

Advance Auto Parts – Request to set greenhouse gas (GHG) reduction targets

RESOLVED: Shareholders request that Advance Auto Parts adopt quantitative company-wide goals for reducing GHG emissions from operations and report on its plans to achieve these goals by fall 2014.

Supporting Statement

In September 2013, the Intergovernmental Panel on Climate Change (IPCC), the world's leading scientific authority on climate change, released its fifth assessment report concluding that human-caused "warming of the climate system is unequivocal," with many of the impacts of warming already "unprecedented over decades to millennia."

In 2011, the US experienced 14 extreme weather events with losses exceeding \$1 billion each. In 2012, there were 11 such events resulting in an estimated \$110 billion in total damages and 377 fatalities. Drought in the U.S. Midwest in 2012 affected 80 percent of agricultural land, particularly corn and soybean production, costing approximately \$30 billion.

In order to mitigate the worst impacts of climate change, the IPCC estimates that a 50 percent reduction in GHG emissions globally is needed by 2050 (relative to 1990 levels). More than 40 national and 20 sub-national government jurisdictions have either implemented or are considering independent carbon pricing mechanisms. In May 2013, President Obama laid out a climate action plan for the U.S.

Analysis by McKinsey & Co., Deloitte Consulting and Point380 found that U.S. companies could reduce emissions 3 percent annually between now and 2020 and realize savings up to \$780 billion.

Over half of S&P 500 companies have set GHG emission reduction targets which can drive innovation and enhance shareholder value. A study of 386 U.S. companies in the S&P 500 by CDP found that:

- 79% of companies "earn a higher return on their carbon reduction investments than on their overall corporate capital investments."
- Energy efficiency improvements earned an average return on investment of 196%, with an average payback period between two and three years.
- "[C]ompanies that set 'stretch' targets often reach and exceed them because the targets spur innovation and more profitable reductions than anticipated."
- Companies with "ambitious carbon reduction targets deliver larger emission reductions with higher financial returns than companies without such targets."

While over 500 businesses, including General Motors, Microsoft, and Nike signed the Climate Declaration that states, "Tackling climate change is one of America's greatest economic opportunities of the 21st century." our company is largely silent on this issue.

The economic, business and societal impacts of climate change are of paramount importance to investors. Investors with \$87 trillion in assets have supported CDP's request to over 6,000 companies for disclosure of carbon emissions, reduction goals, and climate change strategies to address these risks.

We recommend Advance Auto Parts take into consideration the IPCC analysis and identified emission reduction targets as it sets its own goal. We also recommend the company consider renewable energy procurement (with related targets) as a strategy to achieve its emission reduction goals. Many companies have found this reduces financial risk by decreasing volatility of energy prices.