

CDP's Forests Sample – Investor Request

This document outlines the process through which CDP, on behalf of its network of investor signatories, selects companies to request to respond to the forests questionnaire.

CDP recognizes that not all industrial activities have a significant role to play in reducing negative impacts in pursuit of a deforestation-free future. We therefore apply a number of criteria, to identify those businesses for which deforestation is likely to represent a significant environmental and financial issue. These steps ensure that businesses around the world are only requested to report on the issues that matter most to their investors.

CDP's forests questionnaire focuses on five commodities: palm oil, timber products, cattle products, soy, rubber. Palm oil, timber products, cattle products, and soy are covered because they are responsible for the largest share of commercial tropical and sub-tropical deforestation, and rubber* is also included because it plays a significant role in commercial tropical deforestation in Asia.

What criteria is used to select companies?

The following environmental and financial criteria are used to select companies:

- ▼ **Forests impact assessment:** Does any aspect of the value chain associated with the given industrial activity have the potential to detrimentally impact upon forests through its production or use of one or more of the focus commodities (palm oil, timber products, cattle products, soy, rubber)?
- ▼ **Forests impact rating:** How significant are the potential forest impacts associated with the industrial activity?
- ▼ **Revenue threshold:** How much company revenue is associated with this industrial activity? What percentage of company revenue is associated with this industrial activity?

To ensure **continuity** and comparability of the data, the sample also include companies that were requested and responded to investors in the previous year but dropped out of the sample for other reasons, such as changes in market cap or ownership.

On a case by case basis, other criteria may be considered. These steps are described in greater detail below.

Environmental and financial criteria

1. Forests impact assessment

CDP conducts a thorough assessment of each of the 200 industrial activities in our [Activity Classification System](#) in terms of their association with deforestation. For each industrial activity, we assess its relationship with deforestation in either its direct operations or in its supply chain.

For each stage of the value chain, the forests impact assessment establishes the level of potential detrimental impact upon forests through the production or use of one or more of the focus commodities (palm oil, timber products, cattle products, soy, rubber).

The assessment is informed solely by independent, trusted academic and industry recognized sources, such as: published academic research and credible government, trade and NGO publications.

2. Forest impact rating

CDP then uses a rating system to establish the significance of an industrial activity’s potential impact upon forests, relative to other activities, at each stage of the value chain. Based on extensive research conducted, direct operations and supply chain for each industrial activity is scored between 0 and 4 points according to the severity of the potential impact:

- ▼ Critical = 4
- ▼ Very High = 3
- ▼ High = 2
- ▼ Medium = 1
- ▼ Low/no impact = 0

Activities receive a minimum score of 0 points and a maximum score of 4 points. The results of this assessment inform the prioritization of activities with the highest potential to impact forests, as described in the third step below.

3. Revenue threshold

Finally, CDP combines the impact assessment and rating with information on the amount of revenue that each [company requested to disclose climate change data](#) generates from the various industrial activities it is associated with (See Appendix 2 for a list of indexes used in the selection of companies requested to disclose climate change data to investors as part of the Climate Change sample). The higher the potential impact of the activity on forests, the lower the revenue threshold for the activity. This ensures that companies engaging in the most impactful activities will be included in the sample, even if those activities only represent a small part of the overall business. Conversely, the lower the potential impact, the higher the revenue threshold. This ensures the size and volume of operations are accounted for, even when the activity in question has a relatively low potential to impact on forests.

We use financial data available in the final quarter of the previous calendar year.

Score from Step 2	Forests impact	Revenue threshold	Percentage of Revenue threshold
0	Not relevant / Low	Activity not included	Activity not included
1	Medium	US\$ 9500 million	80%
2	High	US\$ 2000 million	47%
3	Very High	US\$ 1 million	1%

4	Critical	US\$ 1 million	1%
---	----------	----------------	----

A company will therefore be requested to disclose to investors through CDP's forests questionnaire, if:

- ▼ The impact rating of the Activities it is involved in is either critical, very high, high or medium (see Appendix 1 for the list of CDP-ACS activities); and
- ▼ The company's revenue associated with the activity exceeds either of the relevant thresholds laid out in the table above.

The result of this process is a list of companies for which deforestation is likely to represent a significant environmental and financial issue, thereby ensuring that only relevant businesses around the world are requested to report on deforestation issues to their investors.

Continuity criteria

Companies requested as part of the forests sample in the previous year that submitted a response to investors will automatically be requested again. This ensures continuity in companies receiving an annual request for disclosure regardless of slight changes to its revenue or market capitalization and ensures stability in the data set presented to investors on a year by year basis.

- Note that for 2020, companies with relevant business activities that were requested as part of the forests sample in 2019 but that did **not** submit a response may also be included in the Forests sample. This helps to maintain consistency between the approaches used to set the sample in 2019 and 2020.

Other criteria

As the list of companies invited to disclose climate change data can be made up of predominantly companies with industry activities with low or no potential forest impact, the list of companies invited to respond the investor-led forests disclosure request is supplemented with:

- ▼ Companies listed on the Shanghai, Shenzhen, and Hong Kong stock exchanges or those featured in the FTSE All Cap Asia-Pacific Region Index with "Critical" or "Very High" potential forest impact activities;
- ▼ Companies that were identified as [Global Canopy's Forest 500](#) deforestation powerbrokers, and publicly listed palm oil producers or processors featured in the [SPOTT index](#);

In 2019, CDP expanded its work on forests to incorporate two biodiversity-focused sector specific questionnaires for the metals & mining and coal sectors. Companies in these sectors are only presented with these specific questionnaires rather than the standard forests questionnaire (which is focused on the five commodities of palm oil, timber products, cattle products, soy, rubber)**. Companies are selected to receive these sector specific questionnaires, if:

- 1) They were part of the 2019 climate change sample, and were classified with one of the following primary activity classifications under CDP's Activity Classification System

(CDP-ACS): Coal extraction/Iron ore mining/Mined precious metals/Other non-ferrous ore mining/Other non-metallic minerals; or they operate mining project(s) and their primary activity classification is Aluminium refining/Copper refining/Metal processing/Other non-ferrous refining.

- 2) They are exposed to high deforestation risk based on the list of the [top 60 companies with the highest number of large-scale mining operations in forests](#) presented by the World Bank in 2019 (page 41).

Please note that the sample does not take into account those companies that are not deemed relevant according to our criteria but volunteer to respond to the CDP forests questionnaire and submit their response to CDP's investor signatories (known as "self-selected companies").

Reporting to investors through CDP's forests questionnaire provides companies with an opportunity to demonstrate that they are managing detrimental impacts and associated risks in a robust way.

To discuss disclosing through CDP, please contact your account manager or [local CDP office](#).

*Companies are not scored on rubber disclosure.

**Companies are not scored on the Metals & Mining and Coal questionnaires.

Appendix 1

CDP Industry	CDP Activity Group	CDP Activity	Forest Impact Level
Apparel	Apparel design	Apparel & footwear design	High
	Textiles & fabric goods	Apparel & footwear	High
		Luggage & bags	High
		Textiles	High
Biotech, health care & pharma	Biotech & pharma	Biotechnology	Not relevant
		Pharmaceuticals	Medium
	Health care provision	Health care facilities	Not relevant
	Medical equipment & supplies	Health care supplies	Not relevant
		Medical equipment	Not relevant
Food, beverage & agriculture	Crop farming	Cocoa bean farming	Not relevant
		Cotton farming	Not relevant
		Fruit farming	Not relevant
		Grain & corn farming	Critical
		Other crop farming	Critical
		Other oilseed farming	Critical
		Palm oil farming	Critical
		Rice farming	Not relevant
		Soybean farming	Critical
		Sugarcane farming	Not relevant
		Vegetable farming	Not relevant
	Fish & animal farming	Aquaculture	Very High
		Cattle farming	Critical
		Fishing	Not relevant
		Poultry & other animal farming	Critical
	Food & beverage processing	Alcoholic beverages	Not relevant
		Animal processing	Critical
		Baked goods & cereals	Very High
		Chocolate confection	Very High

		Coffee	Not relevant
		Dairy & egg products	Critical
		Fruit, nut & vegetable processing	Not relevant
		Grain & corn milling	Critical
		Non-alcoholic beverages	Medium
		Non-chocolate confection	Medium
		Oilseed processing	Critical
		Other food processing	Very High
		Palm oil processing	Critical
		Seafood processing	Very High
		Soybean processing	Critical
		Sugar	Not relevant
		Tea	Not relevant
		Logging & rubber tapping	Logging
Rubber farming	Very High		
Tobacco	Tobacco products		Very High
Fossil fuels	Coal mining	Coal extraction & processing	Not relevant
	Oil & gas extraction & production	Natural gas extraction	Not relevant
		Oil & gas extraction	Not relevant
	Oil & gas processing	Oil & gas refining	Not relevant
	Oil & gas retailing	Oil & gas marketing & retailing	Not relevant
Oil & gas storage & transportation	Oil & gas pipelines & storage	Not relevant	
Hospitality	Bars, hotels & restaurants	Fast food	Critical
		Food & beverage amenities	Very High
		Hotels & lodging	Medium
	Entertainment facilities	Gambling	Not relevant
Recreation & entertainment facilities		Not relevant	
Infrastructure	Construction	Building sub-contractors	Not relevant
		Energy infrastructure construction	Not relevant
		Non-residential building construction	High
		Renewable energy construction	Not relevant
		Residential building construction	High
		Transportation infrastructure & other construction	High

	Energy utility networks	Utility line construction	Not relevant	
		Electricity networks	Not relevant	
		Gas utilities	Not relevant	
	Land & property ownership & development	Infrastructure upkeep & management	Not relevant	
		Land sales & leasing	Not relevant	
		Real estate owners & developers	High	
	Non-energy utilities	Recycling	Not relevant	
		Waste management	Not relevant	
		Waste water management	Not relevant	
		Water supply networks	Not relevant	
	International Bodies	International bodies	Government Agencies	Not relevant
			Government Regional	Not relevant
Supranationals			Not relevant	
Manufacturing	Electrical & electronic equipment	Batteries	Not relevant	
		Communications equipment	Not relevant	
		Computer hardware	Not relevant	
		Electrical equipment	Not relevant	
		Electronic components	Not relevant	
		Electronic equipment	Not relevant	
		Household appliances	Not relevant	
		Semiconductors	Not relevant	
	Leisure & home manufacturing	Accessories	High	
		Furniture	High	
		Homeware	Not relevant	
		Sporting goods	Not relevant	
		Toys & games	Medium	
	Light manufacturing	Munitions	Not relevant	
		Other containers & packaging	Not relevant	
		Pollution control equipment	Not relevant	
		Tires	Very High	
	Metal products manufacturing	Fabricated metal components	Not relevant	
		Metal containers & packaging	Not relevant	
	Paper products & packaging	Paper packaging	Critical	

		Paper products	Critical
	Plastic product manufacturing	Plastic products	Not relevant
	Powered machinery	Agriculture, construction & mining machinery	Not relevant
		Engines & motors	Not relevant
		Industrial machinery	Not relevant
		Other vehicle equipment & systems	Not relevant
	Renewable energy equipment	Other renewable energy equipment	Not relevant
		Solar energy equipment	Not relevant
	Transportation equipment	Aerospace	Not relevant
		Alternative vehicles	Not relevant
		Automobiles	High
		Heavy vehicles	Not relevant
		Railroad rolling stock	Not relevant
		Recreational vehicles	Not relevant
		Shipbuilding	Not relevant
	Wood & rubber products	Finished wood products	Critical
		Rubber products	Very High
Materials	Cement & concrete	Cement	Not relevant
		Concrete products	Not relevant
	Chemicals	Agricultural chemicals	Not relevant
		Basic plastics	Not relevant
		Biofuels	Critical
		Inorganic base chemicals	Not relevant
		Nitrogenous fertilizers	Not relevant
		Non-nitrogenous fertilizers	Not relevant
		Other base chemicals	High
		Personal care & household products	Critical
	Specialty chemicals	Medium	
	Metal smelting, refining & forming	Aluminum	Not relevant
		Copper	Not relevant
		Iron & steel	Not relevant
		Metal processing	Not relevant
		Other non-ferrous metals	Not relevant

	Metallic mineral mining	Precious metals	Not relevant
		Bauxite mining	Not relevant
		Iron ore mining	Not relevant
		Other non-ferrous ore mining	Not relevant
		Precious metals & minerals mining	Not relevant
	Other materials	Ceramics	Not relevant
		Glass products	Not relevant
		Other non-wood building materials	Not relevant
	Other mineral mining	Other non-metallic minerals	Not relevant
	Wood & paper materials	Pulp & paper mills	Critical
Sawmills & wood materials		Critical	
Power generation	Biomass & waste generation	Waste generation	Not relevant
	Nuclear power generation	Nuclear generation	Not relevant
	Renewable power generation	Biomass generation	Very High
		Geothermal generation	Not relevant
		Hydro generation	Not relevant
		Other renewable generation	Not relevant
		Solar generation	Not relevant
	Thermal power generation	Wind generation	Not relevant
		CCGT generation	Not relevant
		Coal generation	Not relevant
Non-CCGT generation		Not relevant	
Retail	Convenience retail	Hypermarkets & superstores	Critical
		Supermarkets, food & drugstores	Critical
	Discretionary retail	Apparel stores	High
		Department stores	Very High
		Discretionary delivery retail	Medium
		Specialist retail	Not relevant
	Trading, wholesale, distribution, rental & leasing	Agricultural products wholesale	Critical
		Animal products wholesale	Critical
		Biofuel supply	Critical
		Chemicals wholesale & distribution	Not relevant
Construction & building materials dealing & distribution		High	

		Consumer goods wholesale & rental	Not relevant
		Food & beverage wholesale	Very High
		Home & office wholesale	Very High
		Industrial machinery distribution	Not relevant
		Metals supply, wholesale & trading	Not relevant
		Pharma & health care supplies wholesale & distribution	Medium
		Technology hardware wholesale & distribution	Not relevant
		Textile & apparel wholesale	Very High
		Transportation equipment wholesale & dealing	Not relevant
		Vehicles & machinery rental & leasing	Not relevant
		Wood & paper products wholesale	Critical
		Services	Commercial & consumer services
Consumer services	Not relevant		
Travel services	Not relevant		
Financial services	Asset managers		Not relevant
	Banks		Not relevant
	Insurance		Not relevant
	REIT		Not relevant
Industrial support services	Energy services & equipment		Not relevant
	Industrial services		Not relevant
	Mining & metals support services		Not relevant
	Transportation support services		Not relevant
IT & software development	IT services		Not relevant
	Software		Not relevant
Media, telecommunications & data center services	Media		Not relevant
	Servers & data centers		Not relevant
	Telecommunications services		Not relevant
Other services	Education services		Not relevant
	Health care services		Not relevant
	Real estate services		Not relevant
Print & publishing services	Print publishing		Critical
	Printing services		High
Specialized professional services	Engineering services	Not relevant	

		Other financial	Not relevant
		Other professional services	Not relevant
	Web & marketing services	Marketing	Not relevant
		Web-based services	Not relevant
Transportation services	Air transport	Air freight	Not relevant
		Passenger airlines	Not relevant
	Intermodal transport & logistics	Intermodal transport	Not relevant
		Logistics - 3rd party	Not relevant
		Logistics - transport	Not relevant
	Marine transport	Cruise lines & ferries	Not relevant
		Marine freight	Not relevant
	Rail transport	Passenger rail	Not relevant
		Rail freight	Not relevant
	Road transport	Bus & taxi	Not relevant
Road freight		Not relevant	

Appendix 2

The cut-offs for regions/groupings covered by indexes or stock exchange indexes used in the selection of companies requested to disclose climate change data to investors as part of the Climate Change sample:

- ▼ **South Africa:** 100 of the largest companies in South Africa based on market capitalization;
- ▼ **Asia exJICK:** 170 of the largest companies in Asia excluding Japan, India, China and Korea
- ▼ **China:** 100 of the largest companies in China based on market capitalization;
- ▼ **India:** 200 of the largest companies in India based on market capitalization;
- ▼ **Korea:** 200 of the largest companies in Korea based on market capitalization;
- ▼ **Japan:** 500 of the largest companies in Japan based on market capitalization;
- ▼ **Australia:** 200 of the largest companies in Australia based on market capitalization;
- ▼ **New Zealand:** 50 of the largest companies in New Zealand based on market capitalization;
- ▼ **Brazil:** 120 of the largest companies in Brazil based on market capitalization;
- ▼ **Latin America:** 130 of the largest companies in Latin America based on market capitalization;
- ▼ **S&P 500:** 500 of the largest companies in the USA based on market capitalization;
- ▼ **Canada:** 200 of the largest companies in Canada based on market capitalization;
- ▼ **Benelux:** 150 of the largest companies in the Netherlands, Belgium and Luxemburg based on market capitalization;
- ▼ **CEE:** 100 of the largest companies in Central & Eastern Europe (Poland, Czech Republic, Hungary, Baltic States) based on market capitalization;
- ▼ **DACH:** 350 of the biggest companies in Austria, Germany, and Switzerland by market capitalization;
- ▼ **Euro:** 300 of the largest companies in Europe based on market capitalization;
- ▼ **France:** 250 of the largest companies in France based on market capitalization;
- ▼ **UK:** 475 of the largest companies in the UK based on market capitalization;
- ▼ **Spain:** 85 of the largest companies in Spain based on market capitalization;
- ▼ **Portugal:** 40 of the largest companies in Portugal based on market capitalization;
- ▼ **Italy:** 100 of the largest companies in Italy based on market capitalization;
- ▼ **Ireland:** 30 of the largest companies in Ireland based on market capitalization;
- ▼ **Nordic:** 260 of the largest companies in Denmark, Norway, Finland and Sweden based on market capitalization;
- ▼ **Russia:** 40 of the largest companies in Russia based on market capitalization;
- ▼ **Turkey:** 100 of the largest companies in Turkey based on market capitalization;
- ▼ **Global 500:** 500 of the largest companies globally based on market capitalization;
- ▼ **Emerging market:** 800 of the largest and mid-sized companies in the emerging markets based on market capitalization;
- ▼ **FTSE All-World:** 800 of the largest global companies in developed countries based on market capitalization;
- ▼ **MSCI ACWI:** All the companies that are a constituent of the MSCI ACWI index; and
- ▼ **Benchmark:** companies that have been constituents of the MSCI ACWI at least one quarter since 2015.