



CDP workshop

Environmental disclosure in 2018

Dr Tony Rooke, Technical Director

Agenda

- ▼ About CDP
 - ▼ Benefits of disclosure
 - ▼ Completing the questionnaire
 - ▼ 2018 Questionnaires:
 - climate change
 - water security
 - ▼ Scoring
-

About CDP

Momentum is building for corporate climate action

Low-Carbon Investing Is Growing

Investors push companies to assess their climate risk

Investors Urged to Align Portfolios with Paris Agreement

More Shareholder Proposals Spotlight Climate Change

Banks Told They're Lagging on Response to Climate Risks

BlackRock Wields Its \$6 Trillion Club to Combat Climate Risks

10 signs that some of the world's most powerful money managers are worrying more about climate change

CDP is the only global environmental disclosure system



Disclosure through annual questionnaires

Climate Change

- 14 modules
- Responding companies: 6,251
- Mainstream-ready reporting
- Disclosures that highlight a company's approach the low-carbon transition



Forests

- 10 modules
- Responding companies: 264
- Current dependence on palm oil, soy, cattle, timber
- Plans to remove deforestation from operations and supply chains

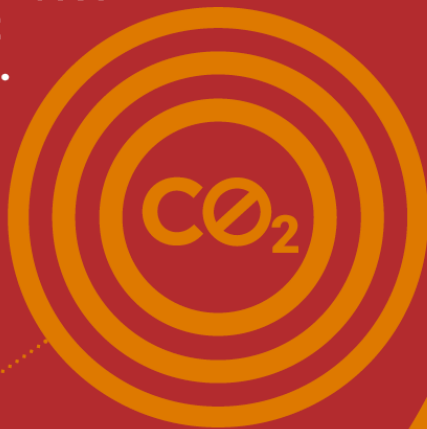
Water

- 11 modules
- Responding companies: 1,998
- Assessment and management of risks and opportunities, facility-level accounting, targets and metrics



Learn best practice and set goals

Companies learn best practice and set ambitious goals.



“Science-based targets have helped us, for the first time, to align our efforts to act on climate change with those of the global community.”

Tesco



+61%

In 2017, 61% more disclosing companies committed to set a science-based target.

Build sustainable supply chains

Organizations with US\$3 trillion in spend build sustainable supply chains.

Walmart works with suppliers to reduce emissions by 1 Gigaton by 2030, equivalent to taking more than 211 million passenger vehicles off US roads for a year.



Asking our suppliers to disclose helps identify hotspots and opportunities to collectively build sustainability and increase resilience against climate change and water risks.

Diageo



Tap into long-term opportunities

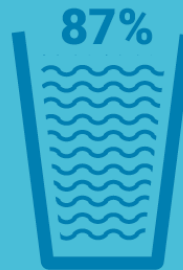
Companies tap into long-term opportunities, gain competitive advantage, and support the transition to a below 2°C, water secure future.

▶▶▶ ~2°C



“Using CDP’s water questionnaire as a framework helped us to improve our water management strategy to mitigate risks and capitalize on opportunities.”
BASF

In South Africa 87% of CDP responding companies identify water security opportunities, compared to 16% of non-responders*



Measure and manage environmental risk

Companies measure and manage environmental risk to deliver bottom line benefits.

“Through CDP we are actively mobilizing our supply chain partners to scale up the sustainable management of raw materials. We are seeing future business growth opportunities as a result of using products derived from sustainable sources.”
Firmenich



87% of companies report opportunities associated with sustainable forest-risk commodities, such as new market or product opportunities and increased shareholder value.



Reveal environmental progress

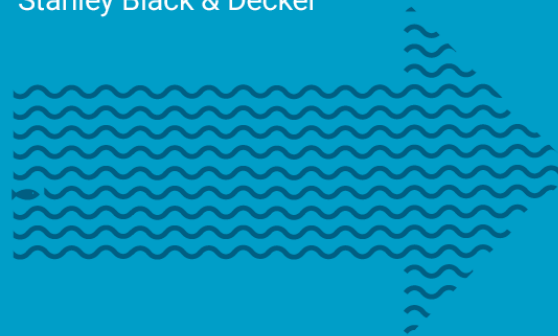
In 2017, 6300+
companies revealed
environmental
progress
through
CDP.

6300+
COMPANIES
DISCLOSING

89% of high-impact disclosing
companies now have
emissions reduction targets.

“We use CDP’s water questionnaire as a framework to assist in setting strategic and tactical initiatives on water stewardship that will lead to our more responsible use of freshwater resources.”

Stanley Black & Decker



Disclose information investors want

Companies disclose
financial information
that investors want.



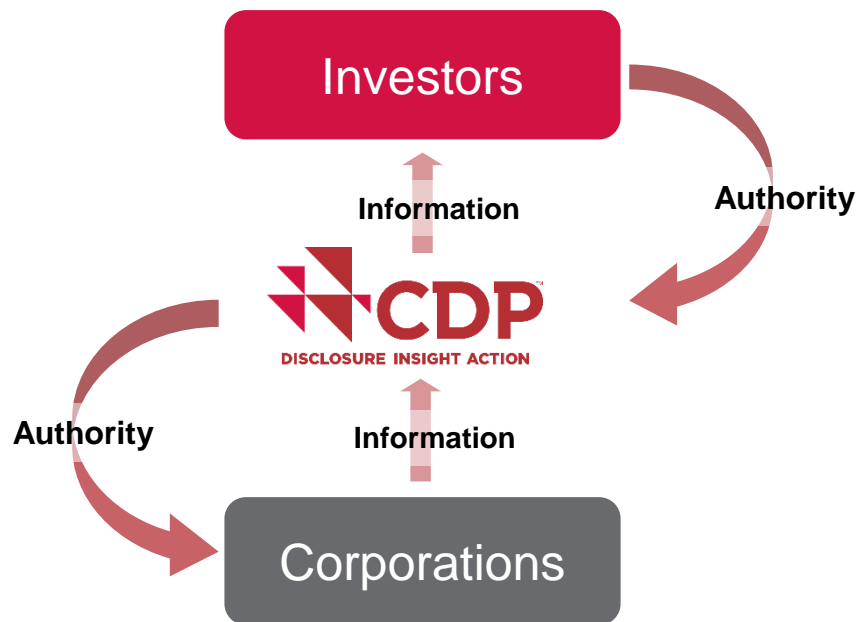
“We can’t model out of thin air.
We need the information and it
is CDP’s data that underpins all
our analysis.” CalPERS



+6%

Companies
on CDP’s
A-List
outperformed
the market
by 6% over
four years.

Using investor authority to drive corporate action

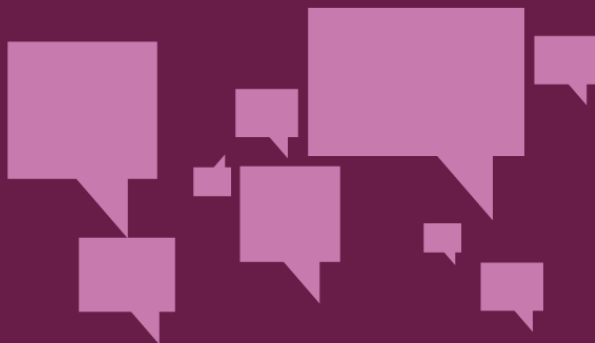


Disclosure is a powerful way to drive investment in research and development, and to motivate finance and creative approaches.

Ali Zaidi, former Associate Director, White House
Office of Management and Budget

Reach multiple decision-makers

Companies disclose just once via CDP to reach multiple decision-makers.



“Our CDP report and score makes it easier for investors and customers to understand our environmental performance.”
Thyssenkrupp AG



REACHING
99
TOP GLOBAL
BUYERS

CDP data is shared across multiple platforms from Bloomberg to Dow Jones Sustainability Indexes and with 99 of the world's top buyers.

CDP underpins the environmental data used by the market

CDP partners with organizations and companies that provide research, data products, indices and ratings / rankings to companies, investors, and consumers.



Evolving our questionnaires in 2018



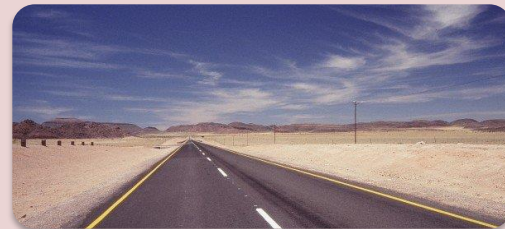
Sectors

Agriculture
Energy
Materials
Transport

TCFD

Task Force on Climate-related Financial Disclosures

Adopt
recommendations



Evolution

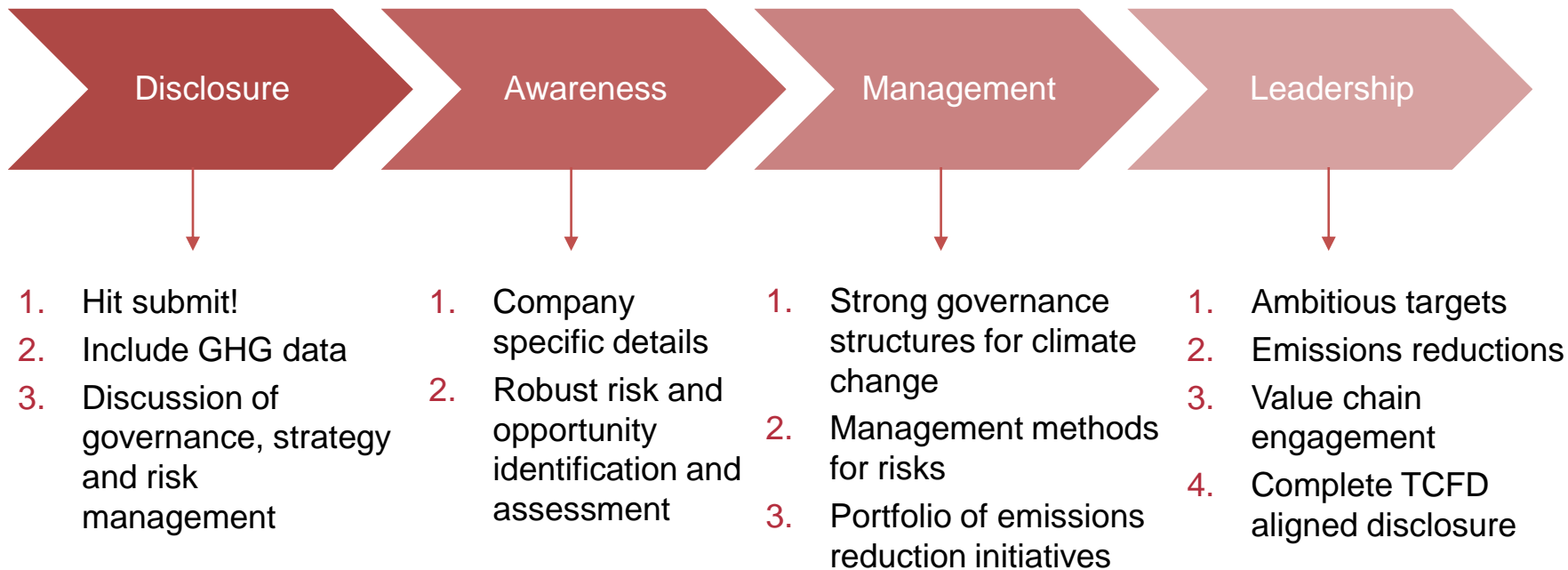
Forward looking
Align across climate,
water & forests

Sector-specific for high impact sectors

	Climate change	Water	Forests
Agriculture	Food, beverage & tobacco Agricultural commodities Paper & forestry	Food, beverage & tobacco	Paper & forestry
Energy	Coal Electric utilities Oil & gas	Electric utilities Oil & gas	
Materials	Cement Chemicals Metals & mining Steel	Chemicals Metals & mining	
Transport	Transport OEMS Transport services		
General	All other companies without sector-specific questionnaires	All other companies without sector-specific questionnaires	All other companies without sector-specific questionnaires

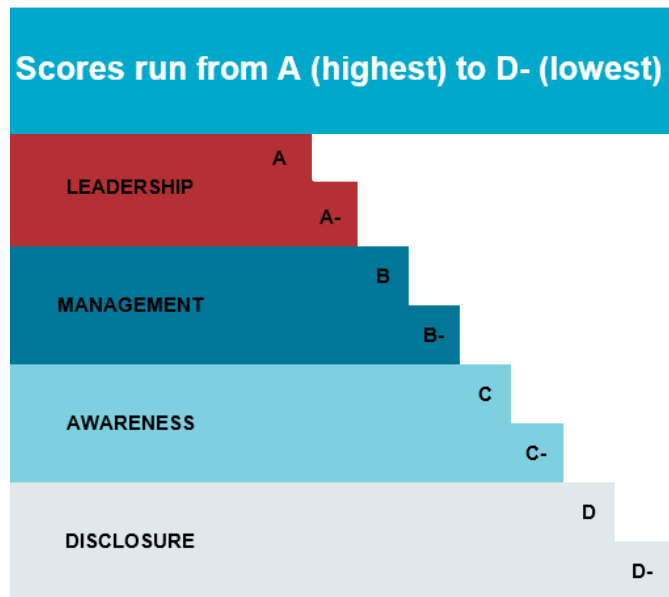
Completing the questionnaire(s)

Roadmap to corporate climate leadership



Communicating scores

- ▼ **Disclosure:** completeness of a company's response
- ▼ **Awareness:** assessment of environmental issues, risks and impacts
- ▼ **Management:** implementation of actions, policies and strategies to address environmental issues
- ▼ **Leadership:** best practice in the field of environmental management



*Failure to disclose=F

Common questions

Common questions

What if I don't have enough resources to complete a disclosure?

Common questions

What if I don't have enough resources to complete a disclosure?

Free to submit in your first year

Common questions

What if I don't have enough resources to complete a disclosure?

Free to submit in your first year

Free resources available

Common questions

What if I don't have enough resources to complete a disclosure?

Free to submit in your
first year

Free resources
available

Minimum tier
response

Common questions

What if I don't have enough resources to complete a disclosure?

Free to submit in your
first year

Free resources available

Minimum tier response



What if we haven't started collecting environmental
information yet?

Common questions

What if I don't have enough resources to complete a disclosure?

Free to submit in your
first year

Free resources available

Minimum tier response



What if we haven't started collecting environmental information yet?

Provide partial/qualitative response

Common questions

What if I don't have enough resources to complete a disclosure?

Free to submit in your
first year

Free resources available

Minimum tier response



What if we haven't started collecting environmental information yet?

Provide partial/qualitative response

Use questionnaires to guide your
internal strategy

Common questions

What if I don't have enough resources to complete a disclosure?

Free to submit in your first year

Free resources available

Minimum tier response



What if we haven't started collecting environmental information yet?

Provide partial/qualitative response

Use questionnaires to guide your internal strategy



What if we already disclose this information elsewhere?

Common questions

What if I don't have enough resources to complete a disclosure?

Free to submit in your first year

Free resources available

Minimum tier response



What if we haven't started collecting environmental information yet?

Provide partial/qualitative response

Use questionnaires to guide your internal strategy



What if we already disclose this information elsewhere?

Alignment with GRI/DJSI/TCFD

Common questions

What if I don't have enough resources to complete a disclosure?

Free to submit in your first year

Free resources available

Minimum tier response



What if we haven't started collecting environmental information yet?

Provide partial/qualitative response

Use questionnaires to guide your internal strategy



What if we already disclose this information elsewhere?

Alignment with GRI/DJSI/TCFD

Use information from CSR report

Common questions

What if I don't have enough resources to complete a disclosure?

Free to submit in your first year

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Minimum tier response



What if we haven't started collecting environmental information yet?

Provide partial/qualitative response

Use questionnaires to guide your internal strategy



What if we already disclose this information elsewhere?

Alignment with GRI/DJSI/TCFD

Use information from CSR report



What if we're concerned about receiving a score?

Common questions

What if I don't have enough resources to complete a disclosure?

Free to submit in your first year

Free resources available

Minimum tier response



What if we haven't started collecting environmental information yet?

Provide partial/qualitative response

Use questionnaires to guide your internal strategy



What if we already disclose this information elsewhere?

Alignment with GRI/DJSI/TCFD

Use information from CSR report



What if we're concerned about receiving a score?

Fully transparent scoring methodologies

Common questions

What if I don't have enough resources to complete a disclosure?

Free to submit in your first year

Free resources available

Minimum tier response



What if we haven't started collecting environmental information yet?

Provide partial/qualitative response

Use questionnaires to guide your internal strategy



What if we already disclose this information elsewhere?

Alignment with GRI/DJSI/TCFD

Use information from CSR report




What if we're concerned about receiving a score?

Fully transparent scoring methodologies

Option to receive private score in first year

Resources available from cdp.net

[About us](#)[Our work](#)[Why disclose?](#)[Become a member](#)[Data and insights](#)[Guidance & questionnaires](#)[Contact](#)[Language](#) [Location](#)[Sign in](#)

Resources available from cdp.net

The screenshot displays the CDP (Disclosure Insight Action) website. The top navigation bar includes links for [Guidance & questionnaires](#), [Contact](#), [Language](#), and [Location](#). Below this, a secondary navigation bar features [About us](#), [Our work](#), [Why disclose?](#), [Become a member](#), and [Data and insights](#). A search icon and a 'Sign in' button are also present. A banner image shows a person on a bicycle, with two red buttons overlaid: 'Guidance for cities' and 'Guidance for companies'. The 'Guidance for companies' button is circled, and an arrow points from the 'Guidance & questionnaires' link in the top navigation bar to it. Below the banner, a 'FAQs' section is visible, listing 13 questions related to participation and disclosure.

CDP
DISCLOSURE INSIGHT ACTION

About us Our work Why disclose? Become a member Data and insights

Guidance for cities Guidance for companies

FAQs

1. [Why should I participate?](#)
2. [How do I participate and use the online questionnaire?](#)
3. [I have not been requested to participate. Can I disclose through CDP?](#)
4. [My parent organisation already responds, should my subsidiary organisation respond too?](#)
5. [What support is provided to help me disclose?](#)
6. [Will I be penalized for declining to answer all or part of the questionnaire?](#)
7. [Can I add another user, e.g. a consultant, to my account?](#)
8. [What are the differences between a public and a non-public response?](#)
9. [What is the timeline for responding?](#)
10. [Will I receive a score for my questionnaire\(s\)?](#)
11. [Will submitted questionnaires be available to view online?](#)
12. [How do I change or update a submitted questionnaire?](#)
13. [Is there a fee for responding?](#)

Resources available from cdp.net

The screenshot shows the CDP website interface. At the top, the CDP logo is on the left, and navigation links 'About us', 'Our work', 'Why disclose?', 'Become a member', and 'Data and insights' are in the center. On the right, there are links for 'Guidance & questionnaires' (circled), 'Contact', 'Language', and 'Location'. Below the navigation bar is a hero section with a background image of a person working. It contains two red buttons: 'Guidance for cities' and 'Guidance for companies' (circled). An arrow points from the 'Guidance for companies' button to a 'Respond to a request' page. On the left side of the 'Respond to a request' page, there is a 'FAQs' section with a list of 13 questions. An arrow points from the 'Guidance for companies' button to the first question in the list. The 'Respond to a request' page has a heading and a paragraph explaining that investors and customers can request information through CDP's climate change, forests, and water questionnaires. Below this is a '2024 Questionnaires' section with three cards: 'Climate change', 'Forests', and 'Water'. Each card has a representative image and a description of the questionnaire. On the right side of the 'Respond to a request' page, there is a 'Filter by' section with a dropdown menu and several checkboxes for 'Dispersed to investors and customers', 'Technical notes', 'Drafting', and 'Support'.

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Guidance & questionnaires Contact Language Location

Guidance for cities Guidance for companies

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Respond to a request

Investors and customers can request information from companies through CDP's climate change, forests, and water questionnaires. Take a look at the latest questionnaires to see what questions you will be asked to respond to this year.

2024 Questionnaires

Climate change
Climate change questionnaire for companies disclosing to this year's request

Forests
Forests questionnaire for companies disclosing to this year's request

Water
Water questionnaire for companies disclosing to this year's request

Filter by
Dispersed to investors and customers
Technical notes
Drafting
Support

Resources available from cdp.net

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CDP
DISCLOSURE INSIGHT ACTION

About us Our work Why disclose? Become a member Data and insights

Guidance & questionnaires Contact Language Location

Guidance for cities Guidance for companies

FAQs

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Forests questionnaire for companies disclosing to this year's request

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Water questionnaire for companies disclosing to this year's request

Download
Download to investors and customers
Technical notes
Download
Support

2018 Technical Overview

What will you hear about?

- ▼ Context
 - ▼ Overview of what's changed for 2018 disclosure
 - ▼ Cross-theme developments (C, W, F)
 - ▼ Company sector classification
 - ▼ Revised general climate questionnaire
 - ▼ New climate sector questionnaires
-

Context:

CDP is evolving its approach to disclosure

Action towards the sustainable economy



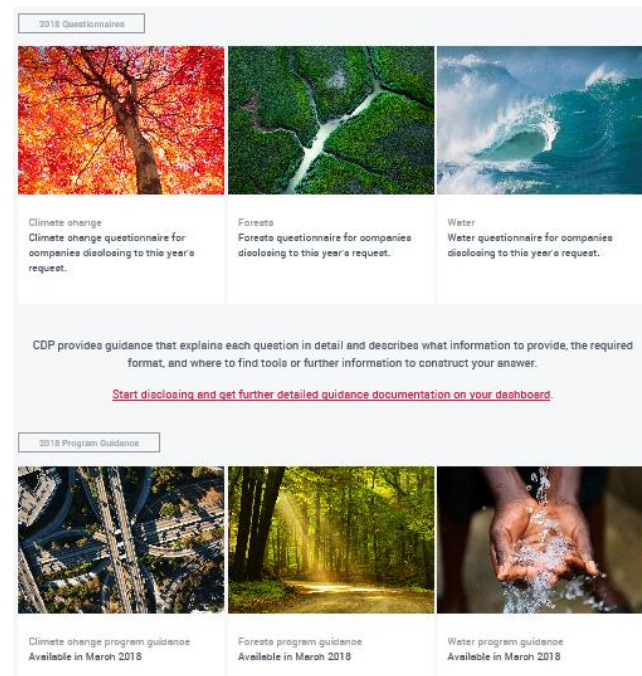
We focus investors, companies and cities on taking urgent action to build a truly sustainable economy by measuring and understanding their environmental impact.

Aims and benefits in 2018

- ▼ The evolution is in response to growing market needs and the rising urgency of the environmental challenges that the world faces
- ▼ We are introducing more sector-focused, forward-looking disclosures while retaining the majority of data points requested in previous years
- ▼ We will deliver more relevant and higher-quality data to inform investment, procurement, management and other strategic decisions via an improved and more valuable disclosure experience for an increasing number of companies.

How are we doing this?

- ▶ Revised questionnaires
- ▶ Revised reporting guidance
- ▶ Revised scoring methodology
- ▶ New online preview of questionnaires
- ▶ New online reporting guidance
- ▶ New disclosure platform
- ▶ Minimum tier questionnaire



Minimum tier questionnaires

An option for
organizations:

▼ Disclosing to a particular CDP
questionnaire for the first year

or

▼ With an annual revenue of less than
EUR / US \$250 million

Examples of cross theme questionnaire changes

- ▼ Removed, additional, merged and modified questions
- ▼ Improved pathways - clearer navigation
- ▼ More forward-looking data points
- ▼ More financial-related information
- ▼ Revised questions for suppliers responding to CDP supply chain member companies

Greater alignment to improve clarity and experience:

- ▼ Module and section headings, question wording, response options
- ▼ Tighter and clearer question wording
- ▼ Question numbering: C, F, W single prefix for general questions, and a sector prefix for sector-specific questions; e.g. C-FB, W-FB
- ▼ Wide use of climate-related, water-related, forests-related (aligns with TCFD terminology)
- ▼ Question architecture: e.g. switch to “select from” rather than “select all that apply” in many questions

Company sector classification

What is CDP's sector approach?

- ▼ Most companies will continue to receive a general thematic questionnaire.
- ▼ However, for certain high impact sectors, they will be asked to provide information or responses specific to their sectors.

Themes and Clusters of Sectors for 2018

	Climate change	Water	Forests
Agriculture	Food, beverage & tobacco Agricultural commodities Paper & forestry	Food, beverage & tobacco	Paper & forestry
Energy	Coal Electric utilities Oil & gas	Electric utilities Oil & gas	
Materials	Cement Chemicals Metals & mining Steel	Chemicals Metals & mining	
Transport	Transport OEMS Transport OEMS - EPM Transport services		
General	All other companies without sector-specific questionnaires	All other companies without sector-specific questionnaires	All other companies without sector-specific questionnaires

CDP's new classification system (CDP-ACS)

- ▼ Framework developed by CDP to categorize companies by the most relevant sectors.
- ▼ CDP-ACS focuses on the diverse activities from which companies derive revenue and associates these with the impacts to their business from climate change, deforestation, and water security.
- ▼ New approach ensures a better understanding of company actions according to their environmental risk, opportunity, and impact.

CDP's new classification system (CDP-ACS)

▼ CDP-ACS is a three-tiered system comprised of (from bottom-up) Activity, Activity Group and Industry.

▼ The full list of CDP-ACS is available on the CDP website.

List of CDP-ACS

CDP Industry	CDP Activity Group	CDP Activity
Apparel	Accessories	Accessories manufacture
	Apparel Design	Apparel & clothing design
	Clothing & Textile Manufacturing	Clothing manufacture
		Fabric & textile wholesalers
Biotech, Health Care & Pharma	Biotech & Pharma	Textiles
		Biotechnology
	Pharmaceuticals	
	Health Care Provision	Health care facilities
	Health care services	
Food, Beverage & Agriculture	Medical Equipment & Supplies	Health care supplies
	Crop farming	Medical equipment
		Agricultural products wholesalers
		Animal feed
		Biofuel farming
		Cocoa bean farming
		Coffee bean farming
		Cotton farming
		Fruit farming
		Grain & corn farming
		Other crop farming
		Other oilseed farming
		Palm oil farming
		Rice farming
Soybean farming		
Sugarcane farming		

Introduction to the 2018 Climate Change Questionnaire

2018 climate questionnaire developments



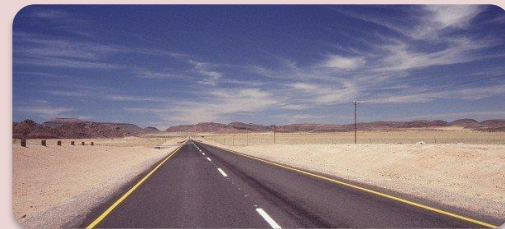
Sectors

Agriculture
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TCFD

Task Force on Climate-related Financial Disclosures

Adopt
recommendations



Evolution

Forward looking
Align across climate,
water & forests

Inclusion of the TCFD recommendations

Governance		Strategy		Risk Management		Metrics and Targets	
Disclose the organization's governance around climate-related risks and opportunities.		Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.		Disclose how the organization identifies, assesses, and manages climate-related risks.		Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	
Governance recommended disclosure		Strategy recommended disclosure		Risk Management recommended disclosure		Metrics & Targets recommended disclosure	
a) Describe the board's oversight of climate related risks and opportunities.	C1.1b	a) Describe the climate related risks and opportunities the organization has identified over the short, medium, and long term.	C2.1, C2.2b, C2.3, C2.3a, C2.4, C2.4a	a) Describe the organization's processes for identifying and assessing climate-related risks.	C2.2b, C2.2c	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	C4.2
b) Describe management's role in assessing and managing climate related risks and opportunities	C1.2, C1.2a	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	C2.5, C2.6, C3.1, C3.1c	b) Describe the organization's processes for managing climate related risks.	C2.2c, C2.2d	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	C6.1, C6.3, C6.5
		c) Describe the resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	C3.1a, C3.1d	c) Describe how processes for identifying, assessing, and managing climate related risks are integrated into the organization's overall risk management.	C2.2	c) Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.	C4.1, C4.1a, C4.1b

Modules: overview

CDP has **restructured** the
climate questionnaire for 2018

Main reasons:

- more **coherent structure**
- cross-theme **alignment**

2018 MODULES

C0 Introduction
C1 Governance
C2 Risks and opportunities
C3 Business strategy
C4 Targets and performance
C5 Emissions methodology
C6 Emissions data
C7 Emissions breakdown
C8 Energy
C9 Additional metrics
C10 Verification
C11 Carbon pricing
C12 Engagement
C13 Other land management
C14 Sign off

Breakdown of changes

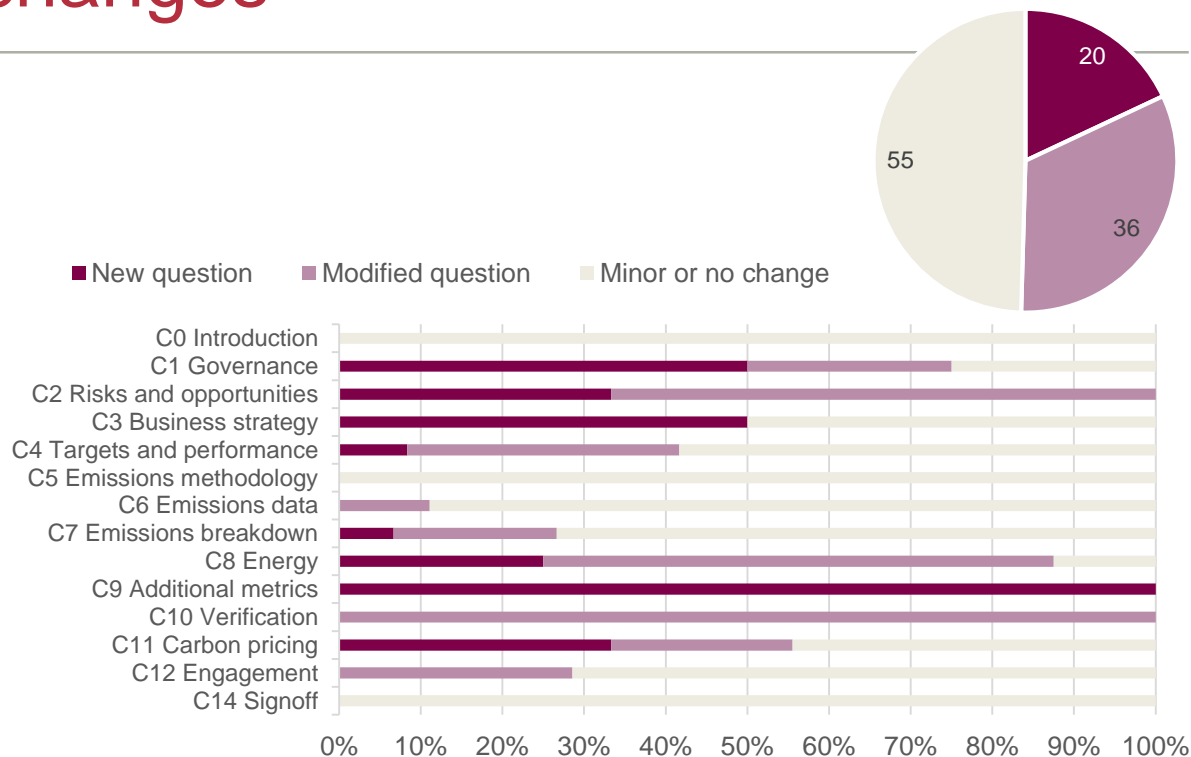
▼ ~82% of the questions have:

- no change
- minor changes
- modifications

▼ ~18% are new questions

▼ 7 questions (2017) were removed

(former 2017 CC8.5, CC8.6b, CC9.1, CC10.1, CC13.1, CC14.3, CC14.3a)



C1 Governance

2018 MODULES

C0 Introduction

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C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

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C7 Emissions breakdown

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C13 Other land management

C14 Sign off

▼ **Board-level oversight of climate-related issues is considered best practice and provides an indication of the importance of climate-related issues to the organization.**

- Details on the board's oversight of climate-related issues
- Plans to implement board-level oversight of climate-related where none exists
- Below board level oversight of climate-related issues

C2 Risks and opportunities

2018 MODULES

C0 Introduction

C1 Governance

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C3 Business strategy

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C5 Emissions methodology

C6 Emissions data

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C8 Energy

C9 Additional metrics

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C12 Engagement

C13 Other land management

C14 Sign off

- **Time horizons: short-, medium- and long-term horizons**
- **Process details:**
 - Identifying, assessing, and managing climate-related risks
 - What risk types are considered in your organization's climate-related risk assessments
 - Process for managing climate-related risks and opportunities
- **Risk & opportunity disclosures:**
 - Details of risks and opportunities identified with the potential to have a substantive financial or strategic impact on your business
 - Where and how the identified risks and opportunities have impacted the business
 - Where and how the identified risks and opportunities have factored into the financial planning process

C3 Business strategy

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

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C14 Sign off

▼ **The low-carbon transition has strategic implications for businesses in the short, medium and long-term.**

- Organizations' use of climate-related scenario analysis to inform business strategy
- Low-carbon transition plan to support the long-term business strategy (*applies to high-impact sectors*)

Scenario analysis in CDP questionnaires

▼ Scenario analysis is a strategic planning tool to help an organization understand how it might perform in different future states.

▼ A core aim of the TCFD recommendations is for organizations to improve their understanding of future risks and develop suitable resilience strategies.

Strategy	CDP questions
Strategy recommended disclosure c) Describe the resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	Climate
	C3.1a Does your organization use climate-related scenario analysis to inform your business strategy? C3.1d Provide details of your organization's use of climate-related scenario analysis. C3.1g Why does your organization not use climate-related scenario analysis to inform your business strategy?

C4 Targets and performance

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

C8 Energy

C9 Additional metrics

C10 Verification

C11 Carbon pricing

C12 Engagement

C13 Other land management

C14 Sign off

▼ **Target setting provides direction and structure to environmental strategy.**

- Details on emission targets (absolute and intensity)
- Indicate other key climate-related targets

C5 Emissions methodology: rationale

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

C8 Energy

C9 Additional metrics

C10 Verification

C11 Carbon pricing

C12 Engagement

C13 Other land management

C14 Sign off

▼ **A meaningful and consistent comparison of emissions over time is an essential step in environmental reporting.**

▼ **Setting a base year is an essential GHG accounting step that a company must take to be able to observe trends in its emissions information.**

- Base year and base year emissions
- Details of the standard, protocol, or methodology used to collect activity data and calculate Scope 1 and Scope 2 emissions

C6 Emissions data

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

C8 Energy

C9 Additional metrics

C10 Verification

C11 Carbon pricing

C12 Engagement

C13 Other land management

C14 Sign off

▼ **Reporting emissions is best practice and a pre-requisite to understanding and reducing negative environmental impacts.**

- Emissions intensity metrics

C7 Emissions breakdown: rationale

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

C8 Energy

C9 Additional metrics

C10 Verification

C11 Carbon pricing

C12 Engagement

C13 Other land management

C14 Sign off

- **For many sectors and business activities, greenhouse gases other than carbon dioxide are significant and relevant.**
- Breaking down emissions by country or regional level helps guide the development of emissions-related legislation and by business division, facility, and activity grants data users transparency into the sources of emissions.
- Investigating how emissions have changed allows data users to gain an insight in to factors than have contributed to these changes.

C7 Emissions breakdown: content and changes

▼ Content:

- Emissions other than carbon dioxide
- Details of Scope 1 emissions by greenhouse gas type, country
- Breakdown of Scope 1 emissions by business division, facility and activity
- Details of Scope 2 emissions by country
- Breakdown of Scope 2 emissions by business division, facility and activity
- Comparison of gross global emissions for reporting year to previous reporting year

C8 Energy: rationale

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

C8 Energy

C9 Additional metrics

C10 Verification

C11 Carbon pricing

C12 Engagement

C13 Other land management

C14 Sign off

- **Energy related activities represent, for many sectors, the most significant GHG emitting activity sources.**
- Tracking GHG emissions together with energy consumption is of vital importance to understand the GHG emission profile of companies.
- The evolving nature of the energy transition means it is important that companies are transparent about their energy profile.

C8 Energy: content and changes

▼ Content:

- Indicate percentage of total operational spend on energy
- Indicate energy-related activities the organization has undertaken
- Report details on energy consumption totals, applications and fuels consumed
- Details on the energy your organization has generated and consumed
- Details on the energy accounted for at a low-carbon emission factor

C9 Additional metrics

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

C8 Energy

C9 Additional metrics

C10 Verification

C11 Carbon pricing

C12 Engagement

C13 Other land management

C14 Sign off

▼ **CDP added this new module to enable reporting organizations to present relevant climate-related metrics that may indirectly or directly impact emissions or energy use.**

- Additional climate-related metrics relevant to your business
- Sector focussed questions on additional climate-related metrics

C10 Verification: rationale

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

C8 Energy

C9 Additional metrics

C10 Verification

C11 Carbon pricing

C12 Engagement

C13 Other land management

C14 Sign off

- **Verification gives data users further confidence in the accuracy of the data reported.**
- By verifying information beyond emissions figures, companies demonstrate their commitment to transparency.
- Data users are interested in the credibility and quality of the data and other information disclosed by organizations.

C10 Verification: content and changes

▼ Content:

- Details on the verification status that applies to your reported Scope 1, 2 and 3 emissions
- Details on the verification of other climate-related information reported in the CDP disclosure

C11 Carbon pricing

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

C8 Energy

C9 Additional metrics

C10 Verification

C11 Carbon pricing

C12 Engagement

C13 Other land management

C14 Sign off

▼ Carbon pricing has emerged as a key policy mechanism to drive greenhouse gas emissions reductions and mitigate the dangerous impacts of climate change.

- Operations or activities regulated by a carbon pricing system
- The carbon pricing regulation(s) which impacts organizations operations

C12 Engagement

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

C8 Energy

C9 Additional metrics

C10 Verification

C11 Carbon pricing

C12 Engagement

C13 Other land management

C14 Sign off

- Provide details of climate-related engagement with suppliers, customers and other partners

C13 Other land management

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

C8 Energy

C9 Additional metrics

C10 Verification

C11 Carbon pricing

C12 Engagement

C13 Other land management

C14 Sign off

- Module C13 only applies to organizations with activities in the following sectors:
 - Agricultural commodities
 - Food, beverage & tobacco
 - Paper & forestry

C14 Sign off

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

C8 Energy

C9 Additional metrics

C10 Verification

C11 Carbon pricing

C12 Engagement

C13 Other land management

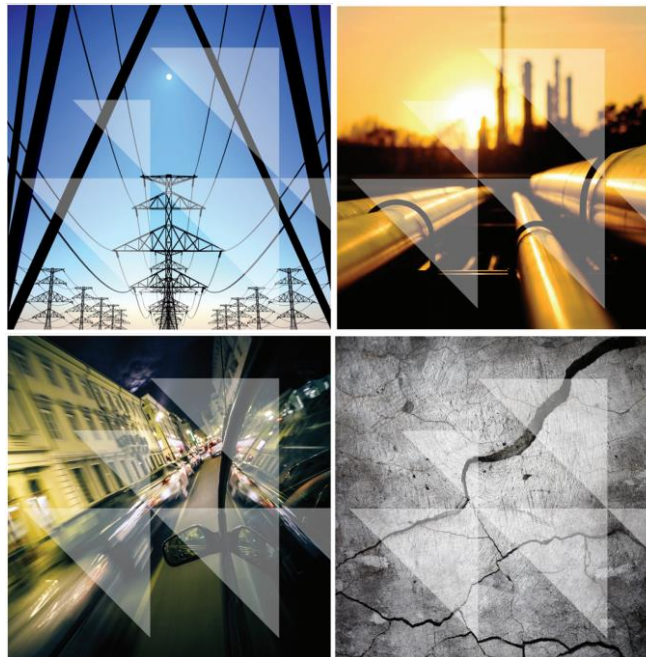
C14 Sign off

▼ **CDP asks companies to identify the job title of the person signing off (approving) the CDP response**

▼ This information signals to data users where in the corporate structure direct responsibility is being taken for the response and the information contained therein

New sector questionnaires

2018 sector questionnaires overview



Agriculture & land use sectors: rationale

Agricultural commodities

- Activities: Producing and processing raw materials
- Risks: Deforestation and forest degradation risks and farm management practices

Food, beverage & tobacco

- Activities: Processing, manufacture, or trade of food, drinks, and tobacco consumer goods
- Risks: Emissions from machinery, facilities and transportation

Paper & forestry

- Activities: Production and/or sourcing of timber and timber-based products
- Risks: Unsustainable forest management activities

Agriculture & land use sectors: content

Agricultural
commodities

Food,
beverage &
tobacco

Paper &
forestry

- Based on the questions from the 2017 climate change FBT module. Questionnaires examine:
 - Scope 1 emissions breakdown by commodities
 - Land management practices
 - Emissions intensity data associated with commodities
 - Scope 1 and 3 emissions disclosure by relevant business activities

Energy sectors: rationale

Coal

- Coal combustion is contributing the largest share of the anthropogenic greenhouse gas increase in the atmosphere

Electric utilities

- Power generation is the single largest emitter of CO₂, accounting for around 25% of global emissions

Oil & gas

- Climate change is a strategic risk for the oil & gas sector, whose operational and use phase emissions collectively account for half of global CO₂ emissions

Energy sectors: content

Coal

- Specific methane targets, methane leak detection and repair and flaring
- Scope 1 breakdown for coal mining by emission sources
- Coal reserves and production, investment in low-carbon R&D

Electric utilities

- Power generation capacity
- CAPEX plans for power generation and products and services
- Investments in low carbon research and development and equipment

Oil & gas

- Emissions breakdowns by oil and gas divisions, methane emissions
- Hydrocarbon reserves, production, refining data
- Transfers & sequestration of CO₂ emissions

Materials sectors: rationale

Cement

- Most of the GHG emissions for cement production originate in the combustion of fossil fuels for the required heating of key ingredients

Chemicals

- Most emissions originate from either fossil fuel combustion in production processes or as process chemical emissions

Metals & mining

- Emissions from the metal and mining sector occur at mining sites during the combustion of fossil fuels and the processing of materials

Steel

- Steel production is a highly energy-intensive process and requires significant amounts of heat and coking coal, an emissions-intensive product

Materials sectors: content

Cement

- Production and capacity of key industry products
- White and grey cement production split
- Clinker production and capacity figures by kiln type

Chemicals

- Emissions intensities of key industry products
- Feedstock consumption
- Production and capacity of key industry products

Metals & mining

- Scope 1 and 2 emissions breakdowns by sector production activities
- Production, capacity and emission breakdown of key commodities
- Investments in low carbon technologies

Steel

- Emissions intensities of steel plants
- Best available technique implementation
- Feedstock consumption

Transport sectors: rationale

Transport OEMs

Transport services

- The transport sector is responsible for almost a quarter of global energy-related emissions
- Designed by identifying the different sub-sectors based on transport mode and transport subject
- Five distinct transport modes were identified for study Aviation, LDV, HDV, Shipping and Rail
- Two transport subjects identified were freight and passengers
- Questionnaire based on questions from previous climate change auto module, investor reports and ACT pilot project

Transport sectors: content

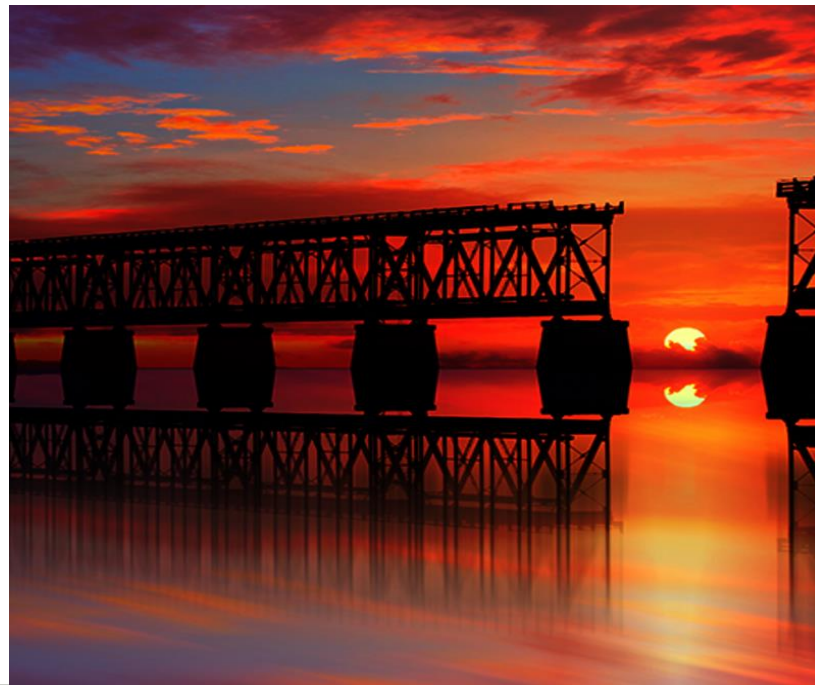
Transport OEMs

- Activity-based accounting of downstream Scope 3 emissions in category 11: use of sold products
- Efficiency metrics appropriate for the organization's transport products and/or services
- Implementation metrics for the production of, and investment in, low-carbon transportation technologies

Transport services

- Primary intensity (activity-based) metrics that are appropriate to your emissions from transport activities
- Average emissions factor used for all transport movements per mode that source energy from grid
- Tracking metrics for the implementation of low-carbon transport technology

2018 Supply chain climate module



SC Supply chain module

2018 MODULES

C0 Introduction

C1 Governance

C2 Risks and opportunities

C3 Business strategy

C4 Targets and performance

C5 Emissions methodology

C6 Emissions data

C7 Emissions breakdown

C8 Energy

C9 Additional metrics

C10 Verification

C11 Carbon pricing

C12 Engagement

C13 Other land management

C14 Sign off

SC Supply chain module

▼ **CDP works with purchasing organizations and suppliers to reduce climate risks**

▼ Emissions located in the supply chain are around four times as high as those from direct operations

▼ This module provides further context to buyers regarding the procedures adopted and/or actions taken by their suppliers

SC Supply chain module

▼ **Introduction:** annual revenue, ISIN numeric identifier

▼ **Allocating your emissions to your customers:**

- Allocating emissions based on the goods or services sold
- Challenges in allocating emissions to different customers
- Develop capabilities to allocate emissions to customers in the future

▼ **Collaborative opportunities:** Mutually beneficial climate-related projects organizations could collaborate on with specific CDP supply chain members

SC Supply chain module

▼ Action Exchange:

- The 2017-2018 CDP Action Exchange initiative
- Emissions reduction activities companies would like support

▼ Product (goods and services) level data:

- Product level data for your organization's goods or services and total emissions covered
- Data for lifecycle stages of goods/services
- Emissions reduction initiatives completed or planned for product

Introduction to the 2018 Water Security Questionnaire

2018 General water security questionnaire

Introduction and overview of changes



Evolution of the water questionnaire

- ▼ 2010 - Established in 2010
- ▼ 2014 - Revised - improved alignment with the CEO Water Mandate Guidelines
- ▼ 2018 - New and revised modules, sections & questions



Questions: changes from 2017

2018 MODULES

W0 Introduction

W1 Current state

W2 Business impacts

W3 Procedures

W4 Risks and opportunities

W5 Facility-level water accounting

W6 Governance

W7 Business strategy

W8 Targets

W9 Linkages and tradeoffs

W10 Verification

W11 Signoff

SW Supply chain module

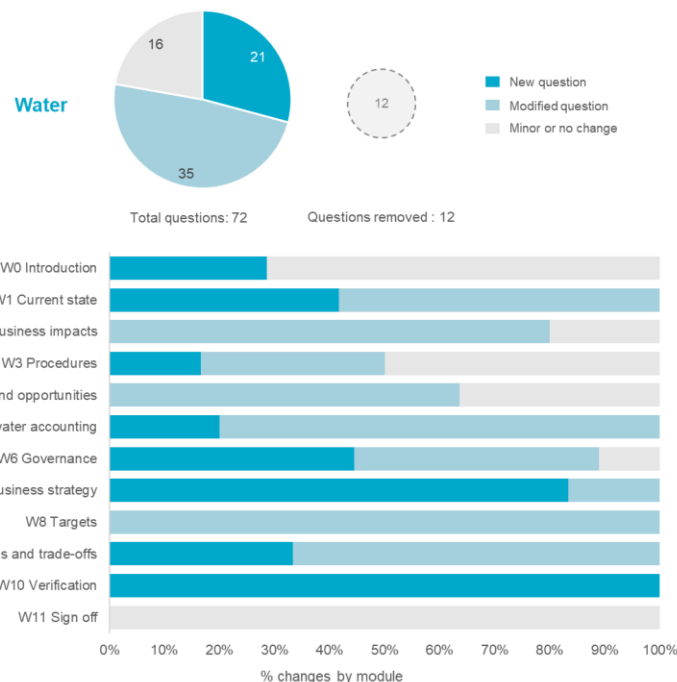
▼ ~71% of the questions

are:

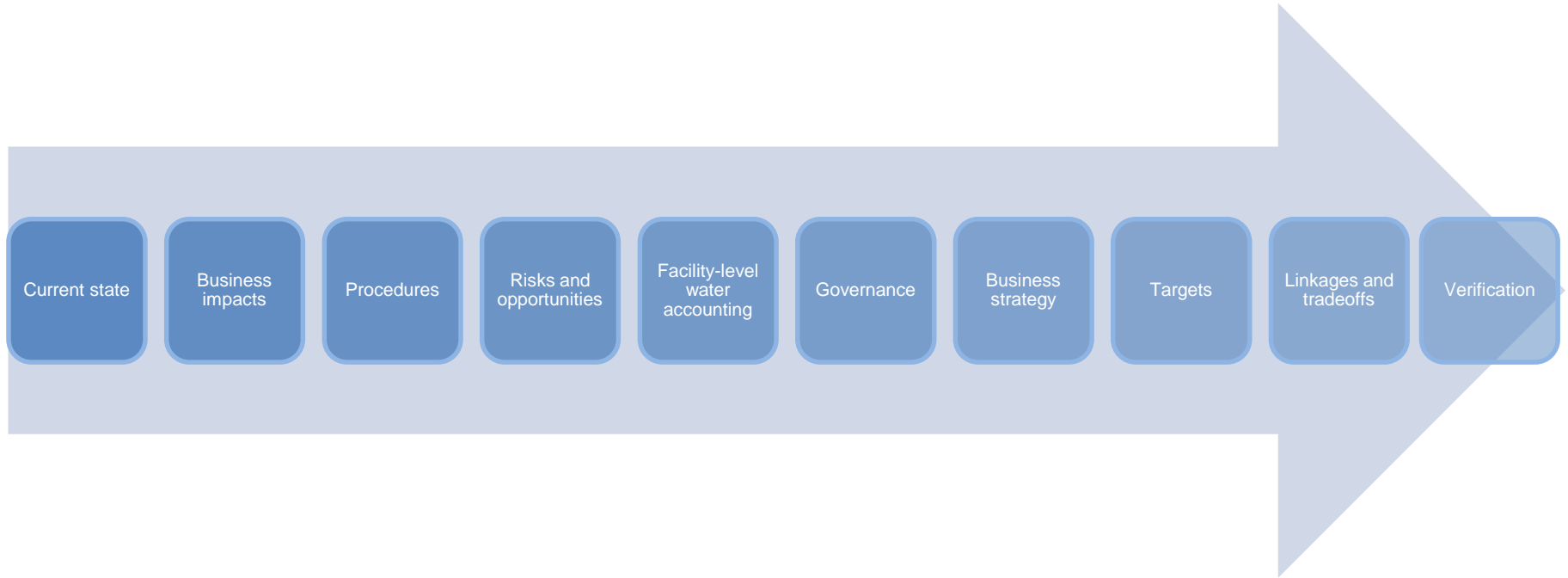
- No change
- Minor change
- Modified

▼ 21 are **new** questions

▼ 12 questions were
removed



A journey to water stewardship & water security



2018 General water security questionnaire

Modules and changes



8 key developments for 2018

Forward-looking focus and financial information	W1, W2, W4, W7
From supply chain to value chain	W1, W3, W4
Water accounting: withdrawals from stressed basins; recycling/reuse	W1, W5
Risk disclosure tables: risk drivers in direct operations and rest of value chain	W4

8 key developments ... continued

Geolocation data for facilities at risk	W5
Governance: governance mechanisms and policy influence	W6
Business Strategy: strategic plans, scenario analysis, internal water pricing	W7
Targets and goals: approach to setting	W8

2018 supply chain request

Overview and changes



SW Supply chain module

W0 Introduction

W1 Current state

W2 Business impacts

W3 Procedures

W4 Risks & opportunities

W5 Facility accounting

W6 Governance

W7 Business strategy

W8 Targets

W9 Linkages & tradeoffs

W10 Verification

W11 Sign off

SW Supply chain module

Procurement teams in companies aim to gain:

- an understanding of their supplier's water management
- Information about their suppliers' facilities.

This is achieved by

- Companies should now describe the potential impact for requesting members purchasing goods/services from facilities exposed to risk.
- Companies no longer disclose financial benefits associated with collaborative projects.
- The water intensity question has been simplified and no longer asks about location.

2018 sector water questionnaires

Overview



Themes and Clusters of Sectors for 2018

	Climate change	Water	Forests
Agriculture	Food, beverage & tobacco Agricultural commodities Paper & forestry	Food, beverage & tobacco	Paper & forestry
Energy	Coal Electric utilities Oil & gas	Electric utilities Oil & gas	
Materials	Cement Chemicals Metals & mining Steel	Chemicals Metals & mining	
Transport	Transport OEMS Transport services		
General	All other companies without sector-specific questionnaires	All other companies without sector-specific questionnaires	All other companies without sector-specific questionnaires

Core questions that apply over all high impact sectors

- ▼ Water intensity (water withdrawal or consumption per unit of product)
- ▼ Management procedures for potential water pollutants
- ▼ Incentives to senior management for water-related issues

Food, beverage & tobacco sector

CDP water questionnaire focus: Food production and processing and their related value chain agricultural activities

Question asks for:

▼ Use of produced or source products from high water stress areas

Electric utilities sector

CDP water questionnaire focus: Power generation

Questions ask for

- ▼ Generation by primary power source
- ▼ Monitoring of hydroelectric metrics: e.g. fulfillment of environmental flows and the sediment loadings

Oil & gas sector

CDP water questionnaire focus: extraction, refining of oil & gas, petrochemical production

Questions ask for:

- ▼ Total water withdrawals, discharge and consumption by business division (upstream, refining and chemicals)
- ▼ Water reuse and recycling practices by business division
- ▼ Proportion of the production volume exposed to water risks

Chemicals sector

CDP water questionnaire focus: production and processing of chemical products

No other additional chemicals sector questions than the “all high impact questions”

Metals & mining sector

CDP water questionnaire focus: mining and processing of minerals

Questions ask for:

- ▼ The monitoring of produced water
- ▼ Water reuse and recycling practice
- ▼ Production value exposed to water risks
- ▼ Management procedures for tailings dams

Introduction to Scoring 2018

Overview of scoring

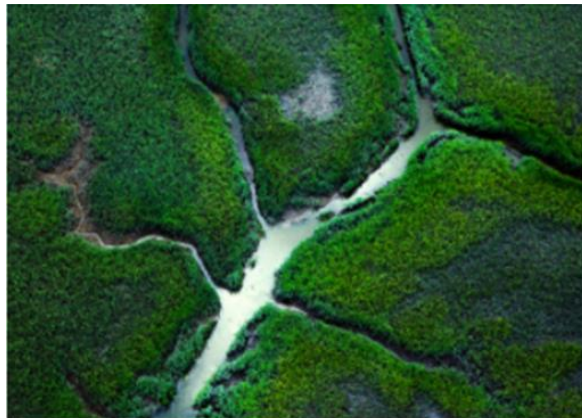
Scoring Principles

- ▼ **Independent:** scoring is done by partner organizations trained by CDP. All scores are subjected to rigorous quality assurance checks
- ▼ **Comparable:** CDP methodology is the same for each sector across all countries – the same key actions need to be demonstrated and same information provided
- ▼ **Transparent:** the full guidance and methodology is available online, alongside webinars and explanations
- ▼ **Wide reaching:** In 2017, over 8475 individual scores were awarded
- ▼ **Influential:** public scores are published in the CDP website and reports, Bloomberg terminals, Google Finance and Deutsche Börse, and shared directly with investors.

CDP scoring statistics: 2017



▼ **6159** companies were scored for Climate Change



▼ 211 companies were scored for Forest. Resulting in **353** unique commodity scores.



▼ **1963** companies were scored for Water

Carbon Disclosure Project (CDP)

76

3

Dow Jones Sustainability Index

63

9

Access to Medicines Index

58

3

FTSE4Good Index Series

55

9

Oekom Corporate Ratings

54

8

Climate Counts

53

7

Bloomberg ESG Data

53

10

MSCI ESG Research

50

5

GoodGuide

50

14

Sustainalytics Company Profiles and Ratings

49

10

GS SUSTAIN

46

8

The Global 100 Most Sustainable Corporations in the World

45

14

World's Most Ethical Companies (Ethisphere)

44

13

ASSET4 ESG Data

43

11

Inrate Sustainability Assessment

37

19

Vigeo Ratings

35

18

CR Magazine's 100 Best Corporate Citizens List

32

24

Fortune's Most Admired Companies

31

24

Question

How credible do you find the following ratings and rankings to be?

Please use the 5-point scale provided, where 1 is "not at all credible" and 5 is "very credible," or choose "not familiar."



Credible (4+5)



Not credible (1+2)

www.cdp.net | @CDP



Scoring approach in 2018

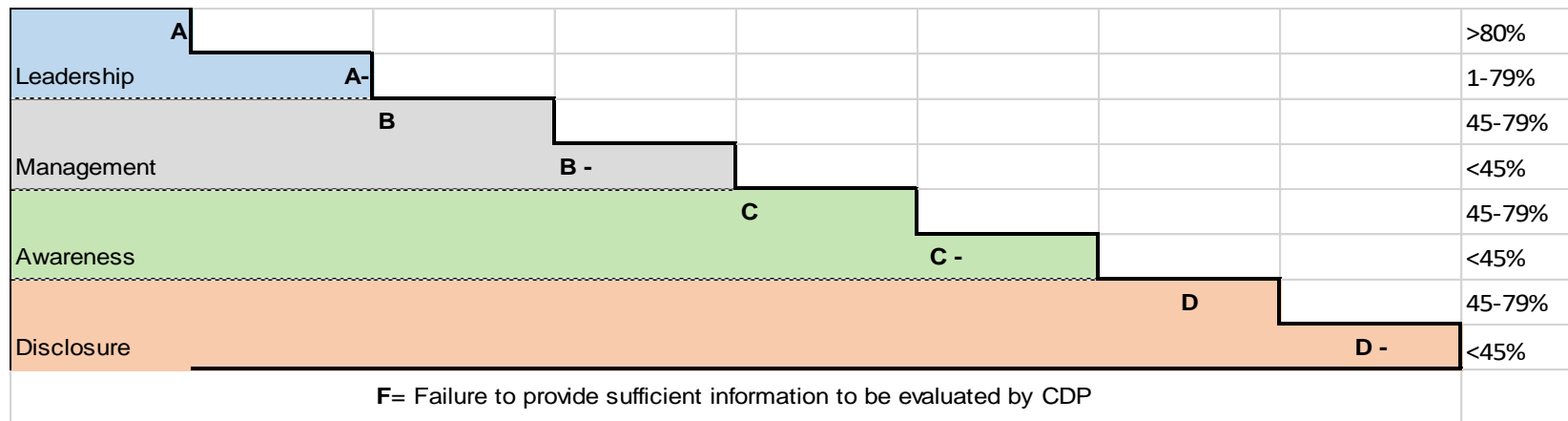
CDP's scoring approach: scoring in levels



Scoring process and thresholds

- ▼ Scores will be calculated as a percentage
 - ▼ A minimum score or threshold of 80% must be achieved on one level before a company will be scored on the next level.
 - ▼ This incentivises:
 - complete reporting
 - action based on assessment of risks and impacts
 - consistent progress across different areas
 - ▼ The final letter score is determined by the score achieved in the highest of the 4 levels
-

Levels, scores & thresholds



- Each letter score will correspond to a level
- There will 2 bands per level
- This way the score is communicated in a consistent, intuitive way and illustrates the continuous development a company goes through

Non-responding companies in 2018

- ▼ Companies that have **not responded** to CDP information requests by the response deadline will receive an “F” for failure to provide sufficient information to CDP
- ▼ An F does not indicate a failure in environmental stewardship.

This will not apply to:

- *Self-selected companies*
- *Companies that are not part of a scored sample*

Scoring in 2018 – what's different

New sector methodologies in 2018

	Climate change	Water	Forests
Agriculture	Food, beverage & tobacco Agricultural commodities Paper & forestry	Food, beverage & tobacco	Paper & forestry
Energy	Coal Electric utilities Oil & gas	Electric utilities Oil & gas	
Materials	Cement Chemicals Metals & mining Steel	Chemicals Metals & mining	
Transport	Transport OEMS Transport OEMS - EPM Transport services		
General	All other companies without sector-specific questionnaires	All other companies without sector-specific questionnaires	All other companies without sector-specific questionnaires

- ▼ Each general / sector questionnaire has an individual scoring methodology.
- ▼ Companies that operate in multiple sectors will only be scored on their primary sector.

2018 methodologies focus on sector-specific issues

- ▼ Enabling investors and responders to
 - compare and benchmark peers within a sector
 - compare which sectors are high/low exposure to environmental risks and opportunities

2018 scoring categories

- ▼ Scoring categories are **sub-groups of the 2018 questionnaire modules** and are unique to each theme, similar to categories in the previous feedback charts
- ▼ The number of categories per theme has increased from 2017, in order to:
 - Focus on key data points
 - Provide a more detailed breakdown of a company's score
 - Better indicate areas of strength and weakness

Scoring 2018 – Categories

Climate Change Categories	Water Categories	Forest Categories
Governance	Context	Commodity dependence and sourcing locations
Risk management processes	Company-wide accounting	Land-based metrics
Risk Disclosure	Business impacts	Consumption/Production data and sustainable materials supply
Opportunity Disclosure	Water Risk Assessment	Business impact
Business Impact Assessment & Financial Planning Assessment	Water-related risks exposure	Forest risk assessment
Business Strategy	Water-related opportunities	Forest-related risk exposure
Scenario Analysis	Facility-level accounting	Forest-related opportunities
Targets	Water Policies	Policy and commitments
Emissions reductions initiatives and low carbon products	Governance	Governance
Scope 1 & 2 emissions (incl. verification)	Business Strategy	Business strategy
Scope 3 emissions (incl. verification)	Integrated Assessment	Targets
Emissions breakdowns	Targets and Goals	Traceability
Energy	Value chain engagement	Certification and production/procurement standards
Additional climate-related metrics (incl. verification)		Engagement
Carbon pricing		Linkages and trade-offs
Value chain engagement		Signoff
Public policy engagement		100 % disclosure
Communications	Overall total	Overall Total
Sign off		
Complete disclosure		
Overall Total		

2018 scoring weightings

- ▼ Weightings reflect the relative importance of each category in the overall score
- ▼ Scoring weightings will **only be applied to each of the scoring categories at Management and Leadership level**
- ▼ Where a scoring category consists of new questions, low weightings will reflect this

2018 sector scoring weightings

- ▼ Each sector has its own specificities related the way environmental issues affect that sector and are managed by the companies in the sector.
- ▼ To capture these specificities, different weightings will be applied amongst sector categories in each theme.
- ▼ For example, for water security, value chain engagement may be more relevant for food companies than electrical utilities

Scoring weightings: an example

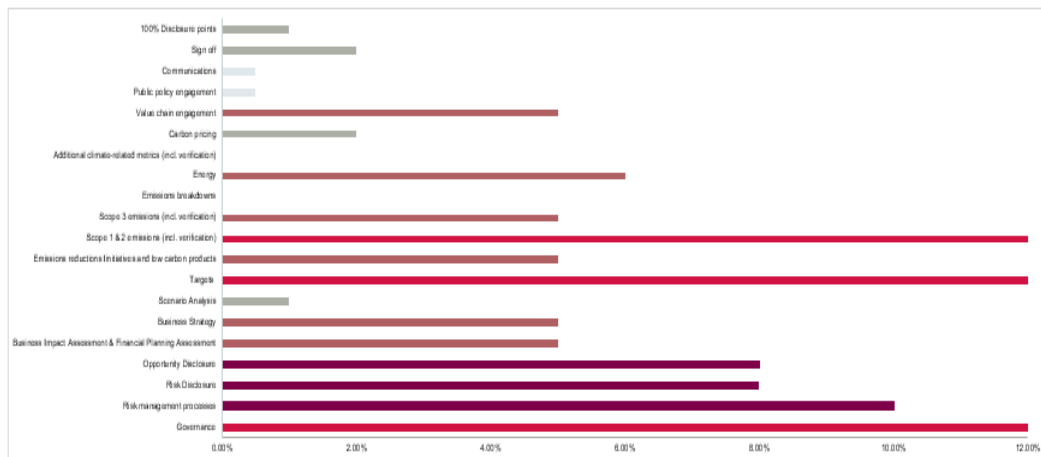
▼ In climate change general methodology the 'Scenario analysis' scoring category is scored at both Management and Leadership levels

▼ As this category consists of new data points, a **light weighting of only 1% will be applied**, meaning that scenario analysis will only account for 1% of an organizations overall score

Scoring Category	D Denom Max	D Denom Min	A Denom Max	A Denom Min	M Denom Max	M Denom Min	L Denom Max	L Denom Min	Category weighting for M and L
Scenario Analysis	3	2	4	5	3	3	1	1	1%

Help – Category & weighting sheets

Scoring categories and weightings: General Climate Change Methodology



The bar chart above shows the % weighting applied to each of the scoring categories for the general climate change 2019 scoring methodology

Scoring categories: Mapped to modules and questions

Quarterly Module	Scoring Category	Question Number	Disclosure Scored	Assessment Scored	Management Scored	Leadership Scored	Category mapping key
------------------	------------------	-----------------	-------------------	-------------------	-------------------	-------------------	----------------------

▶ We will release Category sheets that will present the various categories and their relative weight per sector.

Rewarding Leadership: the A list

A List Requirements

To get into the A list, a company's response must

- ▼ achieve at top score (at least 80% in Leadership),
- ▼ be publicly available submitted via CDP's ORS
- ▼ Pass CDP reputational checks, and
- ▼ meet the following, theme specific requirements:

A List Theme Requirements

Climate Change

- ▼ Scope 1 & 2 figures disclosed (C6.1 & C6.3) and full points for verification/assurance of Scopes 1 & 2 (C10.1a)
- ▼ No significant relevant exclusions in their emissions (C6.4 & 6.4a)

Water

- ▼ A top score (at least 80% in Leadership)

Forests

- ▼ Provide data on all relevant operations and supply chains, making no significant exclusions (F0.6a, F0.7a);
- ▼ Undertake a comprehensive and thorough risk assessment of all operations and supply chains (F2.1/F2.1a);
- ▼ Commit to zero deforestation in all operations and supply chains by 2020, or sooner (F6.1b or F4.1b)

Methodology tips and help

Tips

- ▼ For each question, read the relevant part of the guidance document and scoring methodology. This will help you to answer the question fully.
- ▼ Avoid leaving questions blank. Blank answers reduce a score significantly as they are scored zero out of the maximum available points
- ▼ Scores are based only on information provided in the CDP response
- ▼ Answer each question without pointing to other answers in the response, or links to websites. With few exceptions, cross references are not scored.
- ▼ For questions requiring attachments, check that the document covers the data points requested and is attached in the right place.
- ▼ For a list of accepted verification standards, see CDP verification pages <https://www.cdp.net/en-US/Respond/Pages/verification.aspx>

Scoring myths: examples

Energy/Water Intensity

Myth

- We are an energy/water intensive company, I will never be able to get a good score

Answer

- High emitters that have reduced emissions actively can still get a good score, in all levels.
- The scoring methodology does not make any judgement on overall emissions or water withdrawals. Instead, it encourages emission reductions due to emission reduction activities.

Growing businesses

Myth

- We are a growing company, so we'll never get points for reducing emissions

Answer

- The scoring methodology does not penalise companies for an increase in the company's total year on year emissions
- Points are awarded for **reductions made due to emission reduction initiatives** – so if your emissions are lower than they would have been without taking action, you can still score well

Low hanging fruit

Myth

- We can't score as high as our competitors who have just started reporting since we have made all the reductions in the first reporting years

Answer

- All companies get this **short term advantage** when starting GHG management. As companies get more sophisticated in their efforts to reduce CO2 emissions they all need to look further for more long-term CO2 reduction opportunities
- The score is not just about reductions. The scoring methodology also recognises a lot of actions that more advanced companies will find it easier to demonstrate, such as **integration of climate change, water security and deforestation into the business strategy**

International vs local

Myth

- I am reporting for a larger proportion of my organization than my peers which affects my data quality. Companies that are reporting for only one country are in a more advantageous situation as they can provide better data

Answer

- The questionnaire gives you the **opportunity to disclose your accuracy (uncertainty) and exclusions**, so you can provide this important contextual information to Investors
- The scoring methodology does not penalise companies for providing emission figures with a level of uncertainty

Emissions intensity

Myth

- CDP asks companies to report their emissions per revenue and number of full time employees. Emissions intensity will go down if the prices are high or number of employees is high. This does not incentivize carbon efficiency

Answer

- Awareness and Management points are awarded (in C6.10) where emissions intensity (per revenue or per number of employee) is falling **and emissions reduction activities are a reason for the fall**

Thank you