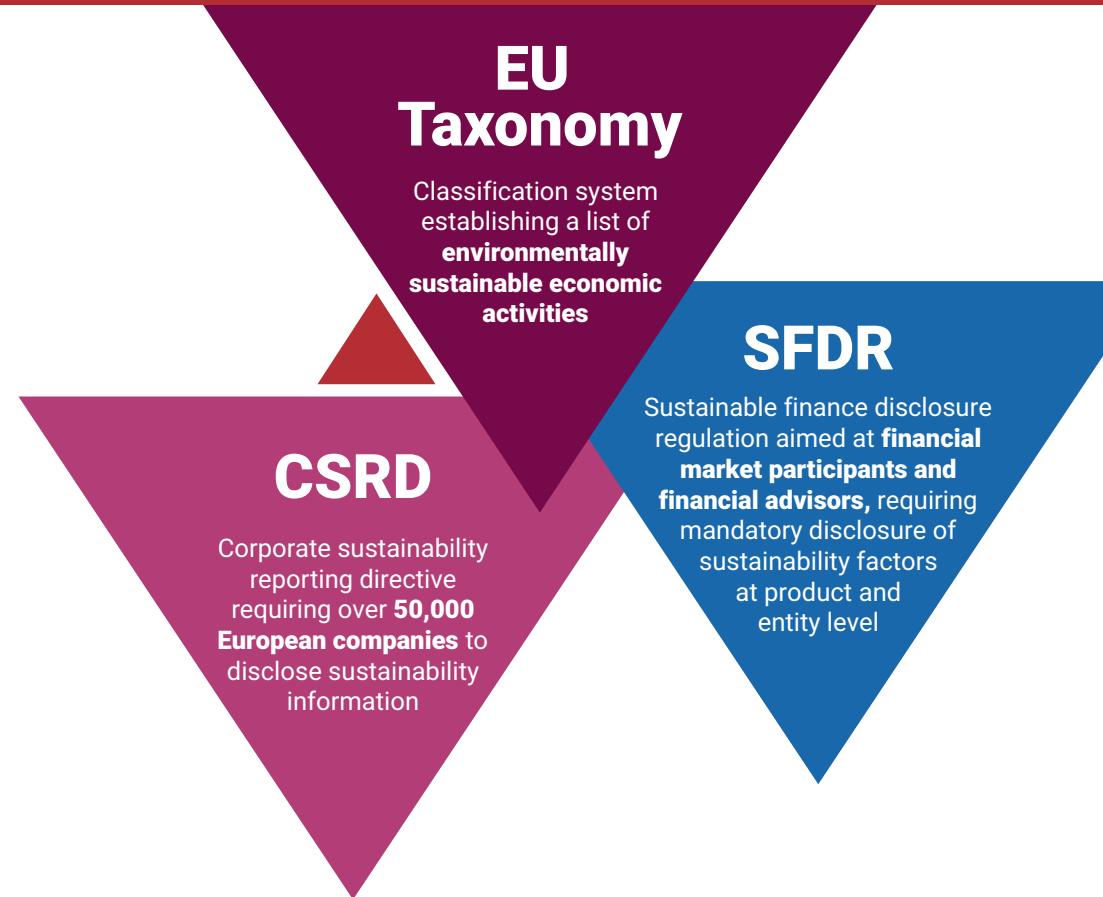


From 2023, most EU financial institutions and companies will be required by law to disclose environmental information through the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD), including their alignment with the EU Taxonomy and data points related to what are known as adverse impacts.

Overall, the SFDR and the CSRD are both part of a wider framework that aims to promote sustainable finance and sustainable economic activities in the European Union.

Higher-quality disclosures across environmental areas will be an expectation from stakeholders - requiring standardized data akin to financial reporting.

Starting in 2023, CDP enables companies to disclose many of these datapoints through its questionnaires.



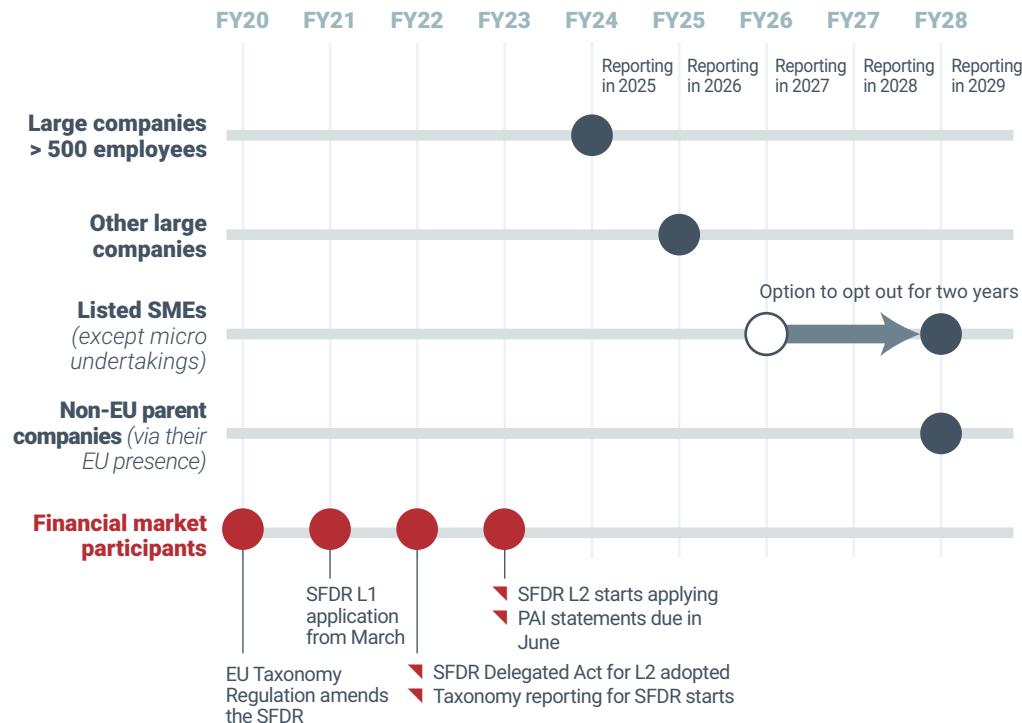
How metrics contribute towards sustainable finance



EU Taxonomy

The [EU Taxonomy](#) is a framework created by the European Union to identify environmentally sustainable economic activities. It helps businesses and investors assess their contribution to sustainable finance and promotes transparency and clarity in evaluating sustainability. The Taxonomy covers six environmental objectives and aims to prevent greenwashing while encouraging positive impact on the environment and society.

Data and timeline gaps within the EU disclosure regime



Adverse Impacts




When an activity causes harm, loss or damage to nature and climate, it creates pressure points known as adverse impacts. The SFDR identifies **50 specific adverse impacts** that companies must consider and report on, and each of these may have several indicators associated with it.

- Approximately **30 environmentally related indicators** have been identified in the SFDR, with additional indicators to be included in the European Sustainability Reporting Standards (ESRS), mandatory under the CSRD. These can be used by investors to assess policies and sustainable practices of their investee companies related to adverse impacts.
- Currently there are **9 mandatory principle adverse impacts (PAI)**, defined as such by expert groups as they enable an understanding of the actions that systematically harm the environmental objectives established by the taxonomy regulation.
- CDP collects the information necessary to measure **8 out of 9 of these principal adverse impacts** that investors should report for all their investee companies (*cf. next page*).

Financial market participants are required to disclose information on how they identify, prioritize, and manage the principal adverse impacts of their investment decisions on these sustainability factors. They are also required to provide information on how they engage with investee companies to disclose and manage these adverse impacts.

However there is a timeline gap between when investors and investee companies are expected to disclose information on these impacts (see timeline on the left).

- ▼ CDP provides a disclosure system that supports the most impactful regulatory standards and international frameworks.
- ▼ CDP's questionnaire now **includes taxonomy questions** and already covers approximately **20 out of 30 corporate adverse impact indicators** on climate, forest, biodiversity, and water.
- ▼ Of the 8 SFDR mandatory principle adverse impact indicators that can be disclosed within the CDP questionnaire, 2 were included for the first time in 2023.
- ▼ While the first reports made subject to the **CSRD** will be available from 2025, **financial institutions need this information now to satisfy their own regulatory requirements**. CDP engages with companies to encourage disclosure on the specific data points investors need (*cf. table on the right*).

Principal Adverse Impacts in CDP's 2023 questionnaire		
 Climate Change	GHG emissions	C6.1, C6.3, C6.5
	Renewable and non-renewable energy consumption/production	C8.2a, C8.2d
 Biodiversity	Activities near biodiversity sensitive areas with potential for negative impact	C15.4, C15.4a
 Water	Water consumption	W1.2b
	Water sourced from areas of stress	W1.2d
	Emissions to water	W1.2k
EU Taxonomy in CDP's 2023 questionnaire		
C3.5, C3.5a, C3.5b, C3.5c		

Notes on disclosure through CDP:

Some of the questions listed above will only appear depending on previous answers – full clarity can be found in our [question dependencies](#) page.

If companies are not requested to answer to CDP questionnaires on [water security](#) or [climate change](#), they can disclose voluntarily and opt for a private score in the first year of reporting.

How can CDP support your EU sustainability disclosure



- ▼ **Prepare** for reporting against regulatory requirements (using a familiar format/system)
- ▼ **Automatically send data to investors / stakeholders**
- ▼ **Receive guidance on how to report** and most important references, informed by best practice
- ▼ **Identify the pressure points** on climate and nature and prioritize which represent the most risk to your business
- ▼ **Gain a view of taxonomy-alignment and principal adverse impacts** within the overall company context already captured by CDP
- ▼ **Data outputs** from disclosure can help clarify inconsistencies of interpretation and highlight best practices within and across sectors

Implementation timeline

- ▼ https://www.esma.europa.eu/sites/default/files/library/sustainable_finance_-_implementation_timeline.pdf

Sustainable finance action plan and strategy for financing the transition

- ▼ [Renewed sustainable finance strategy and implementation of the action plan on financing sustainable growth \(europa.eu\)](#)
- ▼ [Factsheet: EU sustainable finance strategy \(europa.eu\)](#)
- ▼ [sustainable-finance-communication-factsheet_en.pdf \(europa.eu\)](#)

EU Taxonomy Regulation and Taxonomy tools

- ▼ [EU taxonomy for sustainable activities \(europa.eu\)](#)
- ▼ [EU Taxonomy Compass \(europa.eu\)](#)

CDP questionnaire guidance

- ▼ [Technical Note: EU Taxonomy - CDP](#)
- ▼ [Climate Change – CDP](#)
- ▼ [Water Security - CDP](#)
- ▼ [Forests – CDP](#)

Contact us

Find more information [here](#).

For a more detailed discussion on the content and how to disclose, please contact guilherme.cassaro@cdp.net.



With the contribution of the LIFE Programme of the European Union