

CDP's Forests Sample – Investor Request 2021

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 includes 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.

| Forests Impact Level from Step 2 | Revenue threshold US\$ | Percentage of revenue threshold |
|----------------------------------|------------------------|---------------------------------|
| Not relevant / Low | Activity not included | Activity not included |
| Medium | 30,000,000,000 | 100% |
| High | 700,000,000 | 83% |
| Very High | 1 | 0% |
| Critical | 1 | 0% |

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 2021, companies with relevant business activities that were requested as part of the forests sample in 2020 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 2020 and 2021.

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 |
|-------------------------------|------------------------------|-------------------------------------|---------------|
| Apparel | Textiles & fabric goods | Apparel design & manufacturing | High |
| | | Luggage & bags | High |
| | | Textiles | High |
| Biotech, health care & pharma | Biotech & pharma | Pharmaceuticals | Medium |
| | | Biotechnology | Not relevant |
| | Health care provision | Health care facilities | Not relevant |
| | Medical equipment & supplies | Health care supplies | Not relevant |
| | | Medical equipment | Not relevant |
| Food, beverage & agriculture | Food & beverage processing | Animal processing | Critical |
| | Crop farming | Cotton farming | Not relevant |
| | | Other crop farming | Critical |
| | Food & beverage processing | Other food processing | Very High |
| | Fish & animal farming | Other animal farming and processing | Critical |
| | | Cattle farming | Critical |
| | | Poultry & hog farming | Critical |
| | | Aquaculture | Very High |
| | | Fishing | Not relevant |
| | Crop farming | Cocoa bean farming | Not relevant |
| | | Fruit farming | Not relevant |
| | | Grain & corn farming | Critical |
| | | Rice farming | Not relevant |
| | | Other oilseed farming | Critical |
| | | Palm oil farming | Critical |
| | | Soybean farming | Critical |
| | | Sugarcane farming | Not relevant |
| | | Vegetable farming | Not relevant |
| | Food & beverage processing | Sugar | Not relevant |

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|--------------|------------------------------------|---------------------------------------|--------------|
| | | Oilseed processing | Critical |
| | | Grain & corn milling | Critical |
| | | Palm oil processing | Critical |
| | | Soybean processing | Critical |
| | | Baked goods & cereals | Very High |
| | | Dairy & egg products | Critical |
| | | Fruit, nut & vegetable processing | Not relevant |
| | | Seafood processing | Very High |
| | | Non-chocolate confection | Medium |
| | | Chocolate confection | Very High |
| | | Alcoholic beverages | Not relevant |
| | | Non-alcoholic beverages | Medium |
| | | Coffee | Not relevant |
| | | Tea | Not relevant |
| | Tobacco | Tobacco products | Very High |
| | Crop farming | Biofuel supply | Critical |
| Fossil fuels | Logging & rubber tapping | Logging | Critical |
| | | Rubber farming | Very High |
| | Chemicals | Basic plastics | Not relevant |
| | Other materials | Glass products | Not relevant |
| | Oil & gas extraction & production | Oil & gas extraction initial | Not relevant |
| | | Natural gas extraction | Not relevant |
| | Oil & gas retailing | Oil & gas marketing & retailing | Not relevant |
| | Oil & gas storage & transportation | Oil & gas pipelines & storage | Not relevant |
| Hospitality | Oil & gas processing | Oil & gas refining | Not relevant |
| | Coal mining | Coal extraction & processing | High |
| | Entertainment facilities | Gambling | Not relevant |
| | | Recreation & entertainment facilities | Not relevant |
| | Bars, hotels & restaurants | Hotels & lodging | Medium |
| | | Food & beverage amenities | Very High |
| | | Fast food | Critical |

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|----------------------|---|--|--------------|
| Infrastructure | Construction | Residential building construction | High |
| | Land & property ownership & development | Land sales & leasing | Not relevant |
| | Construction | Renewable energy construction | Not relevant |
| | Land & property ownership & development | Real estate owners & developers | High |
| | Non-energy utilities | Waste management | Not relevant |
| | | Recycling | Not relevant |
| | Land & property ownership & development | Infrastructure upkeep & management | Not relevant |
| | Construction | Infrastructure Construction | Not relevant |
| | | Utility line construction | Not relevant |
| | | Energy infrastructure construction | Not relevant |
| | | Transportation infrastructure & other construction | High |
| | | Non-residential building construction | High |
| | Energy utility networks | Electricity networks | Not relevant |
| | | Gas utilities | Not relevant |
| | Non-energy utilities | Water supply networks | Not relevant |
| | | Waste water management | Not relevant |
| International bodies | Supranationals | Supranationals | Not relevant |
| | Government bodies | Government national | Not relevant |
| | Government agencies | Agencies national | Not relevant |
| | Government banks | Government banks | Not relevant |
| | Government bodies | Government regional | Not relevant |
| | Government agencies | Agencies regional | Not relevant |
| | Government bodies | Government local | Not relevant |
| | Government agencies | Agencies local | Not relevant |
| Manufacturing | Leisure & home manufacturing | Accessories | High |
| | Transportation equipment | Automobiles | Very High |
| | Metal products manufacturing | Fabricated metal components | Not relevant |
| | Electrical & electronic equipment | Electrical equipment | Not relevant |
| | Powered machinery | Other vehicle equipment & systems | Not relevant |
| | | Engines & motors | Not relevant |
| | Light manufacturing | Automotive interior | Very High |

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|-----------------------------------|--|---------------------|
| | Tires | Very High |
| Electrical & electronic equipment | Batteries | Not relevant |
| Light manufacturing | Other building products | High |
| Wood & rubber products | Finished wood products | Critical |
| Electrical & electronic equipment | Household appliances | Not relevant |
| Leisure & home manufacturing | Furniture | High |
| | Homeware | Very High |
| | Toys & games | Medium |
| Transportation equipment | Recreational vehicles | Not relevant |
| Leisure & home manufacturing | Sporting goods | Not relevant |
| Light manufacturing | Munitions | Not relevant |
| Electrical & electronic equipment | Computer hardware | Not relevant |
| Paper products & packaging | Paper products | Critical |
| Renewable energy equipment | Other renewable energy equipment | Not relevant |
| | Solar energy equipment | Not relevant |
| Diversified Industrials | Diversified Industrials | Not relevant |
| Transportation equipment | Aerospace | Not relevant |
| | Heavy vehicles | Not relevant |
| | Shipbuilding | Not relevant |
| Powered machinery | Industrial machinery | Not relevant |
| Electrical & electronic equipment | Electronic components | Not relevant |
| | Electronic equipment | Not relevant |
| Powered machinery | Agriculture, construction & mining machinery | Not relevant |
| Light manufacturing | Pollution control equipment | Not relevant |
| Transportation equipment | Railroad rolling stock | Not relevant |
| Wood & rubber products | Rubber products | Very High |
| Plastic product manufacturing | Plastic products | Not relevant |
| Light manufacturing | Other containers & packaging | Not relevant |
| Metal products manufacturing | Metal containers & packaging | Not relevant |
| Paper products & packaging | Paper packaging | Critical |
| Electrical & electronic equipment | Communications equipment | Not relevant |

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|------------------|------------------------------------|------------------------------------|--------------|
| | | Semiconductors | Not relevant |
| Materials | Chemicals | Personal care & household products | Critical |
| | | Biofuels | Critical |
| | Metal smelting, refining & forming | Metal processing | High |
| | Chemicals | Agricultural chemicals | Not relevant |
| | | Non-nitrogenous fertilizers | Not relevant |
| | | Nitrogenous fertilizers | Not relevant |
| | | Other base chemicals | High |
| | | Inorganic base chemicals | Not relevant |
| | Wood & paper materials | Sawmills & wood materials | Critical |
| | Chemicals | Specialty chemicals | Medium |
| | Other materials | Ceramics | Not relevant |
| | Cement & concrete | Cement | Not relevant |
| | Other mineral mining | Other non-metallic minerals | High |
| | Other materials | Other non-wood building materials | Not relevant |
| | Cement & concrete | Concrete products | Not relevant |
| | Wood & paper materials | Pulp & paper mills | Critical |
| | Metal smelting, refining & forming | Iron & steel | Not relevant |
| | Metallic mineral mining | Iron ore mining | High |
| | Metal smelting, refining & forming | Other non-ferrous metals | High |
| | | Aluminum | High |
| | Metallic mineral mining | Bauxite mining | High |
| | Metal smelting, refining & forming | Copper | High |
| | Metallic mineral mining | Other non-ferrous ore mining | High |
| | | Precious metals & minerals mining | High |
| | Metal smelting, refining & forming | Precious metals | High |
| Power generation | Thermal power generation | Power generation | Not relevant |
| | | Fossil generation | Not relevant |
| | Nuclear power generation | Nuclear generation | Not relevant |
| | Renewable power generation | Other renewable generation | Not relevant |
| | | Solar generation | Not relevant |

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| | | Wind generation | Not relevant |
| | | Geothermal generation | Not relevant |
| | | Hydro generation | Not relevant |
| | Biomass & waste generation | Biomass & waste generation | Very High |
| Retail | Discretionary retail | Specialist retail | High |
| | Trading, wholesale, distribution, rental & leasing | Consumer goods wholesale & rental | Not relevant |
| | Discretionary retail | Apparel stores | High |
| | Trading, wholesale, distribution, rental & leasing | Textile & apparel wholesale | Very High |
| | | Transportation equipment wholesale & dealing | Not relevant |
| | | Technology hardware wholesale & distribution | Not relevant |
| | | Home & office wholesale | Very High |
| | | Chemicals wholesale & distribution | Not relevant |
| | | Wood & paper products wholesale | Critical |
| | | Pharma & health care supplies wholesale & distribution | Medium |
| | | Vehicles & machinery rental & leasing | Not relevant |
| | Discretionary retail | Discretionary delivery retail | Medium |
| | | Department stores | Very High |
| | Trading, wholesale, distribution, rental & leasing | Construction & building materials dealing & distribution | High |
| | Convenience retail | Supermarkets, food & drugstores | Critical |
| | Trading, wholesale, distribution, rental & leasing | Agricultural products wholesale | Critical |
| | | Animal products wholesale | Critical |
| | | Food & beverage wholesale | Very High |
| | Convenience retail | Hypermarkets & superstores | Critical |
| | Trading, wholesale, distribution, rental & leasing | Industrial machinery distribution | Not relevant |
| | | Metals supply, wholesale & trading | Not relevant |
| Services | Web & marketing services | Marketing | Not relevant |
| | Print & publishing services | Print publishing | Critical |
| | Media, telecommunications & data center services | Media | Not relevant |
| | IT & software development | Software | Not relevant |

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|-------------------------|--|----------------------------------|--------------|
| | Web & marketing services | Web-based services | Not relevant |
| | Media, telecommunications & data center services | Telecommunications services | Not relevant |
| | | Servers & data centers | Not relevant |
| | Specialized professional services | Engineering services | Not relevant |
| | Other services | Education services | Not relevant |
| | Commercial & consumer services | Consumer services | Not relevant |
| | Print & publishing services | Printing services | High |
| | Other services | Real estate services | Not relevant |
| | Commercial & consumer services | Travel services | Not relevant |
| | | Commercial services | Not relevant |
| | Industrial support services | Energy services & equipment | Not relevant |
| | | Industrial services | Not relevant |
| | Financial services | Banks | Not relevant |
| | | Asset managers | Not relevant |
| | Specialized professional services | Other financial | Not relevant |
| | Financial services | Insurance | Not relevant |
| | | REIT | Not relevant |
| | Other services | Health care services | Not relevant |
| | Industrial support services | Transportation support services | Not relevant |
| | Specialized professional services | Other professional services | Not relevant |
| | Industrial support services | Mining & metals support services | Not relevant |
| | IT & software development | IT services | Not relevant |
| Transportation services | Marine transport | Cruise lines & ferries | Not relevant |
| | Intermodal transport & logistics | Intermodal transport | Not relevant |
| | Air transport | Passenger airlines | Not relevant |
| | | Air freight | Not relevant |
| | Intermodal transport & logistics | Logistics | Not relevant |
| | Marine transport | Marine freight | Not relevant |
| | Rail transport | Rail freight | Not relevant |
| | Road transport | Road freight | Not relevant |
| | Passenger transport | Passenger transport | Not relevant |

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|--|----------------|----------------|--------------|
| | Rail transport | Passenger rail | Not relevant |
| | Road transport | Bus & taxi | 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 ex-**
JICK: 250 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:** 100 of the largest companies in New Zealand based on market capitalization;
- ▼ **Latin America:** 500 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:** 450 of the largest companies in the UK based on market capitalization;
- ▼ **Spain:** 84 of the largest companies in Spain based on market capitalization;
- ▼ **Portugal:** 31 of the largest companies in Portugal based on market capitalization;
- ▼ **Italy:** 100 of the largest companies in Italy based on market capitalization;
- ▼ **Ireland:** 40 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 markets:** 800 of the largest and midsized 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.