Climate change in FTSE 350 annual reports

A snapshot of trends in the 2020-21 reporting season

Contents

ESG reporting under the spotlight

Increased scrutiny of ESG and climate change reporting

Environmental, social and governance (ESG) issues – and especially climate change – have moved into the mainstream, with rising scrutiny from investors, regulators, and wider society demanding consideration, meaningful action and transparent reporting from companies.

Politicians, regulators and investors are becoming increasingly vocal. The Financial Reporting Council (FRC) released its thematic review on climate change in November 2020 highlighting that 'all parties' need to do more.

Investors, such as BlackRock, M&G and Schroders, are becoming more vocal in their demands on companies and in their calls for greater transparency.

Recent reporting requirements

A range of new reporting requirements in this area have been introduced into UK annual reports in recent years. These include Streamlined Energy and Carbon Reporting (SECR) and section 172 of the Companies Act, under which directors have a duty to act with regard to the company's impact on the environment, as well as the Non-Financial Information Statement.

Adding to this is the new FCA requirement for premium listed companies to report on a 'comply-or-explain' basis against the Taskforce for Climate-related Financial Disclosures (TCFD) framework for periods beginning on, or after, 1 January 2021.

Alongside these, there has been a rise in sustainability reporting under a number of influential frameworks including the GRI and SASB.

The challenge for UK companies

This creates some particular challenges for UK companies working towards integrating relevant ESG matters into their core commercial strategy.

Most are still in the relatively early stages, generating questions and criticism from regulators, shareholders and other stakeholders around whether the right information is being included, in the right way. The introduction of the TCFD into the UK reporting framework through the Listing Rules has added further complexity.

Emerging trends and recommendations

Through our ongoing review of FTSE 350 annual reports in the 2020-21 reporting season we have explored how these trends are playing out. In this snapshot, based on a review of the first 112 FTSE 350 annual reports, we have identified a series of emerging trends and consistent challenges, made a number of recommendations for improved disclosures, and used examples to highlight principles of good reporting.

Perhaps most importantly, we end by focusing on the potential impacts of these 'non-financial' issues, and climate change in particular, on the financial statements and notes.

Mark O'Sullivan
Head of Corporate Reporting

Headline findings

A substantial proportion of strategic reports are taken up with ESG matters – an average of

16%

of pages of strategic reports

Almost three quarters

72%

of companies reported against aspects of the TCFD framework, or indicated they would do so in the future

A similar number

71%

made some sort of carbon reduction commitment

Yet only

24%

of reports explicitly integrate ESG matters into their corporate strategy

Based on a review of 112 FTSE 350 annual reports with years ending between 1 April 2020 and 31 December 2020

Three key challenges for climate change reporting

1 Strategic relevance

- Use strategic relevance as the guiding principle for what needs to be reported and in what level of detail.
- Make sure that the relevance of the ESG/sustainability strategy and/or the issues that are identified as being material to stakeholders is made clear in the core strategic disclosures.

2 Behind the commitments

- Clearly explain what is included in your commitments and what terms mean, such as Net Zero.
- Set out the roadmap to achieving commitments and accompanying milestones.
- Be clear on the future implications for the business model as progress is made along the roadmap.

3 Financial impact of climate change

- Climate change has both short and long term implications, which can both be relevant to accounting today.
- Ensure consistency between the assumptions underlying the scenarios/commitments and those that underpin the financial statements and notes.

Strategic relevance

It's difficult to be clear, concise and strategic

- On average 16% of strategic reports are dedicated to ESG matters.
- Disclosures on environmental matters, emissions and climate change can appear throughout the report leading to repetition and potential inconsistencies given the different scope of requirements.
- Where companies report on the outcome of a materiality assessment it is often unclear how this translates into an ESG priority or strategic response.
- Only 24% of the 112 reports we reviewed explicitly included ESG-related matters as a strategic priority.

Recommendations:

- Use strategic relevance as the guiding principle for what needs to be reported and in what level of detail.
- Make sure that the relevance of the ESG/ sustainability strategy and/or the issues that are identified as being material to stakeholders is made clear in the core strategic disclosures.
- Avoid repetition and ensure clear, concise and consistent messaging by making time to read across the disclosures and aiming to report once, report well and make use of cross-referencing.

Address all the requirements

- The regulatory framework for non-financial information is complex – both in what needs to be reported and by who.
- It is not clear whether 22% of companies in our survey complied fully with the SECR requirements – and we often see companies not being clear about how s172 duties have been fulfilled in respect of environmental impact.

Recommendations:

- Have an overall map or plan for how the various requirements will be addressed.
- Use cross-referencing where appropriate, ensuring it is clear and specific.
- Remember that some requirements are not subject to a strategic materiality filter, including SECR and stakeholder engagement reporting.

Strategic relevance

TCFD adds an extra layer of complexity

- 41% of companies voluntarily reported against aspects of the TCFD framework.
- The majority of companies use the four pillars, and/or the 11 disclosure recommendations, to structure their TCFD reporting with a number signposting to other sources for more information.
- Although climate change is intrinsically relevant to many other disclosures in the annual report, the TCFD disclosures were often presented as a separate section of the strategic report.
- Most disclosures are relatively brief, and include little or no scenario analysis despite this being a key element of the TCFD framework in many cases.
- 31% of companies signposted they would be reporting against the framework in the future.
- On the current evidence there is a long way for many issuers to go before the new Listing Rules reporting starts to apply in the 2021 reporting season.

Recommendations:

- Again, use strategic relevance as the guiding principle for what needs to be reported and in what level of detail.
- The TCFD stipulates that the information relevant to the framework should be in the mainstream financial report, but also advocates that it should be integrated. In the listing rules, the FCA allows TCFD-related information to be disclosed outside the annual report – so consider this for elements that are not strategically material. But remember that strategically material information must be included in the strategic report.
- The TCFD have been clear that it will take time for companies to implement fully their framework. Be open and transparent in your reporting that you are on a journey and set out future plans.

Timeframes need to be clearer – and longer

- The time frames used in the narratives around climate change are often longer than those used elsewhere in annual reports, for example the viability statement.
- There is often little transparency on the timeframes considered for other key disclosures around strategy, risk and performance.

Recommendations:

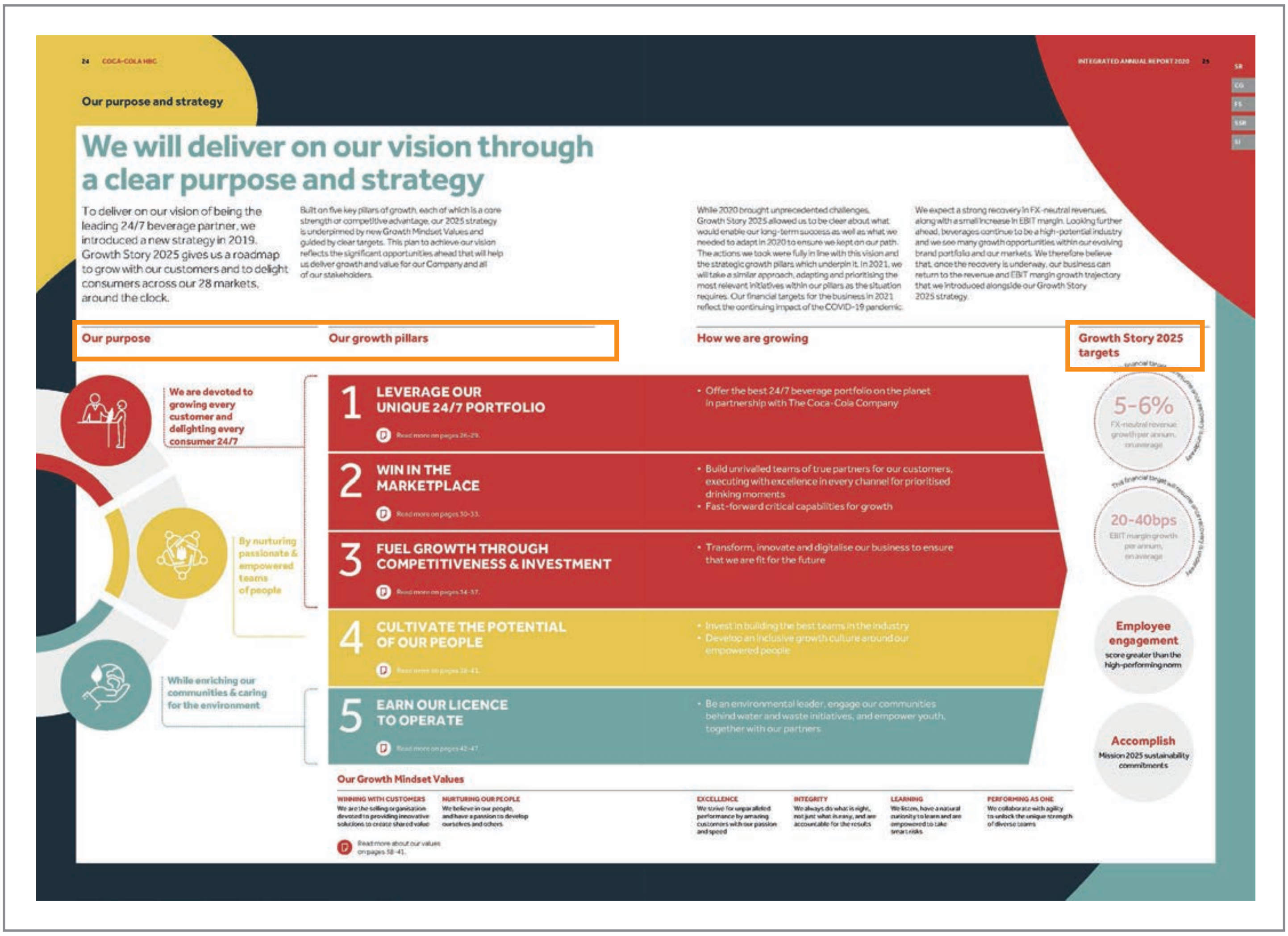
- Be clear on the timeframe applied to the core commercial strategy.
- Avoid obvious disconnects between the timeframes used in various parts of the annual report, including particularly the disclosure of core commercial and ESG/sustainability strategy, and the viability statement.
- Demonstrate the relationship between the various timeframes used in the annual report and how they interact.

Reporting example

ESG at the heart of purpose, strategy and performance: Coca-Cola HBC AG, Annual Report 2020, pages 28-29

This demonstrates a clear link between the company's purpose, strategic 'growth pillars' and 2025 strategic targets and sustainability commitments.

It goes on to identify the group's material issues, focus in on climate change risks (physical and transitional) and report on wider impacts and progress against commitments.

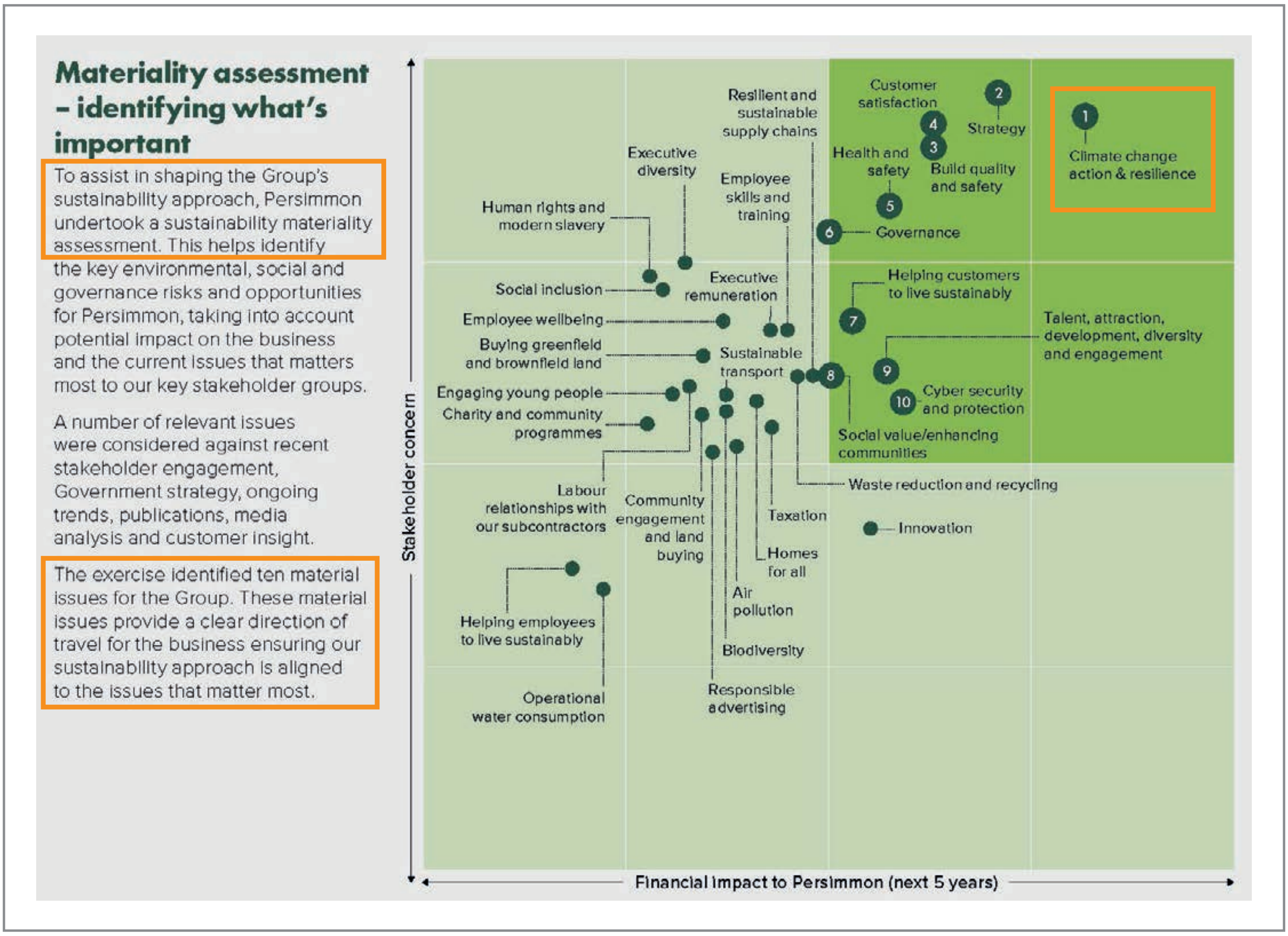


Reporting example

Materiality Assessment and alignment to Strategy: Persimmon Plc, Annual Report 2020, page 17

This presents the outcome of the group's materiality assessment which identifies climate change as the key concern from all stakeholders.

It provides a clear link between the assessment, the company's response and the core commercial strategy.



Behind the commitments

A complex landscape

- There is a growing number of ESG-related initiatives, standards, and frameworks often with a variety of acronyms, similar names and subtly different definitions and interpretations.
- Companies often refer to a number of these initiatives or frameworks within their annual report or even within the same section.

Being clear about the commitments that have been made – and plans and progress

- Global initiatives, including the Paris Climate Agreement, have set challenging and far-reaching climate targets.
- Governments around the world, including in the UK, have set ambitions to become Net Zero economies.
- As a result, 71% of companies have made some form of climate-related commitment in their Annual Report.
- A key message from the FRC thematic review on climate change (2020), was that key stakeholders find the disclosure of the pathway to achieving these commitments to be integral to their decision making.

However...

- It is not always easy for the reader to understand the relevance of the references to different frameworks, initiatives or how they interrelate
- Only 40% of companies with commitments provide detail on what they cover (such as whether scope 3 emissions are included), articulate how they will be implemented, or explain how progress will be monitored and achieved. As a result, it is not easy to determine either what the impact might be on the business model or the financial implications (for example, CapEx, sales and so on) – and whether management are on track to deliver on the commitment.

Recommendations:

Be specific and transparent

- While the momentum is towards streamlining this ‘alphabet soup’ it remains a complex landscape and it is important that companies are critical of the frameworks they choose, clear what they mean, what is behind the headings, and their implications.
- Explain what is included within the commitments, which scope of emissions are included, and ensure metrics included in greenhouse gas reporting align to these targets.
- Clearly explain what terms such as Net Zero mean, in the context of the company, ensuring that disclosures about such commitments are clear and understandable.

Set out the journey

- Distinguish between aspirational aims/ambitions and specific priorities and actions.
- Set out the roadmap to achieving commitments and accompanying milestones.
- Be clear on the future implications for the business model as progress is made along the roadmap.

Ensure consistency

- Align strategy to the commitments made and explain any material financial/non-financial implications of meeting these commitments over the short, medium and long term.
- Ensure that the costs associated with achieving commitments are included in underlying business forecasts.
- Consider whether the assumptions underlying the commitments are reflected in those that underpin the preparation of the Financial statements.

Reporting example

Net Zero commitment and roadmap:
Man Group plc, Annual Report 2020, Page 53

This provides a timeline for the company's Net Zero carbon target and includes detail on how it will be achieved.

In addition, includes a brief description of what types of emissions are included within each scope.

Carbon net zero commitment

Man Group is committed to net zero carbon emissions in our global workplaces by 2030. From 2020 we will continue to reduce our carbon footprint as much as possible and will offset any remaining emissions by supporting certified carbon removal projects. Reducing our carbon footprint is one of our non-financial KPIs and more information on this can be found on page 23. We acknowledge that carbon offsetting is only an interim measure and that it does not remove the need to reduce our own emissions in the first instance. To reach net zero we will reduce the carbon emissions under our operational control associated with:

Scope 1 – emissions
Scope 2 – market-based emissions
Scope 3 – business travel emissions

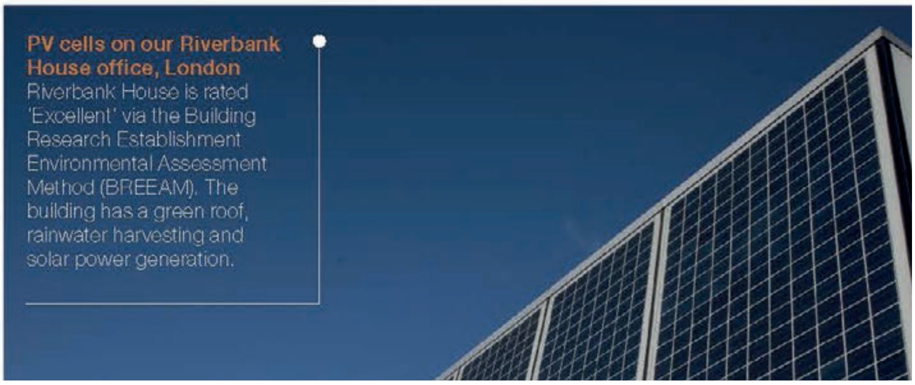
In 2020, we have offset 1,801 $MTCO_2e$ through reforestation projects in Chile and Uruguay.

Climate change risk management

Strategic and/or operational climate change risks to our business are managed in the same way as other business risks covered by our firmwide risk management systems. The firm's control environment is constructed to manage risks in accordance with the statements made by the Board that reflect their risk appetite to the organisation, covering risks as they apply to both the investment management functions and Man Group itself. In the event there is a breach of risk appetite, the risks will be resolved promptly in line with the firm's procedures and processes

Timeline to net zero carbon

	2020	2022	2024	2026	2028	2030
Scope 1	Reduce natural gas and fuel emissions by 30%		Set new science-based targets to 2030			
			Move to green gas supplies in jurisdictions where this is available			
			Upgrade equipment to ensure efficiency and reduce wastage			
Scope 2	Reduce global energy usage by 20% and reduce scope 2 market-based emissions by 50%		Set new science-based targets to 2030			
			Increase the adoption of 100% REGO supplies by 25%		Non-renewable energy to supply <10% of operations	Non-renewable energy to supply <5% of operations
			Upgrade equipment to ensure efficiency and reduce wastage			
Scope 3	Further deploy remote working tools to reduce the need for business travel					
	Adopt agile working strategies to reduce the need for commuting travel					
All scopes	Reduce emissions by prioritising carbon net zero strategies when refurbishing or relocating offices					
	Adopt agile working strategies to reduce our office carbon footprint					



Reporting example

Net Zero approach and pathway:
Glencore plc, Annual Report 2020, Page 17

This outlines a pathway towards Net Zero by 2050.

The pathway includes clear milestones/targets by scope of emissions with clear targets for 2035.

It reports progress against targets which align with the group's Non-financial KPIs that are consistently disclosed through the report.

OUR APPROACH

We understand the role the commodities we produce and market have in meeting the needs of daily lives. The diversity of our portfolio underpins our strategic ambition to play a leading role in enabling the decarbonisation of global energy usage through providing metals such as copper, cobalt, zinc and nickel that are essential to the transition to a low-carbon economy, and managing down our coal business by 40% or more from current levels by 2035.

We recognise the need for action. We have set ourselves a 1.5-degree Celsius (°C) pathway aligned target of an absolute 40% reduction of our total emissions (Scope 1, 2 and 3) by 2035 on 2019 levels, consistent with the midpoint of Intergovernmental Panel on Climate Change's (IPCC) 1.5°C scenarios and the 1.5°C pathways set out by the International Energy Agency (IEA). Post 2035, we set ourselves the ambition to achieve, with a supportive policy environment, net zero total emissions by 2050.

2020 PERFORMANCE

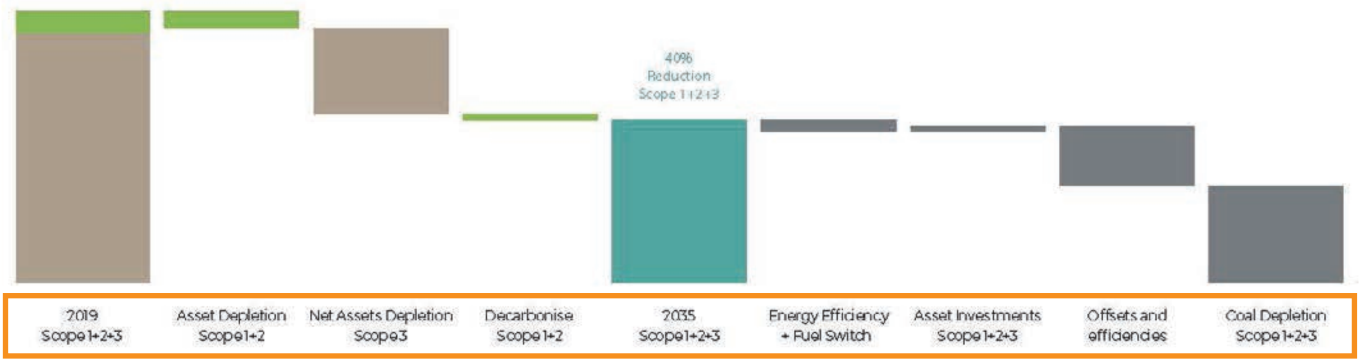
We have exceeded our 2020 target of reducing Scope 1 and 2 emissions intensity by 5% compared to the 2016 baseline, with a 13.2% reduction achieved.

We achieved the reduction of our carbon intensity through a range of measures, including operational abatement and production changes, as well as lower coal seam emissions due to the closure of a coal underground operation in Australia.

Going forward, we will report annually on progress against our new target of a 40% reduction on Scope 1, 2 and 3 emissions by 2035.

The chart below illustrates our pathway to achieve our medium-term target and long-term ambition.

Illustrative emissions pathway to net zero
(million tonnes CO_2)



Reporting example

Climate-related risks and opportunities: Schroders plc, Annual Report 2020, Page 44

Table outlines the physical and transitional climate-related risks and opportunities to the group and categories them as either short, medium or long term.

Summarises the financial impacts of each risk and/or opportunity.

Strategy

The decarbonisation of the global economy as we transition towards net zero poses a number of risks and opportunities to our business and those that we invest in. We consider these over the following time horizons:

0-5 years: Short term | 5-10 years: Medium term | 10 years +: Long term

Risk	Description	Timeframe	Impact
Market	Changing client behaviour impacting demand for our products	Medium term	Decreased revenue
Physical	The impact on physical operations of extreme weather events or changes in temperature	Long term	Increased capital expenditure
Regulatory and legal	Changes to current/emerging climate-related regulation that impact how companies operate	Long term	Decreased profitability
Reputation	Perception of not having responded appropriately to climate challenges	Medium term	Decreased revenue
Technology	The need to keep up with technological advancements to examine and manage climate risks and opportunities	Medium term	Impact on fund performance and revenue
Opportunity	**Description**	**Timeframe**	**Impact**
Products and services	Evolution of product range in response to opportunities	Medium term	Increased revenue
Market	Adapting investment proposition to reflect client preferences	Medium term	Better competitive position and increased revenue
Resilience	Providing products to manage the impacts of climate change	Short term	Increased revenues
Energy source	Use of new technology and lower emission sources to reduce our environmental impact	Medium term	Reduced indirect costs

Financial impact of climate change

Financial impact of climate change

Limited evidence of the financial impact of climate change

- The FRC thematic review on climate change encouraged greater consistency between the front and back half of annual reports and was clear that financial statement reporting lagged behind the narrative reporting.
- But only 16% of companies refer to climate change in their financial statements, and the detail and quality of these disclosures varies.
- In particular, while 71% of companies have made some form of climate-related commitment, only 4% of those have included reference to this commitment or the underlying assumptions in their financial statements.

Recommendations:

Consider the accounting implications of climate change today

- Explain what financial impact ESG-related activities have had in the year, for example how much have the carbon offsets cost in the year in order to help meet their carbon emission targets?
- Climate change has both short and long term implications, which can both be relevant to accounting today.
  - Under IAS 1 significant judgements or estimates that are relevant to the next 12 months must be disclosed, although the FRC has previously noted additional disclosures about longer term uncertainties, even where not required, may be useful for users of financial statements; and
  - IAS 36 is not bound by this 12 month timescale – so the potential impairment of assets is one of the key accounting issues to which climate change is relevant.

The TCFD increases expectations in this area

- The TCFD framework is specifically designed to help companies identify the financial effects of climate change and the work done on scenario analysis in particular may also need to be reflected in the financial statements.
- In practice it may be that different parts of an organisation are responsible for applying the TCFD framework (and for related matters such as CDP reporting) and for preparing the financial statements. Good planning and communication between the two will be important where this is the case.

Recommendations:

- Where scenario analysis is to be carried out (which should be when it is a proportionate response to the climate change risks identified), ensure that all relevant groups are involved and consider whether the results need to be reflected in the financial statements under accounting standards.
- Ensure consistency, where appropriate, between the assumptions underlying the scenarios/ commitments and those that underpin the Financial Statements and notes.

Reporting example

Climate change and financial statement impact: BHP Group Plc, Annual Report 2020, Page 197

This demonstrates climate change considerations in relation to judgements taken on PPE.

It outlines impacts related to climate change and the transition to a lower carbon economy including those considered in the assessment of indicators of impairment.

11 Property, plant and equipment continued

Key judgements and estimates

Judgements: Assessment of indicators of impairment or impairment reversal and the determination of CGUs for impairment purposes require significant management judgement.

Indicators of impairment may include changes in the Group's operating and economic assumptions, including those arising from changes in reserves or mine planning, updates to the Group's commodity supply, demand and price forecasts, or the possible additional impacts from emerging risks such as those related to climate change and the transition to a lower carbon economy and pandemics similar to COVID-19.

Climate change

Impacts related to climate change and the transition to a lower carbon economy may include:

- demand for the Group's commodities decreasing, due to policy, regulatory (including carbon pricing mechanisms), legal, technological, market or societal responses to climate change, resulting in a proportion of a CGU's reserves becoming incapable of extraction in an economically viable fashion;
- physical impacts related to acute risks resulting from increased severity of extreme weather events, and those related to chronic risks resulting from longer-term changes in climate patterns.

The Group continues to develop its assessment of the potential impacts of climate change and the transition to a lower carbon economy. Where sufficiently developed, the potential financial impacts on the Group of climate change and the transition to a lower carbon economy have been considered in the assessment of indicators of impairment, including:

- the Group's current assumptions relating to demand for commodities and carbon pricing and their impact on the Group's long term price forecasts;
- the Group's operational emissions reduction strategy. For example, transitioning to renewable power supply contracts at the Group's Escondida and Spence operations.

COVID-19

The macro economic disruptions relating to COVID-19 and mitigating actions enforced by health authorities create uncertainty in the Group's operating and economic assumptions, including commodity prices, demand and supply volumes, operating costs, and discount rates.

However, given the long-lived nature of the majority of the Group's assets, COVID-19 did not, in isolation, result in the identification of indicators of impairment for the Group's asset values at 30 June 2020.

Due to ongoing uncertainty as to the extent and duration of COVID-19 restrictions and the overall impact on economic activity, actual experience may materially differ from internal forecasts and may result in the reassessment of indicators of impairment for the Group's assets in future reporting periods.

Petroleum

Given the significant petroleum price volatility in CY2020 and the potential impact of climate change on long term petroleum prices, the Group considered a range of long term price assumptions, including oil prices at US$55 a barrel (Brent), when determining that no indicators of impairment existed at 30 June 2020.

Estimates: In determining the recoverable amount of assets, in the absence of quoted market prices, estimates are made regarding the present value of future post-tax cash flows. These estimates are made from the perspective of a market participant and include prices, future production volumes, operating costs, tax attributes and discount rates. All estimates require significant management judgements and assumptions and are subject to risk and uncertainty that may be beyond the control of the Group; hence, there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of assets at each reporting date.

Reporting example

Climate change and financial statement impact: Intertek Group Plc, Annual Report 2020, Pages 141, 153 & 154

Within the significant accounting policies note, the group outlines where climate change has been considered in preparing the financial statements, including expenses related to climate change, and concludes it was not material.

It explains that physical risks relating to climate change have been considered in the PPE impairment assessment and the outcome of this.

It also explains that the potential impact of climate change, including a 'severe impact of climate change transition risk', has been included within their forecasting, alongside a sensitivity test. Outcome of this is also included.

Note 1: Significant Accounting Policies

Consideration of climate change

In preparing the financial statements we have considered the impact of climate change, particularly in the context of the disclosures included in the Strategic Report this year. There has not been a material impact on the financial reporting judgements and estimates arising from our considerations, consistent with our assessment that climate change is not expected to have a meaningful impact on the viability of the Group in the medium term. Specifically, we note the following:

- The Group has bought carbon credits in the year to offset our measured Scope 1, 2 and 3 GHG emissions, making 2020 our first carbon neutral year. The cost of purchasing these credits was less than £1m.
- The Group continues to invest in on-site renewable energy generation at our locations. Spend in 2020 was not material.
- We have specifically considered the impact of climate change on the carrying value of fixed assets (see note 8) and in our goodwill impairment assessment (see note 9).

Note 8: Property, Plant and Equipment

We have specifically reviewed our portfolio of freehold properties (total 2020 net book value of £62.0m) to consider whether there are indications of material impairment arising from the potential physical risks arising from climate change. We have not impaired any assets this year as a result of this exercise.

Note 9: Goodwill Impairment Assessment

In preparing our forecasts, including the rate of revenue and profit growth, we have also considered the potential impact of climate change, and to reflect a severe impact of climate change transition risk through the modelling across all CGUs, we have modelled an additional sensitivity of discounted cash flows with a limited 25-year life, excluding any terminal value. In this scenario, which we also consider to be a low probability, there is no impairment.

Reporting example

Scenarios, assumptions and financial impact: Unilever plc, Annual Report 2020, Page 52

This models the potential financial impact of temperature rises on their business.

It outlines two scenarios and for each one it explains the underlying assumptions, potential impacts on the business, and the estimated impact on both revenue and expenditure.

Understanding financial impact: scenario analysis

Scenario analysis helps us to understand the potential impact of climate change on our business in 2030 to inform our strategy and financial planning. We used two types of scenario analysis:

1. Modelling the potential financial impact of average global temperature increases of 2°C and 4°C on our business in 2030.
2. Deep-dive analysis of the potential financial impact of climate change on three of our key agricultural commodities: soy, black tea and palm oil.

We plan to extend our scenario analysis to assess the impact of 1.5°C temperature increases to reflect the latest science and our commitment to limit global temperature increases, to well below 2°C and ideally no more than 1.5°C above pre-industrial levels.

1. Modelling the potential financial impact of 2°C and 4°C temperature increases on our business

We have made a high-level assessment of the impact of 2°C and 4°C temperature increases due to climate change by 2100. Carried out in 2017, the assessment focused on the material impacts on our business in the year 2030. The modelling assumed that our business activities are the same as they are today. The scenarios were based on existing internal and external data.

While we understand that policy risk and physical impact can happen simultaneously, we made the following simplifying assumptions:

- In the 2°C scenario, we assumed that in the period to 2030 society acts rapidly to limit greenhouse gas emissions and puts in place measures to restrain deforestation and discourage emissions (for example implementing carbon pricing at $75-$100 per tonne, taken from the International Energy Agency's 450 scenario). We have assumed that there will be no significant impact to our business from the physical ramifications of climate change by 2030 – i.e. from greater scarcity of water or increased impact of severe weather events. The scenario assesses the impact on our business from regulatory changes.
- In the 4°C scenario, we assumed climate policy is less ambitious and emissions remain high so the physical manifestations of climate change are increasingly apparent by 2030. Given this we have not included impacts from regulatory restrictions but focus on those resulting from the physical impacts.

- Zero net deforestation requirements are introduced and a shift to sustainable agriculture e.g. Climate Smart Agriculture, puts pressure on agricultural production, raising the price of certain raw materials.

The main impacts of the 4°C scenario are as follows:

- Chronic and acute water stress reduces agricultural productivity in some regions, raising prices of raw materials.
- Increased frequency of extreme weather (storms and floods) causes increased incidence of disruption to our manufacturing and distribution networks.
- Temperature increase and extreme weather events reduce economic activity, GDP growth and hence sales levels fall.

Our analysis shows that, without ac present financial risks to Unilever by to increased costs. However, while t which would need to be managed, materially change our business mo impacts of both scenarios are on ou of raw materials and packaging rise rapid shift to sustainable agricultur to chronic water stress and extreme The impacts on sales and our own n in the scenarios tested are relatively

Scenario: Potential impact of a 2°C temperature increase by 2100 (transition impacts)

Scenario drivers	Potential financial impact in 2030 if no actions to mitigate risks are taken
Increased costs due to carbon pricing.	Turnover: **Not material** Expenditure: Estimated increase of **€0.8bn**
Increased raw material costs from zero net deforestation policies and a shift to sustainable agriculture.	Turnover: **Not material** Expenditure: Estimated increase of **€0.9bn**

Scenario: Potential impact of a 4°C temperature increase by 2100 (physical impacts)

Scenario drivers	Potential financial impact in 2030 if no actions to mitigate risks are taken
Chronic and acute water stress reduces agricultural productivity in some regions, raising prices of raw materials.	Turnover: **Not material** Expenditure: Estimated increase of **€2.7bn**
Increased frequency of extreme weather (storms and floods) causes increased incidence of disruption to our manufacturing and distribution networks.	Turnover: Estimated reduction of **€0.4bn** Expenditure: **Not material**
Temperature increase and extreme weather events reduce economic activity, GDP growth and hence sales levels fall.	Turnover: Estimated reduction of **€2.1bn** Expenditure: **Not material**

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