CDP GUIDANCE

Why disclose, learnings from 2024, & how to prepare for your 2025 disclosure.

ACCLARO
ADVISORY

CONTENTS

GLOSSARY

- **Corporate Sustainability Reporting Directive (CSRD)**: An EU regulation that mandates detailed sustainability reporting, requiring companies to disclose their environmental, social, and governance (ESG) impacts.

- **European Financial Reporting Advisory Group (EFRAG)**: A private association established in 2001 with the European Commission's support to serve the public interest. EFRAG provides the European Commission with technical advice, including fully drafted EU Sustainability Reporting Standards (ESRS) and amendments.

- **European Sustainability Reporting Standards (ESRS)**: A framework developed by EFRAG to guide companies in reporting ESG-related information. The 12 standards apply to all companies subject to CSRD requirements.

- **Global Reporting Initiative (GRI)**: An independent international organisation that helps businesses and other entities take responsibility for their impacts. The GRI developed the GRI Standards to advance sustainability reporting and promote economic, environmental, and social benefits.

- **IFRS Foundation:** A non-profit organisation responsible for developing global accounting and sustainability disclosure standards, known as IFRS Standards (S1 and S2).

- **IFRS S1** – ***General Requirements for Disclosure of Sustainability-related Financial Information***: Establishes disclosure requirements to help companies communicate sustainability-related risks and opportunities over the short, medium, and long term.

- **IFRS S2 – *Climate-related Disclosures***: Specifies climate-related disclosure requirements, ensuring companies provide information on climate-related risks and opportunities.

- **ISSB (International Sustainability Standards Board)**: An independent standard-setting body within the IFRS Foundation, established on the 3rd November 2021, at COP26 in Glasgow. The ISSB is developing high-quality, comprehensive sustainability disclosure standards to provide a global baseline for investors and financial markets.

- **Kunming-Montreal Global Biodiversity Framework (GBF)**: An international agreement adopted in 2022 under the Convention on Biological Diversity, aiming to halt and reverse biodiversity loss by 2030 through conservation and restoration efforts, with a long-term vision of living in harmony with nature by 2050.

- **Task Force on Climate-related Financial Disclosures (TCFD)**: The TCFD was created in 2015 by the Financial Stability Board to develop a framework to help organisations disclose climate-related risks and opportunities. As of 2024, the IFRS Foundation has taken over TCFD’s responsibilities.

- **Taskforce on Nature-related Financial Disclosures (TNFD)**: A global initiative launched in 2021 to develop a framework for assessing and disclosing nature-related dependencies, risks and opportunities. It was developed by a market-led taskforce of financial institutions, corporations, and service providers, supported by governments and NGOs.

- **Transition Plan Taskforce (TPT)**: Launched by HM Treasury in March 2022, the TPT was tasked with developing a “gold standard” for climate transition plan disclosures across financial and real economy sectors. The IFRS Foundation now oversees the TPT’s disclosure-specific materials.

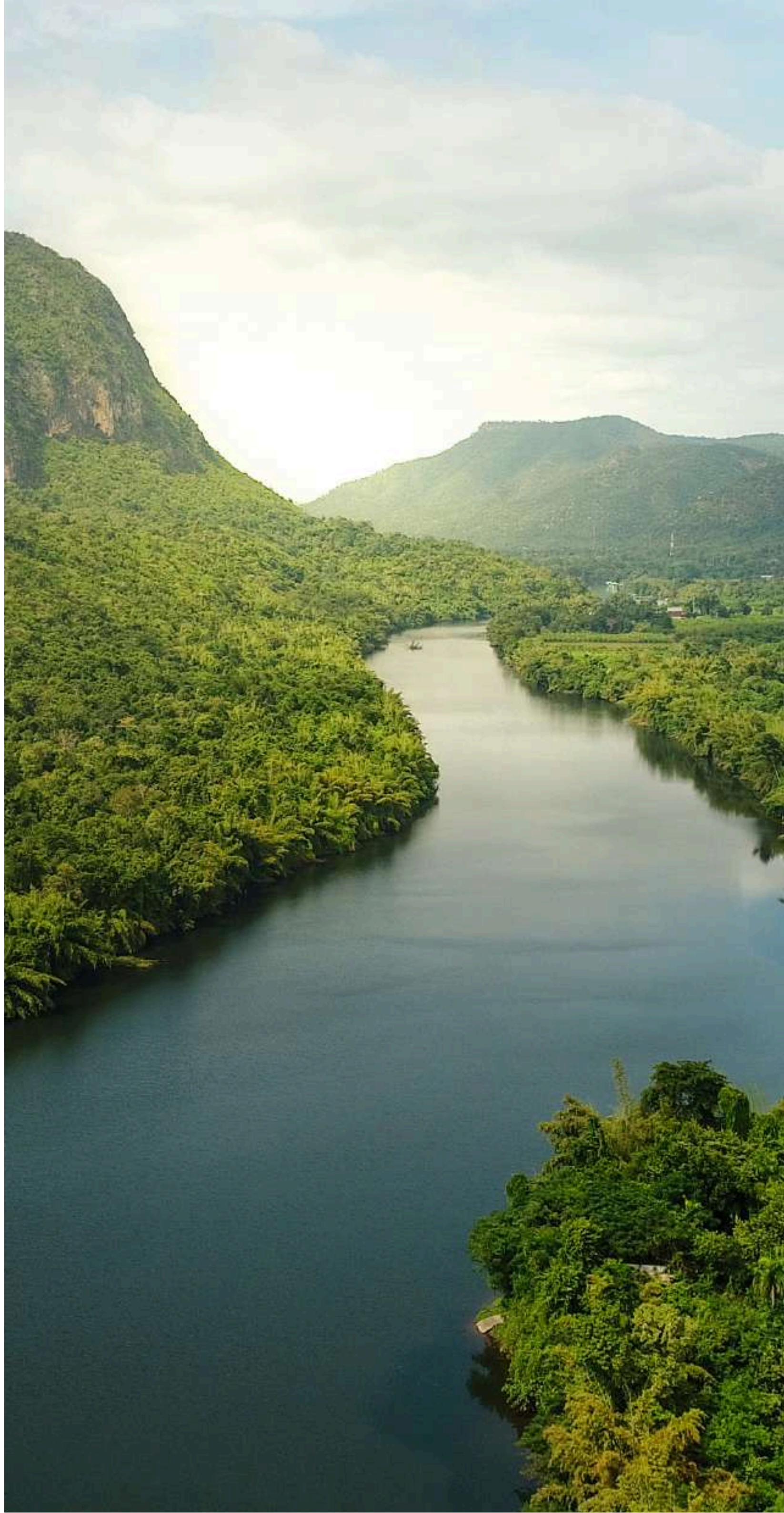
INTRODUCTION

CDP is a world-leading disclosure platform that supports companies, cities, states, and regions to understand, report, and manage their environmental impacts on climate change, water security, deforestation, biodiversity, and plastics.

For 25 years, CDP has bolstered corporate climate action and disclosure transparency, with more than 22,000 corporates scored by CDP in 2024. Its comprehensive disclosure platform and ambitious scoring system have increasingly encouraged organisations to recognise their holistic impact on the environment, make informed decisions and minimise their environmental impact.

CDP is more than just a questionnaire. It's a strategic tool that enables organisations to identify key gaps and opportunities in their business model and climate and nature strategies, and helps corporations adopt a holistic and thorough approach to understanding their environmental impacts and how to mitigate them. Publicly scoring corporations' climate change disclosures also enforces accountability and sets an industry benchmark, empowering organisations to take climate action.

With the 2025 CDP questionnaire fast approaching, this guide outlines why organisations should disclose to CDP, the key gaps uncovered by the 2024 questionnaire, and how corporations can better prepare for 2025 disclosures. This guidance predominantly applies to the full corporate questionnaire; however, details of this report can be utilised for the SME questionnaire.



WHY COMPANIES SHOULD DISCLOSE TO CDP

CDP reporting is the process of disclosing a company's environmental impact, focusing on areas such as carbon emissions, water usage, and deforestation risks. It provides stakeholders, such as investors, regulators, customers, and the public with a transparent view of how a company manages its climate-related risks and opportunities beyond traditional financial performance.

The landscape for climate reporting is rapidly evolving, and stakeholders are placing increasing pressure on companies for credible, verifiable, and comparable data. CDP is widely recognised as the leading platform for climate-related disclosures, and meeting its expectations often requires going beyond basic compliance.

INVESTOR APPEAL

CDP disclosure attracts responsible investors, improving access to capital for companies with strong scores.

REGULATORY COMPLIANCE

With climate-related reporting becoming mandatory in many regions, CDP helps companies stay ahead of regulations.

RISK MANAGEMENT

By identifying climate-related risks, companies can proactively mitigate long-term operational and financial impacts.

REPUTATION PROTECTION

Proactive CDP reporting helps manage reputational risks by demonstrating a commitment to addressing climate change.

COMPETITIVE EDGE

High CDP scores differentiate companies, strengthening brand reputation and positioning them as leaders in sustainability.

STAKEHOLDER TRUST

Transparent climate disclosures build trust with investors, customers, employees, and communities, reinforcing long-term relationships.

COST EFFICIENCY

Tracking and reporting on carbon emissions and resource use often uncovers inefficiencies, leading to operational cost savings.

STRATEGIC FOUNDATION

Sustainability reporting enables organisations to understand critical risks and opportunities and effectively confront and plan for emerging challenges.

2024 RECAP

KEY CHANGES

In 2024, the CDP Corporate Questionnaire saw significant modifications to the 2023 version, aligning more closely with its 2021-2025 strategy. Amongst these modifications, several key changes were identified:

- **A single integrated questionnaire:** Climate Change, Water Security and Forests were integrated into a single questionnaire. This strategic shift enabled corporations to holistically manage and assess environmental issues while better preparing them for more demanding regulatory and market expectations.

- **Expansion of Social and Governance metrics**: In 2024, CDP emphasised the importance of effective governance of external engagement and the corporate governance of environmental dependencies, impacts, risks and opportunities in line with IFRS S2, ESRS and TNFD. Robust social and governance structures are essential for managing environmental issues and transitioning to a 1.5ºC aligned world.

- **Greater alignment to international Reporting Frameworks and Standards**: CDP provided the first IFRS S2-aligned dataset to the market. This provided a valuable resource to assist companies in achieving full International Sustainability Standards Board (ISSB) alignment. In addition, greater alignment with global reporting frameworks and standards can help demystify some of the complexity in sustainability reporting and place your organisation favourably for other disclosure requirements and investor expectations.

- **The introduction of Biodiversity and Plastic questions**: Although these questions were unscored for 2024, plastic and biodiversity questions encouraged organisations to expand their coverage of environmental issues in their sustainability strategies. A comprehensive awareness of how your organisation impacts these environmental issues improves your company's climate and nature strategies and better prepares you for more stringent regulations.

COMMON GAPS

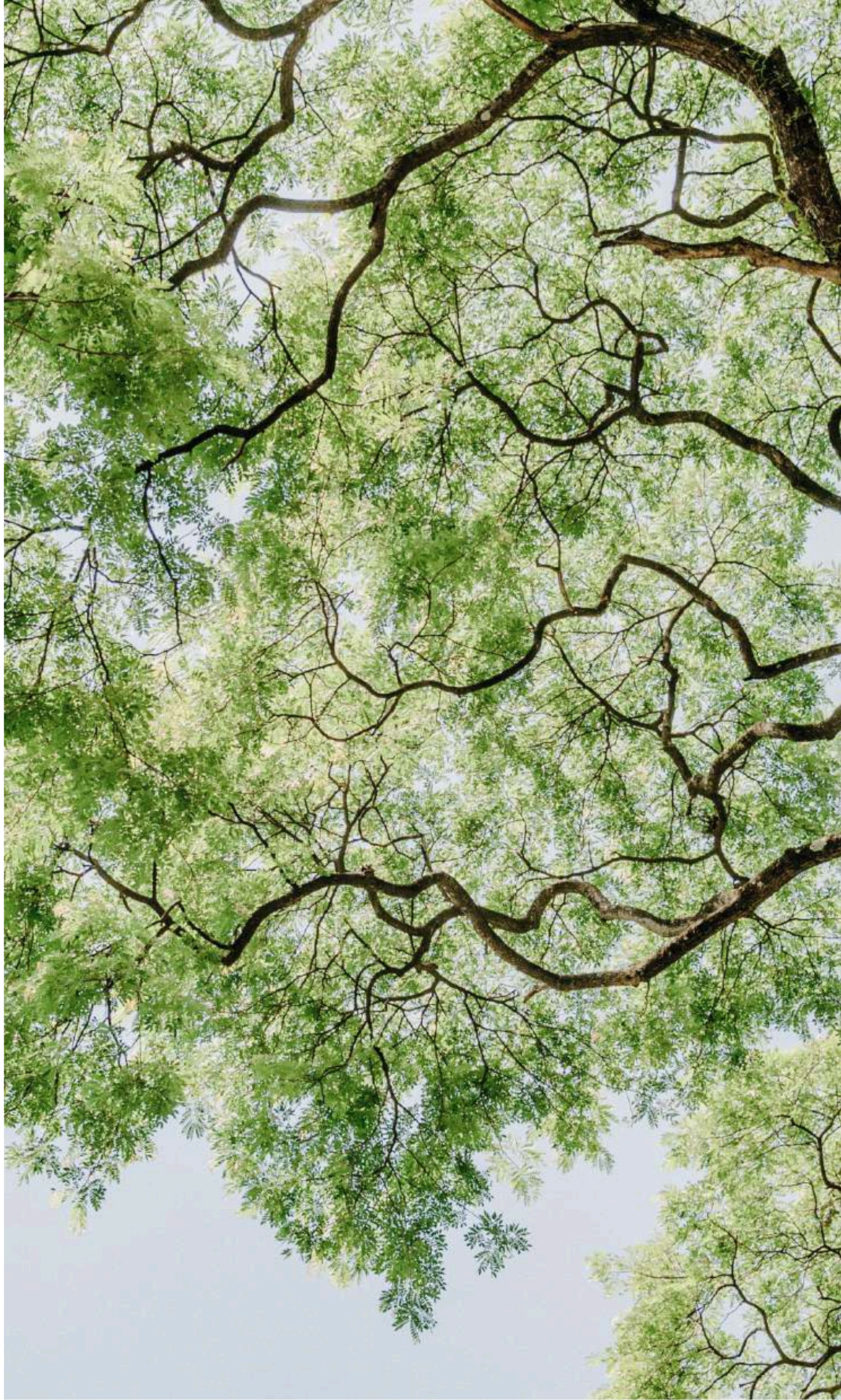
Following the significant 2024 questionnaire changes, a series of common gaps were identified. Understanding and managing these common shortfalls is the first step to boosting your 2025 CDP score and improving your sustainability performance.

1 Credible Public Transition Plans

Climate transition plans are widely regarded as a critical tool to demonstrate to investors, suppliers and customers that an organisation is committed to reaching net zero emissions by 2050 and that its business model will remain profitable in a net-zero carbon economy. As part of the A-List status requirement in 2024, companies needed a 1.5ºC-aligned, publicly available transition plan with a feedback mechanism to track its progress and board-level oversight and management-level responsibility for developing the transition plan. In June 2024, CDP reported that only 1 in 4 companies disclosed credible transition plans during their 2023 disclosure cycle. CDP has provided guidance for transition plans for further details.

Transition plans are a key requirement of the Corporate Sustainability Reporting Directive (CSRD), IFRS S2 and the Transition Plan Taskforce's (TPT) global framework. The UK government set up the TPT in 2022 to develop a standardised global framework for robust transition plans to help companies deliver credible disclosures (in June 2024, the IFRS Foundation assumed responsibility for TPT's framework).

In 2025, the IFRS mandatory disclosures are expected to come into force in the UK. In addition, the Labour government has publicly stated the importance of transition planning and hopes to mandate it over the coming years. In preparation for these emerging regulations and to better manage environmental risks and opportunities and meet Greenhouse Gas (GHG) emission targets, corporations should look to implement robust credible transition plans within their climate and nature strategies.



COMMON GAPS

2 Impacts & Dependencies

In 2024, CDP introduced aspects of a double materiality approach, incorporating new questions that address nature-related dependencies, impacts, risks, and opportunities (D/I/R/O), along with their interconnections. The double materiality concept considers how a company's operations impact the environment and society (impact materiality) and how environmental factors can affect the company's financial performance (financial materiality).

This change is significant because many companies have previously only considered financial materiality and now must also consider how their activities will impact the environment, society, and stakeholders in their value chain. Considering these factors aligns more closely with the TNFD, the ISSB Standards and the CSRD. The terms used in CDP, dependencies and impacts, are derived from the double materiality approach. TNFD define dependencies as aspects of environmental assets and ecosystem services that a person or an organisation relies on to function. Impacts are defined as changes in the state of nature (quality and quantity), which may result in changes to the capacity of nature to provide social and economic functions.

Measuring impacts and dependencies is a useful first step to identifying an organisation's risks and opportunities across its direct operations and value chain which can be fed to the board level if any material impacts are identified. This exercise is important for organisations because they must consider a variety of stakeholders and work through the potential and actual impacts. This helps organisations to respond better and prepare for emerging challenges across varying time horizons.

For organisations, this shift means greater emphasis on assessing and disclosing the ways in which nature-related factors impact financial performance, alongside how business activities affect the environment. While this process is not easy, especially for organisations that are just beginning on their sustainability journey, there is a lot of helpful guidance available, such as the CSRD Materiality Assessment Implementation Guidance. Organisations must also ensure that they are prepared to provide evidence-backed responses that demonstrate an integrated understanding of climate and nature-related risks and opportunities.

COMMON GAPS

3 Supplier engagement & supply chain decarbonisation

The 2024 CDP questionnaire strongly emphasises supplier engagement, recognising it as a critical component for collecting primary data for Scope 3 emissions and driving supply chain decarbonisation. New questions in the 2024 questionnaire focused on how companies engage in their value chain on environmental issues, assess the impacts and dependencies of suppliers, integrate environmental requirements into the procurement processes and report on engagement activities with value chain stakeholders.

Responding to these questions places companies more favourably for addressing supply chain emission reductions, a huge challenge organisations currently face, and an important one as Scope 3 emissions often account for 70-90% of a company's total emissions. Developing a robust engagement program throughout the entire value chain is also essential for advancing transition plans. A well-structured engagement program fosters collaboration and resource-sharing, improving data collection and the assessment of nature-related dependencies, impacts, risks and opportunities. Supplier engagement targets are one of the four target-setting methods for companies to formulate Scope 3 targets in the SBTi framework and are an essential criterion in achieving A-list status with CDP.

4 Nature & Biodiversity

Although CDP reported a 20% year-on-year increase in the number of companies measuring and reporting how their operations and value chains impact nature, important credibility gaps remain. A lack of biodiversity disclosures in sustainability strategies is still prevalent. In October 2024, CDP reported that fewer than 10% of companies assess their dependency on biodiversity. Nature is rising on the list of agendas for investors and the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF) at COP15 commits signatory nations to introduce mandatory corporate reporting on nature by the end of the decade (including nature-related impacts, dependencies and risks).

Companies should explore ways to integrate biodiversity-related information into decision-making processes, establish clear commitments and implement robust monitoring and reporting mechanisms on biodiversity issues. Additionally, incorporating nature into transition plans is essential for organisations seeking to demonstrate environmental responsibility. Biodiversity is a key focus under the CSRD, while TNFD highlights nature-related dependencies, impacts, risks, and opportunities. To align with these frameworks and evolving regulations, organisations are now required to disclose biodiversity-related information in their CDP submissions. This includes assessing how nature considerations are embedded in governance, strategy, risk management, and target-setting processes.

COMMON GAPS

5 Lack of robust climate scenario analysis

Many organisations still lack a robust climate scenario analysis (CSA), despite its critical role in assessing the potential impacts of different climate change scenarios on business strategy, risk management and investments. CSA helps organisations develop resilient transition plans, policies and investment strategies that account for climate-related risks and opportunities. However, many companies have found that selecting relevant scenarios, identifying key inputs and parameters, collecting data across the value chain, and developing processes for identifying, assessing, and managing climate-related risks - while integrating these risks into existing processes - are some of the primary challenges in utilising CSA. The TCFD, the IFRS S2 and transition plan guidance strongly advise utilising CSA. In line with these frameworks, CDP is requesting more information on the business processes influenced by CSA, the outcomes of these actions, and the implications for other environmental issues.

6 Disclosing immaterial risks & opportunities

Some organisations disclose immaterial risks and opportunities to CDP because they believe the more they report, the more points they will be awarded for that question. It's important to remember how CDP is used, primarily by investors. Disclosing micro risks and opportunities can be counterintuitive as it shows sustainability teams are working in silos and not with the wider business operations or the enterprise risk team.

What this means for your business:

The evolving CDP questionnaire requires a more strategic and holistic approach to environmental disclosure. Companies must go beyond reporting numbers, they need to develop clear strategies, assess risks and opportunities, and actively engage stakeholders both internally and externally.

This is no small task, and many companies may struggle to develop an efficient strategy to fully incorporate these changes into their business in the early years. It is important for companies to determine the material issues to their business (through a double materiality assessment) and use this to guide their overall ESG strategy. As noted above, there is a variety of helpful guidance provided by CDP and other organisations to help companies navigate these complexities. While the process may initially be resource-intensive, in the long run, it equips investors with critical insights into a company's resilience and ability to adapt to an evolving regulatory landscape. It also presents an opportunity for businesses to move beyond a compliance-driven approach and establish sustainability as a core part of their strategy. By embracing these changes early, companies can get ahead of the curve, strengthen their long-term viability, and position themselves as leaders in an increasingly sustainability-focused market.

Finally, it is important to recognise that CDP disclosure should not just be seen as a tick-box exercise separate from core business functions. Instead, the CDP questionnaire can serve as a valuable framework for understanding how sustainability expectations are evolving and how these principles can be integrated into long-term business strategies. By leveraging CDP as more than just a reporting requirement, companies can gain deeper insights into their sustainability performance and identify opportunities for meaningful improvements. While this process may seem complex, Acclaro can provide the guidance and expertise needed to navigate CDP effectively, helping businesses turn disclosure into a strategic advantage and address key sustainability challenges with confidence.

HOW TO PREPARE FOR 2025

FUTURE TRENDS

CDP is expected to raise the ambition of its disclosure framework in 2025, aligning with its overarching goal of promoting greater accountability and transparency in environmental reporting. Companies should prepare for more stringent reporting requirements and take proactive steps to enhance their sustainability performance.

- **Expanding the scope to cover planetary boundaries:** CDP emphasises that climate change is one aspect of a broader interconnected system. In 2024, plastics and biodiversity were introduced as new areas of focus. This year, the number of questions addressing these issues could increase, however, these modules will remain unscored. Companies should have a holistic understanding of their environmental risks and opportunities to develop more robust and comprehensive climate and nature strategies. This better prepares companies for growing regulation and emerging challenges.

- **Greater alignment with international reporting frameworks & standards: T**he 2024 CDP questionnaire partially aligned with frameworks such as the proposed US SEC Rule, the European Financial Reporting Advisory Group's (EFRAG's) European Sustainability Reporting Standards (ESRS), and the Taskforce on Nature-related Financial Disclosures (TNFD). CDP is likely to seek full alignment with these standards for the 2025 questionnaire[1]. Some of these strategic considerations have already taken place. In November 2024, CDP and EFRAG confirmed an extensive interoperability agreement, and CDP and the Global Reporting Initiative (GRI) announced a new cooperation agreement. This has strengthened CDP's alignment with the ESRS climate standard (E1) and GRI Standards.

[1] Given President Trump's Executive Order on January 20th issuing a 'regulatory freeze,' it appears likely that the SEC will withdraw its climate rule. At this stage, the impact of this decision on CDP's alignment remains unclear.

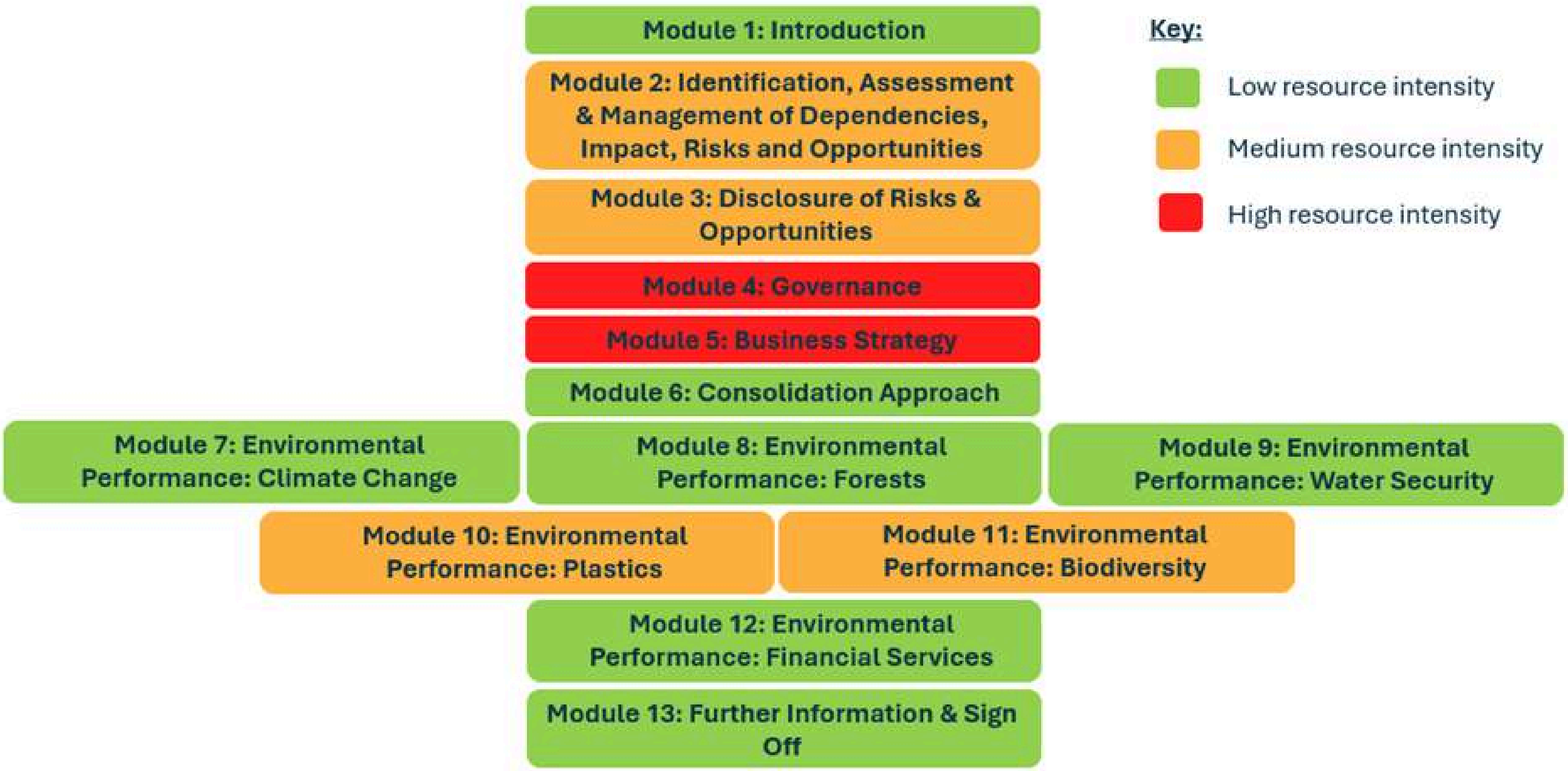
- **Public scoring of Water & Forests**: Currently, CDP does not publicly score Water and Forests, but as part of its effort to increase transparency and accountability, these areas could be publicly scored in the coming years.

- **Enhancing social & governance metrics**: CDP acknowledges that the relationship between environmental performance and social and governance factors is complex but critical. While significant updates were made to the Governance section in 2024, future questionnaires may dive deeper into areas like equity, diversity, inclusion, and governance structures, examining how these elements influence a company's environmental performance.

It's important to note that these changes are not definite. The points above reflect potential updates to the CDP questionnaire in 2025 based on current research and strategic direction.

KEY THEMES WITHIN CDP

The diagram below outlines the 2024 CDP questionnaire layout and the relative resource intensity of each module. Challenges associated with responding to each module will vary between companies. However, organisations typically found the Governance and Business Strategy modules the most resource-intensive due to the higher number of qualitative responses required and the greater complexity of the questions and scoring criteria (e.g. the climate scenario analysis section).



DETAILED TOP TIPS

Analyse and identify gaps between your current activities and CDP requirements.

Assessing your current practices against CDP requirements allows you to identify gaps in your current processes and where your climate and mitigation strategies may need to be enhanced. To prepare for the 2025 CDP response, develop an action plan to target material gaps, such as areas of limited data. Over longer timescales, identifying these gaps and opportunities can help companies develop a strategic roadmap to improve their sustainability performance.

Stakeholder engagement

Consult with the relevant internal stakeholders and departments to gather key data and insights and identify improvement opportunities. In addition, engage with external stakeholders such as external consultants or investors if you require support with the CDP response process or need to understand investor expectations.

Understand the CDP category weightings

Weightings are applied to scoring categories at the Management and Leadership levels only. They reflect the relative importance of each category. The weighting applied to each category varies across sectors to highlight the area's most critical to environmental stewardship in specific areas. Understanding the relative importance of each category for your sector can enable you to strategise and prioritise focus areas in your CDP response.

Understand the essential criteria

There are essential criteria that organisations must meet to achieve A-List status. For example, in 2024, organisations must have had a 1.5ºC aligned public transition plan to achieve an A score. Understanding this criterion allows organisations to grasp what is required from them to achieve an A score, and what leading ambitious climate strategies entail.

Understand your opportunities

CDP is not just a tick-box exercise, it helps you to understand where sustainability reporting is heading and enables you to compare your performance against the industry benchmark. In addition, it highlights where you can enhance your sustainability performance and align sustainability goals with your business model.

Utilise CDP as a strategic tool

As mentioned earlier in the guide, CDP is more than just a tick-box exercise. The questionnaire demonstrates to businesses what ambitious and leading sustainability action is and signposts emerging sustainability expectations and incoming regulations. Businesses should utilise CDP as a strategic tool to stay on top of these evolving regulations and establish sustainability as a core part of their business strategy. This better prepares companies for emerging regulatory challenges and provides useful insights into the opportunities that are available to organisations to improve their sustainability performance.

QUICK WINS

- **Stay informed of CDP's changes year-on-year:** Companies need to understand how changes may impact their reporting process, i.e. the resources and data required, or the stakeholders involved.
- **Start as early as possible:** CDP is not a quick process. Allocate enough time to identify which stakeholders within your business need to be involved and the data required. Developing an action plan and setting timelines enables you to keep on top of your CDP response, whilst starting early allows you to comprehensively review your responses and identify areas where you can enhance your score before the deadline.
- **Read the methodology carefully:** CDP provides detailed guidance for each question, outlining the requirements for each scoring level. Make sure you read this carefully to avoid losing easy points.
- **Answer all questions:** Even if your company does not have the response CDP is looking for, you can still be awarded disclosure points for answering each question.
- **Don't be afraid to say no:** Companies often believe that responding yes to CDP questions (for example on certain assessment procedures) is the best approach and will award them the most points. However, this often opens new question pathways which require detailed responses that many companies cannot yet provide, falling short of the scoring criteria and causing more damage to their overall score. Companies shouldn't be afraid to say no and to state why a topic or issue is not a priority or is immaterial to them.
- **Proofread your responses before submitting them.**

HOW ACCLARO CAN HELP YOU

As a CDP Silver Accredited Solutions Provider, Acclaro Advisory is well versed in supporting companies in navigating the complexities of CDP reporting.

ACCLARO ADVISORY

With two former CDP staff on our team, bringing a combined 7 years of hands-on experience across both the Reporting Services and Technical teams, we offer unparalleled insights into CDP's processes and expectations.

Accredited Provider CDP 2025

We offer 4 levels of CDP service, from a readiness check, right through to integrating sustainability into your business strategy. Find out more about what we offer below.

More on CDP services

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