CDP's Climate Change 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 climate change questionnaire.

CDP recognizes that all industrial activities have a significant role to play in reducing emissions and tackling climate change. We therefore apply a number of criteria to identify those companies who are of most relevance to investors.

The factors that guide company selection for the climate change sample are:

1. The most relevant companies in which investors can invest in, based on market capitalization;
2. Companies with the highest environmental impact (based on emissions) globally; and
3. Continuity and comparability of company data year-on-year.

As a result, companies may be identified and selected based on multiple criteria, such as inclusion on a stock exchange and due to their environmental impact.

What criteria is used to select companies?

Companies in the climate change sample are identified based on three main criteria, following the principles above:

- To ensure regional relevance, the CDP climate change sample is constructed based on an amalgamation of constituents of different **regional indexes or stock market indexes around the world.** Companies are prioritized by market capitalization**.** The targeted number of indexes has grown over the years to cover different markets at a greater scope. There are currently more than 30 listing/indexes, at both national and international level.
- Companies may also be requested when they are deemed to have considerable **environmental impact.** The environmental impact criteria cover the most polluting public and private companies from high-emitting sectors. These lists are compiled by CDP's Data and Environmental Practice teams and are reviewed regularly. They aim to ensure that high emitting companies are covered year-on-year.
- 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.

1. Equity criteria

- First, for each of the regions/groupings listed below, companies are ordered from largest to smallest, based on market capitalization in USD. This analysis is usually done at the beginning of September the year prior to the request.
- Duplicate listings, Investment trusts (not including REITs), and Exchange Traded Funds are excluded.
- A cut off is then applied, to provide the top companies for that region/grouping. See below for further details of the cut off for each region/grouping .
- Note that whilst Real Estate Investment Trusts (REITs) were excluded from some regions in previous years due to relevance, they have been included in the climate sample since 2020 as a result of the introduction of sector specific questions for Real Estate.

Please note that companies may be identified as relevant on equity criteria for more than one regions/grouping, due to listing on multiple exchanges.

The regions/groupings covered by indexes or stock exchange indexes are:

- **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.

2. Environmental criteria

The first list of companies selected under environmental impact criteria:
- We define a company universe based on emissions data reported to CDP, CDP modelled emissions data and other publicly available external data sources.
- The 1,400 companies with the highest emissions are then included in the Climate Change sample.
- The sectors with the highest numbers of companies are Materials, Energy, Industrials, Consumer Discretionary and Utilities.

The second list, our climate high-impact sample, has been created with the following criteria, using CDP's Full GHG Emissions Dataset:
- Companies with the highest scope 1 and 2 emissions, and with the highest scope 3 emissions, in the CDP 2019 Investor-requested sample for the Climate Change questionnaire.
- MSCI ACWI constituents with the highest market cap
- Companies meeting the dual criteria of having the highest market cap in their HQ Country, and companies having the highest GHG emissions in their industry.
- The 20 largest private US companies and the 15 largest private EU companies by revenue.

For more specific details about the criteria used to create our climate high-impact sample, see our in-depth explainer.

3. Continuity criteria

- Companies who were requested as part of the Climate Change sample in the previous year and 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 their revenue or market capitalization and ensures stability in the data set presented to investors on a year-to-year basis.

◣ A group of global companies was identified as a baseline in order to track corporate commitments following the Paris Agreement. These companies continue to be requested for continuity of the dataset.

4.   Fixed income criteria

◣ As above, the initial criteria in the methodology relates to listed equities. In 2020, CDP aimed to expand upon its traditional investor request to include the bond markets by working with a number of participating investors to request disclosure from corporate and municipal debt issuers and to drive more environmental transparency within the fixed income market.

◣ In 2021, our fixed income sample has been expanded to request more debt issuers included in key US and European corporate bond indexes, to meet growing demand for environmental transparency within the fixed income market.

5.   Other criteria

◣ The global food system is responsible for an estimated 28% (and possibly up to 35%) of global GHG emissions and has land-use and deforestation and water security issues and concerns. 60 companies that are constituents of the **Coller FAIRR Protein Producer Index** are included in the climate change sample to address this impact.

Final climate sample

The final sample for climate change is a group of just under 6900 unique companies. By geographical division, approximately:

◣ Asia 34.1% (11.3% China; 8.3% Japan)
◣ Europe 32.5%
◣ North America (not including Mexico) 18.3%
◣ Latin America and the Caribbean 7.7%
◣ Oceania 4.3%
◣ Africa 1.6%
◣ Middle East 1.5%

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

To discuss disclosing through CDP, companies should contact their account manager or local CDP office.