Enhancing climate-related and environmental disclosure in Romania

Workshop, 10 March 2021
Workshop Panel

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Corporate Engagement Manager, CDSB

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Policy & External Affairs Director, CDSB

Francesca Recanati
Environmental Specialist (Technical Manager), CDSB
Introduction to Bucharest Stock Exchange ESG Strategy

Remus Danila
Increasing investor interest

Improving market classification

More investor friendly environment / improved regulations

Higher retail participation

New products and services

Enhanced communication and reporting
Our ESG plans

Stage 1 - Ongoing

- Assessing the current ESG status of the local issuers
- Building an ecosystem of stakeholders to support issuers in improving their ESG scores
- Providing reporting guidelines and ESG education

Collaboration with Sustainalytics
EBRD, Sustainalytics, ARIR, other stakeholders

Stage 2 – 2021 / 2022

- Developing Green financing solutions
- Green bonds segment
- ESG weighted indices
The scope of ESG standards implementation goes far beyond capital markets investor demand

➢ political and regulatory requirements driven by the goals set under the Paris agreement
➢ consumer demand for more sustainable products and services
➢ ESG related demands from a diverse range of stakeholders: banks, employees, customers & suppliers

Implementation of an ESG strategy at corporate level seems to become a necessity and, possibly, a significant difference maker for long term success.
Introduction to CDSB

Nontokozo Khumalo, Corporate Engagement Manager
To provide decision-useful environmental information to markets via the mainstream corporate report

Board

Examples of Technical Working Group members
## The CDSB Framework

The guiding principles are designed to ensure that **environmental information** shall be:

<table>
<thead>
<tr>
<th>Principle</th>
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### Reporting Requirements

<table>
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<td>Reporting policies</td>
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<td>REQ-11</td>
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<td>REQ-12</td>
<td>Assurance</td>
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</table>

**www.cdsb.net/Framework**

Enhancing climate-related and environmental disclosure in Romania
Enhancing climate-related and environmental disclosure in Romania

Canada
- CSA Staff Notice 51-333

USA
- New York Stock Exchange
- NASDAQ

Chile
- Santiago Stock Exchange

EU
- EU High Level Expert Group (HLEG) on Sustainable Finance
- Sustainable Finance Action Plan
- EU Non-Financial Reporting Directive Review

United Kingdom
- Endorsed the TCFD recommendations
- Reviewing climate reporting regulation
- BEIS ‘Green Finance Taskforce’
- London Stock Exchange

China
- CSRC & People’s Bank of China released climate disclosure roadmap to 2020
- CSRC announcement to pilot TCFD recommendations
- Government announced mandatory ESG disclosure policy

Australia
- Australia / Prudential Regulatory Authority demanding information
- Australian Senate Economics Committee recommended adoption of TCFD
- Australian Securities Exchange

Malaysia
- Bursa Malaysia

France
- Article 173
- Pushing for mandatory implementation of TCFD

Germany
- Assessing the feasibility of regulation similar to Article 173

Luxembourg
- Luxembourg Stock Exchange

Legend
- CDSB Framework referenced in legislation
- CDSB Framework referenced in Stock Exchange

10 March, 2021 | © Climate Disclosure Standards Board | Tweet @CDSBGlobal
Workshop interaction

Feel free to interrupt us to ask questions, share your views and experiences

- You can use chat function to make comments or ask questions or raise your hand to speak (remember to unmute yourself);
- If you are not speaking, please remain on mute;
- Slides and recording will be sent to participants after the event.
Global trends in ESG guidance and regulatory requirements

Anthony Miller, UN Sustainable Stock Exchanges Initiative
Global context

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry Innovation and Infrastructure
10. Reduced inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals

Sustainable Development Goals

Enhancing climate-related and environmental disclosure in Romania
ESG disclosure now mainstream

![Graph showing the increase in exchanges with sustainability reports, training on ESG topics, mandatory ESG listing requirements, and exchanges providing written guidance, covered by an ESG index, and with ESG bond segments over the years. Source: SSEinitiative.org/data.]

- Exchanges with sustainability reports
- Exchanges training on ESG topics
- Exchanges with mandatory ESG listing requirements
- Exchanges providing written guidance on ESG reporting
- Exchanges whose markets are covered by an ESG index
- Exchanges with ESG bond segments

Source: SSEinitiative.org/data
ESG disclosure now mainstream

Exchanges with written guidance on ESG Disclosure

Exchanges with mandatory ESG disclosure listing requirements

Source: SSEInitiative.org/data

Enhancing climate-related and environmental disclosure in Romania
Key takeaway messages

- Stock exchanges and policy makers recognize the new policy environment and are increasingly integrating ESG into their products and services.

- Today, ESG disclosure is a market expectation around the world.

- By 2030, it is likely to be mandatory in most markets.
Recent developments in reporting

Michael Zimonyi, Policy & External Affairs Director
Update on EU policy developments on non-financial reporting and beyond

- **11th Dec 2019**: European Green Deal published, including review of the Non-Financial Reporting Directive (NFRD);

- **Early March 2021**: European Financial Reporting Advisory Group (EFRAG) to publish final recommendations on the development of EU Non-Financial Reporting Standards;

- **21st April 2021**: Publication of renewed sustainable finance strategy, including NFRD review and proposals on sustainable corporate governance (directors' duties and due diligence obligations);

- **January 2022**: Companies expected to report on taxonomy alignment with climate-related objectives (first disclosures expected in 2023 on reporting year 2022)
Comprehensive corporate reporting

Developments

The independent sustainability standard-setters, together with the integrated reporting framework provider, are collaborating to present their frameworks and standards as a coordinated solution.

The IASB Conceptual Framework can be used with minimal adaptations to meet the conditions required for sustainability reporting standards.

There is a necessity for a dynamic materiality to meet the needs of a fast moving landscape act as a filter on non-financial information to reflect both enterprise value creation and financially material impacts.

The TCFD recommendations have been embraced by the market as the way to help investors and others understand how reporting organisations assess climate-related risks and opportunities.
Mainstream authorities join in on ESG
What is driving climate-related and environmental financial reporting?
Business depends on natural capital
Environmental risks are financial risks

- **Policy and Legal**
  - Carbon pricing and reporting obligations
  - Mandates on and regulation of existing products and services
  - Exposure to litigation

- **Technology**
  - Substitution of existing products and services with lower emissions options
  - Unsuccessful investment in new technologies

- **Market**
  - Changing customer behavior
  - Uncertainty in market signals
  - Increase cost of raw materials

- **Reputation**
  - Shift in consumer preferences
  - Increased stakeholder concern/negative feedback
  - Stigmatization of sector

- **Physical**
  - Acute: Extreme weather events
  - Chronic: Changing weather patterns and rising mean temperature and sea levels

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**Opportunities**

- Use of more efficient modes of transport and production and distribution processes
- Use of recycling
- Move to more efficient buildings
- Reduced water usage and consumption

- Use of lower-emission sources of energy
- Use of supportive policy incentives
- Use of new technologies
- Participation in carbon market

- Development and/or expansion of low emission goods and services
- Development of climate adaption and insurance risk solutions
- Development of new products or services through R&D and innovation

- Access to new markets
- Use of public sector incentives
- Access to new assets and locations needing insurance coverage

- Participation in renewable energy programs and adoption of energy-efficiency measures
- Resource substitutions/diversification
Financial impacts

- asset impairment;
- changes in the useful life of assets;
- changes in the fair valuation of assets due to climate-related and emerging risks;
- increased costs and/or reduced demand for products and services affecting impairment calculations and/or requiring recognition of provisions for onerous contracts;
- potential provisions and contingent liabilities arising from fines and penalties; and
- changes in expected credit losses for loans and other financial assets.

Frameworks and tools for management and disclosure
FSB Task Force on Climate-related Financial Disclosures

“In the future, disclosure will move into the mainstream, and it is reasonable to expect that more authorities will mandate it.”

— Mark Carney, Former Chair of FSB, Governor of the Bank of England.

“Increasing transparency makes markets more efficient, and economies more stable and resilient.”

— Michael R. Bloomberg, Chair, TCFD.
TCFD recommendations

- Voluntary
- Report climate-related financial disclosures in the annual financial filings (mainstream report)
- Financial sector & high risk non-financial sectors
- Transition risks & physical risks (and opportunities)
- Scenario analysis & forward-looking information
- Short-term, medium-term & long-term
- Qualitative & quantitative disclosures
<table>
<thead>
<tr>
<th>Governance</th>
<th>Strategy</th>
<th>Risk Management</th>
<th>Metrics and Targets</th>
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<tbody>
<tr>
<td>Disclose the organization’s governance around climate-related risks and opportunities.</td>
<td>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.</td>
<td>Disclose how the organization identifies, assesses, and manages climate-related risks.</td>
<td>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</td>
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<tr>
<td>a) Describe the board’s oversight of climate-related risks and opportunities.</td>
<td>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</td>
<td>a) Describe the organization’s processes for identifying and assessing climate-related risks.</td>
<td>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</td>
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<td>b) Describe management’s role in assessing and managing risks and opportunities.</td>
<td>b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.</td>
<td>b) Describe the organization’s processes for managing climate-related risks.</td>
<td>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</td>
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<td>c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</td>
<td>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.</td>
<td>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</td>
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Enhancing climate-related and environmental disclosure in Romania
Embedding environmental risks

Transition risks

Physical risks

Credit risk
Market risk
Strategic risk
Operational risk

Identify
Measure
Risk management process
Manage
Disclose
Monitor

Enhancing climate-related and environmental disclosure in Romania
# The CDSB Framework

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- **P2** Faithfully represented
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The CDSB Framework

Mapping of the CDSB Framework to the TCFD Recommendations
From climate to natural capital – the CDSB Water Guidance

Francesca Recanati, Environmental Specialist, CDSB
Water and business

- **US$ 4.2 tln** is the annual economic activity of major world cities at risk due to water-stress (World Bank);

- **US$ 301 bln** is the total potential financial risks reported by companies reporting to CDP in 2020; and

- **25%** of investments by Dutch financial institutions is dependent on freshwater ecosystems (~€ 350bln; DNB)

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Water is an essential resource for business

- Direct inputs into operations
- Energy (e.g. hydropower, cooling)
- Agriculture
- Tourism
- Recipient of effluents
The CDSB Water Guidance

• supports companies
  1. in reporting **material** water-related information in the mainstream report;
  2. in providing decision-useful water-related information for **investors**;

• adds a layer of practical detail to the CDSB Framework by drawing **water-specific** challenges and **reporting elements** from existing water-specific reporting standards and frameworks; and

• is **aligned with TCFD** recommendations and other global standards

www.cdsb.net/WaterConsultation
Content overview and tools
REQ-01 to REQ-06 of the CDSB Framework

• Detailed reporting suggestions and guidance to compliment the CDSB Framework requirements;

• Disclosure checklists;

• References to useful external resources; and

• Examples of good practice from corporate mainstream reports

**CDSB reporting requirements**

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## Content overview - alignment

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<td><strong>TCFD</strong></td>
<td>- Governance (a, b) - Risk Management (a, b, c)</td>
<td>- Governance (b) - Strategy (b) - Risk Management (a, b, c) - Metrics and Targets (a, b)</td>
<td>- Governance (c) - Strategy (a, b, c) - Risk Management (a, b, c) - Metrics and Targets (a, b)</td>
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<td>- Strategy (a, b, c) - Risk Management (c) - Metrics and Targets (a)</td>
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<tr>
<td><strong>CDP Water, Security Questionnaire</strong></td>
<td>- W1.1; W1.2; W1.2a; W1.4a; W1.4c; W1.4d; W1.6a; W1.6b; W1.6c; W1.6d; W1.6e; W1.6f; W1.6g; W1.6h; W1.6i; W1.6j; W1.6k; W1.6l; W1.6m; W1.6n; W1.6o; W1.6p; W1.6q; W1.6r; W1.6s; W1.6t; W1.6u; W1.6v; W1.6w; W1.6x; W1.6y; W1.6z; W1.6aa; W1.6ab; W1.6ac; W1.6ad; W1.6ae; W1.6af; W1.6ag; W1.6ah; W1.6ai; W1.6aj; W1.6ak; W1.6al; W1.6am; W1.6an; W1.6ao; W1.6ap; W1.6aq; W1.6ar; W1.6as; W1.6at; W1.6au; W1.6av; W1.6aw; W1.6ax; W1.6ay; W1.6az; W1.6bb; W1.6bc; W1.6bd; W1.6be; W1.6bf; W1.6bg; W1.6bh; W1.6bi; W1.6bj; W1.6bk; W1.6bl; W1.6bm; W1.6bn; W1.6bo; W1.6bp; W1.6bq; W1.6br; W1.6bs; W1.6bt; W1.6bu; W1.6bv; W1.6bw; W1.6bx; W1.6by; W1.6bz; W1.6ca; W1.6cb; W1.6cc; W1.6cd; W1.6ce; W1.6cf; W1.6cg; W1.6ch; W1.6ci; W1.6cj; W1.6ck; W1.6cl; W1.6cm; W1.6cn; W1.6co; W1.6cp; W1.6cq; W1.6cr; W1.6cs; W1.6ct; W1.6cu; W1.6cv; W1.6cw; W1.6cx; W1.6cy; W1.6cz; W1.6da; W1.6db; W1.6dc; W1.6dd; W1.6de; W1.6df; W1.6dg; W1.6dh; W1.6di; W1.6dj; W1.6dk; W1.6dl; W1.6dm; W1.6dn; W1.6do; W1.6dp; W1.6dq; W1.6dr; W1.6ds; W1.6dt; W1.6du; W1.6dv; W1.6dw; W1.6dx; W1.6dy; W1.6dz; W1.6ea; W1.6eb; W1.6ec; W1.6ed; W1.6ee; W1.6ef; W1.6eg; W1.6eh; W1.6ei; W1.6ej; W1.6ek; W1.6el; W1.6em; W1.6en; W1.6eo; W1.6ep; W1.6eq; W1.6er; W1.6es; W1.6et; W1.6eu; W1.6ev; W1.6ew; W1.6ex; W1.6ey; W1.6ez; W1.6fa; W1.6fb; W1.6fc; W1.6fd; W1.6fe; W1.6ff; W1.6fg; W1.6fh; W1.6fi; W1.6fj; W1.6fk; W1.6fl; W1.6fm; W1.6fn; W1.6fo; W1.6fp; W1.6fq; W1.6fr; W1.6fs; W1.6ft; W1.6fu; W1.6fv; W1.6fw; W1.6fx; W1.6fy; W1.6fz; W1.6ga; W1.6gb; W1.6gc; W1.6gd; W1.6ge; W1.6gf; W1.6gg; W1.6gh; W1.6gi; W1.6gj; W1.6gk; W1.6gl; W1.6gm; W1.6gn; W1.6go; W1.6gp; W1.6gq; W1.6gr; W1.6gs; W1.6gt; W1.6gu; W1.6gv; W1.6gw; W1.6gx; W1.6gy; W1.6gz; W1.6ha; W1.6hb; W1.6hc; W1.6hd; W1.6he; W1.6hf; W1.6gg; W1.6gh; W1.6gi; W1.6gj; W1.6gk; W1.6gl; W1.6gm; W1.6gn; W1.6go; W1.6gp; W1.6gq; W1.6gr; W1.6gs; W1.6gt; W1.6gu; W1.6gv; W1.6gw; W1.6gx; W1.6gy; W1.6gz; W1.6ha; W1.6hb; W1.6hc; W1.6hd; W1.6he; W1.6hf; W1.6gg; W1.6gh; W1.6gi; W1.6gj; W1.6gk; W1.6gl; W1.6gm; W1.6gn; W1.6go; W1.6gp; W1.6gq; W1.6gr; W1.6gs; W1.6gt; W1.6gu; W1.6gv; W1.6gw; W1.6gx; W1.6gy; W1.6gz; W1.6ha; W1.6hb; W1.6hc; W1.6hd; W1.6he; W1.6hf; W1.6gg; W1.6gh; W1.6gi; W1.6gj; W1.6gk; W1.6gl; W1.6gm; W1.6gn; W1.6go; W1.6gp; W1.6gq; W1.6gr; W1.6gs; W1.6gt; W1.6gu; W1.6gv; W1.6gw; W1.6gx; W1.6gy; W1.6gz; W1.6ha; W1.6hb; W1.6hc; W1.6hd; W1.6he; W1.6hf; W1.6gg; W1.6gh; W1.6gi; W1.6gj; W1.6gk; W1.6gl; W1.6gm; W1.6gn; W1.6go; W1.6gp; W1.6gq; W1.6gr; W1.6gs; W1.6gt; W1.6gu; W1.6gv; W1.6gw; W1.6gx; W1.6gy; W1.6gz</td>
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<td><strong>GRI 303 - water and effluents</strong></td>
<td>- REQ. 303-1 (c, d) - REQ. 303-1 (a, b, c, d) - RRIQ 303-2</td>
<td>REG. 303-1 (a)</td>
<td>REG. 303-1 (a) - REG. 303-1 (b)</td>
<td>REG. 303-1 (a) - REG. 303-1 (b)</td>
<td>REG. 303-1 (a) - REG. 303-1 (b)</td>
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</tbody>
</table>
The timeline

- **November 25th - March 1st**: Public consultation
- **July**: Literature Review
- **September**: 1st Draft
- **October**: Roundtables
- **November**
- **December**: Final version
- **March**: 1st Pilot groups with companies
- **July - August**: Final version

Legend:
- Dark grey: Engagement
- Blue: Report/Publication

Interested? Contact us!
The state of EU environmental disclosure in 2020
CDSB conducted a detailed review of 50 EU companies’ reports

US$ 3.5 trillion market capitalisation

Manual review of reports in detail

NFRD content categories and TCFD

Mainstream reports

Distribution of company sample by jurisdiction

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>2</td>
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<tr>
<td>Communication Services</td>
<td>2</td>
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<tr>
<td>Utilities</td>
<td>3</td>
</tr>
<tr>
<td>Information Technology</td>
<td>3</td>
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<td>Energy</td>
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<td>Health Care</td>
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<td>Industrials</td>
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<tr>
<td>Consumer Staples</td>
<td>8</td>
</tr>
<tr>
<td>Financials</td>
<td>9</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>9</td>
</tr>
</tbody>
</table>

Sample distribution by industry sector

1. Finland
2. Sweden
3. Denmark
4. Italy
5. Netherlands
6. Spain
7. France
8. Germany
9. Belgium
10. Ireland
Findings summary

- Some aspects of disclosure have improved, but other aspects of disclosure have not progressed since 2019;
- Key gaps remain on TCFD aligned risk disclosure, use of scenario analysis and disclosure on topics beyond climate;
- Information on policies and risks relating to deforestation and forest degradation or biodiversity not commonly provided;
- Overall improvements are still required to completeness, coherence and clear application of materiality to support informed investor decision-making.
Recommendations for companies

1. Accompany policies with **specific and measurable commitments** which can then be used to structure non-financial disclosures and provide transparent progress updates;

2. Disclose information on environment and climate risks in a **business-specific** manner, clarifying **impacts and time horizons**

3. **Focus disclosure of performance indicators** in the mainstream report on those which are used to measure progress on environment and climate policies and that are **linked to material risks**

4. **Adopt the TCFD recommended disclosures** in full, in particular integrating information into the mainstream report where it is deemed material

5. **Clarify the materiality** of environmental and climate-related issues to the business, explaining how mainstream, and wider sustainability reporting if appropriate, is informed by this; and

6. Disclose environmental and climate-related **information deemed to be financially material** in the **mainstream report**, to ensure it is available to an investor audience and can be considered holistically alongside overall strategic and financial performance.
Practical implementation
Case study – Ignitis Group

Valentas Neviera, Head of Sustainability, Ignitis Group
Aligning disclosures with stakeholder expectations: our experience

Valentas Neviera │ Head of Sustainability
Ignitis Group – creating an Energy Smart world

- One of the largest energy groups in the Baltics
- Committed to become net CO₂ neutral. No coal. No nuclear. Aligned with the fundamental ESG principles
- Main businesses – Green Generation and Networks (electricity dominant). Also engaged in complementary Flexible Generation and Customers & Solutions businesses
- Core focus is on home markets – Baltic countries, Poland and Finland

Adjusted EBITDA 2020

- Networks: 4% ~0%
- Green Generation: 11%
- Flexible Generation: 17%
- Customers & Solutions: 68%
- Other: 291.6 EURm

Ignitis Group activities
Largest ever IPO in the Baltics

EUR 450 million solely new shares offer

Shareholder structure after IPO

- Principal shareholder (Ministry of Finance of Lithuania) 73.08%
- Institutional investors 24.41%
- Retail investors (LT, LV, EE) 2.52%
It all starts with the strategy
Transformed to lead the energy transition across the region

- **Renewable energy**
  - Accelerating our transition towards a decarbonized world

- **Competitive & innovative business**
  - Transforming our business models by developing and scaling smart solutions

- **Regional**
  - Expanding in our region and exploring new opportunities in the markets undergoing energy transition

- **Local**

**Conventional energy**

**Monopolistic energy sector**
ENSURING resilience and flexibility of the energy system

ENABLING energy transition and evolution

CREATING a sustainable future
No coal. No nuclear. Becoming CO₂ neutral. ESG principles driven

CAPTURING GROWTH OPPORTUNITIES
and developing innovative solutions to make life easier and more energy smart

GROWING RENEWABLES to meet regional energy commitments
How we manage sustainability
The main elements of sustainability management

1. Embedding sustainability in governance and processes
2. Measurable ESG goals
3. Strengthening disclosures
4. Progress evaluation and continuous refining

Products and services to enable a sustainable future
**Disclosure topics guided by materiality to stakeholders**

<table>
<thead>
<tr>
<th>Material topic</th>
<th>Employees</th>
<th>Communities</th>
<th>Shareholders and investors</th>
<th>Ministry of Finance of Lithuania</th>
<th>Clients</th>
<th>Associations, NGOs</th>
<th>Media</th>
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</thead>
<tbody>
<tr>
<td>Climate impact and GHG emissions</td>
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<td>Competent employees today and in the future</td>
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<td>Diversity, equal opportunities, human rights</td>
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<td>Diverting waste from landfill (CHP)</td>
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<td>Emissions to land, water and air (other than GHG)</td>
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<td>Energy efficiency (for customers and society)</td>
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<td>Engagement for societal development</td>
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<td>Ensuring access to energy for all</td>
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<td>Ethics, anti-corruption and transparency</td>
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<td>Impact on local communities and community relations</td>
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<td>Impacts on biodiversity and ecosystems</td>
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<td>Labour relations, employee engagement and welfare</td>
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<td>Occupational health and safety</td>
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<td>Responsible and sustainable supply chain</td>
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<td>Stable and secure energy system</td>
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<tr>
<td>Sustainable energy services &amp; solutions</td>
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<td>Sustainable financial instruments</td>
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</table>

Darker colour indicates higher relevance
Supplementing stakeholder views with the business perspective

Materiality matrix

Environmental topics
1. Climate impact and GHG emissions
2. Energy efficiency (for customers and society)
3. Sustainable energy services & solutions
4. Diverting waste from landfill (CHP)
5. Impacts on biodiversity and ecosystems
6. Emissions to land, water, and air (other than GHG)
7. Energy consumption in own operations
8. Materials efficiency and waste management

Governance (economic) topics
2. Stable and secure energy system
3. Ensuring access to energy for all
4. Ethics, anti-corruption and transparency
17. Responsible and sustainable supply chain
19. Sustainable financial instruments

Social topics
10. Occupational health and safety
11. Impact on local communities and community relations
12. Labor relations, employee engagement and welfare
13. Competent employees today and in the future
14. Diversity, equal opportunities, human rights
18. Engagement for societal development
Choosing the reporting frameworks based on stakeholder needs

<table>
<thead>
<tr>
<th>Stakeholder Category</th>
<th>VKC</th>
<th>Nasdaq</th>
<th>GRI</th>
<th>SASB</th>
<th>TCFD</th>
<th>SCIENCE</th>
<th>CDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal shareholder (Ministry of Finance)</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders, investors</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Clients, Employees, Partners</td>
<td>✓</td>
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<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Communities, Associations, NGOs, Media</td>
<td>✓</td>
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<td>✓</td>
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<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

ignitis group
Iteration to drive sustainability

1. Embedding sustainability in governance and processes
   - Deepening the integration of ESG principles in processes
   - Creating an SBTi-aligned GHG management plan

2. Measurable ESG goals
   - Updated 2021–2024 strategic plan includes ESG goals
   - Comprehensive materiality assessment planned for 2021

3. Strengthening disclosures
   - 2020 report based on the GRI
   - CDP questionnaire in 2021
   - TCFD alignment in 2022

4. Progress evaluation and continuous refining
   - MSCI ESG Ratings
   - Sustainalytics RATED
Thank you
Eni’s business model is focused on creating value for its stakeholders and shareholders through a strong presence along the whole value chain. Eni, as an integrated energy company, contributes, directly or indirectly, to achieve the goals of Sustainable Development (SDGs) of the UN 2030 Agenda, supporting a socially equal energy transition responding through concrete, quick and economically sustainable answers to the challenge of combating climate change and giving access to the energy resources in an efficient and sustainable way, overall. To manage this effectively, Eni integrates organically its industrial plan with the principles of environmental and social sustainability, enlarging its actions along three directives:

1. operational excellence,
2. carbon neutrality in the long term,
3. alliance for development.

Eni includes a business model description at the start of the annual report which is cross-referenced in the non-financial statement. The description highlights the company’s aim to play a role in the transition to a low carbon future and how goals are aligned to SDGs and combating climate change.

Refer to p.4 of Eni Annual Report 2019
**Principal Risks: Vinci**

**Climate change and increasing scarcity of resources**

Climate change has made extreme climate events more frequent and more severe, making environmental risks more significant for the Group’s activities. These risks include:
- "storms", a general term that includes weather events causing high winds and precipitation (rain, snow and hail);
- wide variations in temperature (frost or cold waves);
- flooding, from rivers overflowing their banks, run-off from heavy precipitation, or rising sea levels, which can cause landslides and exacerbate erosion;
- rockslides or other ground movements, such as the expansion and contraction of clay, which can affect buildings and infrastructure.

At the same time that the natural climate balance is changing, certain raw materials (minerals, rare metals, fossil fuels) are becoming more scarce, and regions subject to water stress are expanding. The Group’s activities depend on the availability of these resources. Their increasing scarcity has a direct impact on the Group’s ability to obtain the materials it needs for its projects and concessions.

**Identifying risks**

- Damage to installations and equipment
- Deterioration in health and safety conditions for employees
- Financial impact resulting from increased expenses necessary to maintain or repair damaged infrastructure and equipment, operating losses and construction delays
- Increasing scarcity of resources, expansion of regions subject to water stress
- Financial impact resulting from possible increases in the cost of certain materials
- Impacts on the Group’s image and reputation in the event of deficient quality of service, such as substandard work or missed delivery deadlines

**Risk management procedures**

- Prior identification of the risks affecting the specific area and implementation of technical facilities to mitigate extreme weather events (cofferdams, pumps, retention basins, cooling equipment, etc.)
- Establishing a business continuity plan (BCP) for certain assets (e.g., Kansai International Airport in Japan)
- Emergency procedures, in cooperation with local actors, to respond to extreme climate events (incl. extreme weather work stoppages for employees, equipment removal, etc.) and cooperation with local officials to implement appropriate emergency and work resumption measures
- Managing unplanned events with the appropriate insurance company departments
- Implementing ecologically designed solutions to reduce the use of certain raw materials and to reuse or recycle construction materials after demolition in a circular economy approach
- Identifying project sites facing water stress so as to adapt construction and operation methods
- Reducing water consumption and development of solutions to reuse water at certain sites

Refer to p.184 of *Vinci Annual Report*
Metrics and Targets: **Banco Santander**

To evidence the outcomes of its policies, Banco Santander clearly discloses quantitative targets and performance in a consistent manner against each of its policy commitments in the Annual Report 2019 for example Green Financing Activities.
Tips for effective disclosure and resources
Checklist for success

☑ Secure the support of your board of directors and executive leadership team

☑ Bring together sustainability, governance, finance, and compliance colleagues to agree on roles

☑ Adapt existing enterprise-level and other risk management processes to take account of climate risk

☑ Look at existing tools you may already use to help you collect and report climate-related financial information (e.g., CDP, CDSB, SASB)

☑ Look at the existing structure of your annual report and think about how you can incorporate the recommendations
Creating a roadmap

Gap analysis of existing processes, data and disclosure.

Create an internal working group.

Developing scenario analysis:
- Assumptions?
- Timelines?
- Focus?

Integrating climate-related information into decision-making

Embed climate-related risks and opportunities into risk management and decision-making processes, and appropriately disclose this to the market.
Where to start

The Task Force encourages companies to disclose information related to its Governance and Risk Management recommendations to provide investors and other stakeholders with the context in which financial and operating results are achieved. The Task Force views such information as the foundation for effective climate-related financial disclosure.

### Phase 1: Foundation for TCFD Disclosures

#### Governance

- **a** Board’s oversight of climate-related issues.
- **b** Management’s role in assessing and managing climate-related issues.

#### Risk Management

- **a** Processes for identifying and assessing climate-related risks.
- **b** Processes for managing climate-related risks.
- **c** How these processes are integrated into overall risk management.

Source: TCFD Status Report 2020
Iterative and phased approach

Example: Commonwealth Bank of Australia

Annual Report 2018

We are taking a phased approach to identifying and managing climate risk. That means we are focusing on having the right policies in place, understanding risk, developing and implementing strategic responses, building internal and customer capability, and contributing to economy-wide initiatives.

Annual Report 2019

<table>
<thead>
<tr>
<th>Phase 1-2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy, due diligence, governance, analysis of portfolio risks and opportunities</td>
<td>Extending scenario analysis, strategic responses, capability building</td>
<td>Embedding climate considerations into strategy, business and risk management processes</td>
</tr>
</tbody>
</table>

**Governance**
- Climate Policy Position Statement
- Environment Policy
- ESG Lending Commitments
- Responsible Investing Framework

**Strategy**
- Commitment to support the objectives of the Paris Agreement
- Climate scenario analysis:
  - Business lending – transition risks
  - Retail (home) lending and insurance – transition risks
  - Investment portfolios – transition and physical risks

**Governance**
- Climate Policy Position Statement
- Developed a Group Environmental and Social Policy with updated climate commitments, including: - continuing to reduce our exposure to thermal coal mining and coal-fired power generation, with a view to exiting the sector by 2030, subject to Australia having a secure energy platform
- Supporting the development of existing and emerging technologies that enable an accelerated transition to a low carbon future

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  - Agriculture lending: physical risks
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  - Client engagement

Additional resources:
Resources in Romanian

Translation published by Corpul Expertilor Contabili si Contabililor Autorizati din Romania (CECCAR).

Download the publications cdsb.net/romania
Resources

cdsb.net/publications
tcfdhub.org
CDSB company support programme

Access to experts
Access regular support from experts in climate and environmental mainstream disclosure.

Disclosure feedback
Improve climate and environmental disclosure using CDSB feedback.

Policy briefings
Understand the policy context and improve preparedness for regulation and application.

Workshops
Learn from peers and experts through country and region-specific workshops.

Resources
Obtain resources directly post-launch and notifications on upcoming publications.

Internal support
Receive tailored briefings for reporting teams focused on sustainability and/or finance functions.
Questions or comments?
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