EU Environmental Reporting Handbook

What does environmental reporting look like in line with the EU Non-Financial Reporting Directive?
About the Climate Disclosure Standards Board and CDP

CDSB’s mission is to create the enabling conditions for material climate change and environmental information to be integrated into mainstream reports. This facilitates the assessment of the relationship between specific environmental matters and the organisation’s strategy and financial performance for the benefit of investors.

CDSB does this by offering companies the CDSB Framework for reporting natural capital and environmental information with the same rigour as financial information. The CDSB Framework helps companies to provide investors with decision-useful environmental information via mainstream corporate reports, enhancing the efficient allocation of financial capital in support of sustainable and climate-resilient economies. Regulators also benefit from the compliance-ready materials that CDSB produces.

The CDSB Framework is composed of seven guiding principles and twelve reporting requirements. These set out the how and the what, respectively, for reporting relevant and material environmental and climate-related information in mainstream annual reports.

For more information, visit cdsb.net or follow us @CDSBGlobal.

We welcome your input and discussions. If you would like to comment on this document, please contact us at info@cdsb.net.

CDP wants to see a thriving economy that works for people and planet in the long term. To achieve this, it focuses investors, policymakers, companies, cities, states and regions on taking urgent action to build a truly sustainable economy.

CDP runs a global disclosure system that enables companies, cities, states and regions to measure and manage their environmental risks, opportunities and impacts. More than 8,400 companies respond to CDP’s climate change, water security and forests questionnaires annually at the request of more than 525 investors with US$96 trillion in assets and 125 large purchasing organisations. CDP provides data users with critical financial and non-financial information to integrate sustainability into their investment and decision-making processes.

CDP’s questionnaires gather both qualitative and quantitative information from across governance, strategy, risk, impact and performance. To aid comparability and ensure comprehensiveness, CDP includes sector-specific questions and data points; for example, the climate change questionnaire incorporates sector-specific questions for high-impact sectors, such as agricultural commodities, oil and gas, cement, and transport services. In 2018, CDP aligned its climate change questionnaire with the TCFD.

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Chapter 1

Introduction
Introduction

Recent years have seen an increased appreciation of the need for decision-useful environmental, social and governance (ESG) information to help drive sustainable financial markets. As we obtain a better understanding of the potential risks associated with climate change and environmental degradation, companies are expected to provide evidence of how they are responding, to strengthen decision-making by investors, lenders, and insurers in allocating capital and in underwriting risks.

A large number of initiatives have emerged, many with the shared intention to improve the quality and consistency of corporate reporting. In Europe, one of the most significant developments has been the transposition of the Non-Financial Reporting Directive, and its entry into force in Member States legislation. It seeks to facilitate ‘relevant, useful and comparable information by undertakings’.

The Directive 2014/95/EU on the Disclosure of Non-Financial and Diversity Information (the NFR Directive) requires certain large companies to disclose information. More specifically, the NFR Directive requires these companies to disclose information on their business models, policies, risks and outcomes as regards to environmental matters, social and employee aspects, respect for human rights, anti-corruption and bribery issues, and diversity in their board of directors. The disclosures required on these matters should be “to the extent necessary for an understanding of the undertaking’s development, performance, position and impact of its activity relating” to these matters. Companies meeting the criteria for disclosure were required to disclose such information in a non-financial statement for the financial years commencing on or after 1 January 2017. As part of the European Green Deal, the European Commission will review the NFR Directive in 2020.

This Handbook follows on from CDSB and CDP’s First Steps review of corporate climate and environmental disclosure under the EU Non-Financial Reporting Directive, and is an update to the EU environmental reporting handbook published in 2016. To demonstrate how companies have responded to the NFR Directive, this Handbook contains annotated examples of disclosures on environmental matters from annual reports of select European companies.

The examples are drawn from different sectors and across the five content categories of the NFR Directive to assist companies in understanding what reporting looks like in line with the NFR Directive, and how they can enhance their own disclosures. Suggestions made throughout the Handbook provide additional tips and offer examples of decision-useful information. While the examples are focused on environmental matters, the conclusions from the analysis may also be useful for reporting other non-financial information.

Each section is also mapped to the corresponding requirements of the CDSB Framework for reporting environmental information⁵, the recommendations of the Task Force on Climate-related Financial Disclosure⁶, and relevant questions of the CDP Climate Change Questionnaire⁷. This mapping is intended to help reduce the reporting burden for companies, demonstrate commonalities and synergies, and to ensure that information is connected across various reporting channels.

About the EU Non-Financial Reporting Directive

Where to report?

Companies required to disclose under the NFR Directive are expected to include a non-financial statement in the management report or the consolidated management report i.e. annual report for corporate groups. This shall also, where appropriate, include references to, and additional explanations of, amounts reported in the consolidated financial statements.⁸

Reporting non-financial information in annual reports allows investors to assess the relationship between specific non-financial matters and an organisation’s overall strategy, performance and prospects. As a result, a more holistic picture of the inter-relationships between factors that affect their ability to create value is provided.

There is no specific requirement on where information should be disclosed in the annual report, i.e. a separate section in, or throughout, the annual report. The NFR Directive⁹ further states that if a company prepares a separate report corresponding to the same financial year, Member States may exempt the undertaking from reporting this information in their annual report as long as the separate report is published within a reasonable period of time, not exceeding six months. In all instances, companies are required to comply with applicable national legislation.

What to report?

Under Article 18(a) and Article 28(a), companies are expected to disclose the following information under five content categories (specified in a) to e) below):

1. “Information to the extent necessary for an understanding of the group’s development, performance, position and impact of its activity relating, to a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:
   (a) a brief description of the [undertaking/group’s] business model;
   (b) a description of the policies pursued by the [undertaking/group] in relation to those matters, including due diligence processes implemented;
   (c) the outcome of those policies;”

2. ⑩


8. Ibid


10. Ibid


Related corporate reporting developments
Since the requirements of the NFR Directive were introduced into national legislation across the EU Member States, a number of new initiatives have emerged that are intended to support and evolve corporate reporting. Some of these initiatives are mutually reinforcing with the NFR Directive.

The recommendations of the Task Force on Climate-related Financial Disclosure (TCFD): In June 2017, the TCFD’s Final Report outlined eleven recommended disclosures and seven principles for effective disclosure, designed to solicit consistent, comparable, decision-useful and forward-looking information on the financial impacts of climate-related risks and opportunities.


Technical expert group on sustainable finance (TEG): The TEG, set up by the EC in July 2018, aims to assist in the development of the EU taxonomy, an EU Green Bond Standard, climate disclosure benchmarks and guidance to improve corporate disclosure.

European Corporate Reporting Lab: The European Financial Reporting Advisory Group (EFRAG) was tasked by the European Commission to set up the European Corporate Reporting Lab to stimulate innovations in the field of corporate reporting in Europe by identifying and sharing good practices. The Lab has produced its report on examples of good practice and scenario analysis in relation to climate change reporting under the NFR Directive and the TCFD recommendations.

For a more comprehensive summary of the various initiatives and policy updates, please refer to the CDP publication “CDP and the EU Action Plan on Sustainable Finance”.

16 European Reporting Lab, Project Task Force on Climate-Related Reporting, How to improve climate-related reporting (2020).
17 CDP, CDP and the EU Action Plan on Sustainable Finance: Outlining how CDP can help companies, investors, cities, regions and policymakers to deliver the EU’s climate and environmental targets (2019).
Background

The CDSB Framework\(^\text{18}\) sets out an approach for reporting environmental and climate information through mainstream reporting channels, such as the management report (i.e. annual report) referenced in the NFR Directive. The CDSB Framework’s reporting requirements and principles has been used as criteria for identifying appropriate examples of reporting practice that satisfy the environmental requirements of the NFR Directive.

The following examples of good practice and recommendations for companies are presented in five sections. Each section corresponds to one of the five content categories outlined in Article 19(a) and its equivalent in Article 29(a) of the Accounting Directive (2013/34/EU). The content categories are also mapped to the corresponding requirements of the CDSB Framework, the TCFD recommendations, and the relevant questions of the CDP Climate Change Questionnaire to demonstrate commonalities and synergies across the reporting frameworks and standards.

Coverage of annual reports

The annual reports analysed contain the following companies incorporated in EU Member States, and covers a broad range of European countries.

<table>
<thead>
<tr>
<th>Annual reports analysed</th>
<th>TCFD Industry sector</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anheuser-Busch InBev Sa/Nv</td>
<td>Agriculture, Food and Forest Products</td>
<td>Belgium</td>
</tr>
<tr>
<td>Bankia</td>
<td>Banks</td>
<td>Spain</td>
</tr>
<tr>
<td>Daimler AG</td>
<td>Transportation</td>
<td>Germany</td>
</tr>
<tr>
<td>Generali Group</td>
<td>Insurance</td>
<td>Italy</td>
</tr>
<tr>
<td>MOL Group</td>
<td>Energy</td>
<td>Hungary</td>
</tr>
<tr>
<td>Mondi Group</td>
<td>Agriculture, Food and Forest Products</td>
<td>Austria</td>
</tr>
<tr>
<td>ORLEN Group</td>
<td>Energy</td>
<td>Poland</td>
</tr>
<tr>
<td>PostNord AB</td>
<td>Other</td>
<td>Sweden/Denmark</td>
</tr>
<tr>
<td>Royal DSM</td>
<td>Materials and Buildings</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Société Générale</td>
<td>Banks</td>
<td>France</td>
</tr>
<tr>
<td>Standard Chartered Group</td>
<td>Banks</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Volvo Group</td>
<td>Transportation</td>
<td>Sweden</td>
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(a) A brief description of the undertaking’s business model

The following examples illustrate the way in which some companies communicate their business model. Many of these descriptions are in line with the International Integrated Reporting (IR) Framework’s input, activities, output, outcome model by describing how various capitals are transformed by the business.\(^\text{19}\)

As outlined in the EC’s Guidelines on non-financial reporting, the business model should describe “an overview of how a company operates and the rationale of its structure, by describing how it transforms inputs into outputs through its business activities. In more simple terms, what a company does, how and why it does it.”\(^\text{20}\)

For further guidance on business model, companies are also encouraged to refer to the relevant sections of the CDSB Framework, CDP Climate Change Questionnaire and relevant core element(s) of the TCFD recommendations as shown in the table below.

<table>
<thead>
<tr>
<th>CDSB Framework requirements</th>
<th>CDP Climate Change Questionnaire</th>
<th>TCFD recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>REG-02 Management’s environment policies, strategy and targets</td>
<td>Business Strategy (C.3)</td>
<td>Strategy</td>
</tr>
</tbody>
</table>

Recommendations for companies to enhance business model disclosures

- Apply the guidance and structure of the IR Framework to demonstrate how value is created using the different capitals as inputs and outputs. The input, output, outcomes model from the IR Framework provides a clear and understandable structure for this information.
- Link the business model to the company’s strategy and policies to provide a broad understanding of how the company operates.
- Describe the contextual information about the main trends and facts that could affect the business, as it is helpful and can be used to explain the company’s policies and strategies.
- Present the Key Performance Indicators (KPIs) as part of the business model to explain the links between organisational strategy, policy outcomes and performance.

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\(^\text{18}\) Climate Disclosure Standards Board, CDSB Framework for reporting environmental and climate change information (2019).


Our purpose and the value creation

Generali Group describe the inputs to the business, including those related to natural capital.

The business model also links to the company’s vision and strategy.

Our sustainable value creation is reflected in an integrated offering of Life, P&C and Asset Management products, which is fundamental for customers who seek complete solutions to protect their quality of life, now and in the future.

We distribute our products and we offer our services based on a multi-channel strategy: the guidance of our agents will be essential to provide our customers with customized products that meet their needs, including with the support of new technologies.

FINANCIAL CAPITAL

HUMAN CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

INTELLECTUAL CAPITAL

MANUFACTURED CAPITAL

NATURAL CAPITAL

Our strategy

In defining its new strategic plan, Generali has identified a new purpose representing an evolution of its previous vision and mission:

Enable people to shape a safer future by caring for their lives and dreams

It is the essence of what Generali does for its clients every day.

EXTERNAL

CONTEXT

CHALLENGES AND OPPORTUNITIES

The Generali 2021 strategy, p. 16-17

Deliver on the promise

At 31 December 2018, Generali reached and surpassed its financial targets of more than €7 billion in cumulative net operating cash in the 2015-2018 period and an average operating return on equity of more than 13%. The proposed 2019 dividend per share will enable Generali to reach and exceed the target of more than €5 billion in cumulative dividends in the 2015-2018 period:

> €7 bln cumulative net operating cash 2015-2018

> €5 bln cumulative dividends 2015-2018

> 13% average operating RoE 2015-2018

Value our people

We value our people, encourage diversity and invest in continuous learning and growth by creating a transparent, cohesive and accessible working environment. Developing our people will ensure our company’s long-term future.

Human capital

Live the community

We are proud to belong to a global Group with strong, sustainable and long-lasting relationships in every market in which we operate. Our markets are our homes.

Social and relationship capital

Natural capital

Be open

We are curious, approachable and empowered people with open and diverse mindsets who want to look at things from a different perspective.

Social and relationship capital

Intellectual capital

This diagram provides a clear depiction of how the company creates value by describing the inputs, activities and outcomes. This provides a good overview of the company.

Further information from page 28 includes information about the business environment and macroeconomic context in which the company operates.
Investing in the future

As part of their business model section, Volvo Group provides contextual information about the main trends and factors that may affect their future development.

KPIs and outcomes are also disclosed here to demonstrate the interconnectedness between the business model, policies and outcomes.

A

Il our product development is based on the future needs of our customers. We will offer them products and services that help them support their customers with the most efficient transport solutions. The working environment for drivers and operators shall be pleasant and safe, and our products fuel-efficient with high productivity while fulfilling all requirements on emissions standards, safety standards, data protection and more.

New technology areas such as automated driving, electric vehicles and connectivity will reshape the industry and the society we live in. However, the speed of the transition is uncertain and we will therefore need to balance our product development investments between well-known and new technologies.

Automation, electromobility and connectivity have huge potential to raise productivity and safety and to reduce the environmental impact, but it will take time before we can fully utilize these opportunities. Our engineers need to continue to innovate and develop the well-known technologies to make engines and transmissions more fuel-efficient with lower emissions, to further reduce the weight of the vehicles, and make them more aerodynamic, and to ensure that the cabs are further adapted to the needs and demands of drivers and operators. Innovative ideas are equally important in well-known technologies and in new technologies. We firmly believe that there is still huge potential in well-known technologies. The Renault Trucks research and development project, Optifuel Lab 3, is one good example of the possibilities we see in well-known technologies (see page 53).

In parallel with developing well-known technologies, we have embarked on a journey toward increased automation, electromobility and connectivity. Each of these technology areas has the potential to impact the mobility of goods and people. When they converge, they will radically transform the transport industry. To ensure we remain on the forefront of these technology areas we have established three organizations focused on each of these areas. We also need to work more in partnerships with other companies, universities and suppliers to find the best solutions for the future. One good example of this is our cooperation around future sustainable mining (see page 52). Furthermore, we need to work even more integrated with our customers to ensure that the features we develop are useful for them and that we can work together to develop the new business models needed. The Vera project is a good example of this way of working (see page 22).

The trends are used to justify the company’s policies and strategies, with some information about future plans.

Volvo Group
Annual and Sustainability Report 2018

(b) A description of the policies pursued in relation to those matters, including due diligence processes implemented

To provide clarity on the information that may be reported in accordance with this content category, the recommendations and guidance from the CDSB Framework21 were explored. Information reported according to this content category may include, for example, strategies to respond to risks and opportunities, as well as policies and strategies supported through participation in, or endorsement of, sustainability initiatives, regulatory or voluntary schemes.

Policies are defined by the EC as those pursued in relation to the company’s approach, objectives and plans to address the key non-financial aspects.22 Specifically, due diligence is defined as the processes a company takes related to policies and risk management to ensure that they are able to deliver against the defined objective.23

For further guidance on environmental policy disclosures, companies are also encouraged to see the relevant sections of the CDSB Framework, CDP Climate Change Questionnaire and core elements of the TCFD recommendations as shown in the table below.

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<tbody>
<tr>
<td>REG-Q1 Governance</td>
<td>Governance (C.1)</td>
<td>Governance Strategy</td>
</tr>
<tr>
<td>REG-Q2 Management’s environmental policies, strategy and targets</td>
<td>Risks and Opportunities (C.2)</td>
<td>Risk Management</td>
</tr>
<tr>
<td>REG-Q6 Outlook</td>
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Recommendations for companies to enhance policy disclosures:

- Outline the policies clearly and include a rationale.
- Use materiality assessments and stakeholder engagement to provide a rationale for the policies.
- Link the company’s policies to the strategy, including the processes and actions the company plans to take (due diligence).
- Clearly explain how these policies and strategies relate to, or support, the company’s overall company-wide policies and strategies.
- Link the policies to the relevant targets, which should also have a clear timeline and attached KPIs. This demonstrates how the company plans to measure and monitor the policies.
- Consider providing a forward-looking statement which looks at the future impact of these policies and strategies. This might include trends and factors that might affect the company’s future performance.

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23 Ibid
**Royal DSM**

**Integrated Annual Report 2018**

We use our bright science to create solutions for people today. We are sharpening our focus and connecting our purpose, most innovative customers, and build the right relationships more appealing to investors, attract the best talent and the businesses need to balance the need to generate profitable growth with the need to play a positive role in the world. Ultimately, we aspire to be a company for all, creating value for all our stakeholders — customers, employees, shareholders, and society at large — and building a stronger legacy and brighter future for generations to come. This is important because:

- Customers prefer to work with suppliers who share their values
- Employees seek meaning in their work and increasingly want to make a positive contribution
- Shareholders prefer to invest in companies that demonstrate beneficial social and environmental impact alongside a solid financial return

By ensuring that these objectives go hand-in-hand, we will be able to achieve:

- More sustainable: by future-proofing our operations and reducing risk exposure and costs, through working with our value chains to reduce emissions and deal responsibly with energy and other resources
- More growth: by identifying consumer needs and responding with differentiated, science-based innovations, we can make a collaborative contribution to the Sustainable Development Goals together with our customers
- More engagement: by building employee motivation, connecting with ESG-committed investors, and advocating for the future we want for industry and society

There is a description of the company’s policies which are linked to initiatives and an engagement strategy with stakeholders.

**Acting on our purpose**

We make change happen in three ways:

- Improve: we improve and adapt our own operational impact by further improving safety, decreasing our emissions and stepping up our use of renewable energy
- Enable: we enable our customers and partners to deliver sustainable and healthy solutions for the planet and society
- Advocate: we advocate for the future we believe in and fully accept our responsibilities as a member of society.

We recognize the increased scale and impact of private companies in the global economy. Therefore, we take an integrated approach to our responsibilities. Our Brighter Living Agenda brings together many existing purpose-led initiatives and creates an actionable framework for further engagement with our stakeholders.

**Purpose drives performance**

By focusing on our purpose, we show that it is not only possible but actually beneficial to grow sustainably. We aim to achieve:

- More sustainability: by future-proofing our operations and reducing risk exposure and costs, through working with our value chains to reduce emissions and deal responsibly with energy and other resources
- More growth: by identifying consumer needs and responding with differentiated, science-based innovations, we can make a collaborative contribution to the Sustainable Development Goals together with our customers
- More engagement: by building employee motivation, connecting with ESG-committed investors, and advocating for the future we want for industry and society

There is a link between the policies and the performance, with some details provided about the company’s planned strategies.

**Anheuser-Busch InBev Sa/Nv**

**Annual Report 2018**

Our 2025 Water Goal aims to ensure that 100% of our communities in high stress areas will have measurably improved water availability and quality.

**ADVANCING WATER STEWARDSHIP**

As water resource challenges become increasingly magnified by climate change, we continue to ramp up our water stewardship efforts, taking an outward-in approach and seeking knowledge from key experts and major water conservation organizations. Coupling their guidance with our scale and management systems allows us to ensure a reliable, clean supply of water for both our operations and our local communities.

Our 2025 Water Goal aims to ensure that 100% of our communities in high stress areas will have measurably improved water availability and quality. This ambition correlates directly with UN Sustainable Development Goal #6 and aims to tangibly improve watershed health and livelihoods.

**A results-based approach to watershed protection**

Striving for measurable improvement in water availability and quality in high risk communities is a bold commitment—one that is grounded in our core belief that water security is a priority challenge to global sustainable development. We plan to lead a corporate shift toward measurability and accountability, ensuring that our local investments and programs translate into lasting impacts on water quality and availability for our communities and operations around the world.

To establish baselines for measurement and tracking initiatives, we piloted watershed protection benchmarking initiatives in Mendoza, Zacatecas, Lusaka and Cape Town. We will apply our findings to the rest of high-stress sites by 2020 and share the results with our NGO and local community partners as well as our peers.

The disclosure goes beyond climate change and describes policies in regards to water stewardship. This is also linked to social policies including work in local communities.

A high-level KPI is provided alongside the policy, allowing the reader to have a better understanding of the company’s targets.

There are not yet measurable indicators disclosed which are attached to this policy, however the company has made it clear that they are working towards establishing a baseline through participation in benchmarking initiatives.
(c) The outcome of those policies

The outcomes should present the performance of the company against the policies that were outlined in content section (b). This information should be presented using qualitative or quantitative information, as appropriate, to provide the reader with a clear indication of the company’s performance.

For further guidance on outcomes of environmental policy disclosures, companies are also encouraged to see the relevant sections of the CDSB Framework, CDP Climate Change Questionnaire and core elements of the TCFD recommendations as shown in the table below.

<table>
<thead>
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<th>TCFD recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>REQ-02 Management’s environmental policies, strategy and targets</td>
<td>Targets and Performance (C.4)</td>
<td>Metrics and Targets</td>
</tr>
<tr>
<td>REQ-05 Performance and comparative analysis</td>
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</table>

Recommendations for companies to enhance outcome disclosures

- Present results alongside the policies, strategies and targets to demonstrate how this information is interconnected.
- Explain how the outcomes will influence future plans and strategies.
- Relate the actions taken in line with the policies, including the results of these actions.
- Present the outcomes as a narrative and/or as quantified data using KPIs.
- Provide quantitative performance data for multiple years to allow for comparative analysis.
- State the underlying methodologies where quantitative data is used, detailing any changes to the methodology between reporting periods which may affect the results.
- Make the information clear and concise, using visuals, i.e. graphs, charts, diagrams.
- Provide explanations for any significant changes in the results, both positive and negative, and justify any missing data.

PostNord AB provide a clear time-bound goal with a baseline.

PostNord’s total carbon dioxide emissions will reduce by 40 percent in relation to 2009 levels.

Results: At the end of the year, PostNord’s carbon dioxide emissions had reduced by 35.12 percent in relation to 2009. The reduction in 2018 was 3.18 percent.

Comment: PostNord’s climate goals, which are expressed in absolute terms, are extremely challenging as production in terms of numbers of parcels shipped is steadily increasing. The reduction in emissions during the year is a good step towards achieving our 2020 climate goal. This is a outcome we are very satisfied with, particularly in view of the increasing volume of parcels and legislation on biodegradable materials that is curbing the use of high-island biodegradable materials.

The company describes the actions that they have taken and the outcomes of these actions. In some cases they also link these outcomes to future plans, demonstrating that the outcomes are used to inform future strategies.
Daimler AG
Annual Report 2018

Clean air
Target
In addition to climate protection, the improvement of inner-city air quality will continue to be an important environmental consideration in the future. Traffic still accounts for a considerable share of nitrogen oxide pollution near roads. Our fundamental goal is to fulfill emission requirements as far in advance as possible and to reduce potential risks for human beings and the environment.

Measures
Cutting-edge technologies are enabling us to steadily reduce the pollutant emissions of our cars and commercial vehicles. In doing so, we have set our sights not only on conventional gasoline and diesel engines but also on hybrid vehicles that combine conventional and electric drive technologies.

The introduction of the new diesel engine families consisting of the OM654, the OM656 and the OM658, as well as the increasing electrification of drive systems, will greatly help us to reach the emission targets.

Our plan for the future of diesel engines also includes the development of software updates for a total of more than three million vehicles owned by customers - significantly more than one million of which are in Germany. With the updates, we are improving the NOx emission performance of our vehicles under real driving conditions by an average of 25 to 30%. Verification is with the use of the measuring cycles approved by the authorities (WLTC 1, 2, 3).

After talks with the German Federal Ministry of Transport and Digital Infrastructure (BMVI) in June 2018 and by order of the German Federal Motor Transport Authority (KBA), Daimler is carrying out a mandatory recall of approximately 650,000 vehicles in Europe (including approximately 280,000 in Germany). The great majority of these vehicles were already covered by Daimler’s program of voluntary service measures announced in July 2017. These measures are being implemented in close cooperation with Germany’s vehicle registration agencies.

Daimler supports the German federal government’s concept for clean air and the safeguarding of individual mobility. By means of an attractive incentive program in the defined priority regions, we are accelerating the renewal of the vehicle fleet. In this way, Daimler is making a significant contribution to the German government’s concept in order to avoid any disadvantages for drivers of diesel-powered cars.

Following the coalition decision, in early October 2018, Daimler also announced its intention to participate in a hardware retrofit program for diesel vehicles in the defined priority regions as part of the German government’s concept for clean air and the safeguarding of individual mobility. Within this context, Daimler is prepared to cover the cost of a hardware retrofitting up to a maximum value of €3,000 for Mercedes-Benz customers with Euro 5 diesel vehicles in the defined priority regions. The retrofitting must be developed and offered by a third-party supplier and approved by the German Federal Motor Transport Authority (KBA). In addition, it must demonstrably authorize entry into certain cities, including driving on roads affected by the driving ban. Daimler’s aim is to promote the interests of its customers by creating transparency as to which hardware solutions third-party suppliers can offer, and when.

Result
Mercedes-Benz vehicles powered by the new diesel engines (OM654, OM656 and OM658) emit between 40 and 65 milligrams of nitrogen oxide (NOx) on average – during thousands of kilometers of driving on the road and under the conditions specified by the Real Driving Emissions (RDE) test. These figures are significantly lower than the current RDE emissions limit of 80 milligrams per kilometer multiplied by the correlation factor 2.1 (Level 1). The correlation factor was determined by an EU regulation to cover the usually higher nitrogen oxide emissions in real operation for new vehicle types until the end of 2019.

The lower values are made possible by an innovative overall package consisting of the engine and the exhaust aftertreatment system. This package was launched with the new engine generation in 2016 and is being continually enhanced. The very good results have been repeatedly confirmed in road tests by organizations such as DITRA and TÜV, as well as by various trade magazines.

The outcomes of these policies are concisely summarised, with information about the results of the company’s actions. This includes an explanation and justification of why the outcomes were as such.

Standard Chartered Group
Annual Report 2018

Managing our environmental footprint
We aim to reduce the direct environmental impact of our operations, namely our branches and offices, which use paper, water and energy, and generate greenhouse gas emissions and produce non-hazardous waste. We do not produce material quantities of hazardous waste, and therefore do not measure or report on the production or handling of hazardous waste.

In 2008, we set long-term targets to reduce energy and water use by 2019. This year, we achieved our energy target for properties in temperate climates one year early. Overall, we reduced energy consumption by 45 per cent between 2008 and 2018 through measures including LED lighting, effective space management and more efficient use of fans, chillers and boilers.

We are committed to managing water responsibly and reduced water use by 57 per cent between 2008 and 2018. We achieved this through a range of initiatives including ultra-low flow water devices. Although we have made good progress, we are currently not on track to achieve our target of 72 per cent reduction by 2019. Recognising that achieving the last part of the target will be the most challenging, we are working across our properties to find innovative ways to achieve the target. We did not have any issues sourcing water that is fit for purpose in 2015.

We aim to minimise waste and continued to reduce plastic use by introducing bio-degradable containers and cutlery into our on-site restaurants. We also extended our re-useable cup initiative to other geographies including the US and the UAE. It has saved more than 500,000 single-use cups since 2017. Rather than send non-recyclable waste to landfill, we aim to compost it or use it in energy generation. In total, these measures resulted in a 46 per cent of waste being recycled or reused in 2018 – up from 24 per cent in 2017.

Annual energy use of our property (kWh/m²/year)

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<thead>
<tr>
<th>Climate</th>
<th>2018</th>
<th>2019</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tropical</td>
<td>355</td>
<td>355</td>
<td>355</td>
</tr>
<tr>
<td>Temperate</td>
<td>230</td>
<td>230</td>
<td>230</td>
</tr>
</tbody>
</table>

1. Tropical energy usage relates to cooling; temperate energy usage relates to both heating and cooling.

The results are also described within the narrative. In some cases the results then provide context for future plans.
(d) The principal risks related to those matters linked to the undertaking’s operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks

Companies are required to disclose the principal risks, including how the company intends to manage and mitigate them.26 The environmental risks that may be disclosed, as listed in the CDSB Framework, could consider the potential implications for the company in terms of operations, supply chain, financial results or ability of the company to achieve the strategic objectives.27

For further guidance on principal risk disclosures, companies are also encouraged to see the relevant sections in addition to mitigation strategies in place or planned.

Risks associated with climate change (2) do not represent a new risk category, but rather an aggravating factor for the types of risks already existing in the Bank’s risk management system (credit and operational risks, risk related to insurance activities, etc.).

Since 2017, CORISQ (a General Management Committee that defines the Group’s risk strategy) has been informed about the risks associated with climate change. In defining credit risk appetite, CORISQ relies on the expertise of the CSR Department, which issues an opinion on environmental challenges for the business sectors concerned (for example the oil and gas sector, renewable energies, or the automotive sector).

In 2017, a mechanism for measuring the impact of a scenario related to the materialisation of climate change-related risks was integrated into the risk mapping presented to the Board of Directors’ Risk Committee.

The Climate CORISQ meeting of October 2018 strengthened governance with a view to increasing the credit risk management capacity in the appropriation of climate challenges. This same Committee has set itself the goal of:

- defining and maintaining benchmark scenarios, and has gradually been integrating a climate vulnerability assessment for each client in the sectors sensitive to transition risks;
- approving credit policy guidelines for portfolios sensitive to environmental challenges and policies that do not have dedicated supervision.

EVALUATION OF TRANSITION RISKS

The approach adopted to measure the additional credit risk due to the transition risk corresponds to a vulnerability indicator defined during the annual renewal of internal ratings. The quantification method is inspired by that developed by the United Nations Environment Programme Finance Initiative (UNEP-FI), to which Société Générale has contributed alongside 15 international banks.

A 2040 scenario analysis was conducted on the lending portfolio under an assumption of the identical extension of the loans and the non-adaptation of borrowers. The impact of a 2°C transition scenario compared with a scenario of no transition measures shows a low impact overall, but a concentrated impact on segments producing particularly high carbon emissions. These results are in line with those shared with other European and American banks.

The Group plans to roll out the assessment of the “climate vulnerability” indicator for clients in the following sectors: oil and gas, metals and mining, electric utilities, and transport. When a client is identified as vulnerable, the client relations manager must issue an opinion on the client’s ability to reduce this vulnerability (find all information on Risk typology in Chapter 4, p. 349).

The approach to identifying and assessing climate-related risk is outlined through the governance framework.

Future plans to address climate-related transition risk are briefly outlined.
It is clearly stated that sustainability risks are considered and included in the principal risks where relevant.

Mondi Group describe the materiality assessment it conducted to establish their principal risks.

Our principal risks

Over the course of the past year, the audit committee has reviewed key dating to the audit.

Key changes in the year

The majority of the Group’s most significant risks are long-term in nature and, in general, do not change significantly in the short term. The Group’s principal risks are unchanged from prior year. During the year, the Group reviewed the principal risks and the risk assessment process was updated to reflect the developments in its strategic priorities. In addition, during the year, further detail was added to the risks and implications around climate change and the UK’s exit from the European Union.

Year-on-year changes to the principal risks are described.

Each of the principal risks are outlined in more detail, including the potential risk to the company, and ways in which the risks are monitored, mitigated and assured.

1. Cost and availability of raw materials

Potential impact

Access to sustainable sources of raw materials is essential to our operations. The raw materials used by the Group include significant amounts of wood, pulp and paper for recycling, plastic and chemicals. The prices for many of these raw materials generally fluctuate in correlation with global commodity cycles.

Wood supply and availability may be adversely affected by reduced quantities of available wood supply that meet our standards for credibility, certified or controlled wood, the impact of climate change through increased frequency of severe weather events, changes in rainfall or increased incidence of pest and disease outbreaks. Reduced use of waste wood is possible.

We have access to our own sources in Russia and South Africa and we purchase wood, pulp and paper for recycling, pulp, and polymers to meet our needs in these regions of the Group’s operations. Where we source our raw materials in areas of weaker governance, we may face potential social and environmental risks related to waste, pollution, poor safety and labour practices and human rights issues.

Monitoring, mitigation, and where relevant, independent assurance activities

We are committed to sourcing our raw materials from sustainable, responsible sources and avoiding the use of any controversial or illegitimate supply. We are involved in multi-stakeholder processes to address challenges in achieving the global demand for sustainable, responsible fibre and we encourage collaboration supporting the local collection of recycled materials.

Sustainable management of our forestry operations is key in managing our overall social and environmental impact, helping to protect ecosystems, protect worker and community rights, and to develop resilient landscapes.

We have multiple suppliers for each of our operations and our centralized procurement team work closely with our operations in setting up longer term agreements with strategic suppliers. In Europe, we source our wood from diverse regions and forest types to mitigate the potential impacts of climate change on our wood supply.

We have developed an internal monitoring and risk assessment system. Responsible Procurement, to assess and evaluate the performance of our suppliers and their adherence to our Code of Conduct for Suppliers. Supplier performance is evaluated through questionnaires and audits.

We have built strong forestry management resources in Russia and South Africa to actively monitor and manage our wood resources in those countries. We continue to certify our forests with credible external certifications. In South Africa, we have free improvement programmes in places, which aim to produce stronger, more drought-resistant trees that are better able to resist disturbances such as drought, pests and diseases.

Environmental risks go beyond climate change and consider soil, water contamination, wastewater and waste management.
(e) Non-financial key performance indicators relevant to the particular business

Companies are required to disclose environmental information, which can be done through material narratives and inclusion of key performance indicators (KPIs), necessary to understand the company’s development, performance and impact of its activities. The KPIs may also refer to the company's policies and outcomes as defined through content categories (a) and (b) of NFR Directive.

For further guidance on non-financial KPIs, companies are also encouraged to see the relevant sections of the CDSB Framework, CDP Climate Change Questionnaire and core elements of the TCFD recommendations as shown in the table below.

<table>
<thead>
<tr>
<th>CDSB Framework requirements</th>
<th>CDP Climate Change Questionnaire</th>
<th>TCFD recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>REQ-01 Management’s environmental policies, strategy and targets</td>
<td>Targets and Performance (C.4) Emissions data (C.6)</td>
<td>Metrics and Targets</td>
</tr>
<tr>
<td>REQ-04 Sources of environmental impact</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Recommendations for companies to enhance non-financial KPI disclosures

- Use indicators that are material and reflect the business’ activities, policies and strategies.
- Link KPIs to targets that include a baseline and a timeline to help demonstrate how progress is measured and monitored.
- Differentiate KPIs from other performance indicators.
- Where appropriate, use the indicators defined by CDP, GRI and SASB and other recognised reporting standards and frameworks.

Bankia provide further information about the methodologies behind some of the calculations, in addition to the data sources.

Greenhouse gas (GHG) emissions have been broken down into Scope 1, 2 and 3, with further granularity.

Results are presented across multiple years to allow for a more detailed analysis of the company’s performance.

The KPIs are listed under each relevant topic and include a unit of measurement.

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MOL Group provide a summary of the material KPIs in the Integrated Report, with a link to a data library where more information can be gathered.

CONSOLIDATED SUSTAINABILITY PERFORMANCE DATA

Multi-year disclosure of more than 501 individual sustainability data points covering almost 100 indicators across six focus areas (Climate Change, Environment, Health & Safety, Human Capital, Communities, and Ethics & Governance) can be found at MOL Group’s Data Library.

Selected material indicators highlighted below:

<table>
<thead>
<tr>
<th>1. CLIMATE CHANGE</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Direct GHG (Scope 1)</td>
<td>million tonnes CO2 eq</td>
<td>6.09</td>
<td>7.80</td>
<td>7.23</td>
</tr>
<tr>
<td>Total Direct GHG (Scope 2) - Location-based</td>
<td>million tonnes CO2 eq</td>
<td>1.33</td>
<td>0.95</td>
<td>0.85</td>
</tr>
<tr>
<td>Total Direct GHG (Scope 3) - Market-based</td>
<td>million tonnes CO2 eq</td>
<td>1.38</td>
<td>1.18</td>
<td>1.09</td>
</tr>
<tr>
<td>Total Direct GHG (Scope 3)</td>
<td>million tonnes CO2 eq</td>
<td>59.13</td>
<td>64.08</td>
<td>62.45</td>
</tr>
<tr>
<td>Methane (CH4)</td>
<td>tonnes</td>
<td>0.29</td>
<td>0.31</td>
<td>0.30</td>
</tr>
<tr>
<td>Carbon Dioxide (CO2)</td>
<td>tonnes</td>
<td>1,471</td>
<td>1,034</td>
<td>1,019</td>
</tr>
<tr>
<td>Nitrogen Oxides (NOx)</td>
<td>tonnes</td>
<td>5,718</td>
<td>7,453</td>
<td>7,077</td>
</tr>
<tr>
<td>Sulphur Dioxide (SO2)</td>
<td>tonnes</td>
<td>637.1</td>
<td>129.1</td>
<td>578</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. ENVIRONMENT</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Indirect energy consumption</td>
<td>GJ</td>
<td>18,192,245</td>
<td>12,869,548</td>
</tr>
<tr>
<td>Total Direct energy consumption</td>
<td>GJ</td>
<td>83,552,569</td>
<td>96,116,908</td>
</tr>
<tr>
<td>Carbon Dioxide (CO2)</td>
<td>million tonnes</td>
<td>5.98</td>
<td>7.05</td>
</tr>
<tr>
<td>Methane (CH4)</td>
<td>tonnes</td>
<td>1,471</td>
<td>1,034</td>
</tr>
<tr>
<td>Nitrogen Oxides (NOx)</td>
<td>tonnes</td>
<td>5,718</td>
<td>7,453</td>
</tr>
<tr>
<td>Total Waste Generated</td>
<td>tonnes</td>
<td>252,926</td>
<td>208,628</td>
</tr>
<tr>
<td>Total Water Discharge</td>
<td>thousand m3</td>
<td>92,234</td>
<td>91,018</td>
</tr>
<tr>
<td>Total Water Withdrawal</td>
<td>thousand m3</td>
<td>85,176</td>
<td>96,324</td>
</tr>
<tr>
<td>Volatile Organic Compounds (VOC)</td>
<td>tonnes</td>
<td>4,695</td>
<td>4,503</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. HEALTH &amp; SAFETY</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Recordable Injury Rate (incl. contractors)</td>
<td>per 1 million hours worked</td>
<td>1.34</td>
<td>1.51</td>
</tr>
<tr>
<td>Lost Time Injury Frequency (incl. contractors)</td>
<td>per 1 million hours worked</td>
<td>24.3</td>
<td>28</td>
</tr>
<tr>
<td>Fatalities</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TIER 1 process safety events</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TIER 2 process safety events</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. HUMAN CAPITAL</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of women in total workforce</td>
<td>%</td>
<td>47</td>
<td>43</td>
</tr>
<tr>
<td>Average training cost per employee</td>
<td>HUF thousands</td>
<td>578</td>
<td>632</td>
</tr>
<tr>
<td>Average hours of training per employee</td>
<td></td>
<td>24.3</td>
<td>24.1</td>
</tr>
<tr>
<td>Employee turnover rate</td>
<td>%</td>
<td>12.4</td>
<td>10.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. COMMUNITIES</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of formal grievances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee volunteering</td>
<td>HUF million</td>
<td>578</td>
<td>632</td>
</tr>
<tr>
<td>In-kind giving</td>
<td>HUF million</td>
<td>24.3</td>
<td>24.1</td>
</tr>
<tr>
<td>Donations in cash</td>
<td>HUF millions</td>
<td>1285.3</td>
<td>1280.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6. ETHICS &amp; GOVERNANCE</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security Investigations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics Misconducts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics Concern Reports</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Multiple years provide enough information for comparative analysis. The metrics are mapped to the relevant GRI standard.
Tips for making effective disclosures of environmental matters under the EU NFRD

1. Ensure your disclosures are connected and coherent, linking information on environmental matters to overall corporate strategy, performance and prospects

Companies are presenting and describing the environmental matters and their overall corporate strategy, performance and prospects. Applying the concept of connectivity helps to show a holistic picture of the factors and relationships that affect an organisation’s ability to create value over time.

The 2018 First Steps review of 80 European companies’ annual reports found that companies have been able to disclose decision-useful information in line with the NFR Directive, however many do not make the connection between the information disclosed.29 For example, a report may make mention of environmental policies, without explaining the company’s strategies to implement them. Similarly, in some cases environmental targets/goals lack corresponding KPIs to show performance and progress towards them. Coherent and connected reporting demonstrates the relationships between vision, mission, risks, policies, strategies, targets and KPIs.

2. Ensure that your report is clear and concise

Ensuring your reporting is easy to navigate, read and search is important to aid user understanding. To achieve this, reports should be clear and straightforward, using plain language and consistent terminology, avoiding jargon and boilerplate text and, where necessary, defining technical terms. Data and narrative should be presented clearly and concisely in an easy to follow structure, using appropriate signposts and labelling. Illustrations, graphs and charts also make reports easy to read.

3. Go beyond climate change – environmental reporting is more than emissions reporting

For the requirements for reporting environmental matters, the NFR Directive refers to “details of the current and foreseeable impacts of the undertaking’s operations on the environment...the use of renewable and/or non-renewable energy, greenhouse gas emissions, water use and air pollution.”26

Significant progress has been made in reporting climate-related information, identifying emissions, methodologies, boundaries, omissions, but there are gaps in disclosures relating to other environmental matters. Some companies are, however, communicating material risks and opportunities associated with waste, air pollutants, water and commodities.

4. Apply guiding principles for effective disclosure of environmental information

Guiding principles are designed to ensure that environmental information in the mainstream annual report is decision-useful, accurate and complete and based on criteria that are suitable for conducting assurance activities, where appropriate. The guiding principles should be applied in determining, preparing and presenting environmental information. The CDSB Framework introduces the following guiding principles which are aligned to the TCFD’s seven principles for effective disclosure:

- Relevant and material – environmental information shall be prepared applying the principles of relevance and materiality.
- Faithfully represented – to ensure that information is complete, neutral and free from error in order to be useful.
- Connected with other information – to explain the links between the organisation’s governance, strategy, risk management and environmental performance.
- Consistent and comparable – to elicit information of value to investors in a way that is consistent so as to enable a level of comparability between similar organisations, reporting periods and sectors.
- Clear and understandable – to aid understanding by ensuring that disclosures are easy to navigate, read and research.
- Verifiable – to ensure information that forms the basis for disclosures is verifiable.
- Forward looking – to ensure that historic information in the mainstream report is complemented with narrative on the future impact of environmental information.

References and further reading

CDP, CDP and the EU Action Plan on Sustainable Finance. Outlining how CDP can help companies, investors, cities, regions and policymakers to deliver the EU’s climate and environmental targets

cdp.net/en/reports/downloads/4725

CDP, Climate Change Questionnaire and Guidance

cdp.net/en/guidance/guidance-for-companies

Climate Disclosure Standards Board, CDSB Framework for reporting environmental and climate change information

cdsb.net/sites/default/files/cdsb_framework_2019_v2.2.pdf

Climate Disclosure Standards Board and CDP, First Steps: Corporate climate and environmental disclosure under the EU Non-Financial Reporting Directive
cdsb.net/sites/default/files/cdsb_nfrd_first_steps_2018.pdf

Climate Disclosure Standards Board and Sustainability Accounting Standards Board, TCFD Implementation Guide
www.cdsb.net/bafd-implementation-guide

Corporate Reporting Dialogue, Driving Alignment in Climate-related Reporting: Year One of the Better Alignment Project

corporatereportingdialogue.com/p/publication/driving-alignment-in-climate-related-reporting/

European Commission, Guidelines on non-financial reporting (methodology for reporting non-financial information)
eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XC0620(01)&from=EN

European Commission, Guidelines on non-financial reporting: Supplement on reporting climate-related information

haur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019XC0620(01)

eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0959

eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32006L0043

European Reporting Lab, Project Task Force on Climate-Related Reporting, How to improve climate-related reporting efrag.org/Assets/Download?assetUrl=/sites/webpublishing/ SiteAssets/European%20Lab%20PTF-CRR%20%28Main%20Report%29.pdf


GRI Standards globalreporting.org/standards/

International Integrated Reporting Council, The International <IR> Framework

SASB Standards sasb.org/standards-overview/
