Benefits of Disclosure
Slide deck messaging

Disclosing through CDP

- We must act urgently to prevent dangerous climate change and environmental damage. That starts by being aware of our impact so that investors, companies, cities and governments can make the right choices now.

- CDP is a global environmental impact non-profit working to secure a thriving economy that works for people and planet. High quality, relevant information is the fundamental basis for action and CDP helps investors, companies and cities to measure, understand and address their environmental impact.

- With the richest and most comprehensive dataset on corporate and city action, the world's economy looks to CDP as the gold standard of environmental reporting. It aims to make environmental reporting mainstream and provide the detailed insights and analysis to drive the urgent action needed for a climate safe, water secure, deforestation free world.

- CDP has grown from 245 companies responding in 2002, to over 8,400+ companies responding to our climate change, forests and water security questionnaires in 2019. These companies represent over 50% of global market value.

- CDP's first disclosure request, in 2002, was signed by 35 investors. Today some 515+ investors with US$106 trillion in assets, as well as 147+ of the world's largest companies and organizations with over US$4 trillion in purchasing power, request information through CDP on climate change, deforestation and water security.

- In 2019, some 920 cities, states and regions also disclosed their environmental information through CDP.

- How has CDP evolved?

  - CDP is fast-evolving and innovating. Whether that's through increased focus on India and China to make disclosure the norm in those regions, or upgrading the disclosure platform to lead the next generation of more targeted disclosure.

  - CDP will track this progress, by publicly monitoring companies over the coming years as understanding what individual emitters are doing to mitigate emissions is essential to global efforts to meet the Paris Agreement.

  - CDP works towards mandating regulatory disclosure and this requires board level engagement and a cultural shift.

  - The Financial Stability Board's Task Force on Climate-related Financial Disclosures' aim is to integrate climate information into mainstream financial reports. CDP aims to be the knowledge source to track TCFD-compliant companies. It has incorporated TCFD recommendations into CDP questionnaires through its move to sector-based reporting, starting in the 2018 disclosure cycle.

- CDP is at the forefront of ground-breaking new initiatives like science-based targets, sector-specific climate assessments and carbon pricing toolkits which will help companies and cities to plan for a sustainable future.

- CDP will also drive collaboration - between investors and companies, city authorities and local businesses, and corporations and their suppliers – which will be key to unlocking opportunities and building resilience.

Inform investors

- With over 8,400 companies, representing some 50% of global market capitalization disclosing through CDP in 2019 it holds the world's largest and most comprehensive dataset on environmental action. The insights gathered by CDP are vital for fueling, and tracking, the global economy's progress towards a zero-carbon, water secure and deforestation free world.

- High quality, relevant information is the fundamental basis for action. With the financial risks of climate change a growing concern for investors, they're increasingly using CDP data to make decisions. CDP's data request now goes out on behalf of institutional investors with assets of US$106 trillion.

  - Many investors use CDP's data to pick future winners and losers. For example, Schroders uses it to access the carbon footprint in its portfolio to understand the total greenhouse gas emissions of its holdings relative to annual revenue. CalPERS also used this exercise to prioritize companies to engage with on climate risk, creating a list of 100 'Systemically Important Carbon Emitters' responsible for 75% of its portfolio's emissions.

  - CDP also provides support for shareholder engagement action such as the Aiming for A shareholder engagement campaign run by CCLA Investment Management. This campaign drove historic climate reporting shareholder resolutions at BP and Shell's AGMs.

  - CDP's data is already powering new financial products including the STOXX Low Carbon Indices and the New York State Common Retirement Fund's low carbon index created by Goldman Sachs.

  - CDP's data is also used for Climetrics, the world's first and only independent climate impact rating for investment funds. Climate change is a growing concern and Climetrics enables investors to consider these long-term climate-related impacts and risks when comparing 2,800 funds and ETFs for sale in Europe worth €2 trillion.

Inform purchasers

- Over the past ten years there has been a fundamental shift in expectations around business action on sustainability. 147+ of the largest purchasing organizations in the world, with over US$4 trillion in combined spending power and including the likes of Kellogg Company, the U.S. General Services

Administration and Walmart, request environmental data from their suppliers through CDP. These companies and public bodies requested environmental data from over 13,100 suppliers in 2019, shining a light on complex value chains that span the globe.

  - Nearly three quarters (73%) of a subset of 27 major purchasers answering a 2018 CDP survey said that they are either currently deselecting, or considering deselecting, existing suppliers based on their environmental performance. A decade before, just 4% were doing this.
  - 95% of a subset of 44 major purchasers answering a 2019 CDP survey are using or planning to use environmental metrics, including data from CDP, within their procurement processes. Just 9% would have considered using this in 2008.
  - This action is increasingly cascading down the supply chain; in 2019, 40% of supplier respondents reported that they are engaging with their own suppliers on climate change. This is a 57% increase from 2018.
  - Some purchasers, such as L'Oréal and Diageo use CDP data as part of supplier evaluations and performance reviews.
- On average, a company's supply chain GHG emissions are 5.5 times greater than their own direct (scope 1 and 2) emissions; supply chain engagement is therefore critical to affect change at scale.
  - Suppliers reported a total of 563MtCO2e in annual emission savings in 2019.
  - These emissions-saving activities are associated with substantial financial savings; suppliers reported a collective annual monetary saving of US$20.2 billion, a 44% increase from the US$14 billion reported in 2017.

Reach decision makers

- By continuing to provide the most comprehensive, comparable set of environmental data, CDP sits at the heart of the capital market response to climate change and environmental challenges. One disclosure to CDP reaches hundreds of investors and procurers and is utilized in investment research, products, indices and ratings including Bloomberg, STOXX, Trucost, FTSE/Russell, MSCI ESG, ISS ESG and Goldman Sachs.
  - Climetrics, powered by CDP data, is the world's first and only independent climate impact rating for investment funds.
- Governments use CDP data to make better long-term decisions, and partner with CDP to boost corporate and city reporting.
- Through coalitions and partnerships, such as RE100, the Science Based Targets initiative, Assessing the low-Carbon Transition and Carbon Pricing Corridors, CDP powers corporate action demanded by investors and customers.
- CDP disclosure also underpins the work of other NGOs, IGOs, research institutions, investors and corporate initiatives and other beneficiaries who draw from the data gathered through the CDP

system. This includes initiative such as Climate Action 100+, We are Still in and America's Pledge.

- The New York Declaration on Forests progress assessments, supported by CDP data, tracks companies work to decouple deforestation from their supply chains by 2020.

- CDP's Investor Research won Best ESG/SRI Research at the Investment Week Awards in 2016 and 2017. CDP also won Best Climate Change Research in the Extel-IRRI survey three years running (2016-18).

Boost competitive advantage

- In 2019, CDP conducted a survey of responding companies. 75% of companies responding said that reporting through CDP helps them to improve the reputation of their organization, while 55% said reporting through CDP helps them to be more competitive. On top of this, 1 in 3 companies said that reporting through CDP helps them save money.

- Green credit and interest rates tied to CSR and ESG are beginning to find traction:

    - Research by Oxford and Maastricht Universities has found that companies disclosing environmental data have a lower cost of capital – saving up to US$1.1 million per loan per year in interest payments.

    - Companies that disclose through CDP ranked 19 percentiles better than the average firm in their ability to access capital, according to a 2019 study by Canadian ESG consultancy Millani.

    - In February 2018, French food company Danone announced it had introduced ESG criteria to its syndicated €2 billion credit facility led by BNP Paribas. The previous year health technology company Philips signed an agreement with a consortium of 16 banks for a €1 billion revolving credit facility maturing in 2022 where the interest rates is also dependant on a company's year-on-year sustainability performance improvement.

- A study by Swiss Finance Institute showed that companies that are transparent about their carbon risks experience a positive impact on their validation.

- The STOXX Global Climate Change Leaders index – based off CDP's A List – outperformed the market by 5.3% per year between December 2011 and December 2019. Similarly, analysis from BlackRock shows that companies who reduce their carbon intensity the most outperform the market.

- In 2019, suppliers responding through CDP reported emissions savings this year equivalent to 563 million tonnes of carbon dioxide. And these were associated with annual monetary savings in excess of US$20.2 billion for those companies, further highlighting the compelling business case for taking action on climate change.

Benchmark and drive progress

- 38% of suppliers responding through CDP for the first time have emission reduction targets in place. By their third year of disclosure, some 69% of companies have set a target, showing that by measuring their emissions companies can drive greater action over time. Similarly, 28% of first-time water disclosers have assessed the business growth implications of water security. This rises to 40% by year three.

- As of April 2020, some 850 companies have set or committed to set science-based targets, driven by a growing awareness of the risks and opportunities associated with climate change and the low-carbon transition.

- In 2019, CDP was able to celebrate over 200 companies for the leadership they are showing across climate change, deforestation and water security through CDP's annual A List.

- Undertaken annually, CDP scores aim to incentivise and guide companies on a journey through disclosure to awareness, management and finally leadership. The annual scores are shared with investors and major purchases requesting disclosure through CDP and are listed publicly on CDP's website. They are also used in the STOXX Low Carbon Indices and the Euronext Index licensed to Goldman Sachs. In 2019:

  - 180+ companies made the Climate A List, including Danone, Samsung Engineering and Microsoft.

  - 70+ companies made the Water A List, including Braskem S/A, Ford and KOA Corporation.

  - Eight companies made the Forests A List, including TETRA PAK, UPM-Kymmene and FUJI OIL HOLDINGS.

  - Six companies (Danone, FIRMENICH SA, HP Inc, L'Oréal, UPM-Kymmene Corporation and Unilever plc) achieved a triple AAA score in CDP's 2019 scoring across climate change, forests and water security. This figure has tripled from previous years.

Manage risks and identify opportunities

- A group of the world's biggest companies representing nearly US$17 trillion in market capitalization have valued the climate risks to their businesses at almost US$1 trillion - with many likely to hit within the next 5 years. These companies report a potential US$250 billion in losses due to stranded assets – these include fossil fuel assets that may no longer offer economic returns as a result of market shifts associated with the transition to a low-carbon economy, or companies that are significantly exposed to the physical impacts of climate change.

- If the world continues on its current path, projections suggest that the world may face a 40% shortfall in water availability by 2030.

- Tackling deforestation is key to addressing climate change: 15% of all greenhouse gas emissions are directly caused by deforestation and up to 33% of climate mitigation efforts depend on preserving forests.

- From CDP’s disclosure we have seen:
    - A combined US$425 billion is the value at risk reported by 520 companies for water risks in 2019. Less than half of responding companies regularly meter and monitor the quality of their discharges, and just 13% have set a water pollution reduction goal or target.
    - A combined $49 billion is the potential financial impact reported by 101 companies for deforestation risk in 2019. Just 29% of reporting companies can fully trace their forest-risk commodities past their country of origin.
    - Suppliers responding through CDP reported a total of 563 MtCO2e in annual emission reductions in 2019. This led to a collective cost saving of US$20.2 billion.
    - 225 of the world’s biggest companies reported climate-related opportunities through CDP in 2018, totaling over US$2.1 trillion. The majority of this was driven by potential new revenue due to the growing demand for low emissions products and services, as well as the potential for better competitive advantage with shifting consumer preferences.