PRESS RELEASE

Corporate data on negative environmental impacts lagging, with biggest gap on nature

- **Less than 1% of companies consistently disclose across key environmental adverse impacts**[1], indicating a gap in holistic assessment and reporting of impacts across environmental matters.
- Companies are still a step away from minimizing their negative impacts on climate and nature, as shown by a **quarter of companies sourcing half of their water from stress areas.**
- **7,000 companies disclosed assessing their exposure to biodiversity-sensitive areas,** while **3,900 reported not assessing it**.

6 March 2024 (Berlin): New analysis from the world's largest self-reported corporate environmental data set highlights the urgent need for businesses to be more transparent and take action on nature. Despite over 23,000 companies disclosing through non-profit CDP in 2023, only 140 reported across all key environmental adverse impacts, underscoring a gap in comprehensive corporate assessment of negative impacts.

The identification and disclosure of adverse impacts – activities that cause harm, loss or damage to nature and climate – are key principles that companies and investors should follow to adhere to European sustainability reporting rules and international frameworks for business conduct.

The report unveils concerning data on water stress, water pollution and biodiversity-sensitive areas, where strong negative impacts, potential underestimation of risks and lack of assessment were observed.

Out of the total number of CDP disclosing companies, 1,100 confirmed having activities in or near biodiversity-sensitive areas, while 3,900 did not assess it. Out of the sites reported, over 1,500 were assessed as having a potential negative impact on biodiversity.

More than 35% of companies reported sourcing over half of their water from regions already experiencing water stress[2], posing risks to local communities and ecosystems.

Mandatory rules in Europe will gradually require 50,000 companies to disclose their environmental impacts, including greenhouse gas emissions, energy consumption, pollution to water and negative effects on biodiversity-sensitive areas.

Financial institutions need this information now for their mandatory reporting. The EU's Sustainable Finance Disclosure Regulation (SFDR) requires financial market participants to disclose negative environmental impacts from their investments, known as Principal Adverse Impacts (PAI).

CDP's latest report also reveals significant energy trends, finding that total energy consumption has stayed stable since 2019, while consumption from renewable sources increased by 74%. The analysis unveiled that companies which set mid-term targets in 2020 are outperforming their peers for Scope 1 emissions reductions.

However, despite a 4.3% decrease in Scope 1 GHG emissions since 2019 across all companies analyzed, the highest emitting sectors have not reduced their emissions

[1] Around 140 companies, out of the 23,200 disclosing to CDP in 2023, provided information on all the indicators CDP mapped to the Sustainable Finance Disclosure Regulation (SFDR) adverse impacts.
[2] In 2023, 23,200 disclosed through the CDP climate change questionnaire, out of those around 4,800 companies also disclosed through the CDP water questionnaire.

sufficiently. For example, materials and power generation companies only cut their emissions on an annual basis by 0.5% and 1.5% respectively.

Sue Armstrong-Brown, Director of Thought Leadership, CDP, said: "*Financial institutions need high-quality, comprehensive data now to make informed decisions and meet mandatory reporting requirements. CDP's latest findings highlight the threats of companies overlooking holistic assessments and disclosure of environmental impacts.*

Data enables companies to measure and manage the impact of the sustainability measures they take. Yet, disclosure is not an end in itself. It allows comprehensive information to reach customers, supervisory authorities or investors, ensures operational sustainability and optimizes supply chain decisions. Decision-useful data provides a crucial baseline to track progress towards a climate and nature-positive future – and CDP data shows we still need more and faster change."

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About CDP