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2020 Communication on CDP's Engagement with the United Nations Global Compact

CDP is an international non-profit that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. Working with institutional investors with assets of US\$106 trillion, we leverage investor and buyer power to motivate companies to disclose and manage their environmental impacts. Over 8,400 companies with over 50% of global market capitalization disclosed environmental data through CDP in 2019. This is in addition to the over 920 cities, states and regions who disclosed, making CDP's platform one of the richest sources of information globally on how companies and governments are driving environmental change.

CDP and the UN Global Compact have worked together closely for over a decade and share a strong set of common goals, particularly as they relate to driving forward business-focused solutions to climate change and environmental protection. CDP actively supports the UNGC'S 10 core principles through mission-focused collaborations that aim to increase overall impact of common work areas and drive change more effectively.

In the attached description we have laid out our actions to integrate the UNGC into our business strategy and operations.

Yours Sincerely,

Paul Dickinson
Executive Chair, CDP

Overview of Activities

1. Data and Disclosure

Disclosure via CDP's platform allows companies to comply with the Communication on Progress (COP) for the UNGC Caring for Climate and CEO Water Mandate programs, enabling increased environmental disclosure and broader engagement with UNGC programs. CDP annually provides data to CEO Water Mandate to allow them to analyse overall progress by member companies.

i. Commitment to implement the recommendations of the Task Force on Climate-related Financial Disclosures

Climate change poses serious risks to the global economy. Nonetheless, investors and financial markets lack clear information about which companies or assets are most exposed to this issue and which are best prepared to take action. CDP has aligned its information requests with the core recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), enabling the thousands of companies who disclose through CDP to gather TCFD-aligned information. CDP hosts the Secretariat of the Climate Disclosure Standards Board (CDSB) which in turn operates the TCFD Knowledge Hub and coordinates the Commitment to implement the recommendations of the Task Force on Climate-related Financial Disclosures, with the support of We Mean Business. The commitment brings together organizations who recognize the economic opportunities that a new low-carbon economy creates, and that have a business vision which incorporates the management of long-term climate risks.

2. Water

CDP and UNGC have a robust collaboration around water, through CDP's water security program and the UNGC CEO Water Mandate.

CDP provides data to populate the CEO Water Mandate Water Action Hub which aims to assist organizations to identify potential collaborators in river basins around the world and stimulate collective water management in regions of critical strategic interest.

Beginning in 2017, our two organizations have been partners on the multi-organization Context Based Water Targets project, which has now evolved to become the Science-Basted Targets Network for Freshwater, working towards a methodology that will assist companies to set meaningful, public policy aligned, water targets.

CDP's global water report, questionnaire and supporting guidance are also included as part of UNGC's CEO Water Mandate Toolbox that aims to support companies starting their work towards improved corporate water stewardship. In 2019, CDP also shared its data with the Mandate to support analysis of private sector action towards SDG 6 in the Colorado River basin.

CDP and the CEO Water Mandate also work together to implement the Business Alliance for Water and Climate (BAFWAC), a collaborative initiative between multiple NGOs and private organizations which asks companies to commit to action on water and climate issues. Tools and resources for knowledge sharing and peer-to-peer learning and provided via a joint website.

3. Climate

The Science-Based Targets initiative¹ is a joint initiative by CDP, the UN Global Compact (UNGC), the World Resources Institute (WRI) and WWF intended to increase corporate ambition on climate action by changing the conversation on GHG emissions reduction target setting and creating an expectation that companies will set targets consistent with the level of decarbonization required by science to limit global warming to well below 2°C compared to preindustrial temperatures. As part of the Science-based Targets Initiative, CDP is working closely with the UN Global Compact to develop tools, resources and methodologies to support companies in setting emissions reduction targets in line with climate science.

CDP has also worked closely with UNGC and the other partners to launch the “Business Ambition for 1.5” campaign.² This was launched in the lead up to the UN’s Climate Action Summit in September 2019, and calls on companies to step up and commit their business to set science-based targets aligned with limiting global temperature rise to 1.5°C above pre-industrial levels.

Outcomes to date: More than 850 companies have committed to adopt science-based targets as of April 2020, and over 200 have joined the ‘Business Ambition for 1.5’ campaign. Throughout 2020, CDP will work with UNGC and the other partners to host workshops and events to inform companies around the world about the “Business Ambition for 1.5” campaign and to support them in setting and working toward science-based targets.

i. Climate Policy Engagement

In the lead-up to COP21 in Paris in December 2015, CDP worked with the UN Global Compact to invite companies to follow best practice in corporate engagement on climate policy. The “Guide for Responsible Corporate Engagement in Climate Policy,” released by CDP, UNGC, Ceres, The Climate Group, WWF and the World Resources Institute, sets out a program of action for companies wishing to demonstrate best practice in policy engagement.

A supportive policy framework is vital to give business the backing it needs in the transition to a low-carbon economy. This is why forward-looking companies are actively

¹ <https://sciencebasedtargets.org/>

² <https://www.unglobalcompact.org/take-action/events/climate-action-summit-2019/business-ambition>

ensuring their policy engagement on key climate issues is aligned, transparent, and consistent.

Responsible policy engagement is also an area of the 'Business Ambition for 1.5' campaign. Building a prosperous, net-zero carbon economy by 2050 will require transformational change across the economy. A growing body of analysis and evidence shows that such a rapid transformation is achievable but only with decisive business leadership supported by ambitious government policies. The expectations around policy engagement for companies signing the pledge are as follows: Leading businesses have a key role to play in this transformation through decarbonizing their own operations, and supporting these ambitious government policies. All major businesses engage in policy advocacy. Ensuring alignment and consistency in those efforts across the company is critical to ensuring their company's influence is fully and consistently supporting the transformation to a net zero carbon future. Companies should do this through their policy and communications work: clarifying their own positions with respect to climate related policy, and articulating the targets and policies they need or want to see from governments in line with 1.5°C ambition. Signature companies commit to ensuring their direct and indirect policy advocacy work is aligned with those goals.³

ii. Business Leadership on Carbon Pricing

CDP and the UN Global Compact both recognise the importance of business championing carbon pricing by aligning with the Business Leadership Criteria on Carbon Pricing. The criteria constitute one of the areas of work of the Carbon Pricing Leadership Coalition, led by the World Bank Group, CDP and other partners. The criteria asks that companies: 1. Set an internal carbon price high enough to materially affect investment decisions to drive down greenhouse gas emissions; 2. Publicly advocate the importance of carbon pricing through policy mechanisms that take into account country specific economies and policy contexts; and 3. Communicate on progress over time on the two criteria above in public corporate reports.

CDP is expanding its toolkit for companies to introduce an internal carbon price that materially impacts business operations and investment decisions.

Our data, research, and collaborative initiatives provide a benchmark for best practice and sector trends. This helps companies take full advantage of opportunities from the low-carbon transition.

Our Carbon Pricing Corridors Initiative will provide a vital benchmark for companies conducting scenario analysis for TCFD -compliant disclosures, as well as those that have committed to comply with the Paris Agreement by setting science-based emissions reduction targets.

³ <https://ungc-communications-assets.s3.amazonaws.com/docs/publications/Business-Ambition-for-1.5C-FAQ.pdf>

Outcomes to date: A growing number of forward-looking companies are using an internal carbon price to help manage climate risk and align themselves with the low-carbon transition. CDP continues to incentivise companies and report on the latest trends in corporate carbon pricing, providing a benchmark for best practice and sector trends, helping companies to implement impactful internal carbon pricing and offering tools to take full advantage of opportunities and mitigate risks in a changing business climate. The full suite of CDP information on internal carbon pricing is available here:

<https://www.cdp.net/en/climate/carbon-pricing>

Additional areas of joint or complementary work

CDP is engaged in various other programs and projects which are aligned with the goals and work programs of UNGC. We work with UNGC on these wherever possible and hope to work together more going forward. Some examples include:

NAZCA Portal: CDP and UN Global Compact are both data providers to the UNFCCC's NAZCA Portal.

Marrakech Partnership for Global Climate Action: CDP and UN Global Compact collaborate in the Marrakech Partnership for Global Climate Action, particularly in the Industry Thematic Group.

Sustainable Development Goals: CDP is a potential enabler of private sector action that helps implement the Sustainable Development Goals and the CDP reporting platform and database can potentially provide indicator data and/or inform tracking of progress. In 2017 CDP collaborated with UNGC & GRI on their report 'Business Reporting on the SDGs', by providing extensive information about how CDP's 2017 questionnaires align with the SDGs.

Commodities and Supply Chains: CDP's Supply Chain and Forests programs work to address the impact of global purchasing on the environment, using requests and requirements by both investors and customers as levers for change.