

# HOW TO IMPROVE CLIMATE-RELATED REPORTING

SUPPLEMENT 1:  
CLIMATE-RELATED REPORTING PRACTICES

## HOW TO IMPROVE CLIMATE-RELATED REPORTING

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# Disclaimer



## HOW TO IMPROVE CLIMATE-RELATED REPORTING

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This supplement *Supplement 1: Climate-related reporting practices*, the related main report [How to improve climate-related reporting: A summary of good practices from Europe and beyond](#) and the second accompanying supplement [Supplement 2: Scenario analysis practices](#) have been prepared by the European Lab Project Task Force on Climate-related Reporting (PTF-CRR) for making available in the public domain. The contents of the main report and its two supplements are the sole responsibility of the PTF-CRR. The European Lab Steering Group Chair has assessed that appropriate quality control and due process had been observed and has approved the publication of the main report and its two supplements.

The views expressed in the main report and its two supplements are those of the PTF-CRR, except where indicated otherwise. The main report and its two supplements do not represent the official views of EFRAG or any individual member of the European Lab Steering Group. The main report and its two supplements do not have any authoritative or normative status.

References to specific screenshots from corporate reports as good reporting examples do not imply that the overall climate-related reporting of the associated company is considered to be good. Screenshots from corporate reports may not provide all the relevant information and further information and context may be provided in the associated corporate report. For each screenshot, a reference to the corporate report or other source from which it was extracted, is included.

This supplement, the related main report and the second accompanying supplement include interactive links to facilitate readers accessing the source documents of the good reporting examples and reference material included. All such links were active and functioning at the time of publication.

Questions about the European Lab and its projects can be submitted to [EuropeanLab@efrag.org](mailto:EuropeanLab@efrag.org).

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EFRAG receives financial support from the European Union – DG Financial Stability, Financial Services and Capital Markets Union. The contents of the main report [How to improve climate-related reporting: A summary of good practices from Europe and beyond](#) and its two supplements, *Supplement 1: Climate-related reporting practices* and *Supplement 2: Scenario analysis practices*, are the sole responsibility of the European Lab Project Task Force on Climate-related Reporting (PTF-CRR) and can under no circumstances be regarded as reflecting the positions of the European Union.

# INTRODUCTION

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The PTF-CRR was tasked with identifying good climate-related reporting practices of companies across Europe by examining gaps between the approach companies take to climate-related disclosures and:

- i. the [Recommendations of the Task Force on Climate-related Financial Disclosures](#) (TCFD recommendations), taking into consideration the climate-related reporting elements of the EU [Non-Financial Reporting Directive](#) (NFRD); and
- ii. the related European Commission non-binding [Guidelines on non-financial reporting](#) and [Guidelines on reporting climate-related information](#) (collectively referred to as NFRD CRR elements).

The PTF-CRR examined the current state of climate-related reporting by a selection of primarily European companies, as well as the current and potential use of climate-related information by investors and other stakeholders.

As discussed in Appendix 2 to the main report [How to improve climate-related reporting: Good practices from Europe and beyond](#), the PTF-CRR reviewed the 2018 climate-related disclosures of over 100 primarily European companies (comprising large cap, mid cap and small cap companies\*) to identify good climate-related reporting practices. Whilst the objective of this project was not to perform a compliance assessment of companies' implementation of the TCFD recommendations, it provided some insight on the progress in implementing and applying the TCFD recommendations and the NFRD CRR elements amongst the companies reviewed.

The PTF-CRR developed a review methodology and tested it on a limited number of companies. The methodology consisted of 11 questions based on the TCFD recommendations. Following the testing phase, three additional questions related to NFRD CRR elements were added to the questionnaire, and it was successfully re-tested. Good climate-related reporting practices were identified and were then discussed with over 50 external stakeholders during the outreach process described in Appendix 2 of the main report [How to improve climate-related reporting: Good practices from Europe and beyond](#), to further complement the work of the PTF-CRR.

The examples of good climate-related reporting practices identified through the reviews, including preparer and user perspectives, as well as potential areas of improvement and practices to avoid, are addressed across the TCFD thematic pillars and the NFRD CRR elements, comprising 14 elements in total.

This supplement includes 20 examples from 15 companies. Each example includes the rationale for why it was selected, as well as user and preparer perspectives confirmed by the PTF-CRR outreach activities, outlining positive attributes and areas for improvement. On the next page is an overview of the examples presented.

\*Market capitalisation greater than €15 billion (large cap), between €2 billion and €15 billion (mid cap), and less than €2 billion (small cap).

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Company	Supplement section	Sector	Country	Market capitalisation*
ABN AMRO	Metrics and targets	Banks	Netherlands	Mid cap
Allianz	Metrics and targets	Insurance	Germany	Large cap
Atos	Governance	Software & Services	France	Mid cap
Aviva	Governance Risk management	Insurance	United Kingdom	Large cap
AXA	Strategy	Insurance	France	Large cap
CNP Assurances	Strategy	Insurance	France	Mid cap
Enel	Governance Strategy	Utilities	Italy	Large cap
Eni	Governance	Energy	Italy	Large cap
Equinor	Risk management	Oil and gas	Norway	Large cap
Kering	Strategy	Consumer Durables & Apparel	France	Large cap
L'Oréal	Metrics and targets	Household & Personal Products	France	Large cap
M&S	Metrics and targets	Retailing	United Kingdom	Mid cap
SCOR	Governance Metrics and targets	Insurance	France	Mid cap
South32	Risk management	Mining	Australia	Large cap
Vallourec	Governance Strategy	Energy	France	Small cap

\*Market capitalisation greater than €15 billion (large cap), between €2 billion and €15 billion (mid cap), and less than €2 billion (small cap).



# GOOD REPORTING PRACTICE EXAMPLES

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### TCFD RECOMMENDATION:

Disclose the organisation's governance around climate-related risks and opportunities.

### RELEVANT NFRD ELEMENTS:

Policies and due diligence processes.

### SUPPORTING RECOMMENDED DISCLOSURES AND SELECTED COMPANY EXAMPLES:

DESCRIPTION	MAPPING	LARGE CAP COMPANIES	MID CAP AND SMALL CAP COMPANIES
Describe any company policies related to climate, including any climate change mitigation or adaptation policy.	NFRD – Guidelines on climate-related reporting information	Aviva	SCOR
Describe any climate-related targets the company has set as part of its policies, especially any GHG emissions targets, and how company targets relate to national and international targets and to the Paris Agreement in particular.	NFRD – Guidelines on climate-related reporting information	Enel	Atos
Describe the board's oversight of climate-related risks and opportunities.	TCFD – Governance, recommended disclosure (a)	Eni	Vallourec
Describe management's role in assessing and managing climate-related risks and opportunities and explain the rationale for the approach.	TCFD – Governance, recommended disclosure (b)		

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The TCFD and NFRD have specific recommendations regarding the board's oversight and the role of management. The EC [Guidelines on reporting climate-related information](#) issued in June 2019, which complement the 2017 EC [Guidelines on non-financial reporting](#), include two additional recommendations compared to the TCFD recommendations.

These additional recommendations encourage companies to report on their commitment to tackle climate change, asking them to:

- Describe any company policies related to climate, including any climate change mitigation or adaptation policy.
- Describe any climate-related targets the company has set as part of its policies, especially any Greenhouse gas (GHG) emissions targets, and how company targets relate to national and international targets and to the Paris Agreement in particular.

These two recommendations are related to the *Governance* recommendations of the TCFD and the *Policies and Due Diligence Processes* recommendations of the EC Guidelines, as the policies and commitments should be initiated and managed at the company's highest level of representation and decision making (i.e. the board of directors, CEO or president), while also being monitored by the company's corporate governance system. This means that climate policies or commitments should be considered at the highest level, and should be a starting point for developing a climate strategy that will be then implemented by the company's management and overseen by the board of directors.

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RECOMMENDED DISCLOSURE DESCRIPTION

Describe any company policies related to climate, including any climate change mitigation or adaptation policy.

WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

Aviva outlines its climate change policy and the role of its board in overseeing risks and opportunities. The reporting includes a good overview, as well as more in-depth information, of how climate-related risks have been integrated into the company's strategy. Aviva's reporting is considered good reporting practice since it discloses many issues, policies, tools and scenarios in compliance with the TCFD recommendations.

PREPARER PERSPECTIVE

- Aviva's reporting provides transparency on how climate change has been integrated in the company's strategy and policies.
- Providing more information on the linkage between governance and the company's business model would be helpful.

USER PERSPECTIVE

- Aviva's disclosures help users to understand how the company incorporates climate-related risks and opportunities into its governance, strategy, risk management and metrics.
- The disclosure example provides information about the company's climate-related risks and opportunities.
- The disclosures are clear and understandable.

Aviva's Climate Related Financial Disclosure 2018, page 7



Strategy

Our Strategic response to climate change

In our strategic response to climate change, published in 2015, we focussed on five pillars:

- Integrating climate risk into investment considerations** - Aviva investors committed in 2012 to integrate ESG factors across all asset classes and regions, to deliver long-term sustainable and superior investment outcomes for our customers.
  - Investment in lower carbon infrastructure** - Aviva announced in 2015 an investment target of £500m annually for the next five years in lower carbon infrastructure.
  - Supporting strong policy action** - Aviva continues to provide strong and vocal support for capital market reform, to mobilise the trillions of pounds required to transition to a low carbon economy and properly correct existing market failures with respect to climate change.
  - Active stewardship on climate risk** - Aviva actively engages with companies to achieve climate resilient business strategies.
  - Divestment where necessary** - Aviva aims to use our shareholder influence to encourage companies to transition to a low carbon economy and divest highly carbon-intensive fossil fuel companies where they are not making sufficient progress towards the engagement goals set.
- Alongside this strategic investment response, Aviva has continued to further integrate consideration of climate-related risks and opportunities into our insurance products. We for example:
- Optimise reinsurance programme to mitigate impact of extreme weather risk** on our business and customers. GI reinsurance is now set on an annual aggregate basis and on a per occurrence basis in order to take account of the potential increased frequency of severe weather events. Our exposure to flood risk for UK residential customers is managed by ceding certain policies to FloodRe.
  - Promote customer awareness and risk prevention measures of climate-related issues such as air pollution.** For example, Aviva Poland has supported the installation of air monitors in local communities and enabled customers to access up to date information about air pollution levels on their smartphones.
  - Help customers to build resilience to extreme weather** such as the upgrade to Commercial Property Insurance in Canada which provides a 'build back better' element.
  - Provide products and services that support customers' choice to reduce their environmental impact,** such as bespoke electric vehicle policies in France and supporting the sharing economy in Canada.
  - Limit our underwriting exposure to the most carbon intensive sectors** of the economy through restrictions in the terms of our Group Underwriting Boundaries for sectors such as mining and power generation. In line with our commitments to manage climate change, Aviva Global Corporate and Specialty team has announced an immediate move away from insuring fossil fuel power production to renewable energy generation in the UK.
- Aviva continues to deliver in all areas of our current climate change strategy. However, the Intergovernmental Panel on Climate Change (IPCC) Global warming of 1.5°C report, published in October 2018 indicates the need to take dramatic action now to keep warming below 1.5°C and the potential severe consequences if this is not achieved. As a result of this emerging information, the risk of climate tipping points being reached causing runaway warming and our internal analysis of the potential impact of climate change, work is on-going to update our strategic response to climate change and accelerate our ambition to be aligned to the Paris Agreement's goal of a transition to 2°C or lower.

<https://www.ipcc.ch/1r5/>

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RECOMMENDED DISCLOSURE DESCRIPTION

Describe any company policies related to climate, including any climate change mitigation or adaptation policy.

WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

SCOR's climate policy available on its website shows that the company has a climate policy that encompasses its activities and operations. Their disclosure indicates a long-standing and ongoing commitment towards achieving climate resilience and it aims to provide a dynamic framework for the management of the company's environmental impacts.

PREPARER PERSPECTIVE

- SCOR's policy describes the framework for the management of both direct and indirect environmental impact, as well as the strategy for addressing the risks and opportunities posed by climate change.
- SCOR highlights that sustainable development is one of its five core values, indicating its commitment to climate change adaptation.

USER PERSPECTIVE

- SCOR's policy on climate change allows users to clearly identify climate adaptation and mitigation actions through the company's core activities.
- The company's disclosure underlines the innovative (re)insurance tools designed to help its clients cope with the implications of extreme weather events. It also shows that the company is increasingly investing in low-carbon assets designed to mitigate global warming.
- The description of SCOR's approach on climate change helps users distinguish the three levels at which the activities may affect, or be affected by, climate change: addressing the business risks and opportunities presented by climate change; limiting the carbon footprint of their operations; and managing the impacts on the environment that may arise from their role as both a (re)insurer and an investor.

Climate Policy SCOR 2017, page 3



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**RECOMMENDED DISCLOSURE DESCRIPTION**

Describe any climate-related targets the company has set as part of its policies, especially any GHG emissions targets, and how company targets relate to national and international targets and to the Paris Agreement in particular.

**WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?**

Enel's reporting provides information on how its business model supports its path to decarbonisation. The company makes a public commitment to take action against climate change and recognises the impact that the climate has on both the company's performance and society. The reporting highlights that Enel has established a long-term commitment to reach energy mix decarbonisation by 2050, and includes the path to be followed in the short- and mid-term. Its reduction of CO<sub>2</sub> emissions is linked to its remuneration policy (long-term incentive) and is part of the company's general-purpose SDG-linked bond issued in 2019.

Sustainability Report 2018, pages 80 and 87

**Enel's commitment to combat climate change**

Combating climate change and protecting the environment are among the responsibilities of a major global player in the energy industry such as Enel as we seek to achieve the full decarbonization of electricity generation by 2050, thereby helping to achieve the United Nations' SDG 13.

**Global macro-trends** such as decarbonization, electrification, urbanization, and digitalization are redesigning the energy industry in the direction of a new ecosystem that is gradually transforming the traditional model of the utility business.

It is therefore necessary to promote the combat against climate change, one of the primary challenges we face as a society, by promoting a global low-carbon economy. As stated by the World Economic Forum in its 2019 Global Risk Report, climate change is now the leading risk to society and will have a direct impact on long-term business performance.

There are several reasons why this is important and significant for Enel, among others, as Enel is a global company with operations in 15 countries and as Enel's business model is based on long-term investments in infrastructure to maintain its competitive advantage in the market. This is why Enel has committed to 1.5°C long-term decarbonization.

Enel's governance model to tackle climate change is structured as follows:

- Board level oversight:**
  - Chairman: Climate strategy oversight and Board of Directors' coordination
  - Board of Directors: Climate report oversight (risk, climate and disclosure)
  - Chief Executive Officer: Definition and oversight of the carbonable strategy and energy transition
- Management level:**
  - Strategy: Definition of the strategy and climate goals
  - Risk: Managing climate-related risks and ensuring integrity of the company's financial position
  - Compliance: Ensuring regulatory compliance and reporting

Group Investment Committee

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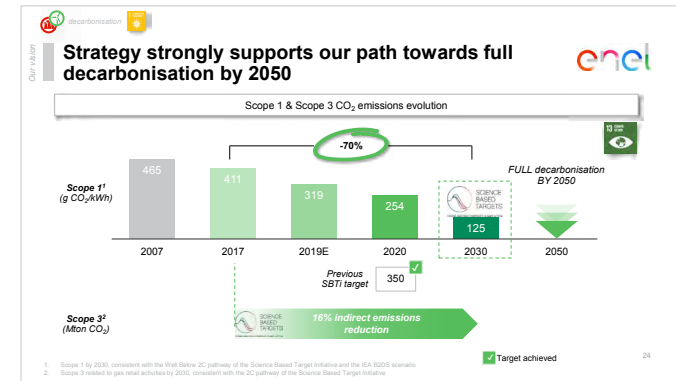
PREPARER PERSPECTIVE

- Reporting of intermediary targets contributes to increased transparency and credibility for stakeholders in terms of Enel's commitment to achieve decarbonisation by 2050. The report highlights the progress achieved with respect to the defined targets, thereby showing a comprehensive roadmap.
- The disclosure highlights Enel's commitment to adopt a strategy based on meeting the objectives of the Paris Agreement (COP21). Strategic planning and risk management are integrated with sustainability and climate-related issues, providing the opportunity for an in-depth analysis of how the company's strategy could meet even the most demanding stakeholder expectations.
- In a single table, the company shows the path to decarbonisation, the targets and the results achieved.
- Explaining the selection of different base years for the 2020, 2030 targets, as well as setting additional intermediary targets between 2020 and 2030 and beyond, could help provide a more comprehensive decarbonisation roadmap.

USER PERSPECTIVE

- Enel's disclosure dedicates a specific chapter to reporting all aspects linked to climate change (commitments, global perspective, partnership, governance, strategy, risks, targets and metrics).
- The public targets reported contribute to a better understanding of how the company is planning to meet its long-term commitments, and therefore help users evaluate the company's ability to achieve the ambition it expresses.
- As Enel's ambition target and the progress achieved are verified by independent third parties, users can feel confident about the information released and therefore take data-driven decisions with a higher degree of confidence.
- Publicly disclosing the key assumptions taken into account for setting targets would make it easier to understand the target itself, as well as its ambition and feasibility.

Capital Markets Day Presentation, Strategic Plan 2020-2022, page 24



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Describe any climate-related targets the company has set as part of its policies, especially any GHG emissions targets, and how company targets relate to national and international targets and to the Paris Agreement in particular.

WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

Atos dedicates a specific section of its Registration Document to 'Supporting the transition to a low-carbon economy', in which it clearly outlines its approach to managing climate change. The description shows that the entire business model is being analysed and contributes to the improvement of environmental performance and the achievement of the United Nations development objectives. CO<sub>2</sub> emissions targets are provided clearly. Moreover, the integrated report includes a table that makes the targets easy to understand visually. Also, at the end of the integrated report, GHG emissions data is provided and links to the GRI index. Links with the Paris Agreement are also mentioned.

PREPARER PERSPECTIVE

- Disclosing public targets contributes to increased transparency and credibility for stakeholders in terms of Atos' commitment to reduce GHG emissions.
- Having a specific table that clearly links commitment, the indicators considered and reference to the relevant standards, makes for both easier compilation and reading.

USER PERSPECTIVE

- The availability of public targets contributes to a better understanding of how the company plans to meet its long-term commitments and therefore helps users evaluate the company's ability to achieve its ambition.
- Having a single reporting section that centralises all information relating to climate change helps users understand how the whole model is managed in an integrated manner.
- Disclosure of the key assumptions taken into account for setting each target would make it easier to understand the target itself, as well as its ambition and feasibility.

Integrated Report 2018, page 41

→ 3 • BEING AN ETHICAL AND FAIR PLAYER WITHIN ATOS' SPHERE OF INFLUENCE ←

CHALLENGE 3	ASPECTS	KEY PERFORMANCE INDICATORS (KPIs)	GRI STD	REVIEWED BY DELOITTE	2018	2017	2016	PERIMETER PER EMPLOYEE	PERIMETER PER TURNOVER
Being an ethical and fair player within Atos' sphere of influence	Compliance and business ethics	Percentage of employees who successfully completed the code of ethics e-learning	209-2	✓	92%	95%	96%	90%	-
		Number of significant fines (higher than 100K EUR)	419-1	✓	0	0	1	-	100%
	Supply chain	Percentage of strategic suppliers evaluated by EcoVadis	A17	✓	57%	52%	47%	-	99.99%
		Total percentage of spend assessed by EcoVadis	A17	✓	55%	54%	49%	-	99.99%
Local impact and communities	Total number of employees recruited	200-2	✓	13,510	12,596	16,005	100%	-	
	Percentage of graduates recruited	401-1	✓	45.67%	37.97%	not disclosed	90%	-	

→ 4 • MANAGING THE CORPORATE ENVIRONMENTAL FOOTPRINT ←

CHALLENGE 4	ASPECTS	KEY PERFORMANCE INDICATORS (KPIs)	GRI STD	REVIEWED BY DELOITTE	2018	2017	2016	PERIMETER PER EMPLOYEE	PERIMETER PER TURNOVER
Supporting the transition to a low-carbon economy	Carbon impact and climate change	Energy intensity by revenue (€J per Million Euro)	302-3	✓	222.07	227.35	243.41	-	97%
		Energy intensity by employee (€J per employee)	302-3	✓	29.31	29.68	32.18	85%	-
		GHG emissions by revenue (tCO <sub>2</sub> e per Million Euro)	305-4	✓	18.22	19.28	22.14	-	97%
		GHG emissions by employee (tCO <sub>2</sub> e per employee)	305-4	✓	2.30	2.31	2.90	89%	-
	Natural disaster	ISO 14001 certified sites (Offices plus data centers)	A14	✓	119	134	134	-	100%
		Percentage of the strategic data centers that have synchronous data replication capacities	A20	✓	100%	100%	not disclosed	-	100%

**2018 FOOTNOTES**

**404-1** excludes Germany and Corporate Germany, parts of Worldwide India and Worldwide Italy.

**404-3, A2 and 404-3, A3** excludes Germany and Corporate Germany, Austria and WI, Austria, (M&A) and First Data Basics, Greece, Digital River, ENGAGE, ESM and employees with GDM O and other exclusions.

**A2**: This indicator is based on the Great Place to Work® survey in 2018, unlike 2017, school trainees (trainees) are included in the total value of these indicators.

**100-43, 102-44**: Data published in 2017 was related to top clients that responded to strategic surveys whereas data published for 2018 relates to all clients that responded to the customer satisfaction survey.

**A19**: See the methodological note "Detailed information related to A19" in "D7: Scope of the report" of the 2018 Registration Document.

**418-1**: the threshold to report the complaints is now 300K€.

**205-2**: the e-learning excludes Germany.

All environmental KPIs exclude Iraq/Urno, Belarus, Worldwide USA, Worldwide Brazil, Bosnia and Herzegovina, Indonesia, Nigeria and Tunisia.

**302-1, 302-3, 305-1, 305-2, 305-3, 305-4** for offices include Argentina, Austria, Belgium, Brazil, Bulgaria, Canada, China, Colombia, Croatia, Czech Republic, Denmark, Finland, France, Germany, Hong Kong, Hungary, India, Ireland, Italy, Luxembourg, Malaysia, Mexico, Morocco, Netherlands, Philippines, Poland, Portugal, Romania, Russia, Senegal, Serbia, Singapore, Slovakia, South Africa, Spain, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, Uruguay, USA, Worldwide India, Worldwide Italy, Worldwide Latvia, Worldwide Lithuania, Worldwide Netherlands and Worldwide UK.

**302-3**: The Energy Intensity includes the offices and datacenters scope of countries. The employees included in that language scope of countries are 95,897. The revenue applicable for that scope of countries is 220,225 million of Euros.

**305-4**: GHG = Greenhouse Gas.

**305-4-1CO<sub>2</sub>** = Tons of Carbon Dioxide equivalent.

**305-4**: The Greenhouse Gas emissions Intensity includes the offices, datacenters and travel scope of countries. The employees included in that scope of countries are 96,038. The revenue applicable for that scope of countries is 220,453 million of Euros.

**TO KNOW MORE**  
[2018 Registration Document](#)  
[Corporate Responsibility](#)

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↓ Registration Document 2018, pages 113 and 114

**Corporate Responsibility**  
D5 Supporting the transition to a low-carbon economy

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**D5 Supporting the transition to a low-carbon economy**

**D51 Environmental extra-financial performance**  
(GRI103-1 Energy)|(GRI103-2 Energy)|(GRI103-3 Energy)|(GRI103-4 Emissions)|(GRI103-5 Emissions)  
(GRI103-3 Emissions)|(GRI302-1)|(GRI302-2)|(GRI302-3)|(GRI302-4)|(GRI302-5)|(GRI305-1)|(GRI305-2)  
(GRI305-3)|(GRI305-4)|(GRI305-5)

**Atos' environmental program**

The main links between Atos Business Model and the major environmental issues concern its datacenters, its offices, business travel, and the solutions and services offered by the Group.

The main opportunities concern both the Group's own progress in terms of operational efficiency and the attractiveness of its offers through the promotion of sustainable solutions that help its clients to progressively resolve their own sustainability issues.

Atos' main environmental risks relate to climate change (adaptation and carbon taxes), to natural disasters (extreme natural events), and to energy efficiency and consumption and carbon emissions.

Given Atos' core activities and the materiality analysis regularly updated (D.1.3), the most important impacts relate to energy, travel and greenhouse gases. All these impacts are considered by the Group as challenges and are addressed through the Group's Environmental Program.

Through this Environmental Program, Atos directly contributes to the UN sustainable development Goal number 13 (climate action), 12 (consumption/production) and indirectly to goals 7 (clean energy), 9 (innovation), 11 (smart cities).

**Main action plans**

The Environmental Program has been in place since 2008. The Environmental Policy, the Environmental Management System (EMS) and the ISO 14001 certification implemented worldwide, are at the heart of the program.

For many years, Atos' main environmental challenges have mobilized the attention of the senior management and have resulted in specific action plans monitored by the Environmental Program's governance team.

These action plans directly address the Group's main risks, opportunities, impacts challenges and are therefore primarily focused on energy, travel and carbon:

- take concrete steps to improve energy efficiency and reduce consumption; gradually improve the energy intensity of our main activities and reduce the average PUE (Power Usage Effectiveness) of our datacenters; optimize our offices to reduce consumption; increase the share of renewable and low-carbon energy;
- take concrete steps to reduce the impact of travel: favor new ways of working and remote working tools over travel;

ATOS | Registration document 2018  
113

**Corporate Responsibility**  
D5 Supporting the transition to a low-carbon economy

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**Main commitments**

Short and long-term global commitments and targets cover our main environmental challenges. The Group's carbon intensity reduction target captures energy, travel and carbon impacts in one single meta-commitment. It is cascaded into two sets of targets:

- short and medium-term targets are part of the Group's 2021 strategic development plan. The Group's carbon intensity reduction target for 2021 is to achieve a reduction of 7% to 20% (tCO<sub>2</sub>e per € million revenue, 2016 base line, for operational scopes 1, 2 and 3A);
- long-term targets are in line with the world effort to tackle climate change. The Group's carbon intensity reduction targets for 2021-2050 have officially been approved by the SBTi (Science-Based Targets initiative) as in line with the world effort to limit the rise of climate change below 2°C. In 2019, the SBTi will send out additional recommendations following the last IPCC report publication (SR15 report - October 2018).

**Main results**

To track the progress, 60 specific key performance indicators collected worldwide at more than 400 office locations and datacenters are in place. The main results regarding energy, travel and carbon are:

- global energy intensity: at the end of 2018, the Group energy intensity was 222.07 GJ per € million revenue (227.35 in 2017 and 243.41 in 2016);
- data centers energy efficiency: at the end of 2018, the average PUE (Power Usage Effectiveness) was estimated at 1.74 for all Atos IDM datacenters and at 1.52 in 2018 when considering only the strategic datacenters (GRI302-5);
- low-carbon energy: in 2018, over 95% (90% in 2017) of the electricity consumed by Atos' IDM strategic datacenters (owned and operated by Atos, co-location excluded) was supplied by decarbonized sources and around 57% from renewable sources;
- global travel intensity: at the end of 2018, the global travel intensity was 4,662 km per year per employee (4,685 km in 2017, 5,614 in 2016 and 6,114 in 2015);
- global Carbon emissions: during the period 2008-2015, Atos achieved 50% in carbon reduction (both in absolute terms and in intensity). Between 2016 and 2018, Atos reduced its carbon intensity by above 15% versus 2016;
- carbon offsetting: since 2010, Atos IDM has offset 100% of its datacenter's residual CO<sub>2</sub>e emissions through dedicated offsetting programs. In 2018, Atos has offset a total of 103,608 tons of CO<sub>2</sub>e;
- global environmental monitoring and certification: at the end of 2018, a global EMS (Environmental Management System) covers the full Group and around 85% (80% in 2017) of Atos' main sites (data centers and offices) are ISO 14001 certified or have already entered the certification process.

**Recognition**

In 2018, Atos was recognized by many key players such as the CDP (Carbon Disclosure Project), EcoVadis and the DISI (Dow Jones Sustainability Index), as a global leader within the IT sector, based on its actions to tackle its environmental impacts, reduce its carbon emissions and mitigate the business risks of climate change:

- CDP: Atos was recognized as a global leader within the IT sector on the 2018 CDP Climate Performance Leadership Index and was awarded an "A+" grade worldwide. For the sixth consecutive year our Scoring Level (Disclosure, Awareness, Management, Leadership) demonstrates our high level of environmental stewardship, and the quality of our actions and approaches in managing climate change;
- EcoVadis: Atos 2018 overall environmental performance was evaluated by EcoVadis and received an overall score of 80/100, compared to 40/100 for all companies in our activity sector. Atos was awarded a gold medal in recognition of its achievements;
- DISI: Atos 2018 overall environmental performance was evaluated by the DISI and received an overall score of 87/100, compared to an industry median score of 31/100. Atos was selected both in the World and Europe Index and ranked #1 for its Sustainability Leadership position in the software and services industry group.

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RECOMMENDED DISCLOSURE DESCRIPTION

Describe the board's oversight of climate-related risks and opportunities.

Describe management's role in assessing and managing climate-related risks and opportunities and explain the rationale for the approach.

PREPARER PERSPECTIVE

Eni shows its climate-related governance and management model predominantly through operational and descriptive corporate information about the processes. This methodology is used by the reporting company to govern and monitor/manage climate change risks and opportunities.

Eni's disclosures make it possible to evaluate whether or not climate-related issues receive appropriate board and management attention.

WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

Eni's report clearly describes the documents/initiatives related to climate change that are approved or examined by the board. These include, for example, the GHG Action Plan with investments to meet emissions reduction targets. The committees supporting the board on climate-related matters are clearly described.

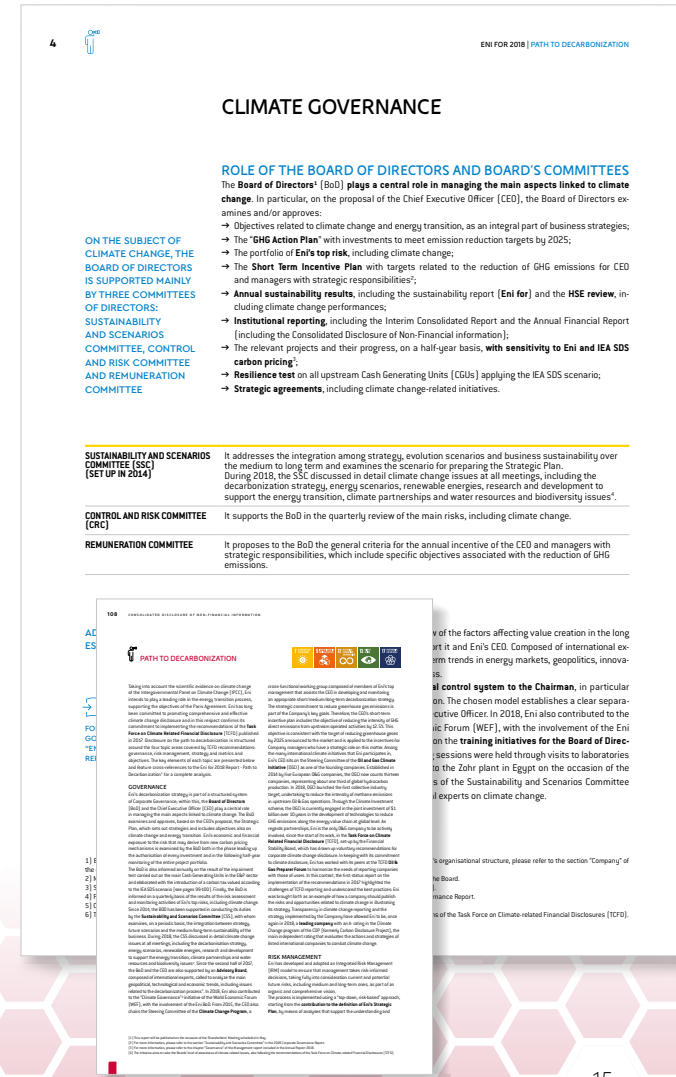
USER PERSPECTIVE

Users can see that the Eni board has the appropriate information, skills, experience and incentives to support their evaluation and enable the transition to decarbonisation.

Eni's disclosures let readers understand the processes and policies used for climate change governance, the company's governance choices, as well as how policies are executed, who is involved and what decisions result from those policies.

It would be helpful to explain how the different board committees interact and work together.

↓ Path to decarbonisation - Eni for 2018, page 4  
↓ Annual Report 2018, page 108



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### GOVERNANCE

#### RECOMMENDED DISCLOSURE DESCRIPTION

*Describe the board's oversight of climate-related risks and opportunities.*

*Describe management's role in assessing and managing climate-related risks and opportunities and explain the rationale for the approach.*

#### WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

Vallourec's Registration document describes how the issues related to climate change are approved or examined by the board. These include, for example, Vallourec's Sustainable Development Charter and the Group's Environmental and Carbon Policies. The committees that support the Supervisory Board on climate-related matters are described. The report also shows how management is involved in the process of managing sustainability, environmental and climate change risks and opportunities and how these are taken into account in business decisions.

↓ 2018 Registration Document, page 72



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### GOVERNANCE

#### PREPARER PERSPECTIVE

- Vallourec presents its governance model and shows how the board is involved in all sustainability processes that include climate change and environmental initiatives. Corporate information about the processes for governance and monitoring of climate change risks and opportunities is disclosed.
- The report discloses how often teams inform board committees about climate change issues, which shows how the evaluation of climate-related issues receives the appropriate attention from the board and management.
- The report covers most of the necessary disclosures and contains several good reporting practices, including a table that associates different categories of non-financial information with the corresponding risks, policies and KPIs.
- The company demonstrates how climate-related information flows between corporate teams, management and the board and how this information influences business decisions in line with sustainable development and environmental strategies.

#### USER PERSPECTIVE

- Users can see that the board has the appropriate information and their materiality assessment of climate-related environmental and sustainability information.
- Readers can easily understand the processes and policies used for climate change governance and why the company has made particular governance and strategic choices, how policies are executed, who is involved and what decisions result from those policies.
- The level of disclosure is useful because it explains who coordinates and leads the initiatives and how working groups monitor and manage climate information and projects.
- It would be helpful to provide cross-references to other relevant parts of the report.

↓ 2018 Registration Document, page 101

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#### 4.2.4 Environmental commitment

The main environmental risks are described in Section 5.1.2 "Operational risks" of this Registration Document.

The environmental data included in the environmental reporting for 2018 concerns all of the subsidiaries controlled by the Group, noting that those of Vallourec Tiansda (Anhui) Co., Ltd (formerly Tiansda Oil Pipe) (China), acquired in late 2016, have been taken into account. The Tiansda plant has indeed been subject to numerous progress actions, including in the environmental domain, in an effort to gradually bring it up to Group standards.

The majority of the ratios are established using metric tons processed, in other words the sum of production from the various units, which are considered independent production workshops. This concept better accounts for the level of activity of the production units than metric tons shipped for two reasons. On the one hand, because it is more representative of the flows and stages of production, and on the other, because it is less affected by changes in inventory.

For this 2018 assessment, the Group chose to consider Vallourec's activity to consist of several business lines that all contribute to achieving the objective of manufacturing seamless steel tubes, and providing the associated services. This "sector-specific" approach is found in the "CDP Climate" questionnaire structure to which Vallourec responded in 2018, and in the «Science Based Targets» approach Vallourec has decided to adopt.

Accordingly, the Group's "Metal Processing" business line requires mastery of the following four activities:

- "Mine": extraction of iron ore from the Vallourec Mineração mine to supply the Brazilian steel mills (the Pau Branco mine is located in the State of Minas Gerais. It has a total area of 1,373 hectares, of which 32% is industrial area, 20% is an environmental protection region, and 48% is unused space);
- "Forest": operation of a eucalyptus forest in Brazil (Floresta) and manufacturing of charcoal to supply Brazilian blast furnaces and the Jeoaba pelletization unit;
- "Iron and steel":
  - manufacture of iron ore "pellets" to supply the Jeoaba steel mill. Vallourec operates a pelletization unit there to improve the yield of the blast furnaces. This facility, which operates at nominal capacity, also supplies other Brazilian steel manufacturers;
  - production of steel in the United States and Brazil to supply steel billets to the rolling mills;
- "Tubes": manufacture of seamless steel tubes and their accessories (connections, etc.) in rolling mills, heat treatment units, finishing units, and the associated services provided to customers.

On a like-for-like basis, namely by integrating the 2017 data from the Vallourec Tiansda (Anhui) Co., Ltd (formerly Tiansda Oil Pipe) (China) plant, the production expressed in metric tons processed increased from 5,245 in 2017 to 5,524 in 2018, i.e., a 5.3% increase. During the same time, the tube sales volume went from 2,256 kilotons in 2017 to 2,364 kilotons in 2018, which represents a 4.8% increase.

#### 4.2.4.1 General environmental policy

Vallourec's manufacturing policy is to minimize the impact of its activities on the environment. This commitment is clearly explained in the Sustainable Development Charter published by the Group in 2011, and in the Group's Environmental Policy, which was signed by the Chairman of the Management Board and published in 2014. Vallourec strengthened its commitment to the climate by signing in late 2017, along with 69 other French businesses, a new version of the French Business Climate Pledge, to contribute to a low-carbon economy. It also published its carbon policy in early 2018 (see below).

In 2013, Vallourec created a five-year environmental roadmap for each of the following three industrial divisions: Upstream, OCTO and Vallourec Tubos do Brasil, which became VSB. These roadmaps constitute a strategic Environmental plan and identify targeted environmental projects (energy, water, waste, chemical hazards and noise) whose purpose is to minimize the Group's environmental footprint. They focus on defining objectives, determining the necessary resources (including capital expenditures to be made), promoting progress and cost savings, and setting priorities. They are monitored regularly and updated each year. Their horizon is extended annually in one-year increments, and currently concerns the 2018-2023 period. Since early 2017, these roadmaps have simultaneously been adopted by the new Europe-Africa, Middle East and Asia, North America and South America regions.

#### Environmental management

In accordance with Group rules and guidelines, the Director of each site is responsible for setting up an effective environmental management system that is tailored to the local context and the site's activity. The Director appoints an Environment Manager who heads up all actions in this area and functionally reports to the HSE Director of each region. The "Corporate" Environment procedures are regularly updated and may be accessed at all plants on a dedicated portal.

The Environment Department, reporting to the Sustainable Development Department, coordinates all environmental initiatives. It is supported by the Environment Managers of the regions and production sites, who are responsible for implementing Vallourec's policies through:

- uniform management of environmental performance, risks, projects, communications and sharing among all Group entities;
- incentives for entities to improve their environmental performance; and
- development of environmental competencies.

These structures exist in all of the countries. The objective of this department consists of structuring the organizations by region or country in order to better take into account the specific national regulations. Under the Transformation Plan, the global workforce now totals approximately 45 full-time equivalent people for the Group as a whole. Exchanges among the countries are continuing to develop, fostering significant progress thanks to the benchmarking of performances and solutions, particularly during regional environmental conferences.

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### TCFD RECOMMENDATION:

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.

### RELEVANT NFRD ELEMENTS:

Business model.  
Principal risks and their management.

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### SUPPORTING RECOMMENDED DISCLOSURES AND SELECTED COMPANY EXAMPLES:

DESCRIPTION	MAPPING	LARGE CAP COMPANIES	MID CAP AND SMALL CAP COMPANIES
Describe the principal climate-related risks the company has identified over the short, medium and long term throughout the value chain, and any assumptions that have been made when identifying these risks. This description should include the principal risks resulting from any dependencies on natural capitals threatened by climate change, such as water, land, ecosystems or biodiversity.	TCFD – Strategy, recommended disclosure (a) NFRD – Principal risks and their management	<b>Enel</b>	<b>Vallourec</b>
Describe the impact of climate-related risks and opportunities to the organisation's business model, strategy and financial planning.	TCFD – Strategy, recommended disclosure (b) NFRD – Business model	<b>Kering</b>	
Describe the ways in which the company's business model can impact the climate, both positively and negatively.	NFRD – Business model		
Discuss how resilient the business model and strategy are to climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and a greater than 2°C.	TCFD – Strategy, recommended disclosure (c) NFRD – Business model	<b>AXA</b>	<b>CNP Assurances</b>

STRATEGY

RECOMMENDED DISCLOSURE DESCRIPTION

Describe the principal climate-related risks the company has identified over the short, medium and long term throughout the value chain, and any assumptions that have been made when identifying these risks. This description should include the principal risks resulting from any dependencies on natural capitals threatened by climate change, such as water, land, ecosystems or biodiversity.

WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

The company outlines climate-related risks and opportunities, setting these out for short-, medium- and long-term time horizons. The report explains the various assumptions, methods and ambitions that were used to identify the various risks and opportunities for the company. The report also explains how the company's strategy and business model ensure resilience and alignment with the goals set out in the Paris Agreement.

PREPARER PERSPECTIVE

- Enel's disclosures provide a clear analysis and projection of the risks and opportunities associated with its energy transition against different time horizons.
- The information provided is contextualised and features a good level of detail.
- A visual representation of the short-, medium- and long-term time horizons, as well as of the risks and opportunities, would be helpful.

USER PERSPECTIVE

- Enel provides a precise definition of what it means by short-, medium- and long-term time horizons.
- More specific reporting on the relevant business risks and opportunities would give users a better overall understanding.

Annual Report 2018, page 168

The screenshot shows a table of climate-related risks and opportunities. The table is organized into three columns: Short-term risks and opportunities, Medium-term risks and opportunities, and Long-term risks and opportunities. Each column lists specific risks and opportunities, such as 'introduction of laws and regulations', 'increasing focus within the financial community on ESG issues', and 'decarbonization strategy'. The text is dense and includes various sub-points and references to the company's strategy and business model.

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Describe the principal climate-related risks the company has identified over the short, medium and long term throughout the value chain, and any assumptions that have been made when identifying these risks. This description should include the principal risks resulting from any dependencies on natural capitals threatened by climate change, such as water, land, ecosystems or biodiversity.

#### WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

Vallourec provides information that allows users to understand and link different categories of non-financial information with the corresponding risks, policies and KPIs. It also provides a clear methodology. The disclosures include a life-cycle analysis of some products, with ten key impacts being evaluated, including carbon, energy, water, resource depletion and toxicity. GHG emissions are reported, broken down by category and scope.

#### PREPARER PERSPECTIVE

- The table Vallourec presents helps to compare the strength and probability of impacts of the different climate-related risks, and allows for a comparison between the different locations where the company operates.
- More detailed qualitative and contextual elements would provide more clarity about how physical risks are assessed.

#### USER PERSPECTIVE

- Vallourec's approach of connecting risks with the company's strategy is relevant to investors.
- The example provides an insightful approach that gives a clear overview of the assessed impact of physical risks across the relevant geographical spread.
- Additional information on actions to prevent and mitigate ESG risks could be relevant and useful for investors.

2018 Registration Document, pages 118 and 119

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In 2018, the quotas allotted to the sites concerned (five in Germany and four in France) were 168,917 metric tons for Germany (down 1.9% compared to 2017) and to 38,776 metric tons for France (down 57% compared to 2017, due to a reduction in activity at the Vallourec Tubes France sites in Saint-Sauveur and Deville-les-Floeurs). Therefore, in 2018, Vallourec still benefited from surplus direct allocations in the order of 27,000 metric tons of CO<sub>2</sub>, although this figure was significantly down from 2017 (approximately 60,000 metric tons).

The impact of the mechanism on the Group's activity is not limited to consideration of its own emissions. European electricity suppliers are obligated to fully cover their CO<sub>2</sub> emissions with emission rights, although it is not easy to measure the corresponding impact on the price of electricity supplied. Furthermore, steel suppliers and, in particular HKM, which uses the cast iron coke-ore process, are also obligated to purchase emission quotas. Therefore, given the low average price of these emission quotas in 2018, the full impact of the ETS system provisions on the Group's operating costs remained very moderate in 2018.

Lastly, we should note that in 2017 and 2018, the European authorities agreed to new provisions applicable starting in 2021 for the greenhouse gas emissions allowances and trading schemes for the 2021-2030 period. The impact on the Group is being evaluated, given its own seamless steel tubes production, as well as the activity of its European steel suppliers, including HKM.

The main conclusions are thus as follows:

	Hauts-de-France		Burgundy		Rhine-Westphalia		Missis Gerais		Ohio/Cleveland		Texas/Houston		Batam		Shanghai	
	Probability	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability	Impact
Increase of average temperature	3	1	3	1	3	1	3	2			3	1	3	1	1	5
Heat waves	3	2	3	2	3	2	3	2	3	3	4	2	3	2	3	3
Drought	3	2	3	2	2	1	1	decrease	2	decrease	3	4	1	3		
Depletion of water resources	2	2	2	3	1	1	2	4			3	4	1	3	2	4
Drought/frost																
									5	2	3	1	5	1	5	

**4.2.4.3 Biodiversity**

The process starts with a general approach and focuses on the risks that could be material for the company, and on the other hand, the company's approach to biodiversity is presented in this section.

The assessment of biodiversity risks is based on an analysis of the company's activities, taking into account the different geographical locations where the company operates, and the different types of activities carried out at each location.

The assessment of biodiversity risks is based on an analysis of the company's activities, taking into account the different geographical locations where the company operates, and the different types of activities carried out at each location.

**4.2.4.4 Biodiversity**

The assessment of biodiversity risks is based on an analysis of the company's activities, taking into account the different geographical locations where the company operates, and the different types of activities carried out at each location.

The assessment of biodiversity risks is based on an analysis of the company's activities, taking into account the different geographical locations where the company operates, and the different types of activities carried out at each location.

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#### RECOMMENDED DISCLOSURE DESCRIPTION

Describe the impact of climate-related risks and opportunities to the organisation's business model, strategy and financial planning.

Describe the ways in which the company's business model can impact the climate, both positively and negatively.

#### WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

The example clearly discloses the scope of the Group's Environmental Profit and Loss (EP&L) approach. The EP&L approach is an example of a practice developed prior to TCFD. Kering uses EP&L to determine the environmental impact of its products, and the example summarises the key projects carried out in response to EP&L.

#### PREPARER PERSPECTIVE

- 👍 The visuals provided by Kering clearly disclose the scope of their EP&L approach.
- 👍 Clear visuals are used to demonstrate Kering's environmental impact.
- 👍 The example presents Kering's environmental impact throughout its value chain.
- 💡 Preparers recommended that Kering could disclose details about how it obtained information up to Tier 4 in order to increase confidence in the completeness of the information.

#### USER PERSPECTIVE

- 👍 Kering's visual representation is effective and helps communicate impacts to a wide range of users.
- 👍 EP&L information is useful for analytical purposes.
- 💡 The size of the circles used in the visual representation could be explained quantitatively to allow comparison and benchmarking against the rest of the industry.
- 💡 Providing information on the methodology and identification of factors within the company's control could improve the completeness and reliability of the information.

Reference document 2018, pages 116 and 117

**3 Sustainability – Environmentally and socially responsible supply chains**

Kering's transformation into a Luxury pure player has slightly modified its environmental profile. The significant proportion represented by supply chains is nevertheless unchanged at 90% of impacts, with 76% attributable to the production of raw materials (Tier 4) and their initial processing (Tier 3).

Land use, greenhouse gas (GHG) emissions and water pollution remain the predominant impact indicators, accounting for 78% of the total impact. This confirms, if needed, the strategic thrusts of Kering's environmental policy.

**Mapping of 2017 impacts**

	TIER 0 Operations and stores 10%	TIER 1 Final assembly 5%	TIER 2 Preparation of sub-components 9%	TIER 3 Processing of raw materials 10%	TIER 4 Production of raw materials 66%
Air pollution 9%	●	●	●	●	●
Greenhouse gas emissions 32%	●	●	●	●	●
Land use 32%	●	●	●	●	●
Waste 5%	●	●	●	●	●
Water consumption 8%	●	●	●	●	●
Water pollution 14%	●	●	●	●	●

**Kering's approach to natural capital accounting**

The results of the EP&L back up the Group's strategy, which places environmental protection at the core of its business model and supports the environmental efficiency of its industrial processes while making optimum management of cost and activities for Kering, the entire group.

- Implementation of the Kering Standards applies to all the Group's business activities and covers the entire value chain, from raw materials to finished products.
- Implementation of the Kering Standards on environmental impact and on the management of natural capital resources. In 2018, the Kering Standards on environmental impact and on the management of natural capital resources were updated to include the management of natural capital resources.
- Implementation of the Kering Standards on environmental impact and on the management of natural capital resources. In 2018, the Kering Standards on environmental impact and on the management of natural capital resources were updated to include the management of natural capital resources.

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RECOMMENDED DISCLOSURE DESCRIPTION

Discuss how resilient the business model and strategy are to climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and a greater than 2°C.

WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

The disclosure example addresses the warming potential of corporate bonds and equities expressed in degrees Celsius. This helps evaluate AXA's portfolios in terms of climate-change risks and opportunities.

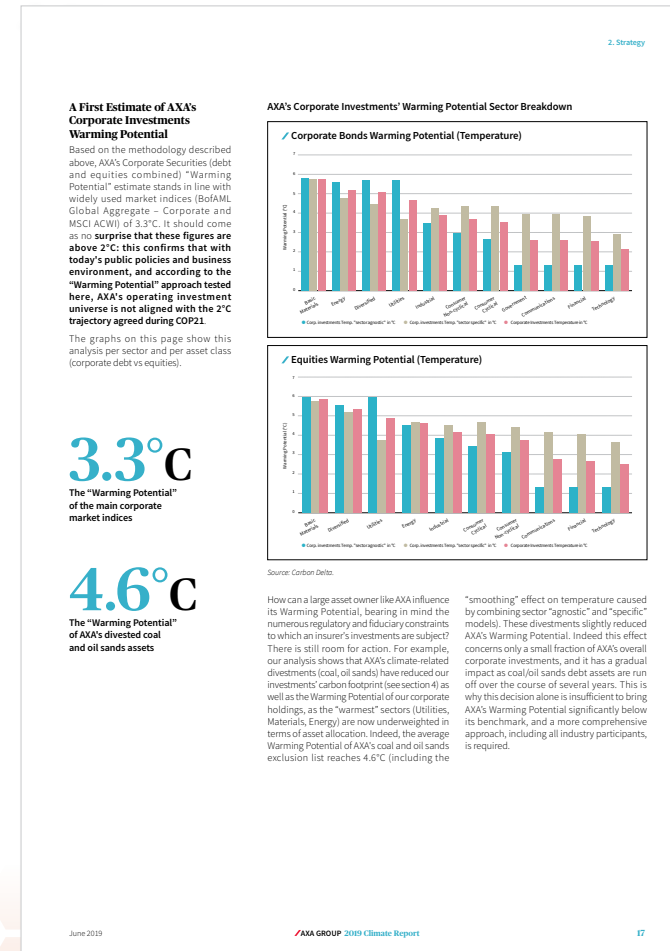
PREPARER PERSPECTIVE

It is good reporting practice to present warming potential for AXA's portfolios of both bonds and equities. Warming potential is relevant information that demonstrates awareness of climate risk on portfolios.

USER PERSPECTIVE

- AXA provides a clear and impactful visual representation of the effects of climate change on its asset portfolios. This is a good example of preliminary quantification of currently available information.
- The example is an innovative and ambitious contribution to climate-related reporting.
- It would be useful to include information on resilience and sensitivity per sector to complement the graphs.
- A clearer colour key could make the visual representation easier to understand.

2019 Climate Report, page 17



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Discuss how resilient the business model and strategy are to climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and a greater than 2°C.

#### WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

This example from CNP Assurances' 2018 Sustainable Investment Report presents the impact of a 2°C scenario, with references made to multiple models (IEA, ADEME, France's national low-carbon strategy).

The example does not directly demonstrate the resilience of the business model and strategy to climate risk. Nonetheless, the example shows CNP Assurances' adaptation to the 2°C goal and its alignment with the Paris Agreement objective. This can be seen as an indirect indicator of the resilience of their business model and strategy to climate-related risks and opportunities. The PTF-CRR review and outreach highlighted the difficulties of defining and finding examples that demonstrate resilience. [Supplement 2: Scenario analysis practices](#) sections *Scenario output and business decisions* and *Quantification and monetisation of scenario outputs* provide further information on the use of scenario analysis to assess resilience.

↓ 2018 Sustainable Investment Report, page 41

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### 3.2 2 °C Convergence

**3.2.1 Investments in favour of the energy and environmental transition** TCFD Metrics

As highlighted in France's national low-carbon strategy, large-scale investment is needed to limit global warming to 2 °C by the end of the century. These investments play a role in the energy and environmental transition and are also a means of managing transition risk.

CNP Assurances has established two complementary approaches: supporting businesses in the energy and environmental transition, as discussed in the previous sections, and also funding sustainable business opportunities for key players in the transition.

**In flow**

At 31 December 2017, CNP Assurances pledged €5 billion in investments for energy and environmental transition projects by 2021.

At 31 December 2018, the progress rate was 61%.

**In storage**

Equity and debt securities for infrastructure, private equity and green bonds are supported over several years, plus low-carbon property assets and sustainable woodland.

CNP Assurances invests in key areas to support the energy and environmental transition identified by the reference scenario of France's national low-carbon strategy, as well as the CBI, the TEEC label and the I4CE Climate Financing Panorama, namely the energy, mobility, building and woodland sectors.

CNP Assurances has invested in private equity funds in the clean energy, clean industry and cleantech sectors, and made direct and indirect investments in renewable energy infrastructure, sustainable mobility, and water and waste treatment, particularly via the Meridiam Transition fund. Launched in late 2015 with the Meridiam management company, this fund finances innovative development projects related to the energy transition, local services such as heating systems and energy recovery from waste, electricity grids and gas networks, and innovative renewable energies.

In addition to these funds, it also invests directly in green bonds funding specific environmental projects.

	Renewable energy, services and energy efficiency	Transport and sustainable mobility	Miscellaneous (waste, water, environmental industry, unspecified share of green bonds, etc.)
<b>Financial securities</b>	Debt and capital for infrastructure, private equity, green bonds		
<b>Assets at year end</b>	<b>€1.8 billion</b>	<b>€1.3 billion</b>	<b>€0.7 billion</b>
<b>Target and position at 31 December 2018</b>	Objective: €3 billion at 31 December 2018 Total at 31 December 2018 = €3.8 billion, i.e., 125% objective achieved		

	Sustainable buildings (label on acquisition and renovation)	PEFC-labelled woodland	Multi-sector in favour of the energy and environmental transition
<b>Financial securities</b>	Direct holdings, non-trading property companies, debt securities	Direct holdings, non-trading property companies, land companies	Listed equity funds
<b>Assets at 31 December 2018</b>	<b>€6.3 billion</b>	<b>€0.2 billion</b>	<b>€0.1 billion</b>

In total, at 31 December 2018, assets in favour of the energy and environmental transition represented over 3.4% of CNP Assurances' assets, coming to over €10 billion. Green bond assets came to €2.8 billion at 31 December 2018.

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#### PREPARER PERSPECTIVE

- 👍 CNP Assurances provides a clear indication of the scope of its assessment and level of coverage.
- 👍 The example provides information on the underlying scenario.

#### USER PERSPECTIVE

- 👍 CNP Assurances' reporting of its exposure to climate change risks is innovative and transparent.
- 👍 Different types of users can easily interpret the analysis provided by the company.
- 👍 The disclosures provide a clear description of the impact of a 2°C scenario.
- 💡 The example could benefit from additional information on assumptions, asset allocation and forward-looking management decisions.
- 💡 The example could be linked to the discussion of the company's resilience.

↓ 2018 Sustainable Investment Report, pages 42 and 43

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### 3.2.2 2 °C Scenarios

**TCFD** [Strategy] **TCFD** [Metrics]

This summary covers comparisons on CNP Assurances' position and/or objectives with national and international scenarios giving references for alignment with 2 °C pathways.

CNP Assurances notes that the modelling of ESG and climate risk, based on current knowledge, requires a number of detailed assumptions about the climate impact of activities undertaken by companies, broken down by sector, geography, lifecycle and other factors.

To assess the consistency of investment for the energy and environmental transition with CNP Assurances' 2 °C approach, the criteria were analysed regarding the following 2 °C scenarios by sector or equivalent:

- the International Energy Agency's (IEA) sustainable development scenario (SDS) needed to meet the COP21 objectives – source: World Energy Outlook 2017;
- ADEME's 2 °C scenario – source: Update of the ADEME 2035-2050 energy/climate scenario;
- France's national low-carbon strategy.

CNP Assurances' strategy supports France's national low-carbon strategy, notably on the following points:

- 💡 Develop renewable energy to produce electricity, heat and cooling
- 🚆 Encourage the shift to rail transport
- 🏠 Reduce demand for energy in the building sector (see detail for the property sector in section 3.1)
- 🌳 Strike a balance between the increase in fuelwood and bio-based products, while preserving biodiversity and carbon sequestration in the forest ecosystem (see detail for the forest sector)

Since the data are not always available on all financial securities, the calculation was done with the objective of continuous improvement and learning from such comparisons.

Note for coal: CNP Assurances' strategy is not directly comparable with the IEA scenario, as it is expressed in terms of revenue and not the energy mix. Its impact can nevertheless be considered significant.

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CONTRIBUTION TO THE ENERGY AND ENVIRONMENTAL TRANSITION • 3

	2 °C scenario <sup>(1)</sup>	CNP Assurances' objectives
ESG climate exclusion	<b>5% by 2030</b> Limit coal to 5% of energy production by 2030 (IEA, WEO 2017 <sup>(2)</sup> – EU)	<b>10% by 2018</b> Exclude the purchase of securities in companies deriving over 10% of their revenue from thermal coal and undertake engagement initiatives with the most affected
Equities	<b>42% by 2030</b> Reduction in GHG <sup>(3)</sup> emissions in the EU between 2015 and 2030 (IEA, WEO 2017 <sup>(2)</sup> – EU)	<b>47% by 2021</b> Reduction in GHG <sup>(3)</sup> emissions in the listed equity portfolio between 2014 and 2021
Property	<b>42% by 2030</b> Reduction in GHG <sup>(3)</sup> emissions in the EU between 2015 and 2030 (IEA, WEO 2017 <sup>(2)</sup> – EU)	<b>40% by 2021</b> Reduction in GHG <sup>(3)</sup> emissions in the listed equity portfolio between 2014 and 2021
<b>CNP Assurances' situation</b>		
Woodland	Increase wood removal while storing carbon in timber (SNBC <sup>(4)</sup> – 2015) Tripling electricity production by biomass (IEA, WEO 2017 <sup>(2)</sup> – World) Monitor impacts on biodiversity, soil, air and water (SNBC <sup>(4)</sup> – 2015)	Production of timber and fuelwood Fully-sustainable management, integrating the preservation of original biodiversity and the protection of soil against erosion
Financing for the energy and environmental transition (green bonds, infrastructure, etc.)	<b>52%</b> Share of renewable energy by 2050 (IEA, WEO 2017 <sup>(2)</sup> – EU) <b>17%</b> Share of passenger and goods transport by rail by 2050 (Ademe <sup>(5)</sup> 2035-2050 – 2017) <b>100%</b> Share of buildings with low energy consumption by 2050 (SNBC <sup>(4)</sup> – 2015)	<b>23%</b> Share of renewable energy in 2018 (investment in infrastructure) <b>21%</b> Share of rail transport in 2018 (investment in infrastructure) <b>35%</b> Share of buildings labelled in 2018

[1] 2 °C scenario: limit global warming to 2 °C by the end of the 21st century.  
[2] World Energy Outlook – International Energy Agency – SDS scenario.  
[3] Greenhouse gas.  
[4] France's national low-carbon strategy.  
[5] French Environment & Energy Management Agency (ADEME).

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# RISK MANAGEMENT

### TCFD RECOMMENDATION:

Disclose how the organisation identifies, assesses and manages climate-related risks.

### RELEVANT NFRD ELEMENTS:

Principal risks and their management.

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### SUPPORTING RECOMMENDED DISCLOSURES:

DESCRIPTION	MAPPING	LARGE-CAP COMPANIES
Include information on the processes for identifying and assessing climate-related risks in the company's operations and value chain over the short, medium and long term.	TCFD – Risk management, recommended disclosure (a) NFRD – Principal risks and their management	<b>Aviva</b>
Describe the processes for managing climate-related risks (if applicable how they make decisions to mitigate, transfer, accept, or control those risks), and how the company is managing the particular climate-related risks identified.	TCFD – Risk management, recommended disclosure (b) NFRD – Principal risks and their management	<b>South32</b>
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. An important aspect of this description is how the company determines the relative significance of climate-related risks in relation to other risks.	TCFD – Risk management, recommended disclosure (c) NFRD – Principal risks and their management	<b>Equinor</b>

RISK MANAGEMENT

RECOMMENDED DISCLOSURE DESCRIPTION

Include information on the processes for identifying and assessing climate-related risks in the company's operations and value chain over the short, medium and long term.

WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

Aviva discloses meaningful information on how the company identifies and assesses climate-related transition and physical risks and opportunities on its operations and investment portfolio. The report includes good descriptions of the processes, tools and metrics used to identify and assess climate-related risks and opportunities, while recognising some of the limitations. The disclosures are insightful, concise and make good use of narrative, visuals and quantitative information. The latter is especially seen as good reporting practice, as the company discloses its KPIs, both for transition and physical risks and opportunities.

PREPARER PERSPECTIVE

- The disclosure is an example of good reporting practice as it integrates climate-related risk management disclosures with the overall risk management framework of the company.
- Aviva's processes for identifying climate-related risks are transparently addressed.
- The disclosures would benefit from more explanation on how climate-related topics are fully integrated into the overall risk (and opportunity) management system.

USER PERSPECTIVE

- The reporting on portfolio warming potential indicates the company's exposure in terms of transition and physical risk.
- Limitations on the scope of the analysis are clearly stated.
- Aviva could provide more insight on the actions they are taking to align with the Paris Agreement goals.
- The inclusion of specific targets and timeframes would provide more clarity on the objectives.

Aviva's Climate Related Financial Disclosure 2018, page 11

### Risk management, Metrics and Targets

Aviva's risk management framework sets out how we identify, measure, manage, monitor and report on the risks to which we are, or could be, exposed and the accountabilities of management, the risk function and internal audit with respect to enterprise-wide risk management.

**Aviva's process for identifying climate-related risks and opportunities**  
 Aviva's risk spectrum (see figure 4) determines the significance of the impact and timescale for different external issues. Aviva considers climate change to be a material long-term risk to our business model, and a proximate risk<sup>xi</sup>, because its impacts are already being felt. We are therefore taking action now to mitigate and manage the impacts of climate change both today and in the future. Through these actions, Aviva continues to build resilience to climate-related transition, physical and litigation risks including the risk of assets becoming stranded.

**Transition risks and opportunities**  
 For transition risks and opportunities, the metrics and tools used include:  
 • Carbon foot-printing of investments  
 • Aviva's operational carbon emissions  
 • Portfolio Warming Potential

**Carbon foot-printing of investments**  
 We use carbon foot-printing and weighted average carbon intensity data (tCO<sub>2</sub>e/\$m sales) to assess and manage the exposure of our assets to a potential increase in carbon prices in both our shareholder and participating funds<sup>xii</sup>. Despite being backward looking, this measure provides a good proxy for assessing exposure of our investments to a potential increase in carbon prices. Carbon intensity measures how carbon efficient Aviva's investment portfolio is in terms of emissions. It also allows for comparison regardless of portfolio size but is very sensitive to outliers.

In line with the TCFD guidelines, we monitor the carbon footprint of our credit and equity portfolio on a regular basis. We measure the "weighted average carbon intensity" - i.e. the carbon intensity of our portfolio weighted by the size of our investments. The carbon intensity metric provides a proxy assessment of a company's exposure to a potential increase in carbon prices and its exposure to changes in climate and energy policies and a shift to low-carbon technologies more generally.

**Figure 5: Weighted average carbon intensity (tCO<sub>2</sub>e/\$m sales) of corporate credit and equities in Aviva's shareholder and participating funds as at 31/12/2018. Source: Aviva/MSCI.**

Category	Weighted average carbon intensity (tCO <sub>2</sub> e/\$m sales)	Carbon intensity data coverage (%)
Credit	185	37%
Equities	189	97%
Credit + Equities	186	42%

**Aviva's process for assessing, managing and monitoring climate-related risks and opportunities**  
 We use a variety of metrics and tools to manage and monitor our alignment with global or national targets on climate change mitigation as well as the potential financial impact of climate-related risks and opportunities on our business. Whilst recognising the limitations of the metrics and tools used (for example the scope of emissions or sectors covered) and that some are backward looking, we believe they are still valuable in supporting our climate-related governance, strategy and risk management.

xi The risk should be subject to management action and be fully understood and quantified.  
 xii Scope 1 and Scope 2 emissions.  
 xiii Where we refer to shareholder funds, this represents shareholder funds (Figures 8.25, 13 and 14) and the shareholder component of participating funds. Where we refer to Shareholder and participating funds this represents shareholder funds and all participating funds (Figures 8.6 and 8). In both cases the data has been taken at year end 2018 from our internal system used to monitor credit risk limits, and as a source for Solvency II disclosures.

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Aviva's Climate Related Financial Disclosure 2018, pages 12 and 13

Figure 6: Aviva's exposure to carbon intensive sectors in its shareholder and participating funds (corporate credit and equities) as at 31/12/2018. Source: Aviva / MSCI.

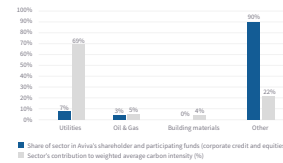
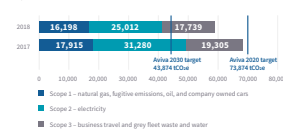


Figure 6 shows that these carbon intensive sectors represent 10% of our corporate credit and equities shareholder and participating funds but contribute 78% of the weighted average carbon intensity. The utilities sector is the largest single contributor representing 7% of the portfolio but it contributes 69% of the weighted average carbon intensity.

Aviva's operational carbon emissions

We have measured our operational carbon emissions since 2004 and disclose related metrics on an annual basis in our public filings. We report on the Greenhouse gas emission sources on a carbon dioxide emissions equivalent basis. Aviva has been carbon neutral in respect of our operations since 2006 through the purchase and retirement of carbon offsets from the voluntary carbon market.

Figure 7: Absolute operational carbon emissions tCO<sub>2</sub>e. Source: Aviva.



We have already achieved our 2020 operational target set in 2010 by reducing our emissions by 60% and we have a long-term reduction target of 70% by 2030 compared to this 2010 baseline. Aviva was recognised as one of 20 companies that reported 100% of their Scope 1 emissions. More details of this analysis can be found on [www.aviva.com/social-purpose](http://www.aviva.com/social-purpose).

In 2015 we conducted a carbon footprinting exercise of our wider supply chain in the UK with the Carbon Trust. Approximately 73% of our spend is with Professional Services companies. The estimated associated emissions amounted to 780,000 tCO<sub>2</sub>e. We do not believe these figures will have changed significantly since then but will regularly review them.

Portfolio Warming Potential

Aviva is exploring the use of a number of different emerging metrics designed to help analyse the alignment of investment portfolios to the Paris agreement's goal of limiting the global temperature rise to below 2°C. We set out our initial findings from this analysis below.

12 Aviva's Climate-Related Financial Disclosure 2018

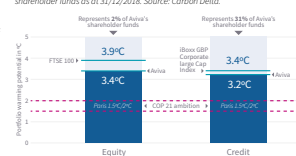
However, we fully anticipate that these approaches will evolve over time and be improved in the light of new research, data and emerging best practice.

Aviva has used Carbon Delta's warming potential metric to assess our corporate credit and equities shareholder funds' alignment with the Paris agreement 2°C target. This warming potential methodology captures investments' Scope 1 emissions as well as investments in low-carbon technology to provide a forward-looking perspective. We would like to extend this analysis to our whole portfolio over time.

The "Portfolio Warming Potential" is calculated as a weighted average of individual issuers' warming potential. This is based on the alignment of each company within the portfolio to the sectoral Greenhouse gas emission intensity needed for each sector to make its contribution to reach the global 2°C target.

The actions we are taking to reduce our investment exposure to carbon intensive sectors over time should lead to a reduction of the warming potential of our investment portfolio. The analysis found that Carbon Delta's warming potential of our equity portfolio at 3.4°C was 0.5°C below that of the FTSE 100 and the warming potential of our corporate credit portfolio at 3.2°C was 0.2°C below that of the IBoxx GBP Liquid Corporate Large Cap Index. This analysis does not include our investments in sovereign, real estate and infrastructure assets where we have heavily invested in green assets.

Figure 8: Corporate credit and equities warming potential (in °C) for Aviva's shareholder funds as at 31/12/2018. Source: Carbon Delta.



Aviva has also used the Paris Agreement Capital Transition Assessment (PACTA)<sup>10</sup> model developed by 2 Degrees Investing Initiative to analyse alignment of our investment portfolio to a 2°C level set in their methodology. The PACTA model tests the alignment with the International Energy Agency's 2°C scenario and focuses on three of the most carbon intensive sectors for which energy transition can be estimated with reasonable relevance: the utilities sector, the fossil fuels sector and the automotive sector.

Figure 9: PACTA analysis as at 31/12/2018 for Aviva's utilities shareholder and participating funds. Source: 2 degrees investing initiative - PACTA tool.



Figure 9 shows how the utilities sector exposure of our corporate credit and equities shareholder and participating funds are aligned to the 2°C climate warming trajectory target at a 2023 horizon. It provides insight into the transition risk by looking through to the mix of energy sources (coal, gas, renewables and nuclear) used by the utility issuers of the securities we hold. Where we are below the red line, this indicates alignment with the 2°C target at a 2023 horizon. Conversely, where we are above the red line this indicates the portfolio is not aligned with respect to this energy source. At a more granular level, it shows alignment with respect to gas and nuclear energy sources. We have led this analysis into investment strategy reviews of our businesses. Our £3.1bn unlisted infrastructure investments in renewables are not captured in this analysis.

Physical risks and opportunities

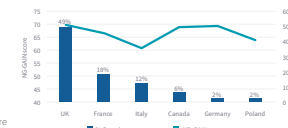
For physical risks and opportunities, the metrics and tools used include:

- Monitoring of sovereign risk
- Global Real Estate Sustainability Benchmark (GRESB)
- Weather-related losses

Monitoring of sovereign risk

Aviva has used the Notre-Dame University's Notre-Dame-Global Adaptation Index (ND-GAIN)<sup>11</sup> to measure our sovereign holdings exposure to climate related risks and opportunities (See Figure 10). ND-GAIN measures a country's vulnerability to climate change and its readiness<sup>12</sup>. In addition to our risk monitoring, we engage around the world with finance ministries on climate change, adaptation, mitigation and resilience and will continue to increase our profile in this regard.

Figure 10: Aviva's top sovereign holdings shareholder funds versus ND-GAIN as at 31/12/2018 (ND-GAIN index 0-100 Higher is Better). Source: Aviva 2018/ ND-GAIN 2016.



For sovereign bonds, Aviva is predominantly exposed to sovereigns from developed markets where physical climate change risk is less likely to have very severe implications for sovereign debt. Aviva has no significant exposure to countries highly vulnerable to climate change and our exposure to moderately exposed countries is captured as part of our risk management and monitoring of sovereign risk. Aviva has also no material exposure from sovereigns whose credit quality is reliant on oil and gas production.

With respect to transition risk, the Organisation for Economic Co-operation and Development (OECD)<sup>13</sup> found that for G20 sovereigns, policies associated with the transition could be growth enhancing.

Global Real Estate Sustainability Benchmark (GRESB)<sup>14</sup>

When acquiring property, Aviva Investors commissions an Environmental Assessment Report, which covers important potential risks, such as flood exposure and historic and potential pollution. Within our real estate portfolio, we use flood mapping to monitor exposure and GRESB to understand the climate resilience and broader sustainability of individual properties and funds. In 2018, we assessed the performance of 18 property funds and Aviva Investors has achieved 32 green stars. Whilst three funds have improved their



Aviva Raises Awareness of Plastic Pollution  
In 2018 Aviva UK were successful in removing all single use plastic coffee cups internally saving an estimated 7m cups per year and over 50 tonnes in waste.

10 <https://gain.ed.ac.uk/our-work/country-index/>  
11 ND-GAIN measures overall readiness by considering three components: economic readiness, governance readiness and social readiness.  
12 GRESB assesses and benchmarks the ESG performance of real asset investments, providing standardised and validated data to capital markets. <https://gresb.com/>

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#### RECOMMENDED DISCLOSURE DESCRIPTION

Describe the processes for managing climate-related risks (if applicable how they make decisions to mitigate, transfer, accept, or control those risks), and how the company is managing the particular climate-related risks identified.

#### WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

South32 follows a logical structure and makes good use of tables (topic, time horizon, most relevant scenario, risks, mitigation and opportunities), which results in concise, easily-accessible information. The report gives an indication of where the company's risk management procedures currently stand, and what the company aspires to and by when.

This example from a non-European company is included as no European equivalent was found during the PTF-CRR review and outreach.

#### PREPARER PERSPECTIVE

The example provides a summary of the most significant risks, opportunities and mitigation actions for different time horizons.

#### USER PERSPECTIVE

- The example is concise and easy to understand thanks to the use of a table.
- The South32 reporting gives insights into which topics are deemed material, how they are handled right now and how their management will evolve over time.
- More quantitative information would increase insightfulness, e.g. the company could report on the probabilities of occurrence and potential damages of the respective risk categories.
- The company could explain why they will apply an internal carbon price only from financial year 2025 onwards (earlier in some jurisdictions that progress faster towards an explicit carbon price).

↓ Our approach to climate change 2019, page 23

**OUR CLIMATE-RELATED RISKS, MITIGATION OPTIONS AND OPPORTUNITIES**

Table 1 summarises the most significant climate-related risks, mitigation options and opportunities relevant to our business today, both in a future that exceeds, and in a future that avoids, more than two degrees of warming.

Where internal or external progress has been made since last year's assessment, we've reflected these changes in the table. Our scenarios have been used to identify likely risks and opportunities relevant to that scenario. You can find more information on our scenarios from page 26.

Table 1 Climate-related risks and opportunities

Topic	Time horizon <sup>(9)</sup>	Most relevant scenario	Risks	Mitigation and opportunities
Policy	Short, medium and long-term	Global Cooperation	Carbon pricing policies including carbon taxes, cap and trade systems and any other regulatory carbon pricing mechanisms may increase costs for companies with liable carbon emissions.	We include a global carbon price from FY25 in all our capital allocation and investment evaluations. A local carbon price is applied before FY25 if country specific legislation is in place or deemed to be likely. This helps us make effective and well-informed decisions to manage risks beyond current pricing policies. You can find more details on page 27.
	Medium and long-term	Runaway Climate Change	Policy uncertainty and sudden changes in policy may limit the business' capacity to prepare for a structured transition. This could result in increased costs and disruption to the business. This may also have an effect on the demand dynamics for some of our commodities, such as metallurgical coal and aluminum.	Plus, our voluntary carbon emissions reduction targets help us identify, evaluate and implement a range of operational emissions reduction projects on an ongoing basis. Both of these internal policies (as well as ongoing modelling of impacts of prospective new government policies) allow us to adjust rapidly to external regulatory developments. We continue to engage with state and federal governments both directly and indirectly through the relevant associations, to better understand potential changes in policy and how it affects us.
	Short, medium and long-term	Global Cooperation	As our stakeholders, including customers and suppliers, are likely to experience similar changes in policy, we may face changing commercial requirements to meet regulatory changes in jurisdictions outside of our own operating environments. This may involve pass on costs from an upstream perspective, but also have a downstream risk due to the relative competitiveness and demand for some of our products.	Our scenario analysis incorporates potential policy-based impacts on our supply chain to test resilience of our portfolio to these risks. We use the insights we gain from this in our ongoing strategic plans. We've also calculated and disclosed our annual Scope 3 emissions to ensure that we're aware of the scale and sources of our supply chain emissions. You can find more details on page 14. Both of these internal policies (as well as ongoing modelling of impacts of prospective new government policies) allow us to adjust rapidly to external regulatory developments. We continue to engage with state and federal governments both directly and indirectly through our relevant associations, to better understand potential changes in policy and how it affects us.
	Short, medium and long-term	Global Cooperation	As pollution concerns or scarcity pressures increase, water and biodiversity regulation may become stricter.	Through our focus on innovation and technology, we're working to reduce our land requirements, biodiversity impacts, waste, carbon and water usage over time.
	Medium and long-term	Runaway Climate Change		As our internal voluntary performance standards drive resource efficient operations, our aim is to be ahead of policy change and avoid the risk that stricter future policies could pose.

(9) In this context, we consider short-term, medium term and long-term as the next 3-5 years, 6-10 years and 11-50 years respectively.

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↓ Our approach to climate change 2019, pages 24-26

Topic	Time horizon <sup>10</sup>	Most relevant scenario	Risks	Mitigation and opportunities
<b>Legal</b>	Short, medium and long-term	Global Cooperation and Runaway Climate Change	<p>Increased litigation against governments, companies and directors, either seeking to oppose greenfields developments or operational expansion.</p> <p>Compensation for damages caused to them because of climate change impacts, or to force greater action on climate change.<sup>101</sup></p>	<p>We have a proactive approach to climate-related risk assessment, risk management and disclosure. Along with our diversified portfolio, this helps us minimise our relative exposure to climate change-related litigation. However, we monitor legal developments in this space and seek advice on major developments when we need to.</p>
<b>Reputation</b>	Short, medium and long-term	Global Cooperation, Patchy Progress and Runaway Climate Change	<p>If we don't implement strategies to address climate-related risks, our reputation with a range of stakeholders may suffer.</p> <p>This could make it harder for us to get and maintain our social licence to not just operate at existing sites, but also to build and invest in new operations (including access to finance and insurance).</p> <p>Skilled staff may not want to work with us because of our exposure to climate change.</p>	<p>To manage reputational risks, we provide clear and comprehensive information to stakeholders on our business position, policies, risks and mitigation actions.</p> <p>We're always ready to support a globally competitive and broad-based price on carbon, and we've set voluntary short and long-term carbon reduction targets in line with the Paris Agreement. These targets are linked to all bonus payments and incentives, including to our Lead Team.</p> <p>We regularly review our industry group memberships to make sure their positions on climate change and energy policy are aligned with our interests (see page 21).</p> <p>We have an opportunity to improve our reputation with some investors by achieving net zero emissions by 2050. We also have the opportunity to be a preferred investment if we maintain above average climate change risk and opportunity management.</p> <p>By leading the way on climate change, we can attract the best talent, which will benefit our business performance over the long-term.</p>
<b>Shareholder action</b>	Short, medium and long-term	All	<p>When it comes to climate change, shareholders are increasingly focused on companies' disclosure, responsiveness and lobbying activities. Being negatively targeted could damage our reputation and potentially impact our capacity to secure investment capital, insurance, development or expansion permissions and partners.</p>	<p>We prioritise regular and open dialogue with our shareholders on climate change and broader ESG issues – to better understand what they need and expect.</p> <p>We were early adopters of the TCFD voluntary reporting framework. Reporting transparent climate change disclosures is becoming increasingly more important to our stakeholders. We recognise the value of this and we will keep doing this to make sure our stakeholders are always informed about our progress.</p>

<sup>101</sup> Please see [www.efrag.com/frag-for-a-fair-report-climate-change-boards/](http://www.efrag.com/frag-for-a-fair-report-climate-change-boards/)

Topic	Time horizon <sup>10</sup>	Most relevant scenario	Risks	Mitigation and opportunities
<b>Technology changes</b>	Short, medium and long-term	Patchy Progress and Global Cooperation	<p>The difficulties in integrating new technologies with existing systems – and the cost and unproven nature of new technology – could reduce productivity and profit margins.</p> <p>There are also risks around the disruptive nature of new technologies, which may change demand for our products (see 'market changes').</p> <p>Decreased demand in resources may occur due to changes in technology or substitution of resources, e.g. metallurgical coal.</p>	<p>We've developed an integrated approach to innovation. It focuses on opportunities to improve productivity and safety through technology and innovation, while reducing costs, risks and the environmental and social footprint of what we do.</p> <p>This includes decarbonisation and the minimisation of water and other resources' use and impact.</p>
<b>Market Changes</b>	Medium and long-term	All	<p>The supply and demand for our commodities may change as technology changes (including potential substitution of some resources) and consumer demands shift. Markets are increasingly directing money towards greener products and solutions, which creates a risk of lower or more competitive access to finance, investment and insurance.</p> <p>As governments and other companies act on climate change, there's a chance we could be exposed to higher costs for the products which we rely on, such as electricity, coking coal or water.</p>	<p>So that we can quickly respond to change, we monitor the global environment, conduct detailed assessments of commodity markets and regularly update our supply and demand forecasts.</p> <p>For long-term changes, our scenario analysis incorporates potential technology-based impacts on product demand to test our portfolio resilience and evaluate new opportunities.</p> <p>We want to be in a position to satisfy customer needs, which includes providing lower carbon products. We believe several of our portfolio commodities would benefit from a transition to a low carbon economy, and we see opportunities to create value by focusing our business on these commodities.</p>

Topic	Time horizon <sup>10</sup>	Most relevant scenario	Risks	Mitigation and opportunities
<b>Physical risks (acute and chronic)</b>	Short, medium and long-term	All, increasing severity in Runaway Climate Change	<p>We mine geologically bound ore bodies, connected by rail, road, ports and sea.</p> <p>These may experience production and logistics delays because of extreme weather events (e.g. bushfires, cyclones and flooding). Droughts, heat extremes or unseasonal weather variability could also create water stress, or contribute to worker ill-health and the spread of disease. This could impact our operations.</p>	<p>One of the core objectives of Our Approach to Climate Change (see page 7) is to build our operational resilience. By doing this, we can quickly adapt to a changing climate and get back on track following extreme weather or other acute events.</p> <p>During FY19, we expanded the scope of our scenario analysis to start testing operational resilience of our South African, Mozambican and Colombian operations to physical impacts.</p> <p>We're using the outcomes to better understand any future adaptation requirements. You can find more details on page 45.</p>
	Short, medium and long-term	All, increasing severity in Runaway Climate Change	<p>The physical impact of climate change may increase rehabilitation and/or closure liabilities. It may also impact the terms or availability of external finance or insurance.</p>	<p>The two main ways to build physical resilience in our Climate Change Strategy are:</p> <ol style="list-style-type: none"> <li>1. ILM – an integrated social, environmental and economic approach to achieving climate resilience.</li> <li>2. Climate modelling – of changes in weather, including rainfall, to better predict the physical risks we may be exposed to and to proactively mitigate or adapt to them. We use the World Resources Institute Aqueduct tool to screen our operations for water scarcity and oversupply risks.</li> </ol>
	Short, medium and long-term	All, increasing severity in Runaway Climate Change	<p>Physical risks can turn into social risks, such as conflict over access to natural resources. Regions with poorly developed social support systems could be more vulnerable to the physical impacts of climate change. This can lead to decreased food and water security, and create a challenging operating environment.</p>	<p>We make contributions to development programs – to help communities build resilience against the impacts of climate change.</p>

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### RISK MANAGEMENT

#### RECOMMENDED DISCLOSURE DESCRIPTION

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. An important aspect of this description is how the company determines the relative significance of climate-related risks in relation to other risks.

#### WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

Equinor discloses how it has integrated climate considerations into incentives, reporting and decision-making. It also shows that it has targets in place to measure progress and incentivise performance across the entire company, starting at the top. CO<sub>2</sub> intensity (upstream) is a key performance indicator and influences executive salaries. Equinor also discloses how climate change issues are considered in investment principles, energy scenarios and portfolio stress tests.

#### PREPARER PERSPECTIVE

- Climate-related risks are disclosed not only in Equinor's Sustainability Report, but also in its Annual Report.
- Equinor's disclosures provide information on the use of internal carbon pricing, scenario analysis and sensitivity analysis, giving an indication of the company's climate-related risk exposure.

#### USER PERSPECTIVE

- The Equinor example is concise and easily understandable thanks to the use of a table and graphs.
- The example provides detailed information on management actions (including NPV and Capex information).

↓ 2018 Sustainability Report, pages 17 and 18

#### Climate-related business risk and portfolio resilience

Our business needs to be resilient to the multiple risks – both upside and downside – posed by climate change. These include potential stricter climate regulations, changing demand for oil and gas, technologies that could disrupt our market, as well as physical effects of climate change.

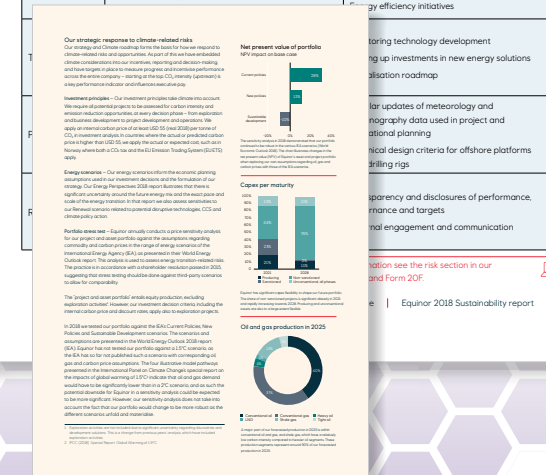
**Governance and risk management**  
Climate-related risks and opportunities, and our strategic response to these are discussed frequently by our corporate executive committee and board of directors. In 2018, the board of directors specifically discussed climate-related issues in four of their eight meetings, as well as related to relevant investment decisions. The board of directors safety, sustainability and ethics committee discussed climate-related issues in all committee meetings in 2018.

Management of climate-related risk is embedded in Equinor's enterprise risk management process. We use internal carbon pricing, scenario analysis and sensitivity

analysis to assess and manage climate-related risk. We monitor technology developments and changes in regulation and assess how these might impact the demand for oil and gas, the cost of developing new assets and opportunities for low-carbon technologies.

Climate-related risk factors are identified by considering main sources of change – market, policy and regulatory, technology, physical and reputational. Climate-related risk factors are assumed to indirectly influence Equinor's cash flow risk via effects on revenues or cost. This relationship is integrated into our risk assessment of revenues and costs and corresponding actions. As an example, climate-related risks could influence oil, gas and carbon price assumptions. Risk adjusting actions are evaluated, decided and implemented as relevant. An overview of relevant risk factors and how we manage these, is provided below. For more information about governance and risk management, see Sustainability governance and management in this report.

Sources of change	Risk factors (upside and downside potential)	Management actions
Market	Oil and gas demand Renewable energy demand	Scenario analysis Climate-related principles in investment decisions 2030 CO <sub>2</sub> upstream intensity target Scaling up investments in new energy solutions Enhancing profitability
Policy and regulatory	Carbon costs and taxes Specific regulations (e.g. air quality, emission standards and fuel directives)	Monitoring policy and regulatory development Internal carbon price applied Portfolio stress test Energy efficiency initiatives
		Monitoring technology development Scaling up investments in new energy solutions Innovation roadmap
		Regular updates of meteorology and hydrography data used in project and regional planning Technical design criteria for offshore platforms Drilling rigs
		Transparency and disclosures of performance, finance and targets Stakeholder engagement and communication



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# METRICS AND TARGETS

### TCFD RECOMMENDATION:

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

### RELEVANT NFRD ELEMENTS:

Outcomes.  
Key performance indicators.

### SUPPORTING RECOMMENDED DISCLOSURES AND SELECTED COMPANY EXAMPLES:

DESCRIPTION	MAPPING	LARGE-CAP COMPANIES	MID-CAP COMPANIES
Include the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management processes.	TCFD – Metrics and targets, recommended disclosure (a) NFRD – Key performance indicators	<b>Allianz</b>	<b>ABN AMRO</b>
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions against the targets set and the related risks over time.	TCFD – Risk management, recommended disclosure (b) NFRD – Outcomes	<b>L'Oréal</b>	<b>M&amp;S</b>
Describe the outcomes of the company's policy on climate change, including the performance of the company against the indicators used and targets set to manage climate-related risks and opportunities.	TCFD – Risk management, recommended disclosure (c) NFRD – Outcomes	<b>L'Oréal</b>	<b>SCOR</b>

#### METRICS AND TARGETS

#### RECOMMENDED DISCLOSURE DESCRIPTION

Include the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management processes.

#### WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

The example provides an action plan for the transition to a low-carbon economy, broken down into key areas, and includes comparative information. Cross-references to other sections of the report provide further guidance on where more detailed data can be found. The first two sections show how qualitative targets are broken down into specific actions. A table shows the targets for the reporting year, what was achieved and what remains to be done in the coming years.

#### PREPARER PERSPECTIVE

- 👍 Cross-references to more detailed sections help to navigate the Allianz report.
- 💡 The fact that some of the targets set for 2020 were already achieved in 2018 could be better highlighted.

#### USER PERSPECTIVE

- 👍 All the targets, achievements and references to where the relevant data can be found are presented in one clear table.
- 👍 The example provides a good overview of the most significant areas for Allianz and how they interconnect.
- 💡 Additional information on baseline and/or target values would help users assess the significance of the reduction targets mentioned.

↓ Sustainability Report 2018, page 92

The screenshot shows a table titled 'SUSTAINABILITY PERFORMANCE DATA: 10.1 OUR TARGETS AND ACHIEVEMENTS'. The table is organized into sections: 'LOW-CARBON ECONOMY', 'CLIMATE STRATEGY', 'GOAL', 'RENEWABLE ENERGY', 'ENERGY CONSUMPTION', 'GHG EMISSIONS PER EMPLOYEE', and 'PAPER CONSUMPTION'. Each section contains a table with columns for 'Targets 2018 and beyond', 'Achievements 2018', and 'Reference Section / Data Table'. The 'CLIMATE STRATEGY' section includes a table with columns for 'Targets 2018 and beyond', 'Achievements 2018', and 'Reference Section / Data Table'. The 'GOAL' section includes a table with columns for 'Targets 2018 and beyond', 'Achievements 2018', and 'Reference Section / Data Table'. The 'RENEWABLE ENERGY' section includes a table with columns for 'Targets 2018 and beyond', 'Achievements 2018', and 'Reference Section / Data Table'. The 'ENERGY CONSUMPTION' section includes a table with columns for 'Targets 2018 and beyond', 'Achievements 2018', and 'Reference Section / Data Table'. The 'GHG EMISSIONS PER EMPLOYEE' section includes a table with columns for 'Targets 2018 and beyond', 'Achievements 2018', and 'Reference Section / Data Table'. The 'PAPER CONSUMPTION' section includes a table with columns for 'Targets 2018 and beyond', 'Achievements 2018', and 'Reference Section / Data Table'.

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### METRICS AND TARGETS

#### RECOMMENDED DISCLOSURE DESCRIPTION

Include the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management processes.

#### WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

The ABN AMRO example provides reporting on strategy goals, including information on how the bank supports its clients' transition to sustainability (inside-out impact). This approach goes beyond the traditional corporate view that financial institutions usually present. The targets reported are mainly based on clients' sustainability results. Negative forecasts in some areas are explained below the table. The company presents targets for the strategy of not only the current reporting year (2018), but also for the two subsequent years, which helps users to track results in the future.

#### PREPARER PERSPECTIVE

- ABN AMRO presents revised baselines for new targets that were introduced following a strategy refresh.
- The disclosure presents clear quantitative targets that explain well-described goals.
- The table format used by ABN AMRO allows data to be presented in a concise way.
- The presentation of some targets and metrics (Net Promoter Score) could be simplified to make the data self-explanatory, without the need to rely too heavily on footnotes.

#### USER PERSPECTIVE

- ABN AMRO's client-oriented goals provide more insight into the business aspects of its strategy than the corporate goals commonly presented by financial institutions.
- The detailed targets provided for consecutive years allows for trend analysis.
- An explanation of the underlying methodology for the targets set in relation to ABN AMRO's 'sustainability rating tool' would give more credibility to this aspect of its strategy.
- Presenting the results achieved against the original targets would help users better understand the evolution of ABN AMRO's ambition and achievements over time.

↓ Integrated Annual Review 2018, page 24

**Key indicators & targets**  
In addition to our 2017/2018 results, we've put in place a series of new targets for 2019/2020 to support our strategy refresh.

Group targets	Metric	Target 2020	2018	2017
Non-financial	Gender diversity in top	30% women in top	29%	29%
	Gender diversity in subtop	25% women in subtop	27%	26%
	Dow Jones Sustainability Index (DJSI) ranking*	Top 5% of banking sector	Top 5% of banking sector	Top 5% of banking sector
	Banking Confidence Monitor	Leading among large Dutch banks	3.3	3.2
Financial	Return on average equity	10-13%	11.4%	14.5%
	Cost/income ratio	50-58%	58.8%	60.1%
	CET1 (fully loaded)	11.5-14.5%	18.4%	17.2%
	Dividend payout ratio	At least 50% of net sustainable profit	62%	50%
<b>Strategic pillars</b>				
Support our clients' transition to more sustainable	We are committed to our clients' transition to become more sustainable	<ul style="list-style-type: none"> <li>Renewable energy committed as a % of energy portfolio: 20%</li></ul>	14%	14%
	We provide our clients with insight into their sustainability performance	<ul style="list-style-type: none"> <li>Sustainability financing: EUR 3.8 billion</li> <li>Sustainable investments (direct assets): EUR 16 billion</li> </ul>	100% <sup>1</sup>	100% <sup>1</sup>
	We help our clients invest in making their homes and real estate more sustainable	<ul style="list-style-type: none"> <li>Average energy label (residential properties): 63% rated A-C</li> <li>Average energy label (commercial properties): 31% average A</li> </ul>	91% rated A-C	23% average A
Reinvent the customer experience	Net Promoter Score (relational)	<ul style="list-style-type: none"> <li>Retail Banking / Private Banking / Commercial Banking / Corporate &amp; Institutional Banking: 2-3</li> </ul>	2-3	2-3
Build a future-proof bank	Employee engagement	80%	80%	80%

\* Please note that, under the DJSI, scores are not directly comparable because of regular recalculation and changes to methodology (2018: 80, 2017: 81).  
<sup>1</sup> Based on data on energy committed as a % of the 2018 energy value. The target has been set according to the following baseline (in same sequence as table): 12%, EUR 200 million, EUR 10 billion.  
<sup>2</sup> Retail Banking & Institutional Banking: 100%, Commercial Banking: 100%, Sustainable Investments: 100%, Average Energy Label: 100%, Average Energy Label (Commercial Properties): 100%.  
<sup>3</sup> For Corporate & Institutional Banking, we expect a decrease in 2019 in our Net Promoter Score (NPS) following recent organisational changes.  
<sup>4</sup> For more financial indicators please see page 22.

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#### RECOMMENDED DISCLOSURE DESCRIPTION

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions against the targets set and the related risks over time.

#### WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

L'Oréal's example shows detailed information about Scope 3 GHG emissions related to each of the 15 categories required by the [GHG Protocol Corporate Accounting and Reporting Standard](#). Some of the items include further explanations that are company-specific (for example, a description of the sources of GHG emissions in use, or end-of-life treatment of sold products). Required GHG Protocol Scope 3 categories that are not relevant for L'Oréal are also clearly explained, which increases the credibility of GHG emissions accounting.

#### PREPARER PERSPECTIVE

- Scope 3 GHG emissions for all 15 categories are included in the example.
- L'Oréal provides a detailed explanation of several categories that are company-specific, including an explanation of why Scope 3 categories are relevant or not.
- Including GHG emissions reduction targets could indicate the company's level of ambition regarding its GHG emissions reduction strategy.

#### USER PERSPECTIVE

- The example covers both upstream and downstream aspects, and provides a good level of detail.
- L'Oréal's disclosures include a good illustration of the effects of climate change on products sold.
- Comparative year-on-year information could provide a useful insight into the company's GHG emissions reduction path
- The inclusion of a denominator would enhance the information provided (e.g. % of total output).

↓ 2018 Registration Document, page 186

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POLICIES, PERFORMANCE INDICATORS AND RESULTS

The GHG Protocol defines 15 items of emissions associated with Scope 3:

Upstream or downstream	Scope 3 categories	Scope	2018 emissions (in thousands of tonnes of CO <sub>2</sub> e.)
<b>Upstream</b>			
1.	Products and services purchased	CO <sub>2</sub> emissions related to the preparation of all of materials used for the products manufactured by the Group and their promotion at points of sale. These emissions include the extraction of materials, their transportation to suppliers, then their processing prior to delivery.	3,338
2.	Capital goods	CO <sub>2</sub> emissions from capital goods acquired or purchased by L'Oréal in 2018 (property, production, IT, etc.).	513
3.	Fuel- or energy-related activities (not included in Scope 1 and 2 emissions)	CO <sub>2</sub> emissions related to the extraction, production and transport of fuel and energy purchased by L'Oréal and its subcontractors. It also includes losses during the distribution of electricity.	137
4.	Upstream transport and distribution	CO <sub>2</sub> emissions generated by the transport of items purchased and shipped to production or distribution sites.	160
5.	Waste generated by sites	CO <sub>2</sub> emissions related to the treatment of production waste and effluents (by a third party) from facilities operated and owned by L'Oréal.	20
6.	Business travel	CO <sub>2</sub> emissions related to business travel for all employees in all countries. These emissions take into account the different means of transport used (short-term car hire, train or plane).	157
7.	Employee commuting	CO <sub>2</sub> emissions related to employees' journeys from their home to their workplaces.	103
8.	Upstream leased assets	CO <sub>2</sub> emissions generated by stores and vehicles on long-term leases.	100
<b>Downstream</b>			
9.	Downstream transport and distribution	CO <sub>2</sub> emissions related to the transport of sold products. This includes transport flows of finished products from the production sites to the first customer delivery point.	693
10.	Processing of sold products	Not relevant: our production is used directly by the end customer. There is no transformation of intermediate products.	-
11.	Use of sold products	CO <sub>2</sub> emissions related to the use of L'Oréal products by consumers due to the hot water used for rinsing off certain products, such as shampoos, shower gels, dyes, etc. CO <sub>2</sub> emissions for this item are mainly related to the nature and method of production of the energy used to heat the water.	5,979
12.	End-of-life treatment of sold products	CO <sub>2</sub> emissions relating to the treatment of sold products after their use: packaging items treated in recycling channels and effluents treated in water treatment plants. CO <sub>2</sub> emissions for this item are related mainly to the nature and mode of production of the energy used for each treatment.	572
13.	Downstream leased assets	Not relevant: there is no exploitation of assets owned by L'Oréal and leased by other entities.	-
14.	Franchises	Not relevant: all stores are retail stores and are included in the "Upstream leased assets" category.	-
15.	Investments	CO <sub>2</sub> emissions related to L'Oréal's investments in 2018. Investments are accounted for by the share of L'Oréal's investments in the company or companies in question.	82

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RECOMMENDED DISCLOSURE DESCRIPTION

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions against the targets set and the related risks over time.

WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

The report shows a detailed presentation of Scope 1 and 2 GHG emissions, accounted according to the [GHG Protocol Corporate Accounting and Reporting Standard](#). The table includes emissions calculated using different methods. There is a clear presentation of emissions for the reported year and the comparative period, as well as against a set baseline. Additionally, M&S presents its activities under the [UN Climate Neutral Now Initiative](#), which consists of purchasing and retiring carbon offsets and netting them against accounted emissions. An industry-specific carbon intensity metric (emissions per 1,000 square feet of salesfloor) is also included.

PREPARER PERSPECTIVE

- 👍 The reporting by M&S provides clear information on their set baseline for GHG emissions.
- 👍 Industry-specific carbon intensity metrics are included.
- 💡 In addition to the percentage variation from the baseline, a similar yearly percentage change could provide useful insight into the company's GHG emissions reduction path.
- 💡 Introducing targets in an additional column would provide more clarity on the reported information.

USER PERSPECTIVE

- 👍 The reported information includes baseline data, progress information and where the company stands today, allowing for trend analysis.
- 👍 M&S makes an explicit reference to SDGs and science-based targets, which helps put the company's GHG emissions reduction achievements and targets into broader context.
- 💡 The inclusion of targets could show the company's level of ambition regarding its GHG emissions reduction strategy.

↓ Plan A - Performance Update 2019, page 9

**SCIENCE BASED TARGET EMISSIONS\***

By 2030, in line with climate science, we aim to reduce greenhouse gas emissions from M&S operations worldwide by 80% compared to 2006/07, on route to a 90% reduction by 2035.

**Our 2019 progress**  
Our Market method emissions were 184,000 tonnes CO<sub>2e</sub>, down by 73% on 2006/07 (664,000 tonnes CO<sub>2e</sub>) putting us in a strong position to achieve our science-based target reduction of 80% by 2030. Our total emissions were 360,000 tonnes CO<sub>2e</sub>, down by 44% on 2006/07 (640,000 tonnes CO<sub>2e</sub>). Around 40,000 tonnes of the reduction achieved in 2019/20 was due to the further lowering of our grid factors. You can find full disclosure of M&S climate risks by registering as a user at [cdclink](#).

**CARBON NEUTRAL OPERATIONS\***

We'll maintain carbon neutrality for our worldwide operations until at least 2025. We will develop a strategy to ensure that by 2022 participants of our supply chain can benefit from our carbon credit purchases.

**2019 update**  
For the seventh consecutive year, we achieved carbon neutrality by a combination of reductions, procuring renewables energy, and purchasing and retiring high-quality carbon offsets. As a signatory to the industry's Climate Neutral Now initiative, we procured 12% of the offset retired for 2019/20 through the Clean Development Mechanism (CDM) process. For more information see [ClimateandStrategy](#).

**M&S Group CO<sub>2e</sub> emissions**

	2019/20		2018/19		% change
	2019/20	2018/19	2018/19	2017/18	
<b>Market method emissions</b>	184,000	184,000	200,000	200,000	-10%
<b>Location method emissions</b>	176,000	176,000	190,000	190,000	-7%
<b>Total emissions</b>	360,000	360,000	390,000	390,000	-7%
<b>Carbon offsets</b>	12,000	12,000	12,000	12,000	0%
<b>Carbon credit purchases</b>	12,000	12,000	12,000	12,000	0%
<b>Total net emissions</b>	348,000	348,000	378,000	378,000	-8%
<b>Total net emissions per 1,000 sq ft of salesfloor</b>	40	40	42	42	-5%

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### METRICS AND TARGETS

#### RECOMMENDED DISCLOSURE DESCRIPTION

*Describe the outcomes of the company's policy on climate change, including the performance of the company against the indicators used and targets set to manage climate-related risks and opportunities.*

#### WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

L'Oréal presents its 2018 achievements in close relation to the targets set for 2020 in its strategy. In addition, the company mentions the 2017 results in relation to the same targets which allows users to see the company's progress over the past year.

#### PREPARER PERSPECTIVE

- 👍 L'Oréal describes its targets and results in a consistent way.
- 👍 The results of both the current (2018) and previous (2017) year are presented, demonstrating the company's confidence in the management of its path to sustainability.
- 💡 As four criteria are used to track the sustainability of renovated products, and some products have clearly met more than one criterion, the results could include additional information such as the percentage of products that have met more than one criterion.

#### USER PERSPECTIVE

- 👍 L'Oréal uses simple and clear language in its description of targets and results, ensuring the report is easy to understand.
- 👍 The inclusion of previous year results makes it easier not only to track progress towards targets, but also to track year-on-year progress.
- 💡 Additional explanation would be useful in cases where there was no progress made by the company in 2018 in relation to the previous year.

↓ 2018 Progress Report, page 8

### 2020 commitments, 2018 results

Every year, L'Oréal reports the evolution of its sustainability performance in relation to its 2020 goals. The table below provides a concise, overall summary of the Group's progress within the four major focus areas of its *Sharing Beauty With All* programme, using 'strategic' performance indicators\*. The figures and activities relating to each focus area are shared in detail within the pages of this report.\*\*

#### Innovating sustainably

2020 TARGETS	2018 RESULTS	2017 RESULTS
<p>100% of L'Oréal products will have an improved environmental or social profile.</p> <p>Every time the Group creates or renovates a product, it will improve the product's environmental or social profile with regard to at least one of these four criteria:</p> <ul style="list-style-type: none"> <li>the new formula reduces the product's environmental footprint, particularly with regard to water use;</li> <li>the new formula uses renewable raw materials that are sustainably sourced or derived from green chemistry;</li> <li>the new product has a positive social impact;</li> <li>the new packaging has an improved environmental profile.</li> </ul>	<p><b>79%</b> of new or renovated products have an improved environmental or social profile.</p> <ul style="list-style-type: none"> <li>48% of new or renovated products now have an improved environmental profile due to a new formula with a lower environmental footprint.</li> <li>43% of new or renovated products now have an improved environmental profile due to a new formula incorporating renewable raw materials that are either sustainably sourced or respect the principles of green chemistry.</li> <li>31% of new or renovated products now have an improved social profile, as they incorporate raw materials from Sustainably Sourcing programmes.</li> <li>58% of new or renovated products now have an improved environmental profile due to packaging with a lower environmental footprint.</li> </ul>	76%

#### Producing sustainably

2020 TARGETS	2018 RESULTS	2017 RESULTS
L'Oréal will reduce the CO <sub>2</sub> emissions generated by its plants and distribution centres by 50% in absolute terms, compared to 2005.	<b>-77%</b> reduction in CO <sub>2</sub> emissions from plants and distribution centres since 2005.	-73%
L'Oréal will cut the CO <sub>2</sub> emissions linked to the transport of its products by 20% (in grams of CO <sub>2</sub> per sales unit per km), compared to 2011.	<b>-8%</b> reduction in CO <sub>2</sub> emissions linked to the transport of products (in gram of CO <sub>2</sub> per sales unit per km) since 2011 with 413,568 tonnes of CO <sub>2</sub> emitted in 2018.	-18%
L'Oréal will lower its water consumption by 60% per finished product, compared to 2005.	<b>-48%</b> decrease in water consumption of plants and distribution centres since 2005 (in litre/finished product).	-48%
L'Oréal will reduce its waste generation by 60% per finished product, compared to 2005.	<b>-37%</b> reduction in waste generated from plants and distribution centres since 2005 (in grams per finished product).	-37%
L'Oréal will send zero industrial waste to landfill.	<b>ZERO</b> waste to landfill from plants and distribution centres. All the Group's plants and distribution centres have achieved zero waste to landfill (exceeding regulatory requirements).	0.1%

\* Excludes acquisitions and sub-contracting.  
\*\* Social, social, environmental and health and safety data in this report was verified by PricewaterhouseCoopers Audit and are indicated throughout by symbols highlighting the level of audit assurance: (moderate) and (reasonable). Please refer to the methodological note and 2018 Assurance Report published in the 'Publications' available at: [www.loreal.com/sharing-beauty-with-all/resources](http://www.loreal.com/sharing-beauty-with-all/resources).

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RECOMMENDED DISCLOSURE DESCRIPTION

Describe the outcomes of the company's policy on climate change, including the performance of the company against the indicators used and targets set to manage climate-related risks and opportunities.

WHY IS THIS CONSIDERED GOOD REPORTING PRACTICE?

The example presents a breakdown of achievements related to a climate-related goal set for the company's board, with the results receiving a quantified achievement rate. This shows that climate change mitigation is integrated into the board's goals and into the company's remuneration policy.

PREPARER PERSPECTIVE

- SCOR quantifies its achievement of climate-related goals.
- Clearer information on the 2018 targets set for the board, instead of comparison to previous year results or stand-alone information, would improve transparency.

USER PERSPECTIVE

- SCOR provides clear information on the percentage of the board's incentive that depends on climate-related goals.
- The reported information is presented in an easy-to-read format.
- More details on how the achievement rate is measured, used and assessed would contribute to better overall understanding of the reported information.

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**02 REPORT ON CORPORATE GOVERNANCE**  
Executive compensation and share ownership

Category	2018 Objectives description	Achieved result	Achievement rate
Corporate Social and Environmental Responsibility/ Fight against climate change (10%)	Implement the Group Climate Policy	On the basis of the Climate Policy defined last year, the Chairman and Chief Executive Officer continued the Group's actions in the fight against climate change. Many systems have been successfully deployed such as: <ul style="list-style-type: none"> <li>25% reduction in carbon intensity by the end of 2018 (baseline: 2014), compared to a 15% reduction target by 2020;</li> <li>multiplication by 2.5 of the carbon emissions offset by the acquisition of certified credits;</li> <li>extension of the coal divestment policy to the 120 largest developers (Global Coal Exit List);</li> <li>implementation of a sectoral coal exclusion policy for P&amp;C underwriting;</li> <li>implementation of a sectoral exclusion policy related to tobacco, both in terms of investments and P&amp;C underwriting, in line with the Group's support for Tobacco-Free Finance Pledge;</li> <li>adherence to the PSWWF/Unesco Declaration on the Protection of the World Heritage of Humanity and implementation of associated policies for both investment and P&amp;C underwriting.</li> </ul> The Board of Directors notes the very significant progress made by the Group in terms of climate policy, beyond the objectives set, in line with the strong involvement of the President and Chief Executive Officer.	135%
Corporate Social and Environmental Responsibility/ Human Capital Management (10%)	Broadening and deepening of the Group's talent pool, including the development of SCOR's employer brand Conduct a policy of active career and skill management	Under the leadership of the Chairman and CEO, the Group pursued an active employee development policy with 98.5% of employees having received training during the year. In addition, more than 85% of employees will have been covered by the internal process of Strategic Talent Workforce Review (STWR), allowing management to have a broad view of everyone's skills and aspirations, to prepare succession plans and to promote internal promotion. Thus, the Group has experienced 8 internal promotions at the top management level (EGP-SGP) against only one external recruitment, attesting to the depth of its talent pool. Finally, the Group successfully deployed its employer brand, with the deployment of a proactive communication campaign between late 2018 and early 2019 using internal and external social networks. This campaign has made it possible to significantly increase the number of SCOR followers on social networks. The Board of Directors notes the high quality of the Group's human capital management and the fact that it has exceeded its objectives.	140%

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- Governance
- Strategy
- Risk management

Metrics and targets

- Allianz
- ABN AMRO
- L'Oréal
- M&S
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# REPORTING PRACTICES TO AVOID

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# Reporting practices to avoid

The PTF-CRR review identified several reporting practices to avoid, such as producing generic information, reporting without prior materiality assessment and reporting without a common narrative. Issues with coherence and transparency were also noted.

### Generic information

Generic information makes it hard for users to evaluate the scope of commitment to climate change. Examples of generic information are:

- Policy formulation without specific details.
- Communication of commitments to climate-related initiatives without sufficient relevant information on how to achieve it.

Generic information does not provide enough details for a reader to assess a company's commitment and ambitions.

### Insufficient operationalisation

Being able to act on climate-related commitments, including having sufficient resources and management structures in place, is crucial for achieving the objectives that companies express in their reports. Examples of insufficient operationalisation are:

- Insufficient information on actions related to climate-related risks and opportunities.

- Poor definition of management's role in assessing and managing climate-related risks and opportunities.
- Lack of clarity on the board's oversight of climate-related risks and opportunities.

### Missing outcomes and impacts

Examples of missing outcomes and impacts are:

- Failure to report the outcome of scenario analysis.
- Failure to address positive and negative impacts of climate-related aspects on the company's business model.

Without sufficient detail on the outcomes and impacts found using scenario analysis, nor on the company's response to managing these, the reader may not have sufficient information to assess whether or not the company has the appropriate processes in place to manage the outcomes and impacts.

### Poor connectivity of information

The review of climate-related disclosures has identified a lack of:

- Connections between various elements of the report.
- References to supporting information elsewhere (such as a sustainability report, or greenhouse gas report).

- References to national and international commitments, such as the Paris Agreement or the UN SDGs.

Disclosure elements that are connected provide additional information and reinforce each other, establishing a more complete picture of the organisation's approach to assessing and managing climate-related risks and opportunities. For example, an organisation's strategy disclosures may provide insight into how it has chosen to respond to key climate-related risks and opportunities.

### Lack of supporting information

The review also found that statements made were not sufficiently underpinned by supporting information, for example:

- Disclosures on scenario analysis are not linked to a description of the methodologies used.
- Disclosures often lack a clear identification and description of climate-related risks in the short, medium and long term.

Supporting information is helpful for users trying to understand the risk assessment process of the company and whether or not the company's responses to the identified risks are appropriate.

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## HOW TO IMPROVE CLIMATE-RELATED REPORTING

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CLIMATE-RELATED REPORTING PRACTICES

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[Directive 2014/95/EU – the EU Non-financial Reporting Directive](#)

[European Commission guidelines on non-financial reporting, June 2017](#)

[Recommendations of the Task Force on Climate-related Financial Disclosures, June 2017](#)

[European Commission Guidelines on reporting climate-related information, June 2019](#)

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# ACRONYMS AND ABBREVIATIONS

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# Acronyms and abbreviations

2°C	2° Celsius
ADEME	French Environment & Energy Management Agency
BNEF	Bloomberg New Energy Finance
IIRC	International Integrated Reporting Council
Cap (large-cap, mid-cap or small-cap)	Market capitalisation (large, medium or small)
C2ES	Centre for Climate and Energy Solutions
CDP	Formerly Carbon Disclosure Project
CDSB	Climate Disclosure Standards Board
COP21	21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC). See also <i>Paris Agreement</i> below.
CRR	Climate-related Reporting
EBRD	European Bank for Reconstruction and Development
E P&L	Environmental profit and loss account
ESG	Environmental, social and governance
European Lab	European Corporate Reporting Lab @EFRAG
European Lab SG	European Lab Steering Group
FSB	Financial Stability Board
G20	Group of Twenty nations
GeSI	Global e-Sustainability Initiative
GHG	Greenhouse gas
GICS	Global Industry Classification Standard
GRI	Global Reporting Initiative
I4CE	Institute for Climate Economics
IAMs	Integrated Assessment Models
IAS/IFRS	International Accounting Standards/International Financial Reporting Standards

IEA	International Energy Agency
IIGCC	Institutional Investors Group on Climate Change
IPCC	Intergovernmental Panel on Climate Change
KPI	Key Performance Indicator
MIT	Massachusetts Institute of Technology
NBGs	European Commission's non-binding guidelines on non-financial reporting
NFRD	Directive 2014/95/EU – the EU Non-Financial Reporting Directive
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
Paris Agreement	Paris Agreement under the United Nations Framework Convention on Climate Change (also called Paris Climate Agreement or COP21)
PRI	Principles for Responsible Investment (PRI)
PTF-CRR	European Lab Project Task Force on Climate-related Reporting
RCP	Representative Concentration Pathway
SASB	Sustainability Accounting Standards Board
SBT; SBTI	Science Based Targets; Science Based Targets Initiative
SDGs/UN SDGs	Sustainable Development Goals of the United Nations General Assembly
SDS	Sustainable Development Scenario
TCFD	Task Force on Climate-related Financial Disclosures
TRE	Thomson Reuters Eikon
UN	United Nations
UNGC	United Nations Global Compact
UNEP	United Nations Environment Programme
VaR	Value at Risk
WEM	World Energy Model

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