



David Jukes  
President and Chief Executive Officer  
Univar Solutions  
3075 Highland Parkway, Suite 200  
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USA

30 November 2019

Dear David,

## **Carbon Emissions Disclosure**

TCI Fund Management Limited manages over \$30 billion across a range of asset classes. Since inception of the business over 15 years ago, cumulative investment returns have substantially outperformed equity index benchmarks.

TCI is a major shareholder in Univar, owning around 10% of the company.

### **Investment approach and engagement**

As part of our investment process we assess a range of ESG factors, particularly climate change risk.

TCI believes that climate change-related risks, in particular a company's greenhouse gas (GHG) emissions, will have a material effect on a company's long-term profitability, sustainability and investor returns. These risks include regulation, taxation, competitive disadvantage, brand impairment, financing, physical asset impairment and litigation.

We actively engage on ESG to help us understand, quantify and influence a company's exposure to climate change-related risks and the way it is managing those risks.

### **Emissions disclosure**

We require companies in which we invest to make appropriate and timely public disclosure of carbon and other GHG emissions. Such disclosure should include targets for emissions intensity reduction and absolute level reduction.

TCI fully supports compulsory disclosure on a standardised basis and the use of the Task Force on Climate-related Financial Disclosure (TCFD) reporting framework ([www.tcfhub.org](http://www.tcfhub.org)).

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**TCI Fund Management Limited is a private limited company incorporated and existing under the laws of England and Wales with registered number 08898250**

**Authorised and regulated by the Financial Conduct Authority**

In our view, reporting to CDP ([www.CDP.net](http://www.CDP.net)) is the best way to implement TCFD. **We expect all our portfolio companies to make full annual public disclosure to CDP.**

### **Low-Carbon Transition Plans**

We expect companies in which we invest to have a credible, publicly-disclosed plan to reduce GHG emissions. This plan should include measurable science-based targets that align with the Paris Agreement, which requires full de-carbonisation of economies (net zero emissions) by 2050.

Actions that should be included in a low-carbon transition plan are:

1. Change business processes to reduce the company's carbon footprint;
2. Introduce efficient energy management into buildings and factories;
3. Source low carbon energy through direct generation or power purchase agreements;
4. De-carbonise transport fleets, e.g. through electric vehicles;
5. Offset emissions from corporate travel, e.g. through afforestation;
6. De-carbonise supply chains and helping customers lower their carbon intensity;
7. Advocate for regulations which drive the de-carbonisation of their industry to ensure its sustainability.

### **Voting**

1. **We will typically vote against all directors of companies which do not publicly disclose their emissions and do not have a credible plan for their reduction.**
2. **We will also vote against auditors where the Annual Report and Accounts fail to report material climate risks.**

### **Divestment**

We will also evaluate divestment where a portfolio company refuses to disclose its emissions and does not have a credible plan for their reduction.

### **Univar disclosure to CDP**

We discussed Univar's engagement on environmental issues with Liam McCarroll, Head of Sustainability, and understand that Univar is actively disclosing information to CDP and has publicly committed to emission reduction targets. However, Univar did not respond to the investor-requested CDP questionnaire but instead privately completed CDP's Supply Chain questionnaire, and was awarded a C grade in 2018 (based on 2017 data). In the separate Supplier Engagement Rating, Univar achieved a B grade.

**In our view, a C grade is an unsatisfactory score.** Univar should be achieving an A grade rating, which represents best practice environmental stewardship and disclosure. We understand that progress takes time, but would encourage management to make this a priority. CDP can provide resources and assist Univar in setting and achieving climate change related targets. (Please see the Appendix for guidance on how to become A grade).

We urge Univar to also complete and disclose the investor-requested CDP questionnaire on Climate Change, in addition to the Supply Chain questionnaire.

Since Univar has not responded to CDP's investor-requested questionnaire, we are unable to assess Univar's recent progress with respect to climate risk management. While we note that Univar's 2019 sustainability report suggests active engagement on climate change related issues, such as disclosure of Scope 1 and 2 emissions and specific reduction targets, we are unable to verify this.

### **Univar shortcomings and TCI requirements**

Based on our analysis of Univar's 2017 response to the Supply Chain questionnaire, there remain significant shortcomings in Univar's climate-related disclosures and initiatives, examples of which are summarised below:

1. Univar should make CDP submissions publicly available. We understand that Univar plans to publish its 2019 submission once CDP releases the score;
2. Processes for identifying, assessing and managing climate-related risks, including quantitative emission reduction targets, should be clearly defined and integrated company-wide. We note that Univar has publicly committed to reducing energy usage and emissions by 15% between 2016 and 2021 per million USD in sales;
3. Univar should aim to evaluate and disclose Scope 3 emissions. So far, only Scope 1 and 2 emissions are disclosed, although we note that a limited number of scope 3 emissions will be published next year as part of your global sustainability report for 2019;
4. The use of climate scenario analysis based on the approach advocated by CDP and the Science-based target Initiative (SBTI) would provide a more rigorous framework for target setting across all business segments;
5. Univar should implement best practices for the sourcing and management of energy across all buildings, processes, and transportation. We appreciate that Univar sources renewable energy in some regions (Iberia and Nordics) and plans to expand this. Univar should also join the RE100 initiative which commits participating companies to procure 100% of their electricity consumption from renewable sources;
6. Senior management should be incentivised to deliver emissions reduction targets on a timely basis with a meaningful percentage of incentive compensation tied to these targets. While certain staff are incentivised to deliver sustainability KPIs, extending this to the operations and leadership teams is under consideration;
7. Carbon offsetting should be undertaken to help mitigate your carbon footprint alongside your existing plans to reduce emissions. There are numerous accredited schemes available to do this, including afforestation.

We appreciate the time and effort the Univar team has made and we look forward to continuing the dialogue.

Yours sincerely,



Chris Hohn



Philip Green



Max Schroeder

## Appendix - How to become an A grade company in the CDP Climate Change Program

An “A grade” is the highest overall CDP score achievable and demonstrates a company’s:

- Strong industry leadership on environmental actions and stewardship;
- Thorough understanding of the risks and opportunities related to climate change;
- Alignment with TCFD disclosure recommendations.

CDP uses its scoring methodologies to incentivise companies to measure and manage environmental impacts through participation in CDP’s climate change, water, forests and supply chain programs. Scoring provides a roadmap for companies to achieve best practice.

Companies are assessed and scored across four consecutive levels, as the company moves towards strong environmental stewardship. Minimum scores must be achieved in order to move to the next level. Inclusion on CDP’s A grade list requires a high leadership score.

The levels are:

1. Disclosure – every question is scored for quality and depth of disclosure, e.g. emissions, targets, environmental impact, strategy, governance, engagement;
2. Awareness – depth of analysis and understanding on how environmental issues affect the business;
3. Management – Evidence of actions taken to address environmental issues;
4. Leadership – Actions represent best practice as formulated by organizations working with CDP to advance environmental stewardship (e.g. Science Based Target initiative, CEO water mandate, CERES, WWF).

### Help and guidance

CDP documents available to companies on the CDP website:

1. Scoring Introduction 2019
2. Climate Change 2019: General Scoring methodology Category Weightings

Specific guidance can be obtained from the **CDP Reporter Services Group**, for example, on how to improve the quality of disclosure and the actions required to demonstrate improvement.

