

# Excellence in sustainability reporting

**A review of leading UK companies**  
November 2024



# About this report

This report contains the results of our analysis, expert guidance to improve your reporting and a selection of leading examples that we at PwC have identified following our review of annual reports, the Task Force on Climate Related Financial Disclosures (TCFD) reports, sustainability reports and associated websites of the FTSE 350, selected inbounds and top track 100 private companies.

The report is structured as follows:

- An overview of good practice in sustainability reporting, with basic, intermediate and advanced tips for improving your reporting.
- A quantitative analysis of the performance of the companies scored as a part of this review.
- An in-depth exploration of company performance for each of the following categories, organised into key questions that reporting should address:
  - How do you report with clarity and openness?
  - How does sustainability fit with your organisation's purpose and strategy?
  - How do you identify and manage risks and opportunities?
  - How do you monitor and manage performance?
  - A focus on climate change (TCFD) reporting:

01 Are the Board and management's roles clearly defined for the management of climate change?

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02 Are risks and opportunities identified and does this assessment drive strategy?

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03 Is the approach to managing risks and opportunities well defined and implemented?

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04 Is strategy supported by clear and measurable metrics that link to risks and opportunities?

We have also included focus areas that spotlight some developing reporting areas that a handful of companies are beginning to develop. The Taskforce for Nature-related Financial Disclosures (TNFD) and the Transition Plan Taskforce (TPT) are both disclosure frameworks which are not yet mandatory in the UK but are expected to be mandated in the near-future. We have highlighted some cases where companies are beginning to consider these frameworks in their reporting.

If you would like more personalised advice on your own reporting, please get in touch with us – our contact details are on the back page. You can also find more examples of good practice by visiting our [website](#).

# Foreword from Alan McGill and Sam Preece



**Alan McGill**

Global Sustainability  
Reporting and  
Assurance Partner



**Sam Preece**

UK Sustainability Reporting  
& ESG Capital Markets  
Partner

2024 represents the 16th year in which we have conducted our sustainability reporting review and may come to be considered the last year of voluntary based reporting. While it's not quite true to consider this current reporting cycle to be fully voluntary, for FTSE 350 entities, Listing Rules and Companies Act already require mandatory reporting over a number of aspects of ESG reporting, including Task Force on Climate Related Financial Disclosures (TCFD) reporting, Streamlined Energy & Carbon Reporting (SECR) disclosures, certain diversity, equity and inclusion metrics to name but a few. But we stand on a launch pad (rather than a cliff edge) that will transform ESG reporting over the next few reporting cycles. The impact of the Corporate Sustainability Reporting Directive (CSRD) will not only drive the reporting requirements for those directly impacted in a significant way, but it will also create a new bar in the level and depth of what good, materiality-based, performance-driven and independently assured reporting will look like. Already we see those that lead build their reporting towards this. Whether this is through presenting a Double Materiality Assessment or similar, reporting leaders are embracing change and seeking innovative solutions to the challenges this presents. Both of us are excited to see what this future will bring and how we can help facilitate it. With this in mind we highlight some of the key themes that we have seen this year:

## **Double Materiality Assessment (DMA): from talking the talk to walking the walk**

We have seen a number of examples this year of organisations mentioning the concept of Double Materiality or the fact that they have begun to apply it, or that they have a plan in place to conduct one shortly, but there are only a few examples where the process and output have been well described in this year's reporting. We will expect to see much more of this over the next reporting cycle. Furthermore it will be interesting to see how this impacts on any changes in companies' performance reporting.

## **Natural Capital: an emerging area of focus**

With the release of the TNFD (Taskforce on Nature-related Financial Disclosures) in September 2023, it was perhaps understandable that the pick up and application of TNFD in this years' reports were relatively light, but we expect this to expand over the next few years. We commend those that have taken this on. It's interesting to note that the ISSB recently announced that their future priorities will include disclosures over risks and opportunities associated with biodiversity, ecosystems and ecosystem services (as well as human capital) so we should expect to see further development in this area over the medium term.

## **Interoperability: the challenge of harmonisation**

Earlier this year the European Commission's EFRAG (The European Financial Reporting Advisory Group - who produce the European Sustainability Reporting Standards (ESRS)) produced guidance over how reporting under the International Sustainability Standards Board (ISSB)'s IFRS S1 and S2 standards align.

While this publication is most welcome, and it makes clear that in a number of areas there is a high level of alignment, including among defined terms and in particular with reference to climate-related disclosure requirements, it is important to note that 'the devil is in the detail'. For example, EFRAG and ISSB are aligned on their definition of financial materiality, but they are not when it comes to 'impact materiality'.

Great care will be needed as preparers navigate how to report under dual standards in the near future.

The EFRAG interoperability guidance can be found [here](#).

## **Net Zero Transition Plans: the gold standard**

The UK's Transition Plan Task-force's (TPT) [Disclosure Framework](#) was launched just over a year ago, providing recommendations on developing and disclosing gold-standard Net Zero transition plans and [implementation guidance](#) is now available too setting out where, when and how to disclose transition plans.

We have seen some of the leading reporters disclose transition plans aligned to the Framework and expect this to substantially increase over the next few reporting cycles.

The TPT's disclosure framework compliments and builds upon the four pillars and eleven recommendations from the Task force on Climate-related Financial Disclosures (TCFD).

Further details and examples can be found in section 3 of this report.

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# Overview of analysis

Key themes noted throughout our review of companies' reporting:



## Sustainability

- The assessment criteria for the broader sustainability portion of the review continues to evolve as the regulatory and reporting landscape changes. The result of this evolution is that the number of companies scoring full marks in many areas of the analysis has fallen since last year. This is a reflection of the increased scrutiny we are applying through the development of our criteria. In addition, this year we have reviewed a slightly broader population of companies including a number of less mature reporters, this also impacts average scores.
- Examples of where the criteria were enhanced this year include:
  - Further recognition of early-adoption of frameworks and/or reporting standards such as CSRD and Double Materiality including EU Taxonomy, TNFD, TPT and ISSB.
  - Increased scrutiny of the integration of sustainability purpose and strategy into the core business strategy.
  - Further criteria to recognise companies that integrated/clearly linked the results of materiality assessments and stakeholder engagement to the material issues and their performance assessment throughout their reporting
- A significant area of development in reporting was the incorporation of double materiality into materiality assessments, with 58% of companies mentioning double materiality in their disclosures and 25% considering double materiality in their materiality assessment.
- Opportunities continues to be a weaker area of reporting, with 64% of companies recognising ESG opportunities compared to 77% recognising ESG risks. Analysis of the relevance of opportunities was also weaker than for risks.



## Climate change (TCFD)

- This year we have seen marginal improvements in reporting across the four TCFD pillars in comparison to previous years. This is a reflection of continual improvement in reporting, a consistent trend that we've seen over the past three years.
- We have seen improvements in the reporting of organisations' climate governance structures with 79% now reporting on this up from 67% last year. The link between executive remuneration and climate-related objectives is still a weaker area of reporting with only 47% disclosing this (compared to 50% in 2023).
- Reporting against the strategy pillar has improved, particularly with a greater disclosure of the financial impacts of physical and transition risk, 54% and 43% respectively, compared to 39% and 31% last year. With the new Transition Plan Taskforce Guidance, more companies are disclosing detailed standalone transition plans that clearly set out how they will meet their targets.
- Climate-related risk in relation to organisations' overall risk management processes continues to be a weaker area of reporting with only 30% of companies explaining how this is integrated, consistent with 30% disclosing this last year.
- We have seen a sustained improvement in the disclosure of science-based targets, with disclosure increasing from 48% to 60% of companies, and the reporting of performance against these, increasing from 31% to 50% of companies disclosing.

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# 01

## Sustainability throughout reporting



# An overview of good practice sustainability reporting

		What?	Why?	Basic reporting tips	Intermediate reporting tips	Advanced reporting tips	
Governance	Assurance and Reporting	Enhance the credibility of your reported content by obtaining third party assurance.	This gives the reader confidence in the data and confidence in the integrity of your sustainability reporting. It also gives management and shareholders confidence in the company's performance over reporting the period. Further, it provides confidence in the integrity of your journey towards your sustainability and other targets.	Obtain external assurance over Scope 1 and 2.	Obtain external assurance against an audit standard, such as ISAE 3000 and/or ISAE 3410, over Scope 1 and 2, as well as wider ESG metrics.	Obtain external assurance against an audit standard over Scope 1, 2 and 3, and wider ESG metrics. Include the assurance opinion, which should clearly state the scope of the work, the standard followed and the work completed, in the report. Make reference to upcoming regulation and how this will impact future reporting.	
	Strategy	Purpose	Communicate a clear and succinct purpose that explains your organisation's raison d'être beyond creating a financial return for shareholders.	This will demonstrate to the reader why your business exists and what you seek to achieve, creating a shared ambition that is core to your business and clear to all stakeholders.	Define a clear purpose which should be a succinct statement.	Ensure your purpose is well-aligned to your core business activities.	Reference to your purpose should be consistent across all company communications. The purpose should form the foundation to your core business strategy and activities. Reporting should begin with your purpose and develop from this starting point.
		Strategy	Describe how your sustainability strategy is integrated into your core corporate strategy and demonstrate how it permeates throughout your business.	This will prove to the reader that sustainability is not just an 'add-on' for your organisation but is considered in every activity. Sustainability strategy is inter-linked with business strategy. Having a short, medium and long term timeframes with sustainability strategy in line with these will help you track your progress towards key sustainability goals in the future.	Demonstrate how your sustainability strategy is integrated into your core business strategy and activities and aligned with core objectives.	Clearly outline the sustainability strategy over the short, medium and long-term.	Report on structures and actions which allow your sustainability strategy to permeate throughout the organisation. Align strategy to SDGs and internationally recognised targets such as Net Zero.

# An overview of good practice sustainability reporting (continued)

		What?	Why?	Basic reporting tips	Intermediate reporting tips	Advanced reporting tips
Strategy (cont'd)	Materiality	Demonstrate that you have an understanding of the sustainability issues that are most relevant to you and your key stakeholders.	This will prove to the reader that you are focusing on the most important sustainability issues where your efforts will have the greatest impact. Further, this will demonstrate that you are focusing on issues that are material from both a company and stakeholder perspective.	Report which issues you have identified as material and why.	Report on the process that was undertaken to determine material issues and which key stakeholders were involved.	Focus reporting on your material issues, linking them to your strategy and KPIs. Where relevant, align issues to the SDGs. Offer visualisation of your issues e.g. in a matrix. Further, disclosing a formalised annual review process. Consideration of double materiality in materiality assessment performed. Disclosure of review of materiality process on a timely basis.
	Stakeholder engagement	Explain how you engage with all principal stakeholders and how this has impacted your sustainability strategy.	This shows the reader that you have considered a wide range of views and therefore made informed decisions about prioritising and acting on your sustainability issues.	Identify the key internal and external stakeholders to your organisation and describe how they have been engaged.	Describe the issues identified as important by stakeholders and how these have been addressed and will be addressed going forward.	Show linkage between stakeholder consultations and your materiality, strategy and risk and opportunities planning processes. Consider alternative media for sustainability comms.
Risk Management	Risks and opportunities	Explain the key strategic risks and opportunities for your organisation that arise from sustainability issues.	This gives the reader confidence that you have considered the impacts that external sustainability factors might have on the success of your business and that you are acting on these.	List out the risks and opportunities relating to sustainability that the organisation is managing.  Consider broader topics than just climate change risks/opportunities. Describe the action plan in place to address these risks and opportunities.	Disclose the relevance and financial implications of risks and opportunities. As per the TCFD recommendations, identify the risks and opportunities facing your business due to climate change.	Describe the action plan in place to address these risks and opportunities.



# An overview of good practice sustainability reporting (continued)

		What?	Why?	Basic reporting tips	Intermediate reporting tips	Advanced reporting tips
Metrics and targets	KPIs and targets	Identify KPIs that are directly relevant to your sustainability strategy and set challenging but realistic targets that you can assess your performance against. Expand disclosures through discussions and quantification of the social, environmental and economic impacts of your business.	Clear presentation of progress towards targets will demonstrate to the reader that you are holding yourself accountable to the goals you have set for your organisation. Discussion of the impacts demonstrates a thorough understanding of your wider impacts on society and the environment.	Disclose sustainability KPIs most relevant to your business, including historic performance data. discuss which areas of the environment and society you impact through your operations and supply chains.	Set specific and quantifiable short – and medium-term targets for all KPIs. Description of progress towards targets and explanation of future actions regarding targets. SBTi verification of Net Zero targets. Quantifying your impact on society and the environment.	Disclose financial implications behind KPIs. Where relevant, align your sustainability KPIs and targets to the SDGs. Clear alignment of KPIs to material issues identified, displaying relevance of KPI reporting to stakeholders.

# 1.1

How do you  
report with clarity  
and openness?



# Governance

## Assurance and reporting

**Enhance the credibility of your reported content by obtaining external third party assurance.**

This gives the reader confidence in the data and confidence in the integrity of your sustainability reporting. It also gives management and shareholders confidence in the company's performance over reporting the period. Further, it provides confidence in the integrity of your journey towards your sustainability and other targets.

Tips to make your reporting more effective:

### 01 Basic

Obtain external assurance over Scope 1 and 2.

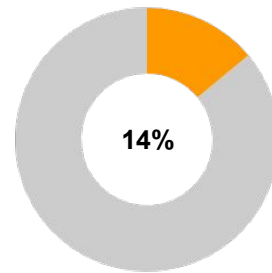
### 02 Intermediate

Obtain external assurance against an audit standard, such as ISAE 3000 and/or ISAE 3410, over Scope 1 and 2, as well as wider ESG metrics..

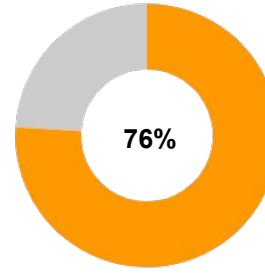
### 03 Advanced

Obtain external assurance against an audit standard over Scope 1, 2 and 3, and wider ESG metrics. Include the assurance opinion, which should clearly state the scope of the work, the standard followed and the work completed, in the report. Make reference to upcoming regulation and how this will impact future reporting.

**The percentage of companies we reviewed that scored full marks were:**



Reference new environmental regulations/standards. **(28% in 2023)**



Have reports externally assured against audit standards. **(74% in 2023)**



Natwest is one of the few reporters obtaining reasonable assurance over sustainability metrics. They are noted as best practice in this area, with their reasonable assurance covering Scope 1 and Scope 2 emissions.

Burberry has been included here as a demonstration of references to upcoming regulation. Whilst brief, Burberry have clearly disclosed their intentions with regards to CSRD and when disclosures will be made.

Whilst the number of companies receiving full marks in the reference to new regulations/standards has dropped, we did see more companies making these references. However, our criteria has been developed to give further recognition to those who are fully reporting against new frameworks/standards, and that has caused a overall drop in scores for this section.

**Natwest Annual Report 2023. pg. 68**

*Click the link above or the screenshot below and navigate to the page number to see the full example*

#### **Assurance Approach**

NatWest Group plc appointed Ernst & Young LLP (EY) to provide independent assurance over certain sustainability metrics and elements of the UN Principles for Responsible Banking (UN PRB) Template. These sustainability metrics are marked with an asterisk (\*) within this report and the UN PRB Template is presented within the ESG Frameworks Appendix. The assurance engagement was planned and performed in accordance with the International Standard on Assurance Engagements (UK) 3000 (July 2020) Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE (UK)3000 (July 2020)").

An assurance report was issued and is available at [natwestgroup.com](https://natwestgroup.com). This report includes further details on the scope, respective responsibilities, work performed, limitations and conclusion.

**Burberry Annual Report 2023/24. pg. 35**

*Click on the link above or the icon below and navigate to the page number to see the full example*





# 1.2

How does sustainability fit with your organisation's purpose and strategy?





# Purpose

Communicate a clear and succinct purpose that explains your organisation’s raison d’être beyond creating a financial return for shareholders.

This will demonstrate to the reader why your business exists and what you seek to achieve, creating a shared ambition that is core to your business and clear to all stakeholders.

Tips to make your reporting more effective:

## 01 Basic

Define a clear purpose which should be a succinct statement.

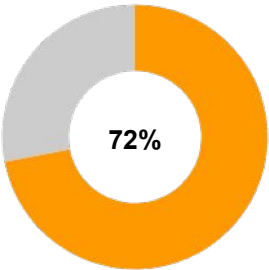
## 02 Intermediate

Ensure your purpose is well-aligned to your core business activities.

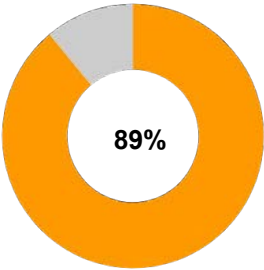
## 03 Advanced

Reference to your purpose should be consistent across all company communications. The purpose should form the foundation to your core business strategy and activities. Reporting should begin with your purpose and develop from this starting point.

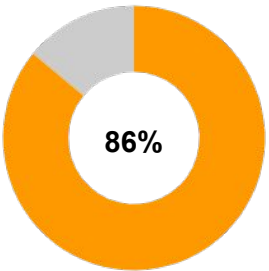
The percentage of companies we reviewed that scored full marks were:



Describe the company’s purpose beyond making money for shareholders. (82% in 2023)



Describe the company’s key business activities and how they link to sustainability (96% in 2023)



The company’s purpose is well-aligned to its core business activities. (95% in 2023)



[Whitbread annual report 2023/24, pg. 2](#)

Click on the link above or the icon below and navigate to the page number to see the full example



Purpose statements should be disclosed prominently up front in reporting. The best examples clearly signposted purpose and the link between the business’ purpose and their sustainability goals were clear. Whitbread is a good example of this, clearly linking their business activities to their impact on the environment and people.

# Strategy

**Describe how your sustainability strategy is integrated into your core corporate strategy and demonstrate how it permeates throughout your business.**

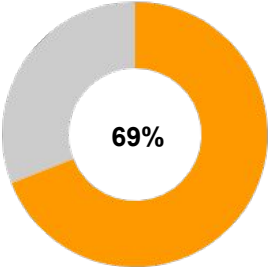
This will prove to the reader that sustainability is not just an ‘add-on’ for your organisation but is considered in every activity. Sustainability strategy is inter-linked with business strategy. Having a short, medium and long term timeframes with sustainability strategy in line with these will help you track your progress towards key sustainability goals in the future.

Tips to make your reporting more effective:

## 01 Basic

Demonstrate how your sustainability strategy is integrated into your core business strategy and activities and aligned with core objectives.

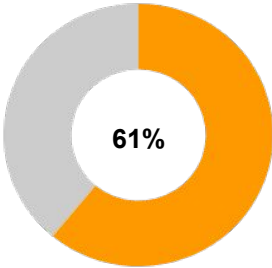
**The percentage of companies we reviewed that scored full marks were:**



## 02 Intermediate

Clearly outline the sustainability strategy over the short, medium and long-term.

Sustainability features as a key pillar of the core corporate strategy. **(72% in 2023)**



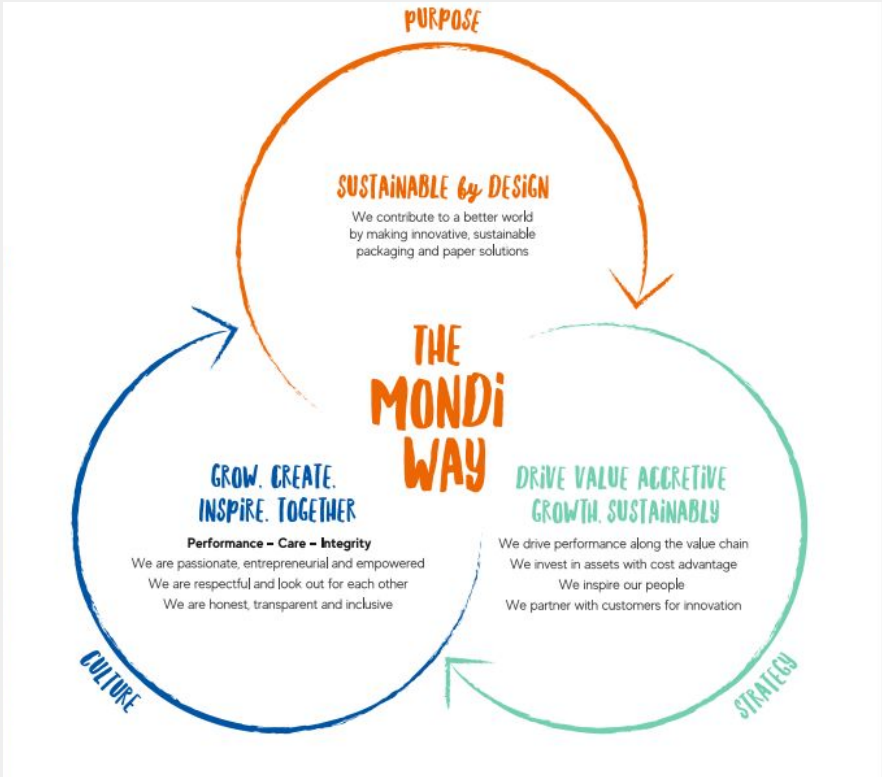
## 03 Advanced

Report on structures and actions which allow your sustainability strategy to permeate throughout the organisation. Align strategy to SDGs and internationally recognised targets such as Net Zero.

Include a broader set of impacts other than climate change in the strategy. **(54% in 2023)**

**Mondi Annual Report 2023, pg. 4**

*Click the link above or the screenshot below and navigate to the page number to see the full example*



The best scores on strategy were scored when companies have incorporated sustainability into their core business strategy, rather than a separate ESG strategy. Mondi's business strategy weaved sustainability throughout and is developed further later in the report against their Net Zero target.

# Materiality

**Demonstrate that you have an understanding of the sustainability issues that are most relevant to you and your key stakeholders.**

This will prove to the reader that you are focusing on the most important sustainability issues where your efforts will have the greatest impact. Further, this will demonstrate that you are focusing on issues that are material from both a company and stakeholder perspective.

Tips to make your reporting more effective:

## 01 Basic

Report which issues you have identified as material and why.

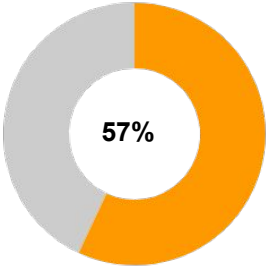
## 02 Intermediate

Report on the process that was undertaken to determine material issues and which key stakeholders were involved.

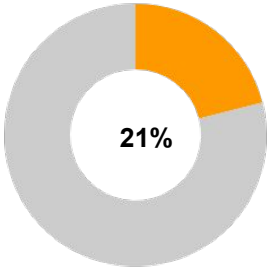
## 03 Advanced

Focus reporting on your material issues, linking them to your strategy and KPIs. Where relevant, align issues to the SDGs. Offer visualisation of your issues e.g. in a matrix. Further, disclosing a formalised annual review process. Consideration of double materiality in materiality assessment performed. Disclosure of review of materiality process on a timely basis.

**The percentage of companies we reviewed that scored full marks were:**



Explain the process it undertakes to identify its material sustainability issues. **(65% in 2023)**



Discloses that the materiality process is reviewed on a timely basis. **(19% in 2023)**

### Bunzl Annual Report 2023, pg. 45

*Click the link above or the screenshot below and navigate to the page number to see the full example*

Double materiality methodology				
Our approach consisted of four stages:				
Assessment stage	1. Defining the boundaries and business context	2. Identification of potentially material topics, impacts, risks and opportunities	3. Engagement with relevant stakeholders	4. Determining materiality using a defined scoring methodology and thresholds
Activities completed	<ul style="list-style-type: none"><li>Consideration of the actual and potential ESG impacts present across the entire value chain.</li><li>Both positive and negative impacts identified with consideration given to impacted stakeholders at each stage (even though Bunzl's role is limited to connecting one with another).</li><li>Assessment has been designed in a disaggregated way to consider the impacts that might relate to individual geographies and market sectors.</li></ul>	<ul style="list-style-type: none"><li>ESRS list of sustainability topics, sub-topics and sub-sub-topics used as a starting point for our assessment.</li><li>This list was supplemented with information from our previous materiality work, SASB standards, legal requirements, peer benchmarking and feedback from key stakeholders.</li><li>Final list of potentially material impacts developed and peer reviewed prior to engagement with stakeholders.</li></ul>	<ul style="list-style-type: none"><li>Gathered insights from suppliers, customers, investors and other key stakeholders across the Group.</li><li>Assigned relevant sustainability topics to each stakeholder group and tailored the questions to match those who were expected to be impacted by a sustainability issue or were in a position to provide unique insight on a particular topic.</li></ul>	<ul style="list-style-type: none"><li>Developed a quantitative approach and scoring criteria, aligned to Bunzl's risk assessment process, to determine whether an impact, risk or opportunity is material for Bunzl.</li><li>Impact materiality has been assessed based on two factors: severity and likelihood. Financial materiality has been assessed by reviewing potential magnitude of financial effects and likelihood.</li></ul>

### National Grid Annual Report 23/24, pg. 37

*Click on the link above or the icon below and navigate to the page number to see the full example*



Materiality assessments are evolving as concepts such as double materiality are being incorporated into companies reporting. Only a handful of companies are already reporting on their double materiality process in the UK. Bunzl has been used as an example here with detailed disclosures on the steps of their double materiality assessment.

National Grid is also shown. Whilst National Grid are not reporting double materiality, their assessment was noted as best practice due to the use of a matrix and the prioritisation of the top 6 material issues.



# Stakeholder engagement

Explain how you engage with all principal stakeholders and how this has impacted your sustainability strategy.

This shows the reader that you have considered a wide range of views and therefore made informed decisions about prioritising and acting on your sustainability issues.

Tips to make your reporting more effective:

## 01 Basic

Identify the key internal and external stakeholders to your organisation and describe how they have been engaged.

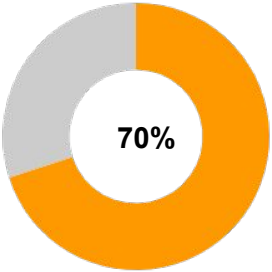
## 02 Intermediate

Describe the issues identified as important by stakeholders and how these have been addressed and will be addressed going forward.

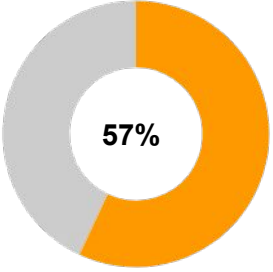
## 03 Advanced

Show linkage between stakeholder consultations and your materiality, strategy and risk and opportunities planning processes. Consider alternative media for sustainability comms.

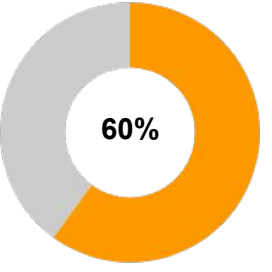
The percentage of companies we reviewed that scored full marks were:



Identify internal and external stakeholders (81% in 2023)



Describe key issues identified by specific stakeholders (70% in 2023)



Outline action taken in response to stakeholder concerns (58% in 2023)



[Tesco Annual Report 23/24, pg. 70 onwards](#)

Click on the link above or the icon below and navigate to the page number to see the full example



The best examples of stakeholder disclosures were those that linked stakeholder engagement with material issues and/or metrics. We saw more mapping of stakeholder identified issues to materiality assessments and subsequent disclosures. Tesco has been used here as they linked metrics to each stakeholder.



# 1.3

How do identify  
and manage  
risks and  
opportunities?



# Risks and opportunities

**Explain the key strategic risks and opportunities for your organisation that arise from sustainability issues.**

This gives the reader confidence that you have considered the impacts that external sustainability factors might have on the success of your business and that you are acting on these. Please note that the figures on this slide are referring to non-climate ESG risks (as climate risks are assessed in Section 2 on page 33). This is attempting to assess clients that have thought more broadly about ESG risks and opportunities.

Tips to make your reporting more effective:

## 01 Basic

List out the risks and opportunities relating to sustainability that the organisation is managing.  
Consider broader topics than just climate change risks/opportunities. Describe the action plan in place to address these risks and opportunities.

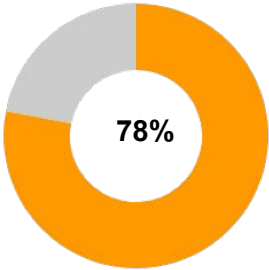
## 02 Intermediate

Disclose the relevance and financial implications of risks and opportunities. As per the TCFD recommendations, identify the risks and opportunities facing your business due to climate change.

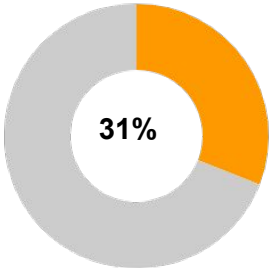
## 03 Advanced

Describe the action plan in place to address these risks and opportunities.

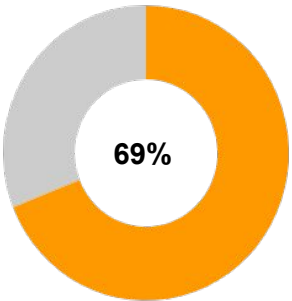
**The percentage of companies we reviewed that scored full marks were:**



Explicitly identify their ESG risks. (89% in 2023)



Explicitly identify their ESG opportunities. (37% in 2023)



Include ESG-related risks in the annual report alongside other major business risks. (70% in 2023)



**[DS Smith Annual Report 2022/23, pg. 44 onwards](#)**

*Click on the link above or the icon below and navigate to the page number to see the full example*



Companies are generally reporting ESG risks to a high degree of detail and level of assessment. Opportunities are often disclosed to a lesser degree and the highest scorers in this area had opportunities disclosures too, as DS Smith does here. DS Smith risk heat map was also noted as a strength in the disclosure.



# 1.4

How do you  
monitor and  
manage performance?



# KPIs and targets

Identify KPIs that are directly relevant to your sustainability strategy and set challenging but realistic targets that you can assess your performance against. Expand disclosures through discussions and quantification of the social, environmental and economic impacts of your business.

Clear presentation of progress towards targets will demonstrate to the reader that you are holding yourself accountable to the goals you have set for your organisation. Discussion of the impacts demonstrates a thorough understanding of your wider impacts on society and the environment. Tips to make your reporting more effective:

## 01 Basic

Disclose sustainability KPIs most relevant to your business, including historic performance data. Discuss which areas of the environment and society you impact through your operations and supply chains.

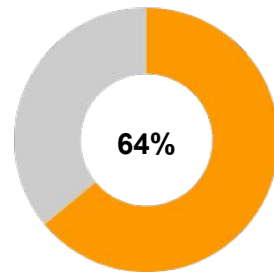
## 02 Intermediate

Set specific and quantifiable short – and medium-term targets for all KPIs. Description of progress towards targets and explanation of future actions regarding targets. SBTi verification of Net Zero targets. Quantifying your impact on society and the environment.

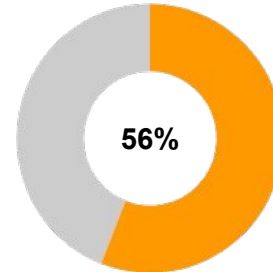
## 03 Advanced

Disclose financial implications behind KPIs. Where relevant, align your sustainability KPIs and targets to the SDGs. Your business participates in external benchmarking initiatives/standards. Further, going beyond Net Zero to be Climate Positive/Carbon Negative.

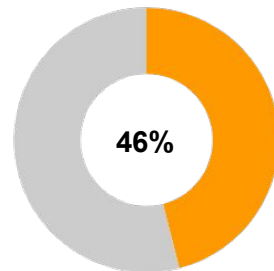
The percentage of companies we reviewed that scored full marks were:



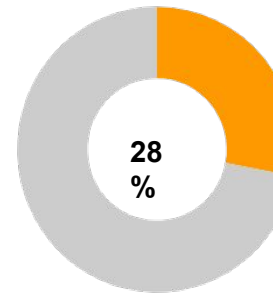
Disclose targets for each KPI. (70% in 2023)



Clearly linked KPIs to material issues. (70% in 2023)



Describe progress towards targets. (35% in 2023)



Specifically discloses its environmental and/or social impacts. (12% in 2022)

## Diageo Annual Report 22/23 pg. 34

Click the link above or the screenshot below and navigate to the page number to see the full example

Non-financial performance		
Positive drinking	Employee engagement (%)	Health and safety (LTA)
<div><div></div><div>Number of people educated on the dangers of underage drinking through a Diageo supported education programme</div><div>1,985,817</div><div>(2022: 407,374)</div><div>Total to date: 3.8m<sup>(1)</sup></div></div>	<div><div></div><div>84%</div><div>2023</div><div>2022</div><div>2021</div><div>2020</div><div>2019</div><div>84%</div><div>82%</div><div>89%</div><div>N/A<sup>(2)</sup></div><div>80%</div></div>	<div><div></div><div>0.91</div><div>2023</div><div>2022</div><div>2021</div><div>2020</div><div>2019</div><div>0.91</div><div>0.92</div><div>1.03</div><div>0.60</div><div>0.98</div></div>
<b>Definition</b> Number of people educated on the dangers of underage drinking through a Diageo supported education programme.	<b>Definition</b> Measured through our Your Voice survey, includes metrics for employee satisfaction, advocacy and pride. <sup>(3)</sup>	<b>Definition</b> Number of accidents per 1,000 full-time employees, directly supervised temporary staff and contractors resulting in time lost from work of one calendar day or more.
<b>Why we measure</b> We want to change the way the world drinks for the better by promoting moderation and addressing the harmful use of alcohol. We build credibility and trust by transparently reporting the total number of people educated on the dangers of underage drinking. This figure also demonstrates our commitment to engaging people on the dangers of harmful alcohol use.	<b>Why we measure</b> Employee engagement is a key enabler of our performance, as our people deliver our strategy. The survey allows us to measure the extent to which employees believe we are living our values and is a measure of our culture. Reflecting on the results of our employee engagement level and taking action where needed each year helps us build credibility and trust with our people.	<b>Why we measure</b> Health and safety is a basic human right; our Zero Harm philosophy is that everyone should go home safe and healthy, every day, everywhere. The LTA measure demonstrates our engagement with our people on safety and delivering on our Zero Harm philosophy and through reduced LTA builds credibility and trust.
<b>Performance</b> This year we implemented SMASHED Live in 10 new countries and SMASHED Online in 12 new countries. We educated 1,985,817 young people about the dangers of underage drinking.	<b>Performance</b> This year 90% of our people completed our Your Voice survey. 84% were identified as engaged. 91% declared themselves proud to work for Diageo. 84% would recommend Diageo as a great place to work and 77% were extremely satisfied with Diageo as a place to work.	<b>Performance</b> This year's rate of 0.91 is a marginal improvement on fiscal 22 performance. Whilst the numbers of lost-time accidents decreased, the severity rate relating to lost-time accidents increased due to a carry-over of days lost for accidents in 2022. Severity rate is a measure of the seriousness of the incident and consequent absence from work.
<a href="#">More detail on page 58</a>	<a href="#">More detail on page 63</a>	<a href="#">More detail on page 65</a>



Diageo is an example of a detailed KPI disclosure with KPIs against each area of the strategy clearly presented. What stood out about this disclosure is the amount of information presented alongside KPIs about why Diageo measure this and analysis of their performance since the previous year.

Disclosure of environmental and/or social impacts continues to be a weaker area of reporting, although we have seen improvement since last year with 28% of companies scoring full marks up from 12% in 2023. Whilst some metrics are attempting to quantify impacts on the environment/society, qualitative disclosures of impacts are often not extensive or detailed.



# 02

## Climate Change reporting in the TCFD statement



# Good practice climate reporting based on TCFD guidance

		What	Why	Basic reporting tips	Intermediate reporting tips	Advanced reporting tips
Governance	Board oversight on climate change	Document the governance structure regarding board-level responsibility for climate change. Where true, disclose that climate change is on the agenda at board meetings and examples are provided for how climate-related risks/opportunities have affected strategic decisions.	This enables the reader to understand how and by whom climate change is considered at board-level, and shows them how climate is taken into account when making strategic decisions.	Briefly mention board member climate-related competencies, and state that future training is required.  Mention board-level responsibility for climate change and state that it is included as an agenda item in board meetings.	Outline a more detailed training plan with a timeline and, if applicable, discuss previous training completed.  Provide detail on the individual/committee responsible for climate change at board level. Disclose the number and frequency of board meetings with climate change on the agenda, and exemplify how this has affected strategic decisions.	Provide a detailed narrative concerning all board members climate competencies and their wider skills/experience.  Provide detailed examples of how the assessment of climate-related risks/opportunities have affected strategic decisions at board level.
	Management oversight on climate change	Explain the responsibility for climate change at executive level and if applicable, disclose that executive remuneration is linked to climate-related objectives. Provide details on how the executive management team have been upskilled to undertake this role.	This enables the reader to understand how and by whom climate change is considered at an executive level and demonstrates to them how seriously the issue is being taken by linking climate-related objectives to executive remuneration. By providing context on their training it allows the reader to understand how the organisation has prepared them to make informed decisions.	Document how climate-related responsibilities have been assigned to executive-level committees or individuals.	Explain the associated organisational structure and how management reports to the board on these matters. Mention that executive remuneration is linked to climate-related objectives. Disclose the climate-related competency of the executive management team.	Provide detailed disclosure on how executive remuneration is linked to climate-related objectives e.g. carbon emissions targets, KPIs, time frames etc.

# Good practice climate reporting based on TCFD guidance (continued)

		What	Why	Basic reporting tips	Intermediate reporting tips	Advanced reporting tips
Strategy	Identification of material risks and opportunities	Identify and disclose physical and transitional risks and opportunities, and do so with an associated time horizon.	This provides detail on the specific impacts of climate change on your business and contextualises them in the short, medium and long-term.	Disclose the physical and transition risks and opportunities and associate them with different time horizons.	Provide a materiality assessment of the risks and opportunities identified and ensure that the associated time frames align with the long-term nature of climate change (i.e. short term, medium term and long term).	Detail the financial impact (i.e. in terms of cost) and align the time horizons considered with the Paris Agreement i.e. 2030 and 2050.
	Disclosure of impacts on and by the business	Through scenario analysis, identify the impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning and furthermore, disclose the impact of the organisation on the climate.	This makes it clear what the impacts of climate-related risks and opportunities could be across a range of hypothetical futures, and also to what extent the organisation itself is contributing to climate change.	Identify climate-related impacts and provide a brief discussion over the impact of the organisation on the climate.	Provide a detailed discussion on the impact of the organisation on the climate.	Link the climate-related impacts identified to financial performance indicators e.g. costs, revenue, liabilities, assets.
	Business resilience to climate-related risks and opportunities	If applicable, disclose the organisation's commitment to net zero and how the organisation intends to transition their business model and operations to align with net zero.	This illustrates the organisation's commitment to reducing their climate-related impacts and displays that they have a coherent and actionable strategy to mitigate the transition risks associated with the transition to net zero.	Disclose that the organisation has made a net zero commitment.	Explain the detail of the net zero strategy. Disclose the consideration of, and the resilience of the organisation to, one possible scenario. Disclose how the organisation intends to transition their business model and operations to net zero.	Disclose the consideration of, and the resilience of the organisation to, at least 2 different scenarios, one being <2 degrees C and one being a stressed scenario.

# Good practice climate reporting based on TCFD guidance (continued)

		What	Why	Basic reporting tips	Intermediate reporting tips	Advanced reporting tips
Risk Management	Risk identification and assessment	Describe the process for identifying and assessing climate-related risk and impact.	This allows the reader to understand the process behind the disclosures your company has made with regards to strategy and risk.	Disclose how the identification and assessment of risks and impacts is conducted for your direct operations.	Ensure that the discussion over identification, assessment and management of risks and impacts covers the entire value chain.	Discuss how addressing the financial impact of climate-related risks and opportunities is built into your impact assessment process.
	Risk management	Describe the processes for managing climate-related risks and impact and provide details of the mitigation/management techniques used.	The management techniques enable the reader to understand how the organisation is mitigating the risks it is presented with transparently reporting tools used and the stakeholders they have engaged with.	Provide details on how risks are managed and mitigated, including information on engagement with at least one type of stakeholder.	Provide a more detailed narrative on risk management tools and processes and display engagement with multiple stakeholders.	Provide a detailed narrative on risk management, including the outcomes of stakeholder engagement. Ensure that the financial impacts of the mitigation methods are captured.
	Integration with current risk process	Disclose how the climate-related risk (CRR) management process is integrated into the overall risk management process.	This illustrates how the issue of climate risk is now considered an integral part of the overall risk management process.	If applicable, disclose the operational linkage of climate-related risk management into the overall risk management process.	Provide a detailed description of how climate risk was integrated into overall risk management.	If applicable, ensure that it is detailed that there is full integration into the overall risk management process, including on a financial level.



# Good practice climate reporting based on TCFD guidance (continued)

		What	Why	Basic reporting tips	Intermediate reporting tips	Advanced reporting tips
Metrics and Targets	Disclosing climate-related metrics	Disclose the key metrics used to measure and manage climate-related risks and opportunities including core cross-industry metrics listed by the TCFD.	This will provide the reader with the quantitative detail of the company's impact on the climate and climate-related impacts on the company, as well as showing how this has changed through time.	Report predominantly straightforward metrics such as Scope 1 and 2 emissions and those relating to the direct operations of the company.	Increase the sophistication of the metrics reported by providing comparatives, normalised metrics e.g. GHG emissions intensity, and Scope 3 emissions data.	Incorporate metrics concerning the value chain which are sophisticated and forward looking, such as Implied Temperature Rise and provide a financial context.
	Disclosing Scope 1, 2 and 3 greenhouse gas emissions	Report Scope 1, 2 and 3 greenhouse gas emissions (GHG).	This will enable the reader to understand the current climate-related impact of the organisation and allow them to compare this against their peers.			
	Setting climate-related targets and reporting on performance	Disclose the targets (and related progress) the company uses to manage climate-related risks and opportunities.	This will provide the reader with information on how proactive the company is being with regards to reducing its climate-related impact, and whether they are on track to achieve their interim and long-term targets.	Produce targets accompanied by a qualitative description of progress.	Include targets set over different timeframes, provide quantitative progress and add accompanying analysis.	Ensure that any GHG emissions reduction targets are science-based and whether they have been approved by the Science-based Targets Initiative. Extend the accompanying narrative.

# 2.1

Are the Board and management's roles clearly defined for the management of climate change?



# Governance

Organisations should document their board’s climate change governance structure. Further they should disclose that climate change is on the agenda at board meetings and provide examples of how climate-related risks/opportunities have affected strategic decisions. This enables the reader to understand how climate change is being considered at the board level and show how it affects strategic decision making.

Tips to make your reporting more effective:

## 01 Basic

Mention board-level responsibility for climate change and state that it is included as an agenda item in board meetings.

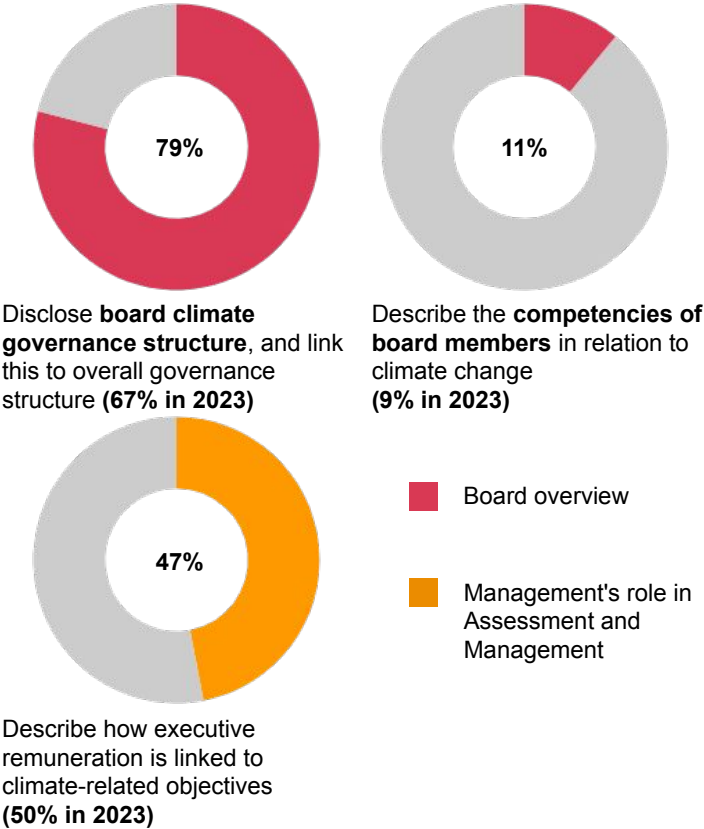
## 02 Intermediate

Provide detail on the individual/ committee responsible for climate change at board level. Disclose the number and frequency of board meetings with climate change on the agenda, and exemplify how this has affected strategic decisions.

## 03 Advanced

Provide detailed examples of how the assessment of climate-related risks/opportunities have affected strategic decisions at board level.

The percentage of companies we reviewed that scored full marks were:



TCFD recommendation: describe the board’s oversight of climate-related risks and opportunities.

[Barclays Annual Report 2023, pg. 204](#)

Click on the link above or the icon below and navigate to the page number to see the full example



[Rio Tinto Annual Report 2023, pg. 47](#)

Click on the link above or the icon below and navigate to the page number to see the full example



Rio Tinto has clearly defined the roles and responsibilities for each group in their sustainability governance structure. Alongside this they have specified examples of activities conducted at each level.

Barclays have explicitly linked remuneration to ESG and included narrative to help readers understand the context around these targets,



# 2.2

Are risks and opportunities identified and does this assessment drive strategy?



# Strategy

Organisations should identify and disclose physical and transition risks and opportunities and link these to different time horizons. This provides detail on the specific impacts of climate change on your business and contextualises them in the short, medium and long-term.

Tips to make your reporting more effective:

## 01 Basic

Disclose physical and transition risks and opportunities and associate them with different time horizons.

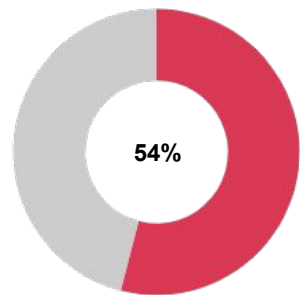
## 02 Intermediate

Provide a materiality assessment of the risks and opportunities identified and ensure that the associated time frames align with the long-term nature of climate change (i.e. short term, medium term and long term).

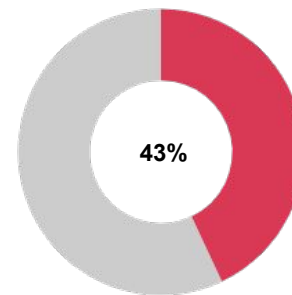
## 03 Advanced

Detail the financial impact of identified risks and opportunities and align the time horizons considered within the Paris Agreement i.e. 2030 and 2050.

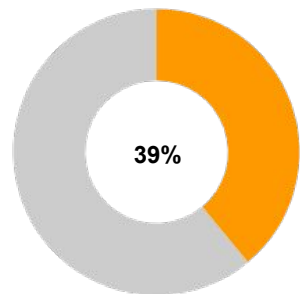
The percentage of companies we reviewed that scored full marks were:



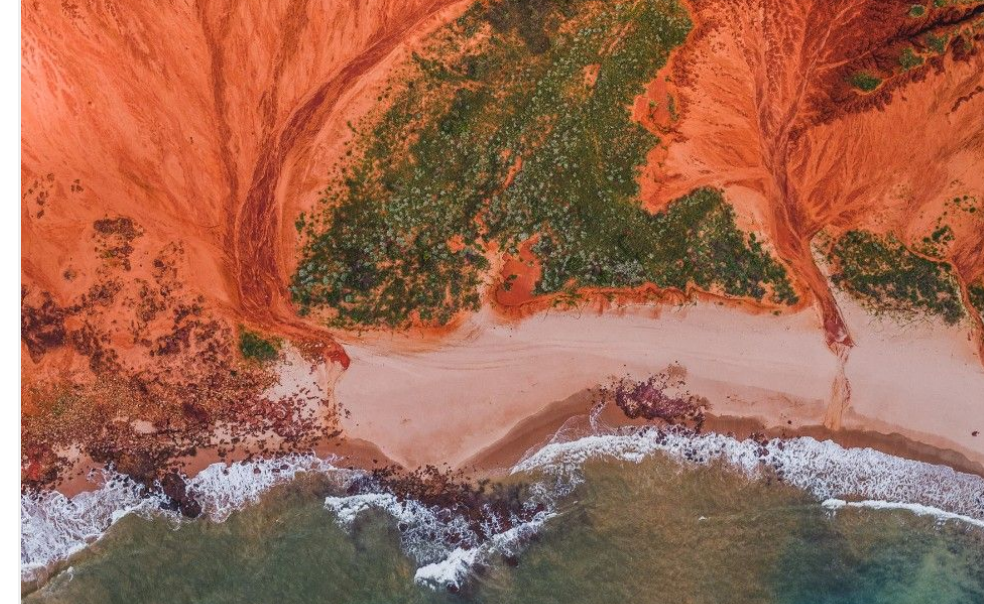
Identify **physical risks** and describe impact.(39% in 2023)



Identify **transition risks** and describe impact.(31% in 2023)



Have committed to **Net Zero** and provide a detailed transition plan for achieving this.(31% in 2023)



**TCFD recommendation: describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.**

**[National Grid Annual Report 23/24, pg. 54 & 57](#)**

*Click on the link above or the icon below and navigate to the page number to see the full example*



National Grid have set out the impact of physical and transition risks on their organisation, They have considered both the timeframe and likelihood and quantified the monetary impact of these risks on their organisation. They have also described the mitigating actions they are taking to reduce the impacts of these risks.



# Strategy (continued)

**Mondi Annual Report 2023, pg. 60**

Click the link above or the screenshot below and navigate to the page number to see the full example

Mondi Group Integrated report and financial statements 2023

Strategic report Governance Financial statements 60

**Mondi Action Plan 2030**  
Taking Action on Climate: TCFD continued

Climate change-related risks: Physical risks

Risk	Risk description	How we manage and mitigate this risk	Estimated financial impact (€m)
<b>1. Higher wood procurement costs</b>	Temperature increase, changes in rainfall patterns and windstorms can result in large-scale forest damage in Europe, at lower altitudes, forest losses from pests (e.g. bark beetles) and diseases are expected to continue unless precipitation increases.  A reduction in the cutting capacity of the sawmilling industry due to a lack of spruce saw logs could lead to a change in the mix of available pulwood and sawmill chips.  Increasing competition for wood is being driven by demand for renewable raw materials and timber for green energy generation to achieve EU GHG reduction and Net-Zero targets. At the same time, there is a call to increase forest areas set aside for conservation, which is reflected in the 2030 EU Forest Strategy.	In mountainous regions, we expect an increase in yearly forest growth due to rising temperatures. At lower altitudes, spruce will be mainly replaced with other softwood species. We are investigating alternatives to support flexibility in species mix for our future pulp production.  We invest in research and development projects and are building strategic partnerships with forest owners and industries, NGOs and scientific institutions to foster sustainable forest management.  This is supported by the sustainable working forest model and fit-for-purpose certification concepts, which we developed and promote with our partners. We have started to explore approaches to climate-fit forestry to enhance forest ecosystems' resilience.  We also promote the cascading use of wood nationally and via Cefpi on a European level.	90-180
<b>2. Risk of flooding</b>	Our mills are often located close to rivers which provide the water needed for our operations.  Climate change may increase the frequency and extent of flooding events through surface water flooding (e.g. after extreme rainfall or rapid snow melting) or flooding of low-lying coastal regions (due to sea level rise) which may cause damage to our operations.  While taking into account the investments we have made at our operations to mitigate the potential impact of flooding, our risk quantification considers mill downtime due to wider local infrastructure damage in the event of a significant flooding event.	Our operations regularly review their flood prevention plans, collaborate with governments and hydropower energy providers in the regions where we operate and invest in flood protection solutions where necessary.  Our current flooding assessments show the measures implemented are generally sufficient to mitigate this risk to an acceptable level, with only a few additional measures required such as the elevation of motors and vulnerable equipment, additional pumps and water-level sensors.  Our geographic diversification enables operational flexibility to meet customer orders if flooding were to occur at a mill.	15-85
<b>3. South African plantation yield loss</b>	Increased severity and frequency of extreme weather events may result in disruptions and decreased harvesting capacity of our managed plantation forests. Extreme weather conditions may impact plantations through sustained higher temperatures, which can lead to stronger winds and increased windfalls. Plantations may be vulnerable to changes in rainfall patterns and erosion. Higher temperatures may increase vulnerability of trees to pests and diseases. Fire remains a challenge for our South African plantations, exacerbated in years when drought conditions occur.	Our tree improvement programme aims to produce stronger, more robust trees that can resist disturbances such as drought, pests and diseases. We mitigate fire risks with naturally vegetated open corridors acting as fire-breaks between forest plantations, under canopy biomass management and investment in a modern firefighting fleet and professional firefighters.  We have improved pre- and post-burning assessments at harvesting sites. These aim to mitigate the risks of erosion and nutrient loss after prescribed burning to ensure healthy soils, which are critical for productive plantation forests.	15-20

TCFD recommendation: describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.



Mondi have identified physical and transition risks that are specific to their business and strategy. The estimated financial impact of each risk has been quantified. The mitigating actions for each risk have been described. Mondi have also set out the future actions they are going to take to further mitigate these risks.





# 2.3

Is the approach to managing risks and opportunities well defined and implemented?



# Risk management

Organisations should disclose how climate-related risk management is integrated into the overall risk management process. This illustrates how the issue of climate risk is now considered an integral part of the overall risk management process.

Tips to make your reporting more effective:

## 01 Basic

If applicable, disclose the operational linkage of climate-related risk management into the overall risk management process.

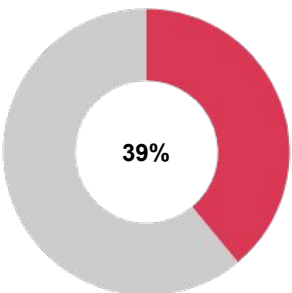
## 02 Intermediate

Provide a detailed description of how climate risk was integrated into overall risk management.

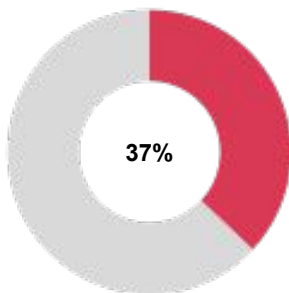
## 03 Advanced

If applicable, ensure that it is detailed that there is full integration into the overall risk management process, including on a financial level.

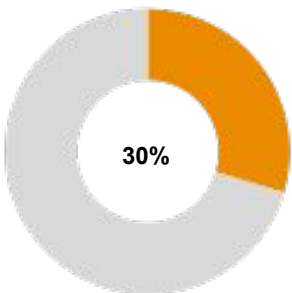
The percentage of companies we reviewed that scored full marks were:



Disclose and explain the processes for **assessing impacts** and their potential size, scope and relative significance of climate-related risks. **(20% in 2023)**



Describe engagement and **outcomes** with **multiple stakeholders** on climate change. **(26% in 2023)**



Integrate climate-related risk into the overall risk management processes and explain how. **(52% in 2023)**

- Identification and assessment process
- Risk integration

TCFD recommendation: describe the organisation's processes for identifying and assessing climate-related risks.

**WPP Annual Report & Accounts 2023, pg. 105**

*Click the link above or the screenshot below and navigate to the page number to see the full example*

PRINCIPAL RISK	POTENTIAL IMPACT	HOW IT IS MANAGED AND REFLECTED IN OUR STRATEGIC PRIORITIES
<b>ESG REGULATION AND REPORTING</b>		
<p>The Group could be subject to increased costs to comply with the potential future changes in Environmental, Social and Governance (ESG) law and regulations.</p> <p>A failure to manage the complexity in carbon emission accounting for marketing and media or to consider Scope 3 emissions in new technology and business model innovation across the supply chain could have an adverse effect on our business and reputation.</p> <p>↑</p>	<p>We could be subject to increased costs to comply with potential future changes in ESG laws and regulations. This includes increasing carbon offset pricing to meet our net zero commitments.</p> <p>Increased investment is also required in building renovation, electrification, embedding sustainability in AI development and supplier engagement to meet targets, including developing internal ESG capacity and capabilities.</p> <p>In addition, carbon emission accounting for marketing and media is in its infancy and methodologies continue to evolve. This is particularly the case for emissions associated with digital media.</p>	<p>We are developing an ESG compliance roadmap to deliver against our regulatory obligations, including for the EU Corporate Sustainability Reporting Directive.</p> <p>Our Transition Plan will provide the roadmap to achieving our net zero commitments. As part of this plan and through our work to decarbonise media and media supply chains, we are exploring opportunities to improve accounting for emissions from media.</p> <p>To manage the cost and quality of carbon credits purchased to offset residual emissions, in 2022 WPP updated its Sustainability Policy and released a new Environmental Policy which includes policy guidance around offsetting and we are further developing our offsetting strategy as part of our net zero roadmap.</p> <p>The Board Sustainability Committee, formed in 2019, gives increased focus on sustainability and implementation of our plans and policies.</p> <p>Measuring and monitoring sustainability KPIs is critical to meet our sustainability strategy and targets. In 2022, we introduced new ESG controls which we continued to roll out across the business in 2023 and regular testing of which provides crucial measurement data.</p> <p>ESG KPIs are included as part of the scorecard that determines the short-term incentive rewards for WPP's CEO, CFO and some key members of the Executive Committee. This includes WPP's performance against carbon reduction targets.</p> <p>Further information on ESG governance and ESG reporting is provided in the Sustainability section of this report (pages 53-61).</p>



We like how WPP have disclosed their monitoring the regulatory and reporting landscape. They have defined the process they take for monitoring this risk, how it is integrated into their risk management process and how they monitor the risk through KPIs



# 2.4

Is strategy supported by clear and measurable metrics that link to risks and opportunities?





# Metrics and targets

Disclose the targets (and related progress) the company uses to manage climate-related risks and opportunities. This will provide the reader with information on how proactive the company is being with regards to reducing its climate impact, and whether they are set to reach their targets.

Tips to make your reporting more effective:

## 01 Basic

Produce targets accompanied by a qualitative description of progress.

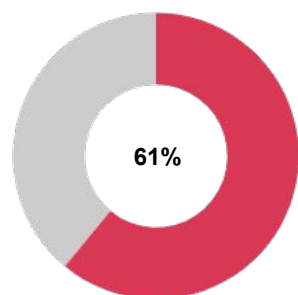
## 02 Intermediate

Include targets set over different timeframes, provide quantitative progress and add accompanying analysis.

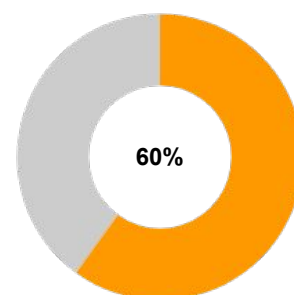
## 03 Advanced

Ensure that any GHG emissions reduction targets are science-based and whether they have been approved by the Science-based Targets Initiative. Extend the accompanying narrative.

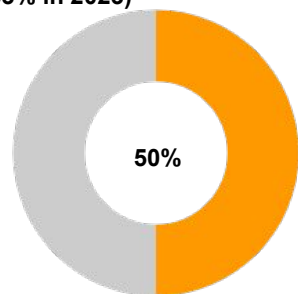
The percentage of companies we reviewed that scored full marks were:



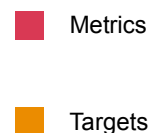
Report sophisticated **climate-related risk metrics**, including supply-chain, comparatives and financial metrics. **(63% in 2023)**



Disclose **science-based Net Zero targets**, including interim and long term targets. **(48% in 2023)**



Disclose **performance** against targets using quantitative comparatives. **(31% in 2023)**





# Metrics and targets (continued)

## CRH IFRS Annual Report 2023, pg. 127 to 130

Click the link above or the icon below and navigate to the page number to see the full example

Discussion of the most material climate risks			
Carbon Pricing			
Category	Timeline	Description	How we Manage the Risk
Policy and Legal	Medium-term	Regulations across CRH's markets could lead to increased direct and indirect carbon emission costs. CRH participates in ETS in the European Union (EU) and other regions. The EU ETS is CRH's largest emissions trading market. The gradual phase out of free carbon allowances between 2026 and 2034 poses a risk of carbon leakage to domestic producers from jurisdictions with lower regulatory standards or lower/no carbon prices. In response, the European Union has introduced into law a Carbon Border Adjustment Mechanism (CBAM) to create a level playing field on carbon costs between domestic producers and importers. CO <sub>2</sub> emissions in CRH's supply chain are also a significant transition risk for the Company. Unless abated through lower carbon consumption, these regulatory changes will over time lead to increased costs of production.	CRH's decarbonization roadmap will support CRH to be a resilient business as well as enabling the transition to a low-carbon economy. CRH has set an absolute carbon emissions reduction target by 2030 which includes investing approximately an average of \$150 million per annum of incremental capital expenditure to enable delivery of this objective. The Company has a decarbonization roadmap which is business-led and executed through locally managed plans. There is central oversight and co-ordination that builds on significant experience in carbon reduction across different geographies, functions and business types, where for many years our dedicated team of experts have been active. A key lever in the medium- and long-term will be scaling technologies such as Carbon Capture, Use and Storage (CCUS). To accelerate progress, CRH is building partnerships with CCUS technology stakeholders and other key players. Certain government legislation designed to accelerate decarbonization (such as carbon pricing, CBAM and other tax-related measures) present opportunities as public policy changes begin to increase demand for low-carbon, sustainable products. We are well-positioned to capitalize on this increased demand, which is underpinned by significant U.S. and EU funding programs and regulatory policies. The purchase of ETS carbon allowances is managed by a central unit which buys forward to secure supply and de-risk the cost base ahead of time. This helps provide the Company with near-term certainty on carbon prices and associated costs. CRH has extensive experience in absorbing increases in carbon costs through pricing and enhancing its margins.
Metric	Target		
2023: 44.1m tonnes 2022: 46.5m tonnes emissions by Absolute Scope 1, 2 and 3 CO <sub>2</sub> Emissions	30% reduction in absolute carbon emissions by 2030 (from a 2021 base year)		
48.9m tonnes baseline in 2021 (Scope 1, 2 and 3 CO <sub>2</sub> Emissions)			



CRH have clearly linked their metrics and targets to their relevant material climate risks and opportunities. We like how they have been quantified and inform their approach to mitigating or capitalising on the risks and opportunities.

TCFD recommendation: disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process:



TCFD recommendation: disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks:

## ITV Annual Report 2023, pg. 20

Click on the link above or the icon below and navigate to the page number to see the full example



We like how ITV have disclosed their Net Zero targets in detail, breaking them down into interim targets, disclosing the boundaries, base years and target-setting methodologies used. This increases transparency over the targets' coverage and ambitions.

# 03

## A spotlight on new reporting developments:

Task-force for Nature-related Financial Disclosures (TNFD) and Taskforce for Transition Plans (TPT)





# Incoming disclosure standards: TNFD

The Task Force for Nature related Financial Disclosures (TNFD) was published in September 2023. The TNFD is a framework for organisations to report and act on evolving nature-related risks. It aims to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes. It is structured in the same way as the TCFD framework, with the 4 key pillars: Governance, Strategy, Risk Management and Metrics & Targets.

The TNFD framework is not yet a required disclosure for companies in the UK, so the highlighted examples here are examples of voluntary adoption of the framework.



Drax is one of only a handful of companies that are already making disclosures against the TNFD framework. They have achieved this by focussing their 2023 disclosures on the steps they are taking to develop each pillar for future reporting. We particularly liked the diagram on page 58 showing their progress so far and ongoing activities.

Whitbread's disclosure is not as developed, but still makes reference to the TNFD framework when discussing the creation of their 'Nature Positive' target, displaying their intention to align to the framework in the future.

**[Drax Annual Report 2023, pg. 56](#)**

*Click the link above or the screenshot below and navigate to the page number to see the full example*



**[Whitbread ESG Report 23/24, pg. 24](#)**

*Click on the link above or the icon below and navigate to the page number to see the full example*



# Incoming disclosure standards: Transition Planning

The UK's Transition Plan Task Force's (TPT) Disclosure Framework launched in October 2023. It provides guidance on developing and disclosing Net Zero transition plans, and is now the de-facto gold-standard framework.

The TPT's disclosure framework compliments and builds upon the four pillars and eleven recommendations from the Task force on Climate-related Financial Disclosures (TCFD). There is a mapping between the TPT's disclosure framework and TCFD recommendations.

We have seen many companies disclosing transition plans or disclosing their approach to meeting their net zero targets. Some leading organisations have disclosed comprehensive, stand-alone Transition Plan Taskforce-aligned plans, with others highlighting their intent to align to the TPT in future disclosure cycles.

Regulatory burden for reporting transition plans is driven by standards such as the the FCA's Listing Rules, which require disclosure of transition plans on a comply or explain basis, and European standards such as CSRD and CSDDD.



ITV and Phoenix Group have both disclosed detailed Transition Plans that set out their path to achieving their Net Zero and interim decarbonisation targets.

ITV has aligned their plan to the TPT's disclosure elements and including at least a qualitative disclosure against all recommendations.

Phoenix Group have mapped their transition plan to GFANZ guidance and the TPT guidance, with an easily digestible table demonstrating compliance.

## **ITV Climate Transition Plan Report pg. 5**

*Click on the link above or the icon below and navigate to the page number to see the full example*



## **Phoenix Group Net Zero Transition Plan pg. 5**

*Click on the link above or the icon below and navigate to the page number to see the full example*





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Refer to our other relevant reporting and analysis, available online



**PwC Net Zero Economy Index 2024**



**PwC's Global CSRD Survey 2024**

## UK Investor Survey 2023

### Section 2: Sustainability

**Showcasing the impact of sustainability**  
Investors want to understand how companies incorporate sustainability considerations into their strategic decision-making.

**81%** agree that companies should embed ESG considerations directly into their corporate strategy.  
**70%** believe that companies should make expenditures that address ESG issues relevant to their business, even if it reduces short-term profitability.

**In addition, investors also want to know about the impact a company has on the environment or society, and the commercial implications.**

Investor interest in ESG and sustainability investing is being driven by a number of different factors, including the regulatory environment, potential to protect returns, and client demand.

Share of respondents who think these factors will drive investor interest in ESG or sustainability investing by a moderate, large and very large extent.



**PwC's UK Investor Survey 2023**



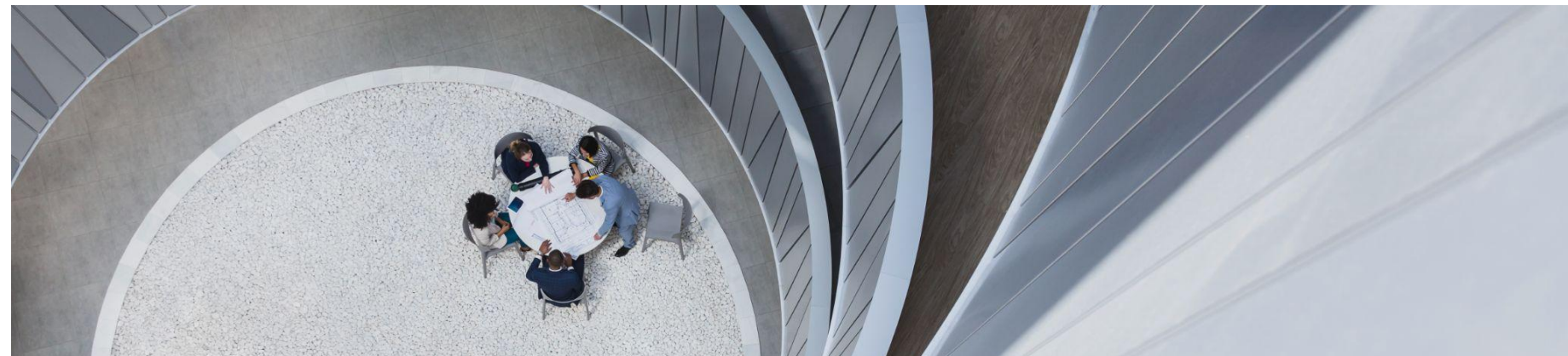
**“**  
We responded to capital market and G20 demand for a common language of investor focused sustainability-related disclosure, working diligently to deliver standards that fulfil the global baseline.  
ISSB Chair Emmanuel Faber  
February 17, 2023.

After years of increasingly vocal demand for enhanced transparency about ESG matters from investors and other stakeholders, regulators and standard setters in various jurisdictions issued definitive proposals to transform ESG reporting in 2022. The year brought proposed ESG disclosures from the European Union (EU) as part of the Corporate Sustainability Reporting Directive (CSRD), internationally by the International Sustainability Standards Board (ISSB), and in the United States (US) by the Securities and Exchange Commission (SEC). These “big three” disclosure frameworks each detail extensive sustainability disclosure requirements — although their scopes and other details vary.

The sustainability disclosures required by the ISSB and in the EU were finalized in June and July 2023, respectively. And while the final SEC rule is still pending, three bills signed into law by the California Governor in October 2023 are poised to change the landscape of climate reporting in the US.

Given the geographic reach of these frameworks and their potential to encompass a broad spectrum of value chain contributors, most companies are expected to be impacted in some way. Proactive companies are in the process of assessing the applicability so that they are prepared to meet potentially short reporting deadlines.

**Navigating the ESG landscape**





# Thank you

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