

EBOOK

# The Big eBook of Sustainability Reporting Frameworks 2024



**ecoact**

# Introduction

This eBook is here to guide you through the acronym-laden world of sustainability reporting frameworks by bringing all the key information together into one place.

This guide will help you navigate through the complex landscape of sustainability frameworks with a climate, energy and financial sector focus.

Despite the myriad of challenges of the last year including energy and cost of living crises, and geopolitical conflicts, momentum on climate-related sustainability has continued.

The last year saw many reminders of the urgency of the climate crisis, with scientists confirming that 2023 was the hottest on record and approached 1.5° Celsius above pre-industrial levels. The impacts of this warming in the form of extreme weather events are all too clear.

Since the release of the Intergovernmental Panel on Climate Change (IPCC) “Global Warming of 1.5°C” report in 2018 which positioned the efforts of the private sector as integral to ensure that global warming stays within the 1.5°C limit, reporting frameworks, voluntary and mandatory, have grown to facilitate the integration of sustainability into organisations’ strategies and to guide them towards greater transparency for their stakeholders.

The pressing need to ensure that the wealth of climate commitments are matched by sufficient action has continued to push forward the evolution of these frameworks over the past 12 months.

Perhaps more than ever before, we find ourselves with a confusing and fast-moving landscape for businesses to traverse when attempting to comply or deciding how to voluntarily disclose their sustainability actions.

There are more than 30 voluntary environmental reporting frameworks that companies can use. It is therefore difficult to determine which ones are the most appropriate. If you are lost, you are not alone. Our guide is designed to help you and to provide clarity on the frameworks relevant for your organisation.

This non-exhaustive guide lists the main voluntary and mandatory reporting frameworks. Initially published in 2019, this 2024 edition has been updated to keep you on top of the latest changes. For each one, we have integrated detailed analysis of the requirements, and a summary of its distinctive criteria and benefits.

While each is individual, there are also many overlaps and many similarities. To provide some clarity and to organise a sea of bamboozling acronyms, we have divided these frameworks into three broad categories: Energy & Emissions frameworks, Sustainability frameworks and frameworks for Financial Institutions.

# Definitions & terminology

Here we have defined some repeated terminology, important to understanding the scope and inclusions of some of the reporting frameworks.

## Quoted Company

As defined by Section 385 of the Companies Act, a company whose shares are quoted on a European stock exchange (including the London Stock Exchange), NYSE or NASDAQ

## Unquoted Company

A company that does not meet the criteria of a quoted company (see left) and is, therefore, not a quoted company

## Scope 1 Emissions

Direct company emissions from owned or controlled sources

## Scope 2 Emissions
















Indirect emissions from purchased energy

## Scope 3 Emissions

Indirect emissions that occur in the value chain of a company, both upstream and downstream

















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Energy & Emissions	Legislation	SECR	Mandatory UK-specific carbon and energy reporting regulations which include more companies and require more information than the previous legislation (CRC)	9	
		ESOS	Mandatory UK energy assessment legislation. It requires qualifying companies to report energy consumption and identify energy efficiency measures for the purpose of reducing energy usage	10	
	Standard	GHG Protocol	An internationally credible methodology for the calculation of Scopes 1, 2 & 3 emissions which can be used in mandatory and voluntary reporting frameworks	12	
		ISO 14064	An internationally credible standard for the calculation of Scopes 1, 2 & 3 emissions which can be used in mandatory and voluntary reporting frameworks	13	
		PAS 2060	An internationally recognised voluntary standard for operational carbon neutrality through which companies can gain certification	14	
		ISO 50001	An international energy management standard which assists in implementing a continual improvement approach to energy efficiency	15	
		ISO 14001	ISO 14001 is an internationally agreed and recognised standard for Environmental Management Systems	16	
		Net-Zero Standard	New Net-Zero Standard from the Science-Based Targets initiative (SBTi), considered global best practice for companies setting net-zero strategies	17	
		Net-Zero Guidelines	The Net-Zero Guidelines, published by the ISO, establish a standardisation framework based on 12 guidelines to help companies achieve net-zero emissions	18	
		ACT Initiative	The ACT (Assessing low Carbon Transition) initiative offers several sector-specific methodologies to assess the extent to which an organisation has a strategy aligned with the decarbonisation trajectories of its sector.	19	
	Permits	CCA	A voluntary UK scheme whereby companies can commit to challenging energy reductions with the incentive of receiving reductions in Climate Change Levy (CCL) charges	20	
		EPR	UK permit scheme managed by the Environment Agency in which a mandatory permit must be obtained by installations for certain activities that pose risks to the environment or health	21	
		MCPD	New regulation which seeks to fill the legislative gap previously existing between large and small combustion plants by mandating permits and Emissions Limit Values (ELVs)	23	
		EU ETS	Mandatory EU cap and trade system of greenhouse gas emissions allowances. Covering high emitting or energy intensive sectors, companies are provided emissions allowances and can sell surplus allowances or purchase additional	24	
		UK ETS	Replaced the UK's participation in the EU ETS. Aims to increase the climate ambition of the UK's carbon pricing policy, whilst also protecting the competitiveness of UK businesses	25	














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Sustainability	Environmental, Social & Governance (ESG)	UN Global Compact	10 UN sustainability principles addressing broad sustainability issues which companies can voluntarily demonstrate alignment with	27	
		SDGs	17 UN environmental, social and economic goals with 169 associated targets that companies can voluntarily demonstrate that they are contributing to	28	
		Ecovadis	An online sustainability framework that provides performance ratings for companies within global supply chains	29	
		GRI	An internationally recognised and extremely broad framework of standards for reporting on sustainability with requirements, recommendations and guidance on 900 sustainability topics	30	
	Investor-led	TCFD	A set of recommendations to assist companies in better accounting for climate-related risks in their financial and mainstream disclosures	31	
		TNFD	Global science-based initiative that develops and delivers risk management and disclosure frameworks for organisations to report and act on evolving nature-related issues	33	
		IFRS I and II	In 2023, the ISSB published two standards to facilitate the risks & opportunities reporting of any company's value chain	34	
		DJSI	Published indices of the top 10% of companies who respond to a questionnaire covering Economic, Environmental and Social issues	35	
		CDP	One of the largest international, investor-led sustainability reporting frameworks. It is voluntary, but companies can be asked to respond by their stakeholders	36	
		RE100	The Renewable Energy 100 initiative brings together major companies that want to source 100% of their energy from renewable energy sources by 2050	38	
		EV100	Global initiative promoted by the Climate Group to bring together companies that are committed to electrifying their owned and contracted fleets	39	
	Legislation	CSRD	From 2024, 50,000 companies will gradually be covered by extended and harmonised ESG reporting on ESG criteria	40	
		EU Taxonomy	A regulatory classification system under which companies may define which of their economic activities are environmentally sustainable	41	
		CFD	The Companies (Strategic Report) (Climate-related Financial Disclosure) (CFD) Regulations were implemented from April 2022	42	
		International TCFD regulations	Several jurisdictions outside of Europe have implemented their own climate risk reporting requirements aligned to the recommendations of the TCFD and/or IFRS I & II.	43	
		SEC	Aims to enhance the climate-related disclosures of US publicly traded companies by including information relating to climate-related risks.	44	
		California Climate Disclosure Bill	Consists of Senate Bill (SB) 253, which mandates the disclosure of emissions, and SB 261, which mandates disclosures in line with the recommendations of the TCFD	45	
		CSDDD	The Corporate Sustainability Due Diligence Directive aims to enhance the protection of the environment.	46	

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Sustainability	Standard	TPT	The Transition Plan Taskforce seeks to assist organisations in reaching their climate objectives and endorsing the UK government's commitment to achieving net zero emissions by 2050	47	
	Real Estate and Infrastructure	BREAAM	A voluntary sustainability assessment method and certification for buildings and infrastructure, which is increasingly a requirement for UK and EU local and government buildings	49	
		GRESB	A sustainability performance benchmark for real estate portfolios or assets which could be asked for by investors	50	
		LEED	A framework developed by the US Green Building Council that provides a globally recognised certification for best practice in sustainable buildings	51	
		SKA	The SKA rating is an environmental assessment method and standard for non-domestic fit outs	52	
Financial Initiatives	Standard	PCAF	PCAF is an industry-led partnership and is the global standard for financial portfolio footprinting	54	
		PBAF	The Partnership for Biodiversity Accounting Financials enables financial institutions to assess and disclose their impact and dependencies on biodiversity of any loans and investments	55	
		TPT for financial institutions	Disclosure Framework for the banking sector, which sets out good practice recommendations for transition plan disclosures.	56	
		SBTi FI	The SBTi Finance sector guidance, enables financial institutions, such as banks and insurance companies to set SBTs and have them validated by SBTi	58	
		ICMA Green Bonds principles	The Green Bond Principles (GBP) are guidelines that enable issuers to finance sustainable projects.	59	
		EU Green Bond Standard	The EU Green Bond Standard (EUGB) has been created to ensure that there is adequate transparency in line with market best practice regarding the issuance of green bonds across the EU	60	
	ESG	UNEP FI PRB	The UNEP FI helps financial institutions to develop practical approaches to setting and implementing targets	61	
		UNEP FI PSI	The UNEP FI PSI (Principles for Sustainable Insurance) serves as a structure for the insurance industry to address environmental, social and governance risks and opportunities.	63	

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Financial Initiatives	Legislation	SFDR	SFDR mandates ESG disclosure requirements for asset managers and other participants in financial markets	64	
	Investor-led	TNFD for financial institutions	TNFD is a global science-based initiative with the mission to develop and deliver risk management and disclosure framework for organisations to report and act on evolving nature-related issues	65	
		FCA PS21/24 - TCFD for Asset Managers	The FCA's TCFD-aligned regulations apply to asset managers, life insurers and FCA-regulated pension providers	66	
		NZIF	The Net Zero Investment Framework offers a unified set of suggested actions, metrics, and methodologies for investors to optimise their efforts towards attaining global net zero emissions	67	
		UN PRI	Works to promote sustainable investment through the incorporation of environmental, social and governance factors into investment decision-making	69	
		Green Loan Principles	A set of voluntary guidelines issued by the Loan Market Association to aid the development of a market-standard approach to green lending	70	

# Energy & Emissions Frameworks

This category contains the bulk of the mandatory frameworks in this eBook, which are focused on ensuring large companies adequately disclose their emissions and energy usage. Whilst legislation and permits predominate this category, also included are the internationally accepted methodologies for emissions calculation as well as additional voluntary certifications for companies wishing to be proactive on climate and emissions.





# SECR

## Streamlined Energy & Carbon Reporting

Streamlined Energy & Carbon Reporting (SECR) is the UK-specific mandatory reporting regulation which replaced the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.

SECR came into force on 1st April 2019 increasing the number of companies obliged to report energy usage and carbon emissions from 1,600 to over 10,000.

MANDATORY



UK



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### Who must comply?

- UK incorporated quoted companies
- UK registered unquoted companies and Large Limited Liability Partnerships (LLPs) that satisfy two or more of the following criteria:
  1. Have 250 employees or more
  2. Have an annual turnover of £36 million or more
  3. Have an annual balance sheet of £18 million or more
- Large unregistered companies that are required to produce directors' reports under the Large and Medium-sized Companies and Groups Regulations 2008
- Exemptions: Low energy users. If an organisation's energy use is less than 40,000 kWh in a reporting year

### What is reported?

This will depend on whether you are a quoted or unquoted company.

Quoted companies must report:

- Global Scope 1&2 emissions
- Underlying global energy use that is used to calculate GHG emissions
- Proportion of emissions and associated energy relating to UK & Offshore
- Previous year's figures for energy use and GHG emissions
- Methodologies used in calculation of disclosures
- Information about energy efficiency actions implemented in the organisation's financial year

Large unquoted companies and LLP's must report:

- UK energy use and associated emissions; at a minimum report purchased electricity, gas and transport fuel for business travel (including fuel used in personal/hire cars on business use)
- At least one emissions intensity ratio
- Previous year's figures for energy use and GHG emissions
- Methodologies used in calculation of disclosures
- Information about energy efficiency actions implemented in the organisation's financial year

Disclosure is required in the Director's Report.

### Benefits

- Increased awareness of energy costs within your organisation
- Provision of data to inform adoption of energy efficiency measures
- Reduce your organisation's impact on climate change
- Provides greater transparency for stakeholders
- Aligned to the TCFD Metrics & Targets section

# ESOS

## Energy Savings Opportunity Scheme

ESOS is a mandatory energy assessment scheme for UK organisations that meet the qualification criteria. Organisations must comply with their ESOS obligations by undertaking comprehensive assessments of total energy consumption and carry out energy audits to identify cost effective energy savings opportunities. ESOS operates in four-yearly compliance cycles. ESOS is now in Phase 3 and the deadline for compliance is 5th June 2024.

It is the UK's implementation of Article 8 of the EU Energy Efficiency Directive (EED). Each country has implemented the directive slightly differently, therefore steps to compliance vary between participating countries.

MANDATORY



UK



ENERGY



### Who must comply?

An undertaking is mandated to comply with ESOS legislation if on the qualification date the company is:

1. A UK undertaking with 250+ employees, or;
2. A UK undertaking with fewer than 250 employees but has:
  - An annual turnover exceeding €50m, and
  - A balance sheet exceeding €43m, or;
3. Part of a corporate group which includes a UK undertaking that meets either criteria 1 or 2 above.

### Route to compliance

1. Determine corporate groupings for qualification and participation.
2. Determine the 'Total Energy Consumption' for the organisation for 12-month reference period. This includes all input energy use in the UK, e.g. buildings, industrial processes and transport. It must be calculated in a common unit.
3. Identify the 'Significant Energy Consumption' by identifying assets and activities that amount to at least 95% of your total energy consumption. NB: The ESOS de minimis threshold has been reduced from 10% to 5% in Phase 3.
4. Determine Compliance Route. The preferred ways to comply with ESOS are either by using: a) ISO 50001 certification, or b) ESOS compliant energy audits (most common route). The key output from the different compliance routes, is the identification

of potential energy efficiency opportunities within the business and gaining visibility at board level.

5. Appoint ESOS Lead Assessor & Sign-off. Once completed, a board level director and ESOS lead assessor will be required to sign-off the ESOS compliance.

6. Notify the Environment Agency, (EA) prior to compliance deadline

The scheme is designed that the workload can be spread across the four-year ESOS cycle thus, identifying energy efficiency measures on an ongoing basis and not just in the compliance deadline year.

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## Benefits

- Companies identify energy efficiency measures that can lead to cost savings.
- ESOS enables companies to make annual comparisons and to track their energy efficiency progress.
- It provides board-level visibility of energy consumption and costs, alongside opportunities of how it can be reduced.
- Provides greater clarity around implementation processes.





GREENHOUSE  
GAS PROTOCOL

# GHG Protocol

Created by the World Resources Institute and the World Business Council for Sustainable Development with the support of NGOs and governments, the GHG Protocol works with many actors to build credible and effective greenhouse gas (GHG) accounting methods and reporting platforms that address the challenge of climate change. The first standard was published in 2001, since then the method has been used worldwide, especially for corporate climate reporting (for example to CDP). The GHG Protocol also provides other methodologies than the one known for corporate activities, including methodologies specific to cities and products/services. The GHG Protocol expects to release drafts of revised text in 2024 and final standards/guidance in 2025.

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## Who reports?

The GHG protocol is first of all an emissions calculation methodology. Organisations do not 'report against it', but instead can use these standards to calculate emissions outputs required when reporting against other frameworks.

All sizes of organisations, cities, and even countries can declare they have followed the GHG Protocol in the calculation of their emissions.

## What are the requirements?

The GHG Protocol is based on 5 pillars:

- Definition of the boundaries: organisational perimeter (equity share or control approach), direct (Scope 1) and indirect emissions linked to energy (Scope 2) and other indirect emissions (Scope 3), definition of a reference year
- Recommended calculation according to IPCC guidelines
- Inventory quality management and uncertainties
- Calculation of emission reductions
- Advice on setting a reduction target

## Benefits

- Ensures the standardisation of calculations and emission methodologies
- Facilitates greater transparency in reporting GHG emissions and enables comparisons with peers
- Allows external assurance or verification of the results
- Allows the quantification of GHG emission reductions resulting from the consumption/purchase of renewable energy
- Use of a consistent methodology also allows companies to monitor their progress against targets
- Helps companies to support their calculations with an internationally recognised methodology, enabling them to meet or exceed current regulations
- Also used in many other reporting frameworks (CDP, SBTi)

# ISO 14064

The ISO 14064 is a methodology for calculating GHG emissions that includes the concept of significance.

ISO 14064-1: 2018 specifies principles and requirements, at the level of organisations, for the quantification and reporting of GHG emissions and their reduction. It includes requirements for the design, development, management, reporting and verification of an organisation's GHG inventory.

ISO 14064-3:2019 specifies principles and requirements and provides guidance for verifying and validating GHG statements. It is applicable to organisation, project and product GHG statements.

The ISO 14060 family of standards is GHG programme neutral. If a GHG programme is applicable, requirements of that GHG programme are additional to the requirements of the ISO 14060 family of standards.

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## Who is ISO 14064 for?

Any company can choose to apply the standard for quantification, reporting, monitoring and reporting of GHG emissions and reductions.

## Procedure for determining the significant emission items:

Companies can take the following steps to analyse their GHG emissions:

- Define the criteria to be used to determine significant sources of emissions: contribution of the source, level of influence, existence of a risk or opportunity, etc
- Identify and assess indirect emissions based on expert estimates or sectoral databases
- Apply criteria to select significant indirect emissions
- Represent in a table the significant sources of emissions
- Quantify the emissions of significant items
- Define the periodicity of the quantification of significant items

## Benefits

- Enables a company to identify and quantify its significant sources of emissions
- Is a calculation methodology that serves as a guideline for following the GHG Protocol
- Allows a company to determine reduction objectives and identify areas for improvement more easily

# PAS 2060

PAS 2060 is a specification standard detailing how to achieve carbon neutrality of a defined subject, whether it is an organisation, a product/service, a city, a building. It sets out the requirements for quantifying, reducing, and offsetting GHG emissions. Certification occurs on an ongoing 12-month basis and enables you to gain an internationally recognised, fully independent measurement of your company's emissions. Not based on the latest scientific knowledge on climate, its application does not ensure a climate strategy compatible with limiting global warming to 1.5°C.

PAS 2060 standard will be withdrawn from use on the 30th of November 2025, and will be replaced by the BS ISO 14068-1:2023 'Climate Change Management. Transition to Net Zero-Carbon Neutrality'.

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## Who is PAS 2060 for?

Any company that wishes to voluntarily commit to climate action and carbon neutrality of all or part of its activities.

## What is reported?

- 100% of Scope 1 emissions – fuel combustion, company vehicles, fugitive emissions
- 100% of Scope 2 emissions – purchased electricity, heat and steam
- All Scope 3 emissions which contribute more than 1% to the total footprint of the subject must be included

## How to adhere to the standard?

- Determine the perimeter of carbon neutrality
- Measure GHG emissions based on accurate and complete raw data
- Set targets to reduce emissions through the creation of a carbon management plan and a declaration of commitment to carbon neutrality through carbon reduction and offsetting
- Offset GHG emissions with high quality, certified carbon credits from one of the PAS 2060 approved schemes, such as Verified Carbon Standard
- Document and validate your achievement of neutrality, through a statement known as the Qualifying Explanatory Statement (QES). The documentation supporting carbon neutrality claims must be publicly disclosed

## Benefits

- The only internationally recognised certification for organisational carbon neutrality
- Guides companies to quantify their carbon footprint and supports subsequent reduction of GHG emissions
- Inclusion of offsetting (via certified credits) encourages the support of projects that add social and environmental value
- Demonstrates a voluntary commitment to climate action
- However, the standard is not based on the latest scientific knowledge on climate and its use does not ensure a climate strategy compatible with global warming limited to 1.5°C

# ISO 50001

ISO 50001 is an international energy management standard that specifies a framework for implementing, maintaining and improving an energy management system. The standard explains the creation of an internal managerial system, structured to aid energy efficiency and reduce energy consumption.

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## Who reports?

Companies looking to implement an energy management system on a voluntary or compliance basis.

## Compliance criteria

ISO 50001, structured with ten clauses known as Annex SL, encompasses four main areas:

1. Energy Management: Processes for identifying, monitoring, and reducing energy usage, with applicability varying for each business.
2. Management Responsibility: Focus areas for the management team's involvement
3. Resource Management: Assignment of resources like people, infrastructure, and facilities to optimize performance.
4. Measurement, Analysis, and Improvement: Methods to assess Management System effectiveness, enabling continuous improvement.

## Benefits

- Certification can be a key differentiator or a condition to supply, opening the doors to more business opportunities and increased sales.
- ISO 50001 certification is a route to compliance with ESOS (UK) and Article 8 of the Energy Efficiency Directive (EU).
- Unlike ESOS compliance, this is an internationally recognised standard for energy management.

# ISO 14001

ISO 14001 is an internationally agreed and recognised standard for Environmental Management Systems and the most widely used EMS in the world, with over 360,000 ISO 14001 certificates issued globally. An EMS supports organisations in identifying, managing, monitoring and controlling environmental processes.

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## Who reports?

The standard is suitable for all types and sizes of organisation – including private, non-profit and governmental.

## Compliance criteria

The certification procedure typically entails conducting a gap analysis, implementing the Environmental Management System (EMS) in accordance with the standard, conducting internal audits, holding management reviews, and finally, undergoing a certification audit conducted by an external entity. Many certification bodies hold accreditation, indicating that an independent accreditation body has verified their competence, potentially instilling additional confidence among stakeholders.

Submission to an external third-party auditor - Before attaining ISO 14001 certification, an organisation undergoes an audit by an external certifying body, objectively assessing whether the business adheres to ISO 14001 standards.

ISO 14001 certification granted - Upon confirmation of ISO 14001 compliance, an organisation receives a certificate. This international certification serves as a recognized symbol of environmental awareness for current, potential, and prospective clients.

## Benefits

- Demonstrate green credentials to key stakeholders.
- Reduce costs, overheads and wastage.
- Focus on proactive management.
- Ensure legislative awareness and compliance.
- Enhanced environmental performance.



# Net-Zero Standard

The Science Based Targets initiative (SBTi)'s Corporate Net-Zero Standard is a new framework for corporate net-zero target setting aligned to climate science. It sets out the guidance, criteria, and recommendations for companies to set science-based net-zero targets consistent with limiting global temperature rise to 1.5°C.

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## Who reports?

Launched in October 2021, the Net-Zero Standard is intended for corporates that wish to commit to setting net-zero targets through the SBTi. The SBTi is also proposing a simplified pathway for SMEs to define a net-zero emissions target.

## Benefits

- Align your net-zero journey to climate science
- Enhance your credibility and brand reputation
- Drive innovation and create competitive advantage
- Increased investor confidence
- Prepare for future regulation, especially the CSRD for EU companies

## Key requirements

- Focus on rapid, deep emission cuts of 90-95% across a company's entire value chain (Scopes 1-3).
- Set near- and long-term targets that involve making rapid emissions cuts now and with the aim to roughly halve emissions by 2030.
- A company is only considered to have reached net-zero when it has achieved its long-term science-based target reduction and neutralised any residual emissions that are not possible to eliminate.
- Companies must reach net-zero by 2050 at the latest.
- In the transition to net-zero, going beyond the value chain is recommended. This involves making investments outside a company's science-based target to help mitigate climate change elsewhere.

# Net-Zero Guidelines

## ISO IWA 42:2022

The International Organisation for Standardisation (ISO) has published the new Net-Zero Guidelines standard to establish a common standardisation framework to help organisations achieve the goal of net zero emissions. This standard, presented at COP27 in Egypt, was developed with the participation of more than 1,200 international organisations.

Published at the end of 2022, these guidelines can be widely used by various organisations (companies, states, territories) to give greater credibility to their commitments to net-zero emissions and avoid the risk of greenwashing.

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### Who reports?

Any company that intends to commit to the goal of net-zero emissions can use this standard by aligning themselves with the 1.5°C target set by the Paris Agreement.

Companies that commit must report at least once a year, specifying the territorial, sectoral, organisational, operational, portfolio or assets scope.

### What are the benefits?

- Provides a clear framework for investors to align their efforts with global net-zero emissions targets.
- Offers recommended actions, metrics, and methodologies to guide investors in decarbonizing investment portfolios.
- Facilitates increased investment in climate solutions, supporting the transition to a low-carbon economy.
- Helps investors contribute effectively to achieving a 1.5°C net-zero emissions future.
- Enhances transparency and accountability in investment decision-making regarding climate-related risks and opportunities.
- Fosters collaboration and knowledge-sharing among investors, promoting best practices in sustainable investing.
- Strengthens resilience of investment portfolios against climate-related impacts and regulatory changes.
- Aligns with global efforts to address climate change and mitigate its adverse effects on the environment and society

### What are the guidelines?

According to the ISO standard, to achieve the objective of net-zero, it will be necessary to:

1. Quantify direct and indirect GHG emissions (scopes 1, 2 and 3)
2. Quantify the emissions reduced or eliminated, specifying the types of storage used and the level of permanence of the storage
3. Explain the emissions accounting method
4. Provide evidence that the maximum emission reduction potential has been achieved within the value chain
5. Provide evidence that carbon removals fully offset residual emissions
6. Explain how residual emissions are calculated
7. Develop a plan to maintain net-zero over the long term
8. Explain the limits of the information reported
9. Include confidence levels (potential for error in published values).
10. Ensure independent verification of data
11. Justify if third party verification is not possible
12. Communicate how double counting of carbon credits has been avoided.

# ACT Initiative

Developed by ADEME and CDP, the ACT (Assessing low Carbon Transition) initiative utilises the SBTi's Sectoral Decarbonisation Approach to assess the alignment of company's strategy with the decarbonisation trajectories of its sector.

To complement the "Act Evaluation" methodology, the initiative has developed a new approach called "ACT Step by Step", which offers a method and tools for defining their decarbonisation strategy.

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## Who can report?

Any company that has calculated its carbon footprint (scopes 1, 2 and 3) using the Bilan Carbone® approach, ISO 14064-1 or the GHG Protocol can use ACT. The ACT Step by Step method is aimed at companies that want to define (or redefine) an ambitious decarbonisation strategy, integrated into the company's vision and governance.

ACT Evaluation is aimed at companies with a decarbonisation strategy that want to measure its ambition and alignment to best-practice. To ensure that the evaluation to be informative, they need to have reduction targets (value, timeframe, scope), as well as a low-carbon transition plan. The methodology also covers broader issues than a simple carbon accounting framework, such as the R&D budget, investment earmarking, internal governance on climate issues, commitments to the value chain and public decision-makers, etc. Responding to the methodology therefore involves extensive data collection within the organisation.

More than 400 organisations currently use ACT methodologies. Several sectoral methodologies are available: Food & Agriculture, Aluminium, Automotive, Construction, Consumer Goods (retail), Chemicals, Cement, Automotive Manufacturers, Iron & Steel, Finance (banks and investors), Real Estate (construction and development), Paper, Oil & Gas, Power Generation, Transport, Steel and Glass. A generic methodology is also available for companies with a wide range of activities.

In 2023, the ACT initiative published a test version of a methodology on climate change adaptation by businesses.

## What are the advantages?

- Identification of sector-specific climate issues and areas for improvement to better prepare your organisation for its low-carbon transition
- A 360° view of the issues relating to climate strategy (governance, investment, etc.)
- Mobilise your teams to improve your company's climate performance
- Increase your skills thanks to the ACT training courses offered by the Bilan Carbone Association and the accompanying tools
- Engage with your partners and investors on your decarbonisation actions analysed by ACT
- Visibility for your organisation in a Solutions Agenda initiative supported by France
- Empowerment through the use of ACT assessment tools after a one- or two-day training course for companies
- Recognition of your commitment with third-party verification of your assessment
- Financial support offered by ADEME to carry out this work
- Mapped to CDP's climate change questions in order to complement an organisation's CDP disclosure

# CCA

## The Climate Change Agreement

CCA is a voluntary scheme which enables eligible holders of an agreement to receive a reduction on the Climate Change Levy (CCL) for committing to challenging energy reduction targets.

Current CCA which ended in Target Period (TP) 5 has been extended for two years until 2027 (TP6). On 22nd November 2023 a new Climate Change Agreement Scheme was announced to run for 6 years to 2033.

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### Who reports?

Eligibility to hold a CCA depends on the operator carrying out an 'eligible process' through two pieces of legislation:

1. A facility will be eligible if it carries out an energy-intensive process or activity detailed in the schedule AND
2. A site will be eligible if it carries out a Part A(1) or A(2) activity listed.

The CCA scheme is operated under 53 sector specific umbrella agreements typically operated by the trade association for the sector.

### What is reported?

Your agreement will involve determining your eligible and ineligible energy and setting a baseline. Data and progress against targets are reported every two years to the sector body and the Environment Agency.

Energy accounted for in CCA includes:

- Combustible fuels
- Grid electricity
- Green electricity, renewable energy
- Oxygen, liquid nitrogen, solid carbon dioxide

Penalties: applied if participants fail to meet their agreement target. The amount of penalty is calculated by £18 x tonnes exceeded. The penalty must be paid for the facility to remain in the CCA and obtain the CCL discount.

Participating organisations are now required to complete an Energy Carbon Savings Actions and Measures Implemented form where they record what they have done to save energy.

### Benefits

Financial incentive: operators holding a CCA, can receive a maximum CCL discounts of:

- 92% of electricity bills
- Up to 88% on gas
- Up to 77% on LPG

### Agreement types

1. Umbrella - a sector specific agreement between the sector body and BEIS.
2. Underlying - a specific agreement between a site or group of sites and the sector body.

# EPR

## The Environmental Permitting Regulations

EPR requires installations which operate certain activities that pose risk to the environment or human health to hold an environmental permit. The detailed application must demonstrate that the installation uses the best available techniques (BAT) to manage environmental impacts and that there is no current or future risk to sensitive receptors. The operator must then follow the conditions outlined within the permit.

MANDATORY



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### Compliance criteria

The nine classes of regulated facility are those carrying out the following:

1. A combustion Installation > 50MWth
2. Mobile Plant
3. A mining waste operation
4. A radioactive substances activity
5. A water discharge activity
6. A small waste incineration plant
7. A waste operation
8. A groundwater activity
9. A solvent emission activity

### Route to compliance

Compliance with EPR is met with the following conditions:

1. Those who meet inclusion criteria must legally hold a permit AND
2. Those in possession of a permit must comply with the conditions agreed upon in their permit.

### Action from regulators

The Environmental Agency (EA) is under authority to carry out the following:

Assessments and inspections: where officers conduct either a desk-based or site visit assessment of your compliance with your permit. A Compliance Assessment Report (CAR) will be completed by the officer and a copy will be made available.

Enforcement: The EA may act if they suspect non compliance with actions including:

- Advice
- Changing permit conditions
- Serving you with an enforcement notice - stating the problems to fix and by when
- Serving you with a suspension notice (if there is a risk you might pollute)

Prosecution

Intervention: The EA can undertake work to address an environmental problem and recover costs from you.

Permit reviews: EA regularly update permits to reflect the latest regulations and environmental standards.

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From October 2023, a permit can be granted in England for:

Any groundwater activity intended to adjust the effects of pollution in groundwater the injection of any substances into groundwater that increase the flow of fluids or gas for extraction.

Furthermore, from the 1st of October 2024, more materials facilities will need to sample and report their waste, specifically those that receive and manage at least 1,000 tonnes of household waste a year, including single waste streams or pre-separated waste.

These facilities will have to provide self-assessments at the start of every 3-month reporting period and will report on:

- Weight of waste material received from suppliers
- The name and addresses of the suppliers of each load
- The date that each load of waste was received
- The weight of material leaving the site, the date this occurs and the destination.
- Sampling measurements for input materials and, if necessary, output materials

# MCPD

## The Medium Combustion Plant Directive

MCPD is legislation to improve air quality by limiting the emissions of certain pollutants into the air from medium combustion plants (MCP). It follows EU Directive regulations, with the aim of reducing background levels of harmful substances.

Its purpose is to fill the legislative gap existing between large combustion plants and small appliances in order to tackle a significant source of pollutants.

MANDATORY



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### Who must comply?

The Directive applies to all owners and operators of combustion plants between 1MWth and 50MWth. Rules will apply to both new and existing equipment.

There are estimated to be 143,000 MCPs in the EU.

Introduction of SR2022/9, which allows sites and businesses to obtain permits for natural gas boilers that are either new 1-20 MWth or existing 5-20 MWth MCPs.

Existing MCPs that operate less than 500 hours per year as a 5 year rolling average and new MCPs that operate less than 500 hours per year as a 3 year rolling average are exempt from MCPD ELVs.

### Route to compliance

From 20th December 2018, new plants had to have a permit and comply with Emissions Limit Values (ELVs) on the concentration levels of: Sulphur dioxide (SO<sub>2</sub>); Oxides of nitrogen (NO<sub>x</sub>) and Dust Particulates in exhaust gases from affected plant.

Those who qualify for compliance are required to be registered or permitted and complying with the following ELVs:

Monitoring to demonstrate compliance must begin within 4 months of the permit issue date.

SIZE	REGISTER/PERMIT	COMPLY w.ELVs
1-5 MW	1st Jan 2029	1st Jan 2030
5-10 MW	1st Jan 2024	1st Jan 2025

Regularity of Compliance Monitoring

Sites > 20MWth – every 3 years; Sites < 20MWth – every year

Penalties: MCPD regulators are licenced to issue civil penalty notices for non-compliance.

Specified generator regulations (sites in England & Wales only)

Generators between 1MWth and 50MWth are required to control NO<sub>x</sub> emissions to air through setting emission limits and habitat protection requirements.

Requirements:

Specified generators require a permit. The three types are: (1) standard, (2) low risk bespoke and (3) complex.

Compliance Dates:

- Tranche B specified generators – from 1 January 2019 or when the new specified generator is commissioned
- Tranche A specified generators – either 1 January 2025 or 1 January 2030 depending on the site's total capacity

# EU ETS

## EU Emissions Trading Scheme

The EU ETS, established by Directive 2003/87/EC and subsequently amended by Directives 2008/101/EC, 2009/29/EC and 2018/410, is a cap-and-trade system. This means that the total amount of GHG emissions released by regulated facilities is capped, and the EU auctions allowances (one per tonne of CO<sub>2</sub> equivalent) corresponding to the cap each year. Market participants can purchase allowances at auctions or on the secondary market, where they may also sell them. Regulated entities must report their annual emissions annually and then surrender enough allowances to cover them. The system recently entered Phase 4 (2021 - 2030).

The EU is currently finalising reforms to the ETS as part of the 'Fit for 55' climate package. The updated system will aim to reduce emissions in the regulated sectors by 62% (compared to 2005) by 2030. To achieve this, the annual cap will reduce at an increased rate.

From 2024, the maritime sector will be integrated into the ETS for the first time. In addition, a separate system (known as ETS II) will begin for building and road transport fuels in 2027. Both the ETS and ETS II have mechanisms through which allowances can be released into or withdrawn from the market to control prices.

MANDATORY



EU



EMISSIONS



### Compliance criteria

Compliance concerns the industrial installations and the combustion capacity on site. It concerns the sectors listed in Annex I of the ETS Directive (2009/29/EC):

- Electricity and heat production
- Energy-intensive industrial sectors, including oil refineries, steel mills and the production of iron, aluminium, metals, cement, lime, glass, ceramics, pulp, paper, board, acids and bulk organic chemicals
- Commercial aviation

Per finalisation of "Fit for 55" negotiations, compliance will also concern maritime entities from 2024.

NB. The UK ETS started on 1st January 2021, and is similar in process to the EU ETS, covering the same industries. It has its own market covering auction, secondary market, free allocation and market stability mechanisms.

### What is reported?

An operator of the EU ETS must propose a monitoring plan when applying for a GHG emission permit. The plan will specify how the installation's GHG emissions will be measured and reported. Furthermore, it must be drawn up in accordance with the European Commission's monitoring and reporting regulation (Regulation (EU) 2018/2066) and be approved by an inspection body.

Participants are required to report their emissions data on an annual basis.

All annual emissions and monitoring reports are verified by an accredited external verifier.

From 2024 the EU ETS framework will be expanded to include shipping.

### Benefits

- Covers approximately 40% of EU GHG emissions
- Is a key mechanism to help the EU meet its emissions targets
- Provides decarbonisation incentive by imposing carbon costs, while enabling flexibility and economic efficiency through allowance trading
- Contributed to 35% emissions reduction in covered sectors between 2005 and 2019, mainly in the power generation sector
- From October 2023, the transitional phase of the border carbon adjustment mechanism (CBAM) will begin, with implementation scheduled for 2026. The aim is to address the risk of carbon leakage and to encourage non-European suppliers to commit to climate action.



# UK ETS

## EU Emissions Trading Scheme

The UK Emission Trading Scheme (ETS) operates as a cap-and-trade system, setting a limit on total greenhouse gas emissions to establish a carbon market and encourage decarbonization through a carbon price signal.

Participants in the scheme must acquire and surrender allowances to cover their annual emissions of greenhouse gases. These allowances can be obtained through auctions or traded among participants, allowing for the most cost-effective reduction of emissions.

In response to the consultation conducted in 2019 regarding the UK's departure from the EU Emissions Trading System, the Scottish Government, UK Government, Welsh Government, and Northern Ireland Executive jointly announced plans to establish the UK Emissions Trading Scheme (UK ETS) effective from January 2021.

MANDATORY



UK



EMISSIONS



### Compliance criteria

The UK ETS applies to energy intensive industries, the power generation sector and aviation.

The aviation routes covered by the UK ETS include UK domestic flights, flights between the UK and Gibraltar, the UK and Switzerland and flights departing the UK to European Economic Area states conducted by all included aircraft operators, regardless of nationality.

### What is reported?

The UK ETS maintains the scope of the EU ETS, with participation mandatory for the power sector, energy intensive industries and aviation. It will cover around 100 participants in Scotland who account for 28% of Scotland's greenhouse gas emissions.

The UK ETS sets a cap on emissions at 5% less than the UK's notional share of the EU ETS cap. Along with the other governments, we have committed to review this cap in 2021, and implement any changes by 2024, to ensure the cap is in line with our net zero ambitions.

The UK ETS obligations on participants, in particular for monitoring, reporting and verification, are based on the EU ETS phase IV requirements. The Scottish Environment Protection Agency (SEPA) will continue to regulate Scottish participants with enforcement powers to ensure compliance with the UK ETS rules.

### Benefits

- Caps total greenhouse gas emissions, promoting a reduction in carbon emissions.
- Establishes a carbon market with a price signal to incentivise decarbonisation efforts.
- Requires participants to obtain and surrender allowances, encouraging emission reductions.
- Allows participants to trade allowances, enabling cost-effective emissions reduction.
- Aligns with the UK's commitment to achieving carbon neutrality by 2050.
- Covers major sectors such as power, industry, buildings, waste, transport, and domestic aviation.
- Promotes transparency and accountability through clear disclosure requirements.
- Strengthens the regulatory framework for managing greenhouse gas emissions.

# Sustainability Frameworks

Most of the frameworks within this section are voluntary, although the expectation for businesses to report against at least one of them is increasing. Many of these also include emissions and energy indicators but they are set apart as they also include a range of important environmental, social and governance (ESG) issues that are important factors in sustainability.





# The UN Global Compact

The UN Global Compact is a voluntary framework for companies to publicly commit to ten universal principles related to human rights, international labour standards, environmental protection and anti-corruption.

Organisations from all sectors are invited to demonstrate their commitment to these principles each year through the publication of a report outlining the progress made in developing ideas and deepening their commitment through corporate social responsibility initiatives.

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## Who reports?

Over 20,000 participants from all sectors currently report against the principles. All organisations can participate.

## How to report?

- Draw up a letter of commitment signed by your CEO
- Register your organisation online by specifying contacts, level of commitment and submitting the letter of commitment
- Each year, the company publishes its COP (Communication on Progress) report presenting the renewal of the commitment with a qualitative and quantitative description of the corporate social responsibility initiatives implemented to respond to the 4 areas of action
- Participants are required to complete the CoP questionnaire which focuses on five disclosure areas (governance, human rights, labour, environment and anti-corruption).

## Benefits

- Self-assessed
- Flexibility in how you can respond and what to include
- Widely acknowledged and shows participation with a universal body
- Reputational benefits of showing initiative on issues important to the public eye
- Provides opportunities to compare performance against peers/ allows organisations to measure and demonstrate progress to stakeholders.



# SDGs

## The Sustainable Development Goals

The SDGs, created by the UN, are 17 sustainability-based global goals with 169 associated targets, to which companies can align their corporate strategy. The overall aim is for us as a global community to contribute to achieving these goals by 2030.

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### Who reports?

Any company can decide to contribute to the goals and to disclose what actions they are taking.

### What is reported?

Companies include qualitative or quantitative data in their public disclosures which demonstrate how they are contributing and to which goals. Companies can choose any of the goals.

### Benefits of reporting

- It is self-assessed.
- Companies can choose the goals they wish to contribute to, which can be those that fit most with their business values and priorities
- Offers a useful framework for companies to structure their sustainability initiatives and the purposes they serve.
- Alignment to SDGs can be mentioned in a company's annual report
- Indicates that your business is actively engaging with a wide range of key environmental and social issues
- In March 2020, the Global Reporting Initiative (GRI) published a report to align easily the SDGs with the GRI.



# EcoVadis

EcoVadis is an online data collection portal used by companies to collect information from their suppliers. The portal ensures information is collected in a standardised format and is collated efficiently.

The portal's sustainability framework provides ratings and performance improvement recommendations for companies within global supply chains. Companies or investors can request their suppliers respond or require their suppliers to have a certain rating.

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## Who reports?

Those requested to by companies connected to them in supply chains.



## What is reported?

- Sector based questions which are tailored to the company.
- Environmental, Governance and Social metrics are scored
- Assesses companies based on 21 sustainability metrics across 4 pillars: environment, labour and human rights, ethics, and sustainable procurement

A company's performance is compared with all rated companies in the database over the previous 12 months. The percentile rank is calculated across all companies in all industries, not per industry.

Platinum - Top 1% (99+ percentile)

Gold - Top 5% (95+ percentile)

Silver - Top 15% (85+ percentile)

Bronze - Top 35% (65+ percentile)

There are also badges for 'Committed' and 'Fast Mover' companies.

## Where is it reported?

- Requesting customers are given the results directly through EcoVadis.
- Responding companies receive scores and recommendations for improvements.
- Companies often publish results in annual reports.

## Benefits

- Designed specifically for supply chains.
- Enables companies to gain greater transparency of supplier sustainability and practice.
- Shows customers that your company has met standardised sustainability criteria.
- Covers major sectors: Encompasses significant emitters across power, industry, buildings, waste, transport, and domestic aviation.



# GRI

## The Global Reporting Initiative

The GRI offers both public and private companies public sustainable development reporting guidelines and identifies best practices in this area. The guidelines of these consider different degrees of economic, social and environmental performance. The GRI standards represent one of the most widely used frameworks for environmental reporting by organisations.

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### Who reports?

A variety of organisations use GRI, but larger industry groups make up most users. More than 23,000 reports are now using the GRI worldwide, as well as most large companies. EcoAct's 2018 sustainability reporting performance report identified that 38% of the FTSE 100, 100% of the IBEX 35 and 90% of the CAC 40 use GRI. 78% of G250 adopt the GRI standards for reporting; 68% of the 5,800 N100 companies use GRI

### What is reported?

Topic-specific disclosures on material issues specific to the organisations covering social, governance and economic sustainability factors.

In alignment with the new Universal Standards, the GRI have updated their topic standards.

The GRI have recently launched a biodiversity standard, the 'GRI 101: Biodiversity 2024', which comes into effect on the 1st of January 2026.

### Benefits

- Regarded as a very high standard of reporting.
- Methodology, category information and assessing are extremely clear.
- First agreed-upon global standards for sustainability reporting.
- The GRI Standard can be used to prepare a sustainability report.
- Selected GRI standards can be used to report specific information in accordance with a globally accepted standard.
- Reporting can be externally verified to demonstrate accuracy and veracity.

# TCFD - Public Companies

## Task Force on Climate-related Financial Disclosures

The TCFD recommendations will be under the management of IFRS, rather the Financial Stability Board, from 2024. The TCFD was set up to develop recommendations on the types of information that companies should disclose to support investors make informed decisions on climate related risks and opportunities. The recommendations of the TCFD have also been incorporated in to the ISSB standard which is due for global roll out in 2024. While the recommendations are investor-led, they are enforced globally by local regulations.

The United Kingdom became the first country in the world to make TCFD aligned disclosure mandatory for large UK-registered companies from April 2022

MANDATORY (UK)



UK



CLIMATE RISK



FINANCIAL RISK



### Who reports?

The Financial Conduct Authority (FCA) regulations for public companies applies to:

- Premium listed companies from 1st Jan 2021
- Standard listed companies from 1st Jan 2022

### What is reported?

#### Governance

Is climate change governance defined and sufficient at all hierarchical levels, especially at the highest level?

#### Strategy

What are the impacts (actual and potential) of climate-related risks and opportunities on business strategy and financial planning? How resilient is the business strategy under various climate scenarios, including the 2°C scenario?

TCFD disclosures are to be contained within public filings. Where the recommendations of the TCFD have not been implemented, an explanation of why and a description of steps to be taken to address this should be disclosed.

#### Risk management

How to identify and manage climate-related risks and opportunities within the company? How does this approach fit with the general risk management of the company?

#### Measures and objectives

What indicators and targets should an organisation use to measure and manage climate-related risks and opportunities? What are the company's emissions on Scopes 1, 2 and 3?

## Benefits

- It is now regarded as best practice in climate-related financial disclosures. Mandatory in the UK for large companies since April 2022.
- It enables personalised analysis and strategy for climate change exposure, aiding economic robustness.
- Effective disclosure encourages transparency and risk analysis, leading to informed investment choices and reduced capital loss.
- It also encourages the identification of opportunities so an organisation can benefit from forward thinking on climate change.
- TCFD recommendations are incorporated into the credit rating of Standard and Poor's Global Rating.
- When utilised, it can provide businesses with certainty that they are meeting expectations of investors and properly integrating climate-risk into their wider business strategy.
- Provides a robust Measurement, Reporting, and Verification (MRV) system for effective monitoring.





# TNFD

## Task Force on Nature-related Financial Disclosures

The Taskforce on Nature-related Financial Disclosures (TNFD) is a global science-based initiative that develops and delivers risk management and disclosure frameworks for organisations to report and act on evolving nature-related issues. The Taskforce provides recommendations on what to disclose on these issues to capital providers, regulators and other stakeholders.

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### Who reports?

- The TNFD recommendations are designed for organisations of all sizes, across all sectors and along value chains.
- The recommendations and guidance are relevant to a wide range of market participants and market enablers: Corporates; Investors and financial Institutions; Regulators; Stock exchanges; Assurance and accounting firms; Data providers, credit rating agencies and financial service providers.

### What is reported?

The TNFD has four recommended disclosure areas that are aligned to the recommended disclosure areas of the TCFD.

**Governance.** Disclose the effects of nature-related dependencies, impacts, risks and opportunities.

**Strategy.** Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.

**Risk & impact management.** Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risk and opportunities.

**Metrics & targets.** Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.

### Benefits?

Disclosure can allow companies to enhance and protect their reputation, attract capital, and track and benchmark progress.

The TNFD framework was designed to complement, and build on the structure of, the disclosure framework developed by the TCFD. It is also designed to be interoperable with the International Sustainability Standards Board's (ISSB) Sustainability Disclosure Standards (SDS). The TNFD works with the Science Based Targets Network to ensure alignment in the way nature-related risks are understood.

The TNFD also provides supplementary guidance which includes sector-specific guidance, guidance on the TNFD's approach for the identification and assessment of nature-related issues, guidance by biome, scenario analysis, engagement guidance, and target setting.

# IFRS I and IFRS II

## The sustainability standards of the ISSB (International Sustainability Standards Board)

In June 2023, the ISSB published its first S1 (general) and S2 (climate) reporting standards to help companies communicate their sustainability efforts. Applicable from 2024 for reporting in 2025, these standards will make it easier to measure the risks and opportunities across an organisation's entire value chain in the short, medium and long term. IFRS I and II are based on the principle of simple materiality with a focus on climate risk analysis, while integrating the measurement of emissions in the 3 scopes, emission reduction commitments, carbon offsetting and the internal price of carbon, among others.

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CLIMATE RISK



FINANCIAL RISK



### Who reports?

Any company can voluntarily use these standards as the basis for its annual reporting. It should be noted that governments may make it compulsory for companies to adopt these standards. The United Kingdom, Japan and Canada (among others) have already expressed an interest in introducing IFRS-based reporting requirements.

### Benefits

- Interoperability of these standards with numerous climate indicators of the CSRD.
- Recommendation to publish specific indicators on resilience, financial positions, metrics and trajectories.
- New basis for supporting investors in redirecting their capital according to companies' commitments.

### What is reported?

The ISSB's extra-financial standards incorporate the TCFD's recommendations and are based on IFRS (International Financial Reporting Standards) accounting standards.

#### IFRS I:

This standard sets out general financial reporting requirements relating to sustainable development, specifically on the risks and opportunities. The following information will be disclosed:

- The processes used by the organisation to identify, assess, prioritise and monitor risks and opportunities;
- The organisation's strategy for managing these risks and opportunities;
- The governance processes, controls and procedures for monitoring, managing and overseeing risks and opportunities;
- The organisation's performance in relation to risks and opportunities, including progress towards achieving objectives it has set or is required to meet by law or regulation.

#### IFRS II:

This standard will oblige companies to analyse the physical and transitional risks associated with climate change, as well as the resulting opportunities, throughout the value chain (with an additional year to apply this requirement to scope 3). The information communicated will concern:

- Analysis of physical and transitional risks and climate-related opportunities;
- Adaptation of the business model and strategic decisions to climate change;
- Consideration of the financial impact of climate change on the company's activities;
- Climate resilience, taking into account short-, medium- and long-term adaptation measures;
- The publication of greenhouse gas emissions for the three scopes, as well as the associated reduction trajectories and the inclusion of an internal carbon price;
- Inclusion of climate targets and how these are set
- Inclusion of CSA



# DJSI

## The Dow Jones Sustainability Indexes

The DJSI is a set of benchmark indices for responsible investment. These indices, whether regional or national, assess the performance of companies' economic, social and governance (ESG) criteria and enable investors to make informed decisions to encourage more responsible investment portfolios.

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HIGH REPUTATION



### Who reports?

DJSI is voluntary with no exclusion criteria.

Approximately 4,500 companies are invited to respond annually, but only the top 2,500 global companies by market capitalisation are eligible for inclusion.

Unlike the FTSE4Good, the DJSI sends a questionnaire for companies to complete rather than undertaking an assessment on publicly available information.

The top 10% most sustainable market caps per industry are then included in the global index, based on their sustainability scores.

### What is reported?

The questionnaire covers three areas: Economic, Environmental and Social.

50% of the questionnaire is industry-specific allowing companies to be compared directly against their sector peers.

### Where is it reported?

The top 10% of eligible companies benchmarked by DJSI are included in the annual DJSI World Index (i.e. the 250 highest benchmarked companies globally).

All additions and deletions to the index are also noted. Companies are required to enhance and refresh their sustainability initiatives in order to ensure they remain included. Companies can be deleted from the index if they fail to do so.

### Benefits

- Provides investors with a best-in-class benchmark
- Helps investors to account for sustainability in their decision-making process
- Well resourced, robust and well-respected methods of demonstrating environmental commitment through standardised testing.
- Industry-specific questionnaires allows for peer comparisons



# CDP

CDP is a non-profit organisation, member of the CDSB and is supported by a large number of investors globally. The CDP collects, assesses and reports information on the environmental performance of companies, cities, and regions. It does this by publishing specific questionnaires on climate change, water, forests, and supply chain. Respondents are required to disclose and provide evidence on an extensive array of questions on their current and future sustainability strategy. They will receive a score from A to D representing their sustainability maturity.

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## Who reports?

Those who report are either: (1) responding to a request filed by investors, (2) responding to a request filed by customers, (3) self-selected companies.

Most large organisations report:  
Over 23,000 companies disclosed in 2023, an increase of 23% since 2022. This represents 2/3 of global market capitalisation.

Investor Partners and Supply Chain Members Represent: \$136tn in investor assets and \$6.4tn in procurement spend.

## What is reported?

There is one integrated questionnaire consisting of up to three environmental aspects (Climate Change, Water Security, Forests), depending on their business activities and what their investors have requested them to disclose:

### 1. Climate Change:

Companies are requested to disclose their net-zero transition plans in line with a 1.5C pathway. They must disclose climate-related risks and opportunities, detail how the business governance and strategy has adapted and report emissions data. They are also requested to include Scope 1, 2 & 3 emissions and their verification. Several questions regarding biodiversity have also recently been added into the questionnaire, however these are, as of yet, unscored.

### 2. Water Security:

Respondents evaluate and disclose information on existing and future water risk, water strategy and water use. Includes

sector-specific questions for organisations in Agriculture and Materials sectors.

### 3. Forests:

This section enables investors to understand company exposure and risk associated with deforestation. Questions address the verification and monitoring of commitments, policies and standards and strategy for using forest commodities.

Companies may also be required to respond via a supply chain questionnaire:

The supply chain questionnaire is aimed at companies that are part of the supply chain of other companies. It is based on the questions in the climate change questionnaire and includes an additional section on the allocation of emissions to customers. Each also includes sector-specific questions with focus on sectors deemed to have a high impact on that particular theme.

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## Scoring

Companies fall within an A - D scoring band, progressing through grades as thresholds for four levels are met.

Failure to respond when requested results in an F grade:

- A/A- Leadership: meeting leadership requires management criteria are met and identifies whether companies are taking ambitious action and implementing best practice to address climate change. Leadership status indicates a high level of engagement, commitment and verification.
- B/B- Management: indicates a higher engagement with question criteria.
- C/C- Awareness: certain questions will award points for engaging with specific criteria that often require greater verification or engagement with emissions outputs.
- D/D- Disclosure: all questions are scored on the disclosure level, and points are awarded for responding.

## Benefits

- Extremely high visibility for stakeholders, investors and peers.
- It has a high reputational value for those who score an A and make the A List.
- Companies are increasingly expected by investors and customers to report to CDP.
- The framework aligns to others such as TCFD, TNFD, IFRS S2, SDG's, SBTi and RE100.
- It enables investors to see that companies are incorporating sustainability into their business strategy and practices, so they can assess climate change risk in their investment portfolios.
- Companies can proactively address investor queries and expectations by disclosing to CDP
- CDP can be used as a benchmarking tool to understand how your peers, suppliers and customers are doing.
- Identifies strengths & gaps in your current strategy and allows you to plan for longer-term horizons

## Where can we find the results?

The scores and responses are communicated and made public on the CDP website.

Organisations may opt for a "non-public" outcome, where only investors who request it can see their rating. However, transparency to the public is rewarded with extra points.

# RE100

## Renewable Energy 100

The RE100 initiative is a global programme promoted by the Climate Group, an international NGO, in partnership with the CDP. The aim of the RE100 is to bring together major companies that want to source 100% of their energy from renewable sources by 2050. Alongside the RE100, other initiatives have emerged to achieve this goal, including EP100, EV100, ConcreteZero, RouteZero and SteelZero.

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### Who can apply?

To become a member of RE100, companies must demonstrate a significant energy demand of at least 0.1 TWh / 100 GWh / 100,000 MWh. Certain exceptions exist for companies that may be "influential":

- Key player in a priority sector or region for RE100.
- Willingness to promote RE100 in the region/sector.
- Multinational and/or world-renowned brand (Fortune 1000 or equivalent).

Companies involved in: fossil fuels, airlines, munitions, gambling and tobacco are excluded.

Electricity companies and technology providers/developers will also generally not be eligible to join.

Subsidiary organisations can join if: they have separate branding from parent company or if their electricity consumption is greater than 1 TWh/year.

### What is reported?

Member companies publicly commit to sourcing 100% of their electricity from renewable sources throughout their value chain, with a minimum of 60% by 2030, 90% by 2040 and 100% by 2050.

Each year, their energy consumption must be reported in relation to these targets justifying the origin of the energy consumed.

Progress is reported via the CDP questionnaires. The energy will be justified as renewable using one of these 8 methods: own production, purchase of energy produced by third parties at the point of consumption, produced by third parties without connection to the grid, PPA, green energy products from suppliers, purchase of GO, renewable energy by network or energy supplied by a network with at least 95% renewable distribution.

### When to report?

From the year in which a company has been accepted as a member of the initiative, it will have to communicate annually on its progress.

# EV100

The EV100 is a global initiative promoted by the Climate Group, an international NGO, in partnership with organisations such as the 'We Mean Business Coalition'. The aim of the EV100 is to bring together companies that are committed to electrifying their owned and contracted fleets and installing charging infrastructure for both employees and customers by 2030. So far, 128 companies have signed up to EV100.

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INVESTOR-LED



## Who can apply?

Open to any company provided they make a public commitment that by 2030 they will transition their vehicle fleet to EVs. An additional voluntary commitment can be adopted which states that the participating company will also install appropriate charging infrastructure at their premises.

## What is reported?

Member companies report annually to the EV100 regarding the progress they have made towards achieving their stated commitment. These disclosures are then published by the EV100 in their 'Progress and Insights Report' for that calendar year. An additional voluntary commitment can be adopted which states that the participating company will also install appropriate charging infrastructure at their premises.

## Benefits

1. Companies can position themselves as leaders in the field by aligning with a recognised programme.
2. Can benefit from profiling opportunities at the Climate Group's high-level events and media platforms providing opportunities to reinforce your company's reputation.
3. Allows members to connect into a broader network of climate leadership initiatives for low-carbon mobility.

# CSRD

## Corporate Sustainability Reporting Directive

In January 2023, the new directive on the publication of non-financial information by companies came into force: the CSRD. Its aim is to harmonise ESG reporting across Europe in order to encourage transparency and comparability between companies in terms of sustainability. More precise and demanding than the current Non-Financial Reporting Directive (NFRD), it will apply to 50,000 companies instead of 11,000 today. From 2025 (for the year 2024), the first organisations concerned will have to include in their management reports material indicators that comply with the European Sustainability Reporting Standards (ESRS).

MANDATORY



EU



ESG



### What's new?

Compared to the requirements of the NFRD, the CSRD obliges more companies to communicate their environmental, social and governance commitments, and more precisely. In fact, the directive is structured as follows:

- 3 pillars: Environment, Social and Governance
- 11 themes: Climate, Biodiversity, Water, Pollution, Circular Economy, etc.
- Several hundred indicators.

Companies will have to publish the relevant indicators based on a double materiality analysis:

- Impact materiality: the company's impact on ESG issues
- Financial materiality: impact of the ESG issue on the company

The CSRD will require :

- Detailed publication of the information required by the ESRS in management reports;
- The obligation to have the information disclosed verified and audited by a third party;
- publication of reports on a public platform accessible to all: the European Single Access Point.

The European Sustainability Reporting Standards (ESRS) provide the framework for the metrics to be disclosed, and how. 12 ESRS have been released, which fall across four categories:

- Cross-cutting: general principles and disclosures
- Environmental: climate change and the environment
- Social: Impacts on workers, communities and consumers
- Governance

### Who reports?

From FY2024, large EU listed companies that fall under NFRD and Non-EU companies under NFRD thresholds listed on EU markets with 500 employees and either 25M Euros on their balance sheet or 50M Euros turnover

From FY2025, other large EU companies and non-EU companies listed on EU markets with 2 of 3 criteria:

- 250 employees
- Balance sheet of 25M Euros
- Turnover of 50M Euros

From FY2026-28, Listed EU SMEs and non-EU SMEs listed on EU markets with 2 of 3 criteria:

- 10 employees
- Turnover of 900k Euros
- Balance sheet of 450k Euros

From FY2028, Third-country groups with EU turnover of 150M Euros and with a large branch (50M Euros turnover) or subsidiary based in the EU.



# EU Taxonomy

The European Union (EU) Taxonomy is part of the European Green Deal, the EU's plan to reach climate neutrality by 2050, and is a crucial element of the European Sustainable Finance Strategy. It is a classification establishing which economic activities are sustainable according to climate, environmental and social criteria.

MANDATORY



EU



## Who reports?

The EU Taxonomy currently applies to more than 11,000 organisations:

- Large companies and financial institutions with more than 500 employees (with a balance sheet of more than 20M€ or a turnover of more than 40M€) which are already required to provide a declaration of extra-financial performance under the Non-Financial Reporting Directive
- Organisations that use this information: financial market players, financial supervisory institutions (such as central banks) as well as all Member States when they establish public measures, standards or labels for green financial products or green bonds.
- From 2024, large companies and financial institutions that are already required to provide a declaration under the NFRD and meet 2 of the 3 following criteria: 250 employees; A balance sheet of more than 25M Euros; A turnover of more than 50M Euros
- From 2025 the timeline will align with that of CSRD:
  - From the 2025 financial year (publication in 2026): large companies not subject to the NFRD
  - From the 2026 financial year (publication in 2027, derogation possible until 2028): listed SMEs
  - From 2028 (publication in 2029): large non-European groups with >150M Euros turnover in the EU

## What is reported?

Since January 2022, companies and financial institutions have been required to publish their analysis of eligibility for the European taxonomy. In 2023 for companies and in 2024 for financial institutions, alignment will have to be communicated publicly.

The eligibility analysis represents an analysis of the activities of the company or the activities financed that are considered by the European Union to be able to contribute significantly to the ecological transition. The shares of turnover, operating expenditure (OPEX) and capital expenditure (CAPEX) of these activities must be published.

The alignment study consists of verifying that the eligible activities meet the technical criteria ensuring that they are sustainable. The economic activities must contribute to one of the six environmental objectives below and not harm the other objectives, while respecting social rights:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

## Benefits

- The EU Taxonomy is a step towards harmonising the classification of green activities
- Allows investors to compare their portfolios and financial products according to environmental characteristics
- Aligns every organisation in the financial markets in Europe with the efforts to achieve the commitments made in the Paris Agreement
- Supports three legislative initiatives with direct implications for organisations and investment firms in terms of reporting, turnover and capital or operating expenditure, as well as eco-labelling and standards

# CFD

The Companies (Strategic Report) (Climate-related Financial Disclosure) (CFD) Regulations were implemented from April 2022 and are regulated by The Conduct Committee of the Financial Reporting Council (FRC).

MANDATORY



UK



CLIMATE RISK



FINANCIAL RISK



## Who reports?

CFD regulations apply to companies to which one or more of the following applies:

- UK company currently required to produce a non-financial information statement, have  $\geq 500$  employees and either have transferable securities admitted to trading on a UK regulated market or are banking companies or insurance companies
- $\geq 500$  employees and Securities admitted to AIM
- $\geq 500$  employees and turnover of £500m or more

And to LLPs:

- That are not traded or banking LLPs and have  $\geq 500$  employees and a turnover of £500m or more
- That are traded or banking LLPs with  $\geq 500$  employees

The regulations apply for financial years starting on or after 6th April 2022.

## What is reported?

While the CFD is broadly aligned to the TCFD recommendations, there are some key differences:

- The CFD has 9 recommendations, as opposed to the TCFD's 11
- An explanation of whether risks are assessed at group or subsidiary level
- Climate scenario analysis that includes a 1.5C scenario and detailed analysis of results every 3 years

CFD recommendations focus on the “Why?”, as opposed to the “what?” and “how?” covered by TCFD. For examples, WHY particular scenarios were used for CSA.

Disclosure should appear in the annual report.

## Benefits

- Builds on previous initiatives: Succeeds the Target Management System (TMS), enhancing data collection and MRV processes initiated in 2012.

# TCFD - International Regulations

Several jurisdictions outside of Europe have implemented their own climate risk reporting requirements that are, at least in part, aligned to the recommendations of the TCFD and/or IFRS I & II.

This landscape is rapidly evolving and will be subject to updates in the near future.

MANDATORY



INTERNATIONAL



CLIMATE RISK



FINANCIAL RISK



## Who reports?

Australia, Canada, Japan, Hong Kong, Malaysia, New Zealand, Nigeria, Singapore and the U.K have all indicated they will introduce IFRS I & II in the future.

## What is reported?

The information disclosed varies from region to region, but will always include some, if not all, of the TCFD's recommendations. Furthermore, some disclosures will require additional sustainability-related disclosures.

Canada: OSFI Regulations from 2024; Crown Corporations from 2022; CSSB TBC

USA: SEC Climate Disclosures Rule from 2024

California: Climate Disclosure Bill from 2025

Colombia: Regulation O31 from 2021

Brazil: BCB regulations from 2022; CVM Resolution 59 from 2023

EU: CSRD from 2023

Switzerland: Ordinance on Climate Disclosures from 2024

Hong Kong: The Exchange Regulations from 2025

Japan: FSA for listed companies from 2023; SSBJ from TBC

New Zealand: CRD for ~ 200 companies from 2023.

Egypt: FRA Decrees 107 & 108 from 2022

Australia: Mandatory disclosure from 2024/2025.

Singapore: SGX applies to all SGX-listed issuers from 2022.

# SEC

The SEC Climate Disclosure Rule aims to enhance the climate-related disclosures of US publicly traded companies by including information relating to climate-related risks.

Originally set for a 2023 implementation, various delays have led to a potential finalisation of rules in Spring 2024.

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CLIMATE RISK



FINANCIAL RISK



## Who reports?

Regulations will apply to US publicly traded companies and are applicable to both foreign and domestic organisations.

The regulations would likely be applicable to FY2024 and FY2025 for smaller companies.

## What is reported?

SEC regulation is broadly aligned to the four pillars of TCFD but with some key differences:

Governance:

- Includes a requirement to disclose whether board/management have climate-risk expertise
- Disclosures relating to opportunities are not mandatory, unlike TCFD

Strategy, business model, and outlook:

- Include impacts of climate-related events and transition activities on using pre-defined KPIs
- CSA disclosure is only required if undertaken by the organisation. Under TCFD it is a core pillar

Risk Management:

- Disclose the impacts of climate-related risks on specific line items in the organisation's financial statement

GHG emission metrics:

- Disclose scope 1&2 emissions intensities
- Requires limited assurance of scope 1&2 emissions
- Disclose details of RECs and offsets used by the organisation

Exemptions exist for smaller companies regarding scope 3 disclosures.

Information to be disclosed in financial statements and annual reports e.g. Form 10-K

## Benefits

Improve the transparency of climate-related risk information for investors of US-based companies.

# California Climate Disclosure Bill

The California Climate Disclosure Bill consists of Senate Bill (SB) 253, which mandates the disclosure of emissions, and SB 261, which mandates disclosures in line with the recommendations of the TCFD. These regulations are set to come into force from 2026.

MANDATORY



INTERNATIONAL



CLIMATE RISK



FINANCIAL RISK



## Who reports?

SB 253 applies to US companies doing business in California with annual, global revenues exceeding \$1 billion

SB 261 applies to US companies doing business in California with annual, global revenues >\$500 million

## What is reported?

The requirements of the bill are mostly aligned to the four pillars of the TCFD with a few additions:

Governance: Fully aligned to TCFD

Strategy: Fully aligned to TCFD

Risk Management: Companies must evaluate climate-related financial risk based on "immediate and long-term financial outcomes"

Metrics and Targets:

- Scope 3 emissions disclosure is required
- Limited assurance of scope 1 and 2 emissions up until 2030, and then reasonable assurance thereafter
- Scope 3 emissions will need to be assured to a limited standard by 2030
- Scope 3 emissions must be disclosed no later than 180 days after disclosing scope 1 and 2 emissions

## Benefits

- Enhance transparency for investors.
- Standardise disclosures for companies operating in California.
- Align public investment with climate goals.

## Non-compliance

Companies not in compliance of SB 253 may face penalties up to \$500,000 per year.

Companies not in compliance of SB 261 may face up to \$50,000 in penalties per year.

# CSDDD

## Corporate Sustainability Due Diligence Directive

Provisionally agreed upon by the European Council and European Parliament in December 2023, the Corporate Sustainability Due Diligence Directive (CSDDD) aims to enhance the protection of the environment.

The directive sets requirements for large companies in relation to the impacts the operations of themselves, subsidiaries, and partners have on both human rights and the environment.

MANDATORY



EU



ESG



### Who reports?

Large EU companies with more than 500 employees and a net worldwide turnover of over €150 million.

Non-EU companies with over €150 million turnover generated in the EU within three years of the entry into force of the CSDDD. The European Commission will publish a list of non-EU companies that fall under the scope of the directive.

Financial institutions will be excluded from the directive pending a review into possible future inclusion.

No date is set yet for compliance, but 2027 has been suggested.

### What is reported?

Under the directive, companies must identify, mitigate and prevent negative actual and potential human rights and environmental impacts in their operations, their subsidiaries operations, those of their business partners. This should cover upstream business partners and partially the downstream activities such as distribution or recycling.

The Directive includes duties for directors, which mandate the implementation of a due diligence process that is integrated into corporate strategy.

Companies are to develop a transition plan that ensures their business model complies with limiting warming to 1.5C.

Companies not in compliance could face fines of up to 5% net turnover.

### Benefits

- Protection of the environment and human rights.
- Increased transparency.
- Greater awareness of a companies' negative impacts.
- Risk management and resilience.

# TPT

## Transition Plan Taskforce

The Transition Plan Taskforce (TPT) seeks to assist organisations in reaching their climate objectives and endorsing the UK government's commitment to achieving net zero emissions by 2050. It is crafted to align with and expand upon the ultimate climate-related disclosure standard (IFRS S2) released by the International Sustainability Standards Board (ISSB).

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### Who reports?

The framework is designed to be adopted and used by different jurisdictions, companies operating internationally, and is both applicable to finance sub-sectors and real economy sectors.

### What is reported?

The framework comprises five disclosure categories with sub-elements, offering a robust structure to facilitate organised data presentation throughout implementation. The categories are:

#### 1. Foundation:

- Focus on objectives, priorities, and their implications for the business model.
- Address GHG emissions reduction, risk management, opportunities, and key milestones.
- Examine the impact on products/services, considering resourcing, cost, and material interdependencies.

#### 2. Implementation Strategy:

- Disclose planned activities to achieve objectives and priorities.
- Include changes to strategy, resourcing, plans for GHG or carbon-intensive assets, and material interdependencies.
- Disclose alterations to products/services supporting the transition plan, encompassing the use of high-carbon products.
- Specify internal policies aligning with strategic ambitions, such as those related to energy or water use.

#### 3. Engagement Strategy:

- Disclose current/planned activities across the value chain for feedback and alignment with strategic ambition.
- Encourage wider industry engagement to share expertise and address common challenges.

#### 4. Metrics and Targets:

- Annually disclose metrics and targets tracking progress toward strategic ambition.
- Include financial metrics, GHG metrics, or the use of carbon credits.

#### 5. Governance:

- Disclose governance arrangements supporting transition plans and meeting strategic ambitions.
- Address board oversight, reporting, senior management responsibilities, culture-building steps, incentives, remuneration, and skills/training aligned with strategic ambitions.

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## Benefits

As private sector organizations commit to achieving net-zero targets, there is an increasing demand for stakeholders to evaluate the credibility of their transition plans. The Transition Plan Taskforce is dedicated to promoting best practices grounded in three fundamental principles: ambition, action, and accountability.

### Ambition

The set objectives and goals should be ambitious, contributing to the broader economy's net-zero targets. Reduction targets must encompass scope 1, 2, and 3 emissions, with a focus on actively reducing CO2 emissions rather than offsetting them with carbon credits.

### Action

Companies should translate their ambitious goals into clear, actionable steps for the short, medium, and long term. These actions need to be supported by tangible plans addressing resourcing, financing, and operational considerations. Action plans should also outline key assumptions, dependencies, or uncertainties.

### Accountability

Transition plans require oversight at the board level and should be supported by effective governance structures, incentives, and accountability processes. Metrics and targets must be quantifiable, with specified deadlines for completion. Annual reporting against these targets, including their incorporation into financial reporting, is essential. Transparency is crucial, including disclosure if external assurance has been sought for the transition plans.

In addition, the TPT:

- Helps stakeholders assess the credibility of transition plans in the private sector.
- Encourages ambitious objectives and goals for reducing emissions.
- Facilitates the breakdown of objectives into clear short, medium, and long-term actions.
- Ensures board-level commitment and accountability for transition plans.
- Supports the integration of climate objectives into mandates and objectives.
- Provides guidance on engagement strategies for wider feedback and change alignment.
- Offers transparency through clear metrics, targets, and reporting.
- Strengthens governance arrangements and accountability processes.
- Promotes innovation in emerging decarbonisation technologies.



# BREEAM

## Building Research Establishment Environmental Assessment Method

BREEAM is a sustainability scheme grounded in scientific principles and tailored for the built environment. Developers can gain third party certification of the assessment of an infrastructure's economic, social and environmental sustainability performance using the BREEAM standard.

A separate scheme is available for infrastructure projects under the name 'BREEAM Infrastructure', this scheme has the purpose of enhancing the environmental performance and standard of civil engineering projects. Formerly known as CEEQUAL it was rebranded after being acquired by BRE in 2015.

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### Who certifies?

Any developer can choose to partake in this assessment and gain BREEAM certification.

### Route to certification

Certification involves a 4-part modular approach: (1) Fabric and structure, (2) Mechanical and Electrical, (3) Local services and (4) Specific to project.

Assessment provides a score from Outstanding to Pass, with a fail requiring less than 30%.

### Where is it reported?

- Certain sectors may include it in their annual reports, such as real estate or construction.
- Reported to planning bodies which request certain BREEAM scores.

### Benefits

- There are social benefits to certified buildings which promote a healthy working environment.
- It provides a competitive edge for developers wanting to showcase their Corporate Social Responsibility (CSR) credentials.
- A range of certificate options allows for flexibility.
- BREEAM ratings are increasingly required on UK local and governmental buildings.

# GRESB

## Global Real Estate Sustainability Benchmark

The Global Real Estate Sustainability Benchmark (GRESB) is a global organisation for assessing and comparing the ESG performance of property companies. It has three components which are assessed according to the type of company: Management, Performance and Development.

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### What is reported?

- Portfolio management companies will be subject to the Management and Performance forms, while property development companies will be subject to the Management and Development forms. Companies with both activities will be subject to all three forms.
- The performance of administration, control, and environmental management systems (existing certifications, electricity consumption of buildings, materials used, ESG strategy, etc.).
- Greenhouse gas emissions and other environmental impacts, including water and waste.
- Assessment participants receive a score and a comparison report which benchmarks them against their peers.

### Where do we find the results?

Preliminary results are unveiled in September to allow companies to exchange with GRESB examiners to foster collaboration and give recommendations.

Real Estate and Infrastructure Assessment results for Participants and Investors are launched in October.

### Benefits

- It showcases sustainability efforts to investors.
- Helps identify challenges to portfolio energy efficiency and report progress.
- It benchmarks participants against peer groups.
- It provides credit for the independent verification of external sustainability reporting, including GRI and CDP.
- Participants receive information on where they stand against their peers; Participants are given a roadmap with the actions they can take to improve their ESG performance; Participants have a communication platform to engage with investors.

# LEED

## Leadership in Energy and Environmental Design

Developed by the United States Green Building Council (USGBC), the framework aims to create healthy, highly efficient and cost- saving green buildings. It provides eligible companies with a globally recognised certification of best practice in sustainable buildings as LEED has increased in popularity around the globe.

The latest version of LEED, v5, is an important milestone in the effort to align the build environment with the Paris Climate Accord's 2030 and 2050 targets. The rating system addresses crucial issues such as equity, health, ecosystems, and resilience.

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### Who certifies?

Virtually all building types and all building phases are eligible with different types of LEED certifications to match them. The certification system consists of five different areas:

- Building Design and Construction
- Interior Design and Construction
- Building Operations and Maintenance
- Neighbourhood Development
- Homes

### Route to certification

To be certified the building project needs to obtain points and meet green building standards that will then be validated. Levels of certification progress from Certified, Silver, Gold and Platinum depending on the number of points accrued.

In order to earn credits to achieve certification in one of the above categories, the project must meet standards within the following areas:

- Location and transportation
- Materials and resources
- Water efficiency
- Energy and atmosphere
- Sustainable sites
- Indoor environmental quality
- Regionally-specific concerns

### Benefits

- More sustainable developments result in a reduction in liability for developers.
- It assists in increasing the social benefits of healthy and sustainable buildings.
- It provides a competitive edge for developers wanting to showcase their sustainability credentials.

# SKA

The SKA rating is an environmental assessment method and standard for non-domestic fit outs. It is led by the Royal Institution of Chartered Surveyors (RICS).

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## Who certifies?

Either the landlord or the tenant of a building/office site, depending on who is undertaking the fit out project. If a company owns its offices, then the responsibility falls upon them.

## Route to certification

SKA ratings comprise 104 good practice measures across eight areas of sustainability: 1) energy use; 2) carbon dioxide emissions; 3) materials; 4) waste; 5) water; 6) wellbeing; 7) pollution and 8) transport. During this process, evidence is gathered to prove that what has been specified has been delivered and that in conjunction with this, waste benchmarks have been achieved.

## Benefits

- Reduces operational costs
- Boosts brand image;
- Improves employee health/wellbeing;
- Can attract and retain talent, due to placing importance on issues of sustainability and climate change.

# Frameworks for Financial Institutions

Financial institutions play a key role in the transition to a net-zero economy. This new section of the eBook outlines the frameworks that are designed specifically for financial institutions. The reporting landscape is constantly evolving and the majority of these frameworks are voluntary, however there is an increasing expectation for financial institutions to improve their climate risk disclosures.



# PCAF

## Partnership for Carbon Accounting Financials

The Partnership for Carbon Accounting Financials (PCAF) is an industry-led partnership, formed of a coalition of industry organisations (such as ABN AMRO, Amalgamated Bank, ASN Bank, Global Alliance for Banking on Values (GABV), and Triodos Bank) and is the global standard for financial portfolio footprinting.

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INTERNATIONAL



EMISSIONS



### Who reports?

Any financial institution that wishes to assess and disclose their financed emissions on a voluntary basis aligned with best practice.

Over 400 institutions have so far disclosed or committed to disclose their financed emissions using the PCAF standard:

- Commercial banks: 263
- Asset owner/managers: 93
- Financial services groups: 35
- Development banks: 22
- Insurance: 20
- Investment banks: 11
- Export credit agencies: 4
- Integrated bank-insurance groups: 2
- Promotional banks: 1

### What is reported?

This global standard is split into three parts

Part A - Financed Emissions - guidance to measure and disclose emissions associated with seven asset classes:

- Listed equity and corporate bond
- Business loans and unlisted equity
- Project finance
- Commercial real estate
- Mortgages
- Motor vehicle loans
- Sovereign debt

Part B - Facilitated Emissions - guidance for measuring and reporting emissions associated with capital markets issuances.

Part C - Insurance-Associated Emissions - guidance for measuring and reporting emissions associated with insurance underwriting.

Coming into 2024, PCAF has recently announced that it will concentrate its efforts in the following topics as a priority for methodology development: Transition finance and green finance; fluctuations in absolute GHG inventory (resulting from changes over time to the financial attribution metrics, such as EVIC); additional insurance products and securitised and structured products.

### Benefits

Builds upon the recommendation of the GHG protocol while providing additional detailed information on (among others):

- Targeted Metrics that financial institutions should report against.
- Methodology for calculating emissions for different asset classes.
- Points of control regarding the financial and environmental data that companies should retrieve.

Calculating and disclosing financed emissions Enables financial institutions to:

- Assess their climate-related transition risks in line with TCFD/ISSB and exposure to emission-intensive portfolios and industries
- Set Science-Based Targets using the SDA methodology.
- Add information to their CDP disclosure, potentially improving scoring

# PBAF

## Partnership for Biodiversity Accounting Financials

The Partnership for Biodiversity Accounting Financials (PBAF) is an independent foundation that aims to develop the 'PBAF Standard', which enables financial institutions to assess and disclose their impact and dependencies on biodiversity of any loans and investments. As of 2022, there are over 40 financial institutions that have supported or partnered with the PBAF.

The PBAF standard currently covers: sovereign bonds; listed equity/corporate bonds; project finance; mortgages; investments in green energy; motor vehicle loans and indirect investments.

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INTERNATIONAL



ESG



### Who reports?

The PBAF is open to any financial institution that wishes to partner with the organisation.

### What is reported?

The PBAF standard provides a framework for companies to assess and report their impact on biodiversity and is based on four steps:

- 1) Scoping: identifying the key biodiversity-related risks and opportunities that are relevant to the company/financial institution. This includes the identification of ecosystems and species that are most affected by the company's activities.
- 2) Impact Assessment: This refers to the quantification of the impact of an organisation's activities on biodiversity and involves assessing the extent, magnitude, likelihood and duration of the impact.
- 3) Dependency Assessment: This step requires an assessment of the company's dependence on biodiversity and ecosystem services and entails the identification of goods and services the company relies on and accounting for their significance to the organisation's operations.
- 4) Mitigation and Management: The final step involves the development of strategies to mitigate the negative impact the company has on biodiversity whilst also finding ways to enhance the organisation's positive contributions to ecosystem services.

### Benefits

- Acts as an introduction to biodiversity impact and dependency assessment in the financial sector
- Facilitates participation in the development of these assessment principles as well as engagement with relevant experts.
- Regular updates about other initiatives relevant to biodiversity accounting in the financial sector- e.g. the EU Taxonomy.

# TPT for Financial Institutions

The TPT launched its Disclosure Framework for the banking sector, which sets out good practice recommendations for transition plan disclosures.

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ESG



## Who reports?

The TPT's Terms of Reference gave the TPT a mandate to produce guidance for a small number of finance and real-economy sub sectors.

The TPT confirmed these sectors as:

- Asset Owners;
- Asset Managers;
- Banks;
- Food & Beverage;
- Electric Utilities & Power Generators;
- Metals & Mining; and
- Oil & Gas;

## What is reported?

The Asset Owners Guidance suggests, in addition to recommendations on engagement, metrics, and targets, that an entity should contemplate revealing the following:

1. Its goals and priorities for reducing financed emissions linked to investment activities, encompassing any commitments made and the reasoning behind those commitments.
2. Its goals and priorities for handling climate-related risks and seizing opportunities related to climate through investment activities.
3. Whether and how its interpretation of fiduciary duty aligns with the Strategic Ambition outlined in its transition plan.
4. Information about the short, medium, and long-term actions undertaken or planned within its investment process to realize the Strategic Ambition of its transition plan, whether applied to all or a portion of its investment activities.
5. Whether and how it incorporates the transition plans of its investee companies into its investment process, detailing its approach to assessing the quality and credibility of those plans.
6. When disclosing actions or plans, the entity may consider providing information at the asset class, sector, and/or geographic levels.
7. The extent to which it provides or plans to provide climate- or sustainability-linked products, including those linked to nature.



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ESG



## Benefits

- Balancing the reduction of portfolio emissions through divestment and capital reallocation against engaging with new and/or existing clients and customers to aid in emissions reduction and bolster climate resilience.
- Providing financial assistance to high-GHG emitting entities to transform their business models and reduce long-term emissions versus financing short-term emissions reductions.
- Reducing portfolio emissions by engaging with entities to prevent deforestation, with the added benefits of preserving natural habitats.
- Supporting the expansion of renewable energy through financial means, resulting in co-benefits such as skill enhancement for workers and improved community access to affordable clean energy.
- Increasing financing for climate solutions that may require adjustments to risk appetite.
- Acknowledging trade-offs in investment decision objectives that contribute to achieving Strategic Ambition and broader business priorities.

# SBTi FI

The SBTi Finance sector guidance, released in 2022, enables financial institutions, such as banks and insurance companies, to set SBTs and have them validated by SBTi. This enables the alignment of investment activities to the goals of the Paris Climate Agreement.

The SBTi is due to release updated near-term target criteria (v2) as well as publishing Net-Zero (long-term) target-setting guidance in 2024.

VOLUNTARY



INTERNATIONAL



EMISSIONS



HIGH REPUTATION



## Who reports?

Any financial institution aiming to reduce emissions in line with a 1.5C warming scenario.

The SBTi defines a company as a financial institution if 5% or more of its revenue or assets come from business relating to the arrangement and execution of financial and monetary transactions, including deposits, loans, investments, and currency exchange.

## What is reported?

The SBTi has 3 methods that link Fis' portfolios with climate stabilisation pathways, each of which can be used for one or more asset class:

Sectoral decarbonisation approach - involves the setting of emissions-based physical intensity targets for real estate and mortgage-related investments/loans. Also applies to power generation, cement, pulp and paper, transport, iron and steel, and buildings sectors within corporate instruments.

SBTi Portfolio Coverage Approach - an engagement target to encourage a portion of investees to set SBTi-approved SBTs

The Temperature Rating Approach - to determine the current temperature rating of their portfolios and take actions to align them to long-term temperature goals via engagement with portfolio companies.

FIs are also required to set targets for their own operations in line with at least a well-below 2C pathway.

## Benefits

- Aids the decarbonisation of investment activities.
- Helps align investments and lending to the goals of the Paris Agreement.
- Engage investees to set targets.

# ICMA Green Bonds Principles

The Green Bond Principles (GBP) are guidelines that enable issuers to finance sustainable projects. These guidelines promote transparency, disclosure and reporting within the green bond market.

VOLUNTARY



INTERNATIONAL



FINANCIAL RISK



## Who reports?

Any issuers of green bonds. This may include banks or other corporates.

## What is reported?

Under the recommendations of the principles, issuers should implement a green bond framework that aligns to four components:

Use of proceeds - Proceeds of a green bond should finance green projects. The GBP define the categories of projects that can be labelled as green.

Process for project evaluation and selection - Issuers should disclose the sustainability credentials of projects to their investors e.g. how the project is determined to be sustainable and the targets associated with the bond.

Management of proceeds - There should be full transparency from the issuers as to how proceeds are managed

Reporting - Report how proceeds are allocated to green projects. This can be within the issuers annual report

## Benefits

- Outlines the key components of investors' strategies for achieving sustainability commitments.
- Ensures investments are aligned with sustainability goals.

# EU Green Bond Standard

The EU Green Bond Standard (EUGB) has been created to ensure that there is adequate transparency in line with market best practice regarding the issuance of green bonds across the EU. The EU council adopted the regulation on the 23rd of October 2023 and will start its application in October 2024.

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EU



ESG



## Who reports?

The regulation can be applied voluntarily to all issuers of green bonds within the EU- who can subsequently label their bonds 'European Green Bonds'. Issuers of green bonds who are not fully aligned with the EU taxonomy may opt-in to a number of the regulation's disclosure requirements.

## What is reported?

All issuers using the EUGB standard when issuing a green bond will be required to disclose how the bond's proceeds will be used, and show how such investments support the transition plans of the organisation. Therefore, as part of a new requirement, the EUGB standard requires businesses to partake in a green transition.

## Benefits

The new standard provides the following benefits:

- Fosters consistency and comparability in the green bond market
- Allows issuers to demonstrate that they are funding legitimate green projects aligned with the EU taxonomy
- Improves access to certified gold standard green bonds for prospective investors.

# UNEP FI PRB

The UNEP FI helps financial institutions to develop practical approaches to setting and implementing targets in areas including greenhouse gas emissions, financing nature, sustainable consumption and production, and financial inclusion to address inequality. The solutions developed effectively establish industry norms and provide a blueprint for the finance sector to tackle global challenges and set strategies and operations on a sustainable pathway.

United Nations Environment Programme Principles for Responsible Banking (UNEP PRB) are a unique framework for ensuring that signatory banks' strategy and practice align with the Sustainable Development Goals and the Paris Climate Agreement. The six Principles that make up the framework were created in 2019 through a partnership between founding banks and the UN.

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## Who reports?

Signatories are asked to commit to embedding the six Principles across all building areas, at the strategic, portfolio and transactional levels. Signatory banks must report by latest 18 months after signing the Principles, and annually thereafter.

## Benefits

**Governance and Responsibility:** The framework emphasizes governance at the board/CEO level, ensuring a high-level commitment to the goal of achieving net-zero portfolio emissions. It also highlights the responsibility for the implementation of the commitment and strategy, fostering accountability among decision-makers.

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## The Six Principles

### 1. Alignment:

Banks commit to align their business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

### 2. Impact and target setting:

Banks commit to continuously increase their positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from their activities, products and services.

### 3. Clients and customers:

Banks commit to work responsibly with their clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

### 4. Stakeholders:

Banks commit to proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve society's goals.

### 5. Governance and culture:

Banks commit to implementing these principles through effective governance and a culture of responsible banking.

### 6. Transparency and accountability:

Banks commit to periodically review their individual and collective implementation of the principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Signatories are guided through implementing their commitment by a three-step process:

1. Impact analysis. Identifying the most significant impacts of products and services on the societies, economies, and environment that the bank operates in.
2. Target setting. Setting and achieving measurable targets in a bank's areas of most significant impact.
3. Reporting. Publicly report on progress on implementing the principles, being transparent about impacts and contributions.

# UNEP FI PSI

The UNEP FI PSI (Principles for Sustainable Insurance) serves as a structure for the insurance industry to address environmental, social and governance risks and opportunities.

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## Who reports?

Signatories to the PSI are exclusively insurance companies/providers and can become signatories by:

Completing the PSI signatory company application form and preparing a letter signed by your organisation's CEO/CEO equivalent confirming the organisation's approval of the PSI principles and sending this to UNEP.

Additionally, organisations in the sector that are not insurance companies-e.g. insurance associations- can become supporting institutions by following the same step above.

## What is reported?

Signatory companies are expected to report on their progress in implementing the UNEP FI PSI principles on an annual basis. Additionally, these disclosures must be made publicly available on the UNEP FI website.

Companies report on their progress towards the following principles:

- 1) We will embed in our decision-making ESG issues relevant to our insurance business.
- 2) We will work together with clients and business partners to raise awareness of ESG issues, manage risk and develop solutions.
- 3) We will work together with governments, regulators and other key stakeholders to promote widespread action across society on ESG issues.
- 4) We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

## Benefits

1) Access to UN events and engagement with stakeholders and governments on ESG issues and risk management

2) Access to UNEP FI research, networks and capacity building services

# SFDR

## Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation (SFDR) mandates ESG disclosure requirements for asset managers and other participants in financial markets. Introduced by the European Commission, the SFDR, alongside the Taxonomy Regulation and the Low Carbon Benchmarks Regulation, constitutes a series of legislative measures stemming from the European Commission's Sustainable Finance Action Plan.

MANDATORY



EU



ESG



### Who reports?

The regulation extends to all financial market participants (FMPs) and financial advisors (FAs) operating within the EU, including those with EU shareholders and those marketing themselves within the EU.

FMPs encompass various entities such as insurance companies offering insurance-based investment products, investment firms providing portfolio management services, institutions managing retirement provisions, manufacturers of pension products, alternative investment fund managers, providers of pan-European personal pension products, managers of qualifying venture capital and social entrepreneurship funds, management companies for UCITS, and credit institutions offering portfolio management services.

### What is reported?

The SFDR disclosure requirements are categorized into three segments:

1. Disclosure of Adverse Impacts on Sustainability Factors from Investment Decisions

Firms obligated under SFDR must reveal the potential adverse effects that investment decisions may have on sustainability factors and detail their efforts to mitigate these impacts.

2. Integration of Sustainability (ESG) Risk into Investment Processes

Firms are required to disclose instances where environmental, social, or governance (ESG) events could negatively affect significant investments and align their remuneration policies with the management of sustainability risks.

3. Provision of Sustainability Information for Financial Products

Additional disclosures are necessary for financial products categorised as Article 8 or Article 9 products, as defined by SFDR.

### Benefits

- Combats greenwashing and exaggeration of environmentally friendly claims.
- Prioritizes ESG risks in investment processes.
- Addresses gaps in mandatory rules for ESG disclosure.
- Instigates a behavioral shift in financial market participants.
- Safeguards investor value by promoting increased investment in ESG disclosure.
- Legitimises green credentials, enhancing transparency and trust.
- Protects revenues and asset values from potential future disruptions.
- Aligns with broader cultural shifts towards sustainability and ESG considerations.



# TNFD for Financial Institutions

The Taskforce on Nature-related Financial Disclosures (TNFD) is a global science-based initiative with the mission to develop and deliver risk management and disclosure framework for organisations to report and act on evolving nature-related issues.

The Task Force for Nature-related Financial Disclosures (TNFD) has released a draft form of sector-specific guidance for financial institutions on the TNFD recommendations, the TNFD metrics architecture, and additional sources and references on nature-related issues for financial institutions.

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## Who reports?

The additional TNFD guidance for financial institutions applies to banks, insurance companies, asset managers and owners, and development finance institutions, institutions offering portfolio management services.

## What is reported?

The Taskforce proposes an adaptation of the TNFD disclosure metrics architecture for financial institutions:

1. A metric that represents the financial exposure to a defined set of sectors considered to have material nature-related dependencies and impacts.
2. A metric that represents the financial exposure to companies with activities in sensitive locations.
3. Additional metrics aligned with nature change, as relevant to the financial institution.

## Benefits

Disclosure can allow companies to enhance and protect their reputation, attract capital, and track and benchmark progress.

The TNFD framework helps financial institutions to identify nature-related risks and opportunities.

# FCA PS21/24 - TCFD for Asset Managers

The FCA's TCFD-aligned regulations apply to asset managers, life insurers and FCA-regulated pension providers and are applicable to financial years starting on or after 1st January 2022.

MANDATORY



UK



CLIMATE RISK



FINANCIAL RISK



## Who reports?

Phase 1, for periods from 1st January 2022 with disclosure by 30th June 2023, applies to firms with assets under management of £50bn or more and asset owners with £25bn or more (on a 3-year rolling average).

Phase 2, for periods from 1st January 2023 with disclosure by 30th June 2024, applies to firms with £5bn or more in assets under management or owned.

This applies only to UK-based asset managers, regardless of a client's domain.

## What is reported?

Consistent with core TCFD and supplemental guidance for asset managers.

Disclosures are to be made at:

The entity level:

An entity-level TCFD report setting out how climate-related risks and opportunities are taken into account in managing or administering investments on behalf of clients and consumers

To be published in a prominent place on the firm's main website

The product- or portfolio-level:

A baseline set of disclosures in respect of their products and portfolios, including a core set of metrics. To be published in a prominent place on the firm's main website and cross-referenced in an appropriate client communication. Firms must produce on-demand product-level reports

## Benefits

Increase transparency on climate-related risks and opportunities, enabling clients and consumers to make informed decisions.

Provide a competitive advantage over peers

Disclosure supports the UK's wider TCFD commitment

Aligning to the TCFD recommendations can support transition planning, portfolio footprinting, target-setting and CSA.

# NZIF

## Net Zero Investment Framework

The Net Zero Investment Framework offers a unified set of suggested actions, metrics, and methodologies for investors to optimize their efforts towards attaining global net zero emissions by 2050 or earlier. Its main goal is to enable investors to reduce carbon footprints in investment portfolios and enhance investments in climate solutions, aligning with a future of net zero emissions at 1.5°C.

VOLUNTARY



UK



EMISSIONS



### Who is it for?

The Net Zero Investment Framework is the most implemented net-zero methodology for investors and across all financial institutions within the Glasgow Financial Alliance for Net Zero (GFANZ).

### How to align?

#### Thoroughness

Alignment must be grounded in solid evidence and data, adhering to the best available science in line with the temperature goals set by the Paris Agreement.

#### Feasibility

The methods and approaches should be realistic for a diverse range of investors to implement. They should also build upon existing work and be compatible with the current processes or requirements of investors.

#### Accessibility

Definitions, methodologies, and strategies should be clear and easily applicable, utilizing publicly available information and assessments wherever feasible.

#### Responsibility

Definitions, methodologies, and strategies should enable clients, beneficiaries, and other stakeholders to evaluate whether investors and assets are in alignment with the objectives of the Paris Agreement.

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## Benefits

**Emissions Reduction:** NZIF aims to reduce emissions in the real economy, fostering collective action among investors to combat climate change.

**Transparency and Disclosure:** Promotes robust disclosure practices, advocating for annual disclosure aligned with TCFD recommendations to provide stakeholders with climate-related financial risk information.

**Governance and Responsibility:** Emphasises governance at the board/CEO level, ensuring commitment to achieving net-zero portfolio emissions and fostering accountability for strategy implementation.

**Integration of Climate Objectives:** Encourages integrating climate objectives into mandates for asset managers, ensuring climate considerations guide decision-making throughout the investment lifecycle.

**Strategic Alignment:** Outlines principles for achieving net-zero commitments, ensuring strategies represent maximum efforts to reduce emissions and align investments with sustainability goals.

**Metrics and Targets:** Provides guidance on setting and reporting targets, including science-based scenarios, ensuring systematic target-setting and clear communication of methodologies used.

**Risk Mitigation:** Incorporates climate metrics into Strategic Asset Allocation processes, helping investors identify and address constraints to achieving greater alignment, bolstering long-term portfolio resilience.

# UN PRI

## Principles for Responsible Investment

The Principles for Responsible Investment (PRI), a UN-supported network of investors, works to promote sustainable investment through the incorporation of environmental, social and governance factors into investment decision-making. It does this by encouraging all actors within the investment ecosystem to sign up and report on a set of six investment principles, developed to support the incorporation of ESG issues into investment practice

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### Who reports?

Signatories of the PRI.

Organisations are able to become signatories if they fall under one of the three signatory categories:

- Asset owners
- Investment managers
- Service providers or professional services partners

### What is reported?

Signatories of the UN PRI are required to report on their responsible investment activities annually. The reporting framework provided by the UN PRI covers 12 modules with CORE (mandatory to report, public and assessed) as well as PLUS indicators (voluntary reporting, public or private and not assessed). Mandatory modules vary by signatory type.

The six UN PRI principles are as follows:

- 1) We will incorporate ESG issues into investment analysis and decision-making processes
- 2) We will be active owners and incorporate ESG issues into our ownership policies and practices
- 3) We will seek appropriate disclosure on ESG issues by the entities which we invest
- 4) We will promote acceptance and implementation of the principles within the investment industry
- 5) We will work together to enhance our effectiveness in implementing the principles
- 6) We will each report on our activities and progress towards implementing the principles

### Benefits

- Access to resources for reporting and assessing your organisation's ESG activities
- Invitations to relevant events and workshops
- Potential to boost reputation and brand image

# Green Loan Principles

The Green Loan Principles (GLPs) are a set of voluntary guidelines issued by the Loan Market Association to aid the development of a market-standard approach to green lending.

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ESG



## Who reports?

The GLPs can be applied by any market participants, with the guidelines supporting the integrity of the green loan market by clarifying when and how a loan can be categorised as “green”.

## What is reported?

The GLPs require specific methodologies to be applied to a green loan.

Similarly to the Green Bond Principles, the GLPs are based around four components:

- Use of proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

## Benefits

- Provides clarity on the instance at which a loan can be classified as “green”.
- Promotes the financing of sustainable activities and projects.
- Improves the transparency of the use of proceeds.



# Conclusion: Finding Alignment

# Conclusion

The landscape of sustainability reporting frameworks is large and complex. With the awareness of climate change and sustainability issues being ever more widespread and urgent, the necessity of both mandatory and voluntary frameworks remains, and the evolution of these frameworks will continue. Hopefully this guide, though not an exhaustive list, has provided some clarity on that.

One positive development we see, is the increasing presence of the term “alignment”. There is a real trend towards standardising and aligning what information you need to disclose and an awareness of the need to minimise the reporting burden for organisations. This trend covers both the voluntary and mandatory reporting frameworks.

The recommendations of the TCFD, highlighted in this eBook have also been particularly instrumental in the development and subsequent further alignment of the frameworks which have taken seriously the recommendations for businesses to better account for climate-related financial risk.

And this brings us to another important alignment trend – that of climate-related issues with main business strategy. The latest versions of the frameworks and recommendations encourage companies to establish governance at the highest level on climate issues, and to clearly demonstrate that sustainability issues, in particular climate risk assessment, are no longer isolated to a CSR level but are increasingly integrated and aligned with the overall corporate strategy.

As the risk of climate change becomes increasingly urgent, and the opportunities it offers in terms of innovation and multi-stakeholder cooperation increase, robust and consistent sustainability and climate reporting will be vital to protect business, our global financial system and, of course, to strengthen the resilience of humankind and biodiversity across the globe.





EBOOK

# Climate action. Commercial sense.

Together with our clients, we act to put climate and nature centre stage to drive sustainable corporate transformation within planetary boundaries.

EcoAct is an international sustainability consultancy and project developer with 18+ years of industry experience and 360+ climate experts globally. Founded in France in 2005, the company now spans three continents with offices in Paris, London, Barcelona, New York, Montreal, Munich, Milan and Kenya.

EcoAct's core purpose is to lead the way in developing sustainable business solutions that deliver true value for both climate and client. Data is the cornerstone of our consulting practice, supported by our dedicated Climate Data Analytics and Research & Innovation teams.

At EcoAct we are driven by a shared purpose to make a difference. To help businesses implement positive change in response to climate and environmental sustainability challenges, whilst also driving commercial performance.

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