

CDP Environmental Disclosure Program

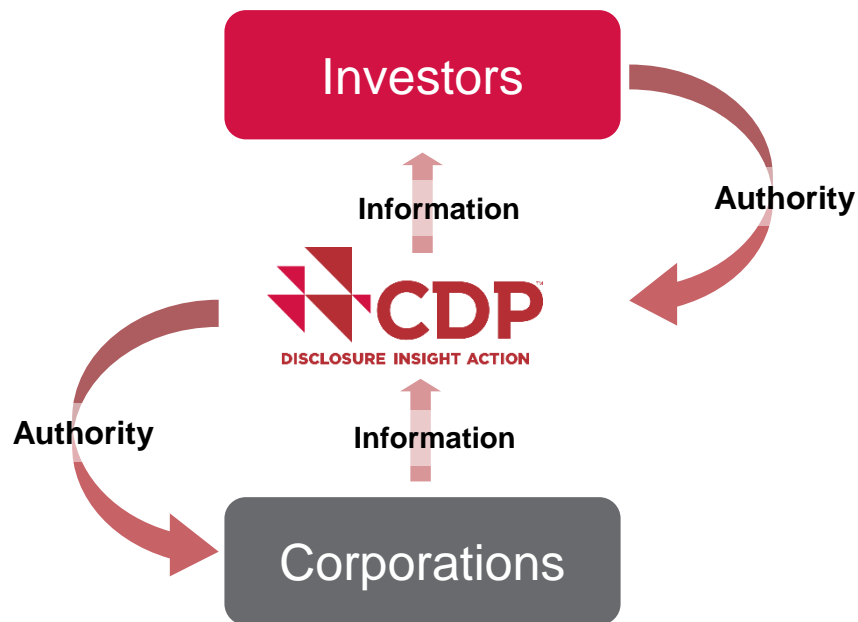
Green Finance Leadership Program - Beijing

November 7, 2018

CDP is the only global environmental disclosure system



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

Our Current Scope: Institutional Investors



Shifting the needle: Investor use of CDP data

As a reason to engage. The CDP disclosure questionnaire is a valuable hook that investors use to engage with companies

Sector-wide research with CDP's award winning sector research reports

As a part of ESG analysis on portfolio holdings

Creating in-house products and strategies such as undertaking a carbon footprint of a portfolio or creating innovative indexes.

CDP data across the financial community

Pension funds

- engagement
- shareholder resolutions

e.g.: CalSTRS, CPPIB

Active equity managers

- stock selection
- proxy voting and company meetings

e.g.: Legg Mason, Neuberger Berman

SRI funds

- screening equity universes
- carbon sensitivity of portfolios

e.g.: Calvert, Domini, Rockefeller

Investment advisors

- risk models
- country/sector/company analysis

e.g.: First Affirmative

Passive equity managers

- proxy voting
- meetings with company management

e.g.: BlackRock, State Street



Index providers

- carbon efficient equity indices
- carbon efficient bond indices

e.g.: Euronext, Stoxx ...

Broker dealers

- buy/sell recommendations
- sector analysis

e.g.: GS Sustain

Data providers

- ESG data within financial databases

e.g.: Bloomberg

Third party research

- research and ESG ratings
- environmental risk analysis

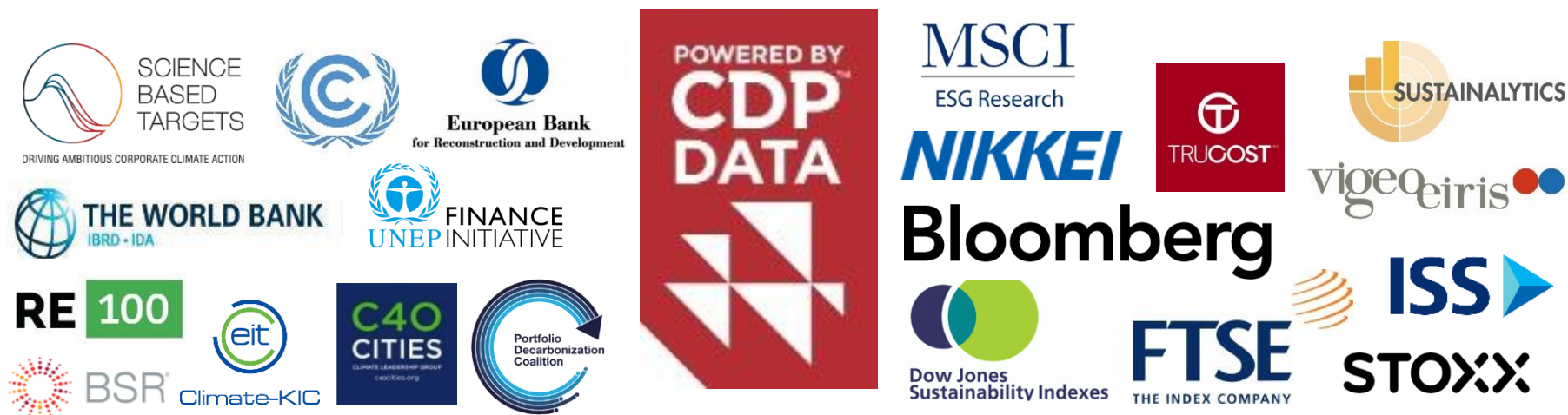
e.g.: MSCI, Trucost

Academia

- studies on “non-financial” reporting
- correlation analysis

e.g.: Harvard Business School

CDP environmental data forms the industry core



Disclosure request: questionnaire



Climate Change

- ▼ Covers Management, Risks and Opportunities and GHG emissions and targets.
- ▼ Additional modules for oil and gas, electric utilities, auto, ICT and FBT companies, as well as for the Supply Chain program.



Forests

- ▼ Responses based on 4 forest risk commodities: timber, cattle products, palm oil, and soy.
- ▼ Questions focused on deforestation risks, business opportunities, deforestation policies and targets, supply chain engagement, traceability and certification.



Water

- ▼ Questions focused on current state, water risk assessment, risks and opportunities, water accounting, governance, strategy, compliance, targets & initiatives.
- ▼ Companies targeted in water intensive sectors.

Characteristics of 2018 CDP Disclosure

Cross-theme alignment



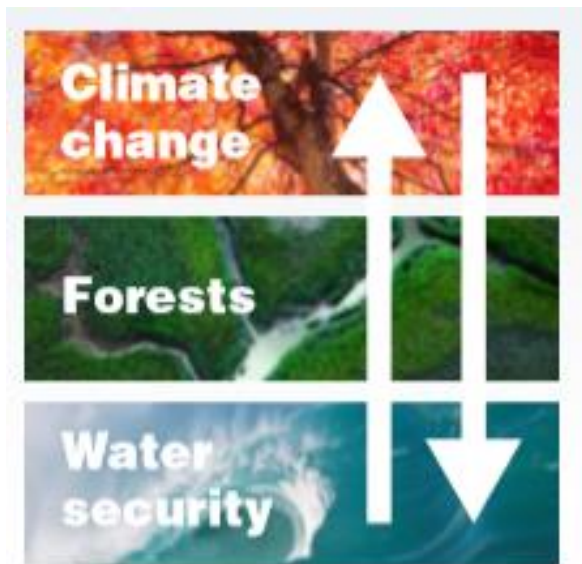
Sector-specific questionnaires



Alignment with TCFD



Cross-theme alignment



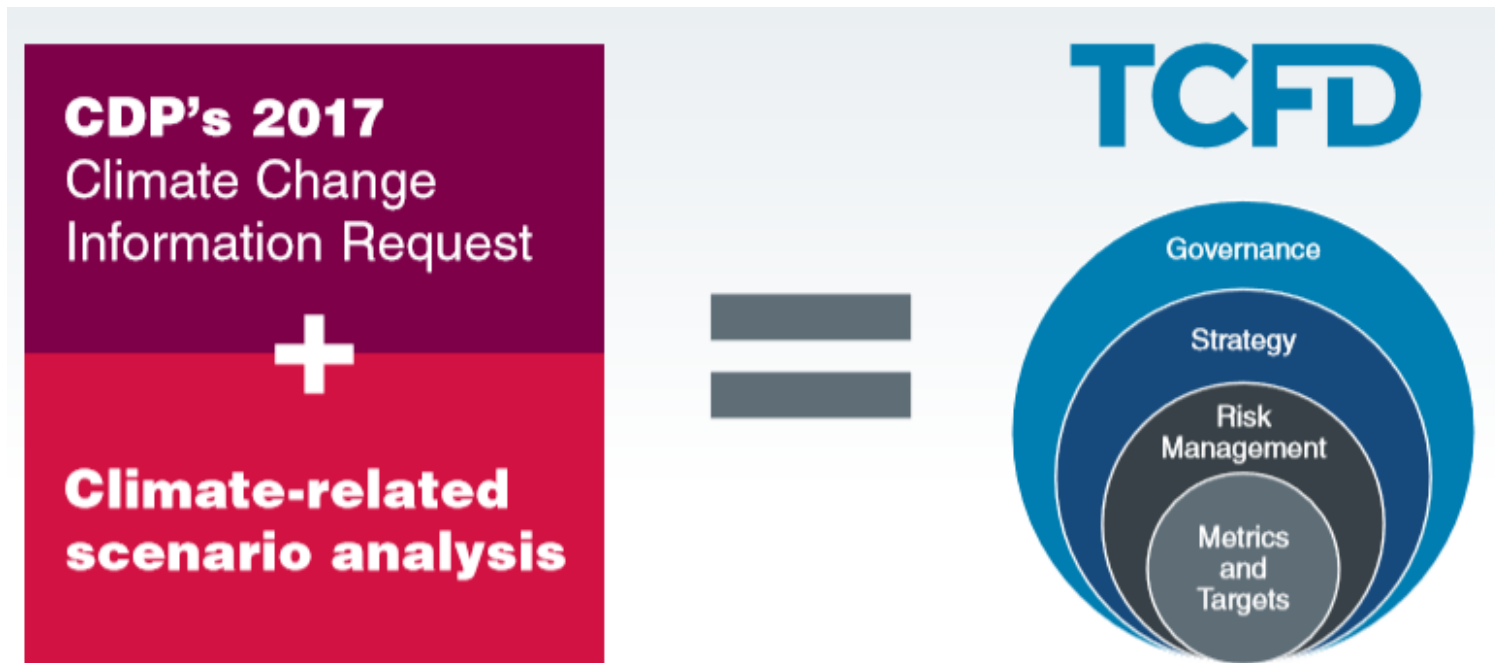
Alignment across all programs

- ▼ Overall questionnaire structure
- ▼ Question structure and terminology for related topics
- ▼ Approach to evaluating relevant risks and opportunities and their financial impact to business

Themes and sector clusters for 2018

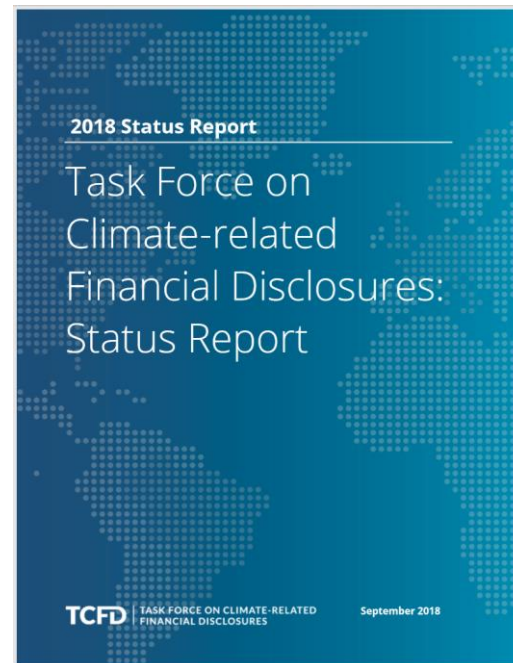
	Climate change	Water security	Forests
AGRICULTURE	Food, beverage & tobacco Agricultural commodities Paper & forestry	Food, beverage & tobacco	Paper & forestry
ENERGY	Coal Electric utilities Oil & gas	Electric utilities Oil & gas	
MATERIALS	Cement Chemicals Metals & mining Steel	Chemicals Metals & mining	
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

Alignment with TCFD recommendations



Key Takeaways from 2018 TCFD Disclosure

- ▼ The majority disclose some climate-related information
- ▼ Information on strategy resilience under climate-related scenarios is limited
- ▼ Disclosures are often made in multiple reports
- ▼ Financial implications are not disclosed
- ▼ Disclosures vary across industries and regions



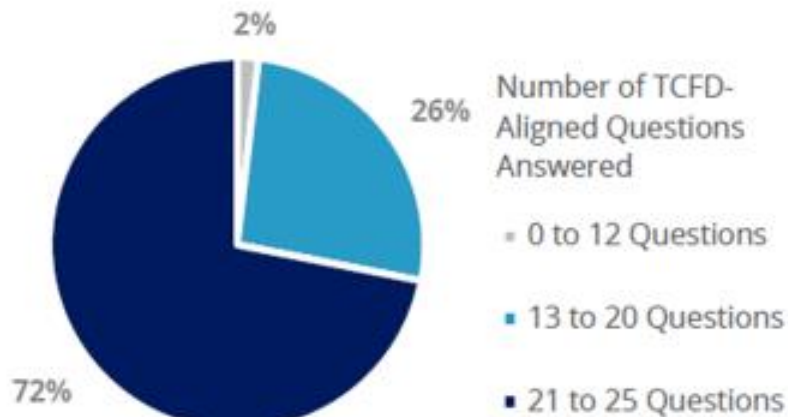
CDP Climate Change Questionnaire

The 2018 CDP climate change questionnaire was updated to include 25 new questions aligned with the TCFD recommendations.

As of August 22, 2018, over 70% of the companies that had submitted their CDP questionnaires answered 21 or more of the 25 questions. These results are preliminary as all responses were due by August 29, 2018.

Of note, 1,612 out of 1,734 companies (93%) that submitted their CDP questionnaires answered questions on how the organization's process for identifying, assessing, and managing climate-related issues are integrated into the overall risk management process. This information (*Risk Management c*) was one of the lowest areas of disclosure in the AI and disclosure practices reviews.

Rates of Response for TCFD-Aligned CDP Climate Change Questions





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