

Demystifying Sustainability Reporting - Sustainable Business Network, 15 September 2023



Demystifying Sustainability Reporting - Agenda

- **Legal & Market Update** –Zoe Booth, Carbon Footprint Ltd
- **Demystifying Sustainability Reporting** – Zoe Rudge, Carbon Footprint Ltd
- **Case Study – ‘On Implementing TCFD in our Business’** – Harsha Thomas, De La Rue
- **Panel discussion**
- **Close**



Feedback Time!



Feedback - SBN - 15 September -
Demystifying Sustainability
Reportina



Legislation & Market Trends

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No bids for offshore wind in government auction



GETTY IMAGES

H2FLY And Partners Complete World's First Piloted Flight of Liquid Hydrogen Powered Electric Aircraft



Update to CAP and BCAP guidance on misleading environmental claims

Rishi Sunak hops on helicopter for Norwich visit

The Prime Minister travelled by helicopter from London to Norwich, in the latest example of the Prime Minister opting for air travel.

Dominic McGrath • Tuesday 29 August 2023 17:31



Plugging into the future: electric van production begins at Ellesmere Port

Investment by Stellantis has turned the Vauxhall plant into the UK's first dedicated to producing electric vehicles at scale



G20 Summit...

- No consensus on the phase-out of fossil fuels despite UN report
- G20 nations contribute ~80% of global emissions
- **More support needed for developing nations**
- African Union – 55 countries



Science-Based Targets – Beyond Value Chain Mitigation (BVCM)



- Public consultation ran June 19th to July 30th 2023
- 62-page consultation
- Aim: develop corporate guidance on BVCM to **accelerate and scale private sector mitigation finance (carbon offsetting)**
- Outcome to come from SBTi late autumn 2023

“Urgent Beyond Value Chain Mitigation is Essential,” SBTi

The independent one to watch : ISO 14068 – Carbon Neutrality

- We welcome a global definition!
- Can be certified by any ISO auditor – not just an ‘own brand’



ICVCM & VCMi – Confused? What’s the difference?



- Joined forces ahead of the Summit for New Global Financial Pact in Paris (June 2023)
- Aim:
 - Define best practice and credibility for use and sourcing high-integrity credits
- **Reinforces need for investment in the voluntary carbon offsetting to supplement on the road to Net-Zero (SBTi, CDP)**
- Own brand certification?
- Focus on:
 - Prioritising value chain decarbonisation
 - Complementary high-integrity credits
 - Promoting commitment to “quantified, independently verified science-based emission reduction targets”
- But will **ISO 14068 – Carbon Neutrality** cover all of this and provide an independent or ‘self-certification’ route?



Energy Savings Opportunity Scheme (ESOS) Phase 3 Updates



Qualification date - 31st December 2022

Compliance deadline – ~~5th December 2023~~ NOW 5th June 2024

- No changes to qualification criteria or date
 - 250+ employees
 - £44+ million annual t/o AND £38+ million balance sheet
- Unable to submit Phase 3 until changes finalised in legislation
- No recent updates – last update June from EA/DESNZ
 - ~ 8.5 months until the new deadline



Department for
Energy Security
& Net Zero

Fines continue to be issued for water companies

- Thames Water fined £3.34 million for sewage dumping
 - Discharged undiluted sewage to Gatwick Stream (Sussex) & River Mole (Surrey)
 - 1,400+ fish killed
 - Four charges in EA prosecution
- Note: 36% of water firm audits since 2010 are missing from EA
- Two men got custodial sentences over illegal waste site
 - Failed to have a fire-prevention plan
 - Repeatedly failed to correct following EA instruction
 - Permit revoked March 2017 – but site found still in use by EA
 - 2 men sentenced to 8 months custody

References / Useful Links

- <https://www.g20.org/en/g20-india-2023/new-delhi-summit/>
- <https://www.theguardian.com/business/2023/sep/07/electric-van-production-begins-ellesmere-port-stellantis-vauxhall-factory>
- <https://www.independent.co.uk/news/uk/rishi-sunak-prime-minister-norwich-london-government-b2401327.html>
- <https://www.h2fly.de/2023/09/07/h2fly-and-partners-complete-worlds-first-piloted-flight-of-liquid-hydrogen-powered-electric-aircraft/>
- <https://www.asa.org.uk/news/updated-environment-guidance-carbon-neutral-and-net-zero-claims-in-advertising.html>
- <https://www.gov.uk/government/publications/comply-with-the-energy-savings-opportunity-scheme-esos>
- <https://www.bbc.co.uk/news/uk-england-sussex-66097906>
- <https://www.bbc.co.uk/news/business-66749344>
- <https://cedrec.com/r/news/0723-four-men-sentenced-over-illegal-waste-site>
- <https://www.theguardian.com/environment/2023/sep/13/environment-agency-failing-to-monitor-water-firms-in-england-data-suggests>
- <https://icvcm.org/icvcm-and-vcmi-join-forces-to-operationalize-a-high-integrity-market-to-accelerate-global-climate-action/>

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Corporate Sustainability reporting

Disclosure of sustainability–related **non-financial** performance.

‘Non-financial’ means disclosing information relating to sustainability, also known as ESG reporting.

Reporting may be:

☐ **Required**

- Jurisdictional
- Sector specific

☐ **Solicited**

- Tendering (supply chain requirements)

☐ **Voluntary**



Enhanced sustainability reporting now a priority globally, particularly for **climate change impacts**.

Corporate Sustainability reporting

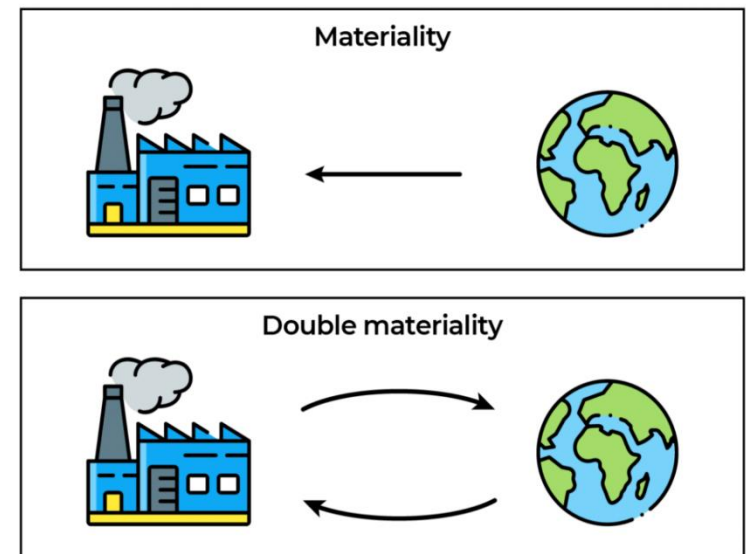
What do we mean by impact?

Single VS Double materiality

‘Materiality’ is an accounting concept which generally relates to the importance/significance of the disclosure.

For single-materiality this often means disclosing information **considered important to investors.**

Double materiality considers transparency of most significant sources of **environmental impact, considered important to wider stakeholders.**



Important because different frameworks/standards have different requirements for disclosure...

Acronyms galore!

ISSB, CSRD, TCFD, SECR, ESOS, CDP, SBTi ...

... the list goes on.

What do these mean?

Do they **apply to my business?**

What are the **reporting requirements**, and **by when?**

What if I need to **comply with more than one?**

What can my business do to **prepare?**

Enhanced sustainability disclosures are welcome but
additional resource and data is required.

Global standards and frameworks



"The greatest danger to our planet is the belief that someone else will save it"

Robert Swan, British Explorer

Several frameworks aim to standardise sustainability reporting globally e.g.

International Sustainability Standards Board (ISSB)

Taskforce on Climate-related Finance Disclosures (TCFD)

International Sustainability Standards Board (ISSB)



Aim: ***comprehensive global baseline for sustainability disclosure***, driven by needs of investors.

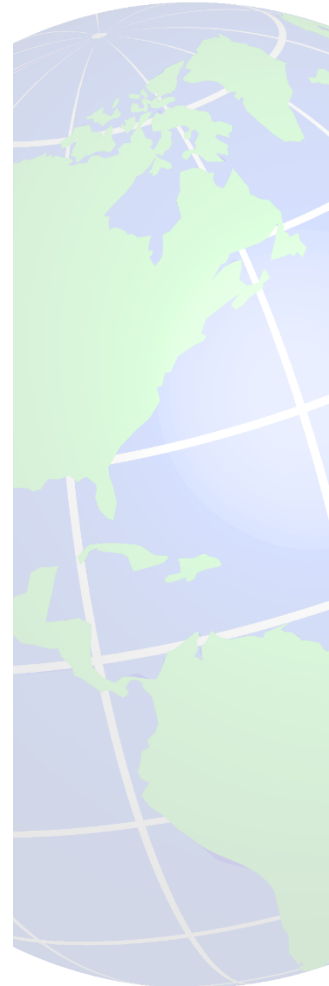
Governed by the **International Financial Reporting Standards (IFRS) Foundation** who are developing their Sustainability Reporting Standards.

- IFRS 1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 Climate-related Disclosures
 - Climate risks & opportunity disclosures
 - GHG emissions and targets.

Consideration for other frameworks during development

- interoperability with GRI, TCFD, CSRD etc.

Mandating ISSB aligned disclosure will be up to individual jurisdictions.



Taskforce on Climate-related Finance Disclosures (TCFD)



TCFD was created by the Financial Stability Board (FSB) in 2015.

Reporting **focuses on climate-related risks and opportunities**, for the needs of investors.



The aim of the TCFD is to drive more sustainable investment globally.

Recommendations for disclosure fall under four key elements:

- Governance
- Strategy
- Risk Management
- Metrics and Targets



Alignment to existing and new frameworks i.e., ISSB and endorsed by voluntary frameworks such as the Carbon Disclosure Project (CDP).

UK-specific standards and frameworks

UK currently has several mandatory sustainability reporting initiatives in place including:

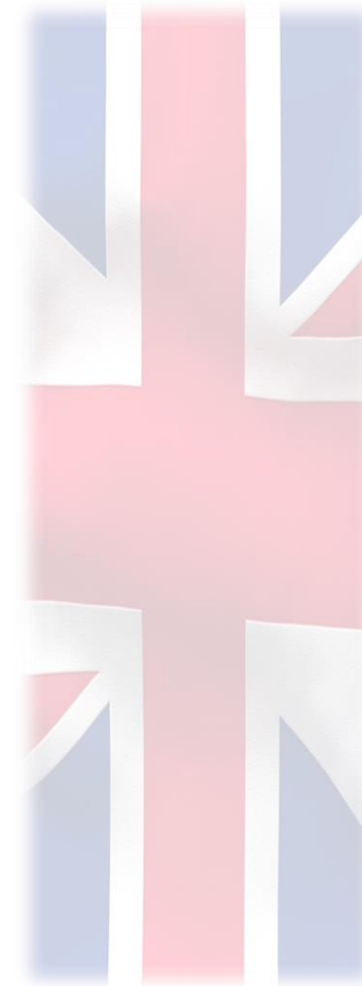
- **Energy Savings Opportunity Scheme (ESOS)**
 - Currently in Phase 3.
- **Streamlined Energy and Carbon Reporting (SECR)**
- **UK Government Procurement Policy Notice 06/21 (PPN-0621)**

Endorsement of global frameworks include:

- TCFD mandated by FCA (for finance institutions) and UK Government (for large non-finance sector organisations) since April 2022.

Coming soon...

- ISSB – UK Sustainability Disclosure Standards (SDS) being developed that will rely on the ISSB IFRS SDS – guidance expected summer 2024.



European standards and frameworks

Corporate Sustainability Reporting Directive (CSRD)

- Replaces the Non-Financial Reporting Directive (NFRD)
- Sustainable Finance Disclosure Regulation (SFDR) aligned.

Applies to **EU-registered companies, companies listed on an EU-regulated market**, and eventually **companies with significant activity within the EU**.

Must disclose in accordance with **European Sustainability Reporting Standards (ESRS)** developed by the European Financial Reporting Advisory Group (EFRAG). Some companies **required to comply as early as 2025, for FY on or after 1st January 2024**.

What does this involve?

- Double materiality with coverage of a wide range of ESG topics.
- Climate related scenario analysis required to assess company resilience.
- External assurance on sustainability information is mandatory
- Disclosures must be in company's management report and be digitally tagged.



US standards and frameworks (proposed)

US Securities Exchange Commission (SEC) proposed an ***Enhancement and Standardization of Climate-Related Disclosures***.

Applies to **large accelerated and accelerated filers** first with coverage expected to expand.

Proposed disclosures will:

- Have a climate focus, closely aligned to TCFD.
- Be aimed at the needs of investors.
- Disclose climate risk and opportunities and GHG emissions (incl. phase in of scope 3 where relevant), intensity metrics and targets.

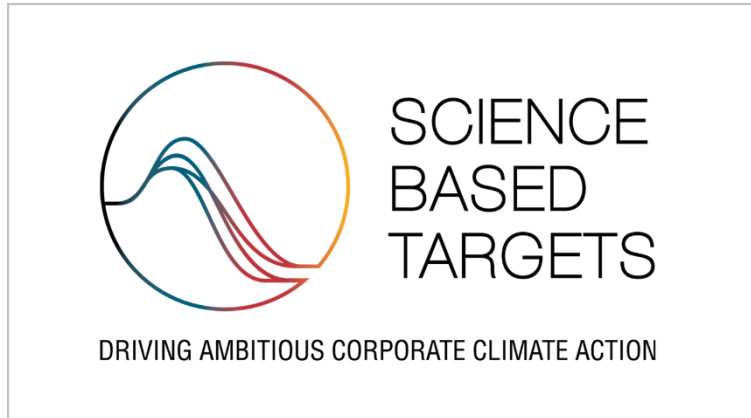
External assurance on Scope 1 and 2 emissions required for larger businesses.

Where must disclosures be made?

- Sustainability disclosures must be included in registration statements and annual reporting i.e., Form 10-K, and must be digitally tagged.
- **Certain climate-related financial metrics required within a company's consolidated financial statements.**



Voluntary frameworks and standards



- PAS 2060 Carbon Neutrality
- PAS 2080 Carbon management for the built environment



- ISO 14001
- ISO 14064
- Coming soon...ISO 14068

Summary: what we have covered



A range of **current and new sustainability reporting frameworks**

Which **businesses** these apply to and by when

What the **reporting requirements** are

Compliance with **multiple frameworks**

Standard	CSRD	SEC	ISSB	TCFD
Release date	July 2023	TBC – expected Autumn 2023	June 2023 IFRS 1+2	June 2017
Who needs to comply?	<ol style="list-style-type: none"> Companies reporting under NFRD and large EU-listed companies (+500 employees). All other listed (EU regulated market) and large non-listed EU companies that meet at <u>least two</u> of the following three criteria: <ul style="list-style-type: none"> 250+ employees Net Turnover of EUR +40M Balance sheet of EUR+20M Listed SMEs small and non-complex credit institutions, and captive insurance undertakings (separate standard to be released) either EU-registered or listed on an EU regulated market. Non-EU businesses generating over +€150m inside the EU and one or more subsidiary branch in the union. 	<ol style="list-style-type: none"> Large Accelerated Filers (public float of +\$700M) Accelerated filer (public float of \$75M-\$700M) Non-accelerated filers (reporting company that is not considered large, accelerated or SRC). Smaller Reporting companies (public float of <\$250M or <\$100M in annual revenue and no public float/float of <\$700M). 	<p>UK expected to endorse ISSB to develop new Sustainability Disclosure Standards.</p> <p>Other countries expected to endorse these include Canada, Japan, New Zealand, Australia, Hong Kong, Malaysia, Nigeria + others to come.</p>	<p>UK: Mandated for large (500 employees or +£500m turnover) and many <u>UK</u> registered listed companies.</p> <p>Others currently mandating TCFD include Canada, New Zealand, Switzerland, Hong Kong (by 2025) + others.</p>
When?	<ol style="list-style-type: none"> FY2024 (published 2025) FY 2025 (published 2026) FY 2026 (published 2027) 	TBC	UK update expected summer 2024.	UK: Since April 2022.

What can my business do to prepare?

- **Evaluate mandatory reporting requirements** based on jurisdiction, your sector and supplier requirements.
 - When and when you are required to comply will depend on your business (size, location, sector).
- Consider **voluntary disclosures** that may benefit your business (and tie in with mandatory reporting).
- **Carry out a gap analysis** well ahead of inaugural reporting deadlines to ensure preparedness.

Never too soon to prepare – data availability is a challenge, monitoring this now will save headaches in the future.



Questions?

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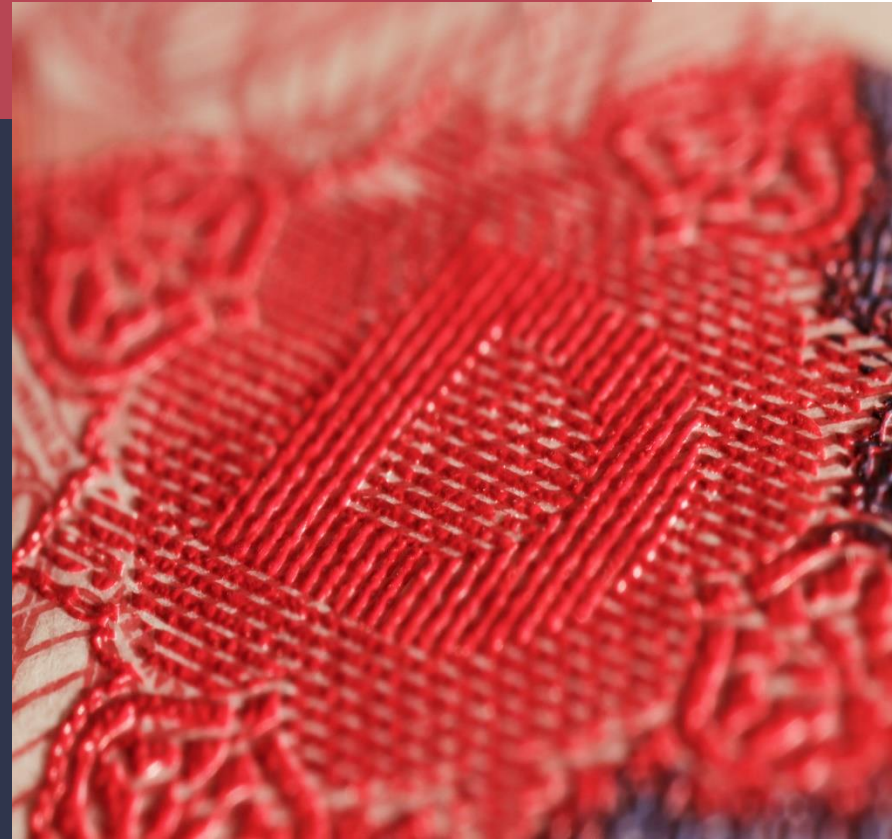
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A Case Study on Implementing the TCFD

Sustainable Business Network



De La Rue provides governments and commercial organisations with products and services that underpin the integrity of trade and personal identity and the movement of goods.

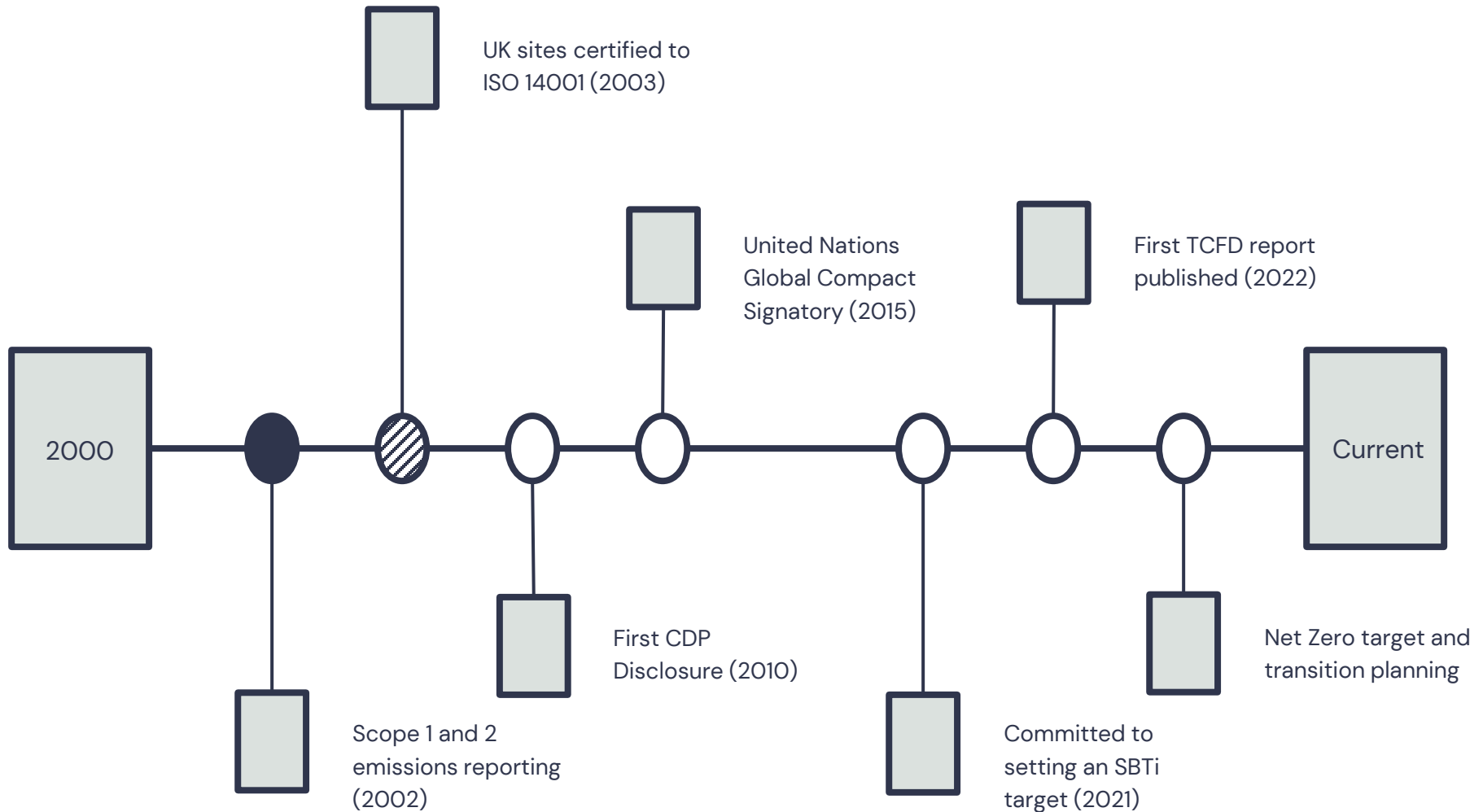
De La Rue Currency provides market-leading end-to-end currency solutions to over half the central banks and issuing authorities around the world.

Our Authentication solutions are reliable, adaptable, and rapid to implement to protect revenue and reputations.

De La Rue is a FTSE listed company and our employees are spread across 22 countries.



Our Sustainability Journey





Meeting the TCFD Recommendations

To meet the requirements of listing Rule 9.8.6R, De La Rue had to meet to the recommendations of the Taskforce for Climate Related Financial Disclosures (TCFD) on a comply or explain basis from 2022 onwards.

Our first step was to undertake a gap assessment to evaluate how ready we were for TCFD reporting.



Governance

Strongly aligned with minimal adoption required

Review of how well climate-related issues are integrated into the governance structure

Strategy

Weakly aligned with major adoption needed

Climate scenario analysis

Risk

Strongly aligned with minor adjustments

Management

Aligning with our CDP responses

Metrics and Targets

Partially aligned with greater emphasis needed on short, medium, and long term targets

Near-term science-based target submission

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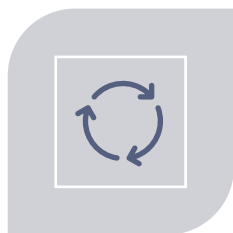
STRONG
GOVERNANCE
STRUCTURE

02

WELL-
INTEGRATED
ENTERPRISE RISK
MANAGEMENT

03

CDP DISCLOSURE
EXPERIENCE



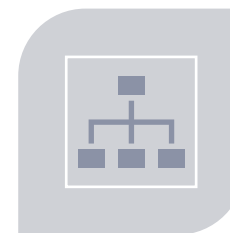
ADOPTION
REQUIRED TO
MEET TCFD
REQUIREMENTS.



DESIGNING MOST
APPROPRIATE
SCENARIO
ANALYSIS TOOK
TIME AND
CONSIDERATION.



CLIMATE
SCENARIO
WORKSHOP WITH
SENIOR
STAKEHOLDERS.



INTEGRATING
CLIMATE RISK
MANAGEMENT
PROCESSES INTO
CURRENT
FRAMEWORK.

- TCFD promotes internal thinking to improve external reporting.
- Realistic scoping for scenario analysis.
- Bring in experts across the business.
- There is already more information than you think.





New Reporting Frameworks

De La Rue will have to comply with the Corporate Sustainability Reporting Standard (CSRD) and International Sustainability Standards Board's (ISSB) S1 and S2.

Meeting the TCFD recommendations have improved our readiness to report against these new standards.

Readiness is not limited to the ESG team.

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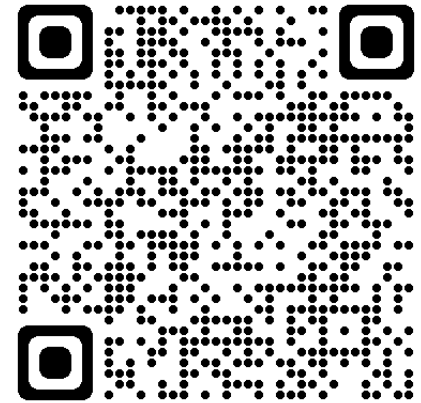
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