Applying the IFRS Sustainability Disclosure Standards

Interactive training for SSE Partner Exchanges

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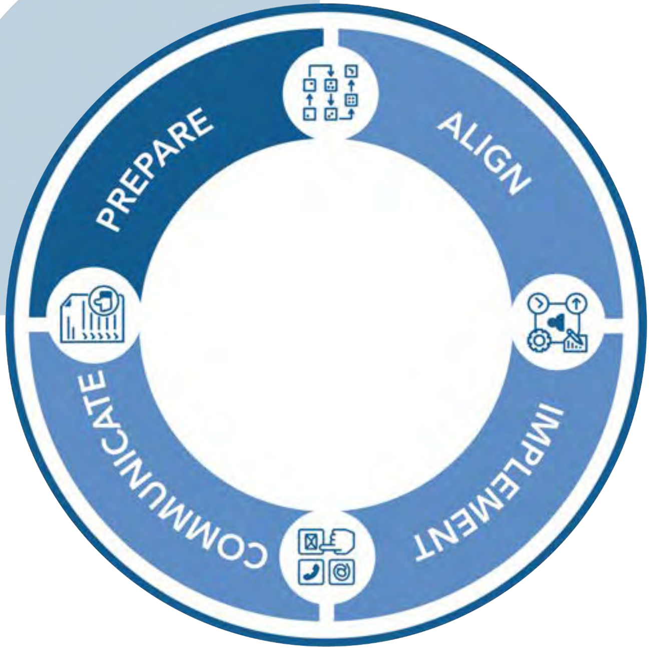


Building a solid foundation of knowledge

The evolving risk environment

Global risks ranked by severity over the short and long term

	2 years		10 years
1	Cost-of-living crisis	1	Failure to mitigate climate change
2	Natural disasters and extreme weather events	2	Failure of climate-change adaptation
3	Geoeconomic confrontation	3	Natural disasters and extreme weather events
4	Failure to mitigate climate change	4	Biodiversity loss and ecosystem collapse
5	Erosion of social cohesion and societal polarization	5	Large-scale involuntary migration
6	Large-scale environmental damage incidents	6	Natural resource crises
7	Failure of climate change adaptation	7	Erosion of social cohesion and societal polarization
8	Widespread cybercrime and cyber insecurity	8	Widespread cybercrime and cyber insecurity
9	Natural resource crises	9	Geoeconomic confrontation
10	Large-scale involuntary migration	10	Large-scale environmental damage incidents

Risk categories: Economic | Environmental | Geopolitical | Societal | Technological

Source: [World Economic Forum Global Risks Perception Survey 2022-2023]

Case Study – Climate Risks

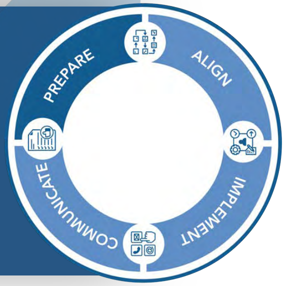
Scenario Phenomena	Time Horizon	Category of risks and opportunities	Description of impact	Impact
Acute Physical	From a short period (1 to 3 years)	Extreme Events	Particularly extreme and intense weather events.	Extreme events can cause impacts in terms of damage to property and lack of continuity of operations.
Chronic Physical	From a long period (2030 - 2050	Market	Increased or decreased demand for electricity; increase or decrease in production.	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.
Transition	From a short period (1 to 3 years)	Policy and Regulation	CO2 pricing and emissions policies, incentives for energy transition, greater margin for investment in renewables and resilience.	The effects of energy transition and resilience policies can influence the volume and return on investments.
Transition	From an averag3 period (2025 – 2029)	Market	Changes in the price of commodity, raw materials and energy, evolution of the energy package, changes in retail consumption, modification of the competitive structure.	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.

Partially extracted from Enel Américas, Integrated Annual Report Enel Américas 2022, pp. 132–133

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

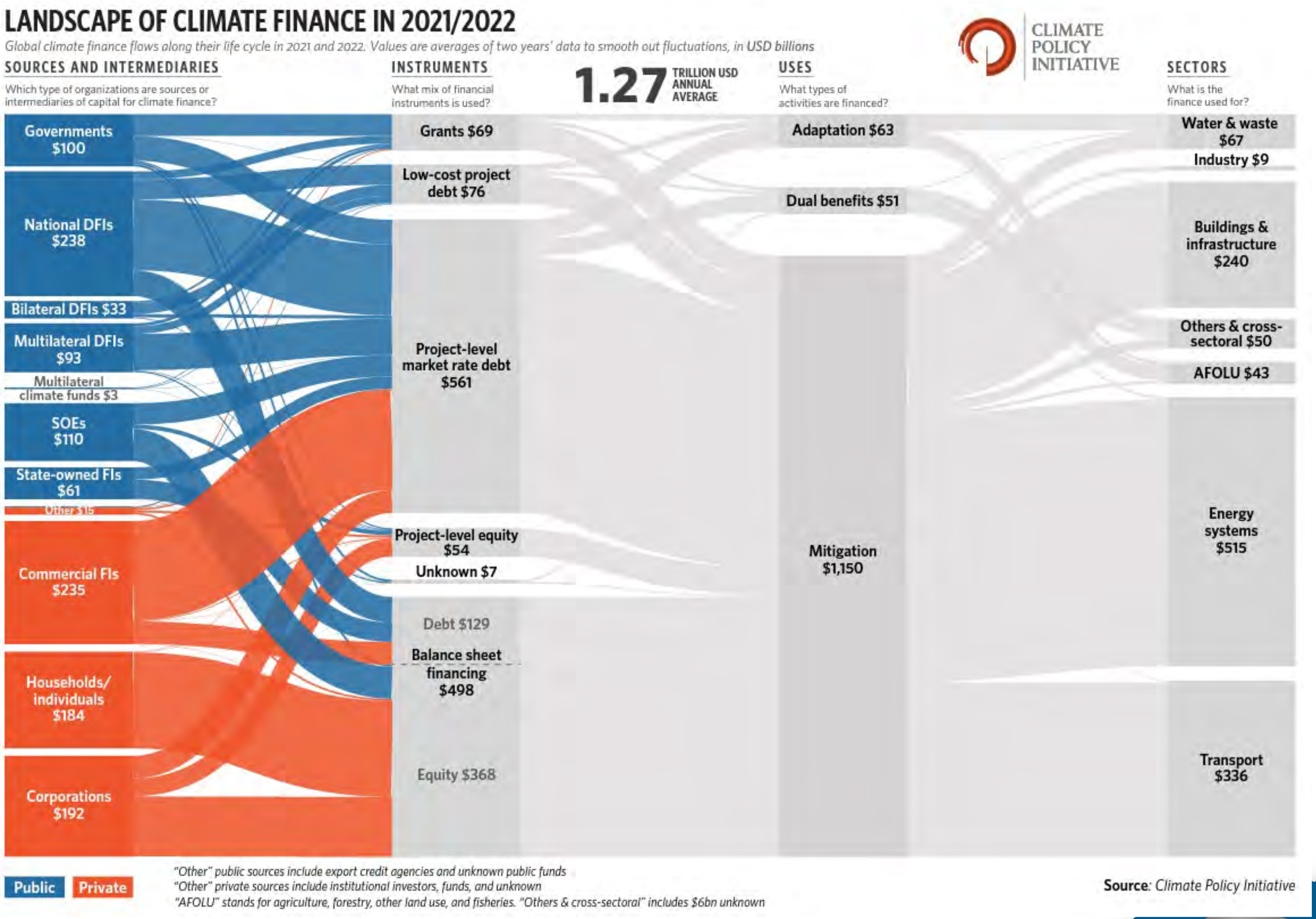


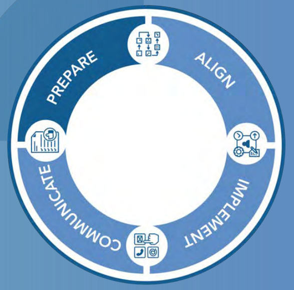
Principles for Responsible Investment

700+
investor signatories with
US$68trn 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)





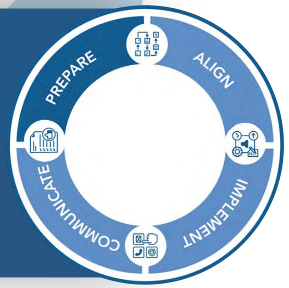
https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/

The evolution of standards

Holistic reporting package

INVESTOR FOCUSED		MULTI- STAKEHOLDER FOCUSED
Financial accounting	FASB FINANCIAL ACCOUNTING STANDARDS BOARD® / IFRS® Accounting	GRI STANDARDS
Sustainability-related financial reporting	IFRS® Sustainability	

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); IFRS Interpretations Committee (IFRIC); International Sustainability Standards Board (ISSB)

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

- provide a comprehensive foundation of disclosures for global jurisdictional adoption
- are a common language for comparable, decision-useful disclosures
- are designed to meet investor needs across global capital markets

Status of standards

IOSCO

endorses and recommends the adoption of ISSB Standards

Audit standard-setters

enhance and develop assurance standards

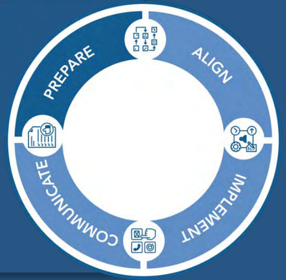
Jurisdictions

adopt the Standards as legislation

Market participants

voluntarily opt to apply the Standards

Securities regulators endorsement



Investors are demanding better information about sustainability risks and opportunities, and the G20, the G7, and the FSB rely on IOSCO to assess whether the ISSB Standards are fit for purpose for capital markets.

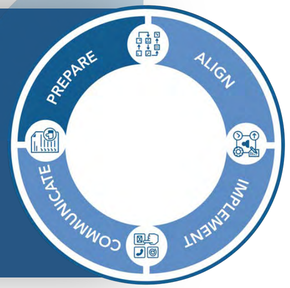
Our members, working together, have carefully analysed the ISSB's standards against IOSCO's endorsement criteria.

IOSCO has found that the ISSB conducted a robust process and have concluded that these Standards serve as an effective and proportionate global framework for investor-focused disclosures on sustainability- and climate-related risks and opportunities."

Jean-Paul Servais, Chair
International Organization of Securities Commission (IOSCO)

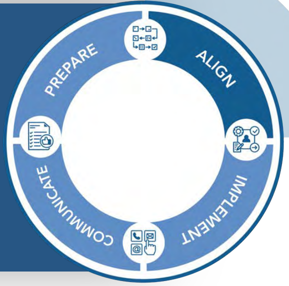
Setting the direction: Applying the IFRS standards & integrating additional disclosures

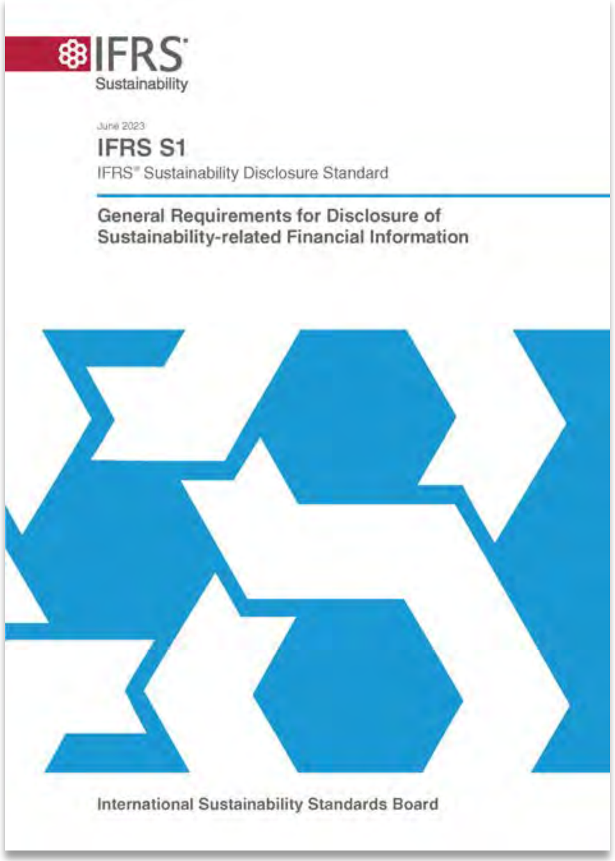
Important terms



- **Sustainability-Related Financial Information** - Information about a company’s sustainability-related risks and opportunities that is useful to primary users of
- **general purpose financial reports** in making decisions about providing resources to the company. (IFRS S1.1, IFRS S2.1)
- **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




IFRS
Sustainability

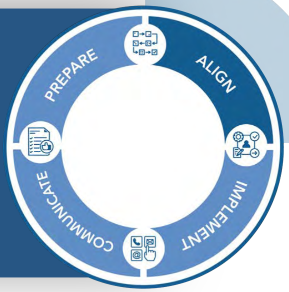
June 2023
IFRS S1
IFRS® Sustainability Disclosure Standard

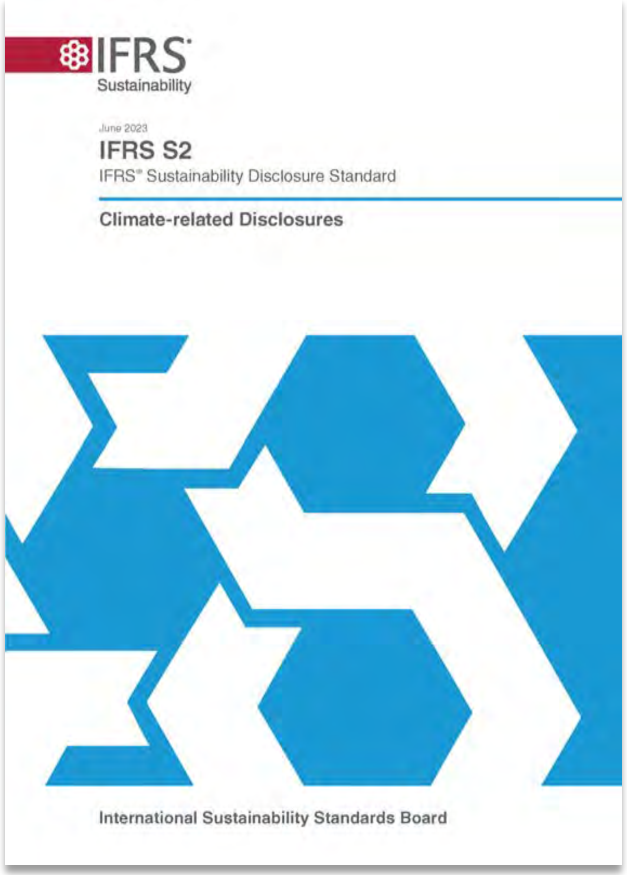
General Requirements for Disclosure of Sustainability-related Financial Information

International Sustainability Standards Board

- Requires disclosure of **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** whenever providing information about sustainability
- Requires **industry-specific disclosures**
- For matters other than climate (IFRS S2), refers to **sources to help companies** identify sustainability-related risks and opportunities and information
- Can be used in conjunction with **any accounting requirements (GAAP)**

IFRS S2: Climate-related disclosures




IFRS Sustainability

June 2023

IFRS S2

IFRS® Sustainability Disclosure Standard

Climate-related Disclosures

International Sustainability Standards Board

- Incorporates the **TCFD recommendations**
- To meet investor information needs, IFRS S2:
    - is used in accordance with **IFRS S1**
    - requires disclosure of **material information** about **climate-related risks and opportunities**, including physical and transition risks
    - requires **industry-specific disclosures**, which are supported by accompanying guidance built on SASB Standards

IFRS S1 and S2 together

IFRS S2 is to be applied in accordance with IFRS S1 because S1:

- establishes important **conceptual foundations** such as **connected information**, **value chains** and which sustainability- and climate-related risks and opportunities to report on
- provides important guidance on the **assessment of materiality**
- sets out the **qualitative characteristics** of the information to be provided, for example, that it needs to be **relevant** and **represented faithfully**
- sets out requirements and concepts for reporting, such as:
  - the reporting entity
  - timing and location of reporting
  - connections and comparative information in reporting

Additional guidance

Application Guidance

Sometimes presented as an appendix to a Standard, with the same authority as the main part of the Standard

Educational Material

Separate materials developed to help companies apply the standards

Accompanying Guidance

Intended to provide illustrative guidance and examples.

Industry-based Guidance

A type of accompanying or illustrative guidance

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:
    - whether to provide resources to the entity
    - buying, selling or holding equity and debt instruments
    - providing or selling loans and other forms of credit
    - voting on or otherwise influencing how the company manages its economic resources

Connected information

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

EXAMPLE

Connection between decarbonization and net zero strategy and investment decisions

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 CO_2-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.

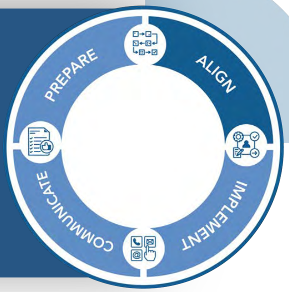
BHP Ventures also continues to build a portfolio of investments to help accelerate innovation in the mining industry through assessment and execution of additional investments across emerging technology areas, including long-duration energy storage solutions, diesel displacement and carbon dioxide removal.

For more information on our range of investments to drive decarbonisation and sustainable growth refer to bhp.com/about/our-businesses/ventures

Connection to future spending plans and targets

Example source: BHP Annual Report 2023 pg 47 – https://www.bhp.com/investors/annual-reporting/annual-report-2023

Consistent information

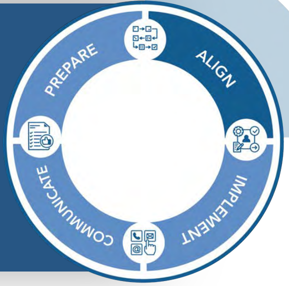


The disclosures:

- are prepared **for the same reporting entity and reporting period** as the related financial statements
- are 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 corresponding data and assumptions in the related financial statements as much as possible, considering accounting requirements

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

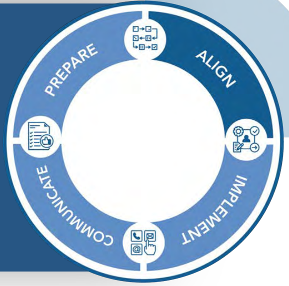
Fair presentation



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

To achieve fair presentation
Disclose relevant and material information
Faithfully represent information using principles of decision-usefulness
Disclose comparable, verifiable, timely and understandable information
Disclose additional information if needed
To achieve faithful representation
Complete, neutral and accurate depiction of sustainability-related risks and opportunities

Governance

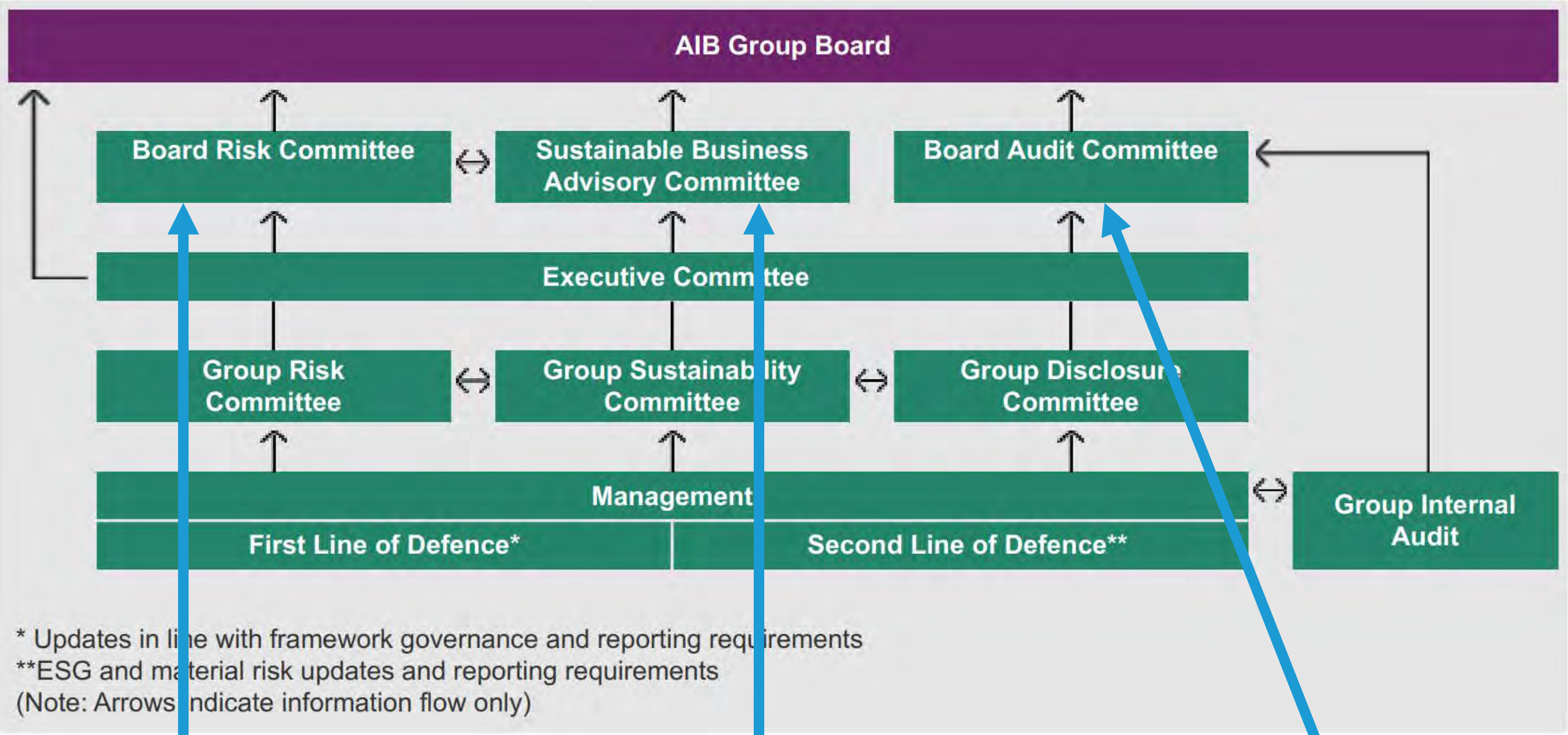


- Which **Board and Management bodies or committees** are responsible for sustainability and climate-related risks and opportunities?
- What are their **skills and competencies**?
- What **processes and controls** do they use for managing sustainability and climate-related risks and opportunities?
-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

EXAMPLE

Example source: [AIB Group plc AFR Dec 2022](), page 32

Governance model



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.

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.

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.

EXAMPLE

Governance model

Role of the Board

What it has done to inform strategy

Actions taken, including investment

Governance

GRI 102-29,102-30,102-32,102-33

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

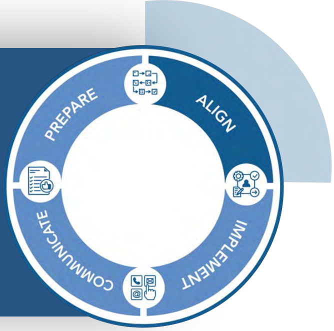
Toyota addresses climate-related issues at its Board of Directors' Meeting. Through this Toyota assures effective strategy formulation and implementation in line with latest societal trends. Furthermore, the board is guiding and reviewing relevant action and business plans together with monitoring progress for qualitative and quantitative targets addressing climate issues.

As part of the monitoring, the Board considers climate-related issues, including risks/opportunities related to products, such as fuel efficiency/emission regulations, and risks/opportunities related to low-carbon technology development, as well as the financial impact thereof. We use these governance mechanisms in formulating its long-term strategy, including the Toyota Environmental Challenge 2050, and in formulating and reviewing its medium- to long-term targets and action plans.

Cases of decision making at the Board of Directors Meeting in 2021 include the following. The Board decided to invest in Toyota Green Energy, which was established jointly by Toyota, Chubu Electric Power Co., Inc. and Toyota Tsusho Corporation. Toyota Green Energy is a new company that will obtain and manage renewable energy sources in Japan. It is expected to supply electric power to the Toyota Group in the future.

Toyota, Sustainability Data Book 2022, p. 10

Strategy overview



The disclosure requirements about strategy relate to:

- the **sustainability and climate-related risks and opportunities** that have been identified and the **time horizons** over which they are expected to occur
- the **effects of those risks and opportunities** on the company's:
  - value chain
  - business model and strategy
  - financial position, performance and cash flows

Strategy - time horizons

Cash flow, investment and business cycles

Planning horizons for strategic decision-making and capital allocation

Assessment periods used by investors

Life of assets

- 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]

Strategy - addressing financial effects

When reporting the effects of sustainability-related risks and opportunities on a company's current and anticipated financial performance, financial position and cash flows…

- A company is required to disclose both quantitative information (a single amount or a range) and qualitative information
- A company 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

EXAMPLE

Current and anticipated financial risks

Example source: Solvay 2022 Annual Integrated Report, page 205

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 CO_2 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 CO_2 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.

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.

EXAMPLE

Anticipated financial impacts

Example source: [Unilever Annual Report](), pages 50-51

Financial quantification of assessed risks and opportunities — Potential financial impact on profit in the year (€bn)[a]

Regulatory and Market Risks	Key assumptions	Sensitivity	2030	2039	2050
1. Carbon tax and voluntary carbon removal costs We quantified how high prices from carbon regulations and voluntary offset markets for our upstream Scope 3 emissions might impact our raw and packaging materials costs, our distribution costs and the neutralisation of our residual emissions post-2039.	▪ Absolute zero Scope 1 and 2 emissions by 2030 ▪ Scope 3 emissions exclude consumer use emissions ▪ Carbon price would reach 245 USD/ tonne by 2050, rising more aggressively in early years in a proactive scenario ▪ The price of carbon offsetting would reach 65 USD/ tonne by 2050 ▪ Offsetting 100% of emissions on and after 2039	ρ	**-3.2**	-5.2	-6.1
		r	**-2.4**	-4.8	-6.1
Physical Environmental Risks	**Key assumptions**	**Sensitivity**	**2030**	**2039**	**2050**

5. Extreme weather (temperature) impact on crop yields
 	
We quantified how extreme weather events such as sustained high temperatures could impact crop output and therefore sourcing costs across key commodities.
	▪ By 2050, in a proactive scenario, extreme weather would increase prices by:
	  ▪ Palm: ~12%; Commodities and food ingredients: ~14%
	▪ By 2050, in a reactive scenario, extreme weather would increase prices by:
	  ▪ Palm: ~18%; Commodities and food ingredients: ~21%
		ρ	**-0.3**	-0.8	-1.9

		r	**-0.4**	-1.1	-2.8

If *proactive* approach is taken to managing climate change

If *reactive* approach is taken to managing climate change

EXAMPLE

Ambition to significantly reduce earnings cyclicality

- Responsible exit from the paper business
- Growth in packaging with increased integration of captive pulp
- Developing a more value added pulp product mix
- Growing the share of building solutions
- High self-sufficiency on energy reduces our exposure to external cost instability
- 30% self-sufficiency in wood supply

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.

Sales in 2030

Current and anticipated financial risks

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 CO_2 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

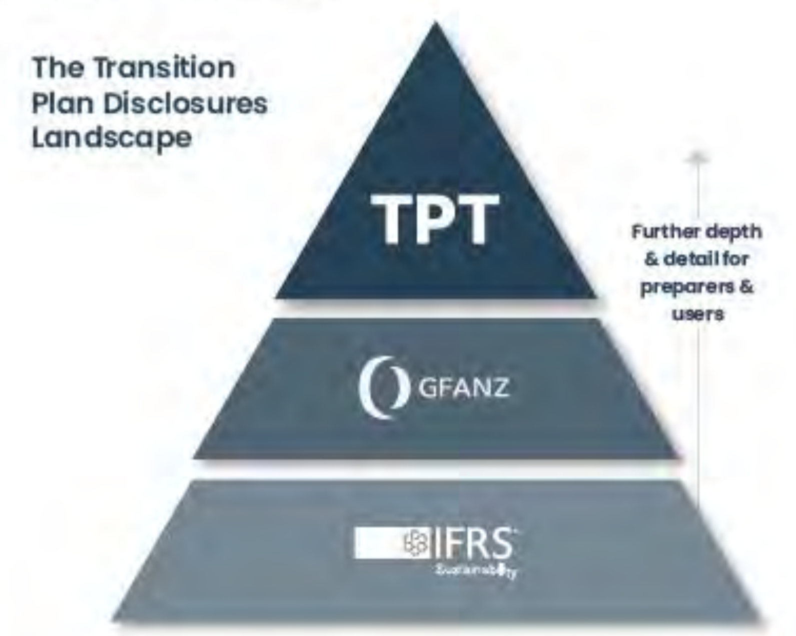
Addressing climate risks and opportunities

Information about the response and planned response should include, but is not limited to:

- **details about how the entity plans to achieve any climate-related targets** including GHG emissions targets and any targets required by law or regulation
- **current and anticipated changes to the business model** due to climate-related risks and opportunities e.g.: changes in resource allocation, plans to manage or decommission carbon, energy or water-intensive operations
- **current and anticipated direct mitigation and adaptation efforts** e.g.: changes in production processes or equipment, relocation of facilities, workforce adjustments and changes in product specifications
- **current and anticipated indirect mitigation and adaptation efforts** e.g.: through working with customers and supply chains
- **progress against any plans previously disclosed**, including qualitative and quantitative information
- **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.



Real economy

Financial institutions

Sectoral pathways

Pathway expectations

Transition pathway disclosure framework

Strategy - climate resilience

Climate resilience assessment

IFRS S2 requires a company to assess its climate resilience and to disclose information about:

- the implications of climate change for its strategy and business model; and
- its financial and operational capacity to adjust or adapt over the short, medium and long term.

Inputs and key assumptions

IFRS S2 does not specify which scenarios a company should use in its analysis but requires the company:

- to use relevant scenarios, and provide information about scenarios selected; and
- to provide information on assumptions used.

Strategy - scenario analysis

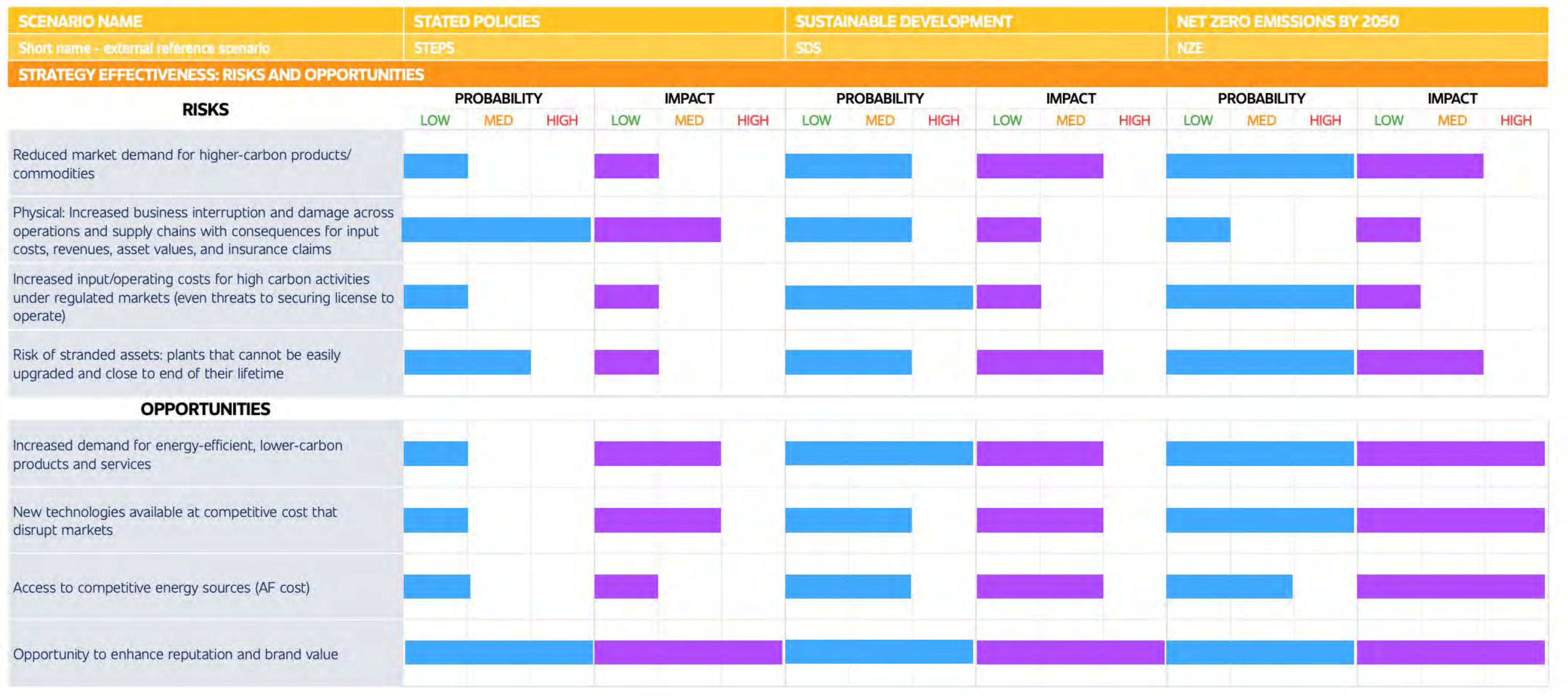
IFRS S2 includes application guidance on how to apply scenario analysis building on TCFD materials

The guidance requires:

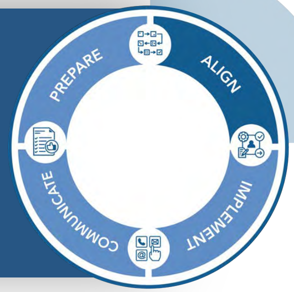
- a method of climate-related scenario analysis **commensurate with a company's circumstances**
- the use of **all reasonable and supportable information** that is available to a company at the reporting date **without undue cost or effort**

EXAMPLE

Example source: CEMEX, 2022 Integrated Report, p. 258
https://www.cemex.com/documents/d/cemex/integratedreport2022



Risk Management



An entity must disclose information about:

- **Processes and policies** used to identify, assess, prioritise and monitor sustainability-related risks including:
  - o inputs and parameters used
  - o whether and how sustainability-related risks are prioritised relative to other types of risk
  - o how the nature, likelihood and magnitude of risks are assessed
  - o whether and how scenario analysis is used to inform the identification of sustainability-related risks
  - o how sustainability-related risks are monitored
  - o whether and how sustainability-related risk management processes inform overall processes and whether they have been changed since the last reporting period
- The process used for **identifying, assessing, prioritising and monitoring** sustainability-related opportunities
- The extent to which **identification, assessment, prioritisation and monitoring processes** of sustainability-related risks and opportunities have been integrated into the entity's **overall risk management process**

Example: 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

Example: 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

EXAMPLE

Risk, opportunities and strategy

Example source: TransitionPlan5YearPlanFinal.pdf (nats.aero), page 15

Weather in 2019

Major storms which cost aviation an estimated

€2.2billion

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 CO_2

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 CO_2/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

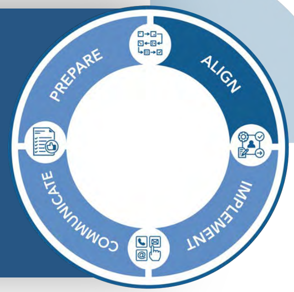
c.175,000 tonnes of CO_2

Current acute risks and impacts

Future acute risks and impacts

The outcome of chronic changes may be positive in some respects, but strategy will need to respond

Metrics



Metrics must:

- Enable primary users to understand the entity's performance in relation to sustainability-related risks and opportunities, including progress towards and legal and company specified targets.
- Be reported as required by an applicable IFRS Sustainability Disclosure Standard – e.g. IFRS S2 for climate-related disclosures
- Include metrics the entity uses to measure and monitor sustainability-related risks and opportunities and associated performance in relation to targets
- Be associated with specific business models, activities and common features that characterise participation in an industry
- Be consistent over time
- Be labelled using meaningful, clear and precise names and descriptions.

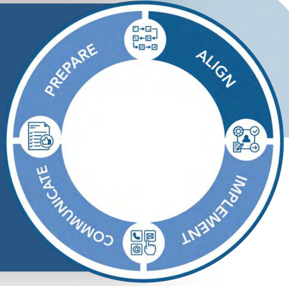
Metrics shall refer to and consider:

- Those associated with the disclosure topics included in the SASB Standards

Metrics can:

- Be taken from a source other than ISSB Standards
- Be developed by the entity

Targets



Targets may be set by the entity or required by law or 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** and to monitor progress towards its achievement
- **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 in the entity's performance
- **any revisions to the target** together with an explanation about the revisions

EXAMPLE

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 CO_2e 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 CO_2e emissions from steel + CO_2 from mining + CH_4 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.

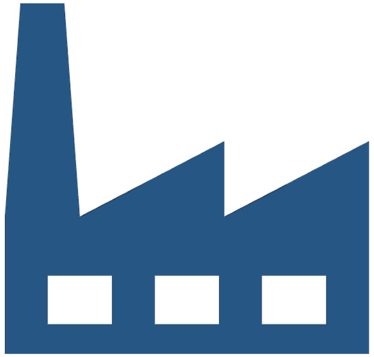
Linking strategy, targets and assumptions

Example source: ArcelorMittal's 2022 Annual Report – https://corporate.arcelormittal.com/media/obsd1lud/annual-report-2022.pdf

Building on the baseline

Listing requirements

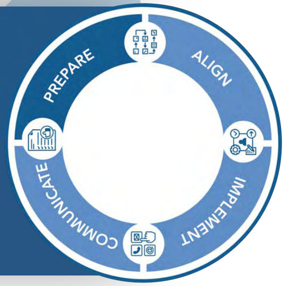
Policy objectives



Industry standards

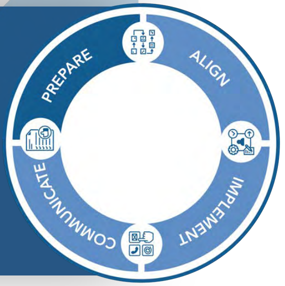
Other stakeholders

From TCFD to IFRS S2

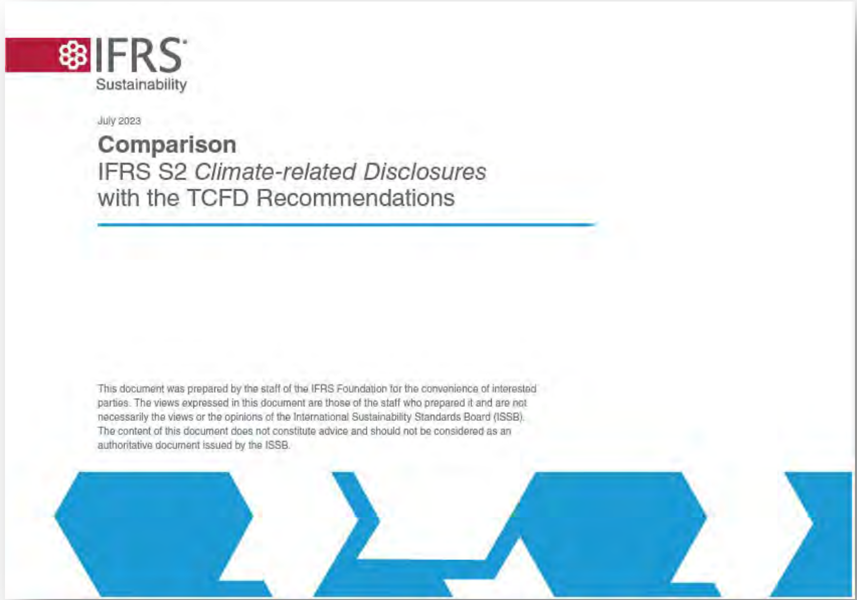


- **The culmination of the work** of the Task Force on Climate-related Financial Disclosures
- IFRS S1 and IFRS S2 **incorporate** the recommendations of the TCFD
- **A comparison of TCFD with IFRS S2 published** by ISSB
- **TCFD monitoring responsibilities** transferred to ISSB from 2024
- Consolidation **reduces the 'alphabet soup'** of ESG disclosure.
- Companies and jurisdictions **still able to use TCFD Recommendations**

TCFD-ISSB mapping



The requirements in IFRS S2 integrate, and are consistent with, the TCFD's four core recommendations and 11 recommended disclosures. Areas where IFRS S2 differs from the TCFD recommendations only reflect differences between IFRS S2 and the TCFD's guidance, not the TCFD's recommendations.


IFRS Sustainability

July 2023

Comparison
IFRS S2 *Climate-related Disclosures*
with the TCFD Recommendations

This document was prepared by the staff of the IFRS Foundation for the convenience of interested parties. The views expressed in this document are those of the staff who prepared it and are not necessarily the views or the opinions of the International Sustainability Standards Board (ISSB). The content of this document does not constitute advice and should not be considered as an authoritative document issued by the ISSB.

Differences, summarized in this document shown, take three forms:

- In some instances, IFFRS S2 uses different wording to capture the same information as the TCFD recommendations;
- IFRS S2 requires more detailed information that is in line with the TCFD recommendations; and
- IFRS S2 differs from the TCFD guidance—but not from the TCFD overall recommendations—mainly by providing some additional requirements and guidance.

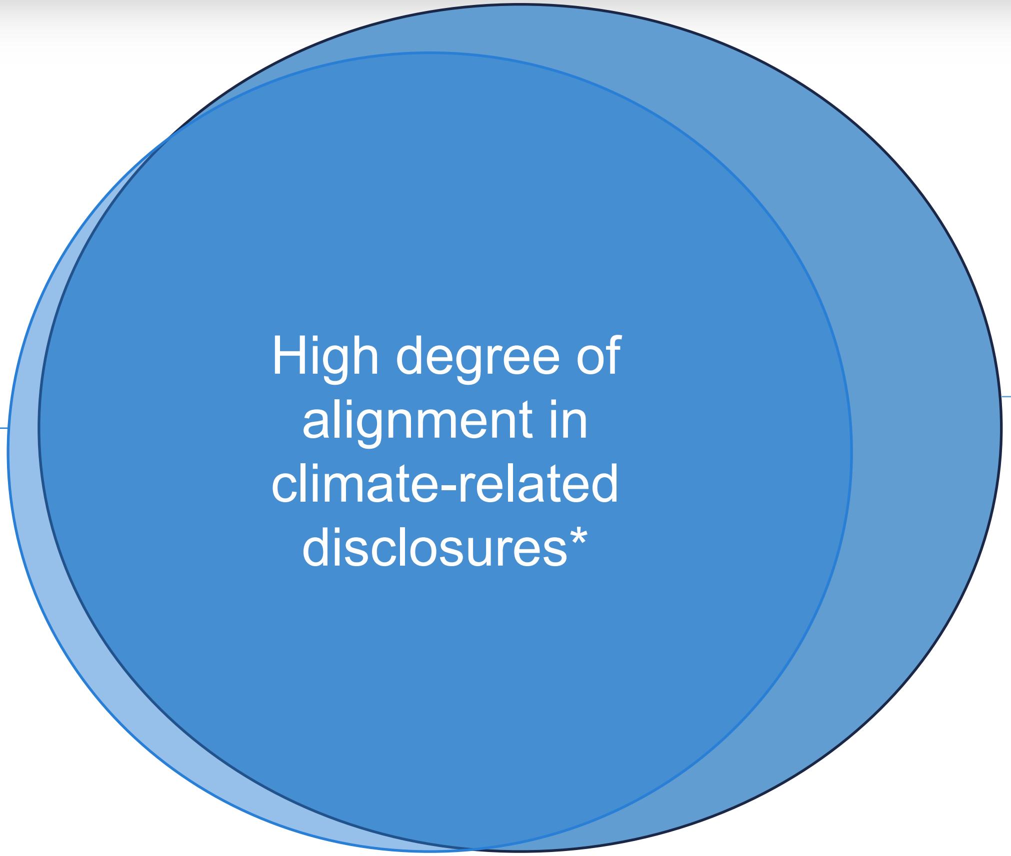
https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/ifrs-s2-comparison-tcfd-july2023.pdf

Baked-in alignment

IFRS
Sustainability

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 impac

INTEGRATED REPORTING

IFRS Foundation

IFRS Accounting Standards

IFRS Sustainability Disclosure Standards

Global Reporting Initiative (GRI)

GRI Sustainability Reporting Standards

Source: SSE GRI training

EXAMPLE

Description to approaches taken to prepare report

Notes to the consolidated ESG statement

Section 6
Basis of preparation

Principles of consolidation

The disclosures of energy consumption and CO_2 emissions c
sites, laboratories and offices. The disclosures of water cons
environmental breaches and waste cover production sites.

The social and governance-related disclosures cover the Nov
comprising Novo Nordisk A/S and entities controlled by Novo
Novo Nordisk Engineering A/S is not in the scope of reportin
Employer Score, failed inspections, facilitations of Novo Norc
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

General reporting standards and principles

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.

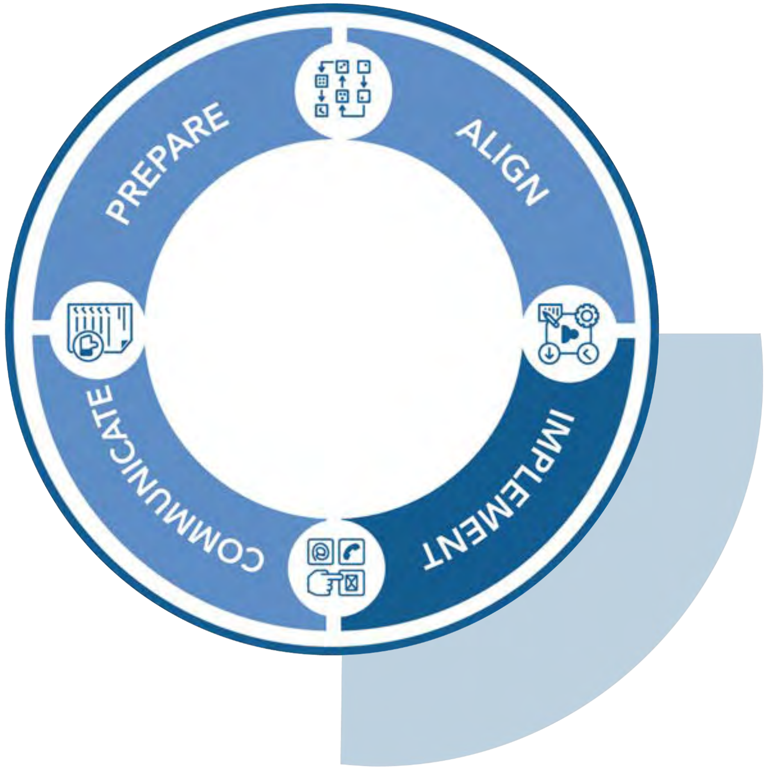
As recommended by the Taskforce on Climate-related Financial Disclosures (TCFD), Novo Nordisk is working to integrate two climate change scenarios into the risk management process to identify short-, medium- and long-term risks within the production and supply chain:

- 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.

Conformance statement to standards & frameworks used

Example source: Novo Nordisk Annual Report 2022 – https://www.novonordisk.com/investors/annual-report.htm



The backbone of effective disclosure – processes and practices

Identifying sustainability-related risks and opportunities

Many factors can give rise to sustainability-related (including climate-related) risks and opportunities, but 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.

EXAMPLE

MEGATRENDS

Global macrotrends inform and influence Yara's market megatrends

Growing and increasingly urban global population

- Sustained and continued global population growth, with biggest magnitude in developing countries, driving growth in consumer demand
- Changing demographic structures, with growing urban population impacting consumer preferences

Geopolitical and trade uncertainty

- Covid-19 and war in Ukraine bringing uncertainty to the globalization and future trade flows, with likely slow-down in globalization
- Increasing importance of resource security across food, energy, and other critical resources

Megatrends that shape Yara's market and value chain

- Climate change
- Water safety and reliability
- Dietary shifts
- Soil health
- Zero waste and circular economy
- Agri and food industry integration
- Digitalization

MEGATRENDS

Opportunities and risks from t

Megatrends present new opportunities we can actively pursue, as well as risks

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 farmer 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, commoditization, and increased price competition can challenge premium fertilizer margins
- Competitive landscape can be disrupted
- Increased uncertainty around the competitive position of our European production

Example source: Yara Integrated Report 2022 pages 17 and 19 – https://www.yara.com/siteassets/investors/057-reports-and-presentations/annual-reports/2022/yara-integrated-report-2022.pdf

Connecting the dots

The **resources and relationships** that a company **depends on and affects** can take various forms, such as natural, manufactured, intellectual, human, social or financial.

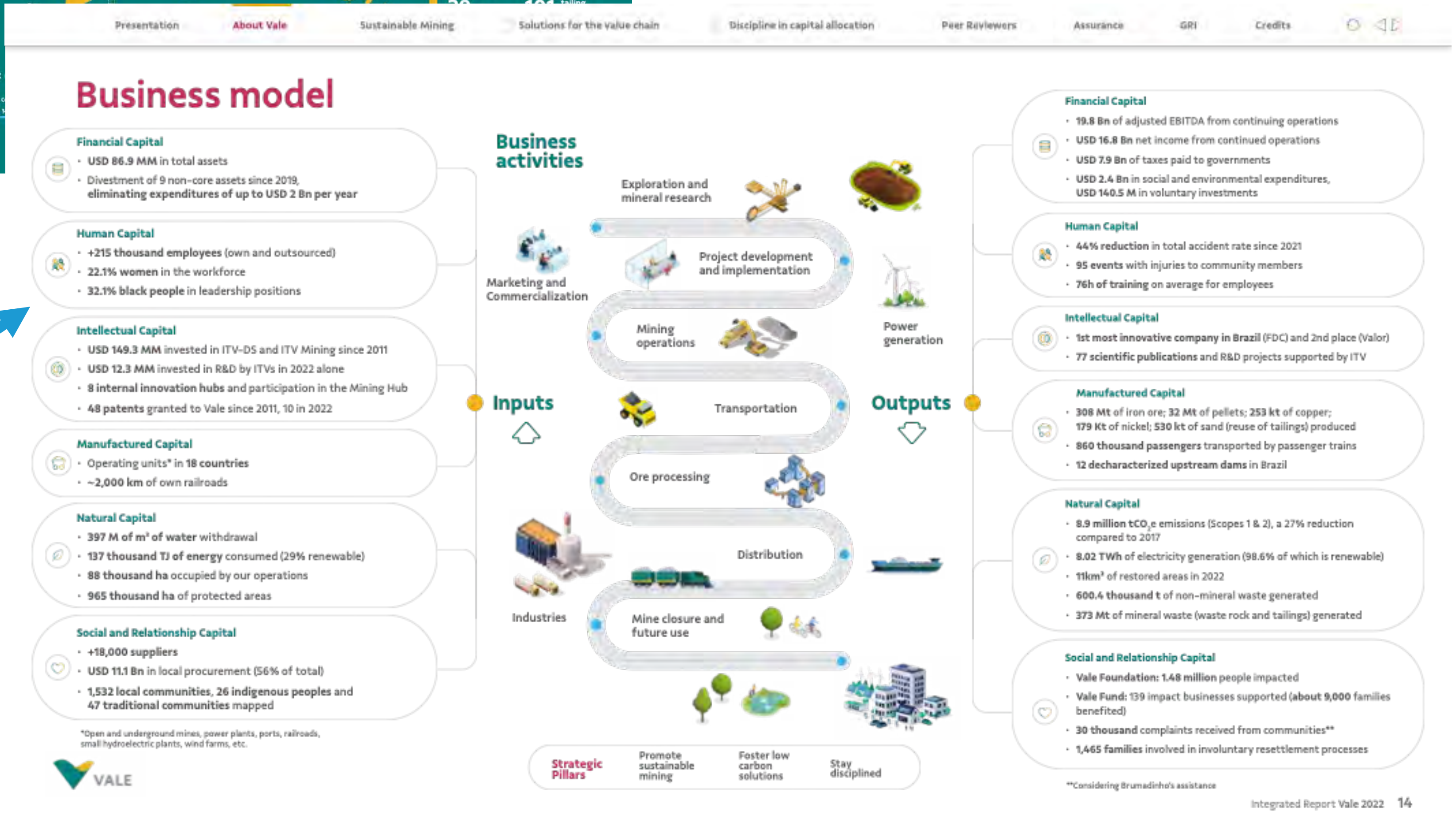
These can be:

- **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**.

EXAMPLE

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

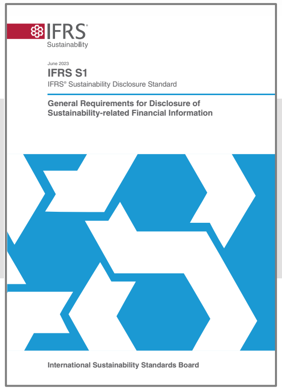


Summary of "capitals" that Vale SA's business model needs to create value

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

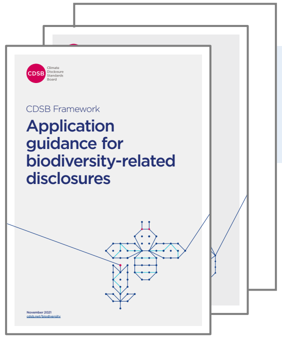
Using sources of guidance

Apply IFRS S1 sources of guidance disclosure requirements

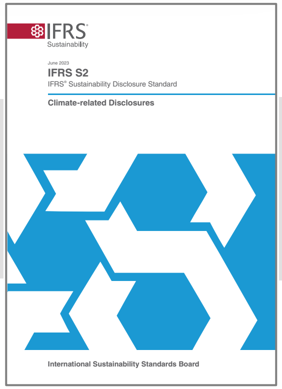


Required to consider SASB disclosure Topics

May consider other investor focused sources of guidance

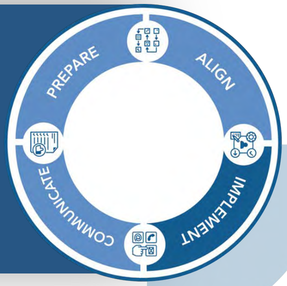


Apply other applicable IFRS Sustainability Disclosure Standards



Required to consider Industry-based guidance on Implementing IFRS S2 Climate-related Disclosures

Assessing reasonable and supportable



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 general conditions in the **external** environment
- includes information about **past events, current conditions and forecasts** of future conditions
- in some cases, is **specified** by IFRS Sustainability Disclosure Standards

Various sources can be used, both internal and external, based on an assessment of the company's situation, including:

- risk management processes
- industry and peer group experience
- external ratings
- reports and statistics

What is material information?

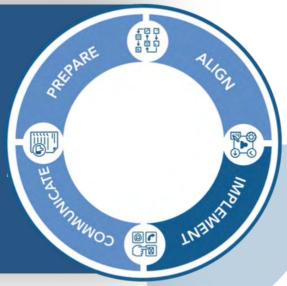
Information is material if omitting, misstating or obscuring it could reasonably be expected to ***influence investor decisions****.*

This is based on the IFRS Accounting Standards definition of ‘material’

Materiality in IFRS Sustainability Disclosure Standards

- 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
  - providing or settling loans and other forms of credit
  - exercising rights to vote on, or otherwise influence, the company's management's actions that affect the use of the company's economic resources
- Preparers are required to consider the **characteristics of the investors** and the company's own circumstances.
- Preparers can assume that the investors have **reasonable knowledge** of business and economic activities and that they review and analyse information diligently.
- Different investors can have **different and sometimes conflicting information needs.** However, sustainability-related financial disclosures are intended to meet the common information needs of investors.

Potential areas of focus for primary users



Generally, investors may want to understand:

- whether, how and to what extent environmental degradation and social challenges **affect inputs** (of resources) to the business, key relationships, and risks and opportunities—and, therefore, business performance.
- whether and how the company **is managing sustainability-related risks and opportunities**, for example, whether management has a plan or strategy for changing the business model in anticipation of regulation, a lower-carbon economy or mandated due diligence procedures.
- what **types of assets** the company holds and whether they are at risk of becoming stranded (for example, a coal-fired power plant in a jurisdiction where the government has made commitments to phase out coal).
- how the company's **governance body takes account** of sustainability-related risks and opportunities when designing strategy and making decisions.
- how **resilient the company** is to possible future risks in different scenarios.

Test of materiality

Making materiality judgements

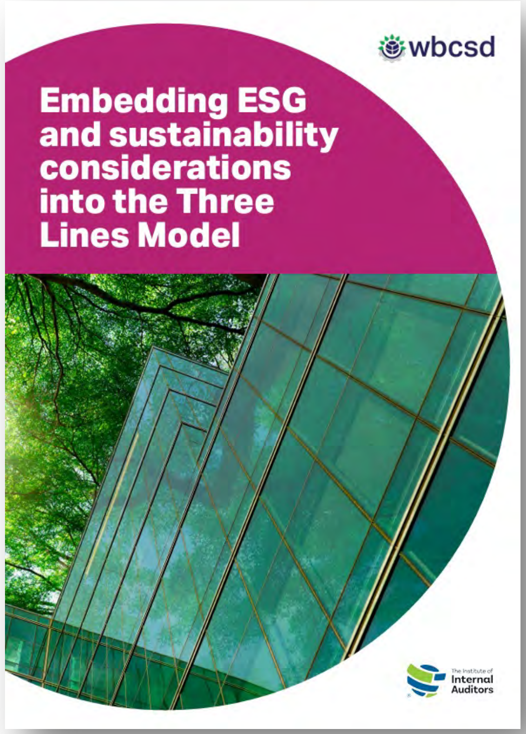
- ❑ Is the information identified either individually or in combination with other information, material in the context of the company's sustainability-related financial disclosures taken as a whole?
- ❑ Have you considered both quantitative and qualitative factors?
- ❑ Have you considered the potential effect of future events on amount, timing and uncertainty of the company's future cash flows over the short, medium and long term?
- ❑ Have you considered the range of possible outcomes and the likelihood of the possible outcomes within that range?

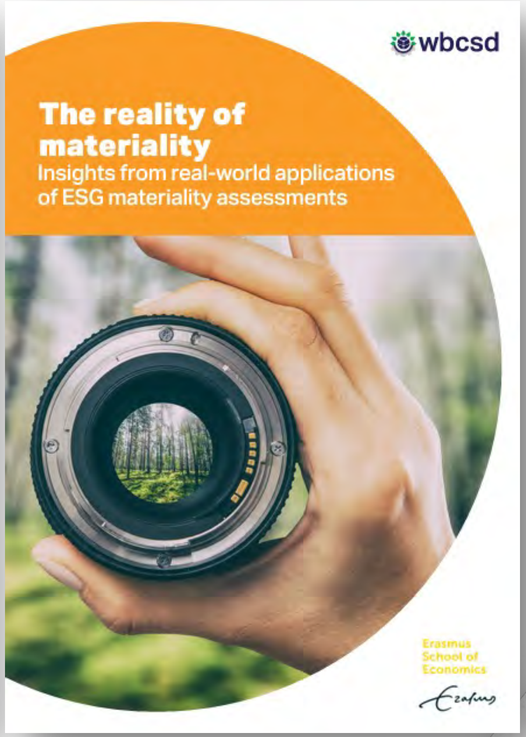
Adapted from IFRS Sustainability Disclosure Standards.

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**

Read more here:



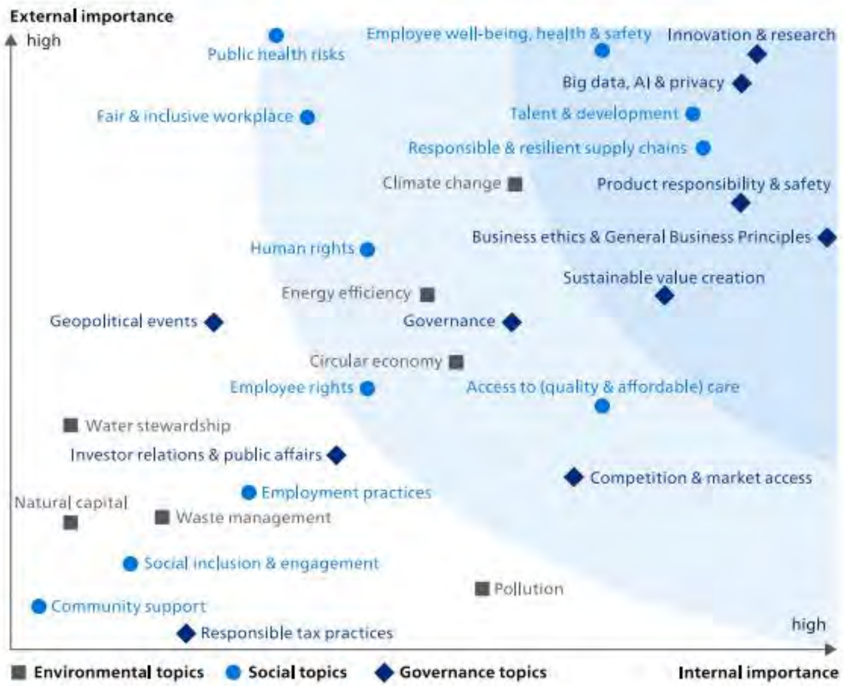


EXAMPLE

Materiality map

3.3 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.

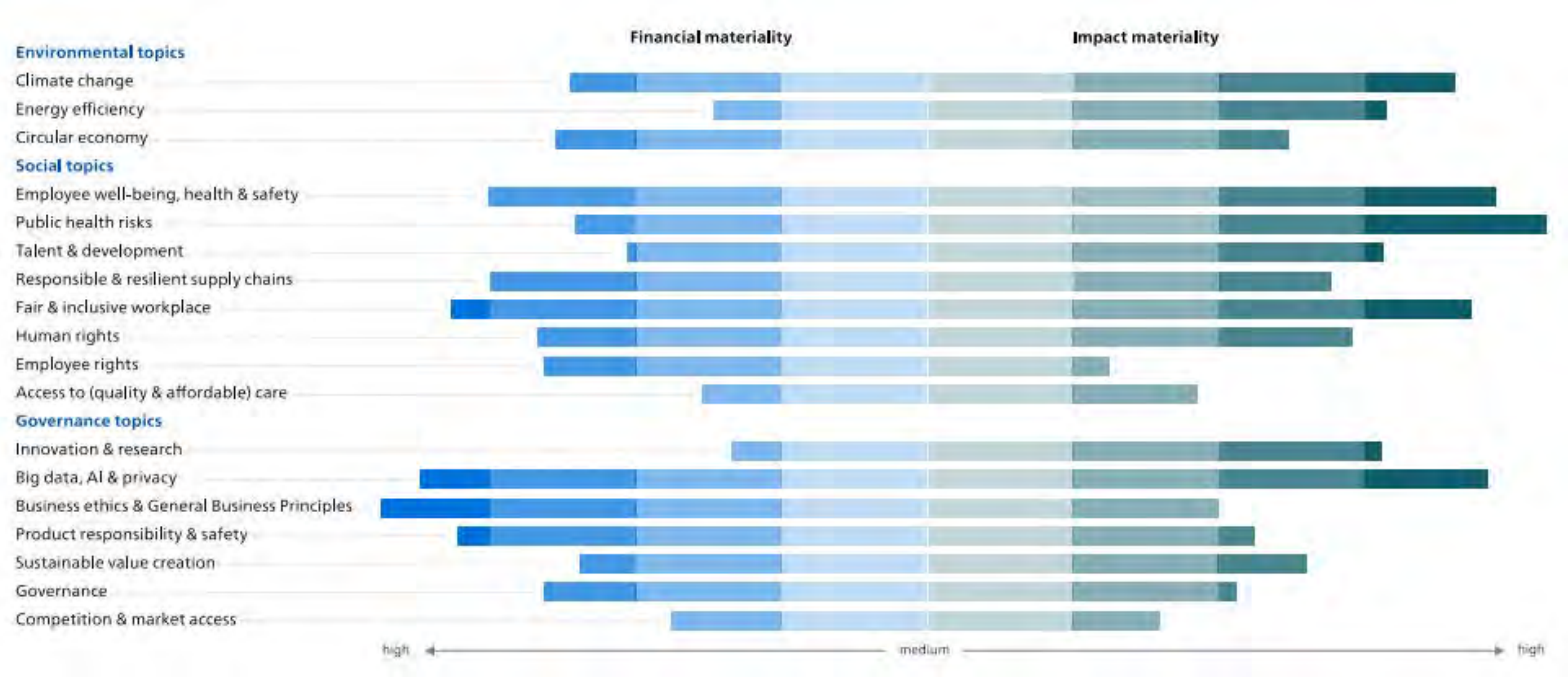
Double materiality

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.

Materiality definition

Example source: Phillips' Annual Report 2022 page 14 – https://www.results.philips.com/publications/ar22/downloads/pdf/en/PhilipsFullAnnualReport2022-English.pdf?v=20230725135335

EXAMPLE



Example source: Phillips's Annual Report 2022 page 14

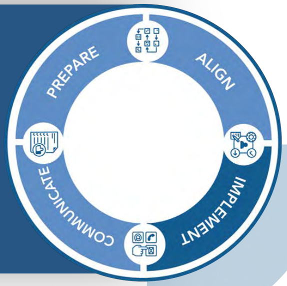
https://www.results.philips.com/publications/ar22/downloads/pdf/en/PhilipsFullAnnualReport2022-English.pdf?v=20230725135335

Future events and uncertain outcomes

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.
- the potential effects of the events 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** as well as possible future events judged to be more likely to occur and with significant potential effects.
- the effect of potential risks **individually and in aggregate**.
- materiality judgements, which it is required to **reassess at each reporting date** to account for changes in the company’s individual circumstances or in the external environment.

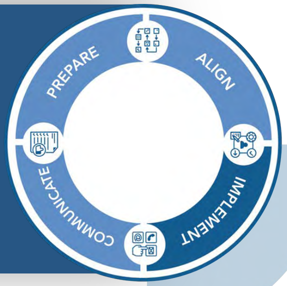
Developing new processes and adapting existing processes



A company's management should assess existing systems and processes or determine whether new systems and processes are needed. In doing so, management may consider:

- **gap analysis**—carry out an analysis to check for gaps in existing systems and processes
- **suitability**—evaluate existing processes for identifying sustainability-related risks and opportunities
- **prioritisation criteria**—evaluate criteria for prioritising sustainability-related risks and opportunities such as likelihood, impact, vulnerability, speed of onset and others
- **controls**—evaluate existing internal risk controls for the mitigation and management of sustainability-related risks
- **contributors**—identify departments with relevant processes and expertise to contribute
- **interconnections**—consider whether existing processes take account of sustainability-related risks and opportunities that might arise from interconnections between different internal and external factors
- **uncertainty**—integrate sustainability-related risks into existing risk management, governance or finance processes by adjusting those processes to take account of those uncertainties and the unique characteristics of sustainability-related risks and opportunities

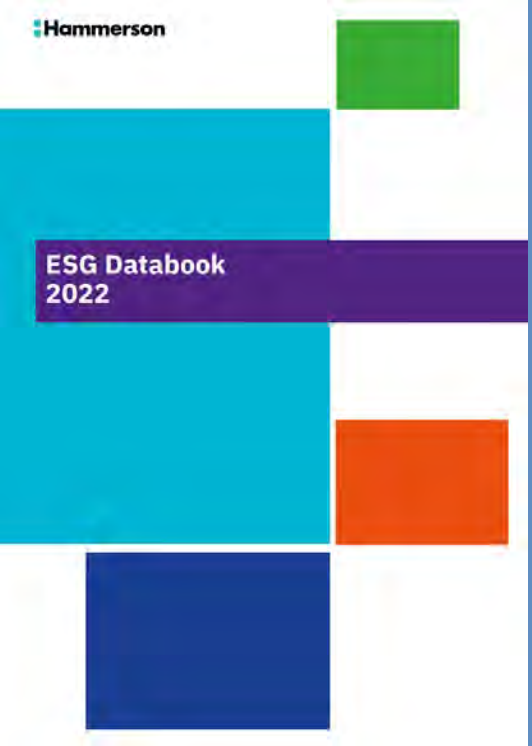
Using a reporting strategy



A company can manage its internal processes and systems in various ways. However, one possibility is to develop a sustainability-related financial disclosure strategy as a stand-alone strategy or as part of a wider reporting strategy. The benefits of a reporting strategy include:

- helping the company **take control of its narrative** within general purpose financial reports and to limit or balance opinions and conclusions reached by investors.
- **supporting internal collaboration**, knowledge sharing and cross-functional interdisciplinary team discussions with staff from departments including finance, risk management, controls and planning, internal audit, investor relations, legal, sustainability and communications
- acting as a **reference point and audit trail** for documenting, explaining and managing the process of preparing disclosures, including where and how judgements have been made

EXAMPLE



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.

PRESENTATION OF INFORMATION

MANDATORY GHG DISCLOSURES

We have reported mandatory GHG emissions since 2008. These are calculated on an absolute 100% asset basis for all properties under the Group's management plus our corporate offices.

2022 emissions are available on page 27 of our Annual Report 2022 and Section 2 of this ESG Databook 2022.

PROPORTIONALLY CONSOLIDATED DISCLOSURES

The Group's property portfolio comprises properties that are either wholly owned or co-owned with third parties. The Group evaluates the performance of its portfolio for internal management purposes by aggregating its share of results for properties under the Group's management based on the proportionally ownership of each property.

This is the basis of environmental reporting adopted for our Net Zero pathway and 2021 Sustainability Linked Bond.

PREMIUM OUTLETS

Our reporting excludes the Group's premium outlet property interests held through the investment in Value Retail (and also prior to 2020, VIA Outlets). These interests are excluded as these are independently managed and financed by their third party owners. This approach is consistent with our approach for disclosing the Group's financial and operational performance.

VOLUNTARY NON-FINANCIAL DISCLOSURES

Our ESG Report 2022 and ESG Databook 2022 meets the core requirements of Global Reporting Initiative (GRI) standards and the EPRA Sustainability Best Practice. Any relevant tables throughout the Databook are labelled with the appropriate reference and the GRI symbol.

Our GRI index provides the full index of where relevant information can be found.

Example source: Hammerson ESG Databook 2022 page 7 – https://www.hammerson.com/sites/hammerson-corp/files/hammerson-corp/sustainability/reporting-benchmarking/esg-db-22.pdf

Communicating with investors – what, where and how

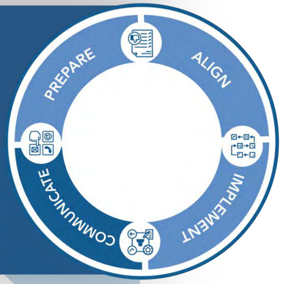
Disclosing material information

How to disclose material sustainability-related financial information

- Make material sustainability-related financial information clearly identifiable [and do not obscure it]
- Use clear language
- Avoid scattering material information about a particular sustainability-related risk or opportunity across disclosures
- Provide additional (non-material) information IF necessary to enable readers to understand the effects of sustainability-related risks and opportunities on the company's cash flows, access to finance and cost of capital over time—but distinguish additional information from material information

Note—Companies need not disclose information otherwise required by an IFRS Sustainability Disclosure Standard if the information is not material (IFRS S1.B25)

Where to report sustainability-related financial information



Information is to be reported in, and as part of, the company's **general purpose financial reports**, with associated financial statements.

Different requirements may apply in different jurisdictions.

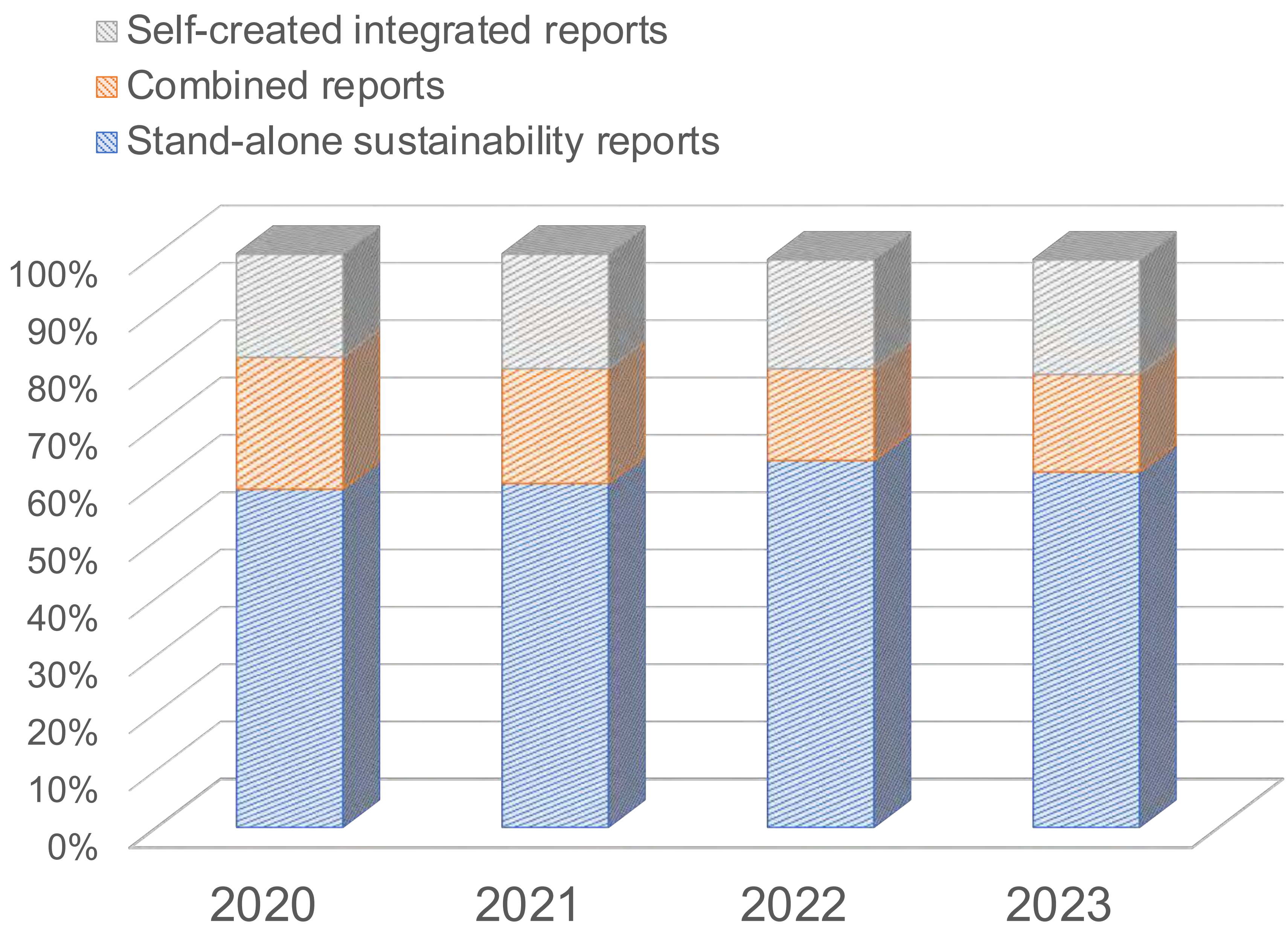
Different names are used for general purpose reports or parts of reports, including 'integrated report', 'strategic report', 'annual report', 'operating and financial review' etc.

No requirements on exact placement of information.

Examples of corporate approaches in practice:

- Integrate
- Separate
- Navigate

Integrated Reporting



Data source: WBCSD, Reporting Matters 2023 - https://www.wbcsd.org/Programs/Redefining-Value/Reporting-matters/Resources/RM2023

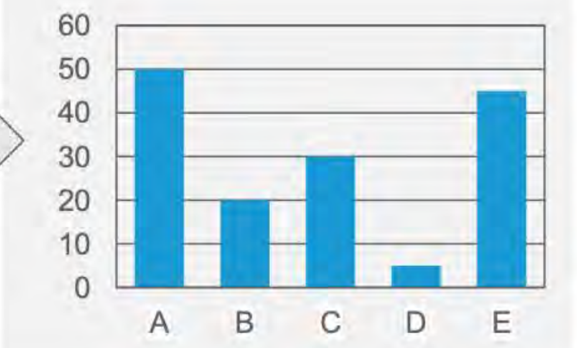
Evolution towards digital reporting

PDF

Co. A: Gross scope 1 emissions	xxx
Co. B: Direct greenhouse emissions	xxx
Co. C: Own emissions	xxx
Co. D: 직접적인 온실가스 배출	xxx
Co. E: 總範圍 1 溫室氣體排放量	xxx

ISSB Taxonomy 'Tag'

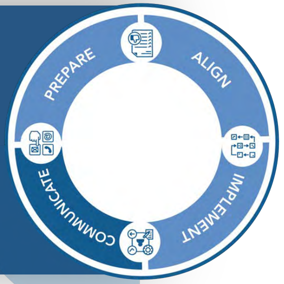
Name	ifrs-sds:GrossScope1GreenhouseGasEmissions
Value	xxx,000
Units	MtCO2e
Period	2021-01-01 to 2021-12-31
Decimals	-3



- **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.

Top benefits of digital reporting

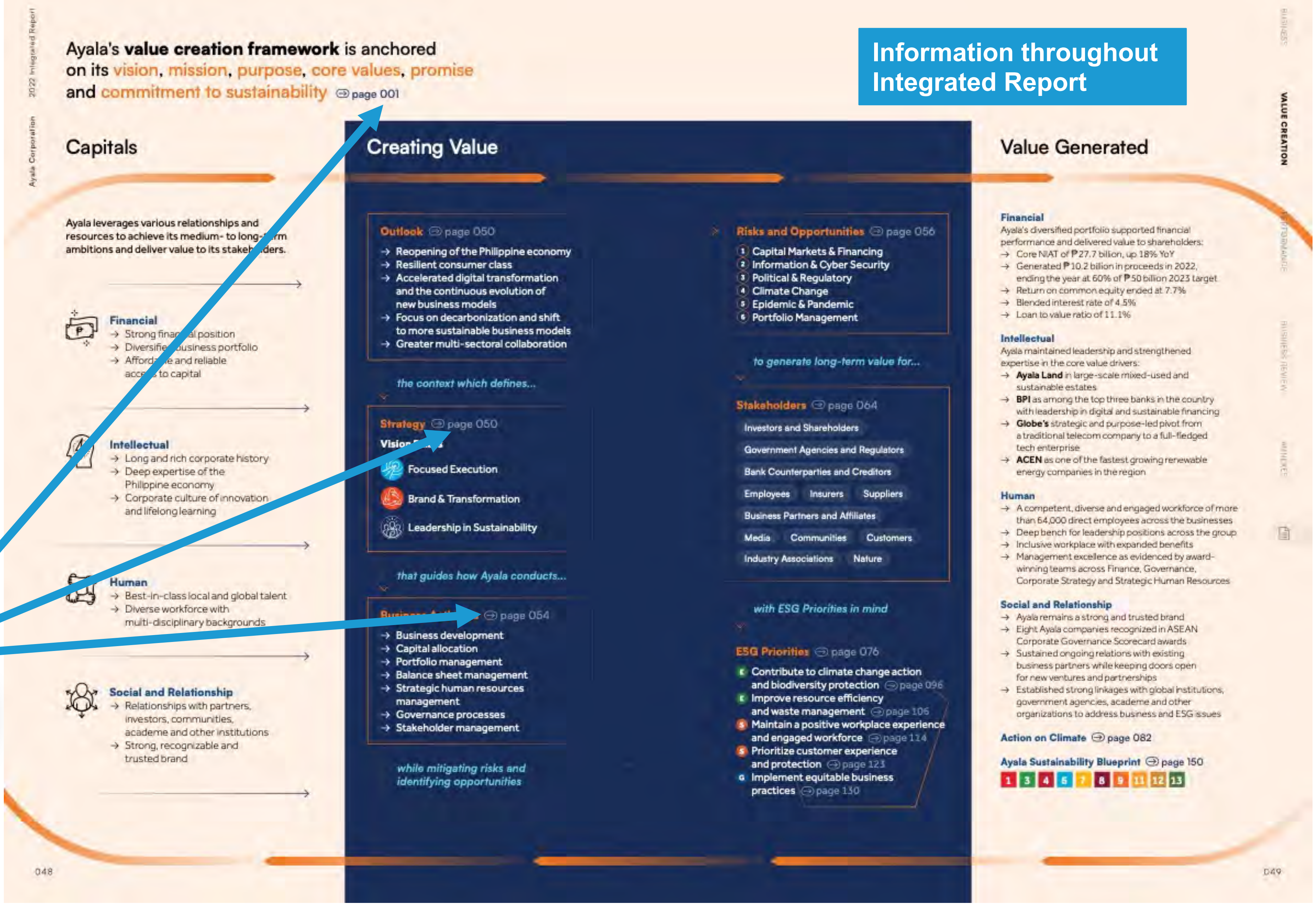


- Easier analysis by users of information
- Increased quality and comparability through standardization
- More efficient information processing – integration into existing data collection and management systems
- Helps to break down language barriers

Reporting taxonomies are different to green taxonomies used to classify environmentally sustainable economic activities.

EXAMPLE

Information throughout Integrated Report



2022 Integrated Report Ayala Corporation

Ayala's **value creation framework** is anchored on its vision, mission, purpose, core values, promise and commitment to sustainability page 001

Capitals

Ayala leverages various relationships and resources to achieve its medium- to long-term ambitions and deliver value to its stakeholders.

Financial
- Strong financial position
- Diversified business portfolio
- Affordable and reliable access to capital

Intellectual
- Long and rich corporate history
- Deep expertise of the Philippine economy
- Corporate culture of innovation and lifelong learning

Human
- Best-in-class local and global talent
- Diverse workforce with multi-disciplinary backgrounds

Social and Relationship
- Relationships with partners, investors, communities, academe and other institutions
- Strong, recognizable and trusted brand

Creating Value

Outlook page 050
- Reopening of the Philippine economy
- Resilient consumer class
- Accelerated digital transformation and the continuous evolution of new business models
- Focus on decarbonization and shift to more sustainable business models
- Greater multi-sectoral collaboration

the context which defines...

Strategy page 050

Vision [illegible]
- Focused Execution
- Brand & Transformation
- Leadership in Sustainability

that guides how Ayala conducts...

[illegible] page 054
- Business development
- Capital allocation
- Portfolio management
- Balance sheet management
- Strategic human resources management
- Governance processes
- Stakeholder management

while mitigating risks and identifying opportunities

Risks and Opportunities page 056
1. Capital Markets & Financing
2. Information & Cyber Security
3. Political & Regulatory
4. Climate Change
5. Epidemic & Pandemic
6. Portfolio Management

to generate long-term value for...

Stakeholders page 064

Investors and Shareholders
Government Agencies and Regulators
Bank Counterparties and Creditors
Employees
Insurers
Suppliers
Business Partners and Affiliates
Media
Communities
Customers
Industry Associations
Nature

with ESG Priorities in mind

ESG Priorities page 076
- E Contribute to climate change action and biodiversity protection page 096
- E Improve resource efficiency and waste management page 106
- S Maintain a positive workplace experience and engaged workforce page 114
- S Prioritize customer experience and protection page 123
- G Implement equitable business practices page 130

Value Generated

Financial
Ayala's diversified portfolio supported financial performance and delivered value to shareholders:
- Core NIAT of ₱27.7 billion, up 18% YoY
- Generated ₱10.2 billion in proceeds in 2022, ending the year at 60% of ₱50 billion 2023 target
- Return on common equity ended at 7.7%
- Blended interest rate of 4.5%
- Loan to value ratio of 11.1%

Intellectual
Ayala maintained leadership and strengthened expertise in the core value drivers:
- **Ayala Land** in large-scale mixed-used and sustainable estates
- **BPI** as among the top three banks in the country with leadership in digital and sustainable financing
- **Globe's** strategic and purpose-led pivot from a traditional telecom company to a full-fledged tech enterprise
- **ACEN** as one of the fastest growing renewable energy companies in the region

Human
- A competent, diverse and engaged workforce of more than 64,000 direct employees across the businesses
- Deep bench for leadership positions across the group
- Inclusive workplace with expanded benefits
- Management excellence as evidenced by award-winning teams across Finance, Governance, Corporate Strategy and Strategic Human Resources

Social and Relationship
- Ayala remains a strong and trusted brand
- Eight Ayala companies recognized in ASEAN Corporate Governance Scorecard awards
- Sustained ongoing relations with existing business partners while keeping doors open for new ventures and partnerships
- Established strong linkages with global institutions, government agencies, academe and other organizations to address business and ESG issues

Action on Climate page 082

Ayala Sustainability Blueprint page 150

1 3 4 6 7 8 9 11 12 13

VALUE CREATION

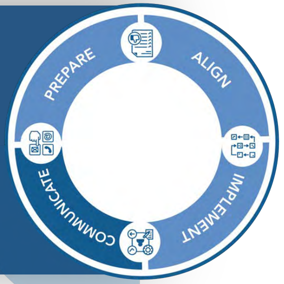
048

049

Page references

Example Source: Ayala, Integrated Report, pages 48-49 – https://ayala.com/investor-relations/annual-reports/

When to report and for what period



Companies are required to publish financial statements and sustainability disclosures **at the same time** (with transitional relief in the first year of reporting) and **for the same reporting period** as the related financial statements.

Normally the reporting period is 12 months (or 52 weeks).

Special rules apply if company’s reporting period changes.

Special rules apply on discovery of new information for reporting period, but before report is published.

Quality of information disclosed

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

Effective Communication

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

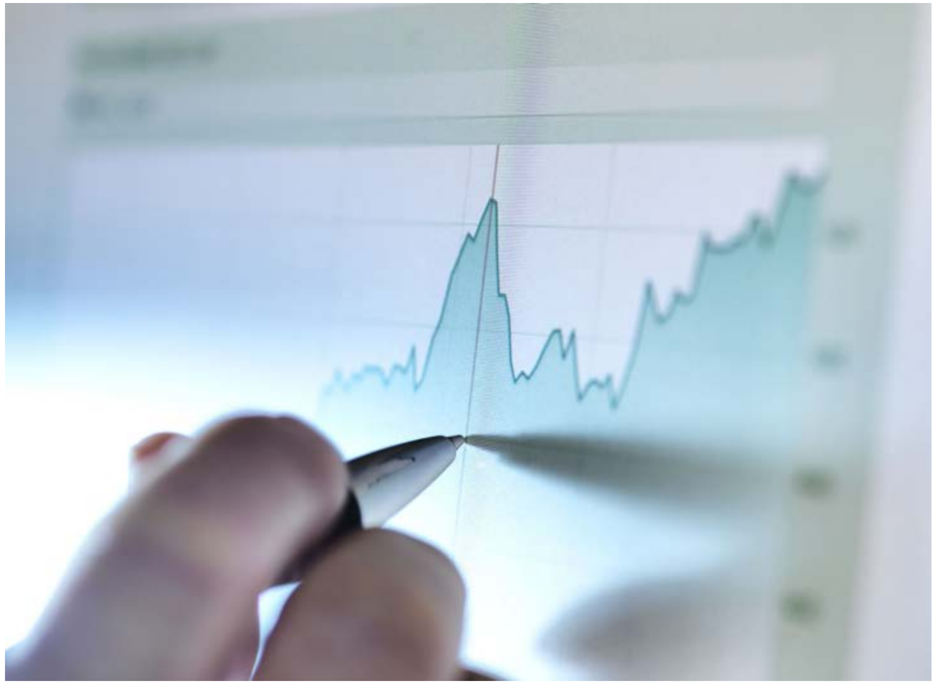
Reminder – why we report

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



EXAMPLE

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.

Climate Change and Carbon Emissions Reduction Targets References	Pages
Impairment testing of goodwill and property, plant and equipment	182, 211
Useful lives of assets	186, 209
Provisions for liabilities	183
Inventories	187
Retirement Benefit Obligations	234

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.

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

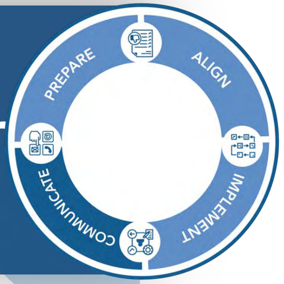
Source: CRH plc, 2022 Annual Report, pg. 181- https://www.crh.com/investors/annual-reports

Consistent disclosures

The disclosures are:

- prepared for the **same** reporting **company** and reporting **period** as the related 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 corresponding data and assumptions in the related financial statements, to the extent possible, considering accounting requirements.

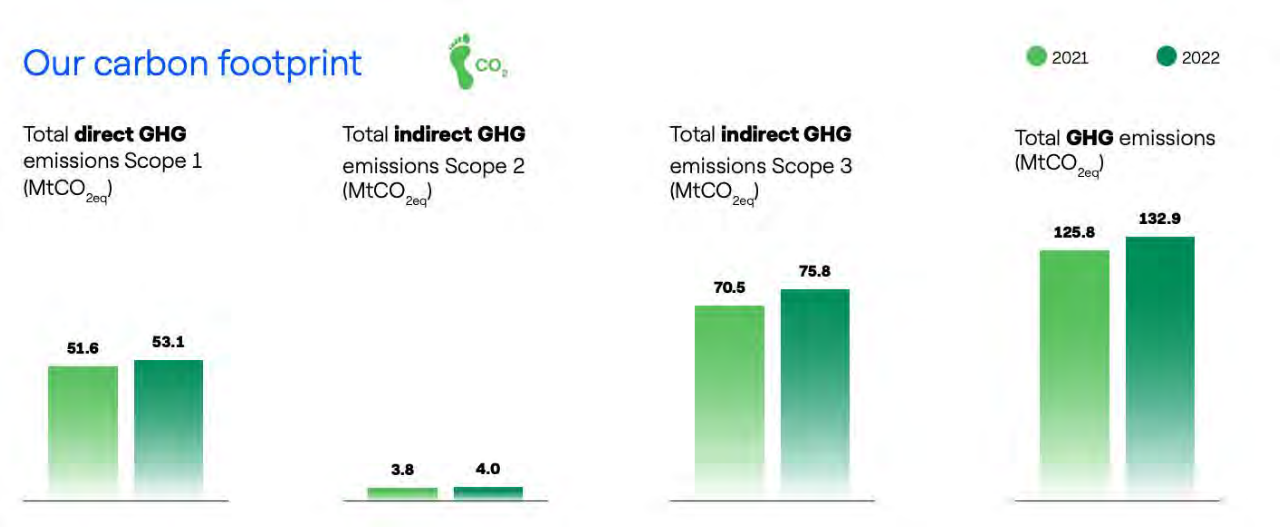
Aggregate or disaggregate information



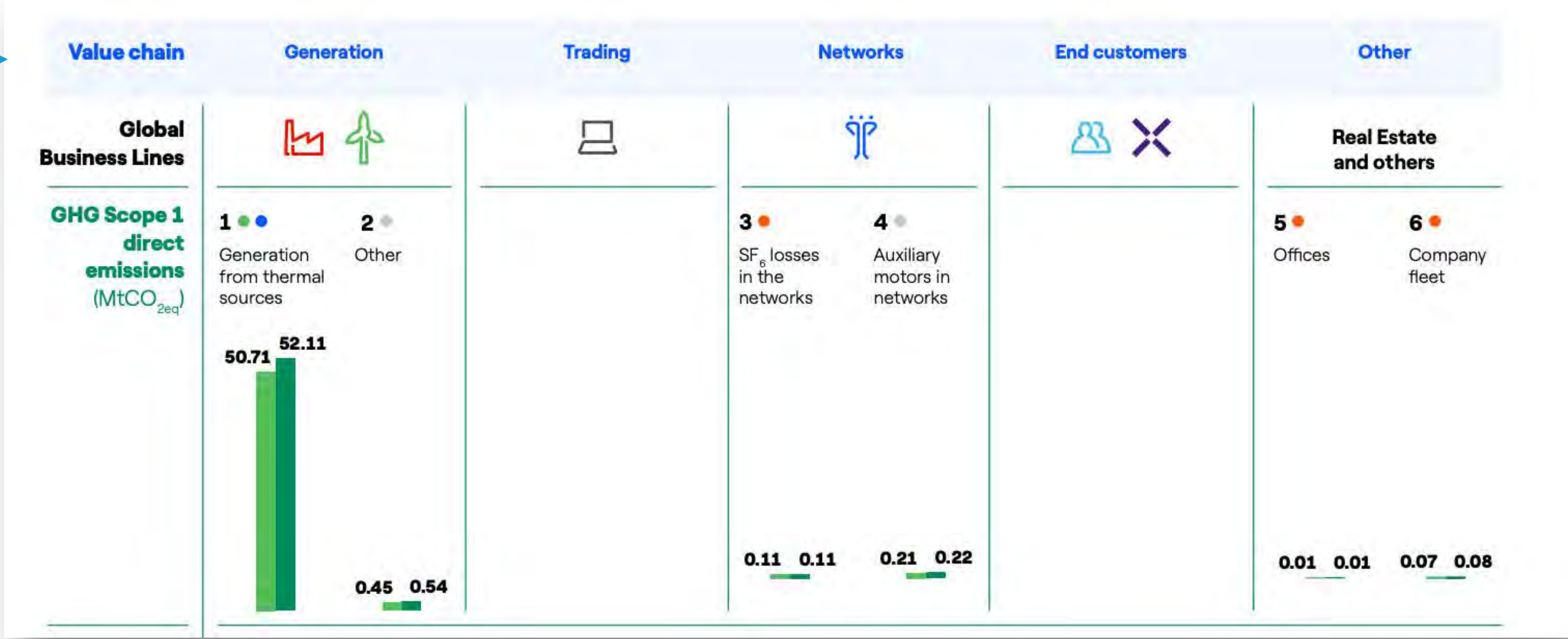
- Aggregate information to minimise scattering and increase understandability
- Aggregate information with similar or shared characteristics
- Decide whether, how and to what extent to aggregate information based on all the facts and circumstances
- Do not let aggregation reduce understandability or obscure material information
- Disaggregate information to show (for example) the breakdown of sustainability-related risks by location or to distinguish resources drawn from environmentally stressed vs abundant areas

EXAMPLE

GHG emissions breakdown by type



GHG emissions breakdown by source



Source: Enel, 2022 Sustainability Report, pg. 148- https://www.enel.com/investors/sustainability

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.

Comparative information

- Unless otherwise required or permitted, companies are required to disclose comparative information in respect of the preceding reporting period *for all amounts* disclosed in the current reporting year.
- Providing comparative information for estimates—revise comparatives according to new information and explain differences.
- Specific requirements apply to redefined, replacement and new metrics.
- If it enhances understanding, it is required that narrative information for the preceding reporting year also be provided

Preceding reporting year

- Estimated or actual metric (the 'comparative amount', i.e. the amount with which the current reporting year metric is compared)

Current reporting year

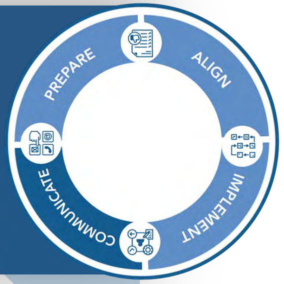
- Estimated or actual metric

Commercially sensitive information

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** the economic benefits that a company would otherwise be able to realise in pursuing an opportunity to which the information relates;
- there is no other way of disclosing the information **to limit or remove that risk**;
- the company **discloses the fact** that it has used the exemption for commercially sensitive information; and
- the company **reassesses** at each reporting date whether the information still qualifies for exemption.

Using reasonable estimates



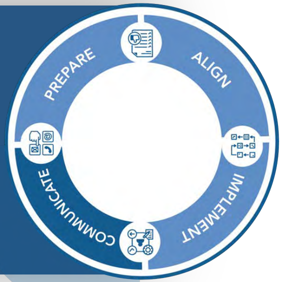
Companies can use reasonable estimates and assumptions when preparing sustainability-related financial information – it does not have to be perfectly precise in all respects. Judgement can be used. However:

- 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.

Statement of compliance

- 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

- Ensure that investors are able to understand **connections** between:
  - Sustainability-related risks and opportunities
  - Disclosures on core content
  - Sustainability-related financial disclosures and financial statements

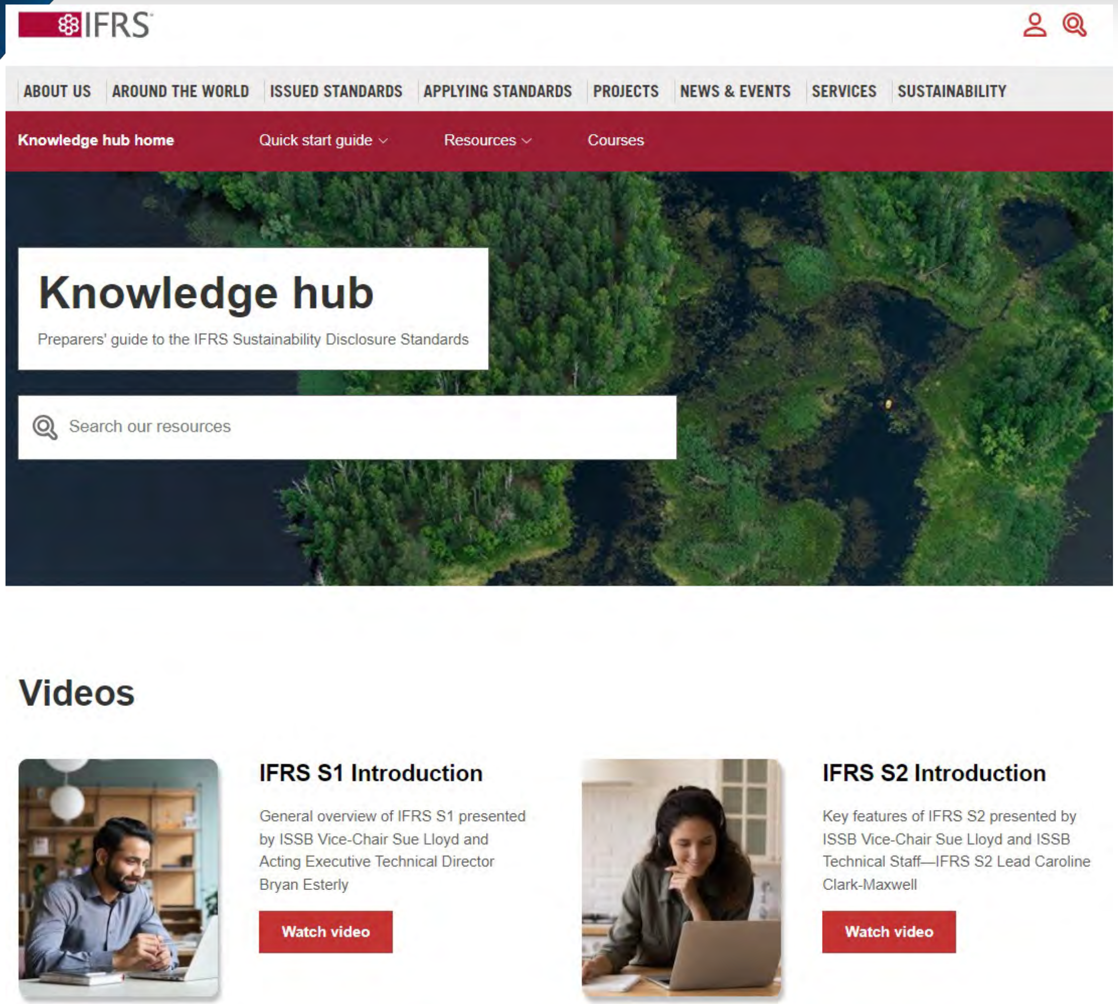
- Are the sustainability-related financial disclosures **for the same period and same reporting company** as the related financial statements?

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

- Have **comparatives** been provided?

- Is there a **statement of compliance**?

CONTINUE YOUR LEARNING



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

IFC 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.

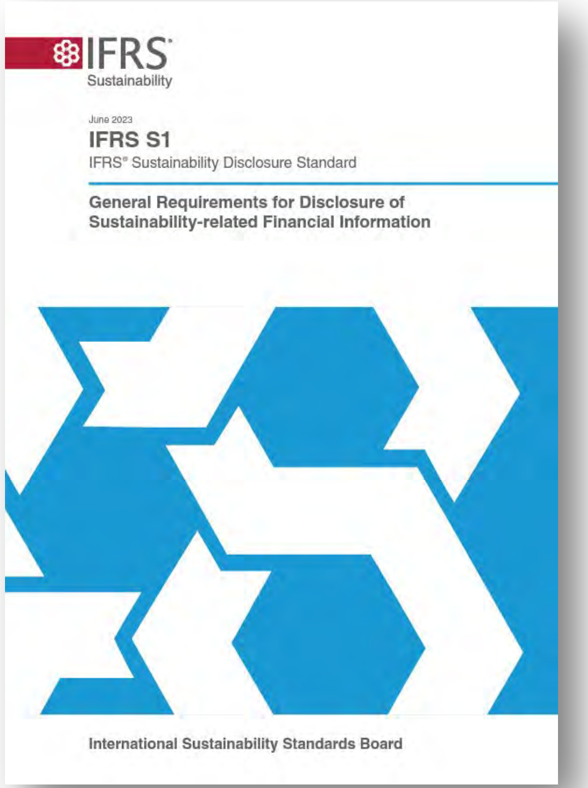
public good for regulators and stock exchanges, providing resources to enhance disclosure and transparency regulations and practices.

https://www.ifcbeyondthebalancesheet.org/

Beyond the Balance Sheet

AN INNOVATION OF IFC | International Finance Corporation WORLD BANK GROUP

CONTINUE YOUR LEARNING



Download your copy:
https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/