

## CDP Water Security Sample – Investor Request 2023

This document outlines the process through which CDP, on behalf of its network of investor signatories, selects companies that are requested to respond to the CDP water security questionnaire.

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

### What criteria is used to select companies?

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

- ▼ **Water impact assessment:** Does any aspect of the value chain associated with the given industrial activity have the potential to detrimentally impact on and/or be impacted by water security?
- ▼ **Water impact rating:** How significant are the potential water security impacts associated with the industrial activity?
- ▼ **Revenue threshold:** How much company revenue is associated with this industrial activity?
- ▼ **Water apparel sample:** This contains the top 100 companies in the sector by market cap, alongside other large apparel companies with high water impact ratings. This focus on apparel is driven by an initiative funded by the Swiss Agency for Development and Cooperation (SDC) to improve water stewardship throughout the apparel and textile value chain.
- ▼ **Plastics sample:** This contains the Top 100 Polymer Producers according to the Minderoo Foundation, signatories to the Ellen MacArthur Foundation's Global Commitment, and other companies in the petrochemical, food, beverage, tobacco, retail, packaging, and waste sectors that have significant plastics impacts.

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

Other criteria may be considered on a case-by-case basis. These steps are described in greater detail below.

## 1. Water impact assessment

CDP conducts a thorough assessment of the relevance of water issues for each of the 200 industrial activities in our [Activity Classification System](#). For each industrial activity, we assess the relevance of water issues across each stage of the industrial value chain – 1) direct operations, 2) supply chain and 3) product use.

For each stage of the value chain, the water impact assessment establishes:

- A. Dependence on relatively high volumes of freshwater withdrawal and/or consumption associated with the activity.
- B. Water pollution/degradation potential associated with the activity (chemical, biological or thermal).

This results in a total of six indicators for each activity. The assessment is informed solely by independent, trusted academic and industry-recognized sources, such as UN reports, Multilateral Development Bank publications, company disclosures, and trade and academic publications.

## 2. Water impact rating

CDP then uses a rating system to establish the significance of an industrial activity's potential impact on water security, relative to other activities, at each stage of the value chain. Based on the extensive research conducted, each stage of the value chain for each industrial activity is scored between 0 and 3 points according to the severity of the potential impact:

- ▼ High = 3
- ▼ Medium = 2
- ▼ Low = 1
- ▼ None / Not Relevant = 0

Activities receive a minimum score of 0 points and a maximum score of 18 points. The results of this assessment inform the prioritization of activities with the highest potential to impact water security, as described in the third step below.

### 3. Revenue threshold

Finally, CDP combines the water impact rating with the revenue data from the various industrial activities associated with each company [requested to disclose climate change data](#). The higher the potential impact of the activity on water security, the lower the revenue threshold for the activity. This ensures that companies engaging in activities that have the highest impact will be included in the sample, even if those activities only represent a small part of their 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 water security. We use financial data available in the final quarter of the previous calendar year. **For 2023, all companies assigned a score of 11 – 18 will be requested to disclose water security data.**

Score from Step 2	Water impact	Revenue threshold
0 – 4	None / Low	Activity not included
5 – 7	Medium	US\$ 250 million
8 – 10	High	US\$ 100 million
11 – 14	Very High	Any amount of revenue
15 – 18	Critical	Any amount of revenue

A company will be asked to disclose to investors through CDP’s water security questionnaire, if:

- ▼ The impact rating of the CDP-ACS Activities in which it is involved is either critical, very high, high or medium (see Appendix 1 for list of CDP-ACS Activities and associated water impact rating); and
- ▼ The company’s revenue associated with the activity exceeds thresholds laid out in step 3.

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

### 4. Continuity criteria

Companies that submitted a response to investors’ request in the previous year, as part of the water security sample, will automatically be requested to respond again. This ensures

continuity in companies receiving an annual request for disclosure, regardless of slight changes to its revenue or market capitalization. This also ensures stability in the data set presented to investors on a year-by-year basis.

- Note that the sample does apply to self-selected companies – these are companies deemed as non-relevant according to our criteria, but who volunteer to respond to the CDP water security questionnaire and submit their response to CDP’s investor signatories.

Reporting to investors through CDP’s water security questionnaire provides companies with an opportunity to demonstrate that they are robustly managing detrimental impacts and associated risks.

To discuss disclosing through CDP, companies should contact their account manager or [local CDP office](#).

## **5. Water apparel sample rationale**

CDP, alongside a consortium of other NGOs, is beginning Year 2 of a 3-year project, funded by the Swiss Agency for Development and Cooperation (SDC), to improve water stewardship throughout the apparel and textile sector. This sector has a high impact on water quantity and quality across its entire value chain.

CDP’s state-of-play assessment of the apparel and textile sector, based on 2019 responses, indicates that transparency is lagging compared to other sectors, especially when it comes to water-related metrics. Just 21% of the largest 100 apparel and textile companies, by market cap, reported water-related data through CDP in 2019. Greater transparency is needed to drive accountability and action in the sector, and as such, there is an increase in the number of apparel-related companies included in the sample this year.

The sample of apparel companies requested are prioritised based on market cap (ensuring that the top 100 apparel companies, by market cap, were included), water impact rating, and whether the company currently discloses through CDP’s climate and/or forests questionnaires.

## Appendix 1

CDP Industry	CDP Activity Group	CDP Activity	WATER IMPACT
Apparel	Textiles & fabric goods	Apparel design & manufacturing	Critical
	Textiles & fabric goods	Luggage & bags	Very High
	Textiles & fabric goods	Textiles	Critical
Biotech, health care & pharma	Biotech & pharma	Biotechnology	Medium
	Biotech & pharma	Pharmaceuticals	Critical
	Health care provision	Health care facilities	Medium
	Medical equipment & supplies	Health care supplies	High
	Medical equipment & supplies	Medical equipment	Very High
Food, beverage & agriculture	Crop farming	Biofuel supply	Very High
	Crop farming	Cocoa bean farming	Critical
	Crop farming	Cotton farming	Critical
	Crop farming	Fruit farming	Critical
	Crop farming	Grain & corn farming	Critical
	Crop farming	Other crop farming	Critical
	Crop farming	Other oilseed farming	Critical
	Crop farming	Palm oil farming	Critical
	Crop farming	Rice farming	Critical
	Crop farming	Soybean farming	Critical
	Crop farming	Sugarcane farming	Critical
	Crop farming	Vegetable farming	Critical
	Fish & animal farming	Aquaculture	Critical
	Fish & animal farming	Cattle farming	Critical

Fish & animal farming	Fishing	Very High
Fish & animal farming	Other animal farming and processing	Very High
Fish & animal farming	Poultry & hog farming	Critical
Food & beverage processing	Alcoholic beverages	Very High
Food & beverage processing	Animal processing	Very High
Food & beverage processing	Baked goods & cereals	High
Food & beverage processing	Chocolate confection	Very High
Food & beverage processing	Coffee	Very High
Food & beverage processing	Dairy & egg products	Very High
Food & beverage processing	Fruit, nut & vegetable processing	Very High
Food & beverage processing	Grain & corn milling	High
Food & beverage processing	Non-alcoholic beverages	Very High
Food & beverage processing	Non-chocolate confection	Very High
Food & beverage processing	Oilseed processing	Very High
Food & beverage processing	Other food processing	Very High
Food & beverage processing	Palm oil processing	Very High
Food & beverage processing	Seafood processing	High
Food & beverage processing	Soybean processing	Critical
Food & beverage processing	Sugar	Very High
Food & beverage processing	Tea	Very High
Logging & rubber tapping	Logging	Very High
Logging & rubber tapping	Rubber farming	Critical
Tobacco	Tobacco products	Very High
Coal mining	Coal extraction & processing	Critical
Oil & gas extraction & production	Natural gas extraction	Critical

Fossil fuels	Oil & gas extraction & production	Oil & gas extraction	Critical
	Oil & gas processing	Oil & gas refining	Critical
	Oil & gas retailing	Oil & gas marketing & retailing	High
	Oil & gas storage & transportation	Oil & gas pipelines & storage	High
Hospitality	Bars, hotels & restaurants	Fast food	High
	Bars, hotels & restaurants	Food & beverage amenities	High
	Bars, hotels & restaurants	Hotels & lodging	High
	Entertainment facilities	Gambling	Research not available
	Entertainment facilities	Recreation & entertainment facilities	Research not available
Infrastructure	Construction	Energy infrastructure construction	Very High
	Construction	Non-residential building construction	High
	Construction	Renewable energy construction	Very High
	Construction	Residential building construction	High
	Construction	Transportation infrastructure & other construction	Very High
	Construction	Utility line construction	High
	Energy utility networks	Electricity networks	Low
	Energy utility networks	Gas utilities	Very High
	Land & property ownership & development	Infrastructure upkeep & management	Research not available
	Land & property ownership & development	Land sales & leasing	Research not available
	Land & property ownership & development	Real estate owners & developers	High
	Non-energy utilities	Recycling	Low
	Non-energy utilities	Waste management	Low
	Non-energy utilities	Waste water management	High
	Non-energy utilities	Water supply networks	Medium

International bodies	Government agencies	Agencies local	Research not available
	Government agencies	Agencies national	Research not available
	Government agencies	Agencies regional	Research not available
	Government banks	Government banks	Research not available
	Government bodies	Government local	Research not available
	Government bodies	Government national	Research not available
	Government bodies	Government regional	Research not available
	Supranationals	Supranationals	Research not available
Manufacturing	Electrical & electronic equipment	Batteries	Very High
	Electrical & electronic equipment	Communications equipment	Very High
	Electrical & electronic equipment	Computer hardware	Very High
	Electrical & electronic equipment	Electrical equipment	Very High
	Electrical & electronic equipment	Electronic components	Critical
	Electrical & electronic equipment	Electronic equipment	Very High
	Electrical & electronic equipment	Household appliances	Very High
	Electrical & electronic equipment	Semiconductors	Critical
	Leisure & home manufacturing	Accessories	High
	Leisure & home manufacturing	Furniture	High
	Leisure & home manufacturing	Homeware	High
	Leisure & home manufacturing	Sporting goods	Low
	Leisure & home manufacturing	Toys & games	High
	Light manufacturing	Automotive interior	High
	Light manufacturing	Munitions	High
	Light manufacturing	Other building products	Refer to most relevant manufacturing/materials line
	Light manufacturing	Other containers & packaging	Refer to most relevant manufacturing/materials line



	Light manufacturing	Pollution control equipment	Research not available
	Light manufacturing	Tires	Very High
	Metal products manufacturing	Fabricated metal components	Critical
	Metal products manufacturing	Metal containers & packaging	Very High
	Paper products & packaging	Paper packaging	High
	Paper products & packaging	Paper products	Very High
	Plastic product manufacturing	Plastic products	Very High
	Powered machinery	Agriculture, construction & mining machinery	Very High
	Powered machinery	Engines & motors	Very High
	Powered machinery	Industrial machinery	Very High
	Powered machinery	Other vehicle equipment & systems	Very High
	Renewable energy equipment	Other renewable energy equipment	Very High
	Renewable energy equipment	Solar energy equipment	Very High
	Transportation equipment	Aerospace	Very High
	Transportation equipment	Alternative vehicles	Critical
	Transportation equipment	Automobiles	Very High
	Transportation equipment	Heavy vehicles	Very High
	Transportation equipment	Railroad rolling stock	Very High
	Transportation equipment	Recreational vehicles	Very High
	Transportation equipment	Shipbuilding	Very High
	Wood & rubber products	Finished wood products	Medium
	Wood & rubber products	Rubber products	Very High
	Cement & concrete	Cement	Very High
	Cement & concrete	Concrete products	Very High
	Chemicals	Agricultural chemicals	Critical

Materials	Chemicals	Basic plastics	Critical	
	Chemicals	Biofuels	Very High	
	Chemicals	Inorganic base chemicals	Critical	
	Chemicals	Nitrogenous fertilizers	Critical	
	Chemicals	Non-nitrogenous fertilizers	Critical	
	Chemicals	Other base chemicals	Critical	
	Chemicals	Personal care & household products	Critical	
	Chemicals	Specialty chemicals	Critical	
	Metal smelting, refining & forming	Aluminum	Critical	
	Metal smelting, refining & forming	Copper	Critical	
	Metal smelting, refining & forming	Iron & steel	Critical	
	Metal smelting, refining & forming	Metal processing	Critical	
	Metal smelting, refining & forming	Other non-ferrous metals	Critical	
	Metal smelting, refining & forming	Precious metals	Critical	
	Metallic mineral mining	Bauxite mining	Critical	
	Metallic mineral mining	Iron ore mining	Critical	
	Metallic mineral mining	Other non-ferrous ore mining	Critical	
	Metallic mineral mining	Precious metals & minerals mining	Critical	
	Other materials	Ceramics	High	
	Other materials	Glass products	Medium	
	Other materials	Other non-wood building materials	High	
	Other mineral mining	Other non-metallic minerals	Very High	
	Wood & paper materials	Pulp & paper mills	Very High	
	Wood & paper materials	Sawmills & wood materials	High	
		Nuclear power generation	Nuclear generation	Very High

Power generation	Biomass generation	Biomass generation	Very High
	Renewable power generation	Geothermal generation	Low
	Renewable power generation	Hydro generation	Very High
	Renewable power generation	Other renewable generation	Research not available
	Renewable power generation	Solar generation	High
	Renewable power generation	Wind generation	Medium
	Thermal power generation	CCGT generation	Very High
	Thermal power generation	Coal generation	Very High
	Thermal power generation	Non-CCGT generation	Very High
	Waste power generation	Waste generation	Medium
Retail	Convenience retail	Hypermarkets & superstores	High
	Convenience retail	Supermarkets, food & drugstores	High
	Discretionary retail	Apparel stores	Very High
	Discretionary retail	Department stores	Medium
	Discretionary retail	Discretionary delivery retail	Research not available
	Discretionary retail	Specialist retail	Research not available
	Trading, wholesale, distribution, rental & leasing	Agricultural products wholesale	High
	Trading, wholesale, distribution, rental & leasing	Animal products wholesale	High
	Trading, wholesale, distribution, rental & leasing	Chemicals wholesale & distribution	Very High
	Trading, wholesale, distribution, rental & leasing	Construction & building materials dealing & distribution	High
	Trading, wholesale, distribution, rental & leasing	Consumer goods wholesale & rental	Medium
Trading, wholesale, distribution, rental & leasing	Food & beverage wholesale	High	

	Trading, wholesale, distribution, rental & leasing	Home & office wholesale	Research not available
	Trading, wholesale, distribution, rental & leasing	Industrial machinery distribution	Research not available
	Trading, wholesale, distribution, rental & leasing	Metals supply, wholesale & trading	High
	Trading, wholesale, distribution, rental & leasing	Pharma & health care supplies wholesale & distribution	High
	Trading, wholesale, distribution, rental & leasing	Technology hardware wholesale & distribution	Medium
	Trading, wholesale, distribution, rental & leasing	Textile & apparel wholesale	Very High
	Trading, wholesale, distribution, rental & leasing	Transportation equipment wholesale & dealing	Research not available
	Trading, wholesale, distribution, rental & leasing	Vehicles & machinery rental & leasing	Research not available
	Trading, wholesale, distribution, rental & leasing	Wood & paper products wholesale	High
Services	Commercial & consumer services	Commercial services	Research not available
	Commercial & consumer services	Consumer services	Research not available
	Commercial & consumer services	Travel services	Research not available
	Financial services	Asset managers	Not relevant*
	Financial services	Banks	Not relevant*
	Financial services	Insurance	Not relevant*
	Financial services	REIT	Not relevant*
	Industrial support services	Energy services & equipment	Research not available
	Industrial support services	Industrial services	Research not available
	Industrial support services	Mining & metals support services	Research not available
	Industrial support services	Transportation support services	Research not available
	IT & software development	IT services	Research not available

	IT & software development	Software	Research not available
	Media, telecommunications & data center services	Media	Research not available
	Media, telecommunications & data center services	Servers & data centers	High
	Media, telecommunications & data center services	Telecommunications services	Research not available
	Other services	Education services	Research not available
	Other services	Health care services	Research not available
	Other services	Real estate services	Research not available
	Print & publishing services	Print publishing	Research not available
	Print & publishing services	Printing services	Research not available
	Specialized professional services	Engineering services	Research not available
	Specialized professional services	Other financial	Research not available
	Specialized professional services	Other professional services	Research not available
	Web & marketing services	Marketing	Research not available
	Web & marketing services	Web-based services	Research not available
	Transportation services	Air transport	Air freight
Air transport		Passenger airlines	Medium
Intermodal transport & logistics		Intermodal transport	Medium
Intermodal transport & logistics		Logistics - transport	Research not available
Intermodal transport & logistics		Logistics - 3rd party	Research not available
Marine transport		Cruise lines & ferries	Medium
Marine transport		Marine freight	Medium
Rail transport		Passenger rail	Medium
Rail transport		Rail freight	Medium
Road transport		Bus & taxi	Medium
Road transport	Road freight	Medium	

\*Financial institutions' impact on water security, and their exposure to water-related risks, come almost entirely from the activities they finance and/or insure in the wider economy. They are requested to report information related to forests and water security in an integrated manner **through the Forests and Water Security module of the CDP climate change questionnaire** only if they lend to, invest in or insure sectors of the economy with a critical impact or dependency on water. Financial services companies can still volunteer to respond through the CDP forests questionnaire and submit their response to CDP's investor signatories (known as "self-selected companies") on any business operations that produce or use one or more of the focus commodities or operate mines. Please see <https://www.cdp.net/en/companies-discloser/how-to-disclose-as-a-company/faqs-for-companies> for more details on how to self-select.

## 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:

- ▼ **Africa:** 150 of the largest companies in Africa, excluding South Africa, based on market capitalization;
- ▼ **South Africa:** 100 of the largest companies in South Africa;
- ▼ **Middle East:** 400 of the largest companies in the Middle East;
- ▼ **Asia Pacific:** 1600 of the largest companies in Asia excluding Japan, India, China and Korea;
- ▼ **China:** 800 of the largest companies in China based on market capitalization;
- ▼ **India:** 1000 of the largest companies in India based on market capitalization;
- ▼ **Korea:** 300 of the largest companies in Korea based on market capitalization;
- ▼ **Japan:** 1800 of the largest companies in Japan, by their inclusion on the Tokyo Stock Exchange's Prime Segment;
- ▼ **Australia:** 300 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;
- ▼ **United States of America:** 1000 of the largest companies in the USA based on market capitalization;
- ▼ **Canada:** 200 of the largest companies in Canada based on market capitalization;
- ▼ **Benelux:** 250 of the largest companies in the Netherlands, Belgium and Luxemburg based on market capitalization;
- ▼ **CEE:** 200 of the largest companies in Central & Eastern Europe (Baltic States, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia) based on market capitalization;
- ▼ **DACH:** 550 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:** 85 of the largest companies in Spain based on market capitalization;
- ▼ **Portugal:** 30 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 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;
- ▼ **FTSE Alternative Investment Market:** 100 of the largest companies listed on the alternative investment market;
- ▼ **MSCI Small Cap:** All companies that are constituents of the MSCI Small Cap index;
- ▼ **MSCI ACWI:** All companies that are constituents of the MSCI ACWI index; and
- ▼ **Benchmark:** All companies that have been constituents of the MSCI ACWI at least one quarter since 2015.