



## Carbon Reporting (reduction)

22 September 2022



The better the question. The better the answer.  
The better the world works.



# Agenda



1

Introduction

2

Carbon Reporting –  
Emissions

3

Carbon Reporting - TCFD

4

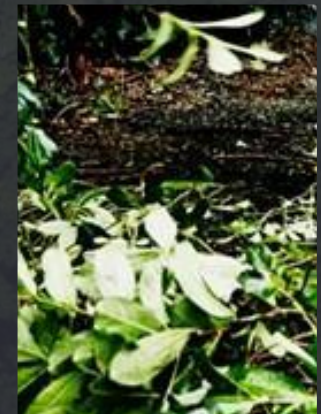
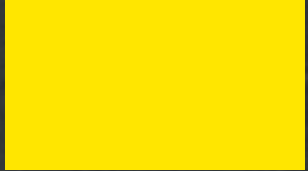
Key challenges

5

Question and Answers

# 1

## Introduction



# Shift in global awareness and the responsibility of corporates

**Climate change** is negatively impacting business growth



Consumers are willing to pay a **premium**



More **net zero commitments**



Large increase in **sustainable assets**



Access to **Talent**



**Regulation** is increasing



# European Sustainability Reporting Standards (ESRSs)

Europe is leading the standardization of sustainability information

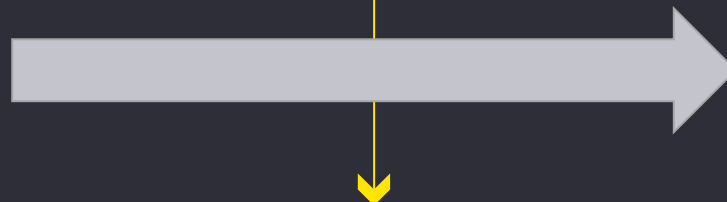


## Problem

- Lack of a framework regulating non-financial information
- Information published by companies is heterogeneous and unreliable



European Financial Reporting  
Advisory group (EFRAG)



- Technical advisor to the European Commission
- Appointed for providing the ESRS standards



## Solution

ESRS



# Sustainability Reporting Around the World

High-level overview of emerging policy initiatives

|   |                     | Type                   | Materiality | Assurance                  | Climate <sup>1</sup>  | Human Rights <sup>2</sup>  | Human Capital <sup>3</sup>   |
|---|---------------------|------------------------|-------------|----------------------------|---|--|--|
|    | ISSB                |                        | Enterprise  |                            |    |  <sup>4</sup> |  <sup>4</sup> |
|    | SEC                 | Mandatory              | Enterprise  | Required                   |    |               |               |
|    | CSRC                | Mandatory              | Enterprise  | TBD                        |    |               |               |
|    | EC, EFRAG           | Mandatory              | Societal    | Required                   |    |               |               |
|    | BoJ, FSA            | Mandatory              | Enterprise  | TBD                        |    |               |               |
|    | FCA, BEIS, DWP, FRC | Mandatory <sup>5</sup> | Enterprise  | No additional requirements |    |               |               |
|    | SEBI                | Mandatory              | Societal    | Optional                   |    |               |               |
|    | CSA                 | Mandatory              | Enterprise  | TBD                        |    |               |               |
|  | FSC, KRX            | Mandatory              | Enterprise  | TBD                        |  |             |             |

Note: Unless otherwise noted, these initiatives apply to listed entities/public interest entities. Enterprise value refers to materiality as determined by market participants whereas societal value also includes the impact that companies have on people and the environment.

1. Measures related to the environmental sustainability of the disclosing entity, including but not limited to GHG emissions, water usage, and waste treatment.

2. Measures related to the fair and just treatment of humans in the disclosing entities supply chain, including but not limited to forced labor and child labor.

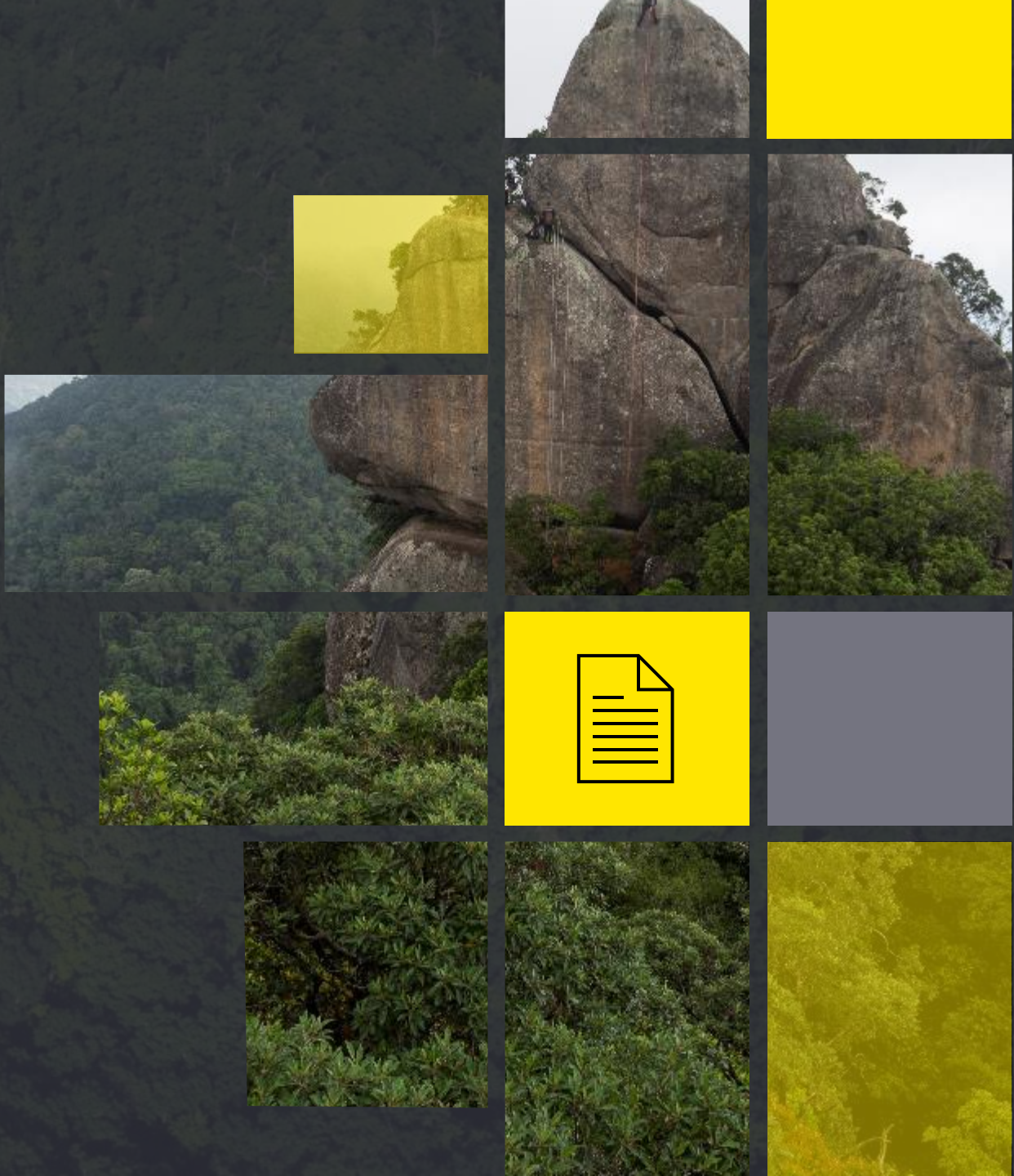
3. Measures related to the treatment of employees within the disclosing entities value chain, including but not limited to diversity and pay equity.

4. The IFRS Foundation has prioritized climate in its initial development of sustainability reporting standards and are pleased that its general requirements prototype will provide companies with disclosure guidance related to other ESG matters on an interim basis.

5. Changes under the UK Companies Act 2006 to mandate TCFD disclosures by in scope companies are in addition to extant 'comply or explain' TCFD Listing Rules, FCA TCFD disclosure rules for asset managers, life insurers and FCA regulated pension providers, OPS legislation, non-financial reporting requirements for certain large companies/qualifying partnerships introduced by the EU NFRD and carbon reporting requirements.

# 2

## Carbon Reporting - Emissions



# Standards and guidelines



## Reporting frameworks



And more....

## Carbon disclosures I



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

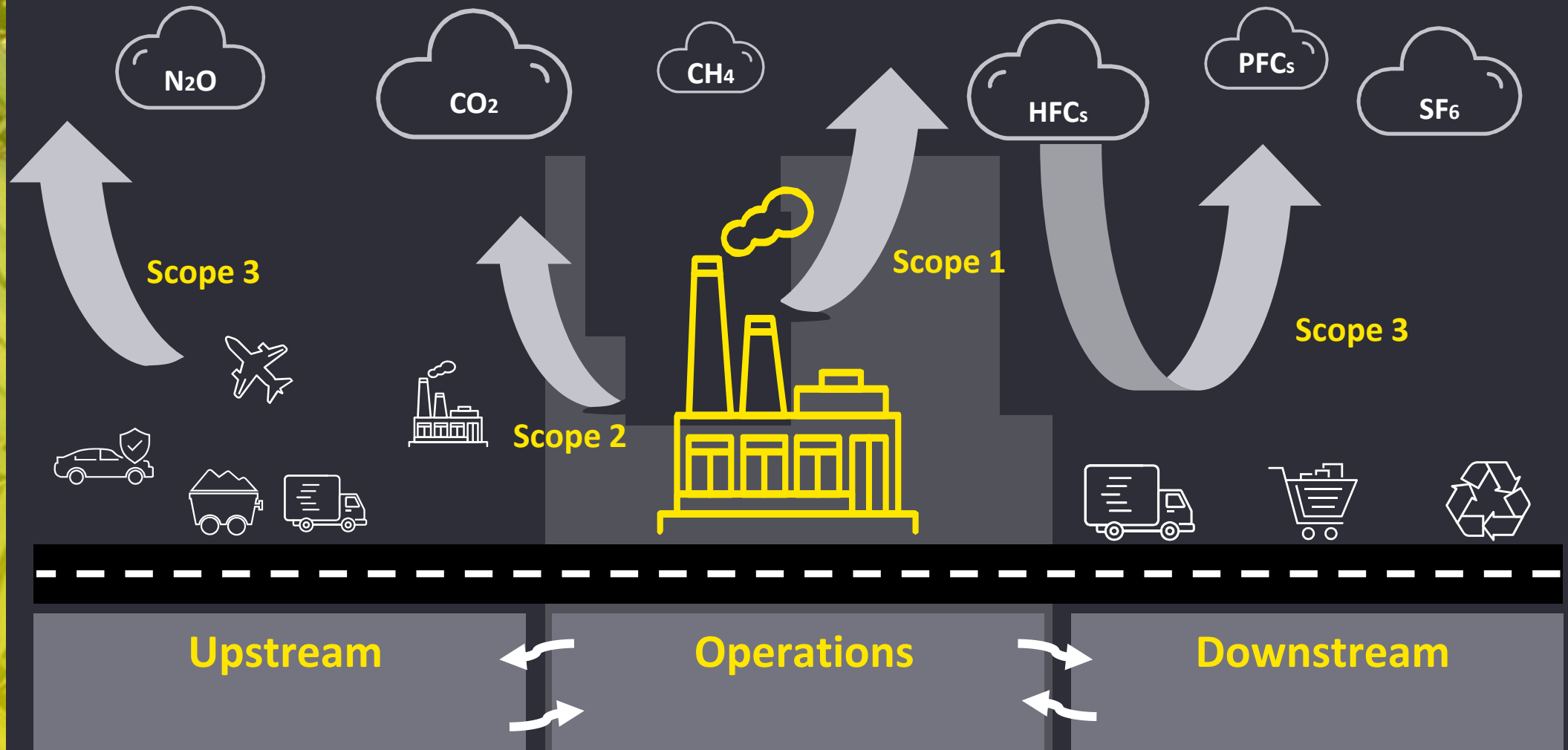


PCAF Partnership for  
Carbon Accounting  
Financials

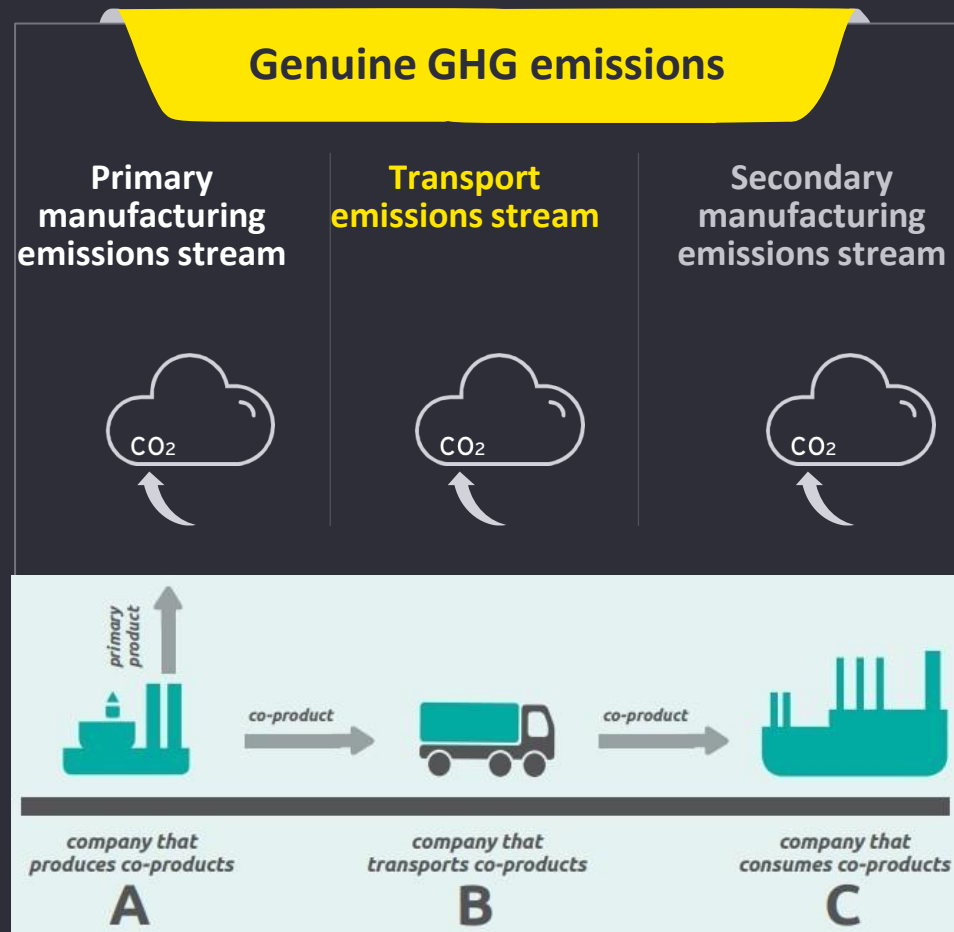
## Carbon disclosures I



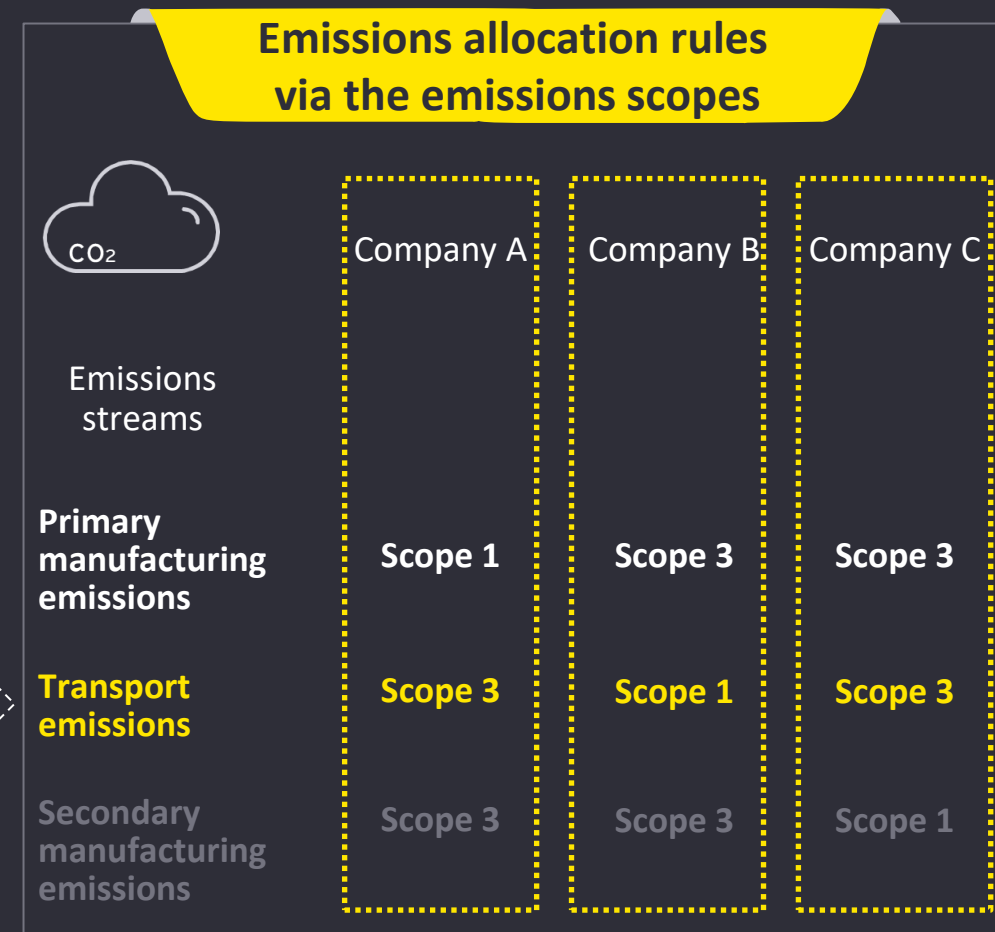
# Greenhouse gas (GHG) emissions – What are the scope of GHG emissions?



# Greenhouse gas (GHG) emissions – Genuine emissions vs. emissions allocation rules?

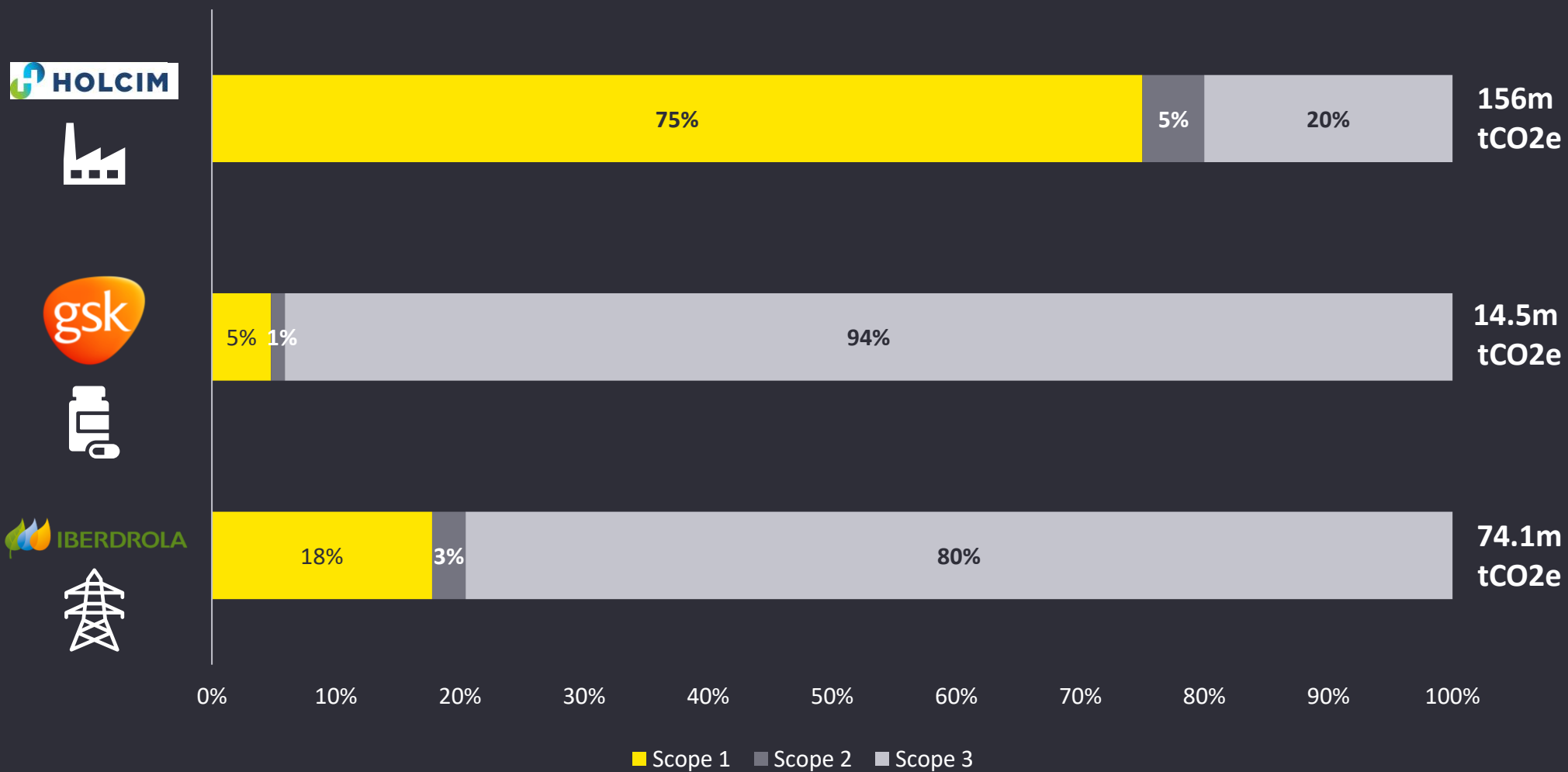


Source: Scope 3 Calculation Guidance | Greenhouse Gas Protocol ([ghgprotocol.org](https://ghgprotocol.org))



**Key Message: If you want to reduce your carbon footprint, you have to work together in the value chain!**

## Greenhouse gas (GHG) emissions – Examples of GHG emissions from companies across three sectors (2021)



# Greenhouse gas (GHG) emissions – Examples of GHG emissions



## HOLCIM CO<sub>2</sub> FOOTPRINT



47%

Raw materials decarbonation  
Cement production



25%

Fuels combustion  
Cement production

2.5%

Energy generation

Aggregates and  
RMX operations

0.5%

5%

20%

All indirect  
emissions

Purchased  
electricity

# Greenhouse gas (GHG) emissions – Examples of GHG emissions

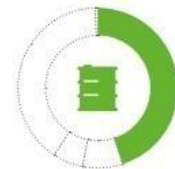


GSK

## Understanding our value chain carbon footprint

### Purchased goods and services

Scope 3 emissions from the goods and services that GSK buys from other companies.



42%  
6.1m  
tonnes CO<sub>2</sub>e per annum

|  |                     |   |
|--|---------------------|---|
|  | Purchased goods     | 3.7m<br>tonnes CO <sub>2</sub> e per annum  |
|  | Purchased services  | 1.9m<br>tonnes CO <sub>2</sub> e per annum  |
|  | Capital investments | 0.3m<br>tonnes CO <sub>2</sub> e per annum  |
|  | Commuting           | 0.05m<br>tonnes CO <sub>2</sub> e per annum |
|  | Business travel     | 0.05m<br>tonnes CO <sub>2</sub> e per annum |
|  | Upstream energy     | 0.1m<br>tonnes CO <sub>2</sub> e per annum  |

### GSK's operations

Scope 1 and 2 emissions from running our labs, factories and commercial offices.



7%  
1m  
tonnes CO<sub>2</sub>e per annum

|  |                                 |  |
|--|---------------------------------|--|
|  | Energy                          | 0.6m<br>tonnes CO <sub>2</sub> e per annum |
|  | HFA and manufacturing emissions | 0.3m<br>tonnes CO <sub>2</sub> e per annum |
|  | Sales force                     | 0.1m<br>tonnes CO <sub>2</sub> e per annum |

### Logistics

Scope 3 emissions from delivering medicines, vaccines and consumer health products across the globe.



5%  
0.7m  
tonnes CO<sub>2</sub>e per annum

### Patient and consumer use

Scope 3 emissions from patients and consumers using our products.



46%  
6.6m  
tonnes CO<sub>2</sub>e per annum

|  |                              |  |
|--|------------------------------|--|
|  | Use of metered dose inhalers | 5.8m<br>tonnes CO <sub>2</sub> e per annum |
|  | Use of other products        | 0.9m<br>tonnes CO <sub>2</sub> e per annum |

### Disposal

Scope 3 emissions from the disposal of our products by GSK patients and consumers.



<1%  
0.05m  
tonnes CO<sub>2</sub>e per annum

14.45m Total estimated GSK emissions tonnes CO<sub>2</sub>e per annum\*

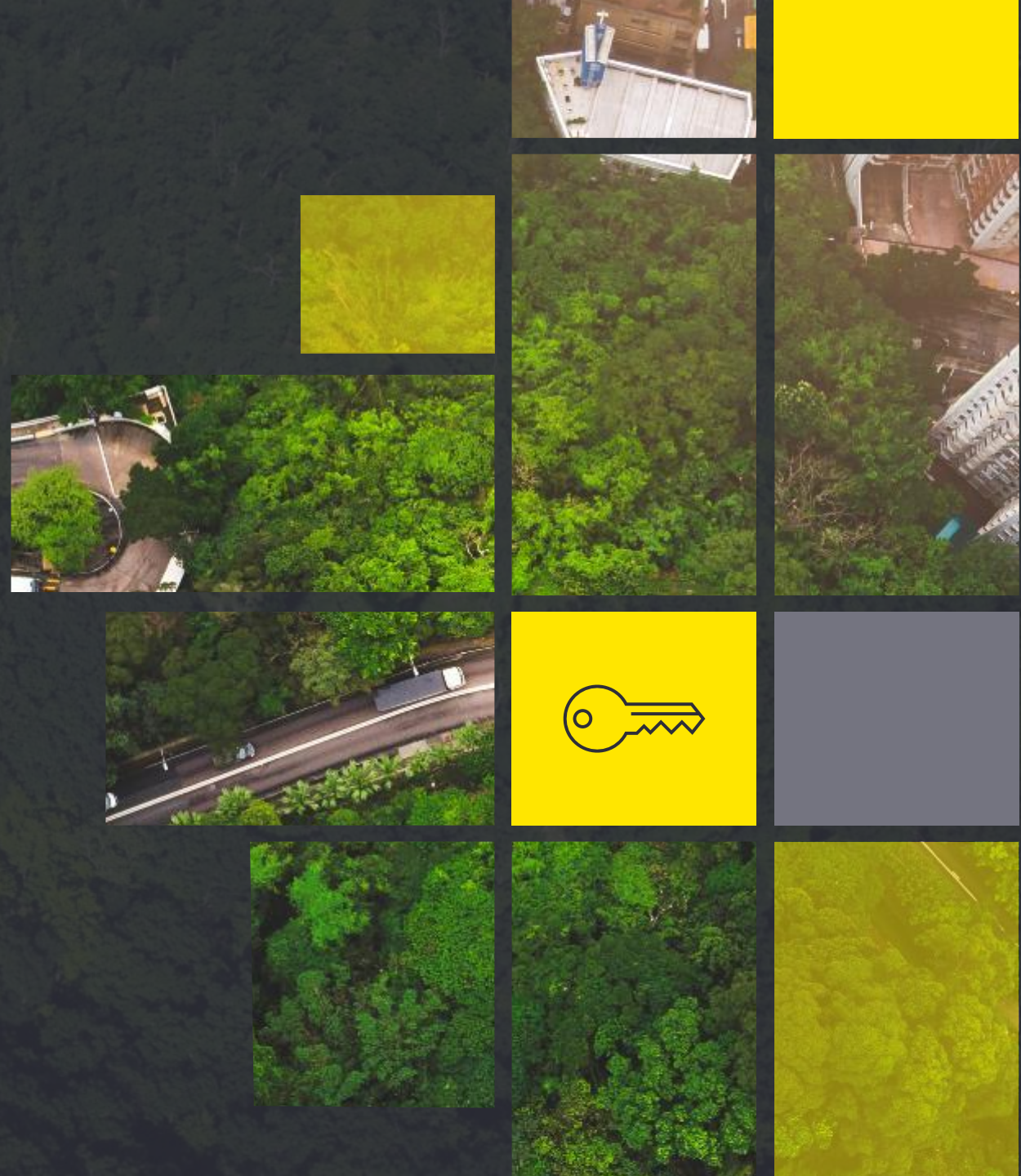
\* Based on data from 2020

Healthy planet Healthy people

Find out more at [GSK.com](https://www.gsk.com)

# 3

## *Carbon Reporting - TCFD*



## TCFD

*“With **better information** as a foundation, we can build a **virtuous circle** of better understanding of tomorrow’s risks, better pricing for investors, better decisions by policymakers, and a smoother transition to a lower-carbon economy.”*





1

## **Governance**

The governance of the company with regards to climate-related risks and opportunities.

2

## **Strategy**

The actual and potential impact of climate-related risks and opportunities on the company's business, strategy and financial planning.

3

## **Risk Management**

The processes used to identify, assess and manage climate-related risks.

4

## **Metrics and Targets**

The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

### **Scenario-based risk and opportunity analysis**

- Based on financial KPIs in annual financial reporting
- Short-, Medium- and Long-term
- Regional differentiation (if sufficient)

# TCFD

## Governance



- a. Describe the **board's oversight** of climate-related risks and opportunities.
- b. Describe **management's role** in assessing and managing climate-related risks and opportunities.

## Strategy



- a. Describe the **climate-related risks and opportunities** the organization has identified over the **short, medium, and long term**.
- b. Describe the **impact** of climate-related risks and opportunities on the organization's **businesses, strategy, and financial planning**.
- c. Describe the **resilience** of the organization's strategy, taking into consideration different **climate-related scenarios**, including a 2°C or lower scenario.

## Risk management



- a. Describe the organization's processes for **identifying and assessing** climate-related risks.
- b. Describe the organization's processes for **managing** climate-related risks.
- c. Describe how **processes** for identifying, assessing, and managing climate-related risks are **integrated into the organization's overall risk management**.

## Metrics and targets



- a. Disclose the **metrics** used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
- b. Disclose **Scope 1, Scope 2, and, if appropriate, Scope 3** greenhouse gas (GHG) emissions, **and the related risks**.
- c. Describe the **targets** used by the organization to manage climate-related risks and opportunities and performance against targets.

# Greenhouse gas (GHG) emissions – Examples of GHG emissions

**Figure 1:** Overall results across TCFD elements



## Breakdown by TCFD component

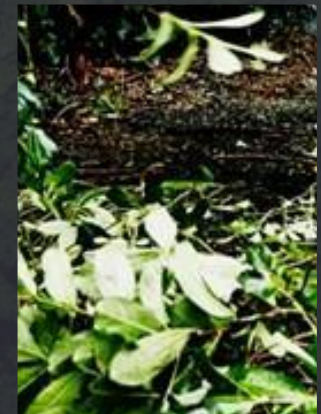
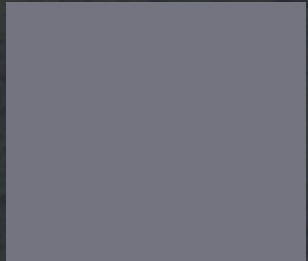
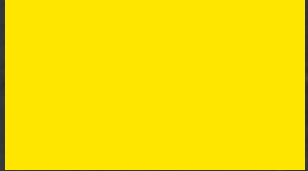
Coverage and quality scores across the four elements of the TCFD recommendations



Global Climate Risk Disclosure Barometer 5

# 4

## *Key Challenges*



## Greenhouse gas (GHG) emissions

- ▶ Too many **different** standards/guidelines/conversion factors
- ▶ **Complex** to measure/calculate/estimate
- ▶ Not easy to do it on your own: **dependence** of others in the **valuechain**



# Greenhouse gas (GHG) emissions – Limitations on scope 3 emissions

Scope 3 GHG emissions are – most of the time – estimated with inherent limitations that can result in completeness issues and high level of uncertainties.



## Completeness of reported GHG emissions

Example given



“

Are the GHG emitted during the lifetime of the buildings built from Holcim’s cement part of its Scope 3?



## Transparency on inherent limitations

Greenhouse Gas Protocol guidance



“

Specific exclusions need to be clearly identified and justified, assumptions disclosed, and appropriate references provided [...]. The information should be sufficient to enable a party external to the inventory process to derive the same results



## Data quality

Example given



“

Holcim operates an electro intensive factory in a country where electricity emission factor hasn’t been updated in 10 years. The electricity mix has changed significantly since, what emission factor is to be used?

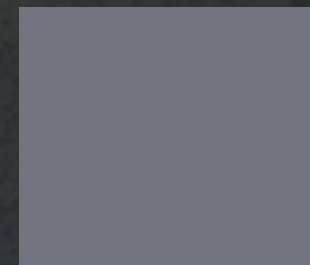
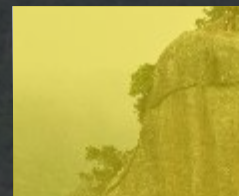


“

GSK purchases packaging parts from an Asian supplier who doesn’t measure and disclose its GHG emissions. What is the emission factor for each piece of packaging?

5

Q&A



A person wearing a hat and a checkered shirt is seen from behind, standing in a tea plantation. They are looking out over a vast landscape of rolling hills and mountains, partially shrouded in mist. The scene is bathed in a warm, golden light, suggesting the time is either sunrise or sunset. The tea bushes in the foreground are lush and green.

**Thank you**

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