

CDP's Water Security Sample – Investor request

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

CDP recognizes that the impact on water security varies very widely between industrial activities, and not all have a significant impact. We therefore apply a number of criteria to focus on 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 the issues that matter most to their investors.

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 upon 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?

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

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

Environmental and financial criteria

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 6 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 upon water security, relative to other activities, for 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
- ▼ 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 impact assessment and rating with information on the amount of revenue that each [company requested to disclose climate change data](#) generates from the various industrial activities it is associated with. 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 the most impactful activities will be included in the sample, even if those activities only represent a small part of the overall business. Conversely, the lower the potential impact, the higher the revenue threshold. This ensures the size and volume of operations are accounted for, even when the activity in question has a relatively low potential to impact on water security. We base the sample on financial data available in the final quarter of the previous calendar year.

Score from Step 2	Water impact	Revenue threshold
0 – 4	Not relevant / Low	Activity not included
5 – 7	Medium	US\$ 1000 million
8 – 10	High	US\$ 750 million
11 – 14	Very High	US\$ 500 million
15 – 18	Critical	US\$ 250 million

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

- ▼ The impact rating of the Activities it is involved in is either critical, very high, high or medium (see Appendix 1 for list of CDP-ACS Activities); 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 industrial activities for which water security is likely to represent a significant environmental and financial issue, thereby ensuring that only relevant businesses around the world are requested to report on water security issues to their investors.

Continuity criteria

Companies requested as part of the water security sample in the previous year and that submitted a response to investors will automatically be requested again. This ensures continuity in companies receiving an annual request for disclosure regardless of slight changes to its revenue or market capitalization and ensures stability in the data set presented to investors on a year by year basis.

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

Reporting to investors through CDP's water security questionnaire provides companies with an opportunity to demonstrate that they are managing detrimental impacts and associated risks in a robust way.

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

CDP Industry	CDP Activity Group	CDP Activity	Water impact rating
Apparel	Apparel design	Apparel & footwear design	High
	Textiles & fabric goods	Apparel & footwear	Critical
		Luggage & bags	Very High
		Textiles	Critical
Biotech, health care & pharma	Biotech & pharma	Biotechnology	Not relevant
		Pharmaceuticals	Critical
	Health care provision	Health care facilities	Medium
	Medical equipment & supplies	Health care supplies	High
	Medical equipment & supplies	Medical equipment	High
Food, beverage & agriculture	Crop farming	Cocoa bean farming	Very High
		Cotton farming	Very High
		Fruit farming	Very High
		Grain & corn farming	Very High
		Other crop farming	Very High
		Other oilseed farming	Very High
		Palm oil farming	Very High
		Rice farming	Very High
		Soybean farming	Critical
		Sugarcane farming	Critical
	Vegetable farming	Very High	
	Fish & animal farming	Aquaculture	Critical
		Cattle farming	Critical
		Fishing	Medium
		Poultry & other animal farming	Critical
	Food & beverage processing	Alcoholic beverages	Very High
		Animal processing	Very High
		Baked goods & cereals	High
		Chocolate confection	High
		Coffee	Very High
Dairy & egg products		Very High	
Fruit, nut & vegetable processing		High	

		Grain & corn milling	Critical
		Non-alcoholic beverages	Very High
		Non-chocolate confection	High
		Oilseed processing	Very High
		Other food processing	Very High
		Palm oil processing	Very High
		Seafood processing	High
		Soybean processing	Very High
		Sugar	Very High
		Tea	Very High
		Logging & rubber tapping	Logging
Rubber farming	Critical		
Tobacco	Tobacco products	Very High	
Fossil fuels	Coal mining	Coal extraction & processing	Very High
	Oil & gas extraction & production	Natural gas extraction	Critical
		Oil & gas extraction	Critical
	Oil & gas processing	Oil & gas refining	Very High
	Oil & gas retailing	Oil & gas marketing & retailing	Medium
Oil & gas storage & transportation	Oil & gas pipelines & storage	Medium	
Hospitality	Bars, hotels & restaurants	Fast food	High
		Food & beverage amenities	High
		Hotels & lodging	High
	Entertainment facilities	Gambling	Not relevant
Recreation & entertainment facilities		Not relevant	
Infrastructure	Construction	Building sub-contractors	High
		Energy infrastructure construction	High
		Non-residential building construction	High
		Renewable energy construction	High
		Residential building construction	High
		Transportation infrastructure & other construction	High
	Utility line construction	Medium	
	Energy utility networks	Electricity networks	Medium
		Gas utilities	High
	Land & property ownership & development	Infrastructure upkeep & management	Not relevant
Land sales & leasing		Not relevant	

	Non-energy utilities	Real estate owners & developers	High
		Recycling	Low
		Waste management	Low
		Wastewater management	Not relevant
		Water supply networks	Not relevant
International Bodies	International bodies	Government Agencies	Not relevant
		Government Regional	Not relevant
		Supranationals	Not relevant
Manufacturing	Electrical & electronic equipment	Batteries	Very High
		Communications equipment	High
		Computer hardware	Very High
		Electrical equipment	Very High
		Electronic components	Very High
		Electronic equipment	Very High
		Household appliances	Not relevant
		Semiconductors	Critical
	Leisure & home manufacturing	Accessories	High
		Furniture	High
		Homeware	Not relevant
		Sporting goods	Not relevant
		Toys & games	Not relevant
	Light manufacturing	Munitions	Medium
		Other containers & packaging	Not relevant
		Pollution control equipment	Not relevant
		Tires	Very High
	Metal products manufacturing	Fabricated metal components	High
		Metal containers & packaging	High
	Paper products & packaging	Paper packaging	Very High
		Paper products	Very High
	Plastic product manufacturing	Plastic products	Very High
	Powered machinery	Agriculture, construction & mining machinery	Very High
		Engines & motors	High
		Industrial machinery	Very High
		Other vehicle equipment & systems	Very High
	Renewable energy equipment	Other renewable energy equipment	Not relevant

	Transportation equipment	Solar energy equipment	Very High
		Aerospace	Very High
		Alternative vehicles	Very High
		Automobiles	Very High
		Heavy vehicles	Very High
		Railroad rolling stock	High
		Recreational vehicles	Very High
		Shipbuilding	High
	Wood & rubber products	Finished wood products	High
		Rubber products	Very High
Materials	Cement & concrete	Cement	Critical
		Concrete products	Very High
	Chemicals	Agricultural chemicals	Critical
		Basic plastics	Critical
		Biofuels	Very High
		Inorganic base chemicals	Critical
		Nitrogenous fertilizers	Critical
		Non-nitrogenous fertilizers	Critical
		Other base chemicals	Critical
		Personal care & household products	Critical
	Specialty chemicals	Critical	
	Metal smelting, refining & forming	Aluminium	Very High
		Copper	Very High
		Iron & steel	Very High
		Metal processing	Very High
		Other non-ferrous metals	Very High
		Precious metals	Very High
	Metallic mineral mining	Bauxite mining	Critical
		Iron ore mining	Critical
		Other non-ferrous ore mining	Critical
		Precious metals & minerals mining	Critical
	Other materials	Ceramics	High
		Glass products	Medium
		Other non-wood building materials	Not relevant
	Other mineral mining	Other non-metallic minerals	Very High

	Wood & paper materials	Pulp & paper mills	Very High	
		Sawmills & wood materials	Medium	
Power generation	Biomass & waste generation	Biomass generation	High	
	Biomass & waste generation	Waste generation	Not relevant	
	Nuclear power generation	Nuclear generation	Very High	
	Renewable power generation	Geothermal generation	Geothermal generation	Medium
		Hydro generation	Hydro generation	Very High
		Other renewable generation	Other renewable generation	Not relevant
		Solar generation	Solar generation	High
		Wind generation	Wind generation	Medium
	Thermal power generation	CCGT generation	CCGT generation	Very High
		Coal generation	Coal generation	Very High
Non-CCGT generation		Non-CCGT generation	Very High	
Retail	Convenience retail	Hypermarkets & superstores	High	
		Supermarkets, food & drugstores	High	
	Discretionary retail	Apparel stores	Apparel stores	Very High
		Department stores	Department stores	Very High
		Discretionary delivery retail	Discretionary delivery retail	Not relevant
		Specialist retail	Specialist retail	Not relevant
	Trading, wholesale, distribution, rental & leasing	Agricultural products wholesale	Agricultural products wholesale	Medium
		Animal products wholesale	Animal products wholesale	Medium
		Biofuel supply	Biofuel supply	Very High
		Chemicals wholesale & distribution	Chemicals wholesale & distribution	Very High
		Construction & building materials dealing & distribution	Construction & building materials dealing & distribution	High
		Consumer goods wholesale & rental	Consumer goods wholesale & rental	Medium
		Food & beverage wholesale	Food & beverage wholesale	Medium
		Home & office wholesale	Home & office wholesale	Not relevant
		Industrial machinery distribution	Industrial machinery distribution	Not relevant
		Metals supply, wholesale & trading	Metals supply, wholesale & trading	Medium
		Pharma & health care supplies wholesale & distribution	Pharma & health care supplies wholesale & distribution	High
		Technology hardware wholesale & distribution	Technology hardware wholesale & distribution	High
		Textile & apparel wholesale	Textile & apparel wholesale	High
		Transportation equipment wholesale & dealing	Transportation equipment wholesale & dealing	Not relevant
Vehicles & machinery rental & leasing	Vehicles & machinery rental & leasing	Not relevant		
Wood & paper products wholesale	Wood & paper products wholesale	Medium		

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

		Road freight	Not relevant
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