EU environmental reporting handbook

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

CDSB is an international consortium of business and environmental NGOs. We are committed to advancing and aligning the global mainstream corporate reporting model to equate the relevance of information about business’ use of and effect on natural capital with the relevance of information about financial capital for understanding corporate performance.

We do this by offering companies a framework for reporting environmental information with the same rigour as financial information. In turn this helps them to provide investors with decision-useful environmental information via the mainstream corporate report, enhancing the efficient allocation of capital. Regulators also benefit from compliance-ready reporting materials.

Recognising that information about natural capital and financial capital is equally essential for an understanding of corporate performance, our work builds the trust and transparency needed to foster resilient capital markets. Collectively, we aim to contribute to more sustainable economic, social and environmental systems.

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, formerly Carbon Disclosure Project, is an international, not-for-profit organization providing the global system for companies, cities, states and regions to measure, disclose, manage and share vital environmental information.

CDP, voted number one climate research provider by investors, works with 827 institutional investors with assets of US$100 trillion, to motivate companies to disclose their impacts on the environment and natural resources and take action to reduce them. More than 5,600 companies disclosed environmental information through CDP in 2015, of which nearly 1,800 companies disclosed to CDP Europe, part of the CDP worldwide network.

CDP now holds the most comprehensive collection globally of primary corporate environmental data and puts these insights at the heart of strategic business, investment and policy decisions.

For more information, visit cdp.net/europe or follow us @CDP.
Chapter 1

The Directive

The Directive 2014/95/EU on the disclosure of non-financial and diversity information (NFR Directive), amends the Accounting Directive 2013/34/EU to require certain large companies to disclose information on policies, risks and outcomes as regards environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues, and diversity in their board of directors.

Following its adoption by the European Parliament and the Council in 2014, EU Member States are required to transpose the NFR Directive into national legislation by 6th of December 2016.

As governments work on the transposition of the directive, this document sets out a series of examples from annual reports of European companies to show how companies could respond to these upcoming requirements.

The CDSB Framework sets out an approach for reporting environmental information through mainstream reporting channels, such as the management report referenced in the NFR Directive. We have therefore used the CDSB Framework’s reporting requirements and principles as criteria for identifying examples of reporting practice that meet the environmental reporting requirements of the NFR Directive. For each example, we identify helpful characteristics and also areas for improvement to increase the consistency, comparability and clarity of the reported information.
About the Non-Financial Reporting Directive

Where to report?
Affected companies have to include a consolidated non-financial statement in the
management report or the consolidated management report for corporate groups.
This shall also, where appropriate, include references to, and additional explanations of,
amounts reported in the consolidated financial statements.

There is no specific requirement on whether to report this information in a separate section in,
or throughout the annual report. The Directive states that if companies prepare a separate
report corresponding to the same financial year, Member States may exempt the undertaking
from reporting this information in their annual report. We encourage companies to report
non-financial information in their annual reports, as this allows investors to assess the
relationships between specific non-financial matters and an organization’s overall strategy,
performance and prospects, providing a more holistic picture of the relationships between
factors that affect their ability to create value.

What to report?
“Information to the extent necessary for an understanding of the group’s development,
performance, position and impact of its activity, relating to, as a minimum, environmental,
social and employee matters, respect for human rights, anti-corruption and bribery matters,
including:
(a) a brief description of the group’s business model;
(b) a description of the policies pursued by the group in relation to those matters, including due
diligence processes implemented;
(c) the outcome of those policies;
(d) the principal risks related to those matters linked to the group’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 group manages those risks;
(e) non-financial key performance indicators relevant to the particular business.
Where the group does not pursue policies in relation to one or more of those matters, the consolidated non-financial statement shall
provide a clear and reasoned explanation for not doing so.”

Which companies will be included?
The NFR Directive applies to “large undertakings or parent undertakings of a group exceeding on their balance sheet … [an] …
average number of 500 employees during the financial year.”

Article 19a of the amended Accounting Directive applies to large undertakings and
Article 29a corresponds to parent undertakings of large groups.

Public-interest entities are “entities governed by the law of a Member State whose transferable
securities are admitted to trading on a regulated market of any Member State.”

The Directive states however that this categorisation should not prevent organisations
that are not subject to this directive.

Timeline
Member States will have to transpose the directive by 6th December 2016 and introduce
legislation that applies to relevant companies for the financial year starting on 1st January
2017, or during the calendar year 2017.

A report by 6th December 2018 will review
the effectiveness of the Directive and may be
accompanied by legislative proposals.

Chapter 2

Case studies

The following examples are for illustrative purposes only. They are designed to help
companies develop their reporting practice in line with the expectations of the NFR Directive.
However, local implementation of the Directive might introduce variations at national level.
Companies must comply with applicable legislation.
Background

Given that the transposed requirements of the NFR Directive are not yet in force in most EU Member States, these examples may not comply with the eventual requirements in each EU Member State once implemented. They are however appropriate examples to highlight certain elements that may be useful for effective reporting under the Directive. Recommendations throughout the report provide additional tips and highlight examples that are especially useful in providing decision-useful information. The examples below are focused solely on environmental matters, but some recommendations may also be useful for reporting other non-financial information.

The requirements of the NFR Directive are mapped to the corresponding requirements and principles of the CDSB Framework, as well as the corresponding questions of the CDP Climate, Forest and Water Information Requests to help companies reduce the reporting burden and ensure that information is connected across various reporting channels.

Each section corresponds to a requirement outlined in Article 19a and its equivalent in Article 29a of the Accounting Directive (2013/34/EU).

Key

Each example contains notes to highlight areas of good practice for reporting in line with the requirements of the NFR Directive, as well as some areas that may benefit from further improvement. These are denoted as below:

+ Example of good practice
– Area for improvement

Examples used

The sample used contains mostly EU incorporated companies (with the exception of Norsk Hydro, Norway) from a broad range of Member States with diverse policy frameworks.

<table>
<thead>
<tr>
<th>Report examples used</th>
<th>Country of origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB Volvo, 2015</td>
<td>Sweden</td>
</tr>
<tr>
<td>Eni S.p.A, 2015</td>
<td>Italy</td>
</tr>
<tr>
<td>Norsk Hydro ASA, 2014 &amp; 2015</td>
<td>Norway*</td>
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<tr>
<td>Mondi Plc, 2015</td>
<td>Austria</td>
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<td>PostNord AB, 2015</td>
<td>Sweden/Denmark</td>
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<td>Titan Cement Company SA, 2014</td>
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<td>BP Plc, 2015</td>
<td>United Kingdom</td>
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<td>Daimler AG, 2015</td>
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<td>BHP Billiton Plc, 2015</td>
<td>United Kingdom</td>
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<td>Pennon Group Plc, 2015</td>
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<td>Marks and Spencer Plc, 2015</td>
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<td>PKN Orlen SA, 2014</td>
<td>Poland</td>
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<tr>
<td>AkzoNobel N.V., 2014</td>
<td>Netherlands</td>
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</table>

*(a) A brief description of the undertaking’s business model

In the following examples, we illustrate the way in which some businesses expressed and communicated their business model. Many of these descriptions are in line with the International Integrated Reporting Framework’s input, activities, output, outcome model, describing how various capitals are transformed by the business. It is clear from the variation of approaches that there are different ways to approach this.

<table>
<thead>
<tr>
<th>NFR Directive</th>
<th>CDSB requirements</th>
<th>CDP questionnaires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brief description of the undertaking’s business model</td>
<td>REQ 6 – Outlook</td>
<td>CC0.1, F0.1, F0.2, W0.1</td>
</tr>
</tbody>
</table>

**Good practice examples**

- The use of the International <IR> Framework guidance and structure to include the different capitals as inputs and outputs (Eni S.p.A);
- Inputs, outputs and outcomes to the model are included (Eni S.p.A); and
- The model links with the corporate strategy and includes the value chain (AB Volvo) to demonstrate connectivity. This can either be presented through the model, or as part of an accompanying narrative as shown in the Volvo example.

**Recommendations**

- We recommend using the IIRC’s guidance on the business model; and
- Link your business model to the company’s strategy and policies.

* Not an EU Member State, but Norsk Hydro’s Annual Report presents useful examples for this report.
AB Volvo 2015

* The role of the value chain within the business model is described in the previous section, as well as linked to specific outcomes.

**CREATING ECONOMIC, SOCIAL AND ENVIRONMENTAL VALUE**

The Volvo Group’s future success depends on our ability to deliver efficient, innovative and sustainable transport solutions that are converted into positive financial performance. Close collaboration with our key stakeholders enables us to create shared value over time.

**Economic**

Our financial capital consists of funds derived from net operating profits, share capital, and credit and loan facilities from financial institutions. We procure close to 2 billion components for use in automotive production. Steel is the manufactured resource that we procure in greatest quantity.

**Social**

Our intellectual assets include our brands and patents, and our R&D organization, systems and processes. Our skilled, engaged, diverse workforce of almost 100,000 employees represents our human capital. Our relationships include long-term partnerships with labor representatives, academic and research organizations, policy makers, development organizations and Non Governmental Organizations (NGOs) as well as local communities in the countries where we operate.

**Environmental**

Our production involves the use of various materials, including metals, such as iron, steel and aluminum. Our energy sources include renewable energy from wind and hydro generation.

**Inputs**

- Product development
- Purchasing
- Production

**Volvo Group**

**Outcomes**

- Distribution and service
- Products in use
- Re-use

**Governance**

- Vision
- Wanted position
- Core values
- Code of conduct

**Risks**

- Seizing opportunities and mitigating risks

- Activating our vision, dependent on reaching our wanted positions, taking our core values into account and adhering to our Code of Conduct, is performed in an accountable way. To be aware of the risks and to be able to mitigate and prevent them, a clear governance structure is also essential.

**Investments**

- Stakeholders

**External Environment**

- Vanderbilts, quality products and services satisfy the needs of customers in the transport and infrastructure industry for fuel efficiency that reduces operating costs, and increases uptime. Strong sales coupled with strategic efficiencies enable us to deliver sustainable returns to financial stakeholders and to reinvest in the development of improved products and services for customers.

**Social**

- Our intellectual assets enable us to offer safer and economically efficient products and services to our customers with lower environmental impact. Our products and services enable the safe and efficient distribution of goods and movement of people.

**Environmental**

- We are actively reducing the environmental footprint of our global manufacturing, distribution and operations. Our products and services reduce the impacts of the transport and construction industry on the environment. Our leadership encourages more people and organizations to contribute towards environmental sustainability and thereby reduced costs.

**Economic**

- Our reliable, quality products and services satisfy the needs of customers in the transport and infrastructure industry for fuel efficiency that reduces operating costs, and increases uptime. Strong sales coupled with strategic efficiencies enable us to deliver sustainable returns to financial stakeholders and to reinvest in the development of improved products and services for customers.

**Social**

- Investing in the health, safety, wellbeing and development of our employees results in qualitative output with low absence and no fatal accidents. Our societal engagement activities create shared value for our company and for society.

**Environmental**

- We are actively reducing the environmental footprint of our global manufacturing, distribution and operations. Our products and services reduce the impacts of the transport and construction industry on the environment. Our leadership encourages more people and organizations to contribute towards environmental sustainability and thereby reduced costs.

**Stakeholders**

Through stakeholder dialogue we understand the internal and external expectations of the Volvo Group, and how we ensure that our business operations build value both for the company and for society. Our most important stakeholders are our customers, suppliers, investors, employees, trade unions and the local and global community where we operate. How we engage with and create value for our stakeholders is described in the shared value section on page 46.

**Narrative**

- Narrative provides detailed information. However, this report may benefit from a summary to make the information more accessible to the user.
- Could benefit from linking KPIs to the business model.

**Evidence and summary of materiality assessment is provided.**
Eni's business model targets long-term value creation for its stakeholders by delivering on profitability and growth, efficiency and operational excellence and handling operational risks of its businesses, as well as environmental conservation, and local communities relationships, preserving health and safety of people working in Eni and with Eni, in respect of human rights, ethics and transparency.

The main capitals used by Eni (financial capital, productive capital, intellectual capital, natural capital, human capital, social and relationship capital) are classified in accordance with the criteria included in the “International IR Framework” published by the International Integrated Reporting Council (IIRC). Robust 2015 financial results and sustainability performance, notwithstanding a weak scenario for commodities prices, rely on the responsible and efficient use of our capitals.

The main capitals (financial capital, productive capital, intellectual capital, natural capital, human capital, social and relationship capital) are classified in accordance with the criteria included in the “International IR Framework” published by the International Integrated Reporting Council (IIRC). Robust 2015 financial results and sustainability performance, notwithstanding a weak scenario for commodities prices, rely on the responsible and efficient use of our capitals.

Hereunder is articulated the map of the main capitals exploited by Eni and analysis positively effecting on their quality and availability.

At the same time, the scheme evidences how the efficient use of capitals and related connections create value for the company and its stakeholders.

For detailed information on results associated to each capital and to the way by which each strategic target is achieved see this Integrated Annual Report and the Integrated Performance tables.

- Little distinction between different time horizons (short, medium, long term). This is partly addressed in the “Outlook” section, but further clarification could be made.
- Innovation and adaptability could be developed further.
- Limited discussion on materiality determination process.

Identifies inputs, business activities, outputs and outcomes through description of stocks, actions and value creation.

Could benefit from using standard terms such as inputs, activities, outputs and outcomes.
(b) A description of the policies pursued by the group in relation to those matters, including due diligence processes implemented

To provide clarity on the information that may be reported in accordance with this requirement, the recommendations and guidance from the CSDB Framework were explored. Information reported according to this requirement 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 systems. Due diligence could relate to processes adopted by the company, showing its viability and governance.

Good practice examples

• Policy, strategy and targets are clearly stated and explained (Norsk Hydro ASA/PostNord AB);
• A separate section dedicated to a viability statement, with clearly defined strategies and targets is also connected to other content elements (Norsk Hydro ASA/Mondi Plc);
• The inclusion of the supply chain within policies and strategies demonstrates management beyond the financial reporting entity (Norsk Hydro ASA); and
• Communicating targets, including science-based targets, and outcomes alongside strategy (Mondi Plc);

Recommends

• Outline policies clearly and provide a forward-looking statement with rationale. This should include how environmental policies and strategies relate to, or support, the organization’s overall policies and strategies, and also demonstrate due diligence; and
• Clear targets, timeline and key performance indicators should be outlined alongside the environmental strategy to demonstrate how it is measured and resource.

NFR Directive | CSDB requirements | CDP questionnaires
---|---|---
A description of the policies pursued by the group in relation to those matters, including due diligence processes implemented | REQ 1 – Policy, strategy and targets | CC2.2, CC2.3, CC3.1, CC3.2

Viability - The Hydro Way

The Hydro Way is an approach to business. It is an approach that has been lived within Hydro since 1904 and guided our development ever since. The Hydro Way signifies our unique company-identity and sets out our key characteristics and values. We have done things that differentiate us from other companies.

The Hydro Way explores how we run our business through:

• Our mission
• Our values
• Our targets
• Our operating model

These principles help us set priorities and move as a reference point for other areas. Our mission describes our highest purpose and is supported by our values and our targets, which define how we conduct our business.

Hydro’s mission is to create a more stable society by developing natural resources and products in innovative and efficient ways.

In order to ensure a modern high standard, Hydro’s global directions lay down requirements for our operations. See page 566.

All elements of Hydro’s viability performance are integrated in Hydro’s overall group strategy. In addition, we have specific support strategies e.g. on climate change, environment and people - as described in this section.

Hydro has been listed on the Oslo Climate Solutions Index (CSI) only since the index was started in 1999. We are also listed on the corresponding, UK index, FTSE4Good, and on the UN Global Compact (2001 index).

Our reporting approach

We have based our viability reporting on The Hydro Way since 2004. This ongoing work takes analysis and an economic sustainability dialogue, but, over time, proved us in defining the main driving force for our reporting:

• Energy and climate change
• Resource management
• Biodiversity and human rights

The Viability performance section should be read in context with the other parts of the annual report, and in particular with:

• Letter to shareholders on page 6
• Board of directors’ report on page 118
• Business description on page 29, including Hydro’s value chain, strategy and how we are specific to industries related to technology and innovation, environment and society

key factors on page 149

• Corporate governance on page 165

The underlying details in the reporting are based on different reporting frameworks that are important to us, including the UN Global Compact, the Global Reporting Initiative (GRI), the International Organization for Standardization (ISO) 14001:2015 and ESG (environmental, social and governance) criteria. The GRI index is a so-called hot spot and describes Hydro’s adherence with the UN Global Compact, IASC and what we refer to as the UN Sustainability Goals and the Global Principles for Responsible Business and shows how the different frameworks connect with each other.

Resource management

Hydro’s bauxite mining and alumina refining activities in Pará in Brazil include open pit mining and the handling of significant amounts of tailings and bauxite residue, the latter also known as red mud. Biodiversity is important related to Hydro’s activities in Pará and to the water conservation for our Indigo production in Norway (see page 401). Hydro has primary aluminium production in Australia, Brazil, Canada, Germany, Norway, Norway and Qatar.

In addition to the existing climate and recycling strategies, we prioritize the following areas:

• Ecosystems and biodiversity
• Water use
• Waste and efficient resource use
• Product responsibility

In addition to the corporate environmental ambitions, we have performance indicators for our production plants. The indicators vary between plants due to the technical differences between, for example, large primary aluminium production plants and small smelters. Yet, help-eco.response rates and improvements, and enable us to concentrate on the most important issues.

• Achieve targeted rehabilitation area for Paragominas areas, compared with a 2010 baseline (2017) and eliminate the reforestation gap (2020)
• A 60 degree C climate change target

A 2015 target
• Comply with our corporate services agreement for Hydro

A 2015 target
• A green hydrogen services agreement for Hydro’s green hydrogen in Brazil completed by the Norwegian University of Science and Technology (NTNU).

A 2016 target
• Achieve targeted rehabilitation area for Paragominas mining operations of 50 hectares

Strategic mid-term goal (2020)
• Achieve a 5.1% of net interest cost in the advanced areas (2017) and eliminate the information gap (2010).
• Best Available Technology or similar implemented for treatment, recycling and use of bauxite residue

60 percent reduction in landfilled waste (including tailings, bauxite ash and bauxite residue) compared to a 2016 baseline

Inclusion among the 3.1% of the 2017 net interest cost in the advanced areas, compared with 2010 baseline.

A statement of Norsk Hydro’s viability is integrated within the annual report, which includes the following sections.

Overall vision & strategy of the company is outlined in the CEO’s letter to shareholders.

Details about governance demonstrates internal due diligence, detailed on p. 171.
Hydro’s procedure for integrity risk management of its business partners includes agents, strategic business partners, suppliers and customers and sets requirements for integrity due diligence. Implementation is risk-based and takes into consideration contractual value, country risk, etc. According to Hydro policy, new suppliers shall be screened. In 2015, we achieved this for about 90 percent of new suppliers. The business areas have different systems in place—based on their different business needs—to comply with the corporate requirements. This also includes formal processes for identifying critical suppliers. A critical supplier delivers products with high consequence or risk for our production, projects and/or company. All suppliers in consolidated activities are checked routinely against the UN sanction list for matters related to anti-terrorism and money laundering. Furthermore, audits and site visits are performed by Hydro personnel based on risk analysis. Audit findings and corrective action plans are reported and handled over to the visited site. Proposed corrective actions are then checked in connection with the next audit performed at the site in question. Suppliers who fail to implement corrective actions in relation to identified child, forced or compulsory labor will be excluded. In 2015, we entered into dialogue with a number of suppliers about possible inconsistencies with certain Hydro standards. This mostly related to needs for policies and procedures in important areas as well as more practical recommendations with regard to HSE improvements.
PostNord AB (2015)

Initiatives to reduce climate impact are delivering results

Being one of the Nordic region’s foremost suppliers of communications and logistics solutions, PostNord is associated with environmental impact, mainly in the form of carbon dioxide emissions from road transport. Through its focus on reducing its energy consumption and cutting its emissions, PostNord is clearing the way to becoming a more environmentally sound company.

As a transportation company, emissions of carbon dioxide from PostNord’s own vehicles and outsourced transportation services represent the largest environmental impact. The Group uses all types of transportation in its business – from airplanes and trucks to rail and bicycles. Reducing the Group’s carbon dioxide emissions is one of the key areas in sustainability. The Group’s long-term environment targets require a reduction of 45% in carbon dioxide emissions by 2020 (compared to the level in 2013).

We have made good progress on the way. Since 2010 PostNord has cut its carbon dioxide emissions by around 29%. During 2015, the reduction was nearly 9%. The way ahead through actions in several areas, including purchasing green electricity in more parts of the organization, using the full capacity of diesel and merging operations. The introduction of the integrated production model (see page 17) in which letter and logistics operations are merged and vehicle management is coordinated, has already helped to reduce carbon dioxide emissions. In Sweden, the launch of Koncept – an integrated production model – which introduced changes in delivery routines, also contributed to the reduction in 2015 (see page 17).

How PostNord is continuing to cut the carbon dioxide emissions

In 2015, an in-depth analysis was carried out to identify what further measures would be required to achieve the target of lower carbon dioxide emissions. The analysis took into account the latest factors, developments and conditions in the market and PostNord’s strategic direction. The conclusion was that the target would be achieved via volume reductions in seven principal areas: capacity of vehicles, use of fuel, electric vehicles, introduction of rail and less use of air transport, building and other.

The conclusion was that the target will be achieved via initiatives to reduce carbon dioxide emissions. In Sweden, the launch of Koncept – an integrated production model, which introduced changes in delivery routines, also contributed to the reduction in 2015 (see page 17).

Initiatives to reduce climate impact are delivering results

- Policies, targets and strategies are clearly presented.
- Developed science-based target, which covers scope 1, 2 & 3 emissions.
- Forward-looking disclosure shows what further action the company will take to achieve its target.
Improving our environmental performance

Our efforts to address environmental concerns such as water and energy use, biodiversity, CO2 emissions and waste management are not add-ons to our business, but are central to what we do. They underpin both our operational efficiency and our focus on sustainability. They also help secure the permits we need to run our business.

Performance summary

- Specific CO2 emissions of 6.3 tCO2e/tn is lower by 3% compared to 2013
- Specific dust emissions of 0.1 t/t were reduced by 7% compared to the Group target
- Percentage of alternative fuels used was 31.8%, more than 10% below the Group target
- Environmental expenditure was €36.1 million

Management review

Compliance and best practice

Compliance with environmental regulations and best practice is a material concern for our business, as it is part of our license to operate. We devote large amounts of human resources and environmental expenditure across the Group to improve and maintain our performance in this area, ensuring we meet local regulations and our own targets, which are often more demanding.

Internal and external audits are carried out to monitor our progress and, where issues are identified, we plan new initiatives and programs, in conjunction with local stakeholders to meet their needs. The total amount of significant fines paid by the Group in 2016 in relation to noncompliance with environmental law and regulations was $510,000. There were no non-compliance sanctions or environmental cases brought against the Group in 2014.

Environmental performance

Our five-year environmental performance improvement plan continued in 2014 and we made good progress towards our targets for 2014-2015. In 2014, the external verification of our performance was extended to cover emissions of dust, NOx and SOx. In addition, following the revised CSI guidance on emissions reporting, this year we further refined the information regarding our performance on Hp, PCDD/F and heavy metals emissions.

Resource use is a key material issue globally, including in Europe, Canada and China. We calculate emissions based on the fuel consumption and fuel properties for major sources rather than the use of general emission factors. In our operations, we do not include refuse, solid fuels, industrial processes and captured hydrogen as they are not marketed and so do not result in market demands.

Managing our impacts

We review and manage environmental issues such as climate change, water, how we work with communities and human rights. This includes emerging risks and threats and identify mitigation and response strategies. We operate an environmental management system which covers all of our business activities. The system for cement production includes a range of initiatives, inclusions, targets and strategies to reduce environmental impact. The system is certified to the ISO 14001 standards.

BP Pte (2015)

* Indicates consistent on successive periods and aligned with management practice (mCO2e and internal carbon price).
* Methodology and tools are industry specific standards.
* GHG emission reporting is split through two boundaries and methodological approaches, demonstrating the changes due to acquisitions and divestments.

Environmental and society

Throughout the life cycle of our projects and operations, we aim to manage the environmental and social impacts of our presence.

- **BP is helping to meet the demands of a lower-carbon future and collaborating with others on climate change issues.**
- **BP operated businesses with the potential to spill oil are in close to compliance updates to spill planning scenario and response strategies by the end of 2015.**
- **We are progressing towards alignment with the United Nations Guiding Principles on Business and Human Rights.**

Ocean or sea water 1.7 1.1 1.3

Quarry performance

The following graph presents the Group’s quarry sites and similar plans classified into H2O, or natural waters, and H2O–site water treatment.

- ** quo...
Environmental protection

A comprehensive approach to environmental protection

Protecting the environment is a primary corporate objective of the Daimler Group. Environmental protection is not separate from other objectives at Daimler; instead, it is an integral component of a corporate strategy aimed at long-term value creation. Our measures for manufacturing environmentally friendly products take the entire product lifecycle into account – from design, production and product use all the way to disposal and recycling. The environmental and energy-related guidelines approved by the Board of Management define the environmental and energy-related policy of the Daimler Group. This expresses our commitment to integrated environmental protection that begins with the underlying factors that have an impact on the environment, assesses the environmental effects of production processes and products in advance, and takes these findings into account in corporate decision-making.

€2.8 billion for environmental protection

In 2015, we continued to energetically pursue the goal of conserving resources and reducing all relevant emissions. We kept a close eye on the impact of all our processes, ranging from vehicle development and production to recycling and environmentally friendly disposal. Our expenditure for environmental protection remained nearly unchanged at €2.8 billion.

B.41

Average CO2 emissions of the new car fleet of Mercedes-Benz Cars in the EU

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 emissions (g/km)</td>
<td>100</td>
<td>100</td>
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- Average CO2 emissions of the new car fleet of Mercedes-Benz Cars in the EU decreased from 129 g/km in 2014 to 123 g/km in 2015.

- The average CO2 emissions of the new car fleet of Mercedes-Benz Cars in the EU for 2015 were 123 g/km, 129 g/km in 2014.

- Demonstrates action taken to lower carbon emissions, and

- Also states further action Daimler plans to take to further reduce emissions.

Environmental responsibility product development

A vehicle’s environmental impact is largely predetermined in the first stages of development. The earlier that environmentally responsible product development (design for environment, DfE) is integrated into the development process, the more efficiently it can help minimize the impact on the environment.

The continual improvement of our products’ environmental compatibility is therefore a major requirement when setting product specifications. Our DfE experts are involved in all stages of the vehicle development process as a cross-functional team. We also systematically integrate our product design processes into our environmental and quality management systems in accordance with ISO 14001 and ISO 9001. Mercedes-Benz has been in full compliance with the relevant standard – ISO 14006 – since 2012. Mercedes-Benz has also been certified according to ISO TR 14062, the standard for environmentally oriented product development, since 2005. It was the first automaker in the world to achieve this certification.

- Further reductions in cars’ CO2 emissions

Daimler makes great efforts to reduce the fuel consumption of its vehicles while enhancing their performance – and thus increasing driving enjoyment and safety reserves. With a fleet average of 123 g/km (2014: 129 g/km), we once again significantly reduced the average CO2 emissions of the cars we sell in the European Union in 2015. We were thus ahead of schedule in achieving our goal of reducing the CO2 emissions of our new-fleet vehicles in the European Union to 125 g/km by 2016. Our achievements here were due to the further optimization of our BlueEFFICIENCY measures and the success of our efficient hybrid drive systems and extremely fuel-efficient new models. We have reduced the CO2 emissions of our cars by 19% since 2011 – and by 40% within just two vehicle generations. More than 68 Mercedes-Benz models emit less than 120 g CO2/km and more than 108 models have received 4+ or 5 energy efficiency labels. B.41

- We plan to use innovative technologies for locally emission-free mobility, and in particular new hybrid models, in order to further reduce the fuel consumption and CO2 emissions of our cars. We have also continuously reduced the pollutant emissions of our cars in recent years and have been able to meet new emission requirements in advance – and ahead of our competitors. At Mercedes-Benz, we were one of the first manufacturers to begin in 2009 with the introduction of the EURO 6 technology, which was not obligatory until September 2015. Our BlueTEC technology and sustainable SCR exhaust treatment technology make us a world leader for reducing diesel-vehicle emissions. The cars with this equipment already comply with the strictest emission standards. In addition, we are continually further developing our emission control systems. The next generation of cutting-edge diesel engines will soon be launched and will be pioneers in fulfilling new legislative requirements in advance in Europe.

- Presents risks considering both impact and measures undertaken.

- Layout easy to read.

Key risks

- Carbon emissions allowances

On February 26th 2014, the European Commission approved a draft list of installations eligible to receive free CO2 emission allowances and the initial allocations. As the emission allowances allocated to the Orlen Group free of charge may be insufficient to meet its regulatory obligations, it may be necessary for the Group to purchase additional emission allowances at market prices or to limit production.

- Risk of exceeding the applicable sulfur dioxide, nitrogen oxides and dust emission standards. The Industrial Emissions Directive has introduced more stringent sulfur dioxide, nitrogen oxides and dust emission requirements as of 2015.

- Annual monitoring of CO2 emissions and the balancing of any deficit/surplus through intragroup transactions or transactions on the forward and spot markets

- Building flue gas desulfurisation, desulfurisation and dust removal systems which will reduce emissions of sulfur dioxide and mineral dusts by more than 90%.
The scope of our operations and the number of industries in which we operate and engage mean that a range of factors may impact our results. Material risks that could negatively affect our results and performance are described in section 1.7.2 of this Annual Report.

### 1.7.2 Risk factors continued

#### Sustainability risks

- Climate change may impact the value of our Company, and our operations and markets. The physical impacts of climate change and various regulations that seek to address climate change may negatively affect our operations, productivity and the markets in which we sell our products. Fossil fuel-related emissions are a significant source of greenhouse gases contributing to climate change. We produce fossil fuels such as coal, oil and gas for sale to customers, and we use fossil fuels in our mining and processing operations either directly or through the purchase of fossil fuel-based electricity. A number of national governments have already introduced, or are contemplating the introduction of, regulatory responses to greenhouse gas emissions from the combustion of fossil fuels to address the impacts of climate change. This includes countries where we have operations such as Australia, the United States and China, as well as customer markets such as China, India and Europe. In addition, the international community aims to complete a new global climate agreement at the 21st Conference of the Parties (COP21) in Paris in December 2015. The absence of a new global climate agreement at the 21st Conference of the Parties would create uncertainty around future regulatory frameworks that have the potential to adversely impact our operations and markets.

- The physical effects of climate change on our operations may include changes in rainfall patterns, water shortages, rising sea levels, increased storm intensities and higher temperatures. These effects may adversely impact the financial performance of our operations. A breach of our governance processes may lead to regulatory penalties and loss of reputation.

Our approach to sustainability risks is reflected in our Charter and described in section 1.14, including a Corporate level safety intervention that was used in FY2015 and a comprehensive set of Group Level Documents (GLDs) that set out Group-wide HSEC related performance requirements designed to ensure effective management control of these risks. Our approach to corporate planning, investment decision-making and portfolio management provides a focus on the identification, assessment and management of climate change risks. We have been applying an internal carbon price in our investment decision-making for more than a decade. Through a comprehensive and strategic approach to corporate planning, we work with a broad range of stakeholders to assess our portfolio, including consideration of a broad range of potential policy responses to impacts from climate change. Our models suggest that BHP Billiton’s portfolio diversification results in the resilience of our overall asset valuation through all these scenarios.

Our approach to engagement with community stakeholders is outlined in our Community GLDs. Businesses are also required to undertake social impact opportunities assessments to identify, mitigate or manage key potential social and human rights risks. As with our other risks, for climate change risk our Risk Management GLD provides the framework for risk management. Internal audits are conducted to test compliance with GLD requirements and action plans are developed to address any gaps. Key findings are reported to senior management and reports are considered by relevant board committees.

Our Code of Business Conduct sets out requirements related to working with integrity, including dealing with government officials and third parties. Processes and controls are in place for the Internal control over financial reporting, including under Sarbanes-Oxley. We have established anti-corruption and anti-trust related performance requirements, which are overseen by the Legal and Compliance function as described in section 3.17. Additionally, the Disclosure Committee oversees our compliance with securities dealing obligations and continuous and periodic disclosure obligations as described in sections 1.15 and 1.16.

The report outlines internal controls and risk management procedures, including board involvement, control and monitoring; and provides a clear overview of the approach to risk management taken through identification, assessment, control and monitoring.
Marks and Spencer Plc (2015)

**Key Performance Indicators**

- **Financial highlights**
  - EPS £1.0m
  - EPS increased by 3.3%
  - PBT £27.7m
  - PBT increased by 4.2%

**Profit before tax**

- Earnings before interest, tax, depreciation, amortisation and exceptional items (EBITDA)
  - £661.2m
  - £661.2m (increase of 127.2%)

**Growth drivers**

- Financial Management – outperforming the regulatory framework
- Pure Water – providing a reliable, clean and safe source of drinking water
- Consistently high drinking water quality that customers depend upon in the most efficient way

**Key initiatives**

- South West Water finished the K5 regulatory period in Cornwall, Devon and parts of Dorset and Somerset.
- Viridor’s ERF business is now operational with five new Energy Recovery Facilities (ERFs) – Exeter, Ardley, Dartmoor, Harlow and Portlaoise.
- £25 million investment in new advanced materials recycling facility at Portlaoise.

**Key results**

- Actual number of RIDDOR incidents was 7 (3 in 2013)
- 2014 RIDDOR incidence rate 1.238 (2013 1.628)
- 2013/14 Underlying EBITDA £204.1m
  - 2012/13 £193.5m
  - 2011/12 £167.9m

**Earnings per share**

- Underlying earnings per share increased by 5.1%
  - Last year £1.0m
  - This year £1.0p

**Greenhouse gas emissions**

- Total gross CO₂ emissions 2.14 t CO₂ per 1,000 sq ft
  - Last year 1.77 t CO₂ per 1,000 sq ft
  - This year 1.70 t CO₂ per 1,000 sq ft

**Key priorities**

- Use their own strategy and criteria (Plan A) rather than an industry defined KPI which would improve comparability between companies.

**Enhanced indicators**

- Financial highlights
  - Non-financial KPIs are included as strategic and management priorities.

**Strategic and operational priorities**

- Connects strategy to sustainability topics, and core principles and values are also reflected in indicators and performance areas.

AkzoNobel N.V. (2014)

**Vision:** Leading market positions delivering leading performance

- **Diverse and inclusive**
- **Customer focused**

**Values**

- Customer needs
- High Insight on end-user segment trends
- Integrity
- High Insight on policies and procedures
- Code of Conduct reporting, Code of Conduct investigation
- Values

**Indicators aligned with focus areas, processes and capabilities**

- Description of economic performance programs
- Strategic performance
- Business activities
- Customer partnership solutions
- Mitigation and adaption policies
- Operational eco-efficiency footprint measure

**Connects strategy to sustainability topics**

- Materials, Energy use, Renewable energy, Greenhouse gas emissions per ton

**Notes**

- Connects strategy to sustainability topics, and importance, quantitative and qualitative information outlined.
Recommendations for best practice

1. Connectivity and coherence - strengthen the relationship between environmental matters and overall corporate strategy, performance and prospects

Leading companies are beginning to present and describe the relationship between 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.

Many annual reports lack this much needed connectivity. For example, a report may describe 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, providing definitions for 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

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

Significant progress has been made in reporting climate change-related information, identifying emissions, methodologies, boundaries, omissions, but disclosure related to other environmental matters is limited and restricted to specialist companies such as water utilities or paper and timber companies. Some leading companies are however beginning to communicate material risks and opportunities associated with waste, air pollutants, water and commodities.

4. Apply guiding principles

Guiding principles are designed to ensure that environmental information in mainstream annual report is useful, correct and complete and is based on criteria that are suitable for conducting assurance activities. The guiding principles shall be applied in determining, preparing and presenting environmental information. The CDSB Framework introduces the following guiding principles:

1. Relevant and material - environmental information shall be prepared applying the principles of relevance and materiality.
2. Faithfully represented - to ensure that information is complete, neutral and free from error in order to be useful.
3. Connected - disclosures shall be connected with other information in the mainstream report.
4. 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.
5. Clear and understandable - to aid understanding by ensuring that disclosures are easy to navigate, read and search.
6. Verifiable - to ensure information that forms the basis for disclosures is verifiable.
7. Forward looking - To ensure that historic information in the mainstream report is complemented with narrative on its influence on future performance of environmental information.
Further guidance

Framework for reporting environmental information & natural capital
The CDSB Framework sets out an approach to reporting environmental information & natural capital in mainstream reports, such as the annual report, 10-K filing or integrated report. View Framework. Leading companies are beginning to present and describe the relationship between 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.
cdsb.net/Framework

CDP's position regarding the Directive 2014/95/EU on disclosure of non-financial and diversity information (NFR Directive)
This position paper identifies 4 key themes to coordinate at the European level to support the optimal outcome of the NFR Directive:
• Coordination of the development of non-financial reporting standards as a parallel to their financial equivalent;
• Accessibility – where not included in the non-financial reporting as envisaged by the Directive, companies should, at a minimum, state where the information can be found;
• Comparability – a standard to align the reporting of environmental & natural capital information and disclosure of solid, substantial information is crucial for efficient financial assessment; and
• Verifiability – non-financial information must be “assurable” as companies will need to move this forward over time in order to provide confidence in reported information.

Comply or explain: A review of FTSE 350 companies’ environmental reporting and greenhouse gas emission disclosures in annual reports
CDSB has comprehensively reviewed the annual reports of the FTSE 350 listed companies in the report. This review discusses the disclosure of environmental information in the annual reports of FTSE350 companies following the implementation of mandatory greenhouse gas reporting in the UK (updates to the Companies Act 2006).
Comply or explain focuses on comparative sector analysis and uses illustrative examples to provide evidence of current practice following the policy revision. The report proposes steps that could be taken by regulators to enhance the enabling environment for disclosure. It was reviewed by Oxford University’s Said Business School.
cdsb.net/FTSE350

Making the connections – showing alignment in non-financial reporting approaches
Driving consistency sits at the core of everything we do. To help you navigate the different codes, frameworks and standards that inform corporate non-financial reporting practice, we have prepared a table showing how some of the most widely used reporting approaches align with each other and with CDSB’s reporting principles and requirements on environmental information and natural capital.
cdsb.net/connections