Excellence in sustainability and climate change reporting

A review of leading UK companies
Building Public Trust, November 2023

pwc

Foreword from Alan McGill

Alan McGill

Global Sustainability Reporting and Assurance Partner, PricewaterhouseCoopers LLP

Lynne Baber

UK PwC Sustainability Practice Leader, PricewaterhouseCoopers LLP

As we enter the 15th year of performing this sustainability reporting review we reflect on just how far we have all come in such a relatively short space of time. The pace of change from a regulatory perspective has accelerated exponentially – we continue to see companies broadening their reporting and taking on the challenge. While we have seen the emergence of the 'big three' standard setters in the form of the EU, the ISSB and the SEC, they are not alone. If we can make one personal plea, a pragmatic approach to equivalence, we need organisations investing time thinking about how to grapple with the risks of climate change and the opportunities to transition to Net Zero rather than worrying as to whether one set of corporate reporting requirements fully aligns with the 3 other compliance regimes they must report under. We also ask organisations to take up the challenge to use this opportunity with new data and reporting to help drive their organisation forward and lead on strategic value creation in a more socially and environmentally responsible way. With this in mind, some of the key themes that we have seen though this years review are set out below.

Leaders embracing new reporting requirements

We highlight within this report a number of examples where companies have proactively reported over new areas that they are not mandated to report under, or where the regulatory reporting years are still in the future. We have spotlighted a few examples within the report, particularly with reference to the application of the ESRS's double materiality and with the EU's Green Taxonomy regulations. Companies are already innovating in this reporting space ahead of when the regulations are due to kick in.

Governance and materiality

Over the last year or two we have noticed a distinct rise in companies moving away from a what 'can' I report approach to a what 'should' I report. It is clear that responsibilities are also changing at the Audit Committee level and also with those charged with governance. It is clear that they are now seeking to challenge management over their reporting, the data, information and assurance scopes. This trend is only going to continue as more regulation comes in and so having sight of what really matters, what can drive strategic value and so where assurance can really play a role will be critical to driving success.

Linking ESG performance

Whether it is in the context of raising investment capital through green finance, bonds, or working capital through sustainability performance backed facilities, the link between sustainability performance and finance has never been stronger and in the context of remuneration reporting, we see ESG becoming an increasingly material performance factor in the calculation of short and long term reward.

Emerging requirements

From a UK perspective we see the emergence of the TNFD as a critical development to aid companies reporting more holistically around nature and their impact on biodiversity. The TPT will also provide a consistent approach to net zero reporting and help avoid an element of 'net zero-washing' that is starting to be apparent. Clearly more will happen here over the next few reporting periods and there is much to learn about how companies will and are transitioning.

Reflection versus sitting back

As the rush of reporting requirements gathers, its vital that companies start to prepare early, even if some of these requirements are yet be fully formed. Standing back and waiting is going to lead to a high degree of reporting failure. But 'doing the right thing' will sometimes mean some difficult messages and their will be inevitable bumps in the road. We are also living in an incredibly fast changing geopolitical and social environment and as such, it is vital that companies reflect of their purpose, highlight their successes but acknowledge where they have been challenged or fallen short, and do this in a fair, balanced and transparent manner, with the reader's interest at the forefront, be they an investor or broader stakeholder.

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, 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 does sustainability fit with your organisation's purpose and strategy?
  - How do you consider your priorities?
  - How do you monitor and manage performance?
  - How do you report with clarity and openness?
  - A focus on Climate Change (TCFD) reporting:
    - Are the Board and management's roles clearly defined for the management of climate change?
    - Are risks and opportunities identified and does this assessment drive strategy?
    - Is the approach to managing risks and opportunities well defined and implemented?
    - Is strategy supported by clear and measurable metrics that link to risks and opportunities?

We have also included focus areas that spotlight some best in practice reporting we saw in response to new reporting standards. As per the incoming Corporate Sustainability Reporting Directive that will impact many companies with activities in the EU from FY24, a Double Materiality Assessment will be mandatory. CSRD has been issued by the European Financial Reporting Advisory Group and is split into 2 key requirements: European Sustainability Reporting Standards (ESRS) and EU Taxonomy.

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.

Contents

Overview of analysis

Key themes noted throughout our review of companies reporting:

Sustainability

- There is an increasing number of companies that identify and explain material issues, however for 18% of the companies, we note that there is no annual review of the identification process.
- Companies excel at identifying and responding to the risks they face, while opportunities are often overlooked, with 42% not disclosing the relevance of their ESG opportunities.
- A growing number of companies are understanding the importance of gaining external assurance over key KPIs and metrics as a way to enhance reader confidence and prepare for changing regulations. 74% of companies have obtained some level of assurance over sustainability metrics in the current year, compared with just 56% last year.
- Many companies are slow to prepare for future regulations and changes in the way they disclose information. In fact, out of the companies evaluated, 70% do not consider the concept of double materiality and its impact on future reports in light of upcoming regulation.
- While companies cover extensively climate change issues, they need to broaden the set of impacts included in their strategies, for example, social and other environmental issues.

Climate change (TCFD)

- Efforts are being made to incorporate ESG matters into the governance structure, but too few companies, only 9%, describe their approach to developing board members' skills in climate change issues.
- As of last year, only half of the companies describe how executive remuneration is linked to climate change. The number of companies taking this into account needs to increase more quickly, as it is crucial if companies are to take action to combat climate change.
- Most companies are identifying their climate change risks and opportunities, with 70% of them including a discussion of the financial impact for physical risks, 53% for transition risks, and 58% for opportunities. To improve their reporting, however, companies need to link these risks and opportunities closely to sectors and geographies.
- Companies should improve transparency by clearly disclosing how they assess climate-related risks and their impacts on other risks, such as strategic and operational risks.
- Compared to last year, companies have made significant improvements in reporting sophisticated metrics, linking them to strategy and decision-making. We also saw steps forward in companies quantifying the financial implications of climate change targets.

1

Sustainability throughout reporting

An overview of good practice sustainability reporting

		What?	Why?	Basic reporting tips	Intermediate reporting tips	Advanced reporting tips
How does sustainability fit with your organisation's purpose and strategy?	**Organisation overview**	Provide an overview of your organisation's key activities and the environment in which you operate.	This helps the reader to view your sustainability information against the wider context of your organisation's remit. The overview is also important for clarifying the scope of the data in the report, which activities are covered and which are not.	Introduce the reader to your organisation by giving an overview of your size, operations and activities.	Contextualise your sustainability activities in relation to the remit and objectives of your organisation.	Explain both the direct and indirect sustainability impacts that might arise from your organisation's role or activities.
	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.
	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. 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
How do you consider your priorities?	**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. Recognise the upcoming double materiality disclosure requirements.
	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.
	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.	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
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.	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.	Disclose sustainability KPIs most relevant to your business, including historic performance data.	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.	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.
	Impacts	Provide a clear explanation and quantification of the social, environmental and economic impacts of your business.	This demonstrates to the reader that you have a thorough understanding of your wider impacts on society and the environment. This understanding will allow you to make more informed decisions towards being a more sustainable business.	Brief qualitative discussion of the broader impacts of activities.	Specifically discuss these areas with a high level of detail to the environment and society you impact through your operations and supply chains.	Disclose quantitative indicators of the relative size of your impact on society and the environment.
How do you report with clarity and transparency?	**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 and AA1000, over Scope 1 and 2.	Obtain external assurance against an audit standard over Scope 1, 2 and 3. 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.

1.1

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

Organisation overview

Provide an overview of your organisation's key activities and the environment in which you operate.

This helps the reader to view your sustainability information against the wider context of your organisation's remit. The overview is also important for clarifying the scope of the data in the report, which activities are covered and which are not.

Tips to make your reporting more effective:

01 Basic

Introduce the reader to your organisation by giving an overview of your size, operations and activities.

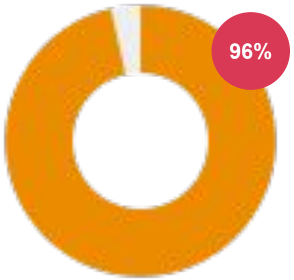
02 Intermediate

Contextualise your sustainability activities in relation to the remit and objectives of your organisation.

03 Advanced

Explain both the direct and indirect sustainability impacts that might arise from your organisation's role or activities.

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



Describe the company's key business activities and how they link to sustainability

(83% in 2022)

> Unilever clearly links their business activities to their Sustainability activities. We particularly liked how Unilever positioned their purpose, which also clearly references sustainability, in the centre of each aspect of their sustainability strategy here.

Unilever annual report 2022, pg. 4

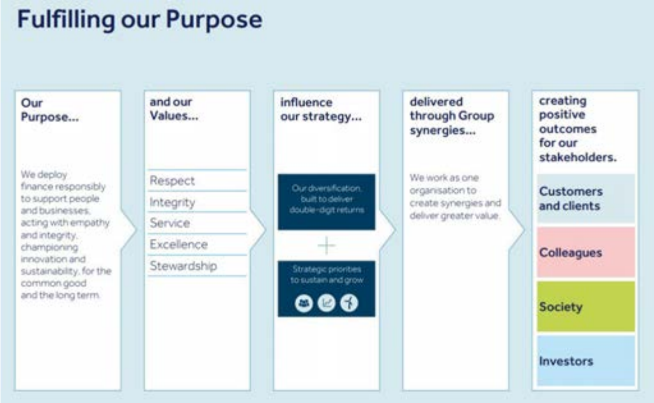
Purpose

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:

Barclays annual report 2022, pg. 2



01 Basic

Define a clear purpose which should be a succinct statement.

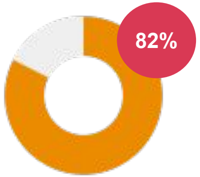
02 Intermediate

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

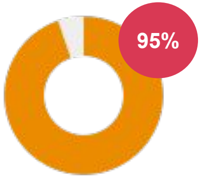
03 Advanced

Reference to your purpose should be consistent across all company communications. The purpose should form the foundation to your core business strategy and activities.

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



Describe the company's purpose beyond making money for shareholders. **(63% in 2022)**



The company's purpose is well-aligned to its core business activities. **(94% in 2022)**

Barclays and Unilever (see previous page) both have clear purpose statements which have clear linkages between their core business activities and sustainability. In both cases the purpose statements act as the core for their broader strategy which is formed around the statements. We like how Barclays have introduced their purpose early on in their Annual Report to set their intent from the outset of the report.

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. 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.

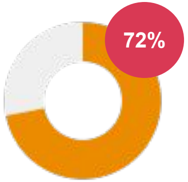
02 Intermediate

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

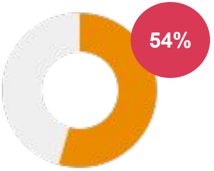
03 Advanced

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.

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



Sustainability features as a key pillar of the core corporate strategy. **(66% in 2022)**



Include a broader set of impacts other than climate change in the strategy. **(70% in 2022)**

> DS Smith defines 3 pillars of their strategy and one of these is to ‘Lead The Way in Sustainability’. We like how DS Smith develops this pillar further by defining 3 sustainability ambitions that are more far reaching than just climate change, looking also to society and nature.

DS Smith Annual Report 2023, pg. 16

OUR STRATEGY AND KPIS

Our strategy is based on balancing the requirements of our core stakeholders.

OUR STRATEGIC PILLARS

TO DELIGHT OUR CUSTOMERS

We do this by:
- Delivering on our commitment for quality and service
- Driving innovation and value-added packaging solutions
- Improving service levels
- Driving circularity and continuing to deliver market-leading sustainable solutions.

TO REALISE THE POTENTIAL OF OUR PEOPLE

We do this by:
- Ensuring the health, safety and wellbeing of all our employees
- Creating a working environment where they feel proud, engaged and developed
- Focusing on embedding diversity and inclusion by expanding resource groups and local networks.

TO LEAD THE WAY IN SUSTAINABILITY

We do this by:
- Designing out waste and pollution, and keeping materials in use
- Decarbonising our operations and value chain
- Creating a safe, diverse and inclusive workplace and being active in our communities
- Protecting and regenerating nature.

OUR NON-FINANCIAL KPIS

On-time, in-full deliveries (OTIF)

The proportion of our orders that are delivered on time, in-full across our businesses.

Why this is a KPI

Packaging is an essential part of an efficient supply chain. Delivering as promised is a critical component to ensuring we remain a trusted partner to our customers.

2023 96%
2022 94%
2021 95%

2023 Target: 97%

Our corrugated packaging customers by volume

DS Smith has a higher proportion of FMCG and other consumer goods customers than the market average.

Why this is a KPI

We work with large customers in resilient sectors such as FMCG and aim to grow share with these customers.

2023 84%
2022 83%
2021 82%

Accident frequency rate (AFR)

The number of lost time accidents (LTAs) per million hours worked.

Why this is a KPI

The AFR is the number of LTAs per million hours worked. We believe all employees contribute to a safe working environment and culture and our focus is on individual ownership.

Health and safety KPIs	2022/23	2021/22
Total LTAs[1]	93	96
AFR[2]	1.82	1.93

1. LTA: number of accidents resulting in lost time of one shift or more.
2. AFR: number of LTAs per million hours worked.

FTSE Women Leaders Report 2022

This is an independent framework which sets recommendations to improve the representation of women on boards and in leadership positions.

Why this is a KPI

We are using this as a KPI to track progress in delivering gender balance aligned to the FTSE 350 and 50 of the largest private companies.

Overall FTSE ranking (up from 41 in 2021)	40
Women on DS Smith Plc Board	37.5%[1]
Senior leadership*	34.5%[2]

1. Compared to FTSE 100 average of 40.5%.
2. Compared to FTSE 100 average of 34.3%.

Carbon reduction

Reduce Scope 1, 2 and 3 GHG emissions 46 per cent by 2030 compared to 2019 and reach Net Zero by 2050.

Why this is a KPI

It is important that we play our part in reducing global greenhouse gas emissions, helping prevent the worst impacts of climate change and future proof business growth in line with the goals of the Paris Agreement.

2023 7,331,418 tonnes CO_2e
2022 8,250,702 tonnes CO_2e
2021 8,373,310 tonnes CO_2e

2030 Target: 4,651,383 tonnes CO_2e

Plastic replacement

Help our customers remove one billion pieces of problem plastics by 2025.

Why this is a KPI

Our customers approve of corrugated packaging as a renewable alternative to plastic that, when recycled, prevents waste from entering landfills and oceans, reducing the impact on marine life and the natural world.

2023 762 million units*

2025 Target: 1 billion units

1.2

How do you consider your priorities?

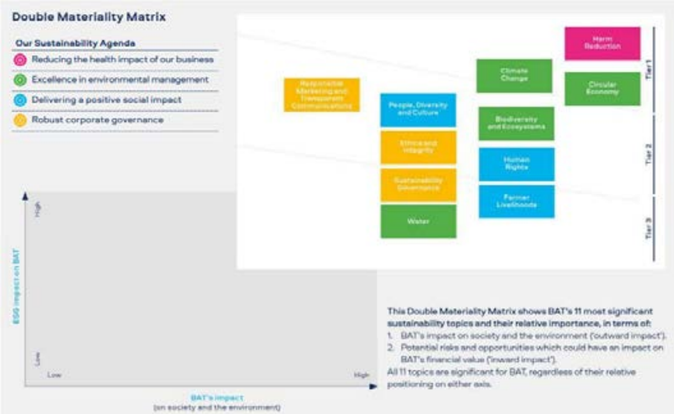
Materiality

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:

British American Tobacco Combined Annual and ESG Report 2022, pg. 47



01 Basic

Report which issues you have identified as material and why.

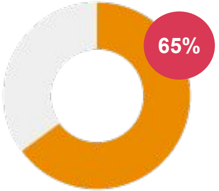
02 Intermediate

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

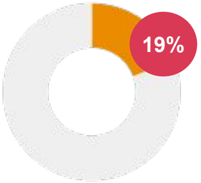
03 Advanced

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. Recognise the upcoming double materiality disclosure requirements.

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



Explain the process it undertakes to identify its material sustainability issues. **(49% in 2022)**



Disclose that the material issues and materiality process is reviewed on an annual basis **(19% in 2022)**

> “
>
> We saw improvements in the amount of companies clearly disclosing the process they undertake to identify material issues. British American Tobacco performed an outstanding materiality assessment, which included a full Double Materiality Assessment in line with the incoming CSRD. The disclosure of their approach and process for identifying issues was extensive.

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.

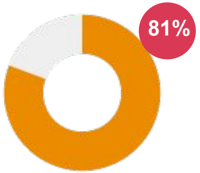
02 Intermediate

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

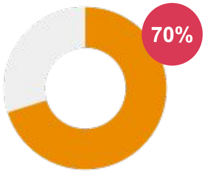
03 Advanced

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

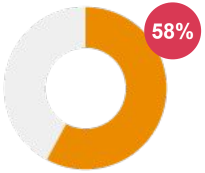
The percentage of companies we reviewed that scored full marks were:



Identify internal and external stakeholders **(81% in 2022)**



Describe key issues identified by specific stakeholders **(83% in 2022)**



Outline action taken in response to stakeholder concerns **(84% in 2022)**

"

We saw strong disclosures of stakeholder engagement across all FTSE 350 companies in terms of identifying external stakeholders. We note Prudential Plc as a key example of a company that extends beyond identification and describes the key topics of interest and respective impacts to each stakeholder.

Prudential Plc Annual Report 2022, pg. 74 and 170 – 175

Stakeholder groups	Mode of engagement	Topics of interest or concern in order of priority where indicated by the stakeholder group
Investors	Regular meetings Investor conferences Investor Perception Study	Climate change Inclusive products and services Responsible investment Digital health innovation Diversity and inclusion
Rating agencies	Annual meetings	Climate change Inclusive products and services Responsible investment Digital health innovation Diversity, inclusion and belonging
Customers	Contact centres Focus groups Customer survey	Customer fair dealing Data privacy and protection Responsible investment Customer satisfaction Financial literacy
Employees	Employee survey Collaboration Jam Workshop Townhalls	Responsible environmental practices Workplace health and safety Responsible investment Climate change Employment, recruitment and rewards
Agency distributors	Agency distributor survey	Customer satisfaction Inclusive products and services Training and development Digital innovation Customer fair dealing
Governments and regulators	Roundtables Consultations Regulatory colleges Regular meetings	Healthcare access and insurance Ethics and responsible business practices Data privacy Financial inclusion Climate change Responsible tax

Further information on our engagement with our stakeholders can be found in our Section 172 Statement in our Annual Report and Accounts.

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.

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.

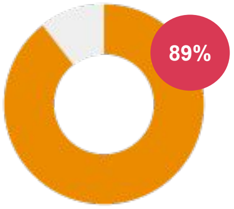
02 Intermediate

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

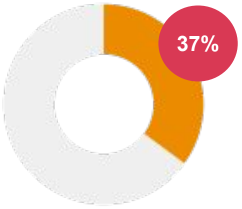
03 Advanced

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.

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



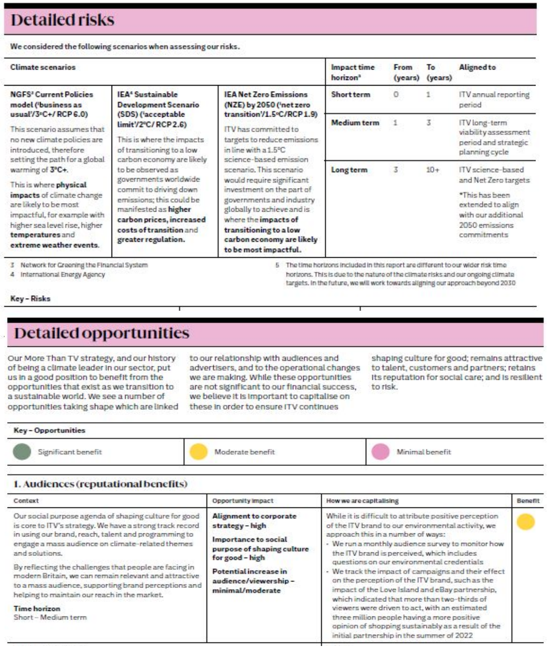
Explicitly identify their ESG risks.
(95% in 2022)



Explicitly identify their ESG opportunities.
(61% in 2022)

ITV had a very clear and structured strategy in place for all ESG risk and opportunities identified. Providing detail behind the strategy and signposting the impacts and benefits against a key aids the reader in understanding the most significant risks and opportunities identified for this company.

ITV Annual Report 2022, pg. 88 – 90



Detailed risks

We considered the following scenarios when assessing our risks.

Climate scenarios		
NGFS[3] Current Policies model ('business as usual'/3°C+/ RCP 6.0) This scenario assumes that no new climate policies are introduced, therefore setting the path for a global warming of **3°C+**. This is where **physical impacts** of climate change are likely to be most impactful, for example with higher sea level rise, higher **temperatures** and **extreme weather events.**	**IEA[4] Sustainable Development Scenario (SDS) ('acceptable limit'/2°C/ RCP 2.6)** This is where the impacts of transitioning to a low carbon economy are likely to be observed as governments worldwide commit to driving down emissions; this could be manifested as **higher carbon prices, increased costs of transition** and **greater regulation.**	**IEA Net Zero Emissions (NZE) by 2050 ('net zero transition'/1.5°C/RCP 1.9)** ITV has committed to targets to reduce emissions in line with a 1.5°C science-based emission scenario. This scenario would require significant investment on the part of governments and industry globally to achieve and is where the **impacts of transitioning to a low carbon economy are likely to be most impactful.**

Impact time horizon[5]	From (years)	To (years)	Aligned to
Short term	0	1	ITV annual reporting period
Medium term	1	3	ITV long-term viability assessment period and strategic planning cycle
Long term	3	10+	ITV science-based and Net Zero targets *This has been extended to align with our additional 2050 emissions commitments

3 Network for Greening the Financial System
4 International Energy Agency
5 The time horizons included in this report are different to our wider risk time horizons. This is due to the nature of the climate risks and our ongoing climate targets. In the future, we will work towards aligning our approach beyond 2030

Key – Risks

Detailed opportunities

Our More Than TV strategy, and our history of being a climate leader in our sector, put us in a good position to benefit from the opportunities that exist as we transition to a sustainable world. We see a number of opportunities taking shape which are linked to our relationship with audiences and advertisers, and to the operational changes we are making. While these opportunities are not significant to our financial success, we believe it is important to capitalise on these in order to ensure ITV continues shaping culture for good; remains attractive to talent, customers and partners; retains its reputation for social care; and is resilient to risk.

Key – Opportunities

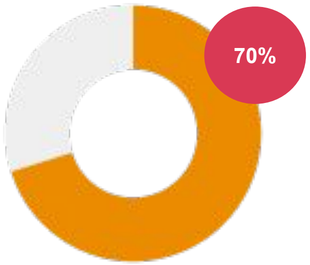
Significant benefit | Moderate benefit | Minimal benefit

1. Audiences (reputational benefits)

Context	Opportunity impact	How we are capitalising	Benefit
Our social purpose agenda of shaping culture for good is core to ITV's strategy. We have a strong track record in using our brand, reach, talent and programming to engage a mass audience on climate-related themes and solutions. By reflecting the challenges that people are facing in modern Britain, we can remain relevant and attractive to a mass audience, supporting brand perceptions and helping to maintain our reach in the market. **Time horizon** Short – Medium term	**Alignment to corporate strategy – high** **Importance to social purpose of shaping culture for good – high** **Potential increase in audience/viewership – minimal/moderate**	While it is difficult to attribute positive perception of the ITV brand to our environmental activity, we approach this in a number of ways: · We run a monthly audience survey to monitor how the ITV brand is perceived, which includes questions on our environmental credentials · We track the impact of campaigns and their effect on the perception of the ITV brand, such as the impact of the Love Island and eBay partnership, which indicated that more than two-thirds of viewers were driven to act, with an estimated three million people having a more positive opinion of shopping sustainably as a result of the initial partnership in the summer of 2022	

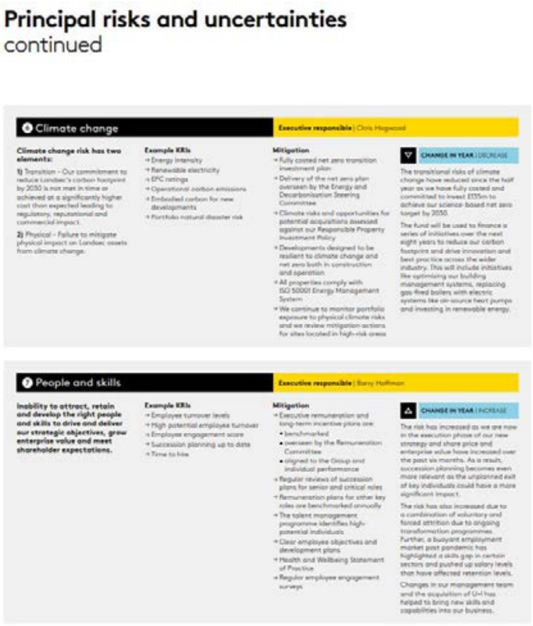
Risks and opportunities (continued)

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



Include ESG-related risks in the annual report alongside other major business risks.
(50% in 2022)

Landsec Annual Report 2022, pg. 64



Principal risks and uncertainties
continued

6 Climate change — **Executive responsible** | Chris Hogwood

Climate change risk has two elements:

1) Transition – Our commitment to reduce Landsec's carbon footprint by 2030 is not met in time or achieved at a significantly higher cost than expected leading to regulatory, reputational and commercial impact.

2) Physical – Failure to mitigate physical impact on Landsec assets from climate change.

Example KRIs
- Energy intensity
- Renewable electricity
- EPC ratings
- Operational carbon emissions
- Embodied carbon for new developments
- Portfolio natural disaster risk

Mitigation
- Fully costed net zero transition investment plan
- Delivery of the net zero plan overseen by the Energy and Decarbonisation Steering Committee
- Climate risks and opportunities for potential acquisitions assessed against our Responsible Property Investment Policy
- Developments designed to be resilient to climate change and net zero both in construction and operation
- All properties comply with ISO 50001 Energy Management System
- We continue to monitor portfolio exposure to physical climate risks and we review mitigation actions for sites located in high-risk areas

CHANGE IN YEAR | DECREASE

The transitional risks of climate change have reduced since the half year as we have fully costed and committed to invest £135m to achieve our science-based net zero target by 2030.

The fund will be used to finance a series of initiatives over the next eight years to reduce our carbon footprint and drive innovation and best practice across the wider industry. This will include initiatives like optimising our building management systems, replacing gas-fired boilers with electric systems like air-source heat pumps and investing in renewable energy.

7 People and skills — **Executive responsible** | Barry Hoffman

Inability to attract, retain and develop the right people and skills to drive and deliver our strategic objectives, grow enterprise value and meet shareholder expectations.

Example KRIs
- Employee turnover levels
- High potential employee turnover
- Employee engagement score
- Succession planning up to date
- Time to hire

Mitigation
- Executive remuneration and long-term incentive plans are:
  - benchmarked
  - overseen by the Remuneration Committee
  - aligned to the Group and individual performance
- Regular reviews of succession plans for senior and critical roles
- Remuneration plans for other key roles are benchmarked annually
- The talent management programme identifies high-potential individuals
- Clear employee objectives and development plans
- Health and Wellbeing Statement of Practice
- Regular employee engagement surveys

CHANGE IN YEAR | INCREASE

The risk has increased as we are now in the execution phase of our new strategy and share price and enterprise value have increased over the past six months. As a result, succession planning becomes even more relevant as the unplanned exit of key individuals could have a more significant impact.

The risk has also increased due to a combination of voluntary and forced attrition due to ongoing transformation programmes. Further, a buoyant employment market post pandemic has highlighted a skills gap in certain sectors and pushed up salary levels that have affected retention levels.

Changes in our management team and the acquisition of U+I has helped to bring new skills and capabilities into our business.

Land Security embedded a number of ESG related risks into the overall business strategy and principal risks and uncertainties section of the ARA, alongside other major business risks. These ESG risks include climate change, people and skills and health and safety.

1.3

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.

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. Tips to make your reporting more effective:

01 Basic

Disclose sustainability KPIs most relevant to your business, including historic performance data.

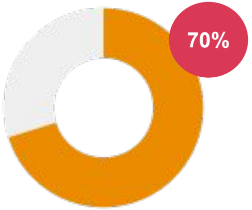
02 Intermediate

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.

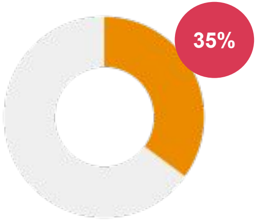
03 Advanced

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:



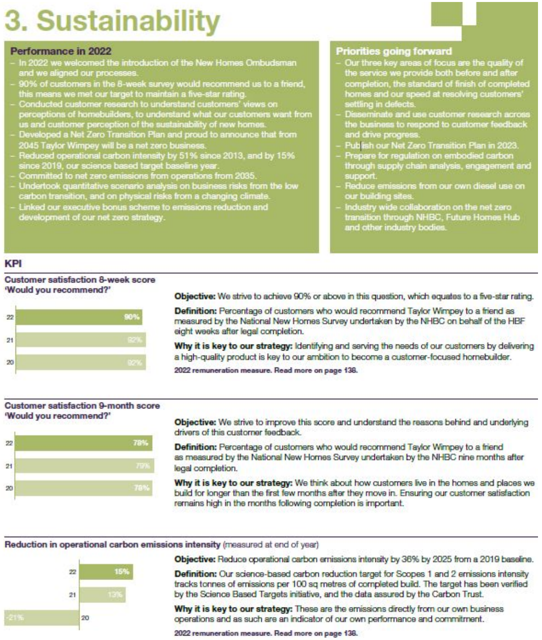
Disclose targets for each KPI.
(39% in 2022)



Describe progress towards targets.
(32% in 2022)

> Taylor Wimpey always performs well against this criteria, year on year. A description of the company's performance and key priorities for future actions are included for each target, alongside a clear objective. In addition to this, each KPI is linked to the strategy with clear explanation and detail provided.

Taylor Wimpey Annual Report 2022, pg. 30 – 33



3. Sustainability

Performance in 2022

- In 2022 we welcomed the introduction of the New Homes Ombudsman and we aligned our processes.
- 90% of customers in the 8-week survey would recommend us to a friend, this means we met our target to maintain a five-star rating.
- Conducted customer research to understand customers' views on perceptions of homebuilders, to understand what our customers want from us and customer perception of the sustainability of new homes.
- Developed a Net Zero Transition Plan and proud to announce that from 2045 Taylor Wimpey will be a net zero business.
- Reduced operational carbon intensity by 51% since 2013, and by 15% since 2019, our science based target baseline year.
- Committed to net zero emissions from operations from 2035.
- Undertook quantitative scenario analysis on business risks from the low carbon transition, and on physical risks from a changing climate.
- Linked our executive bonus scheme to emissions reduction and development of our net zero strategy.

Priorities going forward

- Our three key areas of focus are the quality of the service we provide both before and after completion, the standard of finish of completed homes and our speed at resolving customers' settling in defects.
- Disseminate and use customer research across the business to respond to customer feedback and drive progress.
- Publish our Net Zero Transition Plan in 2023.
- Prepare for regulation on embodied carbon through supply chain analysis, engagement and support.
- Reduce emissions from our own diesel use on our building sites.
- Industry wide collaboration on the net zero transition through NHBC, Future Homes Hub and other industry bodies.

KPI

Customer satisfaction 8-week score 'Would you recommend?'

22 90%
21 92%
20 92%

Objective: We strive to achieve 90% or above in this question, which equates to a five-star rating.

Definition: Percentage of customers who would recommend Taylor Wimpey to a friend as measured by the National New Homes Survey undertaken by the NHBC on behalf of the HBF eight weeks after legal completion.

Why it is key to our strategy: Identifying and serving the needs of our customers by delivering a high-quality product is key to our ambition to become a customer-focused homebuilder.

2022 remuneration measure. Read more on page 138.

Customer satisfaction 9-month score 'Would you recommend?'

22 78%
21 79%
20 78%

Objective: We strive to improve this score and understand the reasons behind and underlying drivers of this customer feedback.

Definition: Percentage of customers who would recommend Taylor Wimpey to a friend as measured by the National New Homes Survey undertaken by the NHBC nine months after legal completion.

Why it is key to our strategy: We think about how customers live in the homes and places we build for longer than the first few months after they move in. Ensuring our customer satisfaction remains high in the months following completion is important.

Reduction in operational carbon emissions intensity (measured at end of year)

22 15%
21 13%
20 -21%

Objective: Reduce operational carbon emissions intensity by 36% by 2025 from a 2019 baseline.

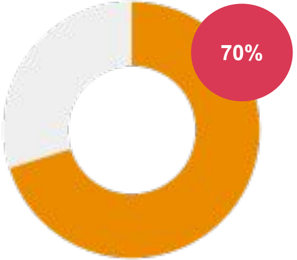
Definition: Our science-based carbon reduction target for Scopes 1 and 2 emissions intensity tracks tonnes of emissions per 100 sq metres of completed build. The target has been verified by the Science Based Targets initiative, and the data assured by the Carbon Trust.

Why it is key to our strategy: These are the emissions directly from our own business operations and as such are an indicator of our own performance and commitment.

2022 remuneration measure. Read more on page 138.

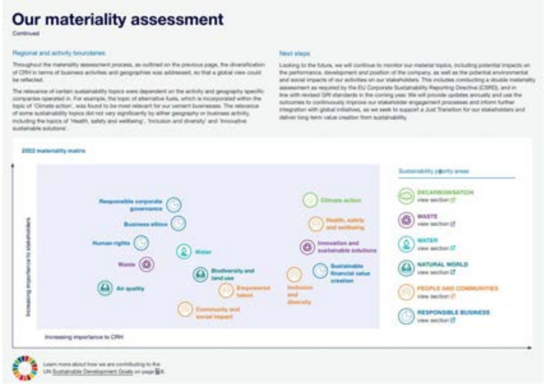
KPIs and targets (continued)

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



Clearly linked KPIs to material issues. **(Not measured in 2022)**

CRH 2022 Sustainability Performance Report, pg. 13 – 34



CRH have carried out an in-depth materiality assessment, identifying all material issues in a matrix with increasing importance. There is clear linkage between the material issues identified and the KPIs reported. For example, Waste is a material issue identified on the matrix and also clearly reported by subcategory.

1.4

How do you report with clarity and openness?

Impact

Provide a clear explanation and quantification of the social, environmental and economic impacts of your business.

This demonstrates to the reader that you have a thorough understanding of your wider impacts on society and the environment. This understanding will allow you to make more informed decisions towards being a more sustainable business.

Tips to make your reporting more effective:

01 Basic

Specifically discuss which areas of the environment and society you impact through your operations and supply chains.

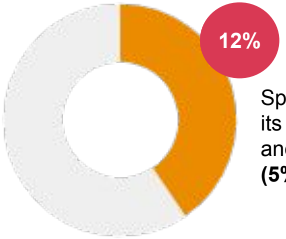
02 Intermediate

Disclose quantitative indicators of the relative size of your impact on society and the environment.

03 Advanced

Quantifying your impact on society and the environment.

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

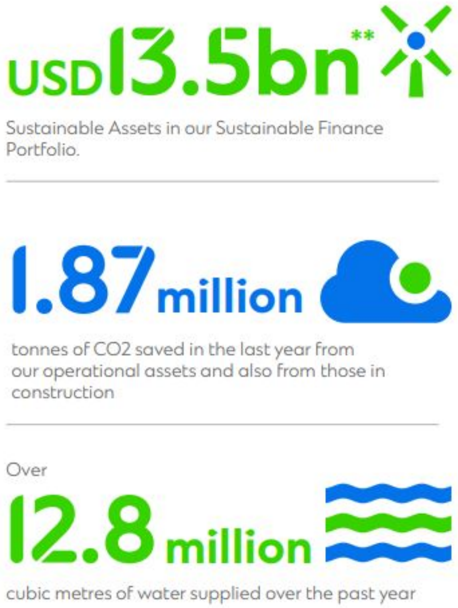


Specifically discloses its environmental and/or social impacts. **(5% in 2022)**

“

Standard Chartered dedicate an entire report to disclosure of the impacts of their Sustainable Finance activities. We particularly liked the quantification here of different environmental impacts they’ve made.

Standard Chartered Sustainable Finance Impact Report 2022 pg. 2



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 the reporting 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.

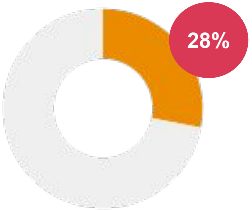
02 Intermediate

Obtain external assurance against an audit standard, such as ISAE 3000 and/or ISAE 3410 and AA1000, over Scope 1 and 2.

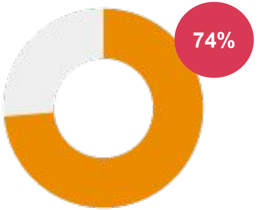
03 Advanced

Obtain external assurance against an audit standard over Scope 1, 2 and 3. 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. **(12% in 2022)**



Have reports externally assured against audit standards. **(56% in 2022)**

> Aviva plc obtain external assurance over Scope 1, Scope 2 and Scope 3 emissions. This assurance was performed under the ISAE3000(R) standard, which is considered the best practice industry standard.

Aviva Sustainability Report 2022, pg. 3-4

Assurance approach

Aviva plc appointed PwC to provide independent assurance over certain sustainability metrics, indicated with AS for reasonable assurance and AL for limited assurance in this report. The assurance engagement was planned and performed in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements' issued by the International Auditing and Assurance Standards Board. The assurance report was issued and is included in the Independent Assurance section of this report. This report includes further details on the scope, respective responsibilities, work performed, limitations and conclusions.

This Report was approved by Aviva plc's Board on 8 March 2023.

2

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.	Outline a more detailed training plan with a timeline and, if applicable, discuss previous training completed.	Provide a detailed narrative concerning all board members climate competencies and their wider skills/experience.
				Mention board-level responsibility for climate change and state that it is included as an agenda item in board meetings.	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 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 Manage-ment	**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 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.

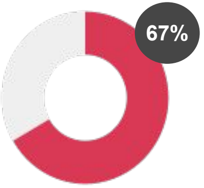
02 Intermediate

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.

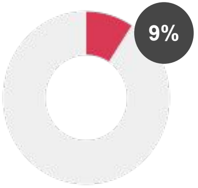
03 Advanced

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

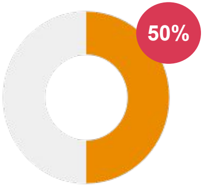
Of the companies we reviewed:



Disclose **board climate governance structure**, and link this to overall governance structure **(75% in 2022)**



Describe the **competencies of board members** in relation to climate change **(7% in 2022)**



Describe how executive remuneration is linked to climate-related objectives **(50% in 2022)**


Remuneration

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

Schroders Climate Report 2022, pg. 17-20


Governance
continued

Schroders have clearly defined their governance structure.They gave a detailed description of each forum, frequency of meetings and disclosed specific examples of climate activities discussed. We also liked the section on remuneration, highlighting how climate-related objectives have been incorporated.

Board overview

Management's role in Assessment and Management

Governance (continued)

Vodafone TCFD Report 2022, pg. 6 ; Annual Report 2022, pg. 111

Management's role

The Chief External and Corporate Affairs Officer, a member of the Executive Committee, is the sponsor for the Planet agenda as part of our purpose-led strategy and has overall accountability for climate change action within the Group. This includes providing updates to the Board on the progress towards our climate-related goals.

Reporting to the Chief External and Corporate Affairs Officer is the Group Director, Sustainable Business & Foundation, who has accountability for the sustainable business strategy, including the UN Sustainable Development Goals ('SDG') agenda. The Head of Sustainable Business is responsible for developing and executing the strategy and providing updates that include any climate-related issues of relevance to Vodafone that can be communicated to the Executive Committee when required.

The Head of Sustainable Business manages the Sustainable Business team that includes the Environment Manager, whose responsibilities include creation, monitoring and reporting on climate change programmes and targets, such as our carbon reduction goals, Science-Based Targets commitment, and Planet agenda actions.

Given energy usage is a material part of our climate change impact, the Chief Technology Officer ('CTO') has the responsibility for energy use and managing the performance of the network, including overseeing energy efficiency improvements. In addition, as the most significant physical risks to Vodafone are the damage to infrastructure and interruption or reduction in the quality of our services, our CTO is ultimately responsible for managing the physical climate-related risks.

Covering the climate impacts to our business, the Group Head of Risk has led the TCFD programme that is discussed throughout this report. Climate change risk and progress on aligning the TCFD recommendations have been reported to the Executive Committee and other key stakeholders through our annual principal risk assessment process and through meetings with the sponsoring executives.

TCFD recommendation: describe management's role in assessing and managing climate-related risks and opportunities.

ESG (10% of total award)

The table below sets out how performance under the ESG measure for the 2023

Purpose pillar	Metric for 2023 GLTI	Overall ambition
Planet	Net zero	Net zero under Scope 1 & 2 by 2030[1]
Inclusion for All	Female representation in management	40% representation of women in management by 2030
Digital Society / Inclusion for All	Financial inclusion customers	>75m financial inclusion customers by 2026

"

Vodafone have described which individuals and specific roles are responsible for the different elements important to managing climate-related risks and opportunities. The reporting lines have been clearly articulated. Management of climate-related risks and opportunities have been considered across all areas of the business, including technology and risk. Management's remuneration has been linked to ESG metrics and these metrics have been disclosed in the annual report.

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.

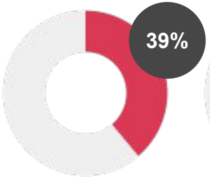
02 Intermediate

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).

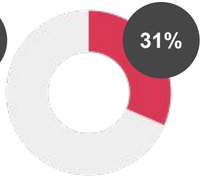
03 Advanced

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

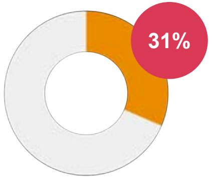
Of the companies we reviewed:



Identify **physical risks** and describe impact.
(49% in 2022)



Identify **transition risks** and describe impact.
(55% in 2022)

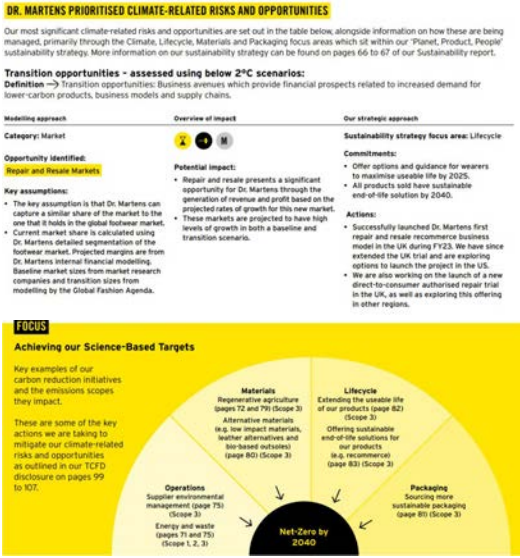


Have committed to **Net Zero** and provide a detailed transition plan for achieving this.
(84% in 2022)

Identification   Impact

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

Dr. Martens plc Annual Report 2023, pg. 70 & 103-105



DR. MARTENS PRIORITISED CLIMATE-RELATED RISKS AND OPPORTUNITIES

Our most significant climate-related risks and opportunities are set out in the table below, alongside information on how these are being managed, primarily through the Climate, Lifecycle, Materials and Packaging focus areas which sit within our 'Planet, Product, People' sustainability strategy. More information on our sustainability strategy can be found on pages 66 to 67 of our Sustainability report.

Transition opportunities - assessed using below 2°C scenarios:
Definition → Transition opportunities: Business avenues which provide financial prospects related to increased demand for lower-carbon products, business models and supply chains.

Modelling approach	Overview of impact	Our strategic approach
Category: Market **Opportunity identified:** Repair and Resale Markets **Key assumptions:** • The key assumption is that Dr. Martens can capture a similar share of the market to the one that it holds in the global footwear market. • Current market share is calculated using Dr. Martens detailed segmentation of the footwear market. Projected margins are from Dr. Martens internal financial modelling. Baseline market sizes from market research companies and transition sizes from modelling by the Global Fashion Agenda.	M **Potential impact:** • Repair and resale presents a significant opportunity for Dr. Martens through the generation of revenue and profit based on the projected rates of growth for this new market. • These markets are projected to have high levels of growth in both a baseline and transition scenario.	**Sustainability strategy focus area:** Lifecycle **Commitments:** • Offer options and guidance for wearers to maximise useable life by 2025. • All products sold have sustainable end-of-life solution by 2040. **Actions:** • Successfully launched Dr. Martens first repair and resale recommerce business model in the UK during FY23. We have since extended the UK trial and are exploring options to launch the project in the US. • We are also working on the launch of a new direct-to-consumer authorised repair trial in the UK, as well as exploring this offering in other regions.

FOCUS

Achieving our Science-Based Targets

Key examples of our carbon reduction initiatives and the emissions scopes they impact.

These are some of the key actions we are taking to mitigate our climate-related risks and opportunities as outlined in our TCFD disclosure on pages 99 to 107.

Materials
Regenerative agriculture (pages 72 and 79) (Scope 3)
Alternative materials (e.g. low impact materials, leather alternatives and bio-based outsoles) (page 80) (Scope 3)

Lifecycle
Extending the useable life of our products (page 82) (Scope 3)
Offering sustainable end-of-life solutions for our products (e.g. recommerce) (page 83) (Scope 3)

Operations
Supplier environmental management (page 75) (Scope 3)
Energy and waste (pages 71 and 75) (Scope 1, 2, 3)

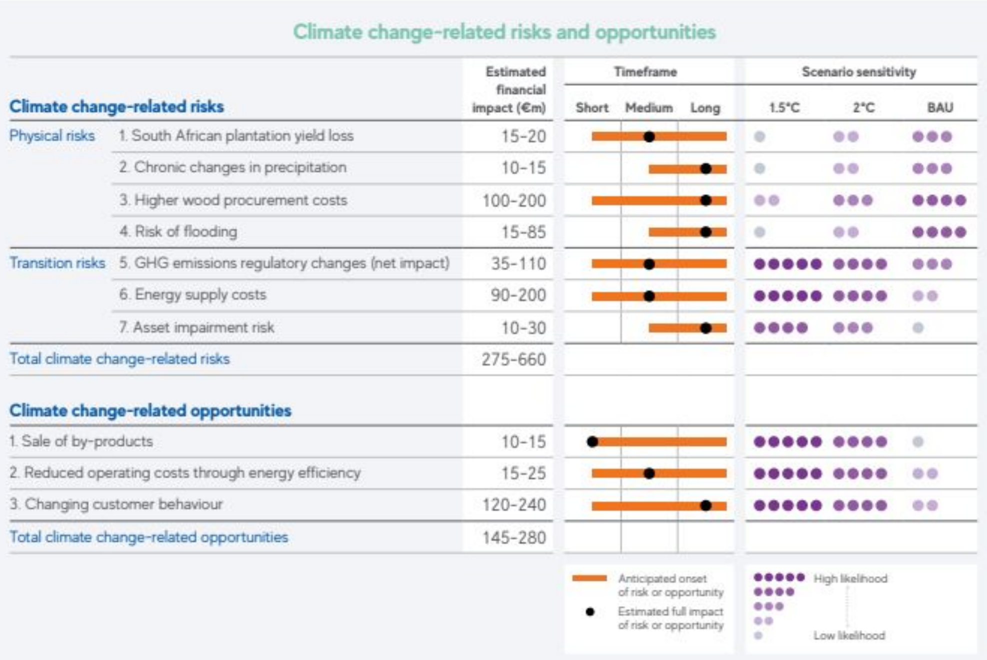
Packaging
Sourcing more sustainable packaging (page 81) (Scope 3)

Net-Zero by 2040

Dr. Martens have disclosed detailed risks and opportunities which are linked to categories. The impact has been assessed and quantified and there are clear actions and commitments associated with each risk and opportunity.
They have also set out a strategy for achieving Science-Based targets covering a variety of areas in their organisation.

Strategy (continued)

Mondi Integrated Report and Financial Statements 2022, pg. 52



Climate change-related risks and opportunities

Climate change-related risks		Estimated financial impact (€m)	1.5°C	2°C	BAU
Physical risks	1. South African plantation yield loss	15–20	●	●●	●●●
	2. Chronic changes in precipitation	10–15	●	●●	●●●
	3. Higher wood procurement costs	100–200	●●	●●●	●●●●
	4. Risk of flooding	15–85	●	●●	●●●●
Transition risks	5. GHG emissions regulatory changes (net impact)	35–110	●●●●●	●●●●	●●●
	6. Energy supply costs	90–200	●●●●●	●●●●	●●
	7. Asset impairment risk	10–30	●●●●	●●●	●
Total climate change-related risks		275–660			
Climate change-related opportunities					
1. Sale of by-products		10–15	●●●●●	●●●●	●
2. Reduced operating costs through energy efficiency		15–25	●●●●●	●●●●	●●
3. Changing customer behaviour		120–240	●●●●●	●●●●	●●
Total climate change-related opportunities		145–280			

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

“

Mondi have identified detailed physical and transition risks. Timeframes and scenario sensitivity have been linked to each risk, as well as an estimation of financial impact. We like how Mondi have defined the time horizons used and that likelihoods on scenario sensitivities have been disclosed.

Strategy (continued)

Reckitt Climate Change 2022, pg. 11

Strategy

Understanding our climate-related risks and opportunities

Our approach to understanding the climate-related risks and opportunities affecting Reckitt is underpinned by our scenario analysis, which has been strengthened over the last few years as we further develop our internal data-driven model of the business, or 'digital twin' in partnership with Risilience. This captures key business information, including our locations, financial data, greenhouse gas emissions, and the origins of natural raw materials.

With Risilience, we assessed both transition and physical risks. Transition risks are quantitatively modelled over the short term (five years), and qualitatively over the medium to long term. Operational and market disruption physical risks are quantitatively modelled over a longer time frame (up to 20 years). This informs our understanding of the relative impacts and long-term implications of transition risks derived from policy development, consumer preference, investor sentiment, liabilities and technology, together with acute and chronic physical risks to the value chain. Overall, this supports our assessment of the materiality of individual risks within the time horizon.

Climate emission pathways

Our analysis considered multiple climate scenarios and their implications. We explored the range of potential future global climate pathways, which ultimately guide the externalities that are applied to our business in the scenario models.

The five emission pathways are designed to provide a range of results when analysing climate risk. These have been developed as combinations of SSP-RCP pathways from the IPCC's modelling where:

- SSP (shared socioeconomic pathway) models the societal changes that could occur in the future, including policy changes, consumer changes, investor changes etc.
- RCP (representative concentration pathway) models the ultimate temperature rise, resulting from the SSP taken

We chose these scenarios to enable us to compare both physical risks and transition risks across the same emissions pathway, as they will both have the same driving narrative force behind them. We also chose them as there is a great deal of scientific detail within each pathway.

Emission pathway	Scenario	Description	Temperature increase by 2100 (°C)
Paris Ambition	SSP1–1.9	The most rapid transition pathway as extreme actions are taken to reduce emissions globally with widespread policy changes for a goal of net zero by 2050.	1.5
Paris Agreement	SSP1–2.6	Immediate and coordinated global action is taken to reduce emissions growth with widespread policy changes across various sectors with a goal of net zero by 2070.	2
Stated Policy	SSP2–4.5	Refers to the (conditional and unconditional) policies that countries have pledged through their Nationally Determined Contributions.	2.5
Current Policy	SSP3–7.0	Defined by the climate-related policies that governments have in place today, i.e. if no further policy action is taken.	3
No Policy	SSP5–8.5	Designed as a complete removal of all carbon reduction policies and a push towards fossil fuel development.	>4

We focus on, and report, two scenarios, 1.5°C (Paris Ambition) and 3°C (Current Policy). These scenarios highlight the variation in risks and opportunities in meeting our science-based targets by 2030 and net zero by 2040.

The 2022 assessment is currently presented for our whole business and is not yet separated specifically by geography or sector. These scenarios assume no further climate mitigation. As a result, they exclude our strategic climate actions, which are reducing carbon emissions by strengthening our operating efficiency and developing activity and products with lower carbon and water footprints. This both mitigates risk and creates opportunities. For example: building more resilient supply chains at site level and within ingredient origins; product innovation to meet emerging consumer demand for more sustainable products; and developing products that are well placed for a low carbon, low -water policy and physical environment.

For more details, see our Water and Sustainable Product Innovation Insights

TCFD recommendation: describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

"

Reckitt have considered five different climate scenarios to analyse the impact of climate-related risks and opportunities. Reckitt have described their approach and assumptions used in their scenario analysis well.

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.

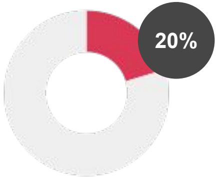
02 Intermediate

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

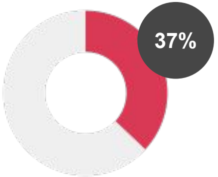
03 Advanced

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

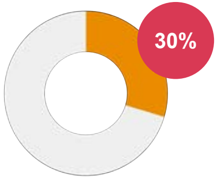
Of the companies we reviewed:



Disclose and explain the processes for **assessing impacts** and their potential size, scope and relative significance of climate-related risks. **(33% in 2022)**



Describe engagement and **outcomes** with **multiple stakeholders** on climate change. **(26% in 2022)**



Integrate climate-related risk into the overall risk management processes and explain how. **(52% in 2022)**

Identification and assessment process | Risk integration

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

QinetiQ Group plc 2023 Annual Report & Accounts, pg. 64

Identifying risk

In line with TCFD recommendations, our risk assessment approach addresses both physical risks and transition risks. In FY22, to identify key risks and opportunities, we undertook a review of best practice and guidance and ran briefing sessions and workshops with key internal stakeholders, to explore what would be relevant to QinetiQ operations. In FY23 we have been reviewing and refining our risks to ensure that our assessments are current and that we are embedding these as business as usual. For physical risks we considered these primarily by site, and also considered issues such as our supply chain and business delivery. A range of potential risks have been identified (for example where there may be increased flood risk) and captured. We recognise that this needs to be a continuous process as there may be change either due to new emerging information or changes to our business (e.g. use of site, supplier, etc). As part of our day to day management of our site operations, we are familiar with the physical risks posed and have a good understanding of suitable mitigations. In FY23 we surveyed our site teams to explore if they were observing new issues or had experienced significant events; no material issues were identified.

To assess transition risks we undertake horizon scanning to identify any relevant changes. We have used a variety of sources of information. In FY23 we have been exploring how we can strengthen our horizon scanning and will be setting up some additional programmes in FY24.

The scenario analysis described above builds on our previous programmes of undertaking climate change risk assessment at key sites and horizon scanning for changes to the external landscape (e.g. regulatory and market). The output has informed our understanding of how climate-related risks (both physical and transitional) could impact our business. We will review and evolve this scenario analysis and integrate the findings into our risk management approach, in order to ensure that mitigations are identified and in place to address our business resilience to climate change. Our approach to scenario modelling has been qualitative and we have started to develop a quantitative approach which will evolve.

"QinetiQ clearly set out the process in which they identified their climate risks. We liked how QinetiQ have outlined progress compared to last year and also how they plan to develop this further in the future.

Risk management (continued)

Banco Santander SA Climate Finance Report 2021 – June 2022, pg. 21

We also conducted deeper business analyses with a similar methodology to consider each segment's specificities and behaviour in the short, medium and long term.

IV. Monitoring

Grupo Santander uses risk appetite, scenario analysis and other tools to monitor climate-related and environmental risk.

Risk appetite and climate-related policies enable us to monitor and achieve related targets and commitments. Risk appetite has expressly considered climate since 2019. The board's qualitative risk appetite statement on climate links climate change management to our policy to prohibit or restrict financing in the energy, mining and metals, and soft commodity industries to avoid negative environmental or social impact. We regularly review our policies to make sure our standards remain consistent with our strategy and sound banking practices.

In line with our ambition to finance the transition to a low-carbon economy, in February 2021 Grupo Santander made its first decarbonization commitments to reach net-zero emissions by 2050. A quantitative metric that we have introduced into our risk appetite statement will limit our exposure to coal-mining customers and power generation customers who make 10% of their revenue from thermal coal and do not have a credible transition plan after an initial grace period. We are confident that we will achieve this phase-out by 2030, through regular communication with affected customers to share Santander's strategy.

In line with our established governance, we are working to include the power generation sector within our risk appetite statement as we continue to set targets for sectors identified in the action plan of the Net Zero Banking Alliance.

Another tool we use for monitoring climate-related and environmental risks is scenario analysis for both management and supervisory purposes. For management, see section "scenario analysis" in chapter 2. The ECB has a bottom-up Climate Risk Stress Test, which it performed before mid-2022 to assess how prepared banks are for dealing with financial and economic shocks stemming from climate risk. Because it is meant to be a learning exercise for both supervisors and financial institutions, its results are not expected to have any direct capital implications.

It covered Grupo Santander's consolidated perimeter and comprised three modules:

The three modules of the ECB Climate Risk Stress Test

1 QUALITATIVE QUESTIONNAIRE	2 CLIMATE RISK METRICS	3 BOTTOM-UP STRESS TEST PROJECTIONS
11 sections (78 questions): 1. Existence and use of ST exercises 2. Governance and inclusion in Risk Appetite 3. Integration into strategy 4. Methodology used 5. Scenarios 6. Data and sources of information 7. Inclusion on the ICAAP 8. Future development plan 9. Role of Internal Audit 10. EU subsidiaries of non-EU institutions 11. Methodological assumptions and choices	Non-financial corporates 22 sectors (NACE level 2) **2 metrics:** **1) Income from GHG intensive sectors** **2) Financed GHG emissions** (scopes 1, 2, 3) Top 15 companies per sector **Additional documentation:** • Actions previously carried out by the bank • Methodological approach	It covers **credit, market, operational and reputational** risk. **Transition risk:** EU/Non-EU 2 time horizons 3y: static balance sheet (BS) 30y: dynamic BS (2030, 2040, 2050) **Physical risk:** EU, 1y time horizon 2 hazards: drought & heat + flood **Operational** and **Reputational Risks** based on qualitative assessment (no projections)

TCFD recommendation: describe the organisation's processes for managing climate-related risks.

"

The way in which risks are managed can sometimes be a weaker element of disclosures. We like how Banco Santander SA have discussed their approach to monitoring climate-related risks. The description of their ECB risk stress test is detailed and informative.

Risk management (continued)

An update on our risk management approach

Our ERMF outlines how we manage risk across the Group, as well as at branch and subsidiary level[1]. It gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification.

Principal and Integrated Risk Types

Principal risks are risks inherent in our strategy and business model. These are formally defined in our ERMF which provides a structure for monitoring and controlling these risks through the Board-approved Risk Appetite. We will not compromise adherence to our Risk Appetite in order to pursue revenue growth or higher returns. The table below provides an overview of the Group's principal and integrated risks and risk appetite statement. In addition to principal risks, the Group has defined a Risk Appetite Statement for Climate Risk.

Principal Risk Types	Risk Appetite Statement
Credit Risk	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.
Traded Risk	The Group should control its financial markets activities to ensure that Traded Risk losses do not cause material damage to the Group's franchise.
Treasury Risk	The Group should maintain sufficient capital, liquidity and funding to support its operations, and an interest rate profile ensuring that the reductions in earnings or value from movements in interest rates impacting banking book items do not cause material damage to the Group's franchise. In addition, the Group should ensure its Pension plans are adequately funded.
Operational and Technology Risk	The Group aims to control Operational and Technology Risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise.
Information and Cyber Security (ICS) Risk	The Group has zero appetite for very high ICS residual risks and low appetite for high ICS residual risks which result in loss of services, data or funds. The Group will implement an effective ICS control environment and proactively identify and respond to emerging ICS threats in order to limit ICS incidents impacting the Group's franchise.
Compliance Risk	The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that while incidents are unwanted, they cannot be entirely avoided.
Financial Crime Risk	The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided.
Model Risk	The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models, while accepting model uncertainty.
Reputational and Sustainability Risk	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm.

Integrated Risk Types	Risk Appetite Statement
Climate Risk	The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients, in alignment with the Paris Agreement.
Digital Asset Risk	This Integrated Risk Type is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types.
Third-Party Risk	This Integrated Risk Type is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types.

1 The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

Standard Chartered plc Full Year 2022 Report, pg. 47 & 65

'Materiality' is considered to be the threshold for significance of reporting ESG issues for users of financial statements: investors and other stakeholders. We take into consideration the guidance as provided by the IFRS Foundation Standards, understanding that material issues are those which could reasonably be expected to influence decisions of those users. We also note that materiality for ESG considers both quantitative aspects as well as qualitative information, including a regard for sustainable social and economic development. This will evolve over time and we plan to continue to assess our approach and reporting based on relevance to our users.

TCFD recommendation: describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

“

Standard Chartered have included climate risk in their principal and integrated risk register, with a specific risk appetite statement. We liked how the approach to managing risk across the organisation was described. They also defined materiality in the context of ESG and the framework behind this.

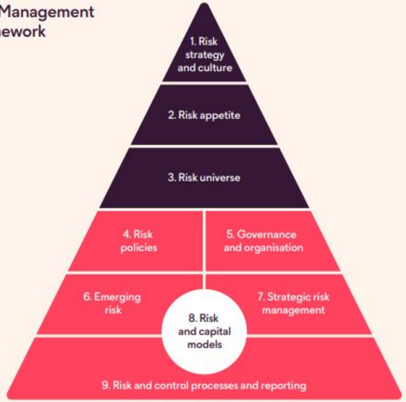
Risk management (continued)

Phoenix Group Climate Report 2022, pg. 43

Integration of climate risk within the Group's Risk Management Framework

The Group's Risk Management Framework ('RMF') sets out how the Group identifies, manages, monitors and reports on the risks to which it is, or could be exposed (including climate-related risks). The diagram below summarises how climate change is reflected across the Group's RMF.

Risk Management Framework



1. Risk strategy and culture
Sustainability and minimising environmental impact are a key component of the Group's strategy. We have a specific sustainability strategy and set net zero carbon commitments for operations, supply chain and the investment portfolio, as well as specific annual goals such as sustainable origination targets for private placements.

2. Risk appetite
The sustainability risk appetite statement is approved by the Board and has been updated during 2022 to reflect our latest sustainability strategy. We have approved supporting climate risk appetite statements and metrics with footprints throughout the Risk Universe.

3. Risk Universe
Climate risk is treated as cross-cutting risk, rather than standalone risk, as it can potentially impact all risk categories underlying the risk universe.

4. Risk policies
All policies have been reviewed to ensure appropriate content is included for material climate risk exposures. Policies with a potential climate impact contain specific flags to ensure climate risk is clearly considered.

5. Governance and organisation
Governance is led by the Board Risk and Board Sustainability Committees plus supporting management committees. There is clarity on roles and responsibilities across the three lines of defence.

6. Emerging risk
Climate and ESG risks continue to be monitored via the well-established emerging risk process, which also considers the evolving regulatory landscape. This is supported by forward-looking Own Risk and Solvency Assessment ('ORSA') monitoring.

7. Strategic risk management
Climate risk is a principal risk and considered as part of Line 2 oversight of strategic developments, e.g. Annual operating plan development, project reviews, ORSA, management actions and regular risk reporting.

8. Risk and capital models
External tools have been sourced to support carbon footprinting and climate scenario analysis. Models have been developed for internal climate scenario analysis with enhancements made in 2022 and planned in 2023.

9. Risk and control processes and reporting
A climate risk dashboard covering key Level 1 risks is integrated into our regular risk reporting. Minimum control standards are also in place for key policies.

TCFD recommendation: describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

> Phoenix Group have clearly set out how climate risk is embedded in their wider risk management framework. We like how they have described how climate change is included in each component and where enhancements will be made in the future.

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.

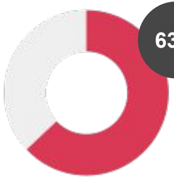
02 Intermediate

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

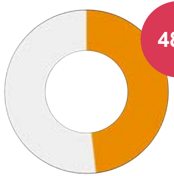
03 Advanced

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.

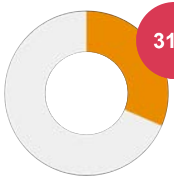
Of the companies we reviewed:



Report sophisticated **climate-related risk metrics**, including supply-chain, comparatives and financial metrics.
(37% in 2022)



Disclose **science-based Net Zero targets**, including interim and long term targets.
(57% in 2022)

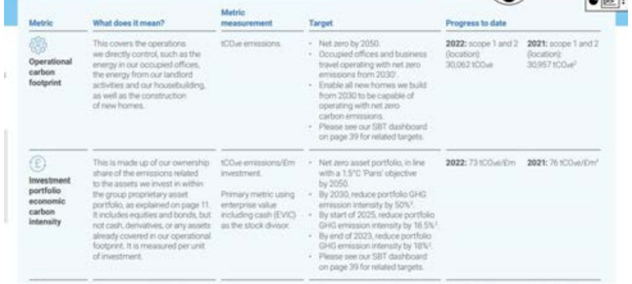


Disclose **performance** against targets using quantitative comparatives.
(65% in 2022)

Metrics   Targets

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.

L&G Climate Report Report 2022, pg. 31 – 39



Metric	What does it mean?	Metric measurement	Target	Progress to date	
Operational carbon footprint	This covers the operations we directly control, such as the energy in our occupied offices, the energy from our landlord activities and our housebuilding, as well as the construction of new homes.	tCO₂e emissions.	• Net zero by 2050. • Occupied offices and business travel operating with net zero emissions from 2030[1]. • Enable all new homes we build from 2030 to be capable of operating with net zero carbon emissions. • Please see our SBT dashboard on page 39 for related targets.	**2022:** scope 1 and 2 (location): 30,062 tCO₂e	**2021:** scope 1 and 2 (location): 30,957 tCO₂e[2]
Investment portfolio economic carbon intensity	This is made up of our ownership share of the emissions related to the assets we invest in within the group proprietary asset portfolio, as explained on page 11. It includes equities and bonds, but not cash, derivatives, or any assets already covered in our operational footprint. It is measured per unit of investment.	tCO₂e emissions/£m investment. Primary metric using enterprise value including cash (EVIC) as the stock divisor.	• Net zero asset portfolio, in line with a 1.5°C 'Paris' objective by 2050. • By 2030, reduce portfolio GHG emission intensity by 50%[3]. • By start of 2025, reduce portfolio GHG emission intensity by 18.5%[3]. • By end of 2023, reduce portfolio GHG emission intensity by 18%[3]. • Please see our SBT dashboard on page 39 for related targets.	**2022:** 73 tCO₂e/£m	**2021:** 76 tCO₂e/£m[2]

“

We like how L&G have set out their metrics, associated targets and disclosed performance against those targets. Targets which are Science-Based have also been highlighted in a separate table.

Science-based targets – (SBTi approved)

Science-based targets – (SBTi aligned)

Metrics and targets (continued)

Mondi Sustainable Development Report 2022, pg. 52-53

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

Reducing emissions across Scope 1 and 2

Performance against our target

Target: Reduce Scope 1 and 2 emissions by 46.2% by 2030 from a 2019 baseline

We reduced our Scope 1 emissions by 0.25 million tonnes and our Scope 2 emissions by 0.16 million tonnes compared to 2021. This is a 9.4% decrease in absolute Scope 1 and Scope 2 emissions of the Group and 16.9% reduction since the 2019 baseline. Since 2004, we have reduced our absolute GHG emissions by 3.0 million tonnes CO_2e, which is a 43.5% reduction.

The Group's total Scope 1 GHG emissions are predominantly due to the energy generation in our pulp and paper mills and energy sales. Our converting operations have a limited impact on the Group's total Scope 1 emissions (around 4%), but contribute to the Group's Scope 2 emissions by 30%. We are focused on increasing energy efficiency and purchasing electricity from renewable sources.

In 2022, we reduced the specific Scope 1 GHG emissions of our mills by 5.2% to 0.53 tonnes CO_2e/t (2021: 0.56 tonnes CO_2e/t), mainly due to our investment at our Ružomberok (Slovakia) mill.

45% of the Group's Scope 1 emissions are reported in regions with limits on GHG emissions; 25% are covered by the EU Emission Trading System and 20% are covered by South Africa's carbon tax.

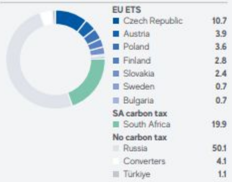
MAP2030 target updates

Initial target	New targets*	Reason for change
Reduce our Scope 1 and 2 emissions by 34% per tonne of saleable production by 2025 and 72% by 2050 from a 2014 baseline Reduce Scope 2 emissions by 39% per MWh by 2025 and by 86% by 2050 from a 2014 baseline	Reduce Scope 1 and 2 emissions by 46.2% by 2030 from a 2019 baseline	The 2050 Scope 1 and Scope 2 emissions reduction target has been revised to a more ambitious science-based target, approved in 2022.
Set a science-based Scope 3 reduction target by 2025	Reduce Scope 3 emissions by 27.5% by 2030 from a 2019 baseline	Meeting our initial commitment to set a science-based Scope 3 target.

* Our newly approved Net-Zero emission reduction targets include our Russian operations in scope as this process was already under way before our decision to divest from our Russian assets. The Net-Zero targets will be updated in due course upon completion of our divestiture to reflect our continuing operations.

Scope 1 and Scope 2 GHG emissions
(million tonnes CO_2e)

Scope 1 emissions by country
(%)



European mills are shown in blue

Scope 1 and Scope 2 GHG emissions from our pulp and paper mills
Intensity (tonnes CO_2e per tonne of saleable production)

Mondi have disclosed their Scope 1 and 2 emissions both at an aggregate and regional level. We like how a variety of metrics such as absolute and intensity emissions have been disclosed, and that performance over time has been shared.

Performance against our targets

Target: Reduce Scope 3 emissions by 27.5% by 2030 from a 2019 baseline

Our Scope 3 emissions are estimated to represent 46% of our total GHG emissions. In 2022, we reduced the Group's Scope 3 emissions by around 183,000 tonnes CO_2e. This is a reduction of 5.1% against last year and a 12.6% reduction against the 2019 baseline of our short-term Net-Zero target.

The reduction of Scope 3 emissions is mainly due to a slightly reduced production volume (around 2%) and a reduction in fossil fuel consumption for energy generation (around 5%).

Additionally, we replaced secondary data from publicly available and accepted data sources with primary data from some of our suppliers to improve Scope 3 data quality.

Target: Reduce Scope 1, 2 and 3 emissions by 90% by 2050 from a 2019 baseline

In 2022, our Scope 1, 2 and 3 emissions were reduced by 0.59 million tonnes to 7.4 million tonnes, which is a 7.4% reduction since last year (2021: 7.9 million t). In total we reduced those emissions against the 2019 baseline year by 1.3 million tonnes, achieving a 15% reduction.

Find our consolidated performance data here

Metrics and targets (continued)

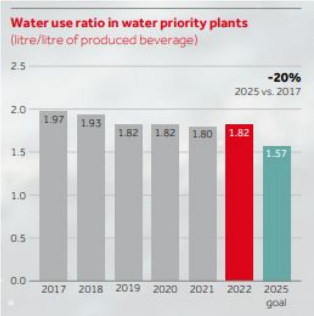
Coca-Cola HBC 2022 Integrated Annual Report, pg. 57 – 58 ; Sustainability Report 2022, pg. 7

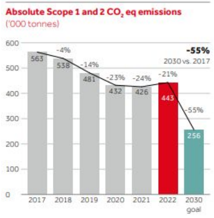
Sustainability targets

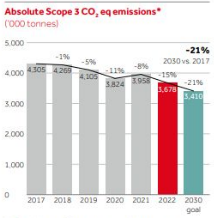
Sustainability areas and material issues	UN's Sustainable Development Goals (SDGs) and their targets	2025 commitments[1]		2022 performance	Status
Climate and renewable energy • Climate change • Economic impact	7: 7.2, 7.3; 9: 9.4; 11: 11.6; 12: 12.2; 13: 13.1	30%	reduction in carbon ratio in direct operations	31%	
		50%	increase in energy-efficient refrigerators to half of our coolers in the market	49%	
		50%	of our total energy from renewable and clean[2] sources	43%	Impact from Russian operations.
		100%	total electricity used in the EU and Switzerland from renewable and clean[2] sources	99%	
Water reduction and stewardship • Water stewardship • Economic impact • Biodiversity	6: 6.1, 6.4, 6.5, 6.6; 9: 9.4; 11: 11.6	20%	water reduction in plants located in water-risk areas (water priority locations)	7.4%	Impact from Russian operations. Further implementation of successful practices and innovations for those locations is planned.
	12: 12.1, 12.2, 12.4; 15: 15.1; 17: 17.17	100%	help secure water availability for all our communities in water-risk areas (water priority locations)	42%	Eight projects out of 19 locations.

“ Coca-Cola HBC have set a range of targets across a number of different areas that are impacted by their organisation. The goals and alignment to industry standards have been clearly stated and we like how progress against these targets have been described and quantified.

TCFD recommendation: describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets







* Recalculation of all emissions made due to conversion factors change.

3

Focus areas: a spotlight on the implementation of the incoming CSRD

Incoming disclosure standards: double materiality assessment

As per the incoming Corporate Sustainability Reporting Directive that will impact many companies with activities in the EU from FY24, a Double Materiality Assessment will be mandatory for all companies in scope for the regulations.

The CSRD has been issued by the European Financial Reporting Advisory Group and is split into 2 key requirements:

1. European Sustainability Reporting Standards (ESRS) – 12 standards which companies must report against based on the Double Materiality Assessment.
2. EU Taxonomy (see page 49).

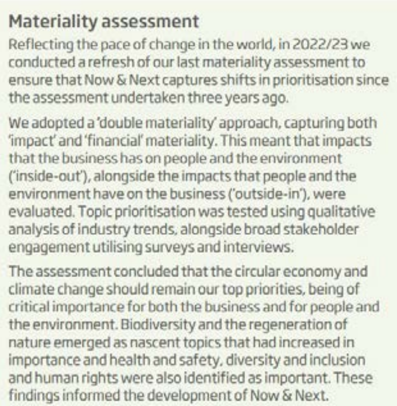
Throughout our analysis of FTSE 350 reporters, we noted some good practices in developing disclosures for the Double Materiality Assessment (DMA), please see laid out below.

CRH Sustainability report 2022, pg. 12-13

Whilst CRH are not yet reporting a DMA, they have recognised within their disclosure the future requirement and committed to disclosing the assessment in 2023. We liked the honesty and transparency in this disclosure and the recognition of the future requirement.

DS Smith Annual Report 2023, pg. 25

DS Smith have already conducted and are reporting a DMA, recognising material issues from both a ‘financial’ and an ‘impact’ perspective. DS Smith is one of the few reports noted where a DMA was performed, and is therefore an example of best practice.



Materiality assessment

Reflecting the pace of change in the world, in 2022/23 we conducted a refresh of our last materiality assessment to ensure that Now & Next captures shifts in prioritisation since the assessment undertaken three years ago.

We adopted a ‘double materiality’ approach, capturing both ‘impact’ and ‘financial’ materiality. This meant that impacts that the business has on people and the environment (‘inside-out’), alongside the impacts that people and the environment have on the business (‘outside-in’), were evaluated. Topic prioritisation was tested using qualitative analysis of industry trends, alongside broad stakeholder engagement utilising surveys and interviews.

The assessment concluded that the circular economy and climate change should remain our top priorities, being of critical importance for both the business and for people and the environment. Biodiversity and the regeneration of nature emerged as nascent topics that had increased in importance and health and safety, diversity and inclusion and human rights were also identified as important. These findings informed the development of Now & Next.

Incoming disclosure standards: double materiality assessment (continued)

SSE Sustainability Report 2023, pg. 8

Materiality review 2022/23: defining the issues that matter

The process of defining and confirming the most material social, economic matters, is the foundation of any business strategy for

The importance of 'double materiality'

SSE has consistently sought to understand its sustainability impacts, however, in 2022, it established an independent and thorough review of its most material environmental, social and governance (ESG) issues.

For the first time, SSE has adopted the 'double materiality' approach, a concept which acknowledges that a company should report simultaneously on sustainability matters that are material in influencing business value and material to the environment and society.

This approach is important because it considers SSE's sustainability impacts from both the perspective of its impacts on the outside world, and the outside world's impact on SSE, meaning risks and opportunities are viewed as a two-way impact. This is a comprehensive and rich consideration of social and environmental issues.

SSE is mindful that emerging ESG disclosure standards from the ISSB and elsewhere are likely to require evidence of a company's most material ESG issues – from both the company and stakeholder perspective. Being able to provide evidence of the status of those issues will support stakeholder confidence in SSE's non-financial disclosures.

RS Group Annual Report 2022/23, pg. 9

ENGAGEMENT IN ACTION

OBTAINING STAKEHOLDER INPUT AND INSIGHT

To ensure our 2030 ESG action plan remains focused on the most material ESG issues facing our business and stakeholders, in 2022/23 we completed our first ESG double materiality exercise to gain a full and current picture of our ESG impacts, risks and opportunities. We evaluated 18 topics categorised under each of our four global ESG goals and measured the impact that RS can have on the external world (business impact) and the financial risk and opportunities that the external world can have on RS (financial impact).

To obtain the list of key ESG material areas, we engaged with over 100 stakeholders across our people, customers, suppliers, communities and shareholders to help us prioritise key topics.

The exercise was overseen by the ESG Committee and included input from leadership teams across the Group.

To measure business impact, we ranked the Group's impact outwards on society and the environment, using the scale of 'Low -' to 'High +'. For financial impact, each ESG issue was rated as a risk and opportunity with a rating from either 'Low -' to 'High +' impact on adjusted operating profit over five years.

From an environmental perspective, the analysis shows that offering product and service solutions that promote a circular economy as well as sustainable packaging is one of our most material ESG areas. This is an area where we can make a big difference by engaging with our suppliers to offer more sustainable products to customers and by increasing the recycled content and recyclability of our packaging (see page 54). From a social perspective, our people and creating a purpose-led culture have the most material ESG impact. The work we are doing across the business to deliver our purpose-led culture, improve employee engagement and champion diversity and inclusion (see pages 62 to 67) are all examples of how we are delivering against this material ESG area.

Over time, we will evolve our ESG double materiality approach and align this with the work we are doing under TCFD to provide further granularity and a more sophisticated modelling method for our financial risks and opportunities.

OUR ESG DOUBLE MATERIALITY ASSESSMENT

"

SSE and RS Group are 2 further examples where they are already performing a double materiality assessment and reporting the results of this.

Incoming disclosure standards: EU taxonomy

EU Taxonomy is a further requirement of the CSRD regulations that will require companies captured by the regulation to report their proportion of revenue, capex and opex that aligns with the standard. Taxonomy disclosures will become part of the sustainability statement using a classification system that has a science based criteria.

Again we saw some best practice examples where companies have voluntarily disclosed their EU Taxonomy activities already in preparation.

Both CRH and DS Smith voluntarily disclosed a full EU taxonomy statement.

CRH annual report 2022, pg. 270-273

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

				Substantial contribution[1]		DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code(s) (2)	Absolute turnover (3) US$	Proportion of turnover (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of turnover 2022[2] (18) %	Category (enabling activity or) (20) E	Category '(transitional activity)' (21) T
A. TAXONOMY-ELIGIBLE ACTIVITIES															
A.1. Environmentally sustainable activities (Taxonomy-aligned)															
Cement[3]	3.7	0.2	1%	1%		N/A	Y	Y	N/A	Y	Y	Y	1%		T
Turnover of Taxonomy-aligned activities (A.1)		**0.2**	**1%**	**1%**									**1%**		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)															
Cement[3]	3.7	4.1	12%												
Turnover of not Taxonomy-aligned activities (A.2)		**4.1**	**12%**												
Total (A.1 + A.2)		**4.3**	**13%**										**1%**		**1%**

DS Smith Annual Report 2023, pg. 64-65

EU Taxonomy eligible and aligned activities

In DS Smith Annual Report 2022, for our first year of Taxonomy disclosure, we mapped our activities to the EU Taxonomy-eligible business activities and identified the per cent of total Group turnover, capital expenditure and operating expenditure relating to EU taxonomy-eligible activities.

For 2022/23, reflecting the development of the Taxonomy, we have reviewed our economic activities and extended the list of those business activities which we have assessed as taxonomy eligible and aligned based on information obtained from the EU's 'Taxonomy Navigator', provided by the European Commission.

We have identified the five eligible activities, along with their associated Standard Classification of Economic Activities in the European Community (NACE) system codes and sectors.
The use of NACE codes and sectors is for indicative purposes only and does not prevail over the activity description nor should it be interpreted as otherwise affecting the scope of reporting.

	Proportion of turnover (share of revenue) (%)		Proportion of capital expenditure ("CapEx") (%)		Proportion of operating expenditure ("OpEx") (%)	
	Eligible	Aligned	Eligible	Aligned	Eligible	Aligned
Cogeneration of heat/cool and power from bioenergy (D35.11, D35.30)	Less than 0.1%	0	4.22	0	-	-
Collection and transport of non-hazardous waste in source segregated fractions (E38.11)	3.34	3.34	1.06	1.06	1.34	1.34
Construction, extension and operation of waste water collection and treatment (E37.00)	Less than 0.1%	0	0.54	0	-	-
Forest management (A2)	0.22	0	0.37	0	1.76	0
Installation, maintenance and repair of energy efficiency equipment (C16, C17)	-	-	8.01	Less than 0.1%	-	-
Totals	**4**	**3**	**14**	**1**	**3**	**1**

4

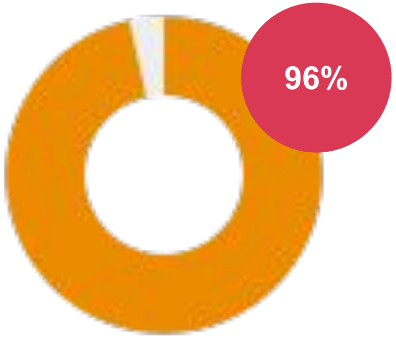
Appendices

Overview of analysis – Sustainability

Our analysis of leading FTSE 350, selected inbounds, and top track 100 private companies, yielded the following statistics across the range of criteria scored. The total number of companies assessed was 57.

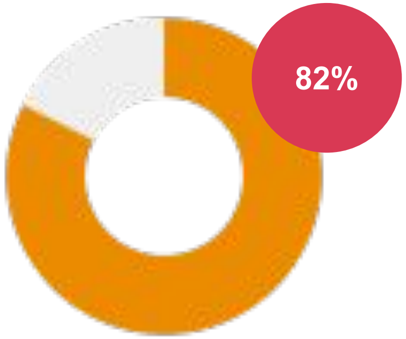
1. How does sustainability fit with your organisation's purpose?

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



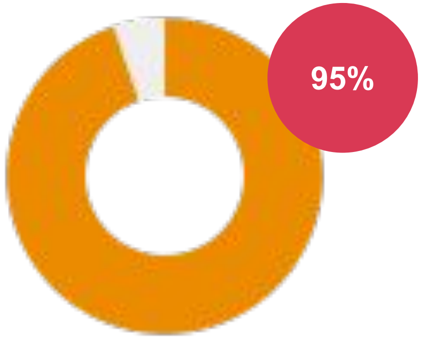
Describe the company's key business activities and how they link to sustainability.

(83% in 2022)



Describe the company's purpose beyond making money for shareholders.

(63% in 2022)



The company's purpose is well-aligned to its core business activities.

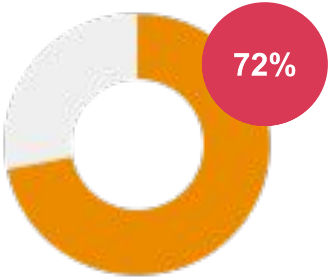
(94% in 2022)

Overview of analysis – Sustainability (continued)

Our analysis of leading FTSE 350, selected inbounds, and top track 100 private companies, yielded the following statistics across the range of criteria scored. The total number of companies assessed was 57.

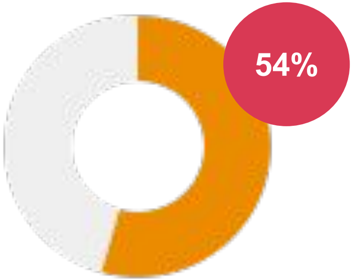
2. How does sustainability fit with your organisation's strategy?

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



Sustainability features as a key pillar of the core corporate strategy.

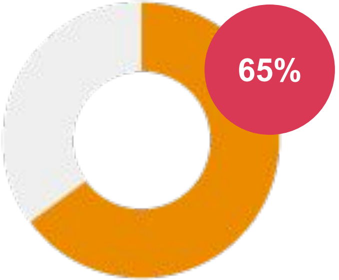
(66% in 2022)



Include a broader set of impacts other than climate change in the strategy

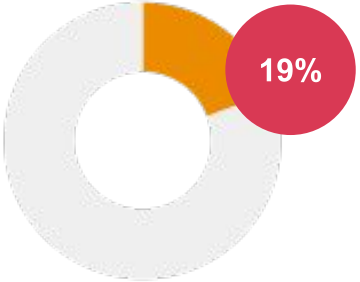
(70% in 2022)

3. Materiality



Explain the process it undertakes to identify its material sustainability issues.

(49% in 2022)



Disclose that the material issues and materiality process is reviewed on an annual basis.

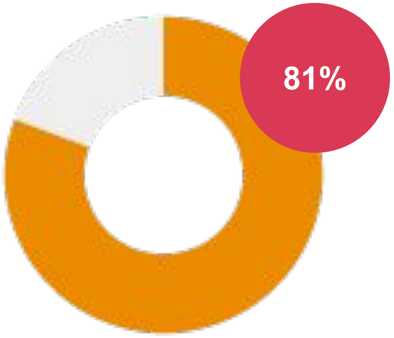
(19% in 2022)

Overview of analysis – Sustainability (continued)

Our analysis of leading FTSE 350, selected inbounds, and top track 100 private companies, yielded the following statistics across the range of criteria scored. The total number of companies assessed was 57.

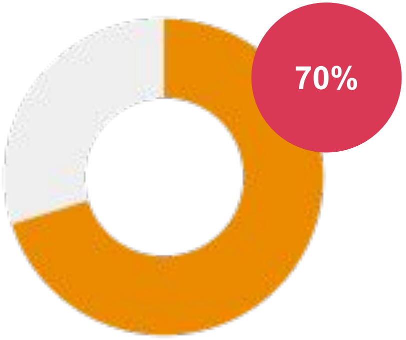
4. Stakeholder engagement

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



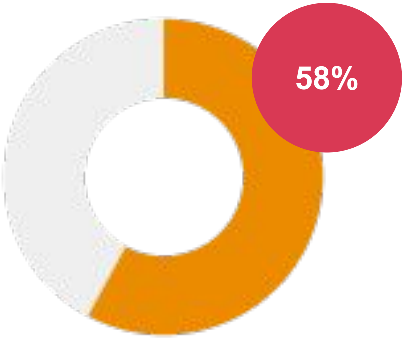
Identify internal and external stakeholders.

(81% in 2022)



Describe key issues identified by specific stakeholders.

(83% in 2022)



Outline action taken in response to stakeholder concerns.

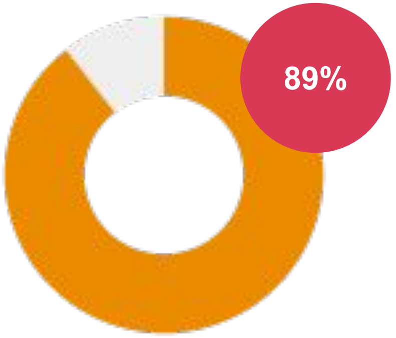
(84% in 2022)

Overview of analysis – Sustainability (continued)

Our analysis of leading FTSE 350, selected inbounds, and top track 100 private companies, yielded the following statistics across the range of criteria scored. The total number of companies assessed was 57.

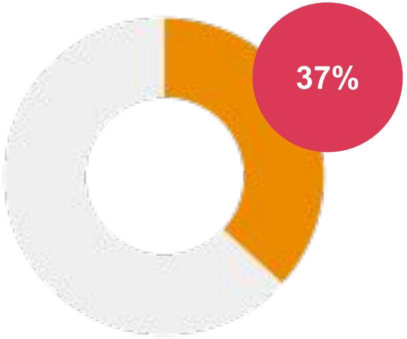
5. Risks and opportunities

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



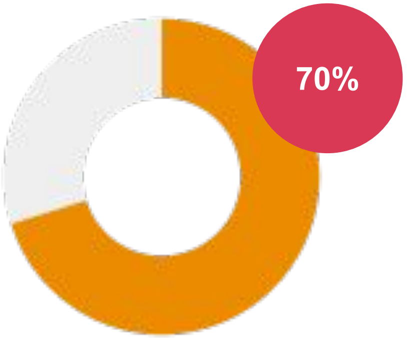
Explicitly identify their ESG risks.

(95% in 2022)



Explicitly identify their ESG opportunities.

(61% in 2022)



Include ESG-related risks in the annual report alongside other major business risks.

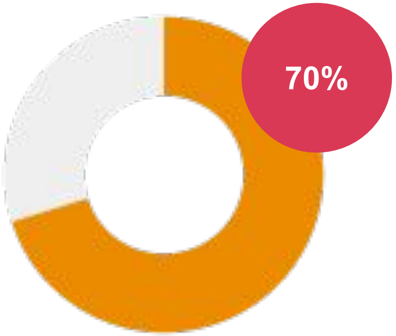
(50% in 2022)

Overview of analysis – Sustainability (continued)

Our analysis of leading FTSE 350, selected inbounds and top track 100 private companies, yielded the following statistics across the range of criteria scored. The total number of companies assessed was 57.

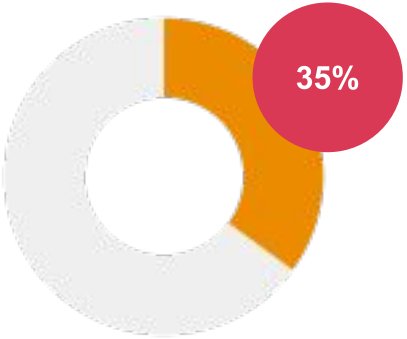
6. KPIs and targets

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



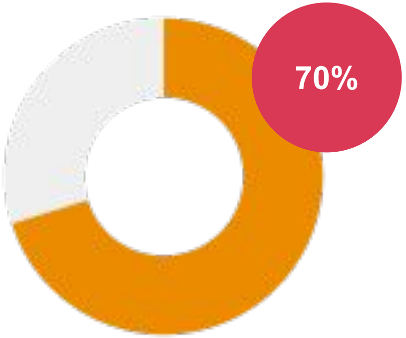
Disclose targets for each KPI.

(39% in 2022)



Describe progress towards targets.

(32% in 2022)



Clearly link KPIs to material issues.

(Not measured in 2022)

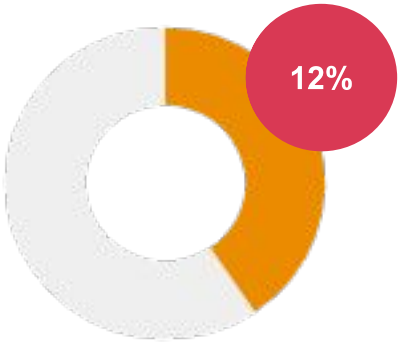
Overview of analysis – Sustainability (continued)

Our analysis of leading FTSE 350, selected inbounds, and top track 100 private companies, yielded the following statistics across the range of criteria scored. The total number of companies assessed was 57.

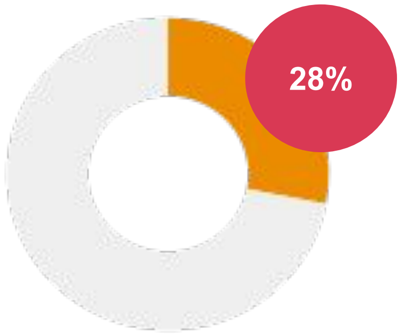
7. Impact

8. Assurance and reporting

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

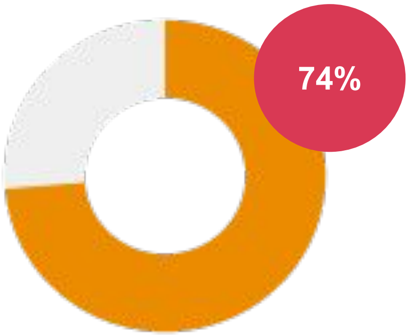


Specifically discloses its environmental and/or social impacts.
(5% in 2022)



Reference new environmental regulations/standards.

(12% in 2022)



Have reports externally assured against audit standards.

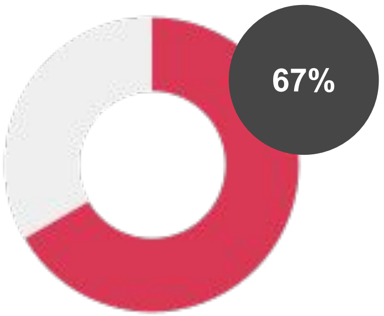
(56% in 2022)

Overview of analysis – Climate Change

Our analysis of leading FTSE 350, selected inbounds, and top track 100 private companies, yielded the following statistics across the range of criteria scored. The total number of companies assessed was 57.

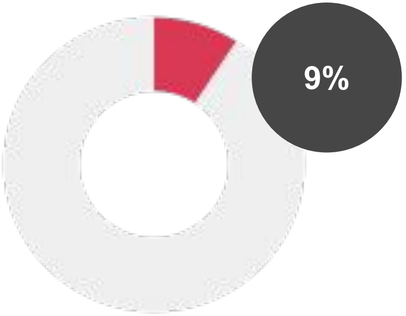
1. Governance

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



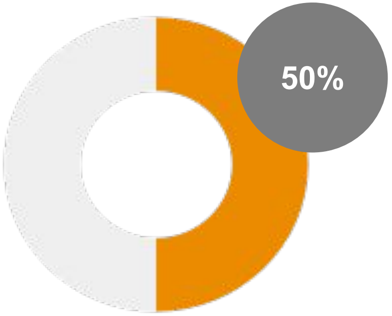
Disclose **board climate governance structure**, and link this to overall governance structure.

(75% in 2022)



Describe the **competencies of board members** in relation to climate change.

(7% in 2022)



Describe how **executive remuneration** is linked to climate-related objectives.

(50% in 2022)

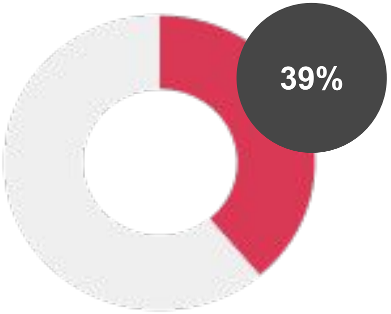
● Board overview ● Management's role in Assessment and Management

Overview of analysis – Climate Change (continued)

Our analysis of leading FTSE 350, selected inbounds, and top track 100 private companies, yielded the following statistics across the range of criteria scored. The total number of companies assessed was 57.

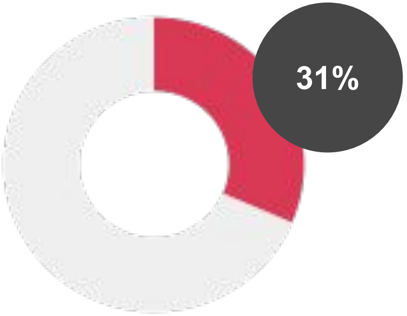
2. Strategy

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



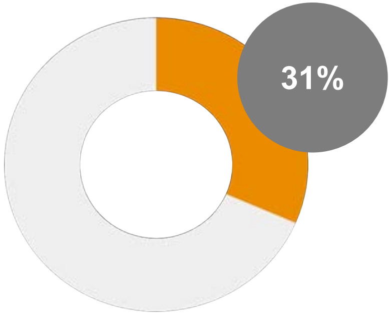
Identify **physical risks** and describe impact.

(49% in 2022)



Identify **transition risks** and describe impact.

(55% in 2022)



Have committed to **Net Zero** and provide a detailed transition plan for achieving this.

(84% in 2022)

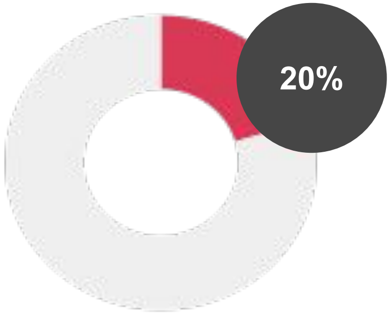
Identification   Impact

Overview of analysis – Climate Change (continued)

Our analysis of leading FTSE 350, selected inbounds, and top track 100 private companies, yielded the following statistics across the range of criteria scored. The total number of companies assessed was 57.

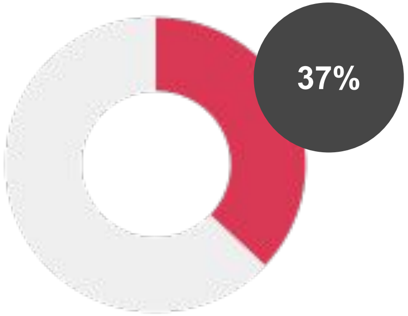
3. Risk management

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



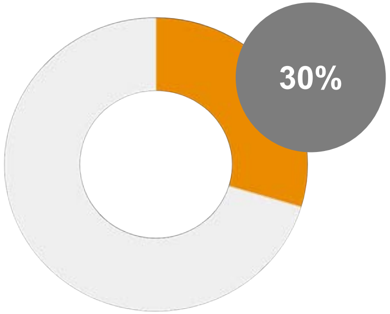
Disclose and explain the processes for **assessing impacts** and their potential size, scope and relative significance of climate-related risks.

(33% in 2022)



Describe engagement and **outcomes** with **multiple stakeholders** on climate change.

(26% in 2022)



Integrate climate-related risk into the overall risk management processes and explain how?

(52% in 2022)

Identification and assessment process

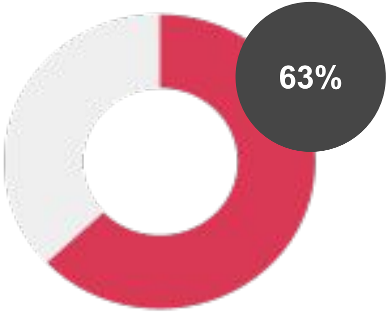
Risk integration

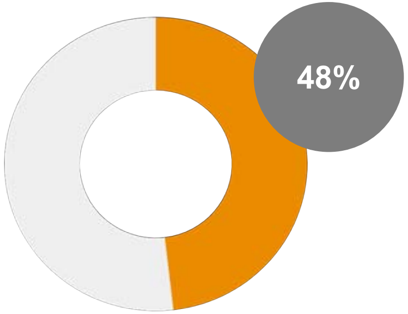
Overview of analysis – Climate Change (continued)

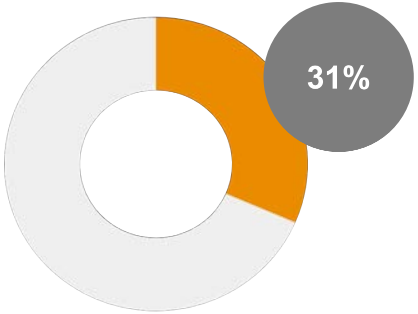
Our analysis of leading FTSE 350, selected inbounds, and top track 100 private companies, yielded the following statistics across the range of criteria scored. The total number of companies assessed was 57.

4. Metrics and Targets

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







Report sophisticated **climate-related risk metrics**, including supply-chain, comparatives and financial metrics.

(37% in 2022)

Disclose science-based **Net Zero targets**, including interim and long term targets.

(57% in 2022)

Disclose **performance** against targets using quantitative comparatives.

(65% in 2022)

Metrics Targets

For more information contact…

Alan McGill

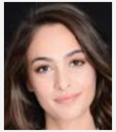
E: alan.d.mcgill@pwc.com
M: +44 (0) 7711 915663

Lynne Baber

E: lynne.r.baber@pwc.com
M: +44 (0) 7809 756065

Gordon Wilson

E: gordon.x.wilson@pwc.com
M: +44 (0) 7901 670585



Debora Rexho

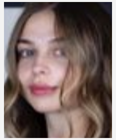
E: debora.rexho@pwc.com
M: +44 (0) 7843 331255

Charlotte Campbell

E: charlotte.campbell@pwc.com
M: +44 (0) 7704 074653

Ellie Ball

E: eleanor.ball@pwc.com
M: +44 (0) 7483 400133



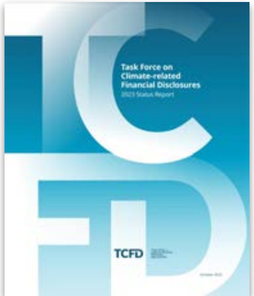
Ailis Eastop

E: ailis.eastop@pwc.com
M: 07483434992

…and refer to our other relevant reporting and analysis, available online

[PwC Net Zero Economy Index 2023]

[TCFD 2023 Status Report]



[European Union CSRD – Placemat]

[Navigating the ESG landscape]

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