

ACCELERATING THE RATE OF CHANGE

CDP STRATEGY 2021–2025

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EXECUTIVE SUMMARY



Since inception, CDP has played a transformational role in driving climate disclosure and action from businesses, investors, cities and governments around the world. We are proud of our impact over the past 20 years. But time is fast running out to prevent catastrophic climate change, and the irreversible loss of nature and habitats. Global average temperatures have already increased by 1.1°, with annual deaths from climate change reaching 150,000; and more than two-thirds of global wildlife lost over the past half century.

To prevent further disaster we must limit warming to no more than 1.5°C above pre-industrial levels and deliver on the vision of a genuinely net-zero, nature positive and equitable world by 2050 at the latest. Current national pledges and policies to reduce emissions don't go far enough: they would result in average temperature rises of between 2.4°C and 3.1°C by 2100; and in many cases even these inadequate pledges are not yet being implemented. We must do more; and do it faster.

In our first two decades, CDP focused on raising ambition around climate, water and forests, and providing data to improve governance and decision-making. There is now an urgent need to ensure stated intentions are accompanied by concrete plans, with transition metrics, and evidence of progress against agreed goals. Accountability is needed to raise the bar to align with halving emissions, shifting towards nature positivity by 2030 and achieving net-zero emissions and full nature recovery by 2050. And all this needs to be done in a just and equitable way, ensuring that we protect the world's most vulnerable from climate impacts.

Our new 2021–25 strategy sets out how CDP will respond to this need and drive more meaningful action by deepening our engagement, tracking and analysis across a multiplicity of stakeholders, widening our scope to cover more environmental issues, and increasing our focus on tangible targets, plans and performance.

Over the next five years, we will develop our systems and processes to support greater transparency and accountability from businesses, cities and governments. We are already the world's largest global repository of environmental data, but by 2025, we will grow this to cover 90% of the highest-impact firms. We will apply our well-proven, iterative methodologies to an expanded range of environmental issues, to help investors, businesses, cities and governments act with the urgency required. We will expand our definition

of the "E" in Environmental, Social and Governance (ESG), to cover planetary boundaries, including oceans, land use, biodiversity, food production and waste. We will play our part in creating and demonstrating corporate acceptance of the need to act on a wider range of environmental issues, and then formalize a reporting system which is good enough to legislate.

We will work with more actors to increase coverage in our system and by 2025, CDP will be the definitive mechanism to track the nature, extent and speed of corporate and city action against their commitments and their impact on the global environment. CDP will also work with the Science Based Targets initiative to streamline and enhance its target validation and measuring, reporting and verification processes through our disclosure and scoring systems. We will do much more to encourage and support companies to set targets and create tangible transition plans, as well as measuring their performance against them. By broadening the scope and deepening the reach of the CDP system, we will ensure that disclosure drives increased transparency, that insights lead to accountability, and that action catalyzes transformation.

CDP has a hybrid funding model, with funding from philanthropic and government sources, as well as income coming from charging private sector actors for value-adding services to drive impact. In order to achieve this strategy, CDP will need funding support and we seek to work with our funding partners to achieve this.

We are a mission- and values-driven organization and our people will continue to be critical to the success of this next phase.

We are all committed to playing our part in realizing a net-zero, nature-positive world by 2050, and ensuring swift action is taken over the next few years to course-correct and get on an appropriate transition pathway.

Our new strategy is aligned to and incorporates our values of:

- ▶ **Defaulting to transparency**
- ▶ **Placing accountability at our heart**
- ▶ **Learning and improving**
- ▶ **Succeeding together**

VISION AND HOW WE DRIVE CHANGE



OUR VISION, MISSION AND GOALS



OUR VISION

A thriving economy that works for people and planet in the long term.

OUR MISSION

We focus investors, companies, cities and governments on building a sustainable economy by measuring and acting on their environmental impact.



OUR ENVIRONMENTAL PRIORITIES

CDP's environmental priorities are to support the following objectives being achieved in the world:

- ▶ **To reduce emissions in line with a 1.5°C pathway.**
- ▶ **To restore ecosystem health.**

Climate change is already happening and is to some degree unstoppable. 2020 was the hottest year on record, and by mid-2021, devastating floods had hit Germany, Belgium, the Netherlands, Switzerland and China, while record-breaking temperatures had been recorded in Turkey, America and Finland. In July 2021, the temperature in Death Valley, California, reached 54°C, the hottest formally-recognized daytime temperature ever. The WHO estimates that climatic changes already cause over 150,000 additional deaths annually, linked to extreme weather, natural disasters and malnutrition.

To prevent catastrophic and irreversible climate change, we must limit warming to no more than 1.5°C above preindustrial levels. This will entail countries working together to halve global Greenhouse Gas (GSG) emissions and eliminate deforestation by 2030 and reach net-zero targets by 2050. However, according to the IPCC, global average temperatures have already increased by 1.1°,¹ and the world is on track for more than two degrees warming. Given current policies, estimates of average temperature increases range from 2.4°C to 3.1°C relative to preindustrial levels by the end of the century. This is a terrifying prospect.

These effects are intimately tied to and reinforce a similar crisis in nature. Global wildlife populations have dropped by 68% since 1970, according to WWF.² Seventy-five per cent of the Earth's ice-free land surface has already been significantly altered, most oceans are polluted, and more than 85% of wetlands area has been lost. Biodiversity loss, caused by

deforestation, intensive agriculture, and mismanaged urban growth and hastened by climate change, created the conditions for the COVID-19 pandemic, and triggered dire warnings of more to come.

Nature's message is loud and clear. We must radically change the assumptions we make about what the planet can handle and how much we can extract, consume and produce from it. As well as determined political action, we need an overhaul of business operations, which goes well beyond the reforms that most governments, companies or individuals are currently contemplating.

The world's converging crises in climate, nature, the economy and public health must be tackled together but we are far behind where we need to be. The sooner we act, the higher our chances of preventing more deaths, more disruption, and more irreversible change.

¹ <https://www.ipcc.ch/assessment-report/ar6/>

² <https://livingplanet.panda.org/en-gb/>

TWO DECADES OF DISCLOSURE: FROM NICHE TO MAINSTREAM

At the start of this millennium, climate change and environmental issues were climbing up the political agenda and into public consciousness, but the status quo was unbridled growth with little regard for the consequences. The majority of companies and investors did not see climate change as a major threat, or if they did, did not consider it a relevant material risk to their profits or operations. The idea that it was in their interests to address it was far from well established.

Since CDP was established in 2000, this has changed beyond recognition. Citizens, customers, investors and employees increasingly demand that companies take their social and environmental responsibilities seriously, including by measuring and cutting carbon emissions, waste, pollution and other environmental damage associated with their business.

Now, the tide is turning towards a recognition that this makes business sense too. To stave off the existential threat that climate change and environmental degradation pose to humanity and the health of the ecosystem, transformational change is required in every industry. Environmental risk and opportunities will dominate the markets of the near future and new businesses will emerge as a result. Companies must plan around this to survive and thrive.

CDP has been a driving force in the movement that has highlighted environmental and associated economic and social threats and helped to identify and incentivize reforms. Established on the principle that good measurement would lead to effective management, CDP's vision was to equip capital markets to address the climate crisis through the transparent sharing of data. A central plank of this approach is to close the information and knowledge gap around how business operations impact the environment and how a changing climate and dwindling resources could affect commercial entities.

Working with investors to encourage companies to report on the carbon emissions associated with their business

(and later, their impacts on forests and freshwater), CDP created a system which identified, codified and then generated, organized and analyzed the information necessary to drive world-saving action. This helped create the space for corporate leaders to step into, firing the starting gun on a race to the top.

At the first disclosure cycle launch in 2002, CDP had 35 investors signing its request for climate information and 245 companies responding to its first questionnaire. The CDP request established the first systemic link between environmental and financial information and sparked a rapid growth in environmental disclosure around the world.

In 2011, CDP also asked cities to disclose through its platform. This helped raise national governments' ambitions, while supporting and guiding local and regional progress. It made a big difference globally too. When the US administration abandoned its previous leadership role at the UN climate change talks in 2017, American cities' willingness to continue to play their part in stopping climate change, including by disclosing to CDP, helped prevent a total loss of momentum for a critical global player.

TWO DECADES OF DISCLOSURE: FROM NICHE TO MAINSTREAM

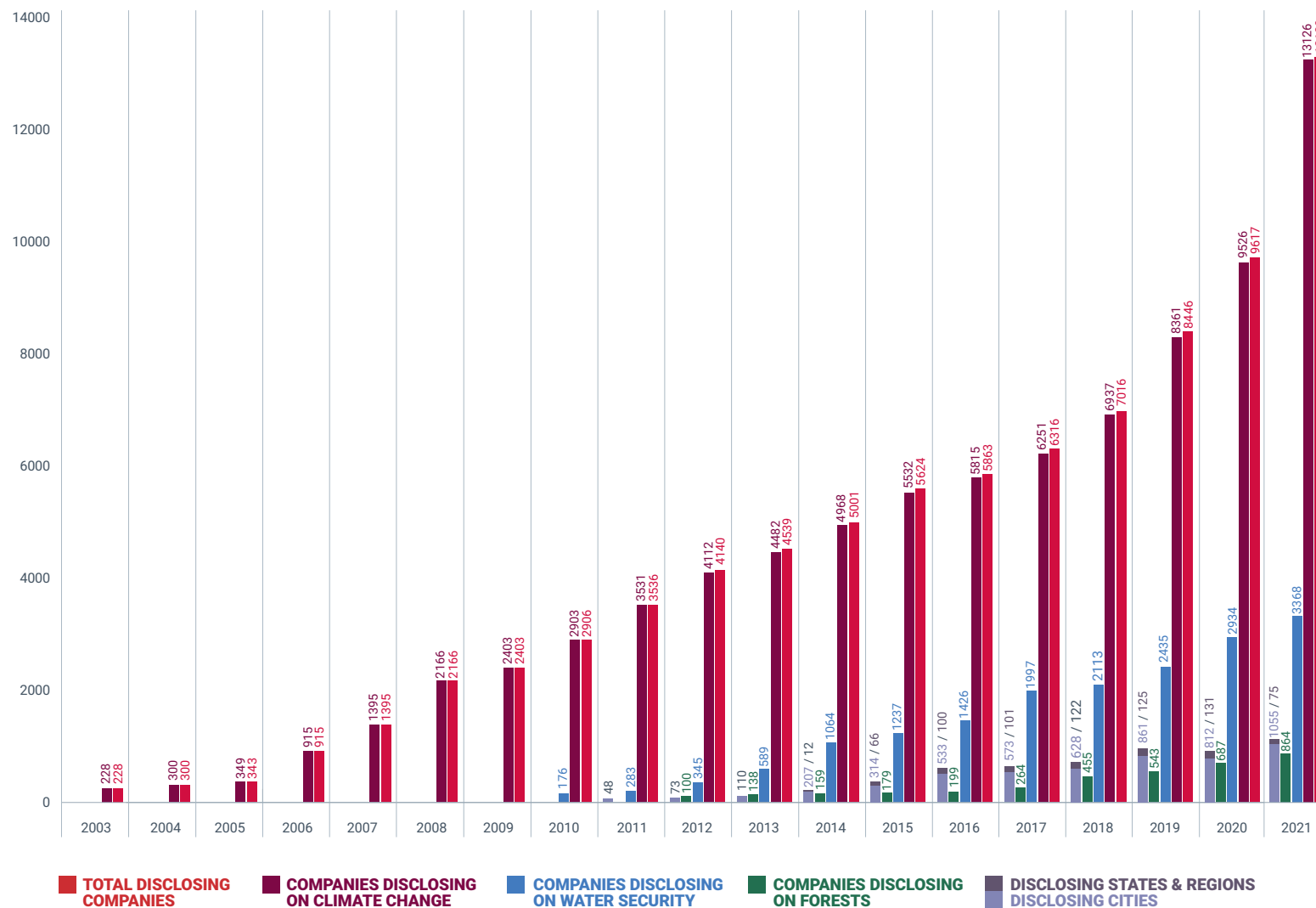
2021 – A record year

In 2021, more than 13,000 companies reported on their environmental impact through CDP, despite the continuing challenges of the pandemic. This was 37% up on 2020 and 135% higher than when governments signed the Paris climate change agreement in 2015. Between them, disclosing companies in 2021 accounted for over 64% of global market capitalization, including 96% of the FTSE 100, over 80% of the S&P 500 and more than 1,500 companies in China. Taking into account the hundreds of cities, states and regions that also disclosed data to CDP in 2021, the total number of disclosing entities reached over 14,000.

2020 – The A Lists

CDP's disclosure process also proves that environmental leadership goes hand in hand with business success. The 300+ companies that scored most highly by CDP in 2020 – the so-called 'A-List' - are worth a combined \$15 trillion in market cap and outperform the stock market by 5.3% on average.³

The 88 cities on the 2020 A List represent nearly 125 million people. From London to Seoul, these cities continue to ramp up their environmental action and ambition, knowing that we urgently need to build resilience and rapidly cut emissions to safeguard the planet, economy, and citizens.



³ <https://www.cdp.net/en/partners/stoxx>

GATHERING DATA, CREATING NORMS, DRIVING CHANGE

Two decades since CDP was founded, market demand for corporate environmental transparency is higher than ever. In 2020, 590 investors with US\$110 trillion in assets, and more than 200 large purchasers with US\$4 trillion in buying power supported CDP's request for disclosure. The data we publish annually is used in global investment research, products, indices and ratings including by Bloomberg, STOXX, S&P Global Trucost, FTSE/Russell, MSCI ESG, ISS ESG and Goldman Sachs, among others.

This has helped global markets get better at valuing nature and pricing the negative impacts of business operations. It has become mainstream for investors to consider ESG factors when making decisions about where to put their money, and ESG investing has proven far more resilient to the global disruption caused by COVID-19 than mainstream funds, with total assets in sustainable funds up 50% to \$1.7 trillion at the end of 2020 compared to the start of the year.⁴

Institutional investors are also starting to get more serious about penalizing companies not taking climate change seriously. For example, in February 2021, Aviva Investors said it would fully divest from companies that failed to set out their roadmap to net-zero emissions by 2050 and meet other expectations on climate change.⁵ There is also growing pressure on banks and investors to stop financing deforestation and nature loss.

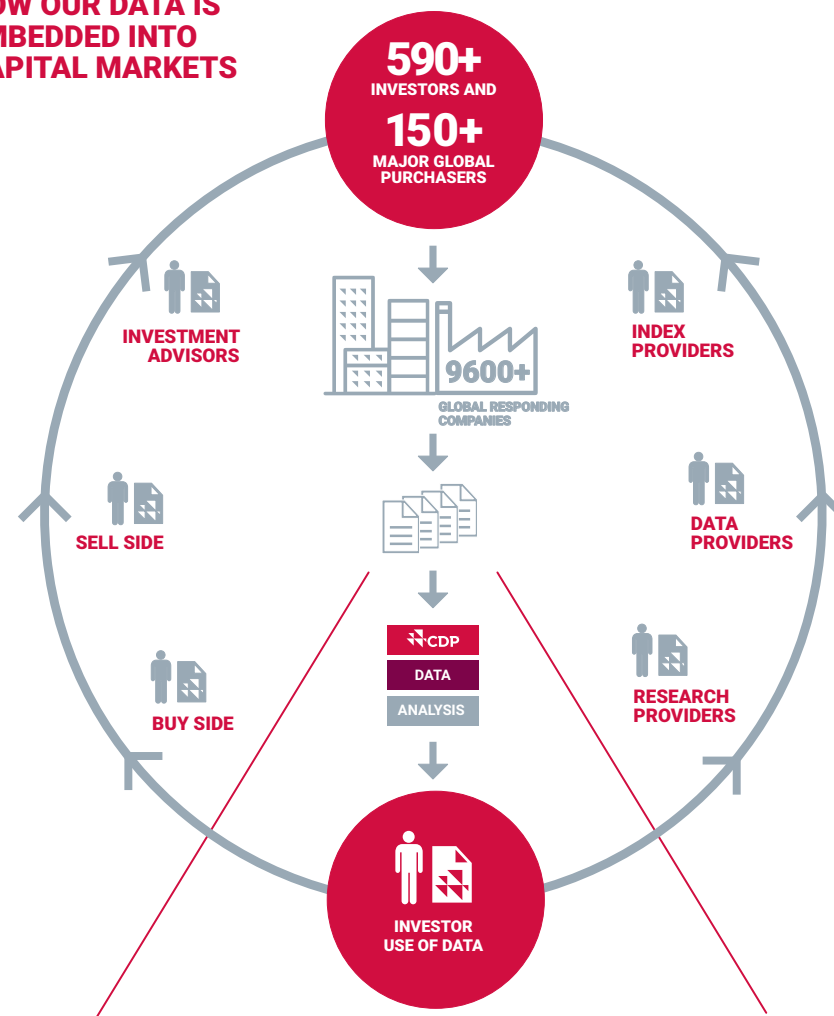
Cities and sub-national governments around the world disclose through CDP every year – publishing their climate plans, targets and the physical risks of a changing climate to their residents and businesses. Over 1,000 cities worldwide have declared climate emergencies: political recognition at every level of government is at an all-time high.

Public awareness is growing too. From the school strikes started by Greta Thunberg, to the grassroots Extinction Rebellion movement, to more shareholder actions holding companies to account, to successful litigation, we have seen an upsurge in action on climate change. There is still a very long way to go before mainstream economics properly values the things on which our existence depends, but the shift has begun.

As disclosure becomes the norm, new standards, bodies and initiatives have been set up to organize action and enable data produced by a range of entities to be used and compared across sectors and jurisdictions. CDP has a clear role to play in helping implement, coordinate and scale these standards, to enhance coherence and minimize confusion and to make our dataset available to a wide range of actors.

Similarly, new technology such as machine learning, big data and data scraping tools is changing the disclosure landscape. As it has done in the past, CDP will adjust and incorporate these new tools into its system, and feed-back the insights generated to improve understanding and enhance policy- and decision-making

HOW OUR DATA IS EMBEDDED INTO CAPITAL MARKETS



CDP DATA USERS INCLUDE:

- ▼ Bloomberg Terminal
- ▼ STOXX
- ▼ S&P Global Trucost
- ▼ FTSE/Russell
- ▼ MSCI ESG
- ▼ ISS ESG
- ▼ Goldman Sachs
- ▼ Amundi

WE POWER NEW FINANCIAL PRODUCTS, DATA TOOLS AND RESEARCH, INCLUDING:

- ▼ STOXX Low Carbon Indices
- ▼ CPR Invest Climate Action fund
- ▼ Climetrics, the climate rating for funds
- ▼ Three Euronext CDP Environment indices using climate, forest and water scores for the first time.

WE HELP DRIVE TRANSFORMATIONAL INITIATIVES, INCLUDING:

- ▼ The Investor Agenda
- ▼ Science Based Targets initiative
- ▼ Carbon pricing toolkits
- ▼ RE100 initiative
- ▼ ACT initiative
- ▼ We Mean Business
- ▼ Race2Zero
- ▼ Say on Climate campaign
- ▼ Net Zero Asset Managers Alliance.

⁴ Source: <https://www.ft.com/content/8e9f8204-83bf-4217-bc9e-d89396279c5b>

⁵ Source: <https://citywire.co.uk/wealth-manager/news/aviva-investors-threaten-divestment-for-climate-failing-firms/a1458203>



**ASKING BUSINESSES, CITIES,
STATES AND REGIONS TO
DISCLOSE INFORMATION
ON THEIR ENVIRONMENTAL
IMPACT AND THAT OF
THEIR SUPPLIERS, BRINGS
ESSENTIAL DATA INTO THE
PUBLIC DOMAIN.**

**IT ALSO CREATES
PROCESSES,
INFRASTRUCTURE
AND AWARENESS
WHICH ENABLES
THE COLLECTION
AND SHARING OF
INFORMATION.**

This increases accountability, changes corporate practice, creates norms, incentivizes and enables reform.

At the same time, data going back to investors' markets, governments and others, increases the ability of capital to reward environmental achievement and innovation.

Partnerships are core to our theory of change and we deliberately set out to collaborate with others to ensure our data and expertise catalyze action at scale. This takes many forms – from the co-creation of standards such as the Science Based Targets initiative, campaigns such as RE100, Business Ambition for 1.5°C and Science Based Targets for Cities, to collaborations such as We Mean Business and the Investor Agenda, of which CDP is a founder.

Our data also underpins major global efforts such as the UNFCCC's Race to Zero and Race to Resilience. Such partnerships and initiatives are an additional lever, which encourages actors to do more. They complement the disclosure process by setting stretch goals and showing how the data produced is used in practice.

Overall, CDP acts as a 'critical friend' to disclosers. We support them to start the journey, provide analysis and guidance which helps them navigate their way through reporting and reform processes, raise the bar at each stage, and create the conditions for a race to the top.

We want governments to introduce ambitious legislation that drives market changes. We create space for this by running a reporting mechanism that incentivizes good behavior, catalyzes the creation of new standards and prepares the market for the change to come.

CDP is also a key connector in a network of investors, companies, policymakers, regional governments and non-governmental organizations. Through its engagement, advocacy and partnerships, CDP helps align corporate and governmental strategies with international goals, supports investors to shift capital to finance the low carbon transition; and changes expectations, ambitions and practices to pave the way to a new, restorative and sustainable society.

THE CHALLENGE: A STEP-CHANGE IN IMPACT

Two decades of disclosure to CDP have driven real change, but it is not enough.

The vast majority of companies are still not treating climate change and other environmental risk factors as core business concerns. Markets still drive toward short-term profit without properly pricing in the social or environmental implications.

All businesses – including private companies - need to overhaul their operations and ensure they will remain viable within environmental boundaries. Governments must set the example and provide the regulatory environment that supports and encourages responsible corporate action.

Both businesses and governments alike must align their actions with equitable outcomes that alleviate unequal burdens created by climate change.

3/4

OF COMPANIES ARE
NOT DOING ENOUGH

Nearly three quarters of companies and cities reporting to CDP currently score C or D, indicating that they are not doing nearly enough to manage climate risk or to reduce their environmental impact. Disclosure alone is not enough – it needs to lead to accountability and transformation. Major players in high-emitting sectors, like oil & gas, metals and mining, and cement, are not changing their business models fast enough. They risk making the global targets unachievable unless they change now.

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BUSINESSES FAILED
TO REPORT ANY DATA
TO CDP IN 2020

Meanwhile, too many companies still refuse to disclose. Over 3,700 businesses failed to report any data to CDP when asked to do so by investors or customers in 2020. These companies could hold a black box of unknown risks and it is difficult to hold them accountable for any environmental pledges.

58%

OF CITIES DO NOT YET HAVE
A CITY-WIDE EMISSIONS
REDUCTION TARGET

There are similar challenges with cities. More than half - 58% - do not yet have a city-wide emissions reduction target and 51% do not yet have a climate action plan. Our research shows that cities with such plans identify twice as many opportunities from addressing climate change as those that do not. Furthermore, although 93% of reporting cities are facing significant climate hazards that put their people and infrastructure at risk, currently 43% of cities do not yet have an adaptation plan to tackle these hazards and keep populations safe.



\$44^{tn}

**NATURE GENERATES
AT LEAST \$44 TRILLION
IN ECONOMIC VALUE
EVERY YEAR**

**Carbon emissions and climate change
are only one part of the challenge.**

**Sustainable development requires the
achievement of a carbon neutral,
nature-positive and equitable world.**

**Nature generates at least \$44 trillion in economic
value every year,⁶ yet losses to nature continue
at unprecedented rates, with three quarters of
land and sea altered by people and over a
million species threatened with extinction.⁷**

**The IPCC and the IPBES jointly agree that
addressing the climate crisis cannot be
achieved without simultaneously addressing
the nature crisis in an equitable way. This
includes conserving, protecting and restoring
ecosystems, adopting more sustainable
agriculture and forestry practices, and
ensuring a circular economy.⁸**

6 World Economic Forum. Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy. New Nature Economy Report I (2020).

7 Díaz, S. et al. Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES). (2019) doi:10.2750/arp.36.13.

8 IPBES-IPCC. Scientific Outcome of the IPBES-IPCC co-sponsored workshop on biodiversity and climate change. https://ipbes.net/sites/default/files/2021-06/2021_IPCC-IPBES_scientific_outcome_20210612.pdf (2021).



NATURE NEEDS MORE ATTENTION.

WE MUST HALVE, ELIMINATE & RESTORE.

The world is just waking up to the scale and implications of the damage inflicted on the natural world. The next ten years are critical, not just for climate change but also wider biodiversity and ecosystem health. By 2030, the world needs to halve its emissions and eliminate deforestation to have any chance of preventing catastrophic changes to climate impacts and restoring the natural systems we rely on.

As of December 2020, over two-thirds of the world's gross domestic product (GDP) was being generated in places where authorities had set, or proposed

to set, a target to bring carbon emissions to net-zero by mid-century.⁹ This is a big step forward but nowhere near enough: these targets need to be implemented to deliver actual emissions reductions starting now.

What happens by 2030 is key.

Overall, the global goal of net carbon neutrality by 2050 needs to be matched by an equally clear global goal of net positivity for nature. This requires measures eliminating nature loss, with restoration well underway by 2030, moving us to a nature positive economic system by 2050.¹⁰

⁹ <https://eciu.net/netzerotracker>

¹⁰ Locke, H. et al. A Nature-Positive World: The Global Goal for Nature. <https://www.wbcsd.org/download/file/11960> (2021).

**THE 2025
STRATEGY –
ACCELERATING
THE RATE OF
CHANGE**

2

BROADENING THE SCOPE AND DEEPENING THE REACH OF THE CDP SYSTEM

Over the past 20 years, CDP's methods and leadership have transformed how investors, businesses, cities and governments understand and tackle environmental issues. This has helped standardize new global norms and practices, which are getting results. But things need to move further and faster. All governments, companies, cities, states and regions must set ambitious environmental targets and take bold, transformative action to achieve them.

CDP's disclosure cycle and its role as a 'critical friend' to corporations and cities, will be essential to enable a safe, just transition to a net-zero, nature positive future. Our new strategy works towards a world in 2025 in which:

- There is significantly enhanced transparency on environmental issues, with a critically larger group of stakeholders, creating a comprehensive, holistic picture of companies', cities' and subnational governments' impact on earth's natural systems. To enable this, CDP will provide data and insights on a broader set of environmental areas and actors.
- Actors are held to account. To enable this, CDP will track progress against a benchmark of what is needed to ensure a transition to a 1.5°C, nature-positive world.
- A transformation has been catalyzed, building the foundation for a 1.5 nature positive global, equitable economy. To realize this, CDP will speed up action at critical nodes in the system, causing ripple effects that tip sectors, cities, regions or economic systems into a new paradigm.

Through these steps, economic actors are empowered through tools, insights and capacity-building to thrive in the new economy. This is CDP's goal for 2025.



CLIMATE



LAND



RESILIENCE



BIODIVERSITY



WASTE



OCEANS



FRESHWATER



FORESTS



FOOD



**WE WILL EXPAND OUR WORK TO COVER THE FULL RANGE
OF PLANETARY BOUNDARIES AND EARTH SYSTEMS**

**ACCELERATING
CHANGE THROUGH
DISCLOSURE,
INSIGHT & ACTION**

CDP has proven it can drive change through disclosure, insight and action.

Over the next five years, we will focus on broadening the scope and deepening the reach of the CDP system.

We will hone our approach so that disclosure leads to full transparency, insight to accountability and action to transformation.



ACCELERATING CHANGE THROUGH DISCLOSURE, INSIGHT & ACTION

INSIGHT ENABLING ACCOUNTABILITY

Scoring companies against their performance over time, using scientific benchmarks to measure progress against what needs to happen to ensure a transition.

Enabling a broader ecosystem of actors to hold disclosers to account by providing actionable data and insights on the metrics that matter.

Incorporating and verifying more geospatial and asset-level data to enable better governance of environmental issues.

Influencing, aligning and enabling emerging best practice standards and regulation.

DISCLOSURE DRIVING TRANSPARENCY

Broadening the scope of the environmental issues our system covers to include nature, biodiversity and planetary boundaries.

Driving coverage of more parts of the system by diversifying the disclosure levers to other market and regulatory actors.

Shining a light on how disclosers are performing against metrics based on the latest science and market needs.

Making this information more readily available to a broader set of stakeholders via scoring, datasets, insights and benchmarking.

Enabling verification and validation through exchanges with other datasets and third-party verification.



ACTION CATALYZING TRANSFORMATION

Working with multiple stakeholders across a variety of environmental areas, focusing on the transition.

Catalyzing and scaling place-based action in an equitable way.

Driving readiness for effective and ambitious policy and regulation.

Scoring, campaigns, engagement and insights focus on tangible actions to achieve a 1.5°C, nature-positive world.

Supporting the implementation of Social and Governance metrics into our platform.

8 KEY FOCUS AREAS

In order to accelerate momentum towards a thriving, resilient economy that works for people and planet, over the next five years CDP will focus on eight areas of work:

1

Expanding our scope to cover planetary boundaries.

2

Tracking and scoring progress along the science-based transition journey.

3

Increasing the influence of our system by reaching new actors.

4

Enabling increasing policy ambition through driving action.

5

Using our platform to implement standards at scale.

6

Catalyzing and scaling place-based action.

7

Enhancing transparency and reducing complexity with new technology.

8

Enhancing the Social and Governance metrics in our platform.

1

EXPANDING OUR SCOPE TO COVER PLANETARY BOUNDARIES

The Earth's systems on land, in water and in the atmosphere consist of a complex web of interacting living and non-living elements that create the environment we live in. Human activity is radically changing these systems. The continuation of these systems in some form is not in question, but their continuation in a way that supports existing economies and well-being is increasingly threatened. Maintaining these systems to the levels we require will necessitate a radical transformation of our economies, from food, water and energy to finance, urban planning and circular, regenerative thinking.

The environmental challenge comes down to an imbalance of demand and supply. People have always relied on their environment to generate the resources needed, to process the waste generated and to create optimal climatic conditions. But in recent times the rates of these demands have accelerated to unprecedented levels. At the same time, the degradation and destruction of natural systems has eroded the capacity of the environment to supply these services.

Today the world is in ecological deficit and every year the gap between demand (our ecological footprint) and supply (the biocapacity of our planet to provide the goods and services people require) continues to widen. A sustainable future requires the bending of these curves; reducing demand and increasing supply until we return to a state of nature positivity.

However, addressing the environmental challenge cannot be achieved on an issue-by-issue basis. CDP's reputation is built on cultivating deep expertise on the drivers, impacts and solutions to climate change, water security and deforestation. These represent three of the most urgent challenges to our demand and supply respectively. But they are pieces of a broader, integrated, interlocking system. The planetary boundaries focus highlights where some of the additional priorities lie. It highlights the need to act on multiple drivers of supply – both on land and in water – including the losses to biodiversity, so important to biocapacity quality and resilience. It also highlights additional demands that have surpassed the capacity of natural systems to process not only GHG emissions but also nitrogen, phosphorous and plastic-based pollution.

Over the next five years, CDP will expand its scope to cover a wider, more holistic approach to disclosing, analyzing and improving environmental performance, focusing both on reducing demands on our environment but also on increasing supply of natural systems able to support us. CDP's accountability mechanism will enable a global dialogue on these issues and the tracking of progress and credibility of commitments made against new initiatives, such as the Taskforce for Nature-related Financial Disclosure and the Science-Based Targets Network. In doing so, we will track, facilitate and drive action towards a 1.5°C-aligned, nature positive world.

2

TRACKING AND SCORING PROGRESS ALONG THE SCIENCE-BASED TRANSITION JOURNEY

Every company, city and state needs to set ambitious science-based targets and be held to account for their progress against them. In 2025, CDP will be the definitive mechanism to track the nature, extent and speed of corporate and city action against these commitments and their impact on the global environment.

CDP's focus to date has been on building climate, water and forest ambition and embedding it into governance and critical decision-making processes. There is now an urgent need to ensure intentions are accompanied by concrete plans, with tangible transition indicators and metrics, as well as evidence of progress, including implementation and achievements against agreed goals. Accountability is needed to align with halving emissions by 2030 and net-zero emissions by 2050, as well as eliminating nature loss, with restoration well underway by 2030, moving us to a nature-positive system by 2050.

This will entail building on the methodologies CDP has developed with the partners of the Assessing low-Carbon Transition (ACT) initiative, as well as collaboration with partners in the We Mean Business and Investor Agenda coalitions to align on the key transition plan metrics. Our

system must scale up its capture and tracking of these metrics, in line with the goals of international treaties and conventions, such as the Paris Agreement, the Convention on Biological Diversity, and the Sustainable Development Goals.

We will launch 'transition scoring' – scoring entities' performance against scientific benchmarks, their historic and current impacts, the projected impact of targets, their product portfolios and disclosure of their transition plans. This will provide a clear assessment of an entity's historic impact and future ambition, whether that ambition is sufficient to meet global climate and nature-related goals, and their performance against targets and plans.

CDP will draw on the lessons we have learnt on the climate journey and apply the same rigor and methods to the task of restoring nature, in recognition that these issues are inextricably connected. Just as CDP helped build the foundations and architecture for meaningful corporate and subnational action on climate, so we will equip corporate actors, investors, subnational governments and regulators to work together to respond to the wider nature and biodiversity crisis, even as they accelerate action on climate.

The transition roadmap and elements



CDP's system will move the emphasis of our work up this spectrum for climate and then move the journey forward for nature.

3

INCREASING THE INFLUENCE OF OUR SYSTEM BY REACHING NEW ACTORS

By 2025, CDP will seek to have relevant environmental data for a significantly bigger proportion of public and private companies, including 90% of the highest-impact companies, and will drive their journey towards action. In addition, we will increase access to our data by providing more information, insights and analysis to the public sector and civil society. Making the results publicly available to a wider group of stakeholders will increase scrutiny and collective ambition, driving bold, transformative and rapid action.

Over 590 investors with US\$110 trillion in assets, and more than 200 large purchasers with US\$4 trillion in buying power supported CDP's request for disclosure in 2020. Over the next five years, CDP will seek to expand the range of stakeholders who serve as our 'authorities' within our system. We will expand from investors (equity) and big buyers (procurement) to include banks (lending), private equity, stock exchanges, hedge funds, regulators, central banks, cities, and civil society; leveraging demand for environmental action to promote disclosure and vice versa.

CDP is already developing pilots to expand the disclosure request to enable and encourage debt and private markets, mid-market and SME businesses and subnational and sovereign public enterprises historically not incentivized via capital markets engagement, to play an active role in the climate transition. In parallel, stock exchanges are seeking to leverage CDP's disclosure infrastructure to widen the scope of environmental reporting by listed entities.

We seek to enable a system-wide transformation, by:

- Accommodating capital market actors such as government entities, who partake primarily in the bond markets. These actors are not currently able to request disclosure from agencies, ministries, and entities that are otherwise publicly-owned and operate as companies.
- Increasing environmental disclosure outside of public markets. Historically, CDP has utilized the power of investor signatory and supply chain member authorities to request disclosure from thousands of companies. However, there are still significant gaps in environmental disclosure in other markets such as the bond and private markets. As public markets transition, it will be critical to capture and drive environmental action across these other markets to ensure environmental impacts are not simply transferred to different assets.
- Providing more sophisticated and tailored offerings for capital market stakeholders, via comprehensive, curated datasets, thereby increasing the value of CDP's system in driving a shift in capital allocation.

CDP's initial pilots focus on private equity and venture capital firms, as well the State of New York as a new authority requesting public enterprise/ authority/agency disclosure.¹¹ These pilots will support the development of scalable blueprints and ensure that CDP's system reaches the parts of the capital markets that are private, enable investment in new types of public infrastructure and drive innovation across the economy.

11 New York in total is responsible for approximately 10% of the global municipal bond market, and New York State authorities are by far the biggest actors in the state's municipal markets.

90%

CDP WILL SEEK TO HAVE RELEVANT ENVIRONMENTAL DATA FOR A SIGNIFICANTLY BIGGER PROPORTION OF PUBLIC AND PRIVATE COMPANIES, INCLUDING 90% OF THE HIGHEST-IMPACT COMPANIES

4

ENABLING INCREASING POLICY AMBITION THROUGH DRIVING ACTION

Policy frameworks that seek to drive down emissions, tackle climate impacts and reverse ecosystem degradation are growing globally. Recent analysis, for example, shows that net-zero targets have become mainstream.

Clearly it is now critical that policies are implemented which ensure these targets are met. Our data and insights already underpin global efforts to demonstrate and track the commitments and action of non-state actors, helping to increase ambition at a global, regional and national policy level.

CDP's disclosure process will strengthen and support regulation, helping companies to comply and encouraging them to go further. Our system

has proven time and time again its effectiveness at driving new norms and standards. Over the next five years as we scale this up and expand beyond our existing focus, we will provide policymakers with the proof points they need to create comprehensive governance mechanisms at scale. Even as public policy ebbs and flows, CDP's reporting mechanism will continue to drive behavior change, track progress (or lack thereof), raise the bar and provide space for leaders to innovate and excel.

At the same time, governments are increasingly considering making reporting on climate impacts mandatory for corporates and others as part of their efforts to protect the environment. For example, in November 2020 the UK chancellor announced climate disclosures by large companies and financial institutions would be mandatory by 2025; and in June 2021, the G7 finance ministers committed to move towards a TCFD-aligned mandatory disclosure policy pathway.

Mandatory reporting will be fundamental to achieving a sustainable economy that works for people and planet. However, regulation will take time to come into effect and will vary by region and jurisdiction. In the meantime, investors, governments and other stakeholders will still require standardized information generated via high-quality disclosure processes that are continually improving, and that enable the tracking of progress against targets, transition plans and performance. CDP will continue to provide this, driving readiness for regulation, as well as ensuring quality and actionable insights as regulation comes into force.

Further, the financial system has a pivotal role to play in achieving the goals set by the Paris

Agreement and the 2030 Agenda for Sustainable Development. Its full potential needs to be harnessed to serve as an engine to drive the transition of the global economy.

The importance of finance in providing the resources needed to scale up sustainable development is recognized by several international instruments, including the Paris Agreement and the Addis Ababa Action Agenda, among others. At the same time, financial supervisory bodies are increasingly recognizing that systemic shocks are more likely in an environment in which financial assets do not fully reflect climate-related physical and transition risks. Market regulators and supervisors can play a pivotal role in driving the change needed in the financial system and we will strengthen engagement with these bodies, helping to support regulatory changes with evidence from our reporting and data platform.

CDP will dedicate itself to supporting the development of a financial system that integrates sustainability considerations into its operations, including the full costing of positive and negative externalities that sustainability implies, leading to a reorientation of capital flows towards achieving global goals.

61%

OF GLOBAL GHG EMISSIONS COVERED BY NATIONAL NET-ZERO COMMITMENTS

68%

OF GLOBAL GDP COVERED BY NET-ZERO COMMITMENTS

56%

OF THE WORLD'S POPULATION COVERED BY NET-ZERO COMMITMENTS¹²

¹² <https://www.ox.ac.uk/news/2021-03-23-net-zero-pledges-go-global-now-action-needs-follow-words-oxford-eciu-report>

5

USING OUR PLATFORM TO IMPLEMENT STANDARDS AT SCALE

Reporting of business' ESG performance is now considered fundamental to effective corporate management. As a result, several disclosure frameworks, guidelines and standards, as well as taxonomies, tools and indices have been developed. Examples include the Climate Disclosure Standards Board (CDSB), the Taskforce on Climate-related Financial Disclosure (TCFD), the Taskforce on Nature-related Financial Disclosure (TNFD), the International Sustainability Standards Board (ISSB), the GRI Standards, the Sustainability Accounting Standards Board (SASB) and the Common Reporting Framework (CRF). A number of jurisdictions are also seeking to implement sustainable finance taxonomies, following the creation of the EU Taxonomy.

This drive to support corporate environmental reporting is welcome but needs consolidating or it will create confusion, as well as a reporting burden for issuers. The development of divergent taxonomies or regional standards may make it difficult for companies and investors operating in multiple jurisdictions. A coherent reporting system with internationally agreed standards and taxonomies is needed to ensure effective data access, analysis and use by the data users. In addition, not all the standards currently under development will encompass both risk and impact management, the latter being critical to creating a net-zero, nature-positive economy.

As the world's largest environmental disclosure repository, CDP's platform is populated with information submitted by thousands of companies, cities and subnational governments following agreed disclosure requirements and standards. This is reviewed and edited annually to reflect external developments and provide the most reliable and useful data set. In this way, CDP's platform can help implement new standards and bring them to life in the real economy; for example, the CDP questionnaire was changed in 2018 to adopt the TCFD guidelines, meaning that every company disclosing to CDP is producing a TCFD-aligned data set.

We prioritize implementing, influencing and improving standards over developing formal standards ourselves. Our unique reporting mechanism is both an acid test and source of innovation for standards and its power comes from being able to implement standards globally at scale. We will therefore continue to align with the most relevant and significant standards and apply them in ways that can then help improve future versions. This happens in a variety of ways,

from partial or full alignment via questions and questionnaire; to alignment of terms, refinement of datapoints and incorporation into our guidance documentation & mapping.

Datasets mapped to specific standards and indicators are then created for stakeholders.

We will help facilitate standardized access to disclosure and reduce the need for multiple taxonomies and/or databases in different jurisdictions. We are piloting an approach we can use for emerging taxonomies and replicate for mandatory regulatory disclosure and other regulations.

This will benefit:

- 1. Current and future users of CDP's disclosure platform by bringing coherence and convergence around existing taxonomies and ensuring that our data is structured around these taxonomies.**
- 2. Investors by allowing data access, analysis and use against common and internationally agreed taxonomies.**
- 3. Policymakers who have mandated or are considering mandatory ESG disclosure to be filed through specific platforms or using specific taxonomies.**
- 4. Standards-setters and reporting frameworks by enabling a shared vision for a global reporting system and utilizing CDP's disclosure platform to drive adoption at scale, globally.**

From CDSB to TCFD, ISSB and beyond

CDP helped establish the Climate Disclosure Standards Board (CDSB) in 2007 to provide a consistent way to record climate risk and opportunity in mainstream reports. In the absence of an authoritative global body such as the International Accounting Standards Boards (IASB) or OECD moving this agenda forward, CDSB filled an important gap in market practice.

Eight years later, the Task Force on Climate-Related Financial Disclosures (TCFD) was created by the Financial Stability Board (FSB). TCFD guidelines were published in 2017 and integrated into the CDP questionnaire in 2018. In 2021 the G7 countries, followed by China, committed to mandate TCFD-aligned disclosure, showing how central to policy making this thinking has become.

CDP and CDSB's work underpins the TCFD recommendations and is referenced across numerous regulatory requirements and stock exchange guidelines globally.¹³ In 2019, CDSB led the drafting of the Corporate Reporting Dialogue (CRD)'s mapping of the standards and frameworks against TCFD.

Most recently, CDSB has been invited to participate in the International Financial Reporting Standard's (IFRS) working group on the creation of an International Sustainability Standards Board (ISSB) to accelerate convergence in global sustainability reporting.

Building on what CDP sought to enable in our system for TCFD, CDP will now seek to enable the speedy implementation of the ISSB globally and at scale, to ensure a structured, complete and consistent dataset is provided to decision makers.

¹³ UK, EU, Canada, among others and at least 16 stock exchanges.



6

CATALYZING AND SCALING PLACE-BASED ACTION

The impacts of climate change and environmental degradation and the actions necessary to mitigate and reverse the damage will require actors in different locations to have access to the right information and tools to collaborate. No single entity, country, or region will be able to do this on their own.

A systematic scale-up of action and collaboration at a local level across all regions of the world must take place if we are to transform the global economy over the next decade. We have seen significant action take place by companies, cities, states and regions on climate change and restoring nature but to enable this scale-up, the world will need an integrated, comprehensive and equitable approach to local action.

CDP's system is unique because it serves as a nexus point where corporate, city, state and regional information comes together. Incorporating more location-based data into our platform, expanding our coverage in the global south, bringing new public authorities into the system and ensuring local actors know what others are doing and have the ambition to do; we can catalyze the systematic scale-up of collaboration and capital allocation on environmental issues that the world needs.

Over the next five years, we plan to leverage our unique role and the changes we are making to our reporting system to enable local action to happen at scale.



7

ENHANCING TRANSPARENCY AND REDUCING COMPLEXITY WITH NEW TECHNOLOGY

The world is awash with data. Technological breakthroughs and new granular data sources are hailed by many as potential environmental game-changers. These include block-chain technologies, data scraping tools, satellite data, machine learning, artificial intelligence and smart buildings; among others. To harness their potential, they must be embedded into global environmental governance systems. A flexible and evolving CDP system will provide a mechanism for this to happen.

External data can be fed into the CDP system, reducing the effort of compiling information for companies, cities and subnational governments; enabling verification for scoring purposes; enhancing transparency and creating a validation feedback loop with other data systems. It can also support CDP to collect a minimum level of information from non-

responding companies. At the same time, CDP's knowledge and experience and the continued evolution of its questionnaire can inform what data needs to exist, and how it can best be organized, accessed and used.

CDP recognizes that the emerging technology space is evolving quickly, and that we are entering a new era of the internet that has the potential to coordinate, complement and transform established systems. We aim to use cutting-edge technology, where possible and make the most of opportunity analysis, research and development, pilot projects and partnerships to improve our systems and processes and help achieve our mission.



8

ENHANCING THE SOCIAL AND GOVERNANCE METRICS IN OUR PLATFORM

We will explore how to integrate Social & Governance metrics into our platform, focusing on where they overlap with environmental issues.

The relationship between these metrics is complex and a holistic approach to managing the environment is unlikely to be successful unless equity, diversity and inclusion are taken into account. At the same time opaque governance structures, as well as those with no accountability, have a negative impact on environmental behavior. Finally, the link between governance and the environment runs through the social. In other words, what stands at the heart of sustainable development is the link between E, S and G.

Rather than look to deepen our expertise across the full ESG spectrum, we will prioritise partnerships to enable us to aggregate data across S&G metrics and build on our existing platform. These interconnected datasets are at the very heart of any transition, certainly of the required 'Just Transition'.

CDP maintains a nature and climate focus aiming at the 'safe and just corridor'. This is where our accountability centers, collecting data and tracking action against a 1.5° aligned, nature positive, equitable world.

A STRONG CDP TO DELIVER OUR MANDATE

**This section sets out our
values, our ways of working,
our systems and how we
will organize ourselves to
achieve our aims.**



OUR VALUES

As a mission-driven organization, CDP's values underpin our purpose, and inform the way we operate, communicate and develop. They capture the essence of who we are and who we want to be, shape our organizational culture, and guide our ways of working.

THESE ARE OUR CORE VALUES:

WE DEFAULT TO TRANSPARENCY

- We are open, even when it feels uncomfortable.
- We build trust through clarity and honesty.
- We share quality information effectively and at the right time.

WE PLACE ACCOUNTABILITY AT OUR HEART

- We define roles, responsibilities and goals clearly and then empower people to act.
- We support and hold each other accountable.
- We lead by example.

WE LEARN AND IMPROVE

- We are courageous in seeking and offering constructive feedback.
- We consistently take time to review and improve.
- We learn from our mistakes for the benefit of our mission and ourselves.

WE SUCCEED TOGETHER

- We lead with enthusiasm, empathy and passion.
- We create an inclusive and equitable culture across teams and time zones to accomplish our mission.
- We welcome diverse ideas and perspectives with curiosity and open minds.

INVESTING IN OUR PEOPLE

Meet some of our team...



- ▶ Our greatest strength is our people, who join CDP because of their deep passion, belief and commitment to making our planet a better place. This, coupled with the talent and expertise they bring to and develop on the job, is what enables us to achieve our mission. We are committed to improving our work environment and supporting and developing our people.
- ▶ Over the past 18 months, COVID-19 has had a tremendous impact on all of us. In this challenging context, our staff have demonstrated their ability to respond effectively to a crisis and remain committed to the cause. Over the next five years, CDP will seek to capitalize on some of the lessons and opportunities emerging from the pandemic, including designing work for wellbeing, unleashing workforce potential, and making the most of the power of teams.¹⁴

- ▶ We will drive change through our people by:
 - Defining the capabilities that CDP needs to maximize its impact and realize its mission; and developing these capabilities within the organization.
 - Fostering a culture where we celebrate our individual differences and work together to achieve our mission.
 - Enabling our people to contribute creatively, inclusively and productively, towards our mission.
 - Having a strong focus on the needs of our people.

¹⁴ <https://www2.deloitte.com/uk/en/pages/human-capital/articles/global-human-capital-trends-2021.html>

EXPANDING OUR GEOGRAPHICAL REACH: WORKING GLOBALLY, IMPLEMENTING LOCALLY

CDP runs the only global environmental disclosure and reporting mechanism, with over 500 staff operating in eight offices around the world. In regions with no direct CDP presence, we work closely with partners to drive change.

While our reporting system is universal, our engagement and focus areas in different regions are targeted towards the specific challenges and opportunities of that region. In our expansion to cover a broader set of environmental themes, our offices will emphasize those issues and areas which are most relevant for the country/region.

Over the next five years we will scale up our rapidly expanding footprint in Asia and seek to increase our work in Africa.



MONITORING, EVALUATION AND LEARNING

Understanding the impact we are having in the world is key. To date, CDP's systems have focused on monitoring at a project and product level, with emerging work at a program level.

This will now scale up to a full organizational monitoring, evaluation and learning (MEL) system. We will invest in the development of a new system, which will give us a deeper understanding of whether and how we are achieving our intended impact. We see this as critical to our accountability.

Integrating MEL into our organisational culture and everyday working practices will empower us to make evidence-based decisions and ground our strategy in the knowledge of what works. It will support ongoing strategic assessment and course-correction; and enable us to learn and adapt to the needs of a changing landscape. It will also enable us to gain a deeper understanding of value for money and how investment decisions can be leveraged for greatest impact.

Investing in MEL is critical for CDP at this time - we want to know if we are meeting the exciting ambitions set out in this strategy – we want to be rigorous and accountable for what we do for planet and people.



