Applying the IFRS Sustainability Disclosure Standards

*Interactive training for stock exchanges*
LEARNING OBJECTIVES

Understand the purpose of the ISSB Standards
Identify what sustainability information investors need
Develop a disclosure strategy that supports your preparation for ISSB Standards
Building on existing knowledge of the landscape and purpose of sustainability-related financial disclosure

Considering content, location, efficiency and user confidence when disclosing in general-purpose financial reports

Applying the IFRS Standards as the global baseline and integrating additional disclosures to meet geographical, sectoral and regulatory requirements

Identifying, evaluating, and integrating sustainability-related risks and opportunities
www.SSEinitiative.org/disclosure-toolkit/
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Building a solid foundation of knowledge
The case for and market drivers of sustainability reporting
Reasons for disclosing information

- Compliance
- Differentiating vis-a-vis our peers
- Respond to societal expectations, demonstrate accountability and align with peer practice
- Explain contribution to sustainable outcomes
- Respond to urgent demand from investors
Investor demand for ESG information

700+ investor signatories with
US$68 trn AUM

166 focus companies

- 75% have net zero commitments (50% in March 2021)
- 92% have some level of board oversight (87% in March 2021)
- 91% have aligned with TCFD recommendations (72% in March 2021)
### The evolving risk environment

#### Global risks ranked by severity over the short and long term

*Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period.*

<table>
<thead>
<tr>
<th>Risk categories</th>
<th>2 years</th>
<th>10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; Misinformation and disinformation</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; Extreme weather events</td>
</tr>
<tr>
<td></td>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Extreme weather events</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Critical change to Earth systems</td>
</tr>
<tr>
<td></td>
<td>3&lt;sup&gt;rd&lt;/sup&gt; Societal polarization</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt; Biodiversity loss and ecosystem collapse</td>
</tr>
<tr>
<td></td>
<td>4&lt;sup&gt;th&lt;/sup&gt; Cyber insecurity</td>
<td>4&lt;sup&gt;th&lt;/sup&gt; Natural resource shortages</td>
</tr>
<tr>
<td></td>
<td>5&lt;sup&gt;th&lt;/sup&gt; Interstate armed conflict</td>
<td>5&lt;sup&gt;th&lt;/sup&gt; Misinformation and disinformation</td>
</tr>
<tr>
<td></td>
<td>6&lt;sup&gt;th&lt;/sup&gt; Lack of economic opportunity</td>
<td>6&lt;sup&gt;th&lt;/sup&gt; Adverse outcomes of AI technologies</td>
</tr>
<tr>
<td></td>
<td>7&lt;sup&gt;th&lt;/sup&gt; Inflation</td>
<td>7&lt;sup&gt;th&lt;/sup&gt; Involuntary migration</td>
</tr>
<tr>
<td></td>
<td>8&lt;sup&gt;th&lt;/sup&gt; Involuntary migration</td>
<td>8&lt;sup&gt;th&lt;/sup&gt; Cyber insecurity</td>
</tr>
<tr>
<td></td>
<td>9&lt;sup&gt;th&lt;/sup&gt; Economic downturn</td>
<td>9&lt;sup&gt;th&lt;/sup&gt; Societal polarization</td>
</tr>
<tr>
<td></td>
<td>10&lt;sup&gt;th&lt;/sup&gt; Pollution</td>
<td>10&lt;sup&gt;th&lt;/sup&gt; Pollution</td>
</tr>
</tbody>
</table>

### Real-life Climate Risks

<table>
<thead>
<tr>
<th>Scenario Phenomena</th>
<th>Time Horizon</th>
<th>Category of risks and opportunities</th>
<th>Description of impact</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute Physical</td>
<td>From a short period (1 to 3 years)</td>
<td>Extreme Events</td>
<td>Particularly extreme and intense weather events.</td>
<td>Extreme events can cause impacts in terms of damage to property and lack of continuity of operations.</td>
</tr>
<tr>
<td>Chronic Physical</td>
<td>From a long period (2030 - 2050)</td>
<td>Market</td>
<td>Increased or decreased demand for electricity; increase or decrease in production.</td>
<td>Electricity demand is also affected by temperature, fluctuating in which may affect our business. Renewable energy generation can also be affected by structural changes in resource availability.</td>
</tr>
<tr>
<td>Transition</td>
<td>From an average period (2025 – 2029)</td>
<td>Policy and Regulation</td>
<td>CO2 pricing and emissions policies, incentives for energy transition, greater margin for investment in renewables and resilience.</td>
<td>The effects of energy transition and resilience policies can influence the volume and return on investments.</td>
</tr>
<tr>
<td>Transition</td>
<td>From an average period (2025 – 2029)</td>
<td>Market</td>
<td>Changes in the price of commodity, raw materials and energy, evolution of the energy package, changes in retail consumption, modification of the competitive structure.</td>
<td>Considering two alternative transition scenarios, the Company assesses the impacts of the different trends with the increase in the weight of renewable sources in the energy package and the electrification of final consumption.</td>
</tr>
</tbody>
</table>

Partially extracted from Enel Américas, Integrated Annual Report Enel Américas 2022, pp. 132–133
1. What are your reasons for disclosing sustainability-related information? (Select all that apply)

a. Compliance  
b. Communicate management’s objectives  
c. Peer pressure  
d. Investor expectations  
e. Other (indicate in the chat)

Select the appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.
The evolution of sustainability-related financial disclosures
2. What frameworks are you currently using? (Select all that apply)

a. TCFD  
b. SASB  
c. CDP  
d. GRI  
e. UNGC  
f. Integrated Reporting  
g. Others (indicate in the chat)
The evolution of standards

Consolidated into

Adoption monitored by

Aligning with

IFRS Sustainability

TCFD

CDP

CDSB

INTEGRATED REPORTING
Holistic reporting package

INVESTOR FOCUSED

Financial accounting

Sustainability-related financial reporting

MULTI-STAKEHOLDER FOCUSED

GRI STANDARDS
Purpose and audience differentiation

FINANCIAL MATERIALITY VIEW

IMPACT MATERIALITY VIEW

DOUBLE MATERIALITY VIEW
Structure of the IFRS Foundation

- **Public accountability**
  - IFRS Foundation Monitoring Board

- **Governance, strategy, oversight**
  - IFRS Foundation Trustees

- **Independent standard-setting**
  - International Accounting Standards Board (IASB)
  - International Sustainability Standards Board (ISSB)
  - IFRS Interpretations Committee (IFRIC)
ISSB objectives

- Develop standards for a global baseline of sustainability disclosures
- Meet the information needs of investors
- Enable companies to provide comprehensive sustainability information to global capital markets
- Facilitate interoperability with disclosures that are jurisdiction-specific and/or aimed at broader stakeholder groups
A truly global baseline of disclosures

Additional building block can be added to meet:

- Jurisdiction-specific requirements
- Broader multi-stakeholder needs

ISSB Standards

- A comprehensive foundation of disclosures for global jurisdictional adoption
- Common language for comparable, decision-useful disclosures
- Designed to meet investor needs across global capital markets
Status of standards

IOSCO
endorse and recommends the adoption of ISSB Standards

Audit standard-setters
enhance and develop assurance standards

Jurisdictions
adopt the Standards as legislation

Market participants
voluntarily opt to apply the Standards
Setting the direction: Applying the IFRS standards & integrating additional disclosures
Applying the IFRS Sustainability Disclosure Standards as the global baseline
Important terms

- Sustainability-Related Financial Information
- Sustainability-Related Risks & Opportunities
- General Purpose Financial Reports
- Material Information
• **Sustainability-Related Financial Information** - Information about a company’s sustainability-related risks and opportunities that is useful to primary users of

• **Sustainability-Related Risks & Opportunities** — Those risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance or cost of capital over the short, medium or long term (IFRS S1.3).

• **General Purpose Financial Reports** — may have different names in different jurisdictions including integrated report, strategic report, operating and financial review. Includes financial statements and sustainability-related financial disclosures.

• **Material Information** — Information is material if omitting, misstating or obscuring it could reasonably be expected to influence investor decisions (IFRS S1.18).
IFRS S1: General requirements

- Requires **material information** about **sustainability-related risks and opportunities** with the financial statements to meet investor information needs
- Applies **Task Force on Climate-related Financial Disclosures (TCFD) architecture**
- Requires **industry-specific disclosures**
- Refers to **sources to help companies** identify sustainability-related risks and opportunities and information beyond climate (IFRS S2)
- Can be used with **any accounting requirements (GAAP)**
IFRS S2: Climate-related disclosures

• Incorporates the TCFD recommendations

• To meet investor information needs, IFRS S2:
  
  o is used in accordance with IFRS S1

  o requires disclosure of material information about climate-related risks and opportunities, including physical and transition risks

  o requires industry-specific disclosures – supported by accompanying guidance built on SASB Standards
IFRS S2 is to be applied in accordance with IFRS S1 because S1:

- Establishes important *conceptual foundations*, e.g.: connected information, value chains
- Provides important guidance on the *assessment of materiality*
- Sets out the *qualitative characteristics* of the information to be provided, e.g.: relevant and faithful representation
- Sets out requirements and concepts for reporting, e.g.:
  - the reporting entity
  - timing and location of reporting
  - connections and comparative information in reporting
Core Concepts

- Meeting primary users’ needs
- Connected information
- Consistent information
- Fair representation
Meeting primary users’ needs

• Primary users of general purpose financial reports are existing and potential investors, lenders and other creditors

• Information influences primary users of general-purpose financial reports when it informs their decisions about:
  o Whether to provide resources to the entity
  o Buying, selling or holding equity and debt
  o Providing or selling loans and other forms of credit
  o Voting on or otherwise influencing how the company manages its economic resources
IFRS S1 asks for information that enables understanding of the connections between:

- sustainability-related risks and opportunities
- disclosures on core content
- sustainability-related financial disclosures and financial statements
Consistent information

Consistency is enhanced when the same data and assumptions are used for sustainability-related financial information and the related financial statements:

- Prepared **for the same reporting entity and reporting period** as the financial statements
- Provided **at the same time** as the financial statements and as part of the general purpose financial reports
- Include **data and assumptions that are consistent** with the related financial statements as much as possible
A **complete set** of sustainability-related financial disclosures should fairly present all sustainability-related risks and opportunities that could reasonably affect the company’s prospects.

<table>
<thead>
<tr>
<th>To achieve fair presentation</th>
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<tbody>
<tr>
<td>Disclose relevant and material information</td>
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<tr>
<td>Faithfully represent information using principles of decision-usefulness</td>
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<tr>
<td>Disclose comparable, verifiable, timely and understandable information</td>
</tr>
<tr>
<td>Disclose additional information if needed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>To achieve faithful representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete, neutral and accurate depiction of sustainability-related risks &amp; opportunities</td>
</tr>
</tbody>
</table>
3. In terms of connectivity, which of the following information should be considered? (Select all that apply)

Connections between:

a. Governance, strategy, risk management and metrics and targets.

b. Sustainability-related financial disclosures and financial statements.

c. Sustainability-related risks and opportunities.

Select the appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.
Capital allocation towards pathways and solutions

Decarbonisation is embedded in our annual investment and prioritisation processes. All investment decisions consider the quantity of GHG emissions associated with the project, the cost per tonne of CO₂-e associated with the project and the alignment with the Group pathways to a net zero trajectory.

In FY2023, we spent US$122 million on initiatives associated with operational GHG emission reductions, together with value chain GHG emission reductions in areas such as steelmaking and shipping, and BHP Ventures investments. This figure does not include the operating expenditure associated with renewable electricity arrangements established at a number of our operated assets, which collectively represented the main source of operational GHG emission abatement for BHP in FY2023.

From FY2024 to FY2030, we expect to spend around US$4 billion (nominal value) on operational decarbonisation, with plans reflecting an annual capital allocation of between approximately US$250 million and approximately US$950 million per year over the next five years.

On current assumptions, the overall portfolio of decarbonisation projects to support achievement of our medium-term target is expected to deliver a positive net present value (NPV) for the Group, while to date, most implemented projects have delivered a positive or neutral NPV.

BHP Ventures also continues to build a portfolio of investments to help accelerate innovation in the mining industry through assessment and execution of additional investments across emerging technology areas, including long-duration energy storage solutions, diesel displacement and carbon dioxide removal.

4. Consistency can be enhanced by ensuring sustainability-related financial information and the related financial statements are:
(Select all that apply)

a. Prepared using data from distinct time periods
b. Prepared using the same data and assumptions
c. Disclosed at the same time
Additional guidance

Application Guidance
Same authority as the main part of the Standard

Educational Material
Helps companies apply the standards

Accompanying Guidance
Illustrative guidance and examples.

Industry-based Guidance
Accompanying or illustrative guidance
Core content areas

**GOVERNANCE**
- Governing Body
- Management

**STRATEGY**
- Risks & Opportunities
  - Business model / supply chain
  - Strategy
  - Financials / cash flow
  - Resilience

**RISK MANAGEMENT**
- Risks
- Opportunities
- Integration

**METRICS & TARGETS**
- Metrics
- Targets
Core content - Governance

GOVERNANCE

Governing Body

Management

STRATEGY

RISK MANAGEMENT

METRICS & TARGETS
Governance

• Which **Board and Management bodies or committees** are responsible for sustainability and climate-related risks and opportunities?
• What are their **skills and competencies**?
• What **processes and controls** do they use for managing risks and opportunities?
• **How and when** do they get informed about risks and opportunities?
• What are their **roles and responsibilities**?
• What sort of **decisions** do they make and what **targets** do they set based on risks and opportunities?
• **Note: Avoid unnecessary duplication**
Governance model

Supports the Group’s sustainable business strategy which includes the development and safeguarding of the Group’s social license to operate, plus sustainability disclosures outside of annual report.

Ensures that risks within the Group are appropriately identified, reported, assessed, managed and controlled, including key strategic and operational risk issues. Scope of committee includes ESG risks, including climate risk.

Oversees the quality and integrity of the Group’s accounting policies, financial and narrative reporting, non-financial disclosures and disclosure practices, internal control framework and audit.
Governance

a) Board's Oversight of Climate-related Risks and Opportunities

- At Toyota, to ensure effective strategy formulation and implementation in line with latest societal trends, important climate-related issues, if arise, are reported to the Board of Directors.
- The Board of Directors conducts the following duties:
  - Deliberate and supervise strategies, major action plans, and business plans.
  - Monitor the progress toward qualitative and quantitative targets addressing climate issues.
- Monitoring is performed in consideration of the financial impact of the following risks/ opportunities, which may turn into climate-related issues:
  - Risks/opportunities related to products, such as fuel efficiency/emission regulations.
  - Risks/opportunities related to low-carbon technology development.
- These governance mechanisms are used in formulating long-term strategy, including the Toyota Environmental Challenge 2050, and in formulating and reviewing the medium- to long-term targets and action plans.
- Cases of decisions made at the Board of Directors Meeting in 2022
  - Reported on and approved the identification of carbon neutrality (CN) as a key matter in relation to climate change and the development of a plan to transition to CN by 2050.
  - The Board of Directors decided by resolution the level of battery-related investment in order to secure the number of batteries which serve as a pacemaker to expand its line of BEVs.
Core content - Strategy

GOVERNANCE

RISK MANAGEMENT

METRICS & TARGETS

EFFECTS ON

STRATEGY

Risks & Opportunities

Business model / supply chain

Strategy

Financials / cash flow

Resilience
The disclosure requirements about strategy relate to:

- **Sustainability and climate-related risks and opportunities** that have been identified and the **time horizons** over which they are expected to occur

- **Effects of those risks and opportunities** on the company's:
  - value chain
  - business model and strategy
  - financial position, performance and cash flows
Time horizons are entity specific and may include industry specific characteristics.

You don’t have to stick to one time horizon. It depends what you are trying to strategise for and why – see for example Three Horizons Framework.
When reporting the effects of sustainability-related risks and opportunities on a company’s current and anticipated financial performance, financial position and cash flows…

- Disclose both quantitative information and qualitative information
- Can provide qualitative rather than quantitative information when:
  - The risks and their effects are not separately identifiable
  - There is a high level of measurement uncertainty
  - For anticipated effects, quantitative information would not be commensurate with the company's skills, expertise and resources
3.8.1. Transition risks

Scenario analysis

In 2022, we revised our scenario analysis under the following scope:

- Transition risks.
- Focusing on the three most exposed business units, based on total emissions (Scope 1, 2 and 3) and exposure to climate sensitive markets, like automotive and buildings: Soda Ash, Specialty Polymers and Novecare. These three GBUs represent 52% of Solvay’s 2021 sales.
- Two International Energy Agency (IEA) scenarios: 1.5°C Scenario (IEA Net Zero Emissions Scenario 2021) and 3°C Scenario (IEA Stated Policy Scenario 2021).
- Using a leading audit, tax and consulting services company’s tool for climate scenario analyses.
- Assumptions of price and cost changes, volume changes and adaptation potential (cost pass-through) were taken from the consultant’s models. This included price trajectories up to 2050 for oil, coal, gas, CO2, electricity and energy usage in transport, in our own operations and upstream.
- Analysis of the market dynamics and identification of the essential characteristics of individual sites was based on the consultant and Solvay sector and climate expertise, considering products sold in main markets, namely construction, packaging, automotive, oil and gas, home and personal care, food and feed, and electronics.

The main conclusions of the scenario analysis were:

- The soda ash business relies highly on a competitive price advantage. Since prices for raw materials and our own operations will increase in a 1.5°C scenario, the scenario analysis concluded that, in the absence of cost pass-through measures, the contribution margin could decrease by up to 16%, while additional demand for glass for energy efficient buildings would drive overall profit and sales. Sales could increase to €2.4 billion in the 1.5°C scenario and to €2.1 billion in the 3°C scenario, by 2050.

- The specialty polymers business has the most significant opportunities in a 1.5°C world. Products are expensive and resilient to cost increases and the demand for most customer segments would increase. Focusing on increasing production capacities for this GBU should be prioritized in a 1.5°C world. Sales could increase to €4.7 billion in the 1.5°C scenario and to €4.3 billion in the 3°C scenario, by 2050.

- Novecare faces risks relating to vegetable oil imports. This is because vegetable oils from palm oil and other alternatives are highly CO2 emissions and water intensive. Shifting to sustainable alternatives is expensive, but it may result in a reputation boost for Solvay and decrease costs for these alternatives in the long run. Novecare has the highest weighted CO2 intensity in their supply chain. This should be monitored and suppliers should be engaged to reduce Scope 3 emissions. Sales could increase to €2 billion by 2050 in both scenarios.
### Anticipated financial impacts

#### Example source: Unilever Annual Report, pages 50-51

**Financial quantification of assessed risks and opportunities**

<table>
<thead>
<tr>
<th>Regulatory and Market Risks</th>
<th>Key assumptions</th>
<th>Sensitivity</th>
<th>2030</th>
<th>2039</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Carbon tax and voluntary carbon removal costs</td>
<td>Absolute zero Scope 1 and 2 emissions by 2030</td>
<td>$\rho$</td>
<td>-3.2</td>
<td>-5.2</td>
<td>-6.1</td>
</tr>
<tr>
<td></td>
<td>Scope 3 emissions exclude consumer use emissions</td>
<td></td>
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<tr>
<td></td>
<td>Carbon price would reach 245 USD/tonne by 2050, rising more aggressively in early years in a proactive scenario</td>
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<tr>
<td></td>
<td>The price of carbon offsetting would reach 65 USD/tonne by 2050</td>
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</tr>
<tr>
<td></td>
<td>Offsetting 100% of emissions on and after 2039</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical Environmental Risks</td>
<td>Key assumptions</td>
<td>Sensitivity</td>
<td>2030</td>
<td>2039</td>
<td>2050</td>
</tr>
<tr>
<td>5. Extreme weather (temperature) impact on crop yields</td>
<td>By 2050, in a proactive scenario, extreme weather would increase prices by:</td>
<td>$\rho$</td>
<td>-0.3</td>
<td>-0.8</td>
<td>-1.9</td>
</tr>
<tr>
<td></td>
<td>- Palm: -12%; Commodities and food ingredients: -14%</td>
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<tr>
<td></td>
<td>By 2050, in a reactive scenario, extreme weather would increase prices by:</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>- Palm: -18%; Commodities and food ingredients: -21%</td>
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</tr>
</tbody>
</table>

If **proactive** approach is taken to managing climate change

If **reactive** approach is taken to managing climate change
Long-term sustainable, profitable growth

Stora Enso has a long and rich history dating back to 1288. Our unique history has supported our survival, proactiveness and adaptability over the centuries. This has nurtured a deep-down business culture which can manage market fluctuations, build on modernisation and innovation, and provide solutions to current demands in the market. In recent years, we have been through a comprehensive transformation process, proactively repositioning our business from largely a pulp and paper company to a global renewable materials company, ensuring our future for many more years to come. Sustainability trends underpin our opportunity for long-term, sustainable, profitable growth, and today our products are mitigating the climate challenge, providing us with new opportunities.

Our strategy is to drive the green transition by accelerating our growth in renewable packaging, sustainable building solutions, and biomaterials innovations, while staying within the planetary boundaries. We do that through advancing our leading market positions in high-margin products, strong and competitive assets, best-in-class industry competence and control of the renewable resource wood. We are committed to ambitious science-based targets, on areas where we have the biggest environmental impact. These segments involve a higher degree of innovations and value-added products which will further future-proof our business and strengthen our competitiveness.

Climate change and resource scarcity affect the environment as well as economies and society as a whole. There is strong pressure to maximise the efficient use of raw materials and to make the value chains circular. As a result of our new strategic direction, Stora Enso is and will be a more efficient and less cyclical company. Our focus, resources and investments are allocated where we have the best business opportunities for profitable growth, with leading market positions and strong competitiveness. Most of our products and solutions are renewable and circular, and the CO2 they replace and store, helps to mitigate climate change. Our forest assets create a solid and valuable foundation for our business. They deliver growing value that provides Stora Enso with a solid balance sheet, and potential new ancillary revenue streams from wood-based solutions for sustainable wind and solar power as well as carbon credits.

Our forests are also an important source of raw material which provides us with competitive wood supply, giving us tactical flexibility, synergies, and value.

Example source: Stora Enso Annual Report 2022, page 17
5. When a company is unsure about the financial impact of risk(s), they could:
(Select all that apply)

a. Omit any disclosures.
b. Make a reasonable estimate.
c. Explain the financial risk in qualitative terms
d. Identify what type of financial impact they expect (e.g.: on revenue, value of assets etc.).
e. Explain why the company is so unsure.
Information about the response and planned response should include:

• How the entity *plans to achieve climate-related targets*
• Current and anticipated *changes to the business model*
• Current and anticipated *direct mitigation and adaptation efforts*
• Current and anticipated *indirect mitigation and adaptation efforts*
• *Progress against* any plans previously disclosed
• *Trade-offs* between sustainability-related risks and opportunities
Transition plans

An aspect of the company’s overall strategy that includes targets, actions or resources for the transition towards a lower-carbon economy, including, for example GHG emissions reductions plans.
Climate resilience assessment

- Implications of climate change for the company’s strategy and business model; and
- Company’s financial & operational capacity to adjust/adapt over short, medium and long term.

Inputs and key assumptions

- Use relevant scenarios, and provide information about scenarios selected; and
- Provide information on assumptions used.
IFRS S2 includes application guidance on how to apply scenario analysis building on TCFD materials.

The guidance requires:

- Method of climate-related scenario analysis *commensurate with a company’s circumstances*
- Use of *all reasonable and supportable information* that is available to a company at the reporting date *without undue cost or effort*
### Scenario: Reduced market demand for higher-carbon products/commodities
- **Probability:** Low
- **Impact:** Medium

### Scenario: Physical: increased business interruption and damage across operations and supply chains with consequences for input costs, revenues, asset values, and insurance claims
- **Probability:** Medium
- **Impact:** High

### Scenario: Increased input operating costs for high carbon activities under regulated markets (even threats to securing license to operate)
- **Probability:** Low
- **Impact:** High

### Scenario: Risk of stranded assets: plants that cannot be easily upgraded and close to end of their lifetime
- **Probability:** Medium
- **Impact:** High

### Opportunities
- **Increased demand for energy-efficient, lower-carbon products and services**
- **New technologies available at competitive cost that disrupt markets**
- **Access to competitive energy sources (AF cost)**
- **Opportunity to enhance reputation and brand value**
Core content areas

GOVERNANCE
- Governing Body
- Management

STRATEGY
- Risks & Opportunities
  - Business model / supply chain
  - Strategy
  - Financials / cash flow
  - Resilience

RISK MANAGEMENT
- Risks
- Opportunities
- Integration

METRICS & TARGETS
- Metrics
- Targets
Core content – Risk Management

GOVERNANCE

STRATEGY

METRICS & TARGETS

RISK MANAGEMENT

- Risks
- Opportunities
- Integration
An entity must disclose information about:

- The **processes and policies** used to identify, assess, prioritise and monitor sustainability-related risks;
- The process used for **identifying, assessing, prioritising and monitoring** sustainability-related opportunities; and
- Whether sustainability risk & opportunity management integrated into the entity’s **overall risk management process**.
Climate-related risks

Transition risks
- Policy & Legal
- Technology
- Market
- Reputation

Physical Risks
- Acute
- Chronic

Examples
- Increased pricing of GHG emissions
- Enhanced reporting obligations
- Exposure to litigation
- Cost of transition to lower-emission technologies
- Changing customer behavior
- Uncertainty in market signals
- Increased cost of raw materials
- Stigmatization of sector
- Increased severity of extreme weather events
- Changing weather patterns

Financial impacts
- cash flows,
- access to finance
- cost of capital
- over the short, medium and long term
Climate-related opportunities

Example opportunities
• Improving resource efficiency across value chain
• Use of lower-emission sources of energy
• Use of supportive policy incentives
• Use of new technologies
• Development of low emission goods/services
• Access to new markets
• Differentiating against competitors
• Resource substitution/diversification

Financial Impacts
• cash flows
• access to finance
• cost of capital
• over the short, medium and long term
Risk, opportunities and strategy

Current acute risks and impacts

Weather in 2019
Major storms which cost aviation an estimated €2.2 billion in 2019 in terms of en-route delays, are expected to increase in intensity.

Bad weather forced airlines to fly
1m extra km burning
6,000 tonnes extra fuel producing
19,000 tonnes extra CO₂

Future acute risks and impacts

Weather in 2050
Extreme weather is predicted to drive these numbers up, with horizontal flight inefficiency on days when storms account for over 50% of air traffic flow management delays expected to worsen by 0.5%.

That's an extra
57,000 tonnes of CO₂/yr increasing every 1,000 nautical mile flight by roughly 40 nautical miles further driving up the cost to airlines, passengers and their carbon footprint.

66% of coastal/low-lying airports are at an increased risk of flooding in the event of a storm surge.

Reducing flight durations

Future flight operations will also be modified by climate change with jet streams reducing many transatlantic flight durations both eastbound and westbound.

This will have positive effects on flight times, fuel burn and emissions, and could yield possible saving of

55,000 tonnes of fuel
per year by 2050

c.175,000 tonnes of CO₂

The outcome of chronic changes may be positive in some respects, but strategy will need to respond
Core Content – Metrics and Targets
Metrics must:

- Enable primary users to understand the entity’s performance on sustainability-related risks and opportunities
- Be reported by an applicable IFRS Sustainability Disclosure Standard – e.g. IFRS S2
- Include metrics the entity uses
- Be associated with industry-specific business models, activities and common features
- Be consistent over time

Metrics shall refer to and consider:

- Associated disclosure topics included in the SASB Standards

Metrics can:

- Be taken from a source other than ISSB Standards
- Be developed by the entity
Companies shall disclose (measured in accordance with the GHG Protocol Corporate Standard):

- Scope 1: direct emissions
- Scope 2: indirect emissions from the generation of purchased energy consumed by the company
- Scope 3: all other indirect emissions that occur in the company’s value chain
- Whether an internal carbon price is used for decision making
- Any climate-related considerations for executive remuneration
Targets may be set by the entity or required by regulation. Targets should be **clearly labelled and defined**. For each target, the entity is required to disclose:

- **the target** - whether qualitative or quantitative, set by the company or by law or regulation
- the metric used to set the target
- the period over which the target applies
- the base period from which progress is measured
- any milestones and interim targets
- **performance against each target** and an analysis of trends or changes
- any revisions to the target together with an explanation
6. Metrics for sustainability-related financial disclosures should be connected to:
(Select all that apply)

a. CEO tenure
b. Financially material risks
c. Financially material opportunities
d. Targets
e. Your strategy

Select the appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.
Decarbonization strategy

Decarbonization is at the heart of the Company’s climate action strategy, aiming to have a leadership position within the steel industry in terms of target-setting, performance and disclosure. In 2021, ArcelorMittal set out a clear roadmap for achieving medium-term 2030 CO₂eq targets with an anticipated gross investment of approximately $10 billion, and its commitment to achieve net-zero steelmaking globally by 2050.

The Company’s target is to reduce carbon emissions intensity by 25% globally and by 35% in Europe by 2030. Both targets cover Scopes 1 and 2 for steel and mining per tonne of crude steel.

(definitions: GHG intensity - the average GHG emitted in the production of one tonne of crude steel. It includes emissions from all the processes involved in the production of an ‘average’ tonne of steel, scope 1 and 2.

Scope 1: process CO₂eq emissions from steel = CO₂ from mining + CH₄ from mining. Scope 2: indirect emissions from ‘net’ purchased electricity + electricity purchased at mining sites.)

Assumptions behind targets

To set the ArcelorMittal’s target, the Company has made a key set of assumptions:

a. The cost of green hydrogen will become increasingly competitive over the next decade but will still require government support in ArcelorMittal’s countries of operation.

b. Carbon capture, utilization and storage ("CCUS") infrastructure will take time to be built at scale. While Europe is expected to take the lead, CCUS infrastructure has the potential to expand quickly in the US and Canada – providing some potential upside to the business’ assumptions.

c. Different regions of the world will continue to move at very different paces and the level of climate ambition will differ between jurisdictions at any given time.

d. The introduction of climate-friendly policies in other regions will be 5-10 years behind Europe and the US.

e. As it has been reported, 2060 may not be a realistic net-zero target for developing economies, which may mean emissions do not peak until 2030.
Integrating other disclosure requirements that companies may be required to comply with.
Building on the baseline

- Listing requirements
- Policy objectives
- Industry standards
- Other stakeholders
<table>
<thead>
<tr>
<th>From TCFD to IFRS S2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The culmination of the work</strong> of the Task Force on Climate-related Financial Disclosures</td>
</tr>
<tr>
<td>IFRS S1 and IFRS S2 <strong>incorporate</strong> the recommendations of the TCFD</td>
</tr>
<tr>
<td>A comparison of TCFD with IFRS S2 published by ISSB</td>
</tr>
<tr>
<td>TCFD monitoring responsibilities transferred to ISSB from 2024</td>
</tr>
<tr>
<td>Consolidation <strong>reduces the 'alphabet soup'</strong> of ESG disclosure.</td>
</tr>
<tr>
<td>Companies and jurisdictions <strong>still able to use TCFD Recommendations</strong></td>
</tr>
</tbody>
</table>
Some differences between IFRS S2 and the TCFD’s guidance, not the TCFD’s recommendations.

- In some cases, IFRS S2 uses **different wording** to capture the **same information** as the TCFD;
- IFRS S2 **requires more detailed information** that is in line with the TCFD; and
- IFRS S2 provides some **additional requirements and guidance**.

[https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/ifrs-s2-comparison-tcfd-july2023.pdf](https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/ifrs-s2-comparison-tcfd-july2023.pdf)
7. Companies who disclose using the TCFD recommendations automatically comply with the ISSB Standards.

a. True
b. False
High degree of alignment in climate-related disclosures*

IFRS Sustainability Disclosure Standards:
Additional requirements (eg financed emissions)

ESRS:
Additional requirements for stakeholders interested in impacts (that do not create risks or opportunities for a company’s prospects) and information that, if missing or obscured, is not reasonably expected to affect investor decisions.

* The ISSB, the European Commission, and the European Financial Reporting Advisory Group (EFRAG) are discussing how to explain the alignment and interoperability between the respective standards, including the choices a company needs to make to enhance alignment and where the standards have specific requirements.
Building on the baseline: adding impact

INTEGRATED REPORTING

Source: SSE GRI training
Notes to the consolidated ESG statement

Section 6
Basis of preparation

Principles of consolidation
The disclosures of energy consumption and CO₂ emissions cover sites, laboratories and offices. The disclosures of water consumption, environmental breaches and waste cover production sites.

The social and governance-related disclosures cover the Novo Nordisk Way comprising Novo Nordisk A/S and entities controlled by Novo Nordisk, while Novo Nordisk Engineering A/S is not in the scope of reporting. Employer Score, failed inspections, facilitations of Novo Nordisk employees trained in business ethics and gender in management and senior management. Novo Nordisk Pharmatech A/S is not in scope for facilitations of the Novo Nordisk Way and employees trained in business ethics.

Accounting policies and changes hereto
The accounting policies set out in the notes have been applied consistently in

Conformance statement to standards & frameworks used
Novo Nordisk's annual reporting complies with the Danish Financial Statements Act. Sections 99a, 99b, 99d and 107d specify the requirements to report on the management of risks related to the environment, climate, human rights, labour and social conditions, anti-corruption, gender distribution and data ethics. These requirements are addressed in the Management review.

As recommended by the Taskforce on Climate-related Financial Disclosures (TCFD), Novo Nordisk is working to integrate two climate change scenarios into the risk management process to identify short-, medium- and long-term risks within the production and supply chain:

- Limiting temperature increase to well below 2°C scenario, preferably 1.5°C, compared to pre-industrial times in accordance with the Paris Agreement.
- 4°C scenario as an alternative high-emission scenario.

Novo Nordisk discloses in accordance with the recommendations put forward by the Carbon Disclosure Project (CDP). For a full breakdown of climate and water impacts, please refer to the publicly available report on Novo Nordisk’s CDP disclosures at cdp.net.

8. My reporting strategy should consider...

a. The ISSB Standards only.
b. The ISSB Standards and regulatory requirements.
c. Just regulatory requirements.
d. The ISSB Standards, regulatory requirements and other frameworks or standards that help with management's communication objectives.

Select the appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.
The backbone of effective disclosure – processes and practices
IMPLEMENT

IDENTIFY

Identifying sustainability-related risks and opportunities

EVALUATE

INTEGRATE
Identifying sustainability-related risks and opportunities

Generally, risks and opportunities come from interactions between the company and its:

- **Stakeholders** with whom it works and serves
- **Society** in which it operates
- **Natural resources** upon which it draws

Together, the company and the resources and relationships throughout its value chain form an interdependent system in which the company operates.
The resources and relationships that a company depends on and affects can take various forms, such as natural, manufactured, intellectual, human, social or financial.

These can be:
• internal—such as the ability to attract and retain talent
• external—such as relationships with suppliers, distributors and customers

IFRS S1 provides examples illustrating the close relationship between the value a company creates, preserves or erodes for others and its own ability to succeed and achieve its goals.
A company is required to use all reasonable and supportable information that is available at the reporting date without undue cost or effort to disclose sustainability-related financial information.

Reasonable and supportable information is information that:

• is specific to the company
• takes account of the external environment
• includes information about past events, current conditions and forecasts
• in some cases, is specified by IFRS Sustainability Disclosure Standards
Using sources of guidance

Apply IFRS S1 sources of guidance disclosure requirements

Required to consider SASB disclosure Topics

May consider other investor focused sources of guidance

Apply other applicable IFRS Sustainability Disclosure Standards

Required to consider Industry-based guidance on Implementing IFRS S2 Climate-related Disclosures
9. Water is a vital input to your business, but the ISSB Standards do not currently have a specific standard on water. What do you do:

a. Do not disclose anything about water.
b. Consult the sources of guidance listed by ISSB.
c. Engage a consultancy to help.
d. Copy your competitors' reporting.

Select the appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.
Opportunities and risks from the megatrends

Megatrends present new opportunities we can actively pursue, as well as risks we need to address.

**Opportunities**
- Shifts towards sustainability and transparency, where our crop nutrition offerings provide a good starting point for finding solutions.
- Digital tools to enable new market channels and reduce the yield gap through better connectivity.
- Mainstream adoption of clean ammonia and hydrogen.
- Focus on soil health, water use, and biodiversity, where optimal fertilizer use has a positive impact.
- New monetization opportunities from increased data access.

**Risks**
- Regulatory changes, consumer demand for sustainability, and optimized fertilizer use can lead to lower fertilizer demand growth.
- Environmental costs and taxes can increase costs.
- Physical climate change risks to our operations and customers.
- Reduction in demand, consolidation, and increased price competition can challenge premium fertilizer margins.
- Competitive landscape can be disrupted.
- Increased uncertainty around the competitive position of our European production.

Summary of “capitals” that Vale SA’s business model needs to create value

Provides overview of the company’s operations, with details about operation types

Example source: Vale SA Report 2022 pages 13-14 – https://api.mziq.com/mzfilemanager/v2/d/53207d1c-63b4-48f1-96b7-19869fae19fe/0e221e32-aed3-1fa6-3bfd-5f512e9ab6b9?origin=1
Evaluating the materiality of information and using scenarios to test resilience
Information is material if omitting, misstating or obscuring it could reasonably be expected to influence investor decisions.

What is material information?

This is based on the IFRS Accounting Standards definition of ‘material’
Information is material when it *influences decisions of primary users of general purpose financial reports* and informs their decisions about:

- providing resources to the company
- buying, selling or holding equity and debt instruments
- loans and other forms of credit
- voting on, or otherwise influencing management’s actions that affect the use of the company’s economic resources

Consider the *characteristics of the investors* and the company’s own circumstances.

Different investors can have different and sometimes conflicting information needs. Sustainability-related financial disclosures are intended to *meet the common information needs of investors*.
Generally, investors may want to understand:

- Effects of environmental degradation and social challenges on inputs of resources to the business, key relationships, and risks and opportunities;
- Whether and how the company is managing sustainability-related risks and opportunities;
- What types of assets the company holds and whether they are at risk of becoming stranded;
- How the governance body takes account of sustainability-related risks and opportunities when designing strategy and making decisions; and
- How resilient the company is to possible future risks in different scenarios.
Test of materiality

Making materiality judgements

- Is the information material in the context of the company's sustainability-related financial disclosures taken as a whole?
- Have you considered both quantitative and qualitative factors?
- Have you considered the potential effect of future events on the company's future cash flows?
- Have you considered the range of possible outcomes and the likelihood of the possible outcomes?

Adapted from IFRS Sustainability Disclosure Standards.
Practices in materiality assessments

1. Indicate a clear **purpose**
2. Articulate **time horizons** and **review cycle**
3. Compare **results over time**
4. Articulate **perspectives used**
5. Include and consider a thorough **analysis of stakeholders**
6. Account for divisional and **regional differences**
7. Score topics on **multiple aspects**
8. Identify **ESG risks** associated with each material topic
9. Ensure high-quality information and **support assurance**
Materiality analysis

We identify the Environmental, Social and Governance topics which we believe have the greatest impact on our business and the greatest level of concern to stakeholders along our value chain, for instance patient safety and quality. We do this through a multi-stakeholder process. Assessing these topics enables us to prioritize and focus upon the most material topics and effectively address these in our policies, programs and targets. We do this with reference to the GRI standard and identify and assess impacts on an ongoing basis, for example through discussions with our customers, suppliers, investors, employees, peer companies, social partners, regulators, NGOs, and academics. We also conduct a benchmark exercise, carry out trend analysis and run media searches to provide input for our materiality analysis. GRI has not yet published a sector standard for the healthcare industry. Philips’ impact on society at large is covered through our Lives Improved metric and the Environmental Profit & Loss account, as well as a number of other KPIs addressed in Environmental, Social and Governance, starting on page 45.

Similar to 2021, we used an evidence-based approach to materiality analysis, powered by a third-party AI-based application. The application allows automated sifting and analysis of millions of data points from publicly available sources, including corporate reports, mandatory regulations and voluntary initiatives, as well as news. In our 2022 materiality analysis, we identified a list of topics that are material to our businesses. With this data-driven approach to materiality analysis we have incorporated a wider range of data and stakeholders than was ever possible before and managed to get an evidence-based perspective on regulatory, strategic and reputational risks and opportunities. Topics were prioritized through a survey sent to a large and diverse set of internal and external stakeholders, combined with input from the application.

Public health risks emerged as a new material topic in 2020, as a result of the COVID-19 pandemic, and it was assessed as a material topic in 2022 as well.

Changes in 2022

On the external importance axis, the most significant increases compared to 2021 were Sustainable value creation, Geopolitical events, Responsible and Resilient Supply Chains, Talent & development, and Energy efficiency. On the internal importance axis, there were significant increases on Pollution, Governance, Access to (quality and affordable) care, Competition & market access, and Talent & development.

Double materiality

After completing the regular materiality analysis, we completed a preliminary ‘double materiality’ analysis, in preparation for the upcoming requirements of the EU Corporate Sustainability Reporting Directive (CSRD). The double materiality analysis addresses both financial materiality (the impact of society on Philips) as well as impact materiality (the impact of Philips on society). We only included the high and medium material topics listed above. The data sources used for the financial materiality include corporate reports, mandatory regulations with sanctions, voluntary initiatives by e.g. central banks, and Sustainability Accounting Standards Board (SASB) accounting metrics. For impact materiality, we included sustainability data from corporate reports or sustainability reports, coverage in the news and voluntary initiatives and regulation. The results of the double materiality analysis are depicted below.

When judging whether information about possible future events with uncertain outcomes is material, a company is required to consider:

- **All pertinent facts and circumstances** that could affect possible outcomes;
- Potential effects on **the amount, timing and uncertainty** of the company’s future cash flows over the short, medium and long term;
- **Low-probability and high-impact outcomes**;
- The effect of potential risks **individually and in aggregate**; and
- Materiality judgements – **reassess at each reporting date**.
10. Information should be disclosed when applying ISSB Standards if...

a. Omitting it would alter an investor's decision.
b. It affects the company's ability to secure resources.
c. It has been determined to have no financial impact on the organization.
d. Assumptions used to assess materiality have changed.

Select the appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.
Development of new processes and integration of new considerations
A company’s management should assess existing systems and processes or determine whether new systems and processes are needed. Management may consider:

- **Gap analysis** – check for gaps in existing systems and processes;
- **Suitability** – evaluate existing processes for identifying sustainability-related risks and opportunities;
- **Prioritisation criteria**, e.g.: likelihood, impact, vulnerability, speed of onset;
- **Controls** – evaluate existing internal risk controls;
- **Contributors**, i.e. departments with relevant processes and expertise to contribute;
- **Interconnections** between different internal and external factors; and
- **Uncertainties** from sustainability-related risks and opportunities.
Using a reporting strategy

A stand-alone strategy or as part of a wider reporting strategy.

• Take control of your narrative
• Supports internal collaboration, knowledge sharing and cross-functional team discussions with staff
• Acts as a reference point and audit trail, including where and how judgements have been made
11. A reporting strategy is required by the IFRS Sustainability Disclosure Standards.

a. Yes
b. No
12. A reporting strategy can help a company to:
(Select all that apply)

a. Take control of its narrative within general purpose financial reports.
b. Support collaboration, knowledge-sharing and cross-functional team discussions.
c. Act as a reference point and audit trail for disclosure preparation.
d. Skip full disclosure as prescribed by the ISSB.
1.1 INTRODUCTION

Our Basis of Reporting (BoR) sets out the basis under which we report on the environmental and social impacts of our business activities, covering the period 1 January 2022 to 31 December 2022. It provides information on the approach and scope used for data collection and verification of ESG performance data as published in our Annual Report 2022, ESG Report 2022 and ESG Databook 2022, including mandatory Greenhouse Gas (GHG) emissions and our annual voluntary non-financial reporting.

Our primary environmental disclosures are reported on a location based methodology, albeit in certain disclosures we also provide market based figures for transparency.
Communicating with investors – what, where and how
COMMUNICATION

LOCATION / TIMING
Where disclosure should appear and frequency of reporting

EFFICIENCY

CONFIDENCE
Disclosing material information

How to disclose material sustainability-related financial information

• Make it clearly identifiable [and do not obscure it]
• Use clear language
• Avoid scattering material information about a particular issue across disclosures
• Provide additional (non-material) information IF necessary – but distinguish additional information from material information

Note: No need to disclose information if it is not material (IFRS S1.B25)
Information is to be reported in the company’s general purpose financial reports, with associated financial statements.

Different requirements may apply in different jurisdictions.

No requirements on exact placement of information.

Examples of corporate approaches in practice:
• Integrate
• Separate
• Navigate
The ISSB Taxonomy provides the common elements (or ‘tags’) needed to make sustainability disclosures machine-readable.

- By tagging disclosures, computers have the context to identify information, making analysis easier.

Reporting taxonomies are different to green taxonomies used to classify environmentally sustainable economic activities.
Mechanisms that support adoption

- Use of well-known terminology and concepts
- Proportionate e.g. use reasonable and supportable information available without undue cost or effort, qualitative scenario analysis permitted, plus consideration of skills, capabilities and resources
- Reliefs in first year e.g. climate first (followed by other sustainability disclosures), later reporting with half-year results, scope 3 not required, GHG Protocol not required if alternative in place, no comparative info required
- Guidance and other resources
13. What should be the same (as far as possible) for BOTH financial and sustainability disclosure? (Select all that apply)

a. Assumptions  
b. Report (i.e. general purpose financial report)  
c. Timing of disclosures  
d. Reporting period  
e. Time horizons  
f. Risk management process
COMMUNICATION

How to communicate efficiently and effectively
This section sets out how a company might disclose its material sustainability-related financial information so that information is:

- Clear
- Distinguishable from other information
- Connected
- Comparable over time
- Succinct
It is required that information disclosed be:

- Material
- Connected
- Aggregated or disaggregated, as appropriate

And it is required that:

- Comparative information be provided
- Errors from previous years be corrected
- Duplication be minimised
- Cross referencing to other reports meets conditions
Around the world, sustainability factors are becoming—if they are not already—a mainstream part of investment decision-making.

These factors are also increasingly central to how companies plan, manage and report.

Reports can:

• Satisfy compliance requirements
• Reflect management’s objectives
• Conform with peer practice
Cross-referencing and minimising duplication

To keep general purpose financial reports succinct, companies can cross-refer to other reports they publish, provided that:

- Cross-referenced information is available on the same terms and at the same time as sustainability-related financial disclosures;
- The complete set of sustainability-related financial disclosures is not made less understandable by cross referencing;
- The information included by cross-reference meets all the requirements of IFRS Sustainability Disclosure Standards;
- The cross-referenced information is authorised in the same way as information in the general purpose financial report;
- It is clear where the cross-referenced information is located and how it can be accessed.
Connectivity with TCFD disclosures

Note expands on capital expenditures, cash flows, businesses impacted and more

Note explains considerations and assessment for decarbonization strategy

Note states climate change and policy risk considerations

Cross reference to where targets have been considered in the financial statement

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**Impact of Climate Change and Carbon Emissions Reduction Targets**

Climate change risks including the impact of achieving the Group’s carbon emissions reduction targets and the risks identified in the TCFD disclosures on pages 56 to 59 have been considered and assessed in the preparation of the Consolidated Financial Statements for the year ended 31 December 2022. There has been no material impact identified on the estimates and underlying assumptions made in the preparation of the Group’s Consolidated Financial Statements as a result of climate change risks. In line with the application of our accounting policies, estimates and underlying assumptions are reviewed on an ongoing basis as we continue to develop and implement our strategy to meet our carbon emissions reduction targets. The table below provides details of where further information has been provided in these Consolidated Financial Statements.

<table>
<thead>
<tr>
<th>Climate Change and Carbon Emissions Reduction Targets</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment testing of goodwill and property, plant and equipment</td>
<td>182, 211</td>
</tr>
<tr>
<td>Useful lives of assets</td>
<td>186, 209</td>
</tr>
<tr>
<td>Provisions for liabilities</td>
<td>183</td>
</tr>
<tr>
<td>Inventories</td>
<td>187</td>
</tr>
<tr>
<td>Retirement Benefit Obligations</td>
<td>234</td>
</tr>
</tbody>
</table>

The Directors are aware of the ever-changing risks attached to climate change and regularly assess these risks against judgements and estimates made in the preparation of the Group’s Consolidated Financial Statements.

In early 2023, the Science Based Targets Initiative (SBTI) validated the alignment of our existing Scope 1 and Scope 2 carbon emissions reduction target to a 1.5°C warming scenario. The target previously aligned to a well below 2.0°C scenario. The Group’s assessment is that the impact of the adoption of this updated target will not have a material impact on the estimates, judgements and assumptions set out in the relevant disclosures referenced above. The overall absolute Scope 1 and Scope 2 carbon emissions reduction target by 2030 is consistent with the previous target.

Source: CRH plc, 2022 Annual Report, pg. 181- [https://www.crh.com/investors/annual-reports](https://www.crh.com/investors/annual-reports)
GHG emissions breakdown by type

GHG emissions breakdown by source

The disclosures are:

- Prepared for the **same** reporting **company** and reporting **period** as the financial statements
- Provided at the **same time** as the financial statements, as part of the general purpose financial reports
- Include **data** and **assumptions** that are **consistent** with those in the financial statements, to the extent possible.
Aggregate or disaggregate information

- **Aggregate** information to minimise scattering and increase understandability
- Do not let aggregation reduce understandability or obscure material information
- **Disaggregate** information to e.g.:
  - Show the breakdown of sustainability-related risks by location; or
  - Distinguish resources drawn from environmentally stressed vs abundant areas
14. Information disclosed in accordance with the ISSB Standards should be:
(Select all that apply)

- a. Decision-useful
- b. Material
- c. Misleading
- d. Comparable

Select the appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.
15. Information is decision useful if it:
(Select all that apply)

a. Is relevant and faithfully represented
b. Is comparable
c. Is verifiable
d. Is timely
e. Is understandable

Select the appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.
COMMUNICATION

Maximizing confidence in disclosed information
• Disclose comparative information for the preceding reporting period *for all amounts* disclosed;

• For estimates: revise comparatives according to new information and explain differences.

• Specific requirements apply to redefined, replacement and new metrics.

• If it enhances understanding, provide narrative information for the preceding reporting year.
Companies are not required to disclose commercially sensitive information provided that:

• the information is **not already** publicly available;

• disclosure of the information could reasonably be **expected seriously to prejudice** potential economic benefits;

• there is no other way of disclosing the information **to limit or remove that risk**;

• the company **discloses the fact** that it used the exemption for commercially sensitive information; and

• the company **reassesses** at each reporting date.
Companies can use reasonable estimates and assumptions when preparing sustainability-related financial information – it does not have to be perfectly precise in all respects. Judgement can be used. However:

• Estimates should be based on information of sufficient quality and quantity;
• Estimates should be clearly identified as such and information provided about the inputs and methods used to produce the estimates;
• Information about judgements must reflect both the judgements made and the information on which they are based;
• Special requirements apply to measurement uncertainty and what to do when past assumptions and estimates change.
Companies are required to make an explicit and unreserved statement of compliance when they have met all the requirements of IFRS Sustainability Disclosure Standards.

- Commercially sensitive information can be omitted if conditions are met.
- Information prohibited from disclosure by applicable local laws and regulations can be omitted.
Things to remember

- Ensure information is:
  - relevant
  - material
  - represented faithfully
  - comparable
  - verifiable
  - timely
  - understandable

- Are the sustainability-related financial disclosures for the same period and same reporting company as the related financial statements?

- Do the disclosures cover all material information that investors need, including on core content?

- Have comparatives been provided?

- Is there a statement of compliance?
The IFRS knowledge hub is a free online resource for preparers designed to support them in understanding and getting ready for IFRS S1 and S2. It incorporates an easy to navigate and searchable repository of resources, e.g. e-learning, case studies, good practice guidance, webinars, research, publications, FAQs on the standards and their implementation. The curated content will evolve over time.

www.IFRS.org/knowledgehub
Download your copy:
ICF Beyond the Balance Sheet

One-stop-shop
one-stop shop providing guidance and a framework to improve sustainability and climate reporting tailored to emerging markets.

Toolkit & learning
tools and resources comprising a digital toolkit, e-learning opportunities, company self-assessments, and extensive information resources to navigate the sustainability reporting landscape.

Public good
public good for companies and banks, providing resources to enhance their sustainability reporting journey.

Public good for regulators and stock exchanges, providing resources to enhance disclosure and transparency regulations and practices.

https://www.ifcbeyondthebalancesheet.org/
THANK YOU TO OUR OFFICIAL SUPPORTERS
Thank you!

CONTACT DETAILS
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