Making the most of CDP climate change

Guidance on how to streamline the CDP response process and improve your submission

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**What is CDP and the climate change program?**

CDP is an international nonprofit working to transform the way organizations respond to climate change issues and natural resource degradation. Backed by 827 institutional investors with $100 trillion in assets during the 2016 disclosure cycle, CDP holds the largest collection of voluntarily reported climate change, forest and water data in the world, based on information requests sent to thousands of participants each year.

CDP’s **climate change program** is the most prominent of its initiatives. Each year, CDP requests information on climate change policies and practices from the largest global companies. In 2016, approximately 1,100 companies responded to the CDP climate change questionnaire. This level of engagement by the world’s leading companies is recognition that stakeholders, and in particular investors, are focused on climate change as a business issue. Similar to the climate change program, CDP’s **cities program** offers an opportunity for municipalities to report on their climate change activities.

CDP also manages programs focused on addressing exposure to **deforestation risk**, building awareness in the supply chain and driving sustainable water management. CDP manages Carbon Action, an investor-led initiative to accelerate company action on emissions reduction activities that deliver a positive return on investment. CDP’s [website](#) provides additional information on these programs.

**What does responding to the climate change questionnaire involve?**

Early each year, CDP sends a climate change information request (or questionnaire) to the largest global companies. Respondents have until the end of June to submit their response. Organizations that do not receive the questionnaire directly are also encouraged by CDP to respond, given interest in CDP content by a broad stakeholder base. The 2017 questionnaire can be found on CDP’s [website](#). Beginning with the 2016 reporting cycle, corporate respondents in certain countries must pay an administrative fee of $975 to respond to one or more of CDP’s questionnaires (climate change, water or forests).¹

Organizations are asked to provide qualitative and quantitative information on corporate greenhouse gas (GHG) emissions, performance trends, emissions reduction goals, climate change risks and opportunities, governance practices and strategies for addressing them using CDP’s Online Response System (ORS). Before submitting a response, organizations can decide whether to make their response available for public download.

![FIGURE 1: FOUR LEVELS OF ENVIRONMENTAL STEWARDSHIP](#)

Prior to 2016, responses were given a number score for disclosure and letter grade for performance. Disclosure scores assessed the quality of disclosure while the performance grade was based on positive actions related to climate change. As of 2016, scores consist of just one letter grade assessing an organization’s overall progress toward environmental stewardship. The letter grade is awarded based on points earned across four levels of environmental stewardship – Disclosure, Awareness, Management and Leadership (see Figure 1). In 2017, CDP has increased its scoring thresholds across levels. The threshold to move within scoring levels has increased from 40% to 45% while the threshold to move between scoring levels has increased from 75% to 80%. For example, 80% of Leadership points are now required to earn an ‘A.’ Top scoring companies will be awarded A-List status with the successful completion of a formal review process implemented in 2016.

¹ This fee applies to companies listed, incorporated, or headquartered in Argentina, Australia, Austria, Bahamas, Belgium, Brazil, Canada, Cayman Islands, Channel Islands, Chile, Colombia, Denmark, Finland, France, Germany, Hong Kong, Iceland, India, Indonesia, Ireland, Italy, Luxembourg, Malaysia, Mexico, Netherlands, Norway, Peru, Philippines, Portugal, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, U.K. or U.S.
Optimizing the reporting process

While CDP gives those invited several months to respond and provides considerable guidance along the way, the process can be complex and time-consuming. To streamline reporting, we recommend the following when preparing a response.

Do your homework

Previous respondents will receive a complimentary scorecard from CDP’s scoring partners that includes a score summary by category as well as comparisons against industry, regional and CDP program averages. As of 2016, all respondents can receive detailed feedback from CDP’s scoring partners highlighting opportunities for improvement for a fee of $750.2

Familiarize yourself with the questionnaire as well as CDP’s guidance and scoring methodology, including any changes since last year. These documents are available on CDP’s website early in the calendar year before the questionnaire is sent directly to invited companies.

Review responses from others in your sector and provide these to internal stakeholders to help them understand what is expected from your organization.

Plan carefully

Once you have received the questionnaire, review the document and consider the following questions. What internal stakeholders should support your company’s response? Is additional work needed before writing your response? Are you comfortable making your response public? Is external support needed? In our experience, having answers to these questions at the outset streamlines the process and leads to a better outcome.

We suggest allowing ample time to develop your response including time for internal reviews and verification of GHG data, especially if you are developing a first-time response. Successful respondents treat the CDP reporting process as a project, forming a cross-functional team, preparing a work plan, establishing regular status meetings and enforcing project milestones. Many teams include representatives from a range of business functions including sustainability, facilities, procurement, risk, legal, finance and marketing and communications.

Use time and resources wisely

Respondents are able to download an editable version of the climate change questionnaire by logging into CDP’s website. This document is useful for capturing and managing input from multiple contributors. As you complete the questionnaire offline, it is also helpful to have CDP’s ORS open so you know exactly what information is being asked for each question. Be cognizant of character limits for individual questions, so you are not faced with reducing the length of your responses at the last minute.

Provide as much detail as possible for each question including company-specific case studies and examples. Case studies and examples should reference activities, programs, products, services, methodologies or operating locations that are specific to your company’s business or operations. The internal review process will likely reduce the content you are able to report, so start with more rather than less.

Each question is scored separately. Respondents should address each question individually; cross-referencing answers to other questions is not advised. While duplicating information may seem redundant, it allows each question to be evaluated properly by CDP and its scoring partners.

Finally, completing your annual inventory and third-party verification as early as possible will allow sufficient time for quality review and to investigate material changes in emissions compared to prior years.

Leverage your experience

While CDP is simply a structure to disclose an organization’s climate change activities, it can also be a driver for internal change and external recognition. For those responsible for climate change strategy, CDP can be a vehicle to engage internal decision-makers and educate employees on the value of better managing climate change risks and opportunities. CDP scores now appear at every Bloomberg terminal and are one of seven key statistics provided by Google Finance.

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2 Supply Chain respondents are eligible for a complimentary 20-minute feedback call.
Opportunities for an improved climate change response

Each year CDP reviews the questionnaire to make improvements. CDP made minimal changes for 2017, retaining the overall format of the questionnaire and updating a limited number of questions. Changes are generally focused on clarifying questionnaire guidance and minimizing the overall reporting burden. In some cases additional information is requested of responding companies.

The most significant changes in 2017 include:

- Differentiation between companies that have had their science-based targets approved by the Science Based Targets Initiative (SBTi) and those that have not yet gone through the approval process. Companies may also state that they have not set science-based targets if there is no methodology for their sector (CC3.1a and CC3.1b)

- Availability of Disclosure and Awareness points for renewable energy targets (CC3.1d)

- Modified Management scoring criteria for targets where “percent complete emissions” must be greater than or equal to “percent complete time” (CC3.1e)

- Modified Leadership scoring criteria for emissions reduction activities to require at least one project with emissions reductions >0 as “implemented” or in the “implementation commenced” phase and at least one Leadership point earned in CC12.1a (CC3.3a)

- Modified Leadership scoring criteria for achieving emissions reductions from emissions reduction activities (CC12.1a)
  - Reductions of 2.1%-3.9% are eligible for partial points
  - Reductions of 4% or more are eligible for full points

- Addition of reporting type and impact of supplier engagement, providing an opportunity to give examples of positive outcomes achieved (CC14.4b)

- Modified scoring thresholds to move across scoring levels
  - A minimum score of 80% is now required at each level to be assessed at the next level. For example, if your organization receives a score of 90% on Disclosure, you will then be scored on Awareness. Subsequently, if you receive a score of 60% on Awareness, you will not be scored on Management or Leadership. Within each level, organizations that score below 45% will receive a letter score with a minus qualifier (“-“)

Be investor-ready

CDP’s investors use the data from CDP responses to inform investment decisions and engage with their portfolio companies. Over the past several years, responding companies have continued to focus on the quality of their submissions. To date, the best practices resulting in a strong score and continued investor interest have included:

- Board-level oversight for climate change performance
- Monetary incentives toward improved climate change performance
- Integration of climate change risks and opportunities into overall business strategy
- Implementation of emissions reduction targets
- Achievement of annual absolute and intensity-based emissions reductions resulting from emissions reduction activities
- Verification or assurance of at least 70% of Scope 1 and 70% of Scope 2 emissions data; verification of any Scope 3 data
- CDP response sign off by senior management (i.e., Board chairman, Board/Executive board, Director on board, CEO, CFO, COO, other C-suite officer or President)

Table 1 identifies sections of the climate change questionnaire in which companies may find the greatest opportunity to demonstrate best practice and achieve an improved score in 2017.
## TABLE 1: OPPORTUNITIES TO DEMONSTRATE BEST PRACTICES IN 2017

<table>
<thead>
<tr>
<th>Section and Question Number</th>
<th>Opportunity</th>
<th>Scoring Impact</th>
<th>Level of Effort</th>
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| **Targets: ** Science-based (CC3.1a, CC3.1b) | • Provide science-based targets  
• Full points can be achieved if targets are verified by SBTi  
• If not verified, full points also can be achieved if targets meet these criteria:  
  • Scope includes at least 70% of emissions  
  • Covers both Scope 1 and 2 emissions  
  • Has medium-term time frame (target year between 2020-2035 inclusive)  
  • Has long-term time frame (target year after 2035)  
  • Meets at least 2.1% year-on-year emissions reduction between base year and target year | High | High |
| **Targets: ** Renewable Energy (CC3.1d) | • Provide a renewable energy consumption and/or production target | Medium | High |
| **Emissions Reduction Initiatives (CC3.3a)** | • Indicate at least one project with emissions reductions >0 as "implemented" or "implementation commenced" | Medium | Medium |
| **Change in Emissions due to Emissions Reduction Activities (CC12.1a)** | • Achieve and report reductions equal to or greater than 2.1% from emissions reduction activities  
• Achieve and report reductions equal to or greater than 4% from emissions reduction activities | Medium | High |
| **Scope 2 Emissions: Location- and Market-based (CC3.1a, 3.1b, 7.1, 8.3, 8.3a, 8.4, 8.5, 8.7, 10.1a, 10.2a, 10.2b, 10.2c, 12.1b, 12.2, 12.3)** | • Report location- and/or market-based Scope 2 emissions totals | Medium | High |
| **External Verification or Assurance – Scope 1 and 2 (CC8.6, CC8.7)/12.1b, 12.2, 12.3)** | • Verify 70% of Scope 1 and 70% of 2 emissions  
• Verify at least one Scope 2 total, either location- or market-based | High | Medium |
| **Scope 3 Emissions Accounting (CC14.1)** | • Provide emissions for all 15 Scope 3 categories, as defined by the GHG Protocol Scope 3 Standard | High | High |
| **External Verification or Assurance – Scope 3 (CC14.2)** | • Verify Scope 3 emissions | High | Medium |
| **Value Chain Engagement (CC14.4b)** | • Report type and impact of supplier engagement, providing examples of positive outcomes achieved | Medium | Low |
| **Sign off (CC15.1)** | • Secure CDP response sign off by senior executive | Medium | Low |
What else is new for the climate change program?

CDP is continuing to move toward a more sector-focused approach, enabling the organization to produce sector-oriented reports, target its reporting guidance, conduct more detailed benchmarking and ensure that respondents are being asked the most appropriate questions. Currently, CDP offers five sector-specific modules: Oil and Gas, Electric Utilities, Auto and Auto Component Manufacturers, Information and Communications Technology, and Food, Beverage and Tobacco. Sector-specific questions will be scored for the first time during the 2018 disclosure cycle.

Additionally, CDP plans to implement the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), a board of 32 global stakeholder organizations invested in climate reporting chosen by the Financial Stability Board (FSB), which will be finalized in July 2017. Reporting companies and data users such as investors, policy makers and supply chain members will benefit from TCFD’s recommendations that will include guidelines for voluntary, consistent climate-related financial risk disclosures.

How is the CDP program evolving?

As CDP has matured as an organization, it has also diversified its offerings. The climate change program is now complemented by a variety of additional programs.

CDP water

Launched in 2010, the water program initially targeted select companies in water-intensive sectors such as chemicals, pharmaceuticals, construction and utilities and has since expanded its scope. Beginning in 2014, the water program has targeted a larger number of companies in the Global 500, S&P 500, FTSE 100, ASX 100 and JSE 100. In the first five years, the water program did not score company responses. In the second year of scoring, 607 company responses were scored which was an increase of 48% over the initial scoring year in 2015. Additionally, 25 companies achieved A-List status in 2016, compared to eight companies in 2015.

CDP cities

The cities program began in 2011 and has since engaged over 500 cities, representing a 70% increase since the Paris Agreement was adopted. Participation in this program is not dependent on an invitation from CDP. Any city government is eligible to register and respond to the questionnaire. In 2016, 533 cities responded with 140 cities reporting having a citywide emissions reduction target and, of those, 74% collaborate with local business on climate change management.

CDP forests

CDP launched its forests program in 2012 which now includes support from 365 investors with $22 trillion in assets under management. The forests program helps companies understand and address exposure to deforestation through disclosure on five ‘forest risk’ commodities: timber products, palm oil, soy, cattle products and biofuels. Last year, CDP distributed the forests questionnaire to companies that have the greatest operational or supply chain risk associated with these commodities. More than 200 companies responded in 2016 and, of those, respondents, 81% reported impacts related to deforestation that have generated a substantive change in operations, revenues or expenditure over the past five years.

CDP supply chain

Launched in 2008, the supply chain program simplifies the process of requesting climate change and water-related information from suppliers so that organizations can better engage their supply chains to make improvements. In 2016, 89 purchasing organizations invited over 8,200 suppliers, of which 4,300 suppliers responded — up from 715 responses in 2009. This exponential growth in responses demonstrates that organizations and their suppliers are increasingly focused on collective risks and opportunities. Respondents will notice that the supply chain questionnaire includes many of the questions in both the climate change and water questionnaires. An additional module of the supply chain questionnaire asks specific questions related to a supplier’s relationship with its customer(s) who issued the supply chain invitation. All other questions are shared across requests.

Carbon action

In 2011 CDP launched Carbon Action, a program that encourages companies to report and take action to reduce emissions. In the program’s inaugural year, CDP targeted companies in high-emitting sectors, as well as those in sectors with potentially significant supply chain emissions. In 2016, the Carbon Action request was sent to over 1,300 companies across 17 high-emitting sectors. Each year, companies are asked to publicly report emissions, carbon reduction targets and ROI-positive investments in projects while demonstrating progress via carbon reduction and energy efficiency activities. Carbon Action is additional and complementary to the climate change program.
Commit to action

Beginning in 2015, as part of the We Mean Business campaign, CDP is providing companies with an additional opportunity to take public action on and be recognized for management of climate change issues. Participation involves publicly committing to at least one, if not all, of a set of eight climate initiatives. Initiatives range from those focused on operations (e.g., adopting science-based targets or developing a renewable energy strategy) to those focused on the supply chain and/or product development (e.g., removing commodity driven deforestation or developing low carbon technology). Commit to Action participants recognize that a low-carbon future will ensure economic growth, prosperity and resiliency, and the campaign signals to government that smart climate policy is required to scale-up and accelerate the transition. As of March 2017, 512 companies and 183 investors have made commitments to climate action through Commit to Action.

In addition to diversifying with the above programs, CDP has further strengthened its existing programs with the goal of helping companies improve reporting and ultimately the management of climate change, water and other issues. CDP continues to increase the guidance available on its website for responding companies and has established a number of partnerships with software and consulting providers to offer high-quality assistance to companies interested in improving reporting and management processes.
In 2017, WSP was named a CDP climate change consultancy partner in the U.S. for a seventh year and a second year climate change consultancy partner in Canada. We are in our third year as a CDP water consultancy partner in the U.S. and became a partner to the CDP cities program in 2016. As an accredited provider, WSP is committed to working alongside CDP to support high-quality disclosure of climate change, water and forests information from companies and cities across the globe. In this role, WSP advises CDP on its programs and provides guidance and support to CDP respondents through CDP-sponsored webinars, presentations at live events, white papers and other media.

Our CDP advisory services are complemented by technical capability in GHG management, sustainable energy, climate preparedness, and sustainability strategy, positioning us to manage a diverse array of sustainability issues for clients across sectors. WSP has provided direct support to over 100 clients in developing environmental inventories and has helped clients prepare responses to CDP's information requests since CDP's inception. In 2016, 100% of WSP's clients responding to CDP's information requests scored a B or above. Additionally, WSP provided sustainability support to 10 companies named to CDP's A-List in 2016.

For more information on responding to CDP or our sustainability services, please contact:

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