

PROPOSAL FOR A DIRECTIVE /REGULATION FOR A EUROPEAN SINGLE ACCESS POINT FOR FINANCIAL AND NON-FINANCIAL INFORMATION PUBLICLY DISCLOSED BY COMPANIES

Comment from CDP Europe

March 2021

Introductory remark

CDP supports the proposal of the European Commission to develop a European Single Access Point (ESAP) for financial and non-financial information publicly disclosed by companies.

For investors to take informed investment decisions and by this, to engage and drive companies towards sustainable business models, CDP provides the global environmental disclosure system, making corporate environmental information accessible to capital markets in Europe and globally.

We understand it as part of our charitable mission to provide support and expertise to the European Commission to enhance corporate environmental data availability for financial market participants and other stakeholders such as public institutions, NGOs and academia.

KEY RECOMMENDATIONS

- ▼ The European Commission should consider referencing in the ESAP other existing relevant data sets of corporate non-financial information, notably privately held data sets from NGOs.
- ▼ To create largest possible transparency and at the same time allow for companies to leverage the benefits from data sharing and access, also beyond regulated reporting, the ESAP should incentivize data sharing through appropriate and effective technology and data governance.
- ▼ Financial and non-financial corporate information needs to be accessible at equal level and in connection to each other wherever applicable and whenever there has been made the connection by issuers between financial and non-financial information/reports. The ESAP search tools should enable users to easily identify those links and locate the respective documents/sections in reports.
- ▼ To achieve connectivity, it is essential for the data to be structured around agreed taxonomies and reporting requirements and standards.
- ▼ The ESAP should be integrated into the European data spaces to ensure that corporate data can be connected to other environmental data and can drive faster innovation in sustainable financial products and services.

The new action plan of the Capital Markets Union for people and businesses aims at bringing larger established financial centres to people in the smaller Member States, enhancing access to funding by businesses, including SMEs, and for investors to be able to invest in projects across the EU. Further, capital should flow to where it can be most useful and help meet long-term societal needs, in particular in view of the green and digital transition, and market participants should benefit from competitive and transparent markets.

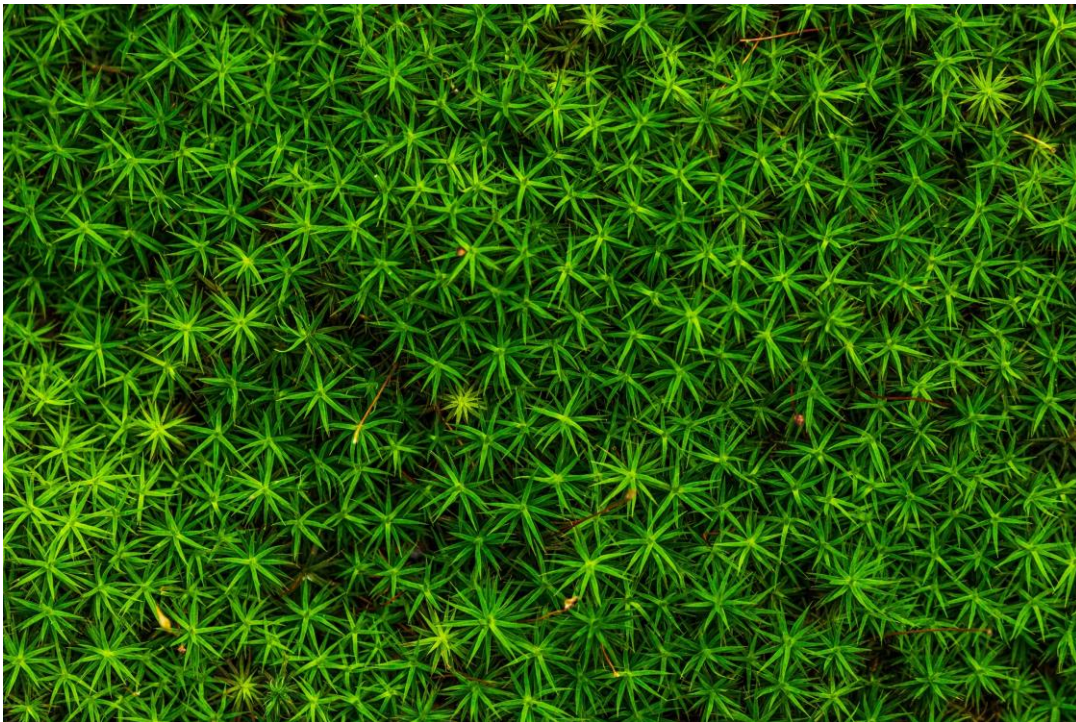
Purpose of this law initiative:

- ▼ Support a green, digital, inclusive and resilient economic recovery by making financing more accessible to European companies.
- ▼ Make the EU an even safer place for individuals to save and invest long-term.
- ▼ Integrate national capital markets into a genuine single market.
- ▼ Comparable company data for investors through seamless, EU-wide access to company data in comparable digital formats.

- ▼ Reduce information search costs for cross-border investors and widen the investor base for companies.
- ▼ Improve the availability and accessibility of sustainability-related data, steer more investments towards sustainable activities and contribute to meeting the objectives of the European Green Deal.

Additional importance arises from:

- ▼ Recovery
- ▼ Green transition and digital transformation
- ▼ A more inclusive economy
- ▼ EU's global competitiveness and open strategic autonomy



Seamless access to financial and sustainability-related company information

The European Single Access Point shall provide investors with seamless access to financial and sustainability-related company information. It will, to the greatest extent possible, build on existing EU and national IT infrastructure (databases, registers) in order to avoid adding to companies' reporting burden. All information shall be provided in comparable digital formats.

To create added value for its main audience - capital market actors -, we recommend for the European Commission to design the ESAP with special attention to the following issues:

- ▼ The **quality of environmental corporate information** is in many cases yet not good (accurate) enough, such as the information on Scope 3 emissions. Investors need the highest level of comprehensiveness and quality to take informed investment-decisions. Therefore, CDP performs extensive data cleaning and modelling activities to be able to sustain the market with quality data to the highest extend possible.
- ▼ Depending on how the data are transmitted or reported into the ESAP and particularly with manually entered data, CDP strongly recommends **additional data quality checks to improve data reliability**. We have extensive experience with data cleaning (e.g. identifying invalid or inaccurate records within a dataset) of GHG emissions and energy data which companies report to CDP every year. Common sources of error by reporting entities include a) change in emissions boundary coverage from one year to the next, b) omissions and exclusions of parts of the business or c) data entry errors (e.g. incorrect units). The data cleaning is necessary to improve the quality, credibility and comparability of the data. Please see more information [here](#).
- ▼ Disclosures under several policies suggested to be integrated into the European Single Access Point, are stemming from information from providers of financial products. **Considering this reporting 'chain' and in the spirit of high-quality information**, policies such as the Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, the Pan-European Personal Pension Products Regulation, the Directive on the Activities and Supervision of Institutions for Occupational Retirement Provision, the Directive of Markets in Financial Instruments (MIFID) and Regulation of Markets in Financial Instruments (MIFIR), or the Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), should potentially be considered at a later stage.
- ▼ Disclosures under several policies suggested to be integrated into the European Single Access Point, are stemming from information from preparers. **Considering this reporting 'chain' and in the spirit of high-quality information**, policies such as the Directive on Alternative Investment Fund Managers (AIFM), the Regulation on EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks, Regulation on sustainability-related disclosure and the Taxonomy Regulation, should potentially be considered at a later stage.

CDP PUBLIC CORPORATE DATA POINTS ON THE EUROPEAN SINGLE ACCESS POINT – INITIAL REFLECTIONS

- ▶ We understand that CDP's existing environmental disclosure system which holds the largest corporate environmental primary data set globally could be made compatible, respectively integrated with the ESAP.
- ▶ This would allow the European Commission to build on this existing data which CDP Europe collects and maintains under our charitable mission for the public good and with co-funding from the European Commission.
- ▶ We would understand it as part of our mission to make retrievable our public data through the ESAP to support data availability for financial market participants and other stakeholders such as public institutions, peer companies, academia etc.
- ▶ This could also benefit flows of ESG data in international financial markets – since CDP is global in nature – and reduce the burden for EU companies to report environmental data.
- ▶ CDP data are self-reported. However, we incentivize third-party verification (auditing of the content). The ESAP could reference CDP public data points through respective tagging, based on machine-readable formats and meta-data/taxonomies. This would allow data users to understand the different types of data points (regulated / voluntary – audited / non-audited / other way of assurance etc.) and to access these different types of data according to user types and use cases.
- ▶ We see a need to allow for different types of access rights. Companies disclose data to CDP which they consider sensitive from a competition standpoint, such as their suppliers. To create largest possible transparency and at the same time allow for companies to lever data sharing and access to drive environmental action within their business and supply chains, a system allowing for data sharing rules on specific data points and for specific audiences could help to accommodate all needs (business competition and confidentiality and maximum environmental transparency and action).
- ▶ The above considerations will also be important in the perspective of the possible integration of the ESAP with EU data spaces such as the European Green Deal data space.

EU's future data economy at the service of environmental sustainability

The EU digital strategy and the EU data strategy provide a roadmap of a new data ecosystem in which companies' sustainability data will 'live' going forward and could contribute to achieving the sustainability goals of the Union more broadly and more effectively. The Commission's vision is to create a single European data space – a **genuine single market for data**, open to data from across the world – where personal as well as non-personal data, including sensitive business data, are secure and businesses also have easy access to an almost infinite amount of high-quality industrial data, **boosting growth and creating value, while minimising the human carbon and environmental footprint.**

The open data ecosystem of an EU single market for data requires **data standards, technologies and data governance** that support the full data lifecycle (i.e. storage, processing, analysis, visualisation, sharing, reuse, preservation of data, etc.), that will **enable, facilitate and stimulate the sharing and reuse of data**. This could be a cornerstone of Europe's future data economy.

Technology and IT requirements are expected to include **high-performance computer facilities, cloud services, high-speed networks, open data, data analytics, blockchain, machine learning and artificial intelligence**. Data platforms for the reuse, aggregation and transformation of scientific, public sector and private sector data, based on a federated network of data hubs is envisioned to be the fit-for-purpose infrastructure to increase the Commission's capacity for evidence-based policy making and facilitate the development of new, borderless, digital, data-driven public services.

The EU data strategy suggests the establishment of **EU-wide common, interoperable data spaces in strategic sectors to measure data flows and estimate their economic value within Europe**, as well as between Europe and the rest of the world. Examples are:

- ▼ A **Common European Green Deal data space**, to use the major potential of data in support of the Green Deal priority actions on climate change, circular economy, zero pollution, biodiversity, deforestation and compliance assurance.
- ▼ A **Common European Financial data space**, to stimulate, through enhanced data sharing, innovation, market transparency, sustainable finance, as well as access to finance for European businesses and a more integrated market.

Public climate and environmental data are part of an open data ecosystem and shall be connected / integrated with private-sector data. The Commission's 'GreenData4All' initiative for instance, aims at **widest possible systematic availability and dissemination to the public of environmental information**, such as spatial environmental data. This could equally apply to the broad range of other environmental public data held by e.g. the environmental agencies across Europe, the Commission's Joint Research Centre as well as privately held data sets such as from NGOs working in the field of sustainability – as does CDP.

CDP environmental data at the heart of EU data spaces

Our vision for the ESG disclosures ecosystem within EU and global data spaces

The CDP disclosure system has contributed to drive an environmentally sustainable European and global economy for 20 years. We do this by building a **global reporting system which accounts for environmental information from the perspective of double-materiality – reflecting information related to value creation and impact on people and the planet**. Specifically, CDP:

- ▼ Plays a critical role both in informing sustainability disclosure standards and in contributing to the evolution of standards over time. Through its questionnaires, CDP captures the fast evolution of sustainability topics and reflects evolving market needs, and therefore is a **catalyst for innovation as well as standardized disclosures**.
- ▼ Offers a disclosure mechanism which is informed by existing internationally accepted frameworks, recommendations and standards. CDP's disclosure system enables structured disclosures which leads to an instantly **standardized data set** that is being

used by capital markets participants at unprecedented scale, as well as by regulators, governments, NGOs, and many other stakeholders. In 2020, over 9.600 companies worldwide disclosed through the CDP platform, representing over 50% of the global market capitalization. Disclosure through CDP by companies increased 14% on 2019 and more than 70% since 2015.

- ▼ Provides questionnaires encompassing questions which are critical to **assess corporate behavior and exerts normative power over corporate behavior** that result in performance improvement. CDP, with its global reach, represents an important facilitator of disclosures, action and leadership. Over the past 20 years, CDP has made environmental reporting mainstream and significantly advanced the uptake of disclosure ahead of regulation.
- ▼ Engages with standards-setters and jurisdictions by **providing insights from our data and recommendation** on the future of disclosures as well as integrating the evolution of reporting requirements into our questionnaires.
- ▼ Equips national, EU and international policymakers and governmental bodies with the data they need to track and measure the impact of policies, identify gaps, trends and best market practice that can be tackled and incentivized through policymaking to create positive impact and drive the transition. **CDP government partnerships** are designed to help governments analyse the impact of policies and regulation to achieve carbon-neutrality and resource efficiency by 2050.

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CDP Europe and the CDP global system

CDP Europe is a charitable organization registered in Brussels and Berlin and on the EU Transparency Register since 2012. It is part of the CDP Global System, a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with over 590 investors with \$110 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Over 10,000 organizations around the world disclosed data through CDP in 2020, including more than 9,600 companies worth over 50% of global market capitalization, and over 940 cities, states and regions, representing a combined population of over 2.6 billion. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative. Visit cdp.net or follow us [@CDP](https://twitter.com/CDP) and on [LinkedIn](https://www.linkedin.com/company/cdp) to find out more.

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CDP Europe's annual report is available [here](#) and its regular policy newsletter can be joined [here](#).

CDP government partnerships

CDP government partnerships are designed to help governments analyse the impact of policies and regulation to achieve carbon-neutrality and resource efficiency by 2050. CDP's global disclosure system equips national, EU and international policymakers and governmental bodies with the data they need to track and measure the impact of policies, identify gaps, trends and best market practice that can be tackled and incentivized through policymaking to create positive impact and drive the transition.

By endorsing the CDP disclosure system, governments can actively drive the increase in quantity and quality of climate and environmental data of corporates and local governments as well as action on climate change, water insecurity and deforestation.

CDP Europe in European and international media



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