

Rate the Raters Phase Five

Questionnaire for Raters

CDP

February 2013

Overview of Questionnaire

The questionnaire covers five areas: Rating Overview, Governance and Transparency, Inputs, Research Process and Outputs. SustainAbility developed a methodology to evaluate raters' responses in the latter four areas, and we used this to identify the good practices and areas for improvement described in [Rate the Raters Phase III: Uncovering Best Practices](#). We have made our methodology available on our website for readers to use while reviewing the raters' responses.

Directions for Raters

Please use space below each question to input your answers. While we have not set a minimum or maximum number of words for your responses, please answer the questions in sufficient detail for us to understand your practices. We have included guidance notes in italics. We recognize that certain questions may not be pertinent to every rating. If you find this to be the case, please indicate this and provide a brief explanation.

0 Rating Overview

0.1.1 Rating Name

CDP Scoring Methodology

0.1.2 Please describe the primary objectives and motivations for your rating

We have two parallel scoring schemes within the methodology: disclosure and performance.

The objectives of these ratings are inherently linked to CDP's overall charitable mission to drive greenhouse gas emissions reduction and sustainable water use by businesses and cities.

The disclosure score assesses the completeness and quality of a company's response to CDP. Its purpose is to provide a summary of the extent to which companies have answered CDP's questions. This aims to give feedback to companies on the quality of their disclosure, to provide an easy to understand assessment of the completeness of the response to investors and supply chain members and through these channels, to drive up standards of disclosure.

The performance score assesses a company's reported actions on climate change mitigation, adaptation and transparency. The performance band was piloted in 2009 and rolled out in 2010 and 2011. It is a developing metric, and from 2012 onwards has been more heavily weighted

towards quantitative metrics. Its intent is to highlight positive climate action as demonstrated by a company's CDP response, and provide the same easy to understand assessment of a company's performance in relation to climate change.

0.1.3 How do you evaluate the impact or success of your rating? If so, how?

We gauge success in terms of feedback from companies and investors and the extent to which the scores are being used and driving change:

- Public scores are available through an expanding number of CDP reports, through Bloomberg Terminals, Google Finance and on Deutsche Boerse's website (Frankfurt Stock Exchange operator).
- From an Investor perspective the scores are used in a variety of ways depending on the sophistication of the investor approach. In general, disclosure and performance scores are used by investors as a proxy of good climate change management or climate change performance of companies, and more specifically:
 1. Data source for engagement (engagement with poor scorers, i.e. UNPRI);
 2. Engagement, shareholder resolutions, divestment (<https://www.cdproject.net/en-US/News/Pages/why-aiming-for-a.aspx>)
 3. Identification of leaders and laggards;
 4. Creation of financial products
https://www.nedbank.co.za/website/uploads/files/BGREEN_310712.pdf
- CDP is closely monitoring the financial performance of CDP leadership indices. Our assessment indicates that CDP 2011 leaders in the Global 500 outperformed the Global 500: "Companies in the CDLI and CPLI delivered approximately double the total return of Global 500 companies between January 2005 and May 2011" – Source, CDP 2011 Global 500 report, page 13, figure 8. Initial reports suggest the Nedbank Green Index is also outperforming the market, with analysis suggesting that this is due to stock picking. (http://www.etsa.co.za/Factsheets/nedbank_bgreen_factsheet_mar2012.pdf)
- Supply Chain members are integrating supplier scores into procurement processes. In general they use the data in 2 ways:
 - Supplier Development – The scoring enables Supply Chain members to identify leaders and laggards on performance in climate change. This can then facilitate conversations to share best practice or set targets for development. It can also help them to focus effort and awareness raising in certain sectors and geographies that are underperforming compared to peers / other sectors.
 - Incorporate it into procurement processes – some members are investigating integrating supplier scores into procurement processes such as balanced scorecards and annual performance reviews.
- Our scores gives valuable feedback to companies on areas they can improve both their disclosure and performance. We do not formally seek information from companies on how they are using the scores, but anecdotally (from working closely with responding companies), CDP staff have identified the following actions;
- Considering verification (particularly in response to the high weighting for verification in scoring in 2011 and 2012, and its inclusion as a CPLI criterion);
- Implementing targets;
- Deciding on reporting years;
- Justifying data collection internally;
- Deciding on the approach on communicating risks & opportunities externally;
- Implementing data collection process;
- Restating emissions where errors have been found;

— Starting to collect Scope 3 emissions.

0.1.4 Please identify your audience or customer base, and, if possible how they use your rating in their decision making.

Our core audience are investors, companies that want to better understand their supply chains and the impact of climate change, and responding companies seeking feedback on the quality of their disclosure and the actions they report.

In 2013, CDP's Investor Information Request went out on behalf of 722 Institutional Investors representing \$87 trillion in assets under management.

The number of Supply Chain members asking for information from their suppliers in 2013 had not been confirmed as this document was finalised, but in 2012 there were 54.

The CDP scoring methodology was applied to around 3850 company responses in 2012, and we anticipate scoring a similar number of companies in 2013. These are the organisations who engage directly with CDP, but our scoring data is publicly available to many more people.

From an Investor perspective the scores are used in a variety of ways depending on the sophistication of the investor approach. In general, disclosure and performance scores are used by investors as a proxy of good climate change management or climate change performance of companies.

Investors use the disclosure score in choosing with which companies to engage. The "[Aiming for A](#)" initiatives, is an investor led project focus on asking ten major UK-listed utilities and extractives companies to aim for inclusion in CDP's Climate Performance Leadership Index (CPLI). This will also involve filing supportive shareholder resolutions. UN Principles for Responsible Investment (PRI) run collective engagements with Investor signatories based on disclosure scores.

Investors are also using CDP scores for creation of financial products (eg. Nedbank ETF https://www.nedbank.co.za/website/uploads/files/BGREEN_310712.pdf)

Supply Chain members use the disclosure scores to evaluate supplier performance. The scores inform engagement plans with suppliers and can lead to purchasing allocation among suppliers – with those who have higher ratings being awarded more business. While making purchasing decisions based on the scores alone is not a widespread practice at present, we have anecdotal evidence that this will increase. Members see this as a way to ensure their supply chain is prepared for a low-carbon economy and any related physical, regulatory, or marketplace risk and the scores support having a measurable KPI.

These scores help members to target and focus their supplier engagement. The members engage with suppliers in bottom quartiles to improve and learn best practice from those in the top quartiles. Providing a benchmark to members and their suppliers helps show the pathway towards improvement.

Responding companies also use the scores to refine their approach to disclosure and in deciding how to progress their strategy on climate change.

1 Governance and Transparency

1.1 Disclosure of methodology

1.1.1 Describe how you make available the details of your methodology to the public, rated companies and other stakeholders.

We publish the methodology and comprehensive guidance on how to respond on our website. In addition to the scoring methodology with full details of points allocations for each question, we also publish the following:

- **Guidance:** The full guidance document also contains details of how to respond to each question and exactly which data points are assessed for disclosure and performance scoring. <https://www.cdproject.net/en-US/Pages/guidance.aspx>
- **Webinars:** There are recorded webinars explaining how the methodology works and introducing the concepts behind the scoring.
- **Workshops:** We hold a number of workshops near the beginning of the disclosure cycle for companies at which we explain the broader concepts of responding to CDP. These also include discussion of the scoring methodology and we identify any key changes and take questions. We also broadcast some of these online and record versions for those unable to attend in person. <https://www.cdproject.net/en-US/News/Pages/events.aspx>
- **FAQs:** We also have a Frequently Asked Questions section of our website which covers common scoring queries. <https://www.cdproject.net/en-us/pages/climate-change-faqs.aspx>
- **Respond@Cdproject.net:** We also have publicly available email addresses, through which companies can ask CDP questions at any point throughout the year, and CDP will endeavour to respond. We have a structured process for responding to company queries that require technical team input.

1.2 Conflict Management

1.2.1 Do you have a policy (or guidelines, standards, etc.) that addresses conflicts of interest? If so, is it disclosed publicly?

Please see the attached “conflict of interest policy”. This can be found on our guidance webpage:

<https://www.cdproject.net/en-US/Pages/guidance-climate-change.aspx>
<https://www.cdproject.net/Documents/Guidance/COI-policy.pdf>

1.2.2 Do you disclose the relationships and independence of board members, advisory panel members, partners and/or other involved third-parties? If so, how? How do you manage conflicts of interest with these entities?

This is not strictly relevant, as the development of the scoring methodology is the responsibility of CDP’s technical team.

CDP’s trustees are not directly involved in developing the scoring methodology, as CDP’s role is much broader than scoring. Nevertheless, as to the independence of board members, our trustees are listed on our website along with biographical information. See <https://www.cdproject.net/en-US/Pages/Trustees-And-Advisors.aspx>

We receive support and guidance on the methodology from PwC as our global advisor, and this relationship is disclosed on our web page and in the Global 500, S&P 500 and FTSE 350 reports. (<https://www.cdproject.net/en-US/OurNetwork/Pages/global-partnerships-advisors.aspx>)

Our conflict of interest policy identifies how we manage potential conflicts of interest, particularly in the case of any individual attempting to influence the scoring methodology or its application to responses for their own personal gain.

As CDP has developed our capacity and resources, we were able to bring the scoring methodology 'in house' in 2012. We currently have an internal Steering Group in place, where specific proposals made by CDP's Technical Team to further develop the scoring methodology are assessed in terms of its impact for the different areas of CDP, and an opinion is given about them. This group is constituted by the Chief Operating Officers (Programmers and Global Operations), Head of Disclosure team (team that supports companies in their disclosure), US team representative, Europe team representative, global operations (other geographies) representative. We are investigating other appropriate governance structures for scoring.

The independence of other involved third parties (in CDP's case, this would only apply to scoring partner organizations) is covered by our conflict of interest policy.

Although not linked in any way to the scoring methodology, we also have a page on our website listing our partners in the various areas of our work and explaining the collaborations. See <https://www.cdproject.net/en-US/OurNetwork/Pages/alliances.aspx>

1.2.3 Do you offer for-fee services to the companies that you rate (including benchmark reports)? If yes, please describe these services. How do you avoid conflicts of interest in these situations?

CDP is free of charge for disclosers and we do not charge companies to be scored, or for the results of that scoring.

Besides our for-free offer, we also have a number of paid-for services that are essential for the maintenance of our independence as an organization (funding diversity) and the development of our mission.

Reporter Services

While CDP encourages public disclosure and responses have always been made publicly available, we identified a demand from reporting organizations for an additional level of support in accessing the data that CDP collects. We introduced CDP Reporter Services in 2010. As a small charity, we use the income to support our costs. The fee-based service offers:

1. An enhanced analytics tool (based on SAP software) to maximize the value of CDP's global climate change data set for robust and dynamic benchmarking. CDP Analytics enables you to get deeper into the data more quickly, rather than looking at responses one by one, making it easier to compare with peers.
2. Support from a dedicated account manager
3. Networking with peers and climate change experts to share climate disclosure best practice

CDP Supply Chain

The CDP Supply Chain program is a fee-based program that allows large purchasing organizations to use the CDP system to collect information regarding emissions in their supply

chain. This can enable better analysis of climate related risks and opportunities within the supply chain, and enhance a company's ability to understand and manage their Scope 3 emissions.

Maintaining the independence of scoring

Companies participating in either, or both, fee-based program may also be scored with the CDP methodology – although participation is not limited to those who are scored. The majority of scoring on the CDP methodology is carried out by independent partner organizations who do not benefit financially from these fee-based program.

The scoring methodology is developed and controlled by the Technical Team, which is distinct from the Reporter Services and Supply Chain teams within CDP. A better score is not guaranteed at any part of the sales process, and the actual scoring process is independent and based solely on the information provided in a company's response.

Our conflict of interest policy expressly forbids any individual involved in account management or fundraising from applying or influencing the application of the scoring methodology. Additionally, no member of the Scoring technical team can be involved in fundraising or account management. Any attempt by any member of staff to influence the scoring methodology or its application to responses for personal gain will be treated as gross misconduct and result in instant dismissal without compensation. It also states that CDP will not accept any form of funding or support that is conditional on changing the way a response is assessed.

1.2.4 Do you have any other financial relationships (e.g. sponsorships, advertising) with companies you rate?

We have a range of partnerships that are listed on our website. Unless otherwise disclosed in this submission, these are not relevant to scoring, and there is nothing in the partnership framework assigning a role, or legitimising the involvement of partners in CDP's scoring initiatives. See <https://www.cdproject.net/> ("Our Network").

These partnerships enable the furtherance of our charitable mission.

1.3 Regular Review

1.3.1 Do you have a regular approach to updating your methodology over time? If yes, describe this approach.

The scoring methodology is inherently linked to the CDP information request. Both the information request and the scoring methodology are developed by CDP's technical team.

A description of the information request development process can be found here: <https://www.cdproject.net/Documents/development-process-for-cdp-guidance-and-questionnaire.pdf>

The CDP information request is reviewed and revised annually in line with CDP's information request development strategy through a series of expert working groups comprising investors, responding companies and consultants (entry to these groups is by open invitation).

CDP consulted on the strategy for developing the information request between 2014 and 2016 towards the end of 2012 (consultation documents below).

<https://www.cdproject.net/Documents/Consultation/CDP-Information-Request-Consultation-Documents/Document-Climate-Change-All-Programs-Strategy-2014-2016.pdf>

The scoring methodology is also revised annually, and part of this assessment will be working out how to assess any revised questions or adapting to changes in CDP's guidance.

We also seek feedback from scoring partner organizations through a structured process, and we record each item of feedback we receive and our response. We also receive feedback from responding companies through a number of channels, which is reviewed as part of this process.

1.3.2 Describe how you communicate any changes in your methodologies to affected companies and other stakeholders, and how you work with them to adapt to and understand the implications of the changes.

We publish the methodology and comprehensive reporting guidance on our website (<https://www.cdproject.net/en-US/Pages/guidance.aspx>). There are recorded webinars that companies can watch explaining how these documents work.

The guidance document for 2013 contains a summary of all key changes at the beginning of each chapter. There is also a summary document on our guidance web page which identifies the key changes in the information request, guidance and scoring methodology from 2012 to 2013.

We also hold a number of workshops for companies at which we explain any key changes, and companies can ask questions from the CDP Technical team.

1.4 Stakeholder Involvement (excluding rated companies)

1.4.1 Does the rating have an external and/or independent advisory body in place? If so, describe how this body is involved in the rating's construction and maintenance and the scoring, rating, or selection of companies.

CDP's Technical Team develops the scoring methodology. An internal high level steering group reviews it before publication. We seek feedback on the draft methodology from PwC, our global advisor, who advise based on their experiences of scoring and giving score feedback to companies.

As CDP developed internal capacity and resources, we were able to bring the scoring methodology 'in house' in 2012. We are investigating other appropriate governance structures for CDP scoring.

1.4.2 Describe how you involve / solicit feedback from external stakeholders in the development and ongoing maintenance of the rating. Please provide an example of how you revised your methodology based on stakeholder input.

Formal feedback channels are primarily focussed on the information request, which is the basis for our scoring methodology. Responding companies are able to provide feedback on the information request after submitting their response, which is kept completely separate from their response. CDP also consults publicly on the information request before finalising it. The information request and the scoring methodology are highly-interlinked so feedback on the information request may also be relevant to the scoring methodology and vice versa. The main

inputs to the scoring methodology development process are changes to the information request and guidance, for example where they seek to align with existing standards or protocols.

In 2011 and 2012, we sought feedback from scoring partner organisations using a structured process. All feedback received was collated and logged in a central spreadsheet, and analysed by the technical team. This spreadsheet was reviewed during the methodology review.

Feedback on scoring received by any front line staff was passed on to the technical team for consideration and also logged in this spreadsheet and analysed.

As example of taking in account feedback in the 2011 disclosure scoring methodology, three disclosure points were available for describing the methodology used to produce the Scope 3 emissions figure in a high level of detail, including company specific information and quantitative data. This was amended in response to feedback from scoring partners on the difficulty of applying this metric consistently. Considering that GHG accounting standards for Scope 3 had meanwhile also developed to the point that this approach was no longer appropriate, technical analysis of the new GHG Protocol Scope 3 standard allowed us to re-structure this area of the questionnaire and scoring considerably. We consider that the current scoring is more balanced and allows a more objective assessment.

Between 2012 and 2013, we added an extra performance point for companies who have more senior executives benefiting from incentives for management of climate change. This suggestion came through our feedback process from our scoring partners.

1.4.3 How do you communicate the output / summary from this engagement? For example, do you make public the stakeholder comments?

We do give our response to comments on the information request and our web-based data entry system (the Online Response System or ORS) via the consultation process. We also publish a "[Changes & Rationale Document](#)" where we make clear the changes made and the rationale behind it. We do not currently make our response to general stakeholder feedback on the methodology publicly available. Both processes can be improved and we are currently considering ways of doing it. We are currently considering if a publication of a "Scoring policy" document could provide the level of information necessary to explain the rationale behind each score, as well as any reasons for changes.

2 Inputs

2.1 Information Sources

2.1.1 Please list and describe the information sources that you utilize to develop your rating.

Data submitted by responding companies to CDP only.

2.1.2 Please describe how this information is obtained (i.e. from publicly available documents, partner organizations, directly from companies). If your rating is based on other ratings or third-party research firms, please describe how they obtain their information.

This is not applicable to CDP as we only consider data submitted to us by the responding companies.

2.1.3 How often do you refresh information / inputs on companies?

Our process is repeated annually. We are currently considering how the scores could be updated more frequently.

2.1.4 How do you deal with non-disclosure by companies in your rating?

We do not score companies who do not respond – our rating is based solely on their CDP information request response.

We encourage companies to respond by proactively contacting them by letter, email and phone. We encourage investors and CDP supply chain members to engage with non-responding companies and ask them to respond.

2.2 Company Engagement

2.2.1 Describe the process by which you engage / interact with the companies that you rate (i.e. frequency, nature, format).

We engage with companies in a number of ways. See the supporting document "CDP annual cycle". However, the scoring is based solely on the response to the CDP information request and the scoring team will not engage directly with the company they are scoring during this process.

2.2.2 On average, how much time do your analysts spend engaging with each rated company on an annual basis?

This question is not relevant to CDP as the scores are based solely on the response to the CDP information request.

2.2.3 Please describe if and how feedback from rated companies is incorporated into your research and ratings process.

Responding companies are able to provide feedback on the information request after submitting their response, which is kept completely separate from their response. CDP also consults publicly on the information request before finalising it. The information request and the scoring methodology are highly-interlinked so feedback on the information request may also be relevant to the scoring methodology and vice versa.

Feedback on scoring received by any front line staff is passed on to the technical team for consideration. It is logged in a spreadsheet and analysed, and the results are considered when developing CDP's scoring methodology.

CDP also delivers scoring feedback and scoring feedback calls. Considerable feedback is also received through this channel.

We also receive a limited number of complaints each year, often related to detail aspects of the scoring methodology which were not well interpreted, companies consider are not applicable to them or glitches in IT systems. The technical team assesses each of these claims internally and proposes changes to the final score, if considered due (see response to 4.1.3). For the 2012 cycle (to date), 1.2% of companies had their score changed post-publication.

2.3 Input Verification

2.3.1 Describe your approach to verifying the information used to assess companies. Is this approach captured in any sort of policy or guidance document?

Data is self-reported to CDP and through Investors, Supply Chain members and us. We do not verify full responses because responding companies are responsible for making sure their response data is accurate. Furthermore, we favor an approach where information is verified by an external independent third party, and we consider it as an essentially dimension of good quality data. This is reflected in our scoring criteria. In a small number of questions, scorers will assess whether a document (e.g. a sustainability report) is what it has been reported as. Some quantitative response data is also subjected to basic mathematical validation rules in the Online Response System before submission.

We do ask companies if they have had their emissions data verified/assured by a third party and request that the verification/assurance statement is attached. Points are awarded for external verification/assurance.

2.3.2 Is external or third-party verification a consideration in assessing the quality of information sources? If so, please explain.

We reward external assurance/verification of Scope 1, 2 and 3 emissions figures via the disclosure and performance scores:

- 9% to 13% of total points under the disclosure score and
- 15% to 17% of total possible points under the performance score

The ranges are due to the fact that companies can choose different routes through the CDP information request. These figures also represent the total amount allocated to the verification question group (ie some of these points are awarded for providing contextual information such as the percentage of emissions that have been verified)

Verification of Scope 1 & 2 emissions is a requirement for entering the Climate performance leadership index.

We are seeing an increasing number of companies reporting third party verification of emissions data, and also companies who are having their data verified specifically for CDP.

3 Research Process

3.1 Experience and Capacity of Research Team

3.1.1 On average, how many years of experience do your analysts (internal or contract) have working in or analyzing the industries they cover?

We do not research the companies but score them on the basis of information that they provide to us via the information request. The scoring is predominantly carried out by third party organizations, primarily accountancy and sustainability consulting firms. These firms will demonstrate their competency to score through their application to become a scoring partner, and CDP will assess whether they have the necessary skills and experience. We conduct a

training programme with these organizations which must be successfully completed before scoring can commence.

3.1.2 Describe your approach to ongoing training and industry education for your analysts.

Scoring organizations have to successfully complete a training course on how to apply the scoring methodology, and complete a series of 'test' exercises before they commence scoring.

3.1.3 On average, how many companies do your analysts cover each year?

The number of companies scored depends on the structure of the team and we do not collect this data for all teams, but we estimate the typical number to be between 25 and 40. Where responses are brief, a scorer may take on more if time allows.

3.2 Quality Management

3.2.1 Describe your approach to ensuring quality control throughout the ratings process. Is this process documented or codified?

Our quality control approach comprises three parts. It is documented internally. The 2013 process is under revision at the moment so won't be confirmed in time to attach to this submission, but the description below covers the key points and no significant changes are expected from previous reported 2012 process.

Scoring organizations must successfully complete a training course before they begin scoring companies. This training course is administered by CDP's technical team. If the scoring is not completed satisfactorily, CDP can require them to take on further training or can refuse them the right to score on behalf of CDP.

Scorers are instructed to send queries they have on how to score responses to CDP. Feedback on these queries is then circulated to other scoring organizations to ensure consistency of approach.

Scoring organizations complete a pre-defined template for each company which ensures that only scores within the range defined by the methodology can be recorded.

Scoring organizations must undergo two phases of quality assurance. Firstly, they must have agreed an internal quality assurance process with CDP, and this must be implemented. The aim of this internal QA is to ensure they are applying the methodology consistently within their scoring team. They must also submit a percentage of completed scores for quality assurance by CDP. In this case, CDP will re-score those companies and assess the variance. If there is significant variance, the scoring partner may need to submit further scores for QA, they may be asked to make corrections throughout the sample, or we may request that they partially re-score the responses. CDP may also refuse scores for publication if the quality is not acceptable.

CDP also undertakes final data checks before submission and calculates all scores centrally to ensure calculations are performed consistently.

3.2.2 Have your research systems or processes been certified, assured or verified by an external organization?

No

3.3 Sector Specificity

3.3.1 Does your rating use the same criteria and weightings for all sectors and companies? If so, explain why.

We have applied this approach to give comparability across sectors. However, we are keeping the issue under review, and would like to see development in this area. A sector specific approach would also require significant additional resource and would have significant operational considerations.

3.3.2 Describe how you take into account industry and company specific issues and context.

The questions that a company is asked depends on its circumstances. For example, a company that does not perceive substantial physical risks will be asked different questions to one that does. A company that does not participate in emission trading schemes can say that questions on this topic are not relevant and its score is not adversely affected. Companies can respond to the information request in a way which is relevant to their own organisation.

We recognize the value of company specific information to investors, supply chain members and other data users. The disclosure scoring methodology awards points to companies who can provide company specific detail and case studies in their responses to some questions (where relevant).

In general, our scoring methodology is designed to take into account some differences between companies. As an example, we do not score questions relating to providing a facility-level breakdown of Scope 1 emissions as we recognize that not all companies will have facilities. Nevertheless, we acknowledge that there is a lot of potential to improve the score by accounting for sector specificities.

3.4 Basis for Rating

3.4.1 Describe the basis for your rating of companies, including how you determine what constitutes the different degrees of performance. For example, if you grade companies on an A-F scale, how do you determine these levels?

Please see the scoring methodology for details of the exact points available for each question, and the criteria on which they will be judged.

The disclosure score is normalized over a 100 point scale. It adjusts for companies not answering questions that are not applicable to them. It is calculated by taking the total number of points a company achieved (numerator) and dividing it by the points the company was eligible for (the denominator), then multiplying by 100 and rounding to the nearest whole number.

If a company scores 50 or above for disclosure, they are assessed for performance as well (this is to ensure the data quality is sufficient to make a judgment of performance). A similar calculation process is applied to performance scores to get a number between 0 and 100. Based on the distribution of these scores, CDP then defines lettered bands. In 2012 these were:

- A/A-: 86 to 100 performance points (A denotes that the company has met all the CPLI criteria. A- means that the company has achieved a score of 86+ but has not met all of the CPLI criteria.

- B: 61 to 85
- C: 41 to 60
- D: 21 to 40
- E: 20 or below

Please note these will be revised in 2013 based on the distribution of responses received.

All company performance scores are expressed as one of these bands. The number scores are not communicated to companies.

If a company has achieved a high enough score, they are assessed to see if they have met the additional criteria to enter the Climate performance leadership index (the "A" band). These criteria are; public disclosure via CDP's online response system, verification of Scope 1 & 2 emissions, and maximum performance points for question 12.1a (year on year carbon reduction in Scopes 1 & 2, with an annually set threshold). If they have not achieved one or more of the criteria, they receive an A- score.

3.4.2 Do you factor company-specific context into your rating?

As companies can select their own route through the information request, we do allow companies to tailor the information request to suit their specific circumstances. This is not penalized under the scoring methodology.

In many questions, the highest level of disclosure points is available for providing company specific information and case studies.

3.4.3 Do you incorporate external norms, standards or principles (e.g. UN MDGs, GRI, UNGC, etc.) into your rating or process? If so, describe how you use these to calibrate or assess company performance.

We do not specifically reward using certain methodologies for calculating GHG emissions, as long as methodology used is clearly explained through the response and is applied consistently. However, it should be noted that CDP's information request is broadly structured around the GHG protocol approach and established principles of GHG accounting. For example, it asks companies to provide information on Scopes 1, 2 & 3 emissions figures, as defined by GHG protocol and the Scope 3 section for 2012 is structured around the GHG Protocol Scope 3 approach.

One area where CDP does prescribe standards is with regard to verification of Scopes 1, 2 and 3 data. To achieve full marks under the scoring methodology, verification must have been carried out according to an accepted standard (see hyperlink). <https://www.cdproject.net/en-US/Respond/Pages/verification-standards.aspx>

CDP is transparent about the process used to determine which standards are accepted. There are no restrictions on who can carry out verification as long as they have adhered to the principles of the standard.

We also work closely with the GRI, producing a document that explains the commonalities and differences between their indicators and our questions in order to reduce the reporting burden on companies. However, we do not reward application of these approaches directly within the scoring.

One important area of performance scoring is the yearly achievement in terms of emissions reduction. Achieving a certain percentage reduction due to emissions reduction activities in Scopes 1 & 2 is a requirement for entering the CPLI. In recent years, we have elected not to link this percentage to a specific external figure (eg. The IPCC 2.65% reduction to achieve a 2°C scenario) but instead to base this figure on internal analysis of response data. This is to enable us to recognise leaders even if general performance is not yet meeting the scientific goals, to ensure that we have some positive and encouraging information to communicate.

3.4.4 How do you deal with unforeseen, negative company events in your ratings process (e.g. environmental incidents, ethics breaches)?

The CDP Carbon information request is very focussed on issues around a company's GHG inventory, strategy and risks and opportunities relating to climate change. The methodology sets out specific assessment criteria for how each question will be assessed. Our assessment is based only on the response data provided to CDP.

CDP reserves the right to exclude a company from the CPLI or CDLI if there is anything in its response or any other information publicly available that calls into question the transparency of the information provided to CDP or its suitability for inclusion.

4 Outputs

4.1 Validation of Results

4.1.1 Describe the steps you take to verify your rating results (including scores and reports) prior to their finalization.

The scores go through CDP's Quality Assurance process (set out in the quality control question) and are reviewed by the technical team before publication.

We also assess whether there has been a significant year on year change and review the reasons for those changes before publication. However, by this time scores have been quality assured and agreed for publication so this process serves only to educate the front line teams about key themes or questions they may be asked.

4.1.2 Do you give rated companies an opportunity to review draft scores or reports? If yes, describe this process, including timeframe given for review.

No – however, the full methodology used is public and there is significant guidance on how it will be applied, so they can use this to formulate their response. We are currently considering to what extent we can automate portions of the scoring and if this would allow us to give advance/immediate notice of the disclosure score.

4.1.3 Do you have a formal policy and/or process for addressing challenges or disputes presented by companies or other stakeholders?

Yes. A company can query a score by contacting CDP's front line staff, giving the specific reasons why they are concerned. CDP's front line staff would escalate this enquiry to the technical team, who would look into the specifics and review the response. We may also contact the scoring organization that provided the score to gain any additional context and to keep them informed of the query. If it is clear that there has been a mistake and it affects the

score, the company's score will be amended in the online report, on CDP's website and any other places the score appears.

4.2 Accessibility

4.2.1 Describe how you disclose and explain your results to rated companies. Do you share the full details of the assessment or results? If no, explain why not.

Our climate change program (formerly Investor CDP program) targets our information request to specific 'samples' of companies, typically based on geography and market capitalization (e.g. The FTSE 600). We also target companies in the supply chains of major purchasing organizations through our supply chain program. CDP's reach has expanded significantly since 2009. In 2012, our partner organizations scored ~3850 companies.

All scores are disclosed to the responding company. The majority of scores through our climate change program are also made publicly available.

All scores for the Global 500, FTSE 600 and S&P 500 are made public. Most, but not all, of the other scores through our climate change program are made public. However, there is not a uniform rule for this and it is at the discretion of the CDP country office managing the sample. In a small number of cases where CDP is less established or where disclosure levels are still low, CDP will either choose to score but only disclose scores to responding companies, or in some cases not score at all.

Companies who are scored solely through our supply chain program do not have their scores publicly disclosed. This is because we cannot disclose information about their commercial relationships with supply chain members.

Question by question scores are not given to companies. With 3850+ companies scored, over 100 questions in a typical information request and two scoring methodologies, CDP does not have the resources to manage this at present. However, our full methodology is published enabling companies to understand how points will be awarded and CDP can, on request, offer feedback to companies using scoring 'categories' – a breakdown of scores into groups of questions designed to offer more targeted feedback and help them prioritise actions to improve their level of disclosure and general performance on climate change.

4.2.2 Describe how and to what extent stakeholders (other than rated companies) can access the details and results of your rating.

The disclosure score and performance band (where given) of responding companies are published in our reports (e.g. S&P 500) that are available to download from our website. This applies to both public and non-public responses. Only the headline disclosure and performance scores are made publicly available.

CDP's supply chain members and responding companies receive the disclosure and performance scores of their suppliers broken down into score categories. This is to allow them to target their engagement to the most relevant areas of the response.

Public scores are also available through Bloomberg terminals, on a company's Google Finance homepage and through Deutsche Boerse's website (Frankfurt Stock Exchange operator).