

CDP Europe's comment on EUROPEAN LAB CONSULTATION ON FUTURE PROJECTS

Background

CDP Europe welcomes the opportunity to provide feedback on the future projects of the European Lab. Represented in EFRAG's European Corporate Reporting Lab Steering Group, by Steven Tebbe, Managing Director of CDP Europe, we believe that the European Lab can produce crucial work on remaining "blind spots" in regard to the successful implementation of the European Commission's Action Plan 'Financing Sustainable Growth'.

Future EFRAG lab projects can focus on developing practical solutions, using largely available examples of good practice as a starting point and the group can leverage its extensive technical know-how to create solutions for the implementation of a coherent EU corporate reporting framework and sustainable finance agenda that will allow measuring progress against the Paris Agreement and the UN Sustainable Development Goals (SDGs).

Overall suggestions to the potential future projects

The below suggestions can be considered either as new topics (question number 39) or as cross-cutting issues that could potentially be integrated into the proposed project topics 2 and 3 (question number 38).

1. How can the European Lab facilitate consistent and comparable measurement?

To promote and enable investments that make a positive impact on the environment and society, corporate reporting needs to adequately measure the impact of business operations across the entire economy, including supply chains, in a way that is aligned with the Paris Agreement and the SDGs. Key standardised metrics that increase comparability and consistency, and enable tracking progress against public policy targets and clearly defined time horizons, should be specified for each sector. Companies would benefit from clarity on what is material and thus, meaningful to their investors.

2. How can the European Lab support roll out climate-related financial disclosures to natural capital-related financial disclosures?

Building on the first project on climate-related reporting with a primary focus on TCFD, best practice of climate-related financial disclosure can be a blueprint for other environmental issues, in line with the EU environmental objectives, specified in the 'EU Taxonomy Regulation'.

Environmental objectives:

- Climate change mitigation

- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy including and waste prevention and recycling
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

3. How can the European Lab drive coherency in reporting of financial and non-financial companies?

Investors are required to understand the actual contribution of investments and capital allocation decisions in achieving environmental and societal goals. They therefore need decision-useful information from corporates on their business models, strategies, targets, risks and opportunities on short to long timescales. The lack of decision-useful information and data also hinders sound and sustainability-focused advice being provided to other market actors. We stress the conceptual link between corporate reporting requirements and the sustainable finance agenda and the need to enable sustainable and responsible investments by addressing shortcomings in the European corporate reporting practice.

Thank you very much for kindly considering our suggestions.

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About CDP Europe

CDP Worldwide (Europe) gGmbH is a charity headquartered in Berlin, Germany, registered on the EU Transparency Register since 2012. CDP Europe staff members are also based in Belgium (Brussels), Sweden (Stockholm), and Switzerland (Geneva).

CDP Europe is a subsidiary and part of CDP Worldwide, an international non-profit that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. Voted number one climate research provider by investors and working with institutional investors with assets of US\$96 trillion, we leverage investor and buyer power to motivate companies to disclose and manage their environmental impacts. Globally, over 7000 companies with some 50% of global market capitalization disclosed environmental data through CDP in 2018, with over 1800 in Europe. This is in addition to the over 750 cities, states and regions globally who disclosed – including more than 200 in Europe – making CDP's platform one of the richest sources of information globally on how companies and governments are driving environmental change. CDP, formerly Carbon Disclosure Project, is a founding member of the We Mean Business Coalition.

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