

CDP Reimagining Disclosure Consultation Briefing Document

This document is part of CDP's Reimagining Disclosure Consultation. This consultation consists of three main parts:

- ▼ Consultation Briefing Document (this document);
- ▼ Consultation Questionnaires;
- ▼ Consultation Feedback Requests.

Please read this briefing document prior to viewing the consultation questionnaires or responding to the feedback requests. It includes a background to the consultation, proposed changes to the questionnaires, and more information around approaches for different sectors.

We request that you provide feedback through the online form that accompanies this document. We are requesting specific feedback on proposed changes to the questionnaires. Your feedback is very important to informing our process of questionnaire changes, and will be completely confidential; it will not be attributable and will be used internally to inform CDP's decisions.

To access the feedback forms, please click the links below or paste the relevant URL into a new window in your browser.

To provide feedback on **climate change** questionnaires please click [here](#).

To provide feedback on **water** questionnaires please click [here](#).

To provide feedback on **forests** questionnaires please click [here](#).

Glossary of Terms

Term	Definition
General questionnaire	The default questionnaire for most companies. This is a questionnaire that applies to all companies.
Cluster	A grouping of similar sectors around a common business industry (e.g. Energy cluster consists of oil & gas, coal and electric utilities sectors).
Cluster questionnaire	A way of presenting questions from similar sector questionnaires together for purposes of this consultation.
Program	A CDP activity designed to promote environmental stewardship either by theme (e.g. water, forests), or by stakeholder (e.g. investor relations, supply chain, cities, states and regions, reporter service).
Questionnaire	A collection of questions for companies to disclose against.
Sector	A set of common business activities used to classify a company. e.g. chemicals, electric utilities
Sector questionnaire	A questionnaire that is specific to companies within a sector.
Theme	Defined by a particular environmental topic. At CDP, our themes are climate change, water and forests.

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1. Introduction to the consultation documents

a. Purpose and aims

This consultation provides stakeholders with an updated and detailed preview of the proposed changes to the questionnaires.

The aims of this consultation are to:

- ▼ Inform stakeholders of how the Task Force for Climate-Related Financial Disclosures (TCFD) recommendations will be adopted into the CDP questionnaire framework;
- ▼ Inform and receive feedback on the sectorization of the questionnaires and the new data points that will be requested; and
- ▼ Allow stakeholders to give feedback on the proposed changes to the questionnaires.

This will be the final consultation prior to the release of the questionnaires in December 2017, to be ready for the 2018 CDP disclosure cycle. It is therefore essential that stakeholders provide specific and detailed feedback on areas of concern.

CDP plans to keep these questionnaires unchanged until 2020, except where necessary (such as for alignment, increased clarity, reduced reporting burden).

b. Content and layout

This consultation consists of three main parts:

1. The Consultation Briefing Document (this document)
2. The Consultation Questionnaires
3. The Consultation Feedback Requests

c. How to respond

Step 1: Read this consultation briefing document

Please read this document first as it provides important contextual information necessary for understanding the questionnaires. It is laid out as follows:

- ▼ The first part of this document (sections [1](#) to [3](#)) provides a guide to the consultation and the Reimagining Disclosure Initiative.
- ▼ The second part of this document (sections [4](#) to [10](#)) provides further background information on the changes to the questionnaires.
 - Sections [4](#) (climate change), [5](#) (water), and [6](#) (forests) provide the narrative and rationale for proposed changes to each of the general questionnaires.
 - Sections [7](#) (Energy), [8](#) (Transport), [9](#) (Materials), and [10](#) (Agriculture) give a narrative on the approach to each distinct sector and the areas of focus and importance. It also provides context for the sector modifications to the general questionnaires.

Please note that this document provides additional background information on where and why changes to the questionnaires have occurred. In order to gain the most from this consultation, we suggest that respondents read the entirety of sections 1-3 and then those sections of 4-10 that are most relevant to them.

Step 2: Select the questionnaire(s) you wish to review

For the 2018 cycle, in addition to the three general questionnaires for climate change, water and forests, CDP will have sector specific questionnaires which will include a combination of the general theme questions plus sector relevant questions.

For the purpose of the consultation these will be presented in PDF format, so for ease we have grouped sectors together and are presenting the sector questions in so called “cluster” questionnaires.

If you fall into one the sectors you will **only** need to look at a cluster questionnaire and not the general one for that theme e.g. if you review the climate change energy cluster questionnaire, you do not need to review the general climate change questionnaire.

There are 12 distinct sector questions for the climate change, 5 for the water and 1 for forests. To establish which questionnaire(s) are relevant to you, please refer to [Table 1](#). For a full list of sectors and cluster questionnaires, see [Table 2](#).

Through the use of labelling and “tagging”, respondents to the consultation will be able to identify where a question is common to the general questionnaire for that theme and all sectors, and where it is specific only to individual sectors. There is also information on whether the question is entirely new, modified, or the same as last year. Where a question has been written due to a TCFD recommendation, this is also noted. Also, tags are used to indicate where a question will apply for the Small and medium sized enterprises (SME) questionnaire.

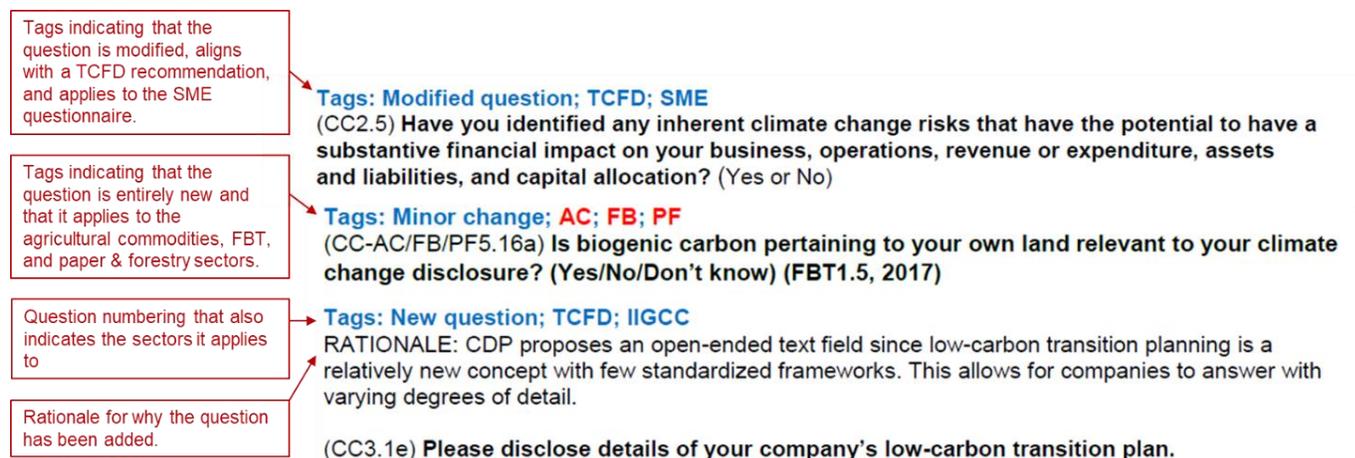


Figure 1 - example of questionnaire labelling and tagging

Sectors with sector questions for 2018

To establish which questionnaire(s) are relevant to you, please refer to [Table 1](#). For a full list of sectors and cluster questionnaires, see [Table 2](#).

Sector	For which stakeholders?	Questionnaire(s)
	<ul style="list-style-type: none"> ▼ Disclosers who do not identify their main business activities with any of the 12 listed sectors. ▼ Data users interested in the general climate change questionnaire ▼ Any respondents interested in the general climate change questionnaire 	<ul style="list-style-type: none"> • General Climate Questionnaire
	<ul style="list-style-type: none"> ▼ Disclosers who do not identify their main business activities with any of the 5 listed sectors for water and have previously responded to water or believe they will respond to the water questionnaire in 2018. ▼ Data users interested in the general water questionnaire ▼ Any respondents interested in the general water questionnaire 	<ul style="list-style-type: none"> • General Water Questionnaire
	<ul style="list-style-type: none"> ▼ Disclosers who do not identify their main business activity within the 1 listed sector for forests and have previously responded to the forests questionnaire or who believe they will respond to the forests questionnaire in 2018. ▼ Data users interested in the general forests questionnaire ▼ Any respondents interested in the general forests questionnaire 	<ul style="list-style-type: none"> • General Forests Questionnaire
Oil & gas; Electric utilities; Coal	<ul style="list-style-type: none"> ▼ Disclosers who have previously responded to the oil & gas module ▼ Disclosers who have previously responded to the electric utilities module ▼ Disclosers who have their main business activities in these sector ▼ Data users who are interested in data from these sectors 	<p>Energy cluster</p> <ul style="list-style-type: none"> • Energy Climate Questionnaire • Energy Water Questionnaire
Transport vehicle manufacturers; Transport services	<ul style="list-style-type: none"> ▼ Disclosers who have previously responded to the auto module ▼ Disclosers who have their main business activities in these sectors ▼ Data users who are interested in data from these sectors 	<p>Transport cluster</p> <ul style="list-style-type: none"> • Transport Climate Questionnaire
Metals & mining; Chemicals; Cement; Steel;	<ul style="list-style-type: none"> ▼ Disclosers who have their main business activities in these sectors ▼ Data users who are interested in data from these sectors 	<p>Materials cluster</p> <ul style="list-style-type: none"> • Materials Climate Questionnaire • Materials Water Questionnaire
Agricultural commodities; Paper & forestry; Food, beverage & tobacco	<ul style="list-style-type: none"> ▼ Disclosers who historically respond to the FBT module ▼ Disclosers who have their main business activities in these sectors ▼ Data users who are interested in data from these sectors 	<p>Agricultural cluster</p> <ul style="list-style-type: none"> • Agriculture Climate Questionnaire • Agriculture Water Questionnaire • Agriculture Forests Questionnaire

Table 1 – use this table to establish which questionnaire(s) to review.

For disclosers in a sector NOT listed in Table 1: We ask that you provide feedback on our general questionnaires.

For disclosers in a sector listed in Table 1: We ask that you review the cluster questionnaire and provide feedback on the questionnaires for the sector you determine to be most appropriate.

For data users and all other organizations: We suggest you provide feedback on the cluster questionnaires that correspond with sectors in which you are most interested.

Cluster Questionnaire	Theme		
	Climate change	Water	Forests
Energy	Oil & gas Coal Electric utilities	Oil & gas Electric Utilities	
Transport	Transport vehicle manufacturers Transport services		
Materials	Cement Steel Metals & mining Chemicals	Metals & mining Chemicals	
Agriculture	Food, beverage & tobacco Agricultural commodities Paper & forestry	Food, beverage & tobacco	Paper & forestry

Table 2 – sector questionnaires by theme will be ready for by December 2017

If your sector is not explicitly listed, then please refer to the General questionnaires. If you are reviewing sector questions in a cluster questionnaire then you do not need to also review to the General questionnaire. For purposes of this consultation, companies can review and provide feedback on more than one questionnaire although we request that you review and feedback on at least your primary sector.

Step 3: Provide Feedback

For those wishing to provide feedback, please click the links below or paste the relevant URL into a new window in your browser.

- ▼ To provide feedback on climate change questionnaires please click [here](#);
- ▼ To provide feedback on water questionnaires please click [here](#);
- ▼ To provide feedback on forests questionnaires please click [here](#).

Respondents can give feedback on multiple questionnaires, but will only need to fill out a maximum of three feedback forms. Respondents should select what type of stakeholder they are, and which questionnaires they would like to provide feedback on. Respondents will not be expected to give feedback on every question in the questionnaires. All feedback will be confidential and will be used internally to inform CDP's decisions. Any results of this consultation that are made public will only contain summarized feedback, with no attributable quotes or identifying information.

2. Background

a. Reimagining Disclosure goals

CDP is transforming disclosure through its Reimagining Disclosure Initiative. Our goal is to deliver improved data and assessments for investors and other stakeholders.

Changes to questionnaires have been underpinned by two fundamental principles – the data requested needs to be impactful for investors and other data users, and drive improved environmental stewardship.

b. Previous consultation

Thank you to the 170+ unique respondents who participated in our first consultation ran from March 15-April 28, 2017. If you would like to see the results, please check our response report [here](#).

The questionnaires presented as part of this consultation were developed based, in part, on the feedback from the previous consultation, as well as through specific one to one meetings.

c. Timelines for 2017 and 2018

This is the second and final formal consultation prior to the release of the questionnaires for the 2018 cycle. The timeline is as follows:

- ▼ March 15 – April 28, 2017: first consultation (closed)
- ▼ July 12 – September 15, 2017: second consultation
- ▼ November 2017: questionnaires published to investors
- ▼ December 2017: questionnaires and guidance released on website
- ▼ February/March 2018: scoring methodologies published
- ▼ March/April 2018: new disclosure platform launches

3. Cross theme changes

The Reimagining Disclosure Initiative is changing CDP's questionnaires by:

- ▼ Delivering sector-specific questionnaires and scoring across three themes
- ▼ Integrating the recommendations from the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD)¹, which were finalized on June 29, 2017;
- ▼ Further aligning the questionnaires with other frameworks (e.g. DJSI, SASB, GRI, etc.);
- ▼ Aligning questions across the themes where possible;
- ▼ Continuing to increase forward-looking metrics, building upon science-based targets work by moving towards scenario analysis and stress tests as appropriate and;
- ▼ Integrating the learnings from our recent [ACT project work](#) to assess whether companies are on a 2-degree trajectory.

a. Sectorization of questionnaires

By introducing sector specific questionnaires, CDP aims to facilitate the reporting of water information by companies and improve the materiality of the data it provides to investors. In addition, CDP's reporting guidance will be revised to include sector specific details at a question level. See [Table 2](#) for the list of sector questionnaires by theme.

b. Integration of recommendations from the TCFD

The TCFD recommendations demonstrate a clear message from investors and private companies of what climate change information should be incorporated in financial disclosures.

CDP integration of TCFD recommendations has taken place primarily in the climate change questionnaire as there is already significant overlap. CDP has adapted the structure of its climate change questionnaire to also harmonize more closely with TCFD structure.

The water and forests questionnaires have adopted a soft alignment with the TCFD. This means that any specific mention of water- or forest-related issues has been incorporated into the questionnaires where they provide added value to data users or support CDP's mission.

c. Guidance and scoring

It is particularly important that we receive feedback on the proposed questionnaires so that we can understand any areas that will need more extensive guidance development. Please be sure to note any specific questions that you feel your company will need guidance on within our feedback section.

From 2018, scores will be sector-specific.

¹ The final TCFD recommendations can be found [here](#)

d. Tiering

To allow for a smoother introduction to disclosure for companies responding for the first time and to encourage more companies to disclose, we will be introducing a tiered system with two different types of questionnaires: Full and Minimum.

Companies will be asked to complete the Minimum tier questionnaire(s) if:

- ▼ It is their first year of responding to CDP; or
- ▼ They meet certain demographic criteria (based on revenue and environmental impact).

A company can opt to move from the Minimum tier to the Full tier but cannot move from Full to Minimum. The tier of a company will apply to all themes.

e. New Disclosure Platform

CDP is upgrading the IT systems that support disclosure. This includes a new Disclosure Platform with a number of improvements: better performance, tagging of questions (e.g. sector specific, highlighting of alignment with other frameworks, indicating which supply chain members are interested in certain disclosures) and more guidance within the disclosure platform.

f. Supply chain modules and questionnaires for SME suppliers

All large suppliers responding to information requests through the CDP supply chain program are presented with a general questionnaire (be it for climate change, water or forests) plus the corresponding supply chain module.

For this consultation, the supply chain module questions can be found at the end of the three general questionnaires.

Small and medium sized enterprises (SMEs) (i.e. those with a revenue of less than 50 million Euros/ 50 million US Dollars *and* less than 250 employees) responding to information requests through the CDP Supply Chain program, answer a reduced number of questions. From 2018, this will apply to requests from Supply Chain members for water and forests, as well as climate change. They also complete the corresponding supply chain module.

For this consultation, the questions for SMEs are tagged where relevant in the general climate change, water and forests questionnaires.

4. Climate change questionnaire

The climate change questionnaire has evolved most due to the inclusion of two key areas:

- ▼ Integration of TCFD recommendations – adaptation of both questions and questionnaire structure;
- ▼ Sectorization of the questionnaires – inclusion and integration of sector-specific questions, responses and guidance for 12 sectors.

a. Inclusion of TCFD recommendations

We have tagged where there are TCFD-related questions and data points within our questionnaires to highlight alignment.

CDP will be including guidance on the TCFD inclusions and companies can also reference CDSB's checklist on how [to prepare for the TCFD recommendations](#). CDP guidance will include approaches to scenario analysis, including recognition of differences in experience and maturity in preparing these, how these integrate with other forward-looking metrics such as science based targets and carbon pricing.

b. Sector climate questionnaires

CDP will now have specialized climate change questionnaires for 12 sectors (see [Table 2](#)) and these sectors are explored in greater depth later. For this consultation, the sector specific questionnaires are presented within 4 climate change questionnaire documents as follows:

- ▼ Energy cluster – oil & gas; coal; electric utilities (section [7](#));
- ▼ Transport cluster – transport vehicle manufacturers; transport services (section [8](#));
- ▼ Materials cluster – cement; steel; metal & mining; chemicals (section [9](#));
- ▼ Agriculture cluster – food, beverage & tobacco; agricultural commodities; paper & forestry (section [10](#)).

Those disclosers who do not have their main business activities in one of these sectors will respond to the general questionnaire.

5. Water questionnaire

The principle developments for 2018 include revisions to the general water questionnaire and the introduction of five sector water questionnaires. The following trends have impacted the proposed changes:

- ▼ Rising investor interest in water risks and opportunities, particularly strategic response pathways and future resilience to climate change;
- ▼ The need to better understand corporate risk in the value chain beyond direct operations;
- ▼ The need for increasing data granularity, e.g. at facility level;
- ▼ A focus of corporate reporting on water stressed areas;
- ▼ Increasing need for a context-based risk assessment and target setting;
- ▼ The commitment of companies to a collaborative approach to shared water challenges;
- ▼ Support for the UN Sustainable Development Goals.

a. General questionnaire development

In the previous consultation, we sought views on 16 topics that were under consideration as potential areas of development. Reflecting feedback received from a full range of our stakeholders, 4 proposed topics were **not** taken forward:

- ▼ Governance – where organizations publish water related information
- ▼ Strategy – transitioning
- ▼ Accounting – whether water data is being collected for all facilities
- ▼ Response – collective action

The governance issue of reporting use of employee incentives to manage water is only included for high impact sectors.

The following list describes some of the high-level, substantive changes to the water questionnaire.

- ▼ **Water accounting:** reflecting a move towards more context-based water reporting, companies are asked to indicate the percentage of withdrawals from stressed basins; to reflect the new SDGs and a trend in corporate water management and reporting practice, a question has been included on the percentage of withdrawn water that is recycled or reused.
- ▼ **A move from supply chain to value chain:** where a company indicated a dependency on water or risks within its supply chain, several questions asked for information about water management or water risks in the supply chain. This has been widened to other phases of the value chain in recognition of the fact that for many companies, water availability or water quality downstream - as well as upstream - of direct operations (in product use, for example) is an increasing issue.

- ▼ **Risk disclosure tables:** modifications to the wording of the tables for disclosing risks clarify that the information requested refers to impacts to the business itself arising from risks either within direct operations or elsewhere in the value chain (and no longer simply the supply chain). Furthermore, the drop-down options for drivers and impacts will include additional responses to reflect the TCFD's focus on transition risks.
- ▼ **Facility level data:** we are requesting geolocation data for facilities exposed to risks that could generate a substantive change to the business.
- ▼ **Governance:** we have revised the existing question and introduced new data points (on oversight and public policy influence) to better reflect the need for water matters to be considered as part of corporate governance mechanisms.
- ▼ **Strategy:** a new section on strategy has been added replacing the existing questions on strategy. We are incentivizing companies to disclose how water has been integrated into long term business objectives, business strategy and financial planning (including their use of scenario analysis). This is in line with the TCFD Recommendations and CDP's mission to support the transition to a sustainable global economy in which companies are resilient to future climatic and other changes but also play a role in that transition.
- ▼ **Targets and goals:** we are asking for information on procedures for setting targets and goals at any level of the organization. This is in response to a collaborative project under way by CDP and other organizations with an interest in corporate water stewardship to identify a methodology and provide guidance for identifying meaningful context-based water targets. CDP's questions in this section will evolve in response to the outcomes of that project – anticipated after 2019. For more information visit the [CEO Water Mandate website](#).

b. Sector water questionnaires

Five high impact sectors are being introduced for sector specific water disclosures. For this consultation, the sector specific questions are presented within 3 cluster water questionnaire documents as follows.

- ▼ Energy cluster – electric utilities; oil & gas (section [7](#));
- ▼ Materials cluster – chemicals; metals & mining (section [9](#));
- ▼ Agriculture cluster – food, beverage & tobacco (section [10](#)).

6. Forests questionnaire

The principle developments for 2018 include revisions to the general forests questionnaire, supply chain module, and creation of a questionnaire for the paper & forestry sector. The following trends have driven the proposed changes. These include requirements to:

- ▼ Improve quantification and easier analysis of collected data;
- ▼ Collect data on the implementation of policies through the monitoring of supplier compliance and verification;
- ▼ Adjust expectations of traceability for companies at different stages of the value chain;
- ▼ Capture organizations' progress on targets for increasing sustainably-produced commodities;
- ▼ Allow companies to disclose on other commodities.

a. General questionnaire development

The following list describes some of the high-level changes to the forests questionnaire.

- ▼ **Introduction:** Following a request from the [CDP supply chain members](#), we are allowing organizations to disclose on an additional forest risk commodity, 'rubber', by selecting this in the introduction. This option will be piloted in 2018, and organizations will not receive a tailored questionnaire for rubber or a score for their rubber disclosure. Pre-populated commodity columns would include 'Other: rubber' and organizations would disclose information on rubber by selecting 'Other' throughout.
- ▼ **Context:** We have added "region specific" questions within certain sections, which are formulated to elicit information from responding organizations operating in or sourcing from particular high-risk areas on topics that are not relevant to companies outside of that region.
- ▼ **Risks:** We have revised the risk disclosure tables to ask organizations to disclose risks in their direct operations and in their supply chain. The drop-down options for drivers and impacts include new options to reflect TCFD recommendations, including the separation of risks into physical and transitional.
- ▼ **Governance:** We have revised the existing question and introduced new data points to support TCFD Governance recommendations, and to reflect the need for deforestation risk to be considered as part of corporate governance mechanisms.
- ▼ **Policy:** Putting sustainability policies in place is a crucial step towards forming an adequate response to deforestation risk within the value chain. We have added to, and re-structured, the "criteria" drop-down menu to produce more comparable data that is easier to analyze. This will improve the ability of CDP and its stakeholders to gain an understanding of the current state of deforestation-related corporate policy.
- ▼ **Strategy:** The questions on strategy have been modified to incentivize organizations to disclose how the availability or quality of forest-risk commodities has been integrated into long-term business objectives, business strategy, and financial planning.

- ▼ **Traceability:** We have simplified the questions on traceability to be applicable to organizations at every stage of the value chain.
- ▼ **Measurement:** The question which requests information from organizations that own or manage land used to produce your selected commodities has been modified. The question also requests detailed information on landbank and on the type of system used to monitor legal and illegal deforestation, such as Geographic Information Systems (GIS), Ground-based systems, and Aerial systems.
- ▼ **Standards:** We request organizations to report on volumes and percentages of production, and/or consumption, currently covered by third-party certification schemes in the reporting year for each form of commodity reported on. We also request percentages of commodities covered by sustainable production and procurement standards. For manufacturers/retailers, we ask about the % of suppliers in compliance with standards in reporting year and systems in place to monitor compliance.
- ▼ **Targets:** To track progress on targets, we ask organizations to report on the proportion of target that they have achieved as a percentage.
- ▼ **Linkages and tradeoffs:** This section aligns with our water questionnaire and aims to understand how deforestation may affect risks, impacts, opportunities, and decision-making in other areas of sustainability, e.g. maintaining local ecological standards, transfer to renewable energy sources, or water quality.
- ▼ **Verification and assurance:** CDP encourages the verification/assurance of information disclosed to us. We have therefore added a new question to encourage companies to adopt third-party verification or assurance of their data, processes, and policies.

b. Sector forests questionnaire

The forests general questionnaire is already closely aligned to the value chain of the agriculture industry. We recognize that there are paper & forestry specific issues to capture, and as such we have introduced a paper & forestry sector questionnaire for forests.

- ▼ Agriculture cluster – paper & forestry (section [10](#))

7. Energy cluster sector visions: Coal; Electric utilities; Oil & gas

a. Introduction

Companies in the energy cluster are involved in energy extraction, conversion, storage, transmission and distribution. Since stabilization of atmospheric GHG concentrations hinges on a low-carbon transformation of the energy sectors², and as many of their business activities are critically water dependent³, sector-specific climate change and water questionnaires and guidance have been prioritized in this cluster. Businesses operating in these sectors have many opportunities to reduce emissions, including: operational and product use-phase energy efficiency improvements, fugitive emissions reductions across the value chain, fuel switching, and, critically, low-carbon energy technologies such as renewable energy and carbon capture and storage. Improving water management and efficiency is also an opportunity for these sectors to lower the costs of production and mitigate the reputational risks associated with water pollution.

b. Oil & gas

Climate change

Climate change is a strategic risk for the oil & gas sector⁴, whose operational emissions and use phase emissions collectively account for half of global carbon dioxide emissions. To ensure disclosures from this sector address these risks, CDP proposes disclosures relating to:

- ▼ Operational efficiency:
 - Emissions breakdowns by oil and gas business divisions, associated activities, and emissions categories;
 - Emissions intensity of hydrocarbon production and throughput (CO₂e/BOE);
 - Methane emission rates of hydrocarbon production and throughput.
- ▼ Carbon asset mix:
 - Hydrocarbon reserves, production, refining, and transportation figures;
 - Scope 3 emissions from the use of sold hydrocarbon products.
- ▼ Climate strategy and flexibility:
 - Low-carbon scenario analysis and transition planning;
 - Capital flexibility and production costs.

Water

Water is critical to the oil & gas industry. The extraction of hydrocarbons produces large volumes of water. Smart, safe management of this produced water is both a business opportunity (in that the water can be reinjected for an improved field recovery factor) and a regulatory necessity (in that water contaminated with hydrocarbons must be properly treated

² IPCC, 2014: Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

³ IEA, World Energy Outlook 2012, Chapter 17: Water for energy

⁴ IIGCC (2016) Investor Expectations of Oil and Gas Companies: Transition to a lower carbon future

and discharged). In unconventional exploration and production such as hydraulic fracturing and oil sands, water is often an essential input for the recovery of the resource. Downstream operations such as refining and petrochemicals require water for cooling. For this reason, plants are often located near bodies of water and rely on these resources for the success of their business.

This questionnaire speaks to the ways in which oil & gas companies use and manage water. The questions align closely with IPIECA guidelines on sustainability reporting.

- ▼ Companies are asked to disclose total water withdrawals and consumption by business division (upstream, refining, chemicals).
- ▼ In response to investor needs and following IPIECA guidance, a question on water intensity per unit of production (for example, water withdrawal per barrel of oil equivalent) has been added.
- ▼ Companies are asked to disclose which of their facilities are exposed to water risks and the proportion of the company's global production volume that could be affected by these facilities.

c. Coal

Climate change

Coal combustion contributes the largest share of the anthropogenic greenhouse gas increase in the atmosphere and dominates power generation globally⁵. Yet coal faces increasing regulatory and market pressures in its downstream use, including competition from natural gas and renewables. As such, direct and use-phase emissions are strategic risks for coal companies. To ensure disclosures from this sector address these risks CDP proposes disclosures relating to:

- ▼ Operational efficiency:
 - Combustion and fugitive emissions breakdowns;
 - Mitigation of fugitive methane;
 - Emissions intensity of production.
- ▼ Carbon asset mix:
 - Coal reserves and production, by coal type and application;
 - Scope 3 emissions from the use of sold coal.
- ▼ Climate strategy:
 - Low-carbon scenario analysis and transition planning.

d. Electric utilities

Climate change

Climate change is a strategic issue for the electric utilities sector as power generation is the single largest emitter of CO₂, accounting for around 25% of global emissions according to

⁵ IEA (2017) Tracking Clean Energy Progress 2017

IPCC estimates⁶. With the increasing commercialization of renewable energy sources and the advent of decentralized power production, the sector has the potential to undergo a low-carbon transition⁷. To ensure these sector-specific risks and opportunities are captured in disclosures, CDP proposes enhanced disclosure relating to:

- ▼ Operational efficiency:
 - Fugitive emissions breakdown;
 - Emissions intensity of power generation and transmission;
 - Transmission and distribution accounting.
- ▼ Generation asset mix:
 - Installed capacity and power generation breakdown by primary power generation sources.
- ▼ Climate strategy:
 - Low-carbon scenario analysis and transition planning;
 - Capex planning for power generation, products, and services.

Water

The electric utilities sector is heavily dependent on water for cooling, and, in the case of hydroelectric generation plants, for power generation itself. For this reason, plants are often located near bodies of water and companies rely on these resources for the success of their business.

This questionnaire is designed to address the specific water uses and impacts of the electric utilities sector. The most pressing issues for the sector relate to thermal pollution of these resources and impacts of business activities on the hydrologic cycle. Robust water risk assessments are also critical given the long-term nature of investments in the sector.

- ▼ Companies are asked to disclose their nameplate capacity by primary power generation source. This gives a sense of dependency on water-dependent fuels, e.g. coal and biomass.
- ▼ In recognition of the different water uses of hydroelectric plants, companies with hydroelectric operations will be asked whether they monitor the quality and temperature of headwater and tail water; downstream flows; and sediment loading.
- ▼ In response to investor needs, a question related to water intensity (for example, water withdrawal per Mw/h) has been added.
- ▼ Companies are asked to disclose the facilities exposed to water risks and the proportion of company's gross annual generation that could be affected by these facilities.

⁶ IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change

⁷ IIGCC (2016) Investor Expectations of Electric Utility Companies: Looking down the line at carbon asset risk

8. Transport cluster sector visions: Transport services; Transport vehicle manufacturers

a. Introduction

Behind direct energy production, transport as a sector is responsible for 23% of global energy-related emissions, with total energy use for transport having doubled in the last 35 years. Most of these emissions stem from road transport in both light- and heavy-duty vehicles, though the steadily increasing emissions from marine transport and aviation are also significant.

CDP's climate change questionnaire will be adapted to facilitate the disclosure of sector-specific metrics that enable data users to track company progress towards the low-carbon economy. The transport sector includes both the manufacture of equipment used for transport, and the services that use this equipment to transport goods and passengers. The following framework is used to identify individual sub-sectors by industry activity, transport mode, and transport subject:

Transport activity approach:

Sector specification for **industry activity**:

1. Transport Services Providers
2. Transport Equipment Manufacturing

Across 5 distinct **transport modes**:

- i. Aviation
- ii. Light Duty Vehicles (LDV)
- iii. Heavy Duty Vehicles (HDV)
- iv. Shipping
- v. Rail

For the transportation of **transport subjects**:

- A. Freight
- B. Passengers

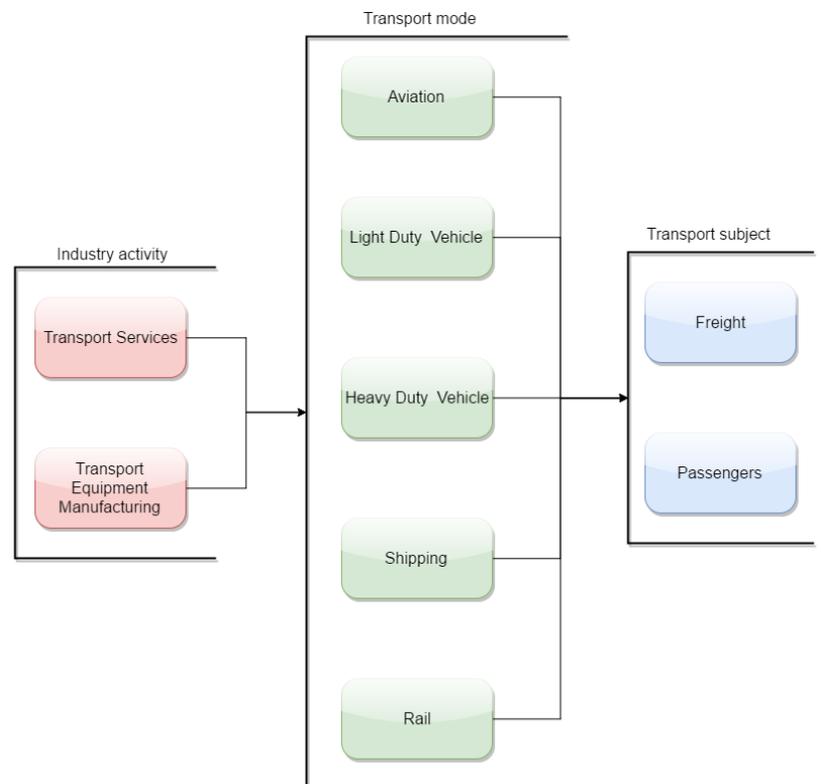


Figure 2 - activity approach for transport cluster

b. Transport services

Independent of technology used, the transport services questionnaire has an overarching structure based on the following:

1. Advanced Scope 1 and 2 emissions accounting:
 - Cross-technology intensity indicators for the transportation of one unit of goods/one passenger across a set distance;
 - Industry-specific, relevant emissions metrics, such as emissions per revenue kilometer, or emissions per non-standard unit of goods;
 - Emission factors used for low-carbon energy purchases.
2. Efficiency metrics of the fleet such as fuel economy and load factors.
3. Operational metrics that show the company's degree of transition to a low-carbon business model.
4. Low-carbon scenario analysis and transition planning.
5. Advanced value chain engagement to suppliers of transport equipment.

c. Transport vehicle manufacturers

Independent of technology used, the transport equipment manufacturing questionnaire has an overarching structure based on the following:

1. Advanced Scope 3 (indirect) emissions accounting:
 - Cross-technology intensity indicators for the transportation of one unit of goods/one passenger across a set distance;
 - Relevant assumptions used to calculate current and future Scope 3 emissions from the use of sold products;
 - Industry-specific, relevant emissions metrics, such as emissions per vehicle per unit of distance, fuel economies, and test standard figures.
2. Production efficiency metrics.
3. Operational metrics that show the company's degree of transition to a low-carbon business model, such as share of sales of low-carbon alternative vehicles.
4. Low-carbon scenario analysis and transition planning.
5. Advanced value chain engagement with suppliers of transport equipment.

d. Transport mode specific focus

Five distinct transport modes were identified for study: Aviation, Light Duty Vehicles (LDV), Heavy Duty Vehicles (HDV), Shipping, and Rail. Each technology is an integral part of our current transport system, and each has unique challenges to overcome to successfully transition to a low-carbon model. The following summarizes the vision of which technology specific issues CDP wishes companies to report on:

- ▼ **Aviation:** Low-carbon pathways are not established for this sector as there is not yet a viable alternative to fossil fuels. Additional focus will be on a company's approach to

biofuels, both from a manufacturing and services perspective. Services companies will be asked about their initiatives on carbon offsetting programs.

- ▼ **Shipping:** Similar to aviation, and especially for international shipping, low-carbon alternative technologies are not established for this sector, with a heavy dependence on fuel oil. Increased focus will be placed on efficiency metrics (such as the ICAO's EEDI⁸) to understand the gaps between companies on the efficient use of fuel oil. Manufacturers are asked for the adoption rate of common fuel-efficiency technologies, and shipping companies are asked whether they carry out operational actions that increase efficiency and reduce emissions, such as slow sailing.
- ▼ **Rail, LDV, HDV:** There are no specific focus points for these transport modes that are not already included in the five main points mentioned above, for either services or manufacturing.

e. Transport subject specific focus

Between passenger and freight transport, the key difference with relevance to the CDP questionnaire is the specific metrics that measure efficiency either by passenger or by tonne of goods transported. Beyond this, there are identified differences that are often driven by increased safety laws and requirements placed on passenger transport. CDP does not expect these differences to affect the questionnaire design, but they will be expected to impact the guidance and potentially scoring.

⁸ Energy Efficiency Design Index by the International Maritime Organization (IMO)

9. Materials Cluster sector visions: Cement; Chemicals; Metals & Mining; Steel

a. Introduction

CDP defines materials companies as those in the cement, chemicals, metals & mining, and steel sectors. Companies in each of these sectors are involved in energy, emissions, and water intensive industrial activities. Companies in the materials cluster are primary industries providing commodities as inputs to the rest of the economy, therefore their large scale gives them a significant environmental impact. Their operations may require the use of large amounts of energy, fossil fuels (for both feedstock and energy use), and water. The operations of materials companies may involve using substances, which can have significant pollutive impacts on water resources if not correctly managed. Materials companies are capital-intensive and generally have large and immobile facilities, and therefore require long planning horizons to deal with environmental risks effectively. These factors are relevant to investors who are concerned that environmental risks and impacts may negatively affect their investments in these companies.

Climate Change

Materials companies are significant emitters of greenhouse gases and must reduce their emissions in both absolute and intensity (per production) terms to meet both the requirements of the low-carbon transition and the predicted future demand for their products. Energy used for production processes may be generated by the company from fuel, bought from electricity providers, or bought in the form of heat, steam, or cooling from other providers; thus, these companies have significant Scope 1 or Scope 2 emissions. As a result, all CDP's questionnaires for the materials sectors in climate change ask for the following breakdowns to provide visibility over the main sources of emissions:

- ▼ Scope 1 and 2 emissions breakdowns;
- ▼ Energy breakdowns;
- ▼ Fuel breakdowns.

Emissions reductions in materials sectors will come from a mix of efficiency improvements, fuel switching, process enhancements, recycling, and deployment of new technologies. Due to their heavy GHG emissions profile, companies may be exposed to climate risk (physical, regulatory, carbon price, demand-side) and should therefore carry out scenario analysis to identify and plan for these risks over the short, medium, and long term and develop appropriate strategic responses to them. Science-based targets are an example of such a strategic response. Accordingly, the climate change questionnaires for the materials sectors address these areas. The materials group of sectors has potential opportunities from the transition to the low carbon economy in resource efficiency, demand for new products categories, and demand for low carbon alternatives to current products. Transition planning and R&D will enable successful companies to realize these opportunities.

Water

The chemicals and metals & mining sectors may be exposed to specific water risks, so they will receive sector-specific questionnaires. These questionnaires will ask about the management of substances which may cause negative water impacts along the value chain. Chemical production is frequently water intensive and chemicals companies may have feedstocks, wastes or products which pose particular water pollutive risks. Mining is a water-intensive activity and mines are increasingly located in remote areas with particular water-risk profiles and sensitivity to water impacts, such as deserts or tropical rainforests. Mines require management to minimize water impacts even after their closure, and this uniquely long water-risk profile is referenced in the questionnaire.

Reductions in water risks and impacts from the chemicals and metals & mining sectors will come with improvements in water efficiency from process improvements, technology deployment, and a reduction of dependency on freshwater resources. Effective management of substances of concern is key to minimizing their water impacts, and engagement in the value chain will enable good practice to spread to suppliers and customers to reduce wider impacts.

b. Cement

Climate change

Cement production requires the heating of key ingredients to 1450°C, which is where most of the GHG emissions originate, through the combustion of fossil fuels. However, some CO₂ emissions are unavoidable with current technologies since they occur from process emissions. Increasing energy efficiency, fuel switching, reducing clinker content, and moving to more efficient dry process kilns with pre-calciner and pre-heating technology are key ways the cement industry can reduce emissions. Many low-carbon scenarios assume that carbon capture and storage will play a role in emissions reduction for the sector as well. According to the IEA's 2°C Scenario (2DS), both emissions levels and carbon intensity levels of cement production need to see reductions of 20% and 37%, respectively, by 2050 compared to 2010.

CDP proposes disclosure of:

- ▼ Volume based output and intensities;
- ▼ White and grey cement split;
- ▼ Clinker capacity/technology split; and
- ▼ Ordinary Portland Cement (OPC) clinker capacity coverage.

c. Chemicals

Climate change

The chemicals sector is diverse, creating an immense variety of products which can be categorized under the following groups: commodity chemicals, specialty chemicals, life science products, and consumer care products. Most emissions come from fossil fuel combustion in production processes, as well as process chemical emissions. More carbon and/or energy

efficient heat production, through the use of cogeneration and selection of less emissions-intensive fuels, can cut emissions, as can process redesign. Depending on feedstocks used, the sector may have significant upstream emissions, thus feedstock switching from fossil to bio-based fuels may reduce emissions. The sector has significant opportunities in the development of new products to meet the demands of the low-carbon economy. Although carbon capture and storage (CCS) is a nascent technology, some chemicals companies with existing expertise relevant to CCS/Carbon Capture and Utilization (CCU) could see opportunities in this area, in applying technology to the emissions of other organisations as well as to their own. According to the IEA's 2°C Scenario (2DS), carbon intensity levels of chemicals production needs to see reductions of 52% by 2050 compared to 2010.

CDP proposes disclosure of:

- ▼ Fuel split of company-owned generation;
- ▼ Combined Heat and Power/cogeneration percentage;
- ▼ Feedstock source split;
- ▼ Volume based output and process performance; and
- ▼ Greenhouse gas sales figures in metric tons.

Water

This is a highly water-intensive sector where water is used primarily for cooling purposes (90%), but also as a raw material in cleaning and transport, as well as a solvent, and as part of the final product. This sector-specific questionnaire is designed to capture the most pertinent water-related issues for the chemicals sector: high water dependency and water pollution. It will provide a framework for business to appropriately measure, identify, manage, and respond to key issues the sector faces.

Three new proposed questions have been included:

- ▼ A question related to water intensity has been included to encourage companies to reduce water withdrawals per product;
- ▼ Hazardous chemicals of concern pose a significant threat to water ecosystems. Therefore, two new questions have been added to identify at what phase in the value chain this poses a business risk and explain the management approaches in place to minimize these risks.

d. Metals & mining

Mined materials are essential for nearly every aspect of modern life and can be found in products ranging from mobile phones to nuclear reactors and even hand cream. This sector also represents the first stage of the life cycle of multiple manufactured products. The questionnaires focus on the principal business activities of the sector, which include the mining and processing of chemical elements and compounds from minerals and the subsequent distribution of these elements.

Climate change

Metals & mining companies will reduce emissions through increased recycling - where possible - and increased renewable and low-carbon electricity purchases and generation at production sites. This could be particularly significant in remote mines not connected to a power grid. Fuel switching and energy efficiency improvements will be needed at metal production facilities. Companies in the metals & mining sector with reserves in “green” metals, i.e. those needed for application in the low-carbon economy (such as battery technology, PV panels, and efficient turbines), stand to gain significant advantage. Leading companies will demonstrate both absolute emissions reductions and reductions in the carbon intensity of their production per ton of product (metal, ore or other) produced.

CDP proposes disclosure of:

- ▼ Volume-based output and intensities.

Water

Water is used during the in-situ extraction process from the ground, the consequent mineral processing to extract the desired element, in the transport of excess slurry (a mixture of fine mineral particles and water) and storage, transport of the mineral elements, and for other processes such as dust suppression, cooling, and employee requirements on site. Activities associated with the metals & mining sector include direct environmental impacts such as the use of significant amounts of water in operations, high water pollution potential, and reduced biodiversity in both mining and processing activities.

To address the unique risks faced by metals & mining companies, three proposed new questions have been included:

- ▼ In line with the Water Accounting Framework and ICMM guidelines, we now ask for the total volumes of water reuse and recycled and the reuse efficiency at the corporate level;
- ▼ Recognizing that the market is not yet ready to report on product level water intensity metrics, we have included a question asking if water intensity is currently calculated and, if so, to provide details as to what metric is used; and
- ▼ In line with TCFD, we are now asking for companies to provide details as to the percentage of capital allocated over various time horizons and how the capital allocation is distributed between discretionary and committed funds.

e. Steel

Climate change

Steel production is a highly energy-intensive process as it transforms iron ore to steel, which requires extensive amounts of heat and coking coal, an emissions-intensive product. Production efficiency is closely tied to furnace type, so replacing less efficient furnaces with electric arc furnaces can greatly reduce emissions. Attention to feedstocks and switching to less emissions-intensive fuels can also lower production emissions. Recycled steel has significantly lowered carbon emissions and thus presents opportunities to steelmakers in the low-carbon economy. Many low-carbon scenarios also assume that carbon capture and storage will play a role in emissions reduction for the sector. According to the IEA's 2°C Scenario (2DS), both total emissions levels and carbon intensity levels of steel production need to see reductions of 31% and 55%, respectively, by 2050 compared to 2010.

CDP proposes disclosure of:

- ▼ Process route emissions intensities;
- ▼ Production and consumption figures; and
- ▼ Production of feedstocks.

10. Agricultural cluster sector visions: Agricultural commodities; Food, beverage & Tobacco; Paper & forestry

a. Introduction

Around 37% of the world's total land surface is devoted to agricultural activities.⁹ The sector is responsible for up to one-third of human-associated greenhouse gas emissions¹⁰, and consumes about 70% of the planet's accessible freshwater.¹¹ Agricultural activities have the potential to cause detrimental impacts to air, soil, water bodies, and forests. CDP considers organizations in the agricultural industries, or those that depend directly on agricultural products, to have a potentially high environmental impact and contribution to climate change. In this cluster, we grouped together organizations that perform direct agricultural activities or strongly rely on agricultural products for their business. With this in mind, we are developing the following agricultural sectors for 2018:

- ▼ Agricultural commodities (AC): for climate change questionnaire;
- ▼ Food, beverage & tobacco (FBT): for climate change and water questionnaires; and
- ▼ Paper & forestry (P&F): for climate change and forests questionnaires.

The questionnaires are designed to capture the most pertinent issues with regards the management practices during the production, processing, distribution and trade of agricultural commodities, with a focus on CO₂ emissions, water impacts and deforestation risk.

Note that for the climate change sector questionnaires, we used questions from the CDP FBT module as a basis for the new sector specific questions. Overall, we introduced the possibility to disclose Scope 1 emissions data breakdowns by key commodities that are closely related to deforestation. Moreover, Scope 3 emissions can now be disclosed by the area of activities throughout the value chain¹² to provide a better view on the most impactful activities performed by organizations.

The sector specific FBT water questionnaire has new questions related to the dependence and water intensity of high water intensive crops and animal products that are most commonly produced/sourced by organizations in the sector.

The forests questionnaire was specifically developed to address issues related to the production and sourcing of commodities, and thus, it entirely focuses on agricultural impacts on forests. Therefore, the questionnaire was kept the same for the AC and FBT sectors and

⁹ World Bank data. <http://data.worldbank.org>

¹⁰ Gilbert, N. (2012) [One-third of our greenhouse gas emissions come from agriculture](#) Nature News.

¹¹ Clay, J. (2004) [World Agriculture and the Environment: A Commodity-by-Commodity Guide to Impacts and Practices](#) Island Press

¹² The value chain here was divided as follows: agriculture, processing/manufacturing (including packaging of food, beverage and tobacco products), distribution, consumption.

relatively few changes have been made from last year. However, we refined the questionnaire to reflect specific issues that are relevant to the P&F sector.

b. Agricultural commodities

The agricultural commodities sector comprises companies producing and processing primary agricultural commodities that will be used as raw ingredients to manufacture, package, and market food, drink, and tobacco consumer goods in the FBT sector. The two sectors may work together to address risks as significant indirect risks and impacts for the FBT sector lie within the AC sector. The small-scale production of non-timber forest products (NTFPs; e.g., rubber, nuts, seeds etc.) is also included in this sector.

Risks associated with this sector are deforestation risks and farm management practices (related to the use of fertilizers, pesticides and manure; irrigation, harvesting and soil management practices; as well as livestock management and animal waste). To a lesser extent for this sector, the use of chemicals and waste treatment in farm processing facilities may present risks.

Climate

- ▼ Data on emissions related to land use change and other biogenic emissions are requested to assess organizations' direct impacts on carbon stocks and flows.
- ▼ Details on response actions to reduce emissions related to farming, sourcing, trading, and consumption of commodities are requested to encourage organizations to adopt low-carbon alternatives.

Forest

- ▼ We request data on the risks of producing and/or sourcing key deforestation risk commodities to encourage companies to choose sustainable production/procurement practices to reduce risks of deforestation across the value chain.
- ▼ CDP has added data points requesting information about geospatial monitoring systems to track deforestation and about monitoring systems to ensure compliance of procurement standards throughout the value chain.

c. Food, beverage & tobacco

The food, beverage, & tobacco sector comprises of organizations processing (including packaging), manufacturing, or trading food, drink, and tobacco consumer goods. Organizations in this sector produce their raw materials and/or source them from companies in the AC sector. AC and FBT sectors overlap to a certain extent regarding the production and/or processing of agricultural commodities into raw materials for the manufacture food, beverage, or tobacco goods. Note that we exclude from this sector organizations that use agricultural commodities for the manufacture of personal care and household goods.

The FBT sector inherits those risks arising from agriculture, as described for the AC sector, and those risks associated with further processing, manufacturing, and packaging of food, beverage, and tobacco products: such as CO₂e emissions from machinery or water pollution due to chemical use and animal waste. Moreover, there are high risks to businesses that rely on unsustainable supply chains for providing raw materials and on the downstream/upstream transportation and distribution. This makes the value chain engagement a highly important aspect for this sector.

Climate

- ▼ We now provide the option for organizations to provide data on emissions from the production and/or sourcing of deforestation risk commodities, and from the manufacturing and distribution of goods associated with these commodities. CDP aims to encourage companies to assess risks that are specific to a commodity and to respond in a more targeted way.
- ▼ Key data points ask about emissions and mitigation actions on their supply chains, and on activities across the value chain related to the production/manufacture of food, drinks, and tobacco goods.

Water

- ▼ Data points related to water intensity of crop and animal products are included to encourage organizations to reduce the water withdraws per product and to provide detailed dependence data to investors
- ▼ Data on crop and animal products produced and/or sourced in areas under high water stress or risk are requested to encourage companies to address their risks and to provide investors detailed data on water risks.
- ▼ A question on management procedures to specific substances is included to encourage disclosers to address risks of water contamination due to farming and/or manufacturing activities (e.g., use of fertilizers, pesticides, chemical and animal waste, irrigation and soil management practices). CDP aims to highlight the importance of these actions for the sector.

Forest

- ▼ Key data points ask about to how organizations are engaging with different stakeholders to mitigate their risks throughout their value chains.
- ▼ Data on the product origin, certification, and traceability are requested as companies should be aware of and prepared to mitigate their deforestation risks throughout the value chain.

d. Paper & forestry

CDP views this sector according to the environmental impact of the production and/or sourcing of wood-based forest products. We define the paper & forestry sector to organizations whose activities include producing and/or sourcing wood- and timber-based products only. We exclude NTFPs (e.g., rubber, nuts, seeds, etc.), as they are generally smaller scale activities used in local markets and are included in our AC sector.

Risks associated with this sector extend across the whole value chain and consist of those arising from forest management activities, such as logging; or from sourcing of timber/wood products for the manufacture of wood-based products, paper, and packaging. Other risks are related to the use of wood as biofuel for facility energy use, the downstream and upstream transportation and distribution, and the waste management.

Climate

- ▼ We request data on emissions from direct forestry management activities and/or sourcing of timber/wood products.
- ▼ A question about afforestation/reforestation/restoration projects, that are not part of organizations direct operations, aiming carbon sequestration benefits on was added to allow companies to report progress in this area.

Forest

- ▼ The policy section has been tailored to provide commitment criteria that are specific for the P&F sector.
- ▼ A question on afforestation/reforestation/restoration projects was added to provide a space for organizations to disclose on their progress in this area.

-End-