

Benefits of CDP Disclosure

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Hosted by CDP Europe



SPEAKERS



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AGENDA

- ▼ **Introduction to CDP**
- ▼ **Benefits of disclosure**
 - ▼ **Strengthen stakeholder communication**
 - ▼ **Importance of CDP data for Capital Markets: DPAM**
 - ▼ **Get ahead of the curve on regulation**
 - ▼ **Guide your environmental strategy**
 - ▼ **Benchmark and guide your progress**
- ▼ **Q&A**

INTRODUCTION TO CDP



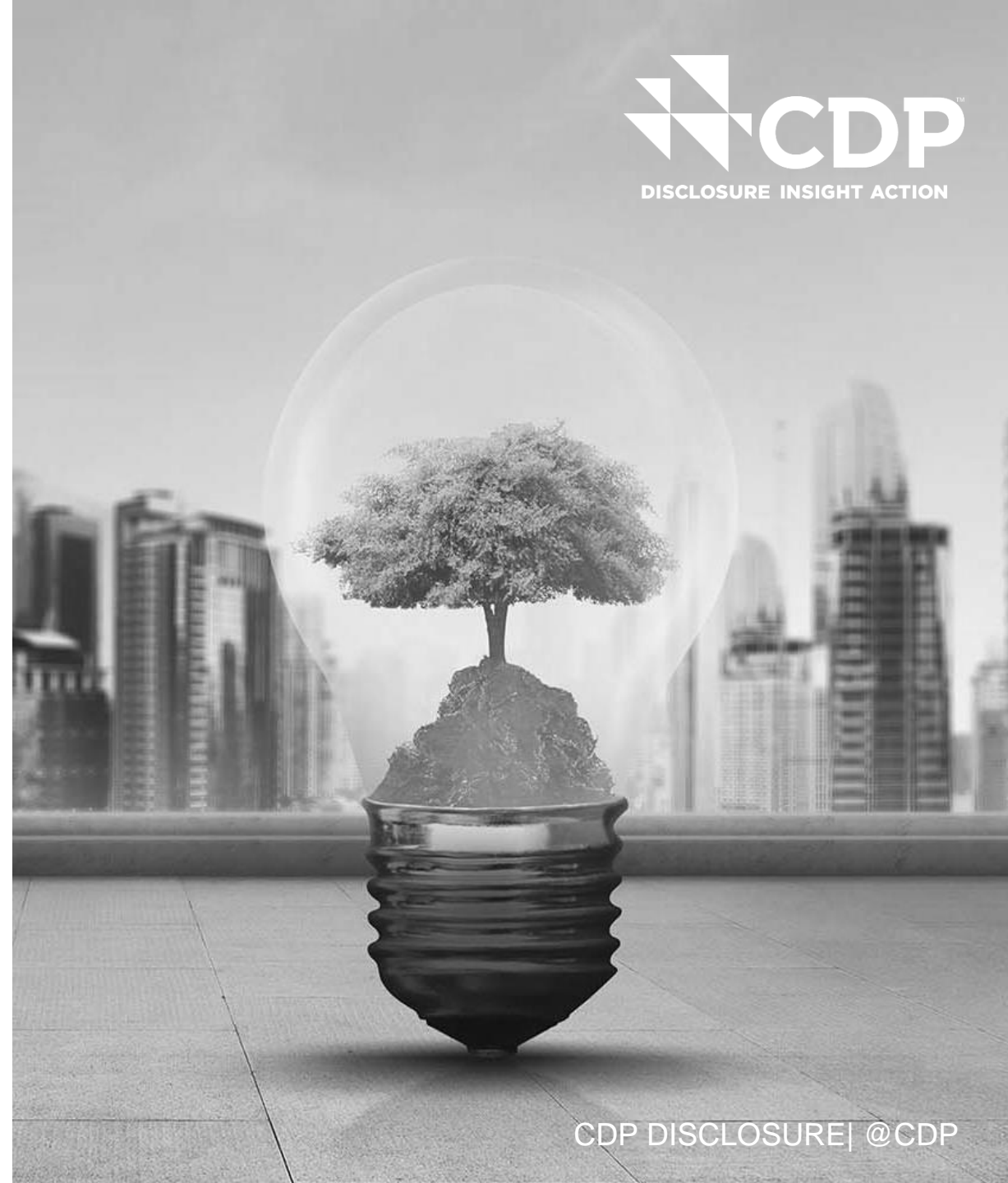
CDP'S VISION & MISSION



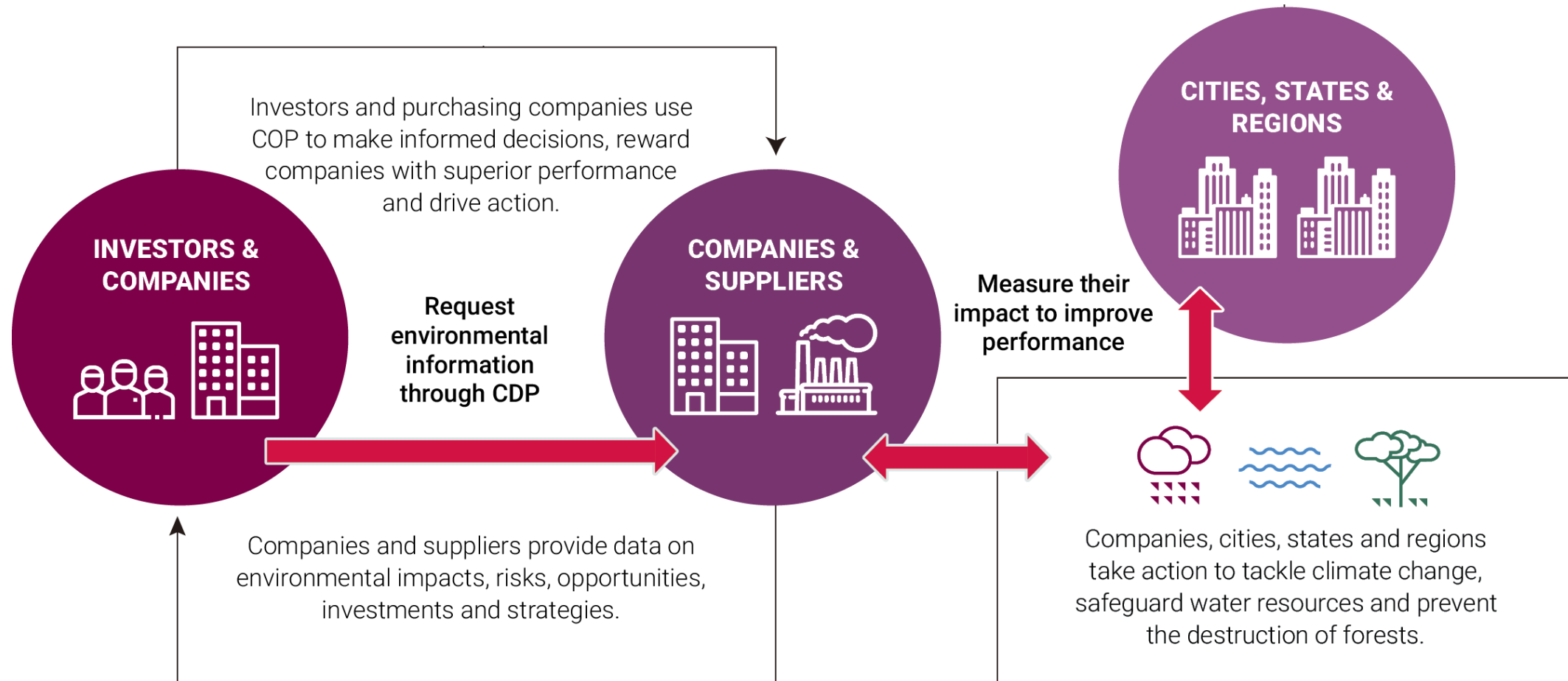
To see a thriving economy that works for people and planet in the long term.



To focus investors, companies, cities and governments on building a sustainable economy by measuring and acting on their environmental impact.



THE CDP SYSTEM: LINKING FINANCE AND BUSINESS TO REDUCE RISKS



CDP CORPORATE QUESTIONNAIRES



Climate change

- C1 Governance
- C2 Risks and opportunities
- C3 Business strategy
- C4 Targets and performance
- C5 Emissions methodology
- C6 Emissions data
- C7 Emissions breakdown
- C8 Energy
- C9 Additional metrics
- C10 Verification
- C11 Carbon Pricing
- C12 Engagement
- C15 Biodiversity



Water Security

- W1 Current state
- W2 Business impacts
- W3 Procedures
- W4 Risks and opportunities
- W5 Facility-level accounting
- W6 Governance
- W7 Business strategy
- W8 Targets
- W9 Verification



Forests

- F1 Current state
- F2 Procedures
- F3 Risks and opportunities
- F4 Governance
- F5 Business strategy
- F6 Implementation
- F7 Verification
- F8 Barriers and challenges

+ dedicated questions for a range of high-impact sectors – such as Transportation, Oil&Gas, Metals&Mining, Steel, Cement, etc.

Please see our [Technical note on the TCFD](#) for further details on TCFD alignment

CDP HAS MAINSTREAMED ENVIRONMENTAL TRANSPARENCY



64%

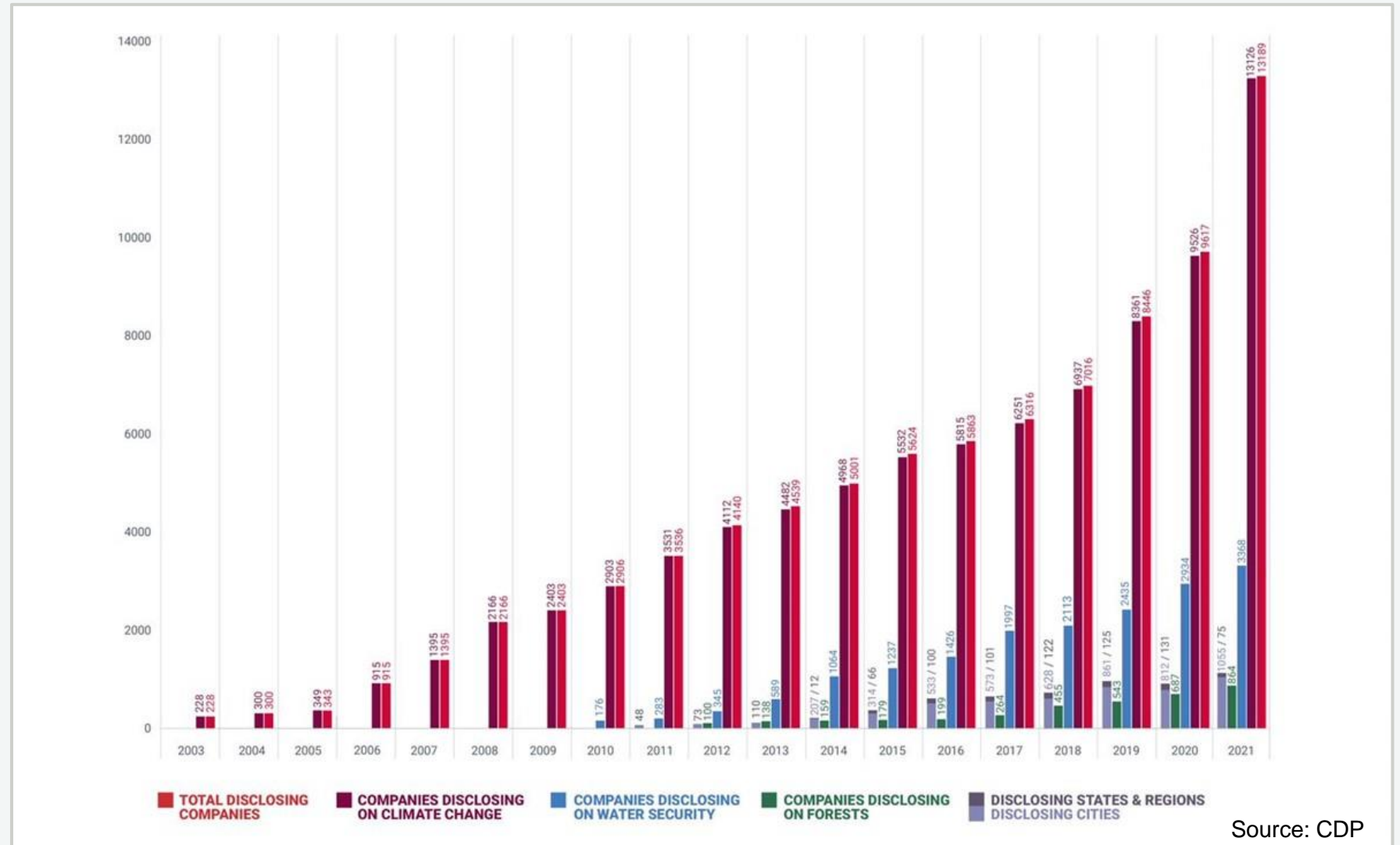
of Global companies by market capitalization use CDP.

74%

of European companies by market capitalization use CDP

14,000

Organizations reporting to investors and customers through CDP.



Source: CDP

HOW WE WORK: THE STAKEHOLDERS



680+ financial institutions with US\$130 trillion in assets



250+ supply chain members with combined purchasing power of US\$5.5 trillion



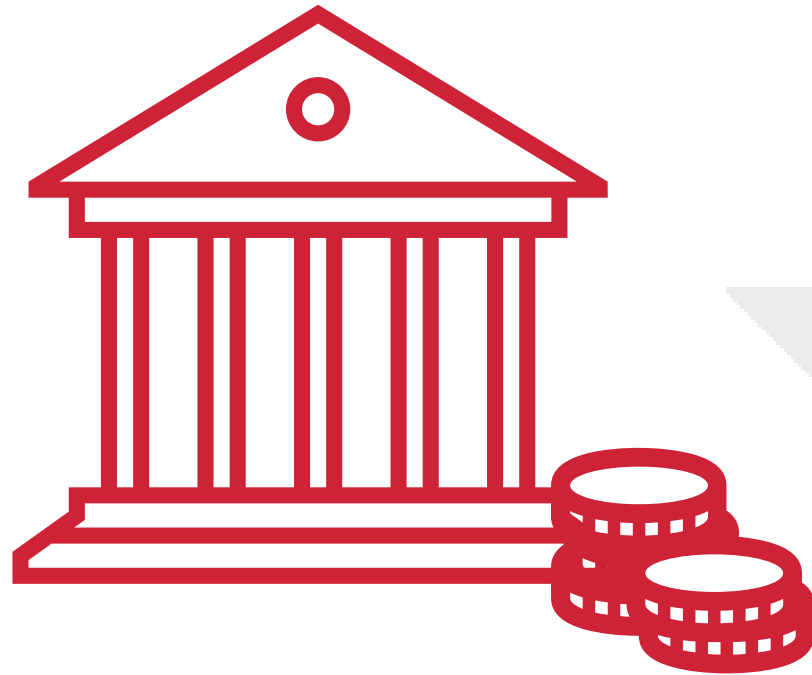
14,000+ organizations responded through CDP



1,100+ of cities, states and regions disclosed environmental information

STRENGTHEN YOUR STAKEHOLDER COMMUNICATION





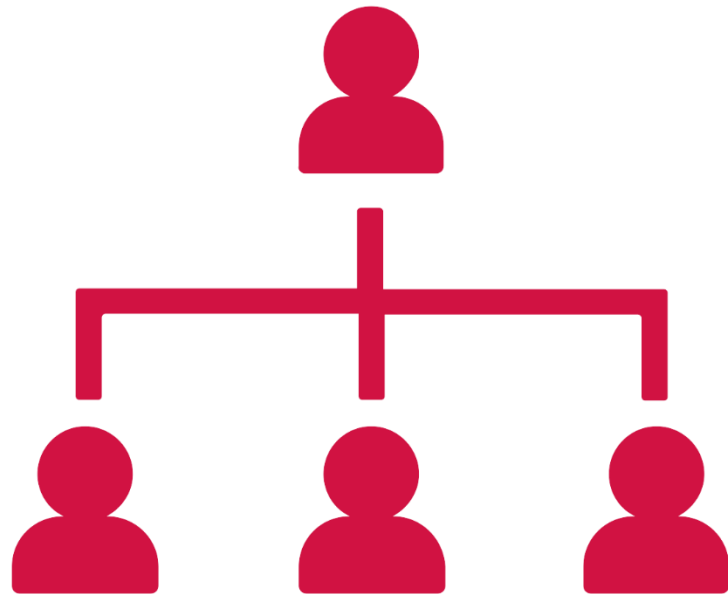
680+ financial institutions

with **US\$130 trillion** in assets request
information on climate change,
forests or water security.

CDP INVESTOR SIGNATORIES



- ▶ Increasing recognition of urgency for the financial sector to incentivize sustainable business practice
- ▶ More ambitious action and commitments (e.g. Glasgow Financial Alliance for Net Zero – GFANZ)
- ▶ Increasing demand for credible, comparable environmental data to inform investment decisions
- ▶ Investors use CDP climate change data for stock selection, risk management, carbon footprint assessment, and the creation of investment products.



250+ major purchasers

representing combined **purchasing**
power of over \$5.5 trillion request
information on climate change,
water or forests.

CDP Supply Chain Model

One response. Multiple stakeholders.

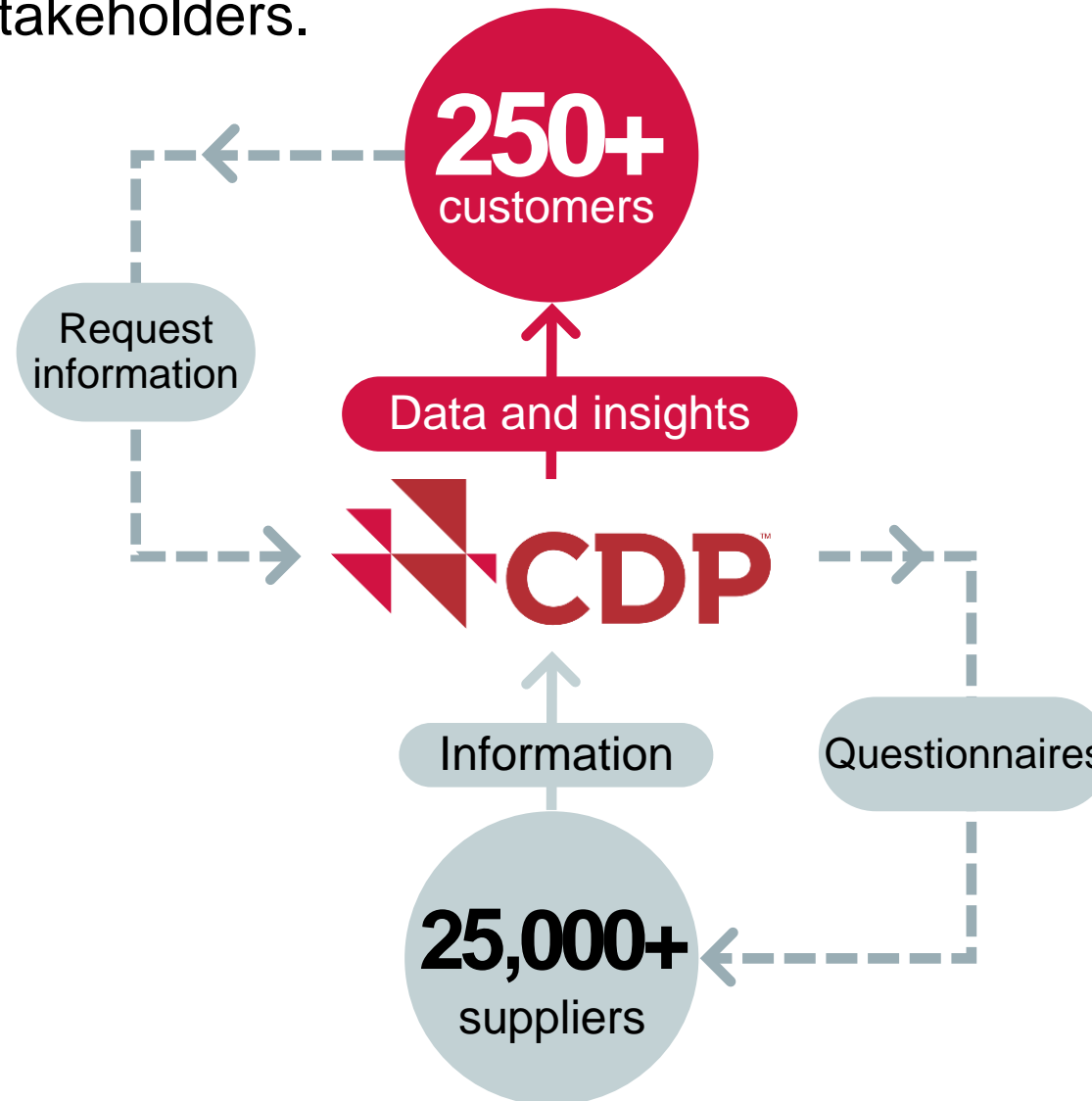


Supply Chain members (Customers)

- ▼ Identify strategic suppliers
- ▼ Set expectations
- ▼ Request information
- ▼ Use data to evaluate suppliers' climate and environmental impacts,
- ▼ Track progress of internal and external sustainability goals and/or commitments.

Suppliers

- ▼ Report qualitative and quantitative information in a standardized format
- ▼ Improve their responses and calculations through feedback from Customers and scoring documents.



CAPITAL MARKET USE OF CDP DATA

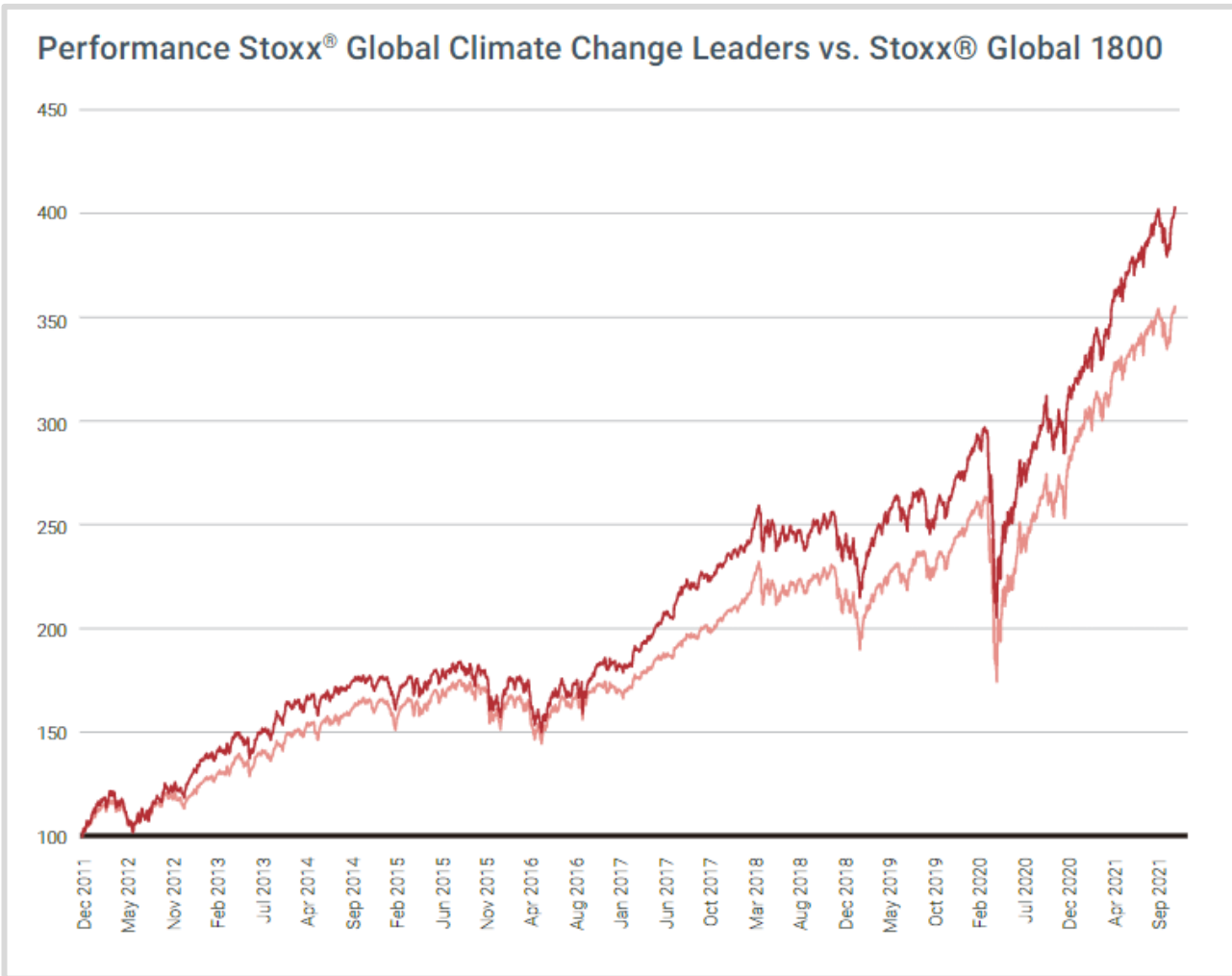
INVESTMENT PRODUCTS



Investment products based on CDP performance of disclosing companies

- ▼ **STOXX Low Carbon Indices** – selection based on CDP scope 1 and scope 2 emission data. Inclusion criteria – publicly disclosing emissions data to CDP.
- ▼ **Amundi's Climate Action Fund** – Collaboration between CDP and Amundi.
Inclusion criteria – CDP score of 'A' or 'B'
- ▼ **Euronext CDP Environment ESG Eurozone index** – Licenced by Goldman Sachs
Inclusion criteria – 50 European stocks with the highest E score (CDP and Vigio Eires)

ENVIRONMENTAL TRANSPARENCY CORRELATES WITH FINANCIAL SUCCESS



Dec. 2011 – Oct. 2021

Climate change leaders outperform the market

- ▼ Based on CDP's climate change 'A List'
- ▼ Outperforming the market by 5.8% per year (annualized over 10 years)

“Between 2012 and 2016, firms that disclosed through the CDP ranked 19 percentiles better than the average firm in their ability to access capital. [...] As a result, investors are more likely to provide capital to firms that disclose through the CDP.”

The Role of CDP Disclosure to Improve Access to Capital,
Millani Research Note, October 2019



CDP Webinar
Benefits of disclosure

DPAM
April 2022

Climate disclosures: why it matters to investors

Risks are on the rise, so (reliable) data is required...

Financial Risk / Eligibility

Fundamental research

RISKS

- Market
- Technology
- Reputation
- Legal/litigation

OPPORTUNITIES

- Market (incl. new products & serv)
- Resource efficiency
- Energy sourcing
- Resilience

Portfolio construction

TARGET SETTING

- Decarbonization
- Science-based Targets initiative
- Temperature alignment

EXCLUSION POLICIES

- Expanding to different sectors
- Linked to threshold/data
- Increasing requirements from regulators, labels, etc.

Dedicated TCFD or **climate-risk assessments and benchmarking**
(by investors AND reporting entities)

Need for **material & reliable data**
with sufficient level of detail



Regulation / Stakeholder Requests

Corporates



TCFD



Article 173 of the French Energy Transition law
Implications, First Steps and Impact

Investors



+ UK



CDP disclosures: why it matters to investors

Yet, (pragmatic) standardization of data is key

Aligning different views and approaches

Relevancy/credibility for investors/brokers/stakeholders

Characteristics of **climate risks**

- Uncertainty, # scenarios
- # impact levels
- # risk types
- ...

Characteristics of **corporate climate reporting**

- Fragmented
- Not always standardized
- Qualitative >>> quantitative data
- ...

Characteristics of (private) **ESG data providers**

- Proprietary approach/methodology
- Reported vs. 'processed' vs. modelled data
- # of topics and specific requests
- ...

TCFD reporting framework
(regulators, investors, corporates)



- Multi-stakeholder dev./consultation!
- Guidance for regulators!

CDP reporting questionnaire



- TCFD-/regulatory **alignment** (CSRD, SEC...)
- **Standardized** (peers comparison)
- (material) Quantitative & qualitative **data**
- **Self-reported** (no data 'processing')
- Evolution/**progress** (annual reporting)



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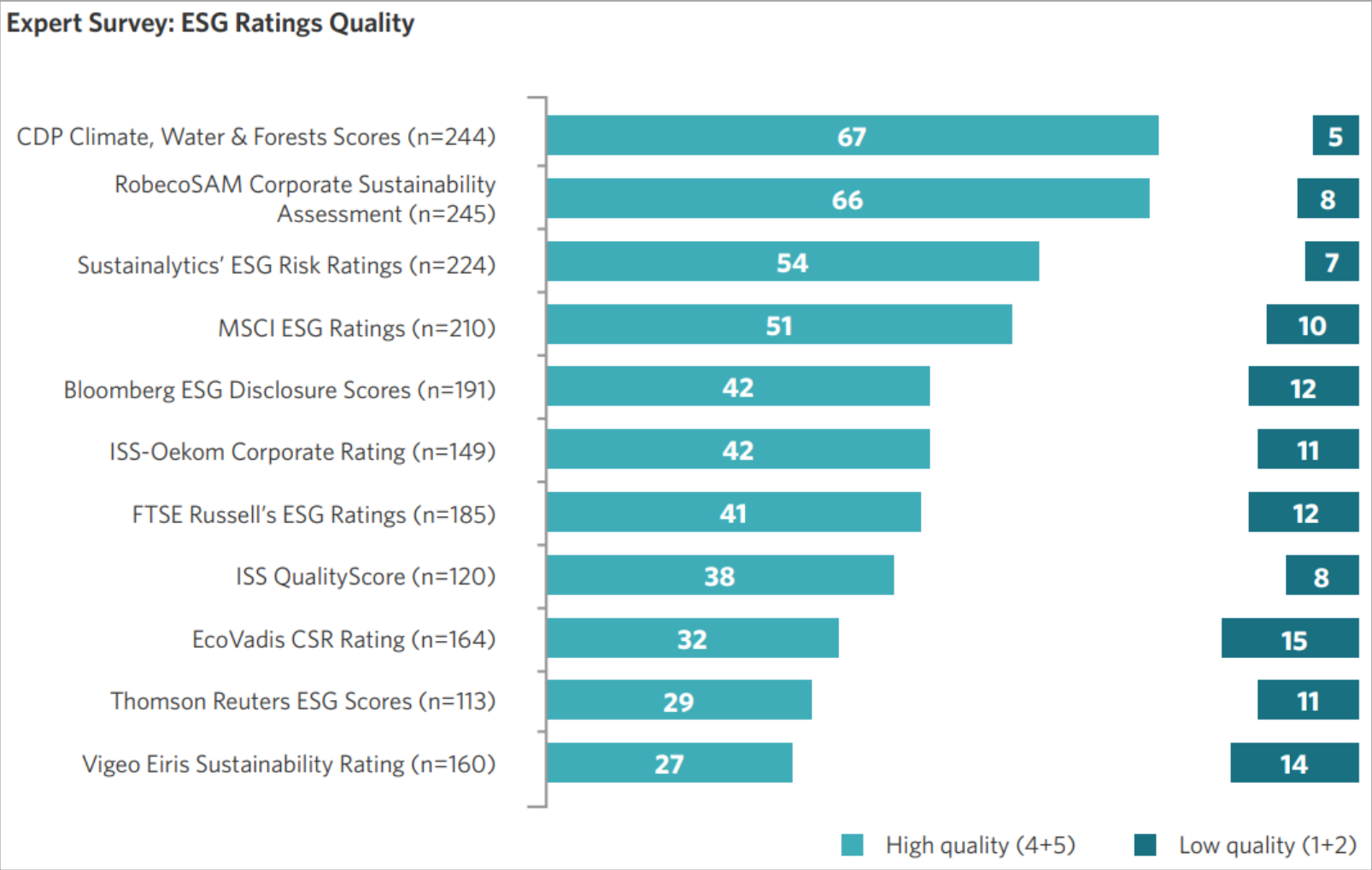
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CDP is feeding the ESG Ecosystem



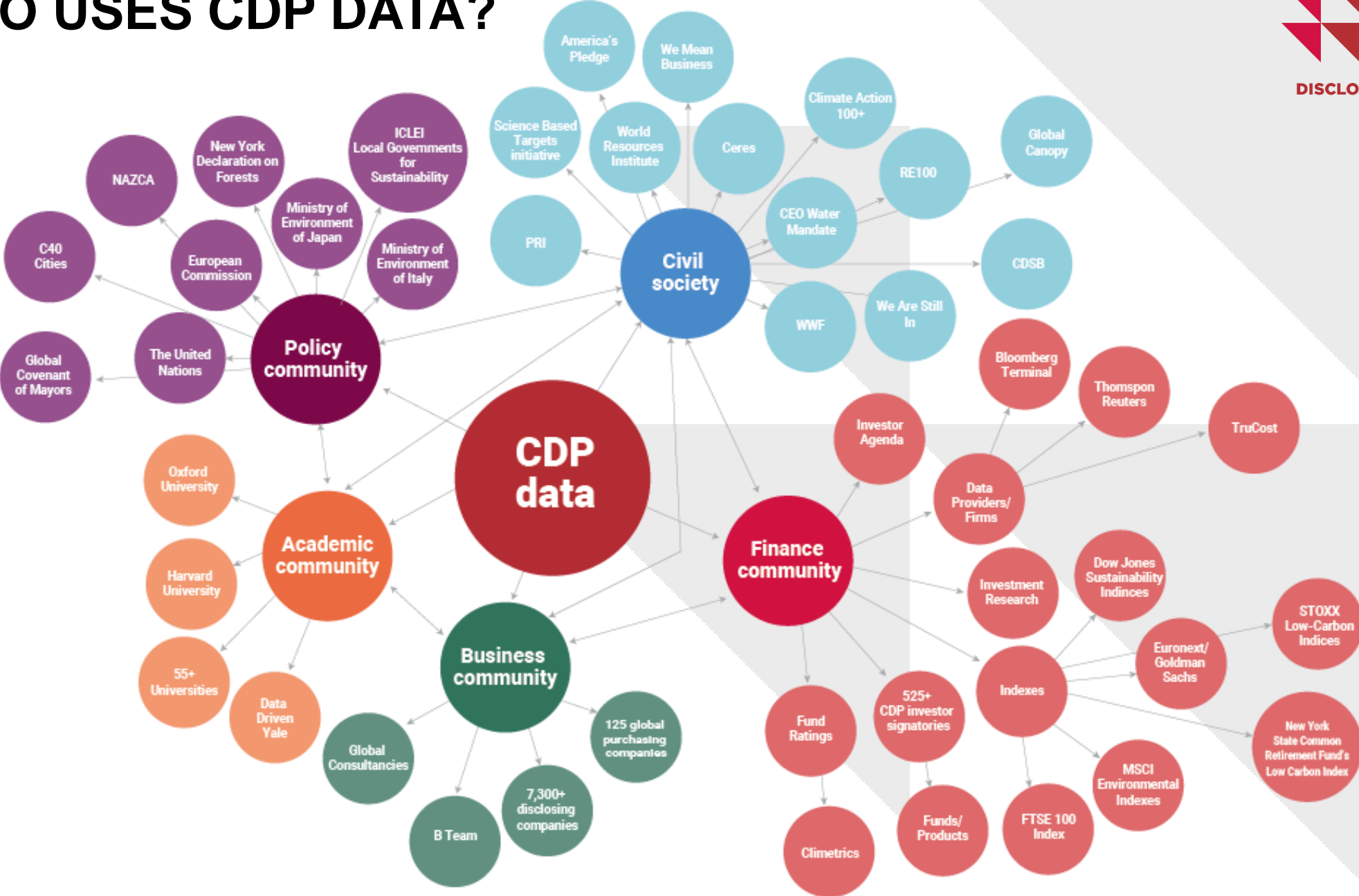
HOW CREDIBLE IS CDP?



“Rate the Raters 2020: Expert views on ESG Ratings”, *SustainAbility* (2020), page 37-38.

<https://www.sustainability.com/globalassets/sustainability.com/thinking/pdfs/sustainability-ratetheraters2020-report.pdf>

WHO USES CDP DATA?



GET AHEAD OF THE CURVE ON REGULATION



CDP IN THE REGULATORY LANDSCAPE

CORPORATE REPORTING ALIGNMENT

- ▼ CDP is driving greater coherence between corporate reporting frameworks and standards (e.g. TCFD, GRI, SASB, Corporate Reporting Dialogue) to **reduce the reporting burden**.
- ▼ At COP26, the IFRS Foundation announced its plan to set up the **International Sustainable Standards Board (ISSB)**, by consolidating the CDSB (an initiative of CDP) and the VRF (which houses the Integrated Reporting Framework and the SASB Standards) by June 2022.
- ▼ The ISSB will oversee and manage the development of sustainability-related financial standards.



CDP IN THE REGULATORY LANDSCAPE

EU REGULATION



- ▼ This coherence and alignment **helps companies to stay ahead of the regulations** being introduced by governments, to ensure they meet their climate targets.
- ▼ **EU Green Deal:** All 27 EU Member States committed to becoming the first climate neutral continent by 2050, and reduce emissions by at least 55% by 2030. These targets have been written into law through the **European Climate Law**.
- ▼ **Fit for 55:** package of proposals and initiatives to revise the EU's current climate, energy, and transport-related regulation, to align with the 2030 and 2050 ambitions.



A European Green Deal

Striving to be the first climate-neutral continent

CDP IN THE REGULATORY LANDSCAPE

THE EUROPEAN CLIMATE PACT



▼ What:

- The European Climate Pact is an EU Commission initiative bringing citizens, companies, and local authorities together to achieve a climate neutral Europe. European stakeholders join the European Climate Pact by making a pledge to concrete climate and environmental action in a way that can be measured and tracked.

▼ Why:

- A natural step in disclosure journey: take action and communicate about it
- Ensure transparent and streamlined pledge reporting through CDP disclosure
- No additional commitment or reporting burden
- Opportunities to work with EU stakeholders to help shape a greener Europe



CDP IN THE REGULATORY LANDSCAPE

STAY AHEAD OF THE CURVE



- ▼ **EU Non-Financial Reporting Directive (NFRD):** lays down rules on disclosure of non-financial information for certain large companies, (approximately **11,000**) which are required to disclose by EU law.
- ▼ **EU Corporate Sustainability Reporting Directive (CSRD):** Proposal adopted by the EC in April 2021, which amends the NFRD, and extends the scope to all large or listed companies (approximately **50,000**), and introduces the requirement to report according to mandatory EU sustainability reporting standards.
- ▼ **EFRA** will develop these standards, which aim to incorporate and build upon globally accepted standards and initiatives, such as the ISSB, GRI, SASB, IIRC, CDSB, CDP, and TCFD.

CDP AS A ROADMAP FOR TCFD ALIGNMENT

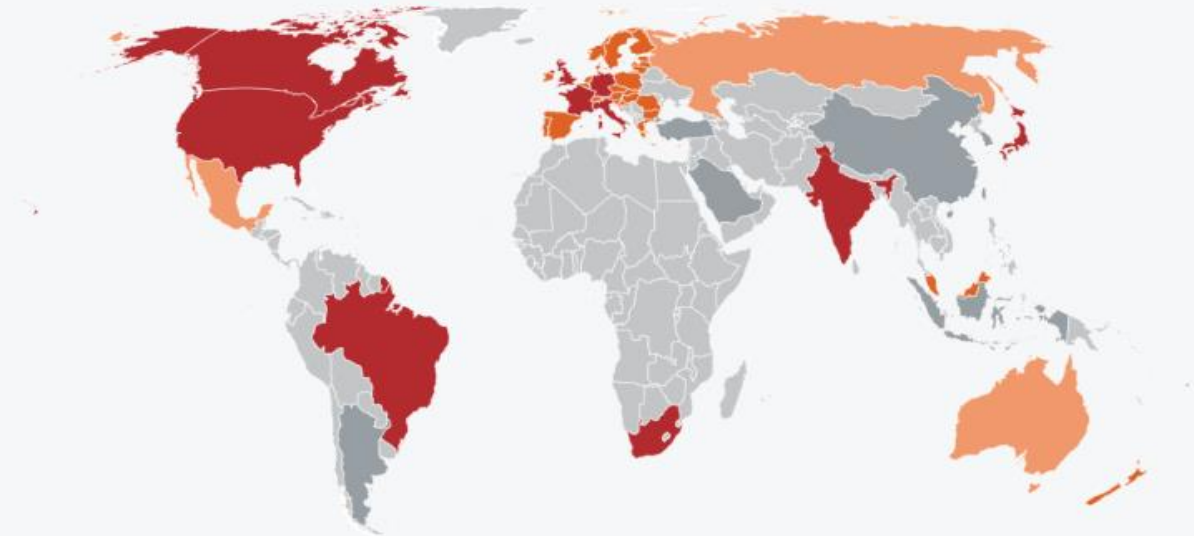


- ▼ G20 established the Task Force on Climate-related Financial Disclosures (**TCFD**) in 2015.
- ▼ Recommendations to encourage financial institutions and non-financial companies to disclose information on **climate-related risks and opportunities** published in 2017.
- ▼ Emphasizing the link between climate-related risk and financial stability.
- ▼ Since 2018 CDP has fully integrated the recommendations of four core elements.
- ▼ G7 and G20 pledged to promote implementation of disclosure requirements based on the TCFD framework in 2021.

MANDATORY DISCLOSURE IS GAINING STRENGTH

TCFD-aligned mandatory environmental disclosure around the world

■ proposed or implemented (G20) ■ proposed or implemented (non-G20)
■ encouraging voluntary disclosure (G20) ■ other G20 countries



Source: World Bank

N.B. China is in the process of introducing a regulation on environmental disclosure. This is not currently aligned with TCFD. India accepts TCFD disclosures as compliant with its BRSR reporting requirements.

- ▼ As of December 2021, **10** countries and territories proposed or implemented mandatory, TCFD-aligned climate reporting.
- ▼ An additional **5** countries established voluntary, TCFD-aligned disclosure frameworks.
- ▼ US SEC releases its long-awaited disclosure rules for US-registered companies, which is based on the TCFD recommendations.

ALIGNMENT BETWEEN TCFD, NFRD, AND CDP



- ▼ The amendment from the CSRD will likely recommend reporting in line with the TCFD recommendations.
- ▼ By reporting through the CDP questionnaire, **companies are well prepared for the CSRD amendments to the NFRD.**
- ▼ Responding to CDP on an annual basis can be considered a due diligence process as described in NFRD reporting on Policies & Due Diligence Processes, and Emissions data would in turn be considered a KPI.

NFRD Reporting elements	Business Model	Policies & Due Diligence	Outcome of Policies	Principal Risks & Risk Management	Key Performance Indicators
TCFD Recommended disclosures	Strategy	Governance	Metrics & Targets	Risk Management	Metrics & Targets
CDP CC Questionnaire Modules	Business Strategy (C3)	Governance (C1)	Targets & Performance (C4)	Risks & Opportunities (C2)	Emissions data (C6)



POLITICAL SUPPORT FOR CDP



CDP Europe Awards 2021



Angela Merkel – Former chancellor of Germany

[Full video here](#)

CDP Europe Awards 2022



Frans Timmermans – Executive Vice-President of the European Commission

[Full video here](#)

CDP GOVERNMENT ENDORSEMENTS



The Netherlands, Government of Netherlands / Ministry of Economic Affairs and Climate Policy -

The Government of the Netherlands announced its endorsement of CDP in the keynote address at the CDP Europe Workshop in May 2021 from Marcel Beukeboom, Climate Envoy for the Kingdom of the Netherlands.



Ministry of Economic Affairs
and Climate Policy

"The work by CDP shows that opportunities for a sustainable economy and collective action on climate change, water security and the conservation of forests can go hand in hand. Through our partnership with CDP we hope that more companies, cities and regions will disclose their impact on the Paris Agreement's climate goals and the Sustainable Development Goals."

– **Stef Blok**, Minister of Economic Affairs and Climate Policy of the Netherlands.

CDP GOVERNMENT ENDORSEMENTS



France, Ministry of Europe and Foreign Affairs - Endorsement of the CDP disclosure platform for companies



**MINISTÈRE
DE L'EUROPE
ET DES AFFAIRES
ÉTRANGÈRES**

*Liberté
Égalité
Fraternité*

"We fully support the necessary step towards transparency. It is only by assessing the climate risks of our economic activities that we will be able to develop sustainable growth strategies. We therefore support the CDP disclosure cycle and encourage all French companies to be as transparent as possible about the environmental impact of their activities."

– **Jean-Yves Le Drian**, Minister of Europe and Foreign Affairs

CDP GOVERNMENT ENDORSEMENTS



Italy, Ministry for the Environment, Land and Sea - Endorsement of the CDP disclosure platform for companies and cities, states and regions



“An important means to drive action by non-Party stakeholders is our partnership with CDP, which aims to increase the number of companies, cities and regions which disclose and manage their climate and environmental risks and impacts. This is towards our goal to deliver on our NDC and the Sustainable Development Goals while stimulating low carbon, sustainable economic growth.”

– **Sergio Costa**, Minister for the Environment, Land and Sea of the Republic of Italy

GUIDE YOUR ENVIRONMENTAL STRATEGY



CDP QUESTIONNAIRE AS A TOOL



Uncover environmental risks & opportunities



Comprehensive internal assessment and engagement tool



Design your environmental strategy and prioritize actions



Benchmark against industry and identify gaps



Improve reputation and gain competitiveness

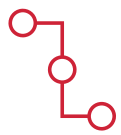
YOU CAN'T MANAGE WHAT YOU DON'T MEASURE



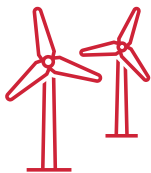
Companies reported potential financial impacts of **US\$301 billion** from water risks and up to **US\$79.3 billion** from deforestation risks through CDP in 2021.



US\$1.26 trillion of financial impacts from environmental risks in the next five years reported by suppliers.



Supply chain emissions are, on average, **11.4x** greater than operational emissions. Yet just **38%** (Climate Change), **47%** (Forests), and **16%** (Water Security) of companies engage with their suppliers.



225 companies identified potential climate-related opportunities totalling over **US\$2.1 trillion**.



86% of responding companies agreed that protecting and improving their organization's reputation is an important benefit of disclosing through CDP

94% of companies agree that “CDP’s questionnaires ask the right questions to raise awareness of important environmental risks, opportunities and impacts”.

76% of responding companies say reporting through CDP helps boost their organization's competitive advantage

BENCHMARK AND GUIDE YOUR PROGRESS

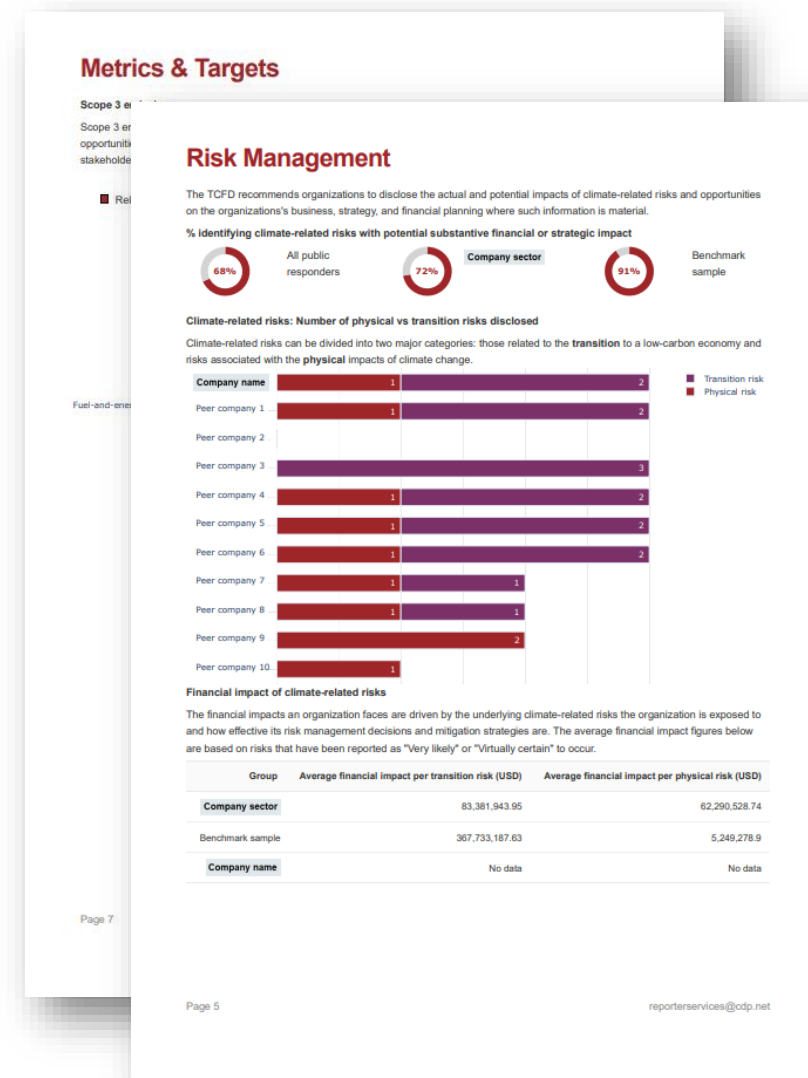


BENCHMARK AGAINST YOUR PEERS

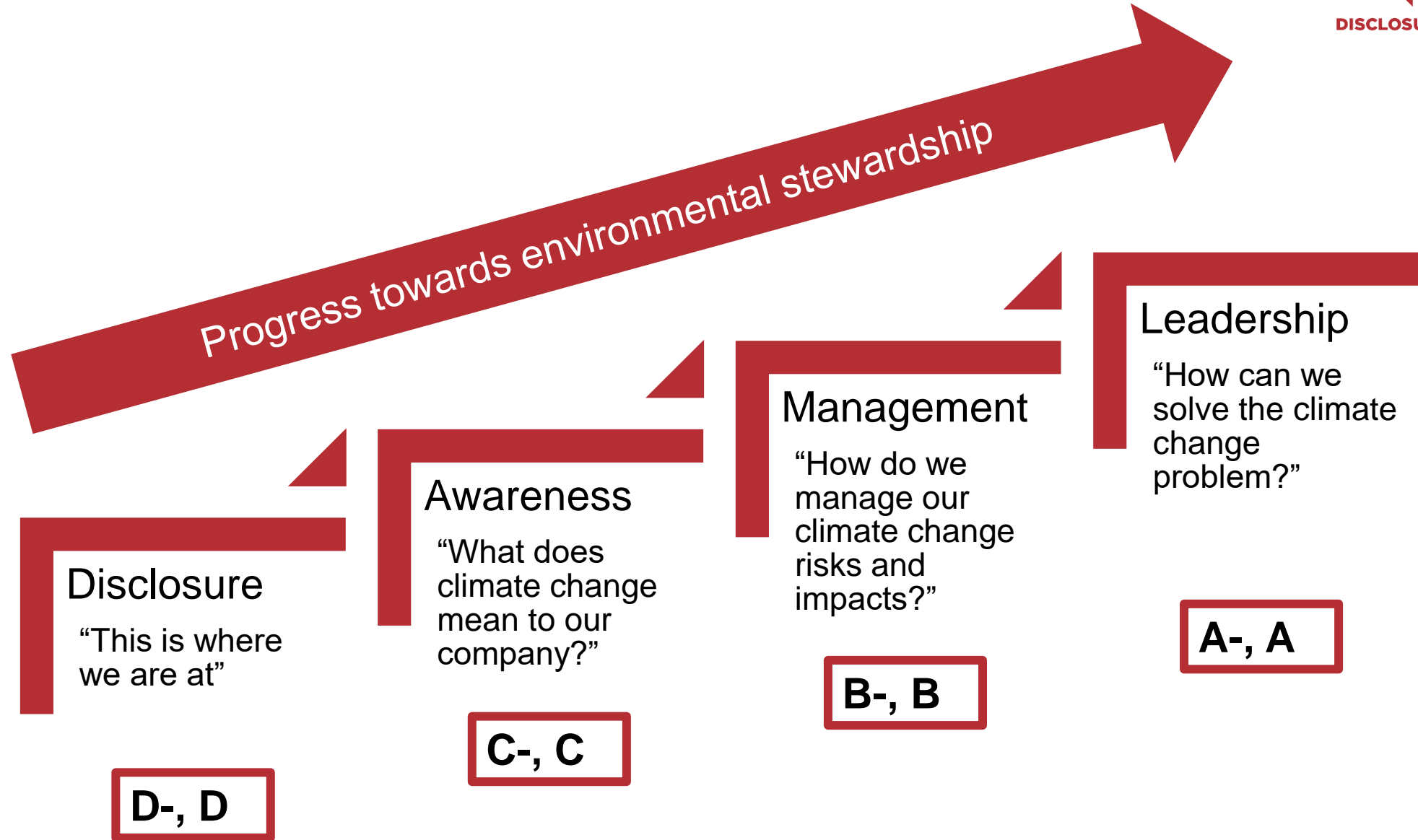


- Understand your **strengths and weaknesses** compared to your industry peers in your Score Report.
- CDP offers customized **Benchmark Reports***, an easy-to-read document that compares best practices of 10 companies of your choice on pre-defined indicators.

Available via the **enhanced admin fee or **CDP Reporter Services Program***



TRACK AND GUIDE YOUR PROGRESS



JOURNEY TOWARDS ENVIRONMENTAL EXCELLENCE



STAGE 1: Early

Organizations disclose to CDP, but tend to do so in an incomplete or unverified manner

STAGE 2: Developing

Organizations are taking first steps towards action such as target-setting and environmental-risk identification.

STAGE 3: Mature

Environmental data is fully integrated into businesses' strategies with specific and detailed plans of action, and demonstrable progress.

STAGE 4: Best practice

Companies are environmental leaders with board-level oversight, science-based targets for emissions reductions and leading environmental stewardship at every level.

ENVIRONMENTAL LEADERSHIP BEST PRACTICES

THE SCIENCE BASED TARGETS INITIATIVE (SBTi)



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

The Science Based Targets initiative (SBTi) is a **global body** enabling businesses to set **ambitious emissions reductions** targets in line with the **latest climate science**.



Founding Partners



United Nations
Global Compact



WORLD
RESOURCES
INSTITUTE



In collaboration with

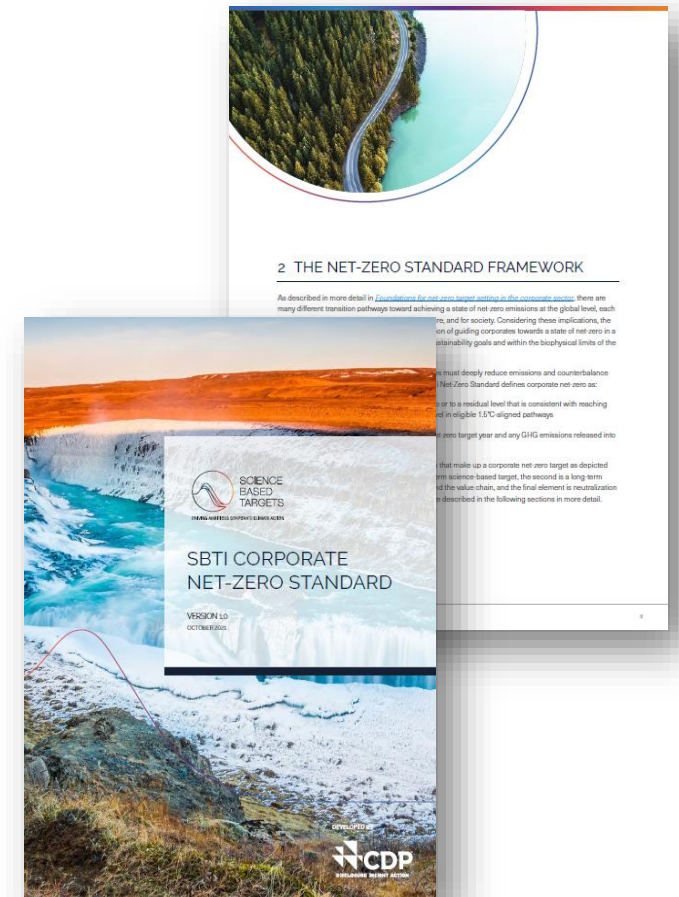


ENVIRONMENTAL LEADERSHIP BEST PRACTICES

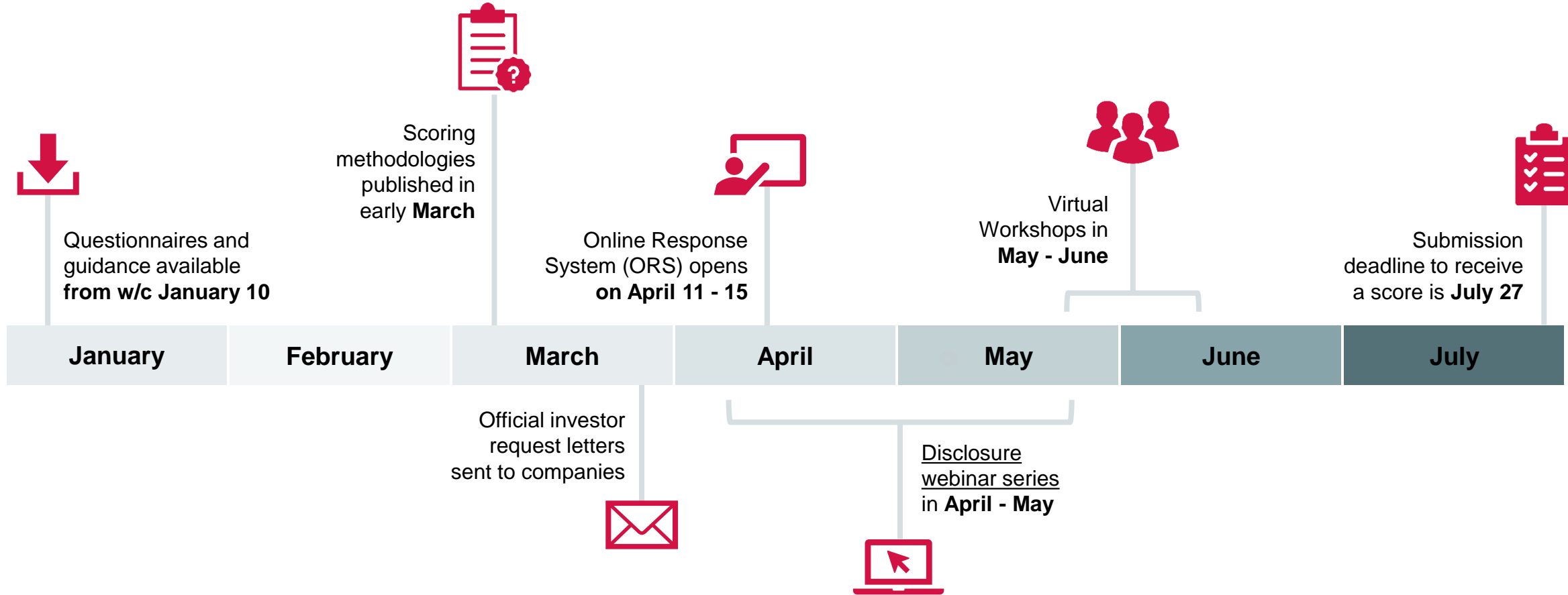
THE SBTi CORPORATE NET-ZERO STANDARD



- ▶ Corporate net-zero targets can play a critical role in addressing the climate emergency, but the lack of a robust benchmark has triggered scepticism around net-zero as a concept.
- ▶ Over the past 2 years, the Science Based Targets initiative carried out a **rigorous, stakeholder-informed process** to develop a framework to enable companies to set science-based net-zero targets.
- ▶ The **SBTi Net-Zero Standard** was launched on **October 28th, 2021**
- ▶ From January 2022 onwards, companies are able to have Net-Zero targets **independently validated** by the SBTi.



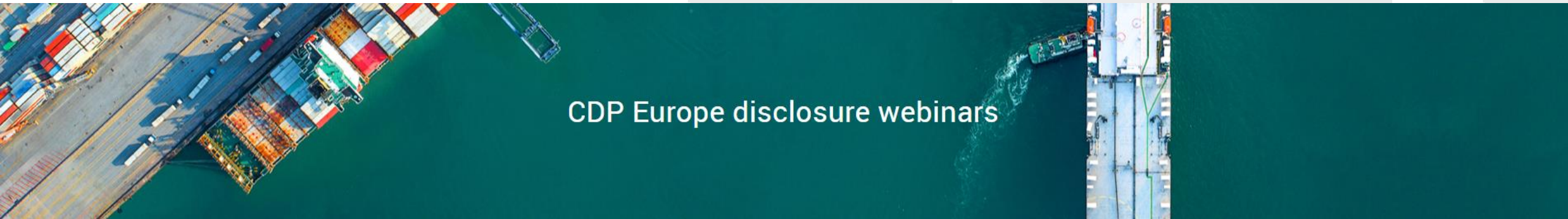
TIMELINE FOR 2022 DISCLOSURE



UPCOMING WEBINARS



- ▼ **Getting started with your CDP disclosure** – Thursday 21 April | 11:00 CEST
- ▼ **CDP Disclosure for Financial Services Companies in 2022 and beyond** – Thursday 28 April | 12:00 & 18:00 CEST
- ▼ **Changes to CDP's 2022 questionnaires and scoring methodologies** – Tuesday 3 May | 10:00 CEST
- ▼ **Introduction to CDP Water Security disclosure** – Thursday 5 May | 11:00 CEST
- ▼ **Introduction into CDP Forests disclosure** – Thursday 12 May | 11:00 CEST



Register now: <https://www.cdp.net/en/events/europe-disclosure-webinars>

Thank you for joining!

Questions?