- **A silo model** with a synchronization and alignment across business units that have their own initiatives. Objectives are defined at a corporate level and translated by business unit, but the means to reach them remain defined at the unit level. For corporate renewables sourcing, the business unit will be a specific geography (likely a country) to reflect the fact that energy markets are defined by national boundaries.
- **A centralized model** with a centralization of the energy transition initiatives at a corporate level. Objectives and means are both managed at the central level of the company. Criteria and general sourcing approaches are clearly outlined at the central level, that also leads on intelligence gathering and procurement processes for all geographies.
- **A global model** can be considered, with a dedicated business unit that sets up the global energy strategy and coordinates local strategies and budgets. Local business units develop and manage their operations but must use solutions and resources from the dedicated business unit.

Implementation of an energy strategy at the company level necessitates coordination between business units that might be concerned by energy transition initiatives (eg. strategy, CSR, real estate, procurement, operations, etc.). This coordination will be facilitated in the Centralized or Global models. In the medium or long term, it can even directly impact the business model of the company. Therefore, getting senior leadership buy-in and involvement in this transition is essential.

But whatever the organization model selected, above all else the implementation of an energy strategy requires developing new skills, expertise and ways of working (including leaner management methods to avoid wasting energy in the company's processes) and adopting new technologies. Skills are specifically strategic for a company as it will have to address new topics, from strategy considerations to onsite implementation: energy regulation (at local levels), contractual mechanisms in PPAs, identification of renewable resources, etc. Therefore, an important pre-work at the Human resources level must be anticipated to enhance the transition.

Focus: How Anheuser-Busch InBev will become one of the largest corporate purchasers of renewable electricity in the global consumer goods sector.

In March 2017, AB InBev announced its ambitious commitment to secure 100% of the company's purchased electricity from renewabl sources by 2025. This means a total annual shift of close to 6 TWh of electricity to renewable sources in all the markets where AB InBev operates. This decision was driven by the vital need to work towards a more sustainable future and is part of its broader 2025 Sustainability Goals.

Interview with Nataly Borges (Procurement & Sustainability Energy and Fluids Director) and Moritz Bernhoerster (Global Procurement Manager – Renewable Energy).

How are you progressing towards your target and what is your strategy to reach it by 2025?

As the world's leading brewer, we have significant scale and reach that we are using to generate meaningful impact. Before commiting to 100% renewable electricity, w almost 5% of our electricity was covered by green certificates. In terms of our commitments, we started moving towards renewables in Mexico, which is our third largest market. A power purchase agreement (PPA) was signed with Iberdrola for 490 GWh/year in March 2017. Iberdrola builds and installs 220 MW of onshore wind energy capacity in the state of Puebla for us. It will result in an increase of more than 5% to the country's wind and solar energy capacity.

To date, we have taken a local approach, working country by country. We're aiming to deliver local projects to address our local needs. All our projects are now solar or wind PPA's on greenfields. In terms of our progress, by the end of 2017 we had secured 31% of our electricity from PPAs and we're expecting to get to 50% by the end of this year. We're committed to sourcing 100% of our electricity from renewable sources – as we work towards our 2025 commitment to reduce our emissions by 25% in light of the Paris Agreement.

We are also using the power of our brands. Budweiser's Renewable Electricity Symbol was launched in January 2018 to celebrate its commitment to brew with 100% renewable electricity. The symbol is now on all Budweiser packs in the US and will be rolled out in other countries once they reach their 100%. It is being made available to other companies and brands so they can also celebrate their own RE commitments.

What organizational changes are you rolling out to support reaching your target?

All teams involved are fully committed to reaching our target; procurement, supply & operations, global affairs, across our global business. Markets that pose opportunities for renewable electricity projects are identified at a global level in close collaboration with regional procurement teams.

Once identified, we try to deliver at the local level - the Global Procurement team works closely with Zone teams.

What challenges do you face in fully reaching your target?

The main challenge is regulation. Not all countries authorize the development of PPAs. So far, we have started the vital shift in countries which are, of course, in favor of these mechanisms and it enables us to move quickly. In the markets that don't allow PPAs, discussions take much longer. In some countries, like China and South Africa, we also face a challenge from authorities that look to promote other energy sources, such as nuclear.

What would you say are the key factors in successfully reaching your goal?

In order to secure a successful shift to clean energy, commitments are needed in the Boardroom, as well as aligning everybody within the company. A clean energy shift is a long-term commitment that requires involvement across teams and Zones, as well as a solid business case.

When transitioning, companies will have to be comfortable with a certain level of risk, given the significant affect it has on a business' entire operation. Indeed, in some regions, this shift will involve a change of partners or suppliers. Importantly, in order to be successfully carried out across a business, these commitments must come from executive leadership.

We are uniquely positioned to address global issues by working within our communities, delivering programs and resources that resonate locally while delivering a meaningful global impact. We also know that no one company can do this alone. Working with global partners and sharing best practices through groups like RE100 will help us all reach out goals faster.

Key measures beyond structural change

Tracking the benefits of renewable electricity consumption is a key measure to secure the successful implementation of a clean energy transition within a company.

The three main objectives of tracking such benefits are:

1. Companies must measure the concrete impacts of their energy strategies and commitments. Indeed, it is necessary to **precisely quantify these gains and to monitor whether assumptions and forecasted results are realized**. For instance, General Motors has reported savings of US$5 million annually from using renewable energy – tracking costs benefits in this way allows for a solid business case to be built around a company's changing energy strategy.
2. Secondly, tracking benefits should be at the core of planning and monitoring. The **use of a KPI scorecard and controlled reporting,** for instance, will make managing a new energy strategy much easier.
3. Finally, **tracking benefits can be the foundation of a successful communications strategy.** It can maintain enthusiasm for the initiative and improve understanding of what drives performance. It is an effective way for a company to inspire others, and to be inspired in turn. As an illustration, Carlsberg Group joined RE100 to learn from others and benefit from their best practices; and Apple has used its RE100 membership to encourage its suppliers to adopt the same approach and set 100% renewable electricity targets.

Another way to secure internal transformation is for a company to set up an approach based on incentives and variable remuneration. For some RE100 members, the share of electricity provided by renewables can function as a target impacting variable remuneration of different teams, such as procurement, sustainability, supply and operations, etc. This approach is notably efficient in companies where variable remuneration is an important part of the salary.

CONCLUSION

Companies must clearly identify the key challenges to raise an energy strategy

This study has detailed the importance of energy sourcing in a company's business model. The analysis conducted highlighted the link between financial performance and a mature energy strategy, showing that RE100 members financially outperform their peers and highlighting the powerful business case for renewable electricity sourcing. Defining the shape and form of its energy strategy is a crucial first step for any company committing to source 100% renewable electricity; yet in doing so, it must also identify the key challenges to delivering it.

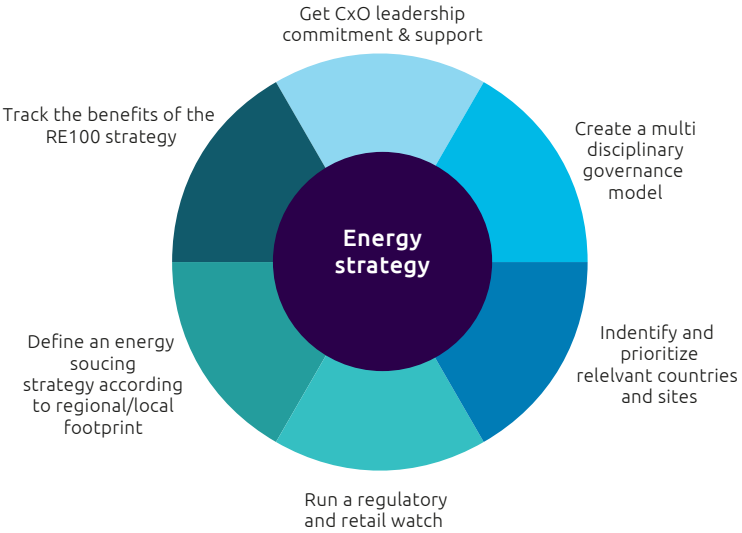
But it is important to quickly identify the key challenges to raise an energy strategy. Below are the ones that our teams have identified:

Most of these challenges relate strongly to issues of organizational change and workforce skills, as detailed in the report. The implementation of new governance models may be complicated for companies and there are questions that must be addressed during this step.

- **Definition of organization principles:** What governance mechanisms should be implemented? What is the scope for establishing a dedicated energy business unit (if any)? What services will the energy unit offer the other business units?
- **Design:** What roles and responsibilities should this unit have? What size should it be? What sourcing strategy should it target? What investment case should it put forward?
- **Implementation:** How should the new organizational structure function as a whole? How will it drive change?

Managing these challenges is an important step in successfully rolling out a renewable electricity sourcing strategy in any company – and the success of RE100 members in placing clean power at the heart of their business strategies clearly shows that it is possible.

FIGURE 7
KEY CHALLENGES TO RAISE AN ENERGY STRATEGY



METHODOLOGICAL NOTE

Comparison between RE100 companies & their peers

This study relies on the financial information available in the Bloomberg Database. 2016 KPIs for more than 28,000 companies have been extracted for analysis between the January 22, 2018 and the February 16, 2018.

For reliability and representativeness, focus has been placed on companies with revenues above $1 billion. Among these 5,500 companies, only those with a complete set of financial KPIs were considered; i.e. revenues, Net Profit Margin, and EBIT.

After these filters were applied, around 3,500 companies remained.

This final list was compared with the list of RE100 companies. RE100 companies that were not in the Bloomberg database, but had their financial KPIs available in their annual reports, were included in the sample. 19 private companies that do not publish any financial information were excluded from the comparison with their peers.

When currency was not presented in $, the currency rate considered was the rate as of December 31, 2016[15].

The comparison between RE100 members and their peers has been performed based on weighted KPIs: each company KPI was weighed based on the company's revenue, to ensure the representativeness of the average data. The final figures are presented below in Table 2.

Focus on RE100 members

To analyze the maturity of RE100 companies, some additional research has been performed related to their energy transitions. Sources of this information are the annual reports of each company, or their websites.

Data collected was 2016 data for companies that were part of the RE100 initiative in 2016. When 2017 data was available or for companies which joined the RE100 initiative after January 1, 2017, the data collected was from 2017.

Data collected was quantitative (percentage of renewable energy in the electricity consumption) as well as qualitative (the mechanisms implemented for renewable electricity sourcing).

TABLE 2
COMPARISON OF FINANCIAL KPIS BETWEEN RE100 MEMBERS AND THEIR PEERS

SECTOR	# OF COMPANIES	# OF RE100 MEMBERS AMONG THEM	NET PROFIT MARGIN (%)			EBIT MARGIN (%)		
			RE100	SECTOR	Δ	RE100	SECTOR	Δ
Consumer Packaged Goods	451	16	8,9%	8,2%	0,7	16,1%	12,3%	3,8
IT & Telco	525	23	15,6%	8,9%	6,7	20,1%	12,5%	7,7
Manufacturing	742	19	6,5%	5,7%	0,8	8,9%	8,3%	0,6
Health Care	194	4	24,0%	6,5%	17,5	31,5%	10,2%	21,3
Retail	481	14	6,2%	4,4%	1,7	6,4%	6,2%	0,3
Financials & Services	457	34	17,8%	16,1%	1,7	23,5%	22,4%	1,2
Travel, Logistics & Hospitality	260	6	6,4%	5,3%	1,0	10,6%	9,3%	1,3
Construction & Real Estate	352	6	10,0%	7,6%	2,5	16,6%	11,3%	5,3

15 www.xe.com

Led by The Climate Group in partnership with CDP, RE100 is a collaborative initiative bringing together the world's most influential businesses committed to 100% renewable power. Renewables are a smart business decision, providing greater control over energy costs while helping companies to deliver on emission reduction goals. RE100 members, including Global Fortune 500 companies, have a total revenue of over US$2.75 trillion and operate in a diverse range of sectors – from information technology to automobile manufacturing. Together, they send a powerful signal to policymakers and investors to accelerate the transition to a low carbon economy.

RE100.org | #RE100

The Climate Group's mission is to accelerate climate action to achieve a world of under 2°C of global warming. We do this by bringing together powerful networks of business and governments that shift global markets and policies. We focus on the greatest global opportunities for change, take innovation and solutions to scale, and build ambition and pace. We are an international non-profit organization, founded in 2004, with offices in London, New Delhi and New York.

Our business campaigns are brought to you as part of the We Mean Business coalition.

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CDP is an international non-profit that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. Voted number one climate research provider by investors and working with institutional investors with assets of US$87 trillion, we leverage investor and buyer power to motivate companies to disclose and manage their environmental impacts. Over 6,300 companies with some 55% of global market capitalization disclosed environmental data through CDP in 2017. This is in addition to the over 500 cities and 100 states and regions who disclosed, making CDP's platform one of the richest sources of information globally on how companies and governments are driving environmental change. CDP, formerly Carbon Disclosure Project, is a founding member of the We Mean Business Coalition. Please visit www.cdp.net or follow us @CDP to find out more.

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