

Towards Sustainable Businesses: Good Practices in Business Model, Risks and Opportunities Reporting in the EU

SUPPLEMENTARY DOCUMENT:
GOOD REPORTING PRACTICES

Project Task Force on Reporting of Non-financial
Risks and Opportunities and Linkage to the Business
Model (PTF-RNFRO)

October 2021



SUPPLEMENTARY DOCUMENT:
GOOD REPORTING PRACTICES

Introduction

Part 1: Business model, sustainability
risks and opportunities

Part 2: Applying technological solutions for
sustainability reporting information

 **EFRAG**

European Financial Reporting Advisory Group

Disclaimer

This Supplementary Document and the Main Report ([Towards Sustainable Businesses: Good Practices in Business Model, Risks and Opportunities Reporting in the EU](#)) have been prepared by the European Lab Project Task Force on Reporting of Non-financial Risks and Opportunities and Linkage to the Business Model (PTF-RNFRO). The contents of the Main Report and this Supplementary Document are the sole responsibility of the PTF-RNFRO. The European Lab Steering Group Chair has assessed that appropriate quality control and due process had been observed and has approved the publication of the Main Report and this Supplementary Document.

The views expressed in the Main Report and this Supplementary Document are those of the PTF-RNFRO, except where indicated otherwise. The Main Report and this Supplementary Document do not represent the official views of EFRAG or any individual member of the European Lab Steering Group. The Main Report and this Supplementary Document do not have any authoritative or normative status.

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

This Supplementary Document includes interactive links to facilitate readers accessing the source documents of the good reporting examples and reference material included. All such links were active and functioning at the time of publication.

Questions about the European Lab and its projects can be submitted to EuropeanLab@efrag.org.

Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information



EFRAG receives financial support from the European Union – DG Financial Stability, Financial Services and Capital Markets Union. The contents of this Supplementary Document and the Main Report ([Towards Sustainable Businesses: Good Practices in Business Model, Risks and Opportunities Reporting in the EU](#)) are the sole responsibility of the European Lab Project Task Force on Reporting of Non-financial Risks and Opportunities and Linkage to the Business Model and can under no circumstances be regarded as reflecting the positions of the European Union.

INTRODUCTION

Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

As highlighted in the [Main Report](#), this supplementary document consists of selected examples of good or leading reporting practices and aims to help companies to improve their reporting of sustainability risks, opportunities, and the business model. The identified examples can enable companies to benchmark themselves and help them to improve their practices for the benefit of users and other stakeholders.

As noted in the Main Report, we recognise that not all good or leading reporting practices that have been identified are relevant for all preparers and users, since they may be only applicable to specific industries or sectors and relevance changes over time. We furthermore recognise that the PTF-RNFRO work does not capture all companies that have good or leading reporting practices.

The good or leading report practices in this document are presented in the following two categories.

- **Part 1 Business model, sustainability risks and opportunities** with 30 examples from 22 companies.
- **Part 2 Technological solutions for sustainability reporting information** with seven examples from six companies.

The description of examples consists of excerpts from the reports (i.e., annual report, sustainability report, integrated report, or any other form of reporting) from either the 2019 or 2020 reporting period depending on what was available at the time of the review. The description has reasons why each example is chosen and includes the extent to which the reported information fulfils the Practices Evaluation Approach attributes and content elements (i.e., see Chapter 3 and Appendix 3 of the [Main Report](#)). For the business model, sustainability risks and opportunities disclosures, we also highlight suggestions for improvement in each example.

The application of technological solutions for sustainability-reporting information is still in its infancy. Hence, we consider the identified examples as being pioneering in nature and we only explain why these examples are considered good or leading practices without making suggestions for improvement.

PART 1

BUSINESS MODEL, SUSTAINABILITY RISKS AND OPPORTUNITIES

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information



Business model, sustainability risks and opportunities

As noted in the methodology in Appendix 2 of the [Main Report](#), the PTF-RNFRO reviewed the reporting of 44 companies analysing different reports based on seven analytical considerations as outlined in Table below. In the review, we considered the

PTF-RNFRO Practices Evaluation Approach attributes and content elements outlined in Chapter 3 of the Main Report and this led to the selection of 30 examples of good reporting practices from 22 companies (see Table below).

Good reporting practice examples

Analytical considerations	Good or leading reporting practice examples
BUSINESS MODEL REPORTING	
Business model reporting: clarity and comprehensiveness of value creation description	Neste (Energy) Stora Enso (Forest products and paper) Schneider (Electronic component and equipment) FMO (Development banking)
Business model reporting: potential across time horizons	Allianz (Insurance) Schneider Electric (Electronic component and equipment) Orsted (Energy)
Business model reporting: dependencies and impacts	SGS (Business support services) EnBW (Electric and gas utilities) ABN Amro (Diversified banking) DSM (Chemicals)

*listing of companies within each category/analytical component in Table 1 does not indicate a ranking. It only presents order of presentation of reporting practices within each analytical component.

Analytical considerations	Good or leading reporting practice examples
REPORTING SUSTAINABILITY MATTERS LINKAGE TO BUSINESS MODEL PERFORMANCE, STRATEGY	
Sustainability matters effects on company performance	EnBW (Electric and gas utilities) Arcadis (Consulting Engineering and Construction) ABN Amro (Diversified banking) SGS (Business support services) Norsk Hydro (Aluminium and renewable energy)
Sustainability risks ¹	Enel (Energy) Schneider (Electronic component and equipment) AB Volvo (Automotive) Novozymes (Pharmaceutical and Biotechnology) BNP Paribas (Diversified banking)
Sustainability opportunities	Enel (Energy) Schneider (Electronic component and equipment) CH Hansen (Bioscience) Acciona (Energy and infrastructure) Signify (Industrial products-electrical equipment)
Sustainability strategy, targets, KPIs, and progress	Acciona (Energy and infrastructure) Peugeot (Automotive) Lenzing (Chemicals) GlaxoSmithKline- GSK (Pharmaceutical)

¹ Other examples of reporting on risk which is one of the four TCFD thematic areas can be found in the PTF-CRR main report - [How to improve climate-related reporting](#) and its two supplement documents. Supplement 1: [Climate-Related Reporting Practices](#); Supplement 2: [Scenario Analysis Practices](#).

BUSINESS MODEL REPORTING



Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Analytical consideration 1:
**Business model reporting:
clarity and comprehensiveness
of value creation description**

Introduction

**Part 1: Business model, sustainability
risks and opportunities**

Business model reporting

**Analytical consideration 1: Business model
reporting: clarity and comprehensiveness
of value creation description**

Example 1.1: Neste

Example 1.2: Stora Enso

Example 1.3: Schneider Electric

Example 1.4: FMO

Analytical consideration 2: Business model
reporting: potential across time horizons

Analytical consideration 3: Business model
reporting: dependencies and impacts

Sustainability matters linkage to
business model, strategy

Part 2: Applying technological solutions for
sustainability reporting information

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Introduction

Part 1: Business model, sustainability
risks and opportunities

Business model reporting

**Analytical consideration 1: Business model
reporting: clarity and comprehensiveness
of value creation description**

Example 1.1: Neste

Example 1.2: Stora Enso

Example 1.3: Schneider Electric

Example 1.4: FMO

Analytical consideration 2: Business model
reporting: potential across time horizons

Analytical consideration 3: Business model
reporting: dependencies and impacts

Sustainability matters linkage to
business model, strategy

Part 2: Applying technological solutions for
sustainability reporting information

EVALUATIVE QUESTIONS

Question 1: Does the company provide a clear and
comprehensive description of its business model?

- Does it describe its mission, key business activities, inputs
(resources and relationships), outputs (an organisation's
products and services, and any by-products and waste), and
outcomes (the likely or achieved short-term and medium-
term effects of an intervention's outputs) that supports
value creation including revenue generation?
- Does the company use a chart/picture/graph/diagram to
describe the key elements of its business model?

IDENTIFIED GOOD OR LEADING REPORTING PRACTICES

Neste

Stora Enso

Schneider Electric

FMO

**The order of listing and presentation of the identified good or leading practices is not meant to indicate a ranking on the quality of disclosures.*

Example 1.1: Neste

ENERGY

WHY THIS IS A GOOD REPORTING PRACTICE

The excerpt from Neste's 2019 Annual Report is a reader-friendly visual depiction and detailed description of how the business model creates value through the transformation of inputs to outputs and outcomes (impacts). Neste highlights its business model transitioning to being a renewable diesel and fuel producer (e.g., showing a share of clean revenue of 25.5%).

The business model description outlines products (renewable products, oil products, marketing and services), the strengths of the company, the main demand factors, market position and main competitors and lists the material topics. It describes all the inputs (indirect and direct), outputs (indirect and direct) and outcomes ("impacts") and the associated metrics within these and with an overall classification by Environmental, Social and Economic/ Governance themes.

It stands out from many other disclosures by making a useful distinction between indirect and direct upstream inputs and outputs, and by providing a summary of material topics within the business disclosure. It provides a link to its webpage where it details the value creation further (clean revenue, and research and development, and materiality assessment).

In terms of clarity and comprehensiveness, the Neste business model disclosure fulfils the PTF-RNFRO Practices Evaluation Approach attributes of:

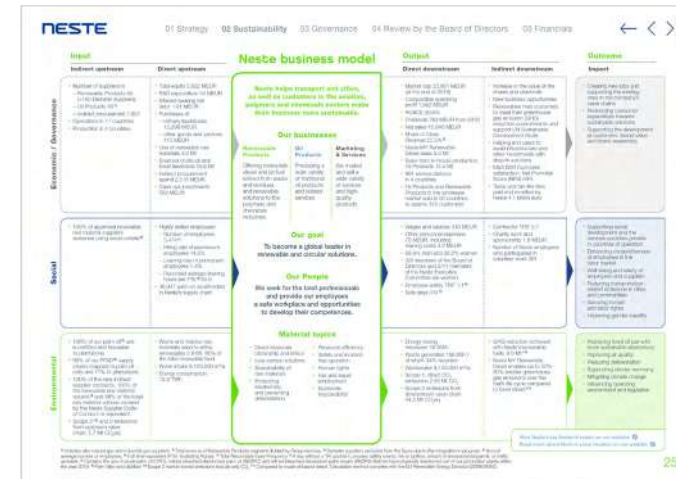
- **relevance** (discloses inputs, business model- activities, mission and material topics, outputs and outcomes/impacts. It provides detailed metrics for the inputs and outputs and makes a useful and not often-provided distinction between indirect and direct upstream inputs and outputs. It includes a link to a more detailed description of value creation on its website);
- **strategic focus and orientation** (the mission and goals convey the company's strategic orientation);
- **understandability** (makes effective use of visual presentation, has a concise summary of the business activities, mission, and material topics);
- **connectivity** (provides an overview of the interrelatedness of value creation factors by organising the inputs, outputs and impacts into Environmental, Social and Economic/Governance themes. Cross-references its value creation description webpage); and
- **stakeholder inclusiveness** (description of impacts covers different stakeholders including employees, suppliers).

SUGGESTIONS FOR IMPROVEMENT

This disclosure could be more informative if it included quantified and monetised positive and negative outcomes/impacts on the different stakeholders. The impacts are only described in broad terms. It also describes impacts as outcomes, whereas in other

reports, what are described as outcomes (the likely or achieved short-term and medium-term effects of an intervention's outputs) are sometimes distinguished from impacts.

Annual Report 2019, page 25



Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Example 1.1: Neste

Example 1.2: Stora Enso

Example 1.3: Schneider Electric

Example 1.4: FMO

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Example 1.2: Stora Enso

FOREST PRODUCTS AND PAPER

WHY THIS IS A GOOD REPORTING PRACTICE

The 2019 Stora Enso Annual Report has a concise visual depiction of the business model value creation elements by outlining key inputs, outputs and impacts and their related metrics. In the disclosure, a distinction is made based on Environmental, Social and Economic factors. The disclosure enables an assessment of the interrelatedness of the inputs, outputs and impacts. For example, on environmental factors, the disclosure conveys the volumes of water withdrawal and paper for recycling used as a key input while the percentage of water withdrawal returned back to the environment and the utilisation rate for 'paper for recycling' is a key output.

In terms of clarity and comprehensiveness, the Stora Enso business-model-related disclosure fulfils the PTF-RNFRO Practices Evaluation Approach attributes of:

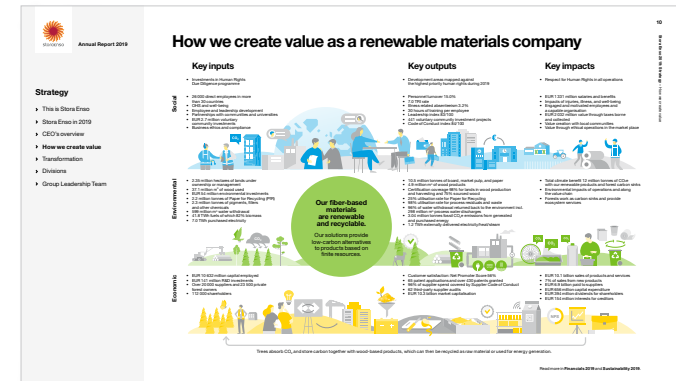
- **relevance** (provides information including metrics on business model inputs, outputs (performance KPIs and products), and impacts. These are categorised by Economic, Environment and Social themes);
- **understandability** (effective use of visual presentation);
- **coherence** (highlights the interrelatedness of Environmental, Social and Economic inputs and outputs); and
- **stakeholder inclusiveness** (description of impacts covers different stakeholders including local communities, supply chain, employees).

SUGGESTIONS FOR IMPROVEMENT

This business model disclosure excerpt could have been more informative if, beyond its high-level description of products, it had included a concise overview of the company's strategy and business models activities. In addition, highlighting positive and

negative impacts would be informative for readers. And some of the mentioned impacts are only described in broad terms and a more specific description and quantification of impacts could be informative.

Annual Report, page 10



Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Example 1.1: Neste

Example 1.2: Stora Enso

Example 1.3: Schneider Electric

Example 1.4: FMO

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Example 1.3: Schneider Electric

ELECTRIC COMPONENTS AND EQUIPMENT

WHY THIS IS A GOOD REPORTING PRACTICE

The description of Schneider Electric's business model (Excerpts 1 and 2) in its 2020 Financial and Sustainable Development Report is concise and details its key resources and relationships including the related metrics, some features of the business model, its mission and goals, and the value created for its stakeholders including through an outline of quantified and monetised impacts. The disclosure stands out by the specific description of impacts on stakeholders including quantified metrics.

In terms of clarity and comprehensiveness, the Schneider Electric business model disclosure fulfils the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (discloses information on business model inputs or resources and relationships with related metrics, and impacts/sustainable value for stakeholders and related metrics; timeframe associated with different strategic goals);
- **strategic focus and orientation** (outlines growth targets for energy management and automation solutions for efficiency and sustainability);
- **understandability** (makes effective use of visual presentation); and
- **stakeholder inclusiveness** (discloses -impacts on shareholders, employees, customers, underserved communities, and suppliers).

SUGGESTIONS FOR IMPROVEMENT

This business model disclosure excerpt could be more reader-friendly if it included a concise overview of the strategy and business activities that are comprehensively described elsewhere in

the report. It could also be more informative if it included outputs (products, performance KPIs) and any negative impacts on its stakeholders.

↓ 2020 Universal Registration Document- Financial and Sustainable Development report, pages 14-15



Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Example 1.1: Neste

Example 1.2: Stora Enso

Example 1.3: Schneider Electric

Example 1.4: FMO

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Example 1.4: FMO

DEVELOPMENT BANKING

WHY THIS IS A GOOD REPORTING PRACTICE

Excerpts 1 and 2 from the FMO 2019 Annual Report disclose the key components of the value creation process including the vision, mission, key inputs or capitals (human, intellectual, financial, social and relationships,), business activities (allocation of capital, structure of capital, capacity building), and value creation to stakeholders in the short-term and long-term (SDGs). These excerpts also provide an overview of key sectors for FMO's responsible investment activities and an explanatory narrative on inputs.

Information that is in other parts of the report such as the connectivity table (Excerpt 3) complements the disclosure of the business model by showing how FMO's material sustainability topics are linked to SDGs, targets, and performance KPIs. For example, the connectivity table shows the proportion of green investments (i.e., 34% of total volume).

In terms of clarity and comprehensiveness, the FMO excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

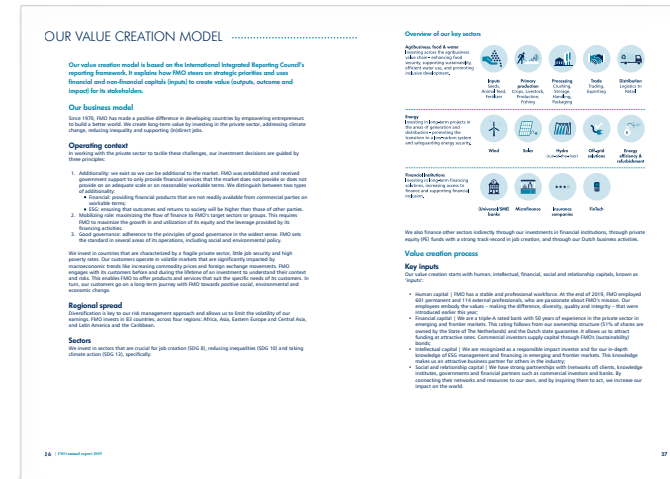
- **relevance** (includes mission, strategy including alignment with SDGs, inputs, business activities, and the value creation impacts);
- **strategic focus and orientation** (the overall description of business model elements are under why, how, where and what subheadings and with the strategic goals included under the how subheading);
- **understandability** (makes use of charts, effective visual presentation);
- **connectivity** (the connectivity table - Excerpt 3 helps show the link between material topics, related SDGs, targets and KPIs);
- **comparability** (connectivity table provides 2018 versus 2019 comparatives of performance targets); and
- **stakeholder inclusiveness** (outlines value creation impacts for customers, employees, local communities, investors and shareholders).

SUGGESTIONS FOR IMPROVEMENT

Excerpts 1 and 2 could be reader-friendly (having key information in one place) and more informative if these included outputs and their metrics (performance metrics). The description of inputs and impacts in these excerpts is rather broad and it could be more

informative if metrics on inputs and impacts including monetised positive and negative impacts were included. To get information on metrics and material topics, a reader has to look elsewhere in the report (e.g., the connectivity table-Excerpt 3).

Source: Annual Report 2019, pages 26-29, 17



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Example 1.1: Neste

Example 1.2: Stora Enso

Example 1.3: Schneider Electric

Example 1.4: FMO

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Example 1.4: FMO

DEVELOPMENT BANK



FMO's business activities

Financing & investing We offer long-term financing and, when needed, provide funding in local currencies to mitigate the exchange rate risk of our clients and end beneficiaries.

- We offer direct medium and long-term loans at both fixed and variable interest rates, with a repayment grace period where needed.
- We arrange syndicated loans by bringing together commercial banks, investors and other DFIs to raise larger financing amounts in an efficient way. FMO receives an arrangement and/or agency fee for these services.
- We invest equity directly or indirectly (through funds) or co-invest with partners. We work with fund managers and investee companies to integrate sustainability into their core operations. We provide stable, long-term capital and usually sell our stake after five to ten years. FMO receives dividends and accounts for fair value gains or losses during the lifetime of an investment.
- We structure our guarantees so that they meet the needs of the beneficiary, the market and the targeted creditors. This ensures companies have access to international markets and can participate in global trading.

Investment management We manage public funds that we invest in higher-risk projects that promise substantial development impact. Through FMO IM funds and unfunded risk participations, institutional and other professional investors also have access to FMO's expertise in impact investing in emerging and frontier markets. We offer a selection of funds with different market-based, risk-return profiles.

Advisory and capacity building Beyond financing, we also offer advisory services and technical assistance to support clients in building profitable and sustainable businesses. This consists of support in the design and implementation of ESG risk mitigation measures, master classes and events, capacity development and sector initiatives.

Long-term value

We create long-term value through investing in our clients and working with others. We allocate capital and expertise to develop markets and raise industry standards to foster economic prosperity and decent work for all, reduce inequalities and help build low-carbon and climate-resilient economies.

Guided by our investment principles, we allocate capital to projects and businesses in developing countries, focusing on sectors that are crucial for job creation (SDG 8), reducing inequalities (SDG 10) and taking climate action (SDG 13). Our loans, equity and guarantees deliver financial impact and we leverage this impact by mobilizing third-party funds – public and private – through partnerships that complement our mandate and impact goals. More recently, this includes co-development of high impact models such as blended finance initiatives, risk-sharing mechanisms and market transformation programs.

Our impact extends beyond financing to achieve positive social, environmental and economic change. First, we work with our customers throughout the investment process on topics such as ESG, gender, green, technology, human capital, leadership and project development. We ensure our clients comply with our ESG requirements and continue to work with them to improve performance in line with mutually agreed ESG action plans. Second, we initiate sector initiatives that enhance ESG industry standards.

Our financial products, advisory and capacity building services give our customers the means to develop sustainable businesses. These, in turn, can provide local communities access to finance, markets, energy, food and other basic goods and services as well as decent job opportunities. These are crucial to local prosperity.

While we finance companies and projects in sectors where we believe there will be a positive impact on society and hold our clients to the highest international ESG standards, we recognize that these activities can also have a negative impact. Our investments enable companies to continue or expand their business activities. This may lead to the displacement of direct jobs in favor of a larger number of indirect jobs. For example, in the case of a bank that needs restructuring to become financially healthy again and in the position to drive SME growth and job creation. Or, people may need to be physically and/or economically resettled for the construction and safe operation of a hydro power plant, needed to generate a significant part of a country's renewable energy supply. Unsustainable agricultural practices

Connectivity table

The table below links the material topics to our key performance indicators, targets and performance.

Material topics	Contributing to the SDGs	Page nr.	Key performance indicator	Mission: We empower entrepreneurs to build a better world Strategy: We help preferred partners to invest in local prosperity		
				2019 performance	2019 target	2018 performance
Development impact through responsible investing	SDG 8	48, 49	Total investment volume	2,857	2,903	2,837
			Of which: For FMO's balance sheet	1,692	1,750	1,873
	SDG 17	56, 57	Public funds	297	195	135
			Mobilized funds	868	960	609
SDG 10	49, 50	49, 50	Reducing inequalities investments (% of total volume)	28%	27%	36%
Environmental footprint of FMO's investments	SDG 13	50, 51	Dutch Business Investments	47	100	30
			Green investments (% of total volume)	34%	32%	36%
Promote ESG best practices	SDG 3, 5, 6, 10, 12, 13, 14, 15	52-54	ESG target performance (% risks managed)	98%	90%	95%
Human rights	SDG 3, 5, 6, 10, 12, 13, 14, 15	54	Number of new admissible complaints received	0		1
			Number of investments for which human rights were assessed during due diligence	308		n/a
Transparency & accountability of FMO's activities	n/a	-	Transparency Benchmark (latest score)	76%		191 points (out of 200, 18/2017)
Business integrity of FMO	n/a	61	Number of alleged employee-related integrity issues	2		0
			Number of alleged client-related integrity issues reported to Compliance	21		26
			Number of alleged client-related integrity issues closed by Compliance	9		18
Financial sustainability and risk reports of FMO	n/a	109	Profit & Loss account			
			Operating income	230	370	297
			Operating expenses	-130		-107
			Impairments	-92		-23
			Net profit	120		151
			Underlying net profit	96		108
			Balance sheet			
			Net loans	5,031		4,271
			Equity investment portfolio (incl. associates)	2,165		1,797
			Total assets	9,412		8,490
			Shareholders' equity	3,127		2,984
			Debtors & notes	5,808		5,140
			Ratios at end of period			
			Non Performing Loans (NPL %)	9.8%		8.4%
Return on average shareholders' equity (%)	3.9%		5.2%			
Return on assets (%)	1.3%		1.8%			
Common Equity Tier 1 (CET 1 %)	21.8%		24.6%			
Other	58	58	Client satisfaction (NPS score)	75.5	70.0	69.5
59	59	Employee engagement (score)	7.4	8.0	7.4	
61	61	Realized delivery on project portfolio (%)	87%	85%	n/a	

1 Scope of the target is limited to a subset of 40 new clients with an A or B+ ESG risk category or those supported by a corporate governance specialist that were contracted in 2017 or 2018, where FMO was in the lead.
 2 In 2019 we introduced this new human rights indicator. For years we have performed EAS due diligence including human rights, for all high ESG risk clients. At year-end 2019, for 308 clients in our portfolio EAS due diligence including human rights was performed. Of these 308 clients, the majority was already in our portfolio per year-end 2018. We are unable to differentiate the comparative figures for the portfolio per year-end 2018. Please refer to 'Our investment process' to read how we have strengthened the human rights lens in our due diligence practices in recent years.

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Example 1.1: Neste

Example 1.2: Stora Enso

Example 1.3: Schneider Electric

Example 1.4: FMO

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Analytical consideration 2:

Business model reporting: potential across time horizons

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Example 2.1: Allianz

Example 2.2: Schneider Electric

Example 2.3: Ørsted

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Analytical consideration 2: Business model reporting: potential across time horizons

EVALUATIVE QUESTIONS

Question 2: Does the company describe its business model's short, medium, and long-term potential?

IDENTIFIED GOOD OR LEADING REPORTING PRACTICES

Allianz
Schneider Electric
Ørsted

**The order of listing and presentation of the identified good or leading practices is not meant to indicate a ranking on the quality of disclosures.*

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Example 2.1: Allianz

Example 2.2: Schneider Electric

Example 2.3: Ørsted

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Example 2.1: Allianz Group

INSURANCE

WHY THIS IS A GOOD REPORTING PRACTICE

Excerpt 1 from the TCFD disclosure in the 2020 Sustainability Report related to climate-transition scenarios gives a clear picture of the short-, medium- and long-term asset and business value impact (risk) and the associated risk enhancer/mitigator factors (policy, substitution technology and related market forces) for relevant sub-sectors for the insurance business.

The accompanying stress test and scenario analysis information (Excerpts 2 and 3) highlight portfolio impacts.

In terms of different time horizons potential, the Allianz excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

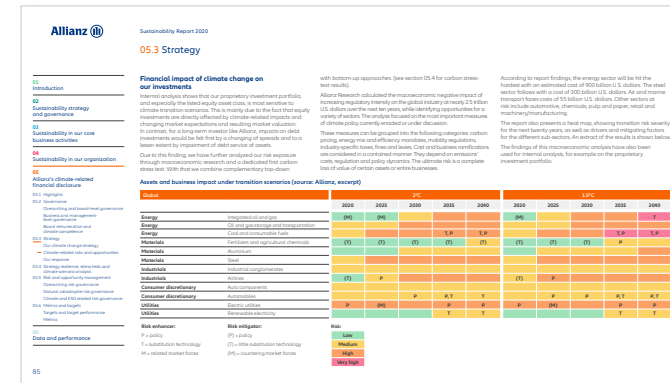
- **relevance** (Excerpt 1 provides granular sectoral risk exposure and mitigation information aligned to pursuing Paris Agreement goals, it specifies time horizons, and includes details of risk enhancers and mitigators; Excerpt 2 further outlines what short, medium and long term mean for Allianz; Excerpt 3 outlines carbon prices effect on the value of the equity portfolio of under different scenarios);
- **understandability** (Excerpt 1 has an effective tabular presentation and applies a visually effective heat map); and
- **connectivity** (highlights the financial impact of multi-horizon climate change factor of carbon pricing).

SUGGESTIONS FOR IMPROVEMENT

Excerpt 1 presents industry-level risk and opportunities across different time horizons. This information may be indicative but not necessarily equivalent to the company-specific risk exposure.

The inclusion of company-specific risk exposure would have made this excerpt more informative.

↓ Sustainability Report 2020, page 85



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Example 2.1: Allianz

Example 2.2: Schneider Electric

Example 2.3: Ørsted

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Example 2.1: Allianz Group

INSURANCE

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Example 2.1: Allianz

Example 2.2: Schneider Electric

Example 2.3: Ørsted

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Allianz Sustainability Report 2020

05.4 Strategy resilience, stress-tests and climate scenario analysis¹

Climate change considerations are an integral part of our insurance and investment strategy. We use regular stress-tests and additional climate-related scenario analyses to inform our strategic decisions as well as individual transactions.

We perform sensitivity and scenario analyses with time horizons up to 2050 and including scenarios ranging from 1.5°C to 4°C of average warming by the end of the century. We make use of internal models as well as external tools. While material time horizons naturally differ depending on the lines of business under consideration, the range of scenarios we apply allows us to better assess the variety of risks and opportunities associated with climate change.

We have called on the International Energy Agency already twice to develop and make available a full scenario aligned with 1.5°C and net-zero emissions by 2050. While the IEA's most recent World Energy Outlook included a partial 1.5°C scenario, it stopped short of providing an outlook beyond 2030 and all underlying data tables as for the other scenarios.

We aim to use a number of different scenario providers and scenarios for our analyses to reflect the range of potential future developments and reduce the sensitivity to individual scenario narratives and assumptions. To this end, it has proved useful to have access to an increasing number of scenarios in general and especially those aligned with 1.5°C pathways.

When we conduct analyses which assess scenario alignment, we adjust our scenario selection using guidance developed by the ACA which is focused on 1.5°C scenarios with no or low emission overshoot. When conducting outside-in impact scenario analysis, we use a broader range of scenarios in terms of temperature outcomes. For physical risks we are applying RCP 4.5 and R5 for our analyses and aim to incorporate RCP 6.0 in the future as well. For transition risks we are using, amongst others, IPCC's SR1.5 and AR5 scenarios, IEA's SSP, NZE2050, 2DS and B2DS scenarios, and the NGFS scenarios released in 2020.

We apply scenarios, for instance, in analyzing decarbonization challenges and pathways of sectors and assets, potential stranded assets and technology developments across different sectors. On physical risks, we seek to identify potential impacts on physical assets we insure, own, or operate, as well as impacts on client or investee level and associated portfolios. This type of analysis is being used for both sides of the balance sheet as well as our operations including procurement. We also use scenario data and analysis to develop forward-looking criteria for our investment decisions with regard to carbon-intensive business models and low-carbon opportunities.

Carbon Stress Test

This year, we publish for the first time results of an approach to modelling carbon risks for our listed equity portfolio with a bottom-up approach. It shall complement top-down approaches such as those put forward by financial markets regulators. We see merit in a model which gives us full transparency on methods and parameters, is easy to implement and gives a first understanding of evolution of potential climate impact on portfolio. It further gives possibility to cross-check external methodologies and provides a basis for potential development of more elaborate models going forward.

Methods, assumptions and parameters

The fundamental idea is that an increase in emissions price entails a decrease in earnings at the level of individual investee companies. The decrease in earnings can be translated into a stock market value loss based on price-to-earnings multiples. The model requires assumptions on e.g. cost pass-through, price elasticities, or regulatory easing (either explicitly or implicitly via effective carbon prices) which are kept simple for this first version and need to be refined further.

The starting point is the carbon footprint of the listed equity portfolio, as disclosed in section 05.6, using scope 1 and 2 emission figures. On this we apply carbon price shocks derived from the climate scenarios developed in the Network for Greening the Financial System.

Read more on the Network for Greening the Financial System here.

In the scenarios, these prices materialize over the coming ten years and are depending significantly on intensity of policy action and underlying scenario assumptions. Carbon prices projected for 2030 range from € 45 to 115 per tonne CO₂e in 2°C-aligned scenarios, and increase to € 95 to 374 per tonne CO₂e in 1.5°C aligned scenarios. The model assumes instantaneous changes of effective carbon prices applied to the portfolio, with no mitigation actions.

Typical time horizons

Short-term	Medium-term	Long-term
up to three years	three - ten years	ten+ years
As defined for instance, in our standard Top Risk Assessment process.	Needed for establishing solvency considerations and capital adequacy.	As for instance, required for strategic decisions and transactions with investment horizons of several decades like real estate and infrastructure.

We rely on our own and third-party scenarios provided by renown institutions and initiatives such as the IPCC, NGFS, IPR¹, the Institutions behind the EU long-term scenario, the IEA² or IRENA³.

¹ The scenario analysis and carbon stress test of section 05.4 is not part of the assurance scope on this section pursuant to online consultations and development information. Materiality by provide assurance on such analysis are currently under development internally.
² Please refer to the voluntary note on forward-looking statements on page 133.
³ Intergovernmental Panel on Climate Change.
⁴ Network for Greening the Financial System.
⁵ Inevitable Policy Response.
⁶ International Energy Agency.
⁷ International Renewable Energy Agency.

Data and performance

Excerpt 2

Sustainability Report 2020, pages 91 and 92

Allianz Sustainability Report 2020

05.4 Strategy resilience, stress-tests and climate scenario analysis

Limitations

To re-emphasize, this is a first version, it focuses on listed equity impacts only and also does not yet account for factors like different physical asset bases and resulting lock-ins, cost pass-through abilities, price elasticities or regulatory relief. It also does not yet differentiate between scope 1 and 2 emissions and, importantly, it assumes companies do not respond to climate policy trends, e.g. governmental net-zero strategies, by lowering their carbon exposure. There are factors which can become part of more elaborated versions. In addition, we also aim to develop our approach further to cover additional large asset classes like corporate bonds or real estate.

Results and interpretation

It is noteworthy that there is a certain carbon concentration in our listed equity portfolio, with ten issuers accounting for about 40 percent of owned absolute emissions. Also on sector level, 94 percent of owned emissions are concentrated in five sectors¹, accounting for around 60 percent of AuM, as disclosed in section 05.6.

Consistent with analysis disclosed in previous years and with the scope of the approach, our listed equity portfolio shows – within the current modeling framework and its limitations – sensitivities in those sectors and companies. The overall sensitivity stays contained in the Immediate 2°C scenario with CDR², with market value losses between -4 percent to -8 percent depending on climate-economic model. When more emission reductions are required and also atmospheric carbon removal is a limited option as in the Immediate 1.5°C scenario with limited CDR, the impact increases significantly market value losses go up to -12 percent to -19 percent. From FY19 to FY20, the numbers have decreased as our equity portfolio carbon footprint was reduced, see section 05.6.

Being aware of the limitations of our approach, the results are still leading us to the right follow-up questions to understand how carbon price increases can affect different sectors and which parameters of individual investee companies will lead to a non-uniform development inside a given sector or not all will be affected equally. This holds especially true as major carbon emitters are often exempted from carbon pricing schemes due to carbon leakage risks.

NGFS scenario

Carbon price sensitivity ranges of the Allianz listed equity portfolio for effective carbon prices projected for 2030. Red are FY2020 results, blue one for FY2019.

Our strategic response to carbon risks is our long-term commitment to and our intermediary portfolio targets made as part of the UN-convened Net-Zero Asset Owner Alliance (AZOA), the members of which are committed to "transitioning investment portfolios to net-zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5°C, degrees above pre-industrial temperatures" (see chapters 05.3.3 on the ACA and 05.6.1 on ACA-related targets). The work of the Alliance is done in collaboration and with a collective ambition, bringing together global investors, leading civil society and academia organizations, and the leadership of the UN. The Alliance is the first group of private sector global players to set 2025 interim targets across four areas: sub-portfolio targets (at asset class level), sector targets, engagement targets and financing targets. The purpose of the targets is to drive decarbonization of real economy towards 1.5°C. We know today real economy is rather on a 2°C pathway, hence decisive and credible measures from all groups of actors are needed. This is why we complement our 25 percent by 2025 emission reduction targets for listed equity and corporate bonds portfolio with sector-level targets, the doubling of our engagements with companies, sectors, and full value chains, the engagement of asset managers as well as clear policy advocacy to effect the necessary change at scale.

Data and performance

¹ NACE level 1.
² Carbon-Dioxide Removal.

Excerpt 3

Example 2.2: Schneider Electric

ELECTRIC COMPONENTS AND EQUIPMENT

WHY THIS IS A GOOD REPORTING PRACTICE

The disclosure excerpt from Schneider Electric's 2020 Financial and Sustainable Development Report defines its strategy and goals for the short-term (2020 and 2025), medium-term (2030), and long-term (2050). The goals across the time horizons are aligned with the Paris Agreement goal of limiting climate change to 1.5°C and contributing to the SDGs. The rest of the report has further details of specific actions taken towards the realisation of these goals/targets across the different time horizons.

In terms of different time horizons potential, the selected Schneider Electric disclosure excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

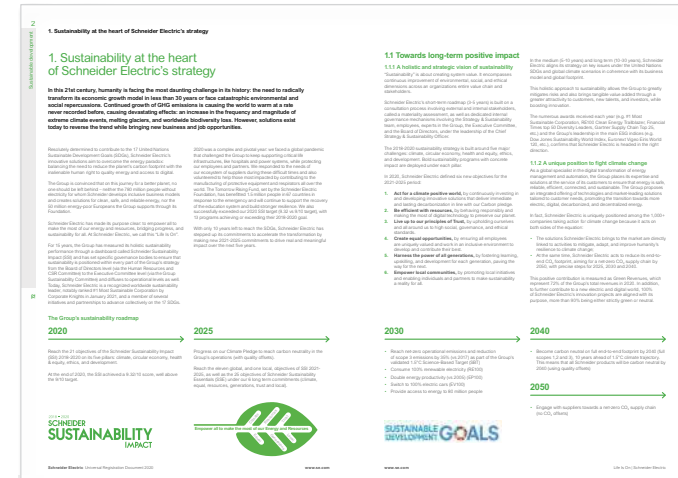
- **relevance** (describes its strategy and targets across different time horizons, and indicates how short, medium and long term are defined by the company);
- **strategic focus and orientation** (informs on the company's strategic objectives across different time horizons); and
- **understandability** (effective visual presentation of time-horizon information).

SUGGESTIONS FOR IMPROVEMENT

This disclosure excerpt mainly outlines opportunities and targets across the different time horizons. It could be further informative

if both the risks and opportunities faced by the company were depicted across these different time horizons.

2020 Universal Registration Document- Financial and Sustainable Development Report, pages 72-73



Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Example 2.1: Allianz

Example 2.2: Schneider Electric

Example 2.3: Ørsted

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

ENERGY

WHY THIS IS A GOOD REPORTING PRACTICE

Excerpt 1 from the 2020 Sustainability Report, outlines Orsted's roadmap to reaching carbon neutrality has been defined with Scope 1, 2 and 3 targets set for 2025, 2032, and 2040. These targets are mapped to Orsted's business model segments and activities (Construction, Energy Generation, Operations, Administration and Energy Trading).

The report highlights that due to the integration of sustainability into the vision, the business model and strategy, both financial and sustainability issues are closely linked and reaching the 2040 target also ensures economic potential. Excerpt 2 shows that Orsted is on track to become carbon neutral by 2025. Elsewhere in the report, Orsted outlines it aims to impact SDGs- goal-7 (affordable and clean energy) and goal-13 (climate action).

In terms of different time horizons potential, the Orsted disclosure excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

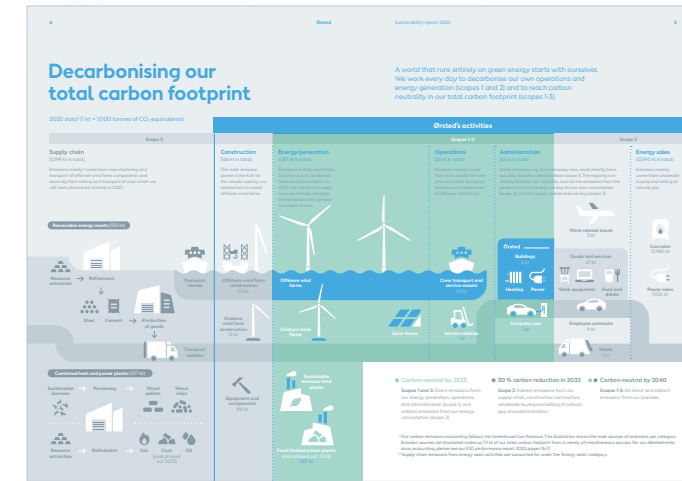
- **relevance** (discloses decarbonisation targets for different business segments, distinguishes its scope 1-2 and scope 3 targets);
- **strategic focus and orientation** (discloses information related to its overarching decarbonisation goal);
- **understandability** (has an effective visual presentation); and
- **stakeholder inclusiveness** (scope-3 targets, decarbonisation goal relates to impact on the environment and also has a positive social and economic impact).

SUGGESTIONS FOR IMPROVEMENT

This disclosure excerpt could be more informative if it indicated how short, medium, and long-term are defined for the company.

This would further contextualise the company's decarbonisation goals viz a viz the policy timeframes.

↓ Sustainability Report 2020, pages 4 and 5



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

- Example 2.1: Allianz
- Example 2.2: Schneider Electric

Example 2.3: Ørsted

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Example 2.3: Ørsted

ENERGY

↓ Sustainability Report 2020, pages 8 and 9

Companies are instrumental to a global green transformation. They need to transform their business models and ensure that their products and operations contribute positively to limiting global warming to 1.5 °C.

We are transforming our company Companies are instrumental to a global green transformation. They need to transform their business models and ensure that their products and operations contribute positively to limiting global warming to 1.5 °C. Like governments, they also need to set clear long- and short-term carbon emission reduction targets in line with climate science and take tangible immediate action, shifting capital and talent away from fossil fuels and conventional business, and driving the sustainable business models of the future.

The challenges to a sustainable build-out The deployment of renewable energy has gathered speed globally over the past decade – with 1,000 GW excluding hydrop of renewable capacity installed by the end of 2020 – and is expected to almost triple in the next decade, totaling more than 4,000 GW. But even though renewable energy is the key solution to climate change, we know that accelerating the deployment of renewable energy poses important sustainability challenges so that we, as an energy industry, must find ways to solve. This requires that we balance the climate impacts of the transition to a global green energy system with the impacts it will have on our natural environment and societies.

With our plans to decarbonise our energy generation, gradually phase out natural gas from our business portfolio, and significantly scale up renewable energy, we are currently focusing on three sustainability challenges that are at the core of driving a sustainable green energy build-out. Firstly, how to drive decarbonisation throughout our supply chain, secondly, how to balance existing usage of the sea with the needs for developing renewable energy infrastructure and manage impacts on natural habitats and local species; and thirdly, how to work with local communities in a collaborative way that realises the shared benefits of renewable energy.

How do these three challenges have a common or complete quick fix, but by using a programmatic and systematic approach, we will continue to improve the sustainability of our solutions.

Sharing our approach It is a tremendous honour to have been ranked among the world's most sustainable companies by Corporate Knights for three years in a row. In 2021, we were again named the most sustainable energy company in the world and the second most sustainable of all companies worldwide. This ranking underlines that it is possible to undergo a sustainable business transformation while creating value for stakeholders and shareholders alike.

While last year's report laid out our action plan for achieving carbon neutrality in 2025, this year, our sustainability team has made a great effort to break down exactly how we work on sustainability.

Assessing, prioritising, and effectively integrating sustainability challenges and opportunities into business strategy and operations is no simple task. It is still a field in its infancy. We believe that only by sharing and engaging in dialogue about company practices, we can help each other advance how we work on sustainability. That is why we chose this year, to provide a much greater level of detail on our approach to sustainability than in our previous reports.

We must redouble a decade of delivery At Ørsted, we are committed to taking a leading role in fundamentally reshaping how the world produces and consumes energy. As such, all our work is informed by a strategic commitment to the UN Sustainable Development Goals and based on the United Nations Global Compact's ENGO ten principles for corporate sustainability. In 2020, among a select group of companies, we obtained status as Global Compact LEAD, as a recognition of our commitment to and high engagement with the goals of the UN Global Compact.

Mads Nipper
Group President and CEO

Excerpt 2

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Example 2.1: Allianz

Example 2.2: Schneider Electric

Example 2.3: Ørsted

Analytical consideration 3: Business model reporting: dependencies and impacts

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Analytical consideration 3: **Business model reporting: dependencies and impacts**

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Example 3.1: SGS

Example 3.2: EnBW

Example 3.3: ABN Amro

Example 3.4: DSM

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Analytical consideration 3: Business model reporting: dependencies and impacts

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Example 3.1: SGS

Example 3.2: EnBW

Example 3.3: ABN Amro

Example 3.4: DSM

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

EVALUATIVE QUESTIONS

Question 3 - Does the company provide a clear description of its business model's dependencies (business reliance on or use of resources and relationships) and impacts (positive and negative, primary and secondary long-term effects produced by an intervention, directly or indirectly, intended or unintended) on sustainability issues?

- Does the company disclose both its negative and positive dependencies and impacts?
- Does it rank the top dependencies and impacts?

IDENTIFIED GOOD OR LEADING REPORTING PRACTICES

SGS
EnBW
ABN Amro
DSM

**The order of listing and presentation of the identified good or leading practices is not meant to indicate a ranking on the quality of disclosures.*

Example 3.1: SGS

BUSINESS SUPPORT SERVICES

WHY THIS IS A GOOD REPORTING PRACTICE

Excerpt 1 from the SGS 2019 Integrated Annual Report provides a reader-friendly of inputs, outputs and value created across the six IR capitals and include a high-level description of its business model activities.

Excerpt 2 informs on an impact valuation framework with the KPIs related to the six IR capitals. Excerpt 3 is an innovative graphical representation of the quantified value add for different stakeholders. Excerpts 4 and 5 gives some details of the quantified impacts for different business segments (e.g., for the Seed and Crop services, it discloses that in South America and Africa- a value to society of CHF 2.4 billion in natural capital was realised through reduced fertiliser and water usage).

The SGS disclosure excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

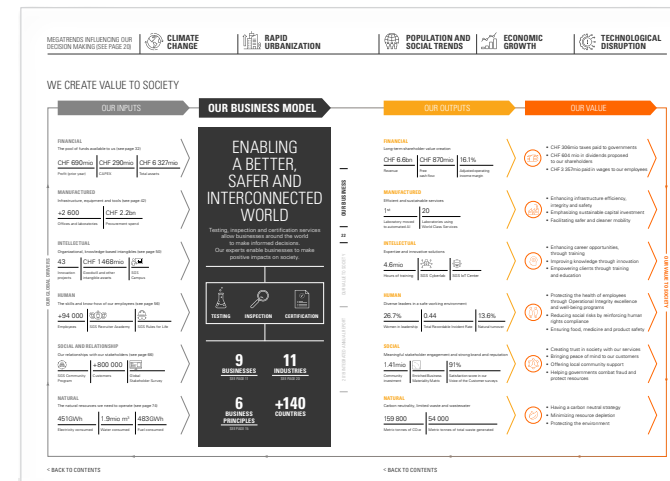
- **relevance** (discloses quantified impacts for different stakeholders in Excerpt 3 and provides additional clarifying disclosure on Excerpts 4 and 5);
- **understandability** (effective use of visual and graphic presentation);
- **connectivity** (shows how the inputs- six IR capitals have monetary impacts and the KPIs underpinning each capital providing a clear link of the interrelationship between dependencies/inputs and impacts);
- **balance/neutrality** (Excerpt 3 has details of negative and positive impacts); and
- **stakeholder inclusiveness** (provides information on value-added to society and has details on some of the impacts on different stakeholders).

SUGGESTIONS FOR IMPROVEMENT

The narrative disclosure/ case studies (Excerpts 4 and 5) contain disaggregated quantified amounts of impacts that complements the aggregated amounts of value-added to different stakeholders in Excerpt 3. A tabular or graphical representation of this quantitative

information included in the case studies would be reader friendly. As highlighted during outreach activities, quantitative data tends to be more readily accessible for users when presented in tabular and/ or visual representations.

↓ Integrated Annual Report 2019, page 22-23



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Example 3.1: SGS

Example 3.2: EnBW

Example 3.3: ABN Amro

Example 3.4: DSM

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Example 3.1: SGS

BUSINESS SUPPORT SERVICES

THE SGS IMPACT VALUATION FRAMEWORK: CAPITALS & INDICATORS

Capital Type	Description	Key Indicators (KPIs)
FINANCIAL CAPITAL	Relates to the storage of cash and cash equivalents that can be used in exchange for other stock functions (e.g., human capital) that enable SGS to successfully compete in the global marketplace.	<ul style="list-style-type: none"> Profitability Employment costs Taxes
MANUFACTURED CAPITAL	Relates to the inventory of property, plant, equipment and other manufactured goods that enable SGS business activities and SGS to successfully compete in the global marketplace.	<ul style="list-style-type: none"> Asset maintenance Market movements
INTELLECTUAL CAPITAL	Consists of intangible and knowledge-based assets. Intellectual inputs include the brand, patents and copyrights, and employees' knowledge of protocols and procedures.	<ul style="list-style-type: none"> Training Knowledge development Employee turnover Research and development
HUMAN CAPITAL	Relates to the physical and psychological capacity of individuals (e.g., motivation, safety or well-being) to undertake market-based employment and to pursue wider aspirations.	<ul style="list-style-type: none"> Health and well-being management Diversity and equal opportunities Salary schemes and benefits Volunteering Employee engagement Overtime Sickness absence Occupational safety Human rights compliance
SOCIAL AND RELATIONSHIP CAPITAL	Covers SGS' relationships and interactions with communities, stakeholders, organizations and networks. It includes notions like trust, loyalty and other values.	<ul style="list-style-type: none"> Local community investment Customer relationship management (CRM) and data security Supplier relationship management (SRM) Supplier stress Substandard services
NATURAL CAPITAL	Comprises the renewable and non-renewable natural resources and processes SGS needs to operate. Natural inputs include air, water, land and ecosystem health.	<ul style="list-style-type: none"> GHG emissions Carbon neutrality Water management Waste management Environmental incidents Air pollution Resource depletion Land use change

OUR VALUE TO SOCIETY

Excerpt 2

Corporate Sustainability Report 2019, pages 14-15

OUR VALUE TO SOCIETY RESULTS

VALUE TO SOCIETY FROM OUR DIRECT OPERATIONS AND SUPPLY CHAIN

Our calculations demonstrated that SGS generated +CHF 7641 million of positive societal benefit, primarily created through profit generation, the paying of taxes and wages, and training and development programs. We also generated CHF 991 million of negative societal impacts, which were primarily driven by the SGS supply chain's environmental footprint. SGS' positive impacts were primarily driven by the Company's own operations, which accounted for 69% of the total positive impacts.

ASSESSING OUR COMPLETE VALUE CHAIN

Our same innovative methodology that we currently use to analyze the value to society of our operations and supply chain in monetary terms can also be adapted for our services. Our diverse service portfolio and geographic spread make impact valuation at a global level extremely complex. We are currently developing this analysis and once it can be included, we expect to see a significant increase in our Value to Society, as many of our services support other businesses in delivering positive outcomes for society.

Additionally, while we are as yet unable to conduct an impact valuation across our entire service portfolio, we have studied certain individual services in relation to our capitals. Six examples of these calculations are provided as cases studies (see the following page).

1. Value to society is calculated on 2018 figures.

Capital Type	Value to Society (CHF)
FINANCIAL CAPITAL	6,247
MANUFACTURED CAPITAL	922
INTELLECTUAL CAPITAL	305
HUMAN CAPITAL	405
SOCIAL AND RELATIONSHIP CAPITAL	107
NATURAL CAPITAL	313
TOTAL VALUE TO SOCIETY	6,650

Excerpt 3

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Example 3.1: SGS

Example 3.2: EnBW

Example 3.3: ABN Amro

Example 3.4: DSM

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Example 3.1: SGS

BUSINESS SUPPORT SERVICES

↓ Corporate Sustainability Report 2019, pages 16-17

IMPACT VALUATION FRAMEWORK CASE STUDIES

OUR VALUE TO SOCIETY

BLUESIGN® TEXTILES ENVIRONMENTAL RISK MANAGEMENT

Bluesign®, a member of the SGS Group, provides the textile industry with a systematic approach to measuring and improving the risks and impacts associated with the use of chemicals and resources when creating end products from raw materials. The Bluesign® methodology takes into account the entire production process and minimizes the impacts on people and the environment.

The environmental benefits of Bluesign® include reduced water consumption, minimized water pollution and less energy usage. Using our SGS Impact Valuation Framework, we have estimated that Bluesign® services provided to a selected sample of 187 textile mills contributed to a natural capital enhancement of CHF 519 million.^{1,2}

OUR VALUE TO SOCIETY

SEED AND CROP SERVICES

Precision agriculture and fertility management solutions help the agricultural sector to effectively use sustainable practices to reduce resource usage, while increasing the production to meet changing demands due to global population growth and new food habits.

We achieve this through solutions such as agronomy services, precision farming and soil and water analysis. Thanks to these solutions, society benefits in a number of ways. With reduced fertilizer usage there is less water pollution. By helping to optimize the use of water in the agricultural sector, public water shortages and the associated vulnerabilities are diminished. Finally, by enhancing crop yields, farmers are more effective and productivity is maximized.

In South America and Africa alone, we delivered an estimated value to society of CHF 2.4¹ billion in natural capital through reduced fertilizer and water usage, and CHF 2.1¹ billion in financial capital through increased farm productivity.

OUR VALUE TO SOCIETY

ENERGY MANAGEMENT CERTIFICATION

By assessing companies against ISO 50001 Energy Management Systems Certification, SGS is helping to improve their energy efficiency. Through the implementation of an effective energy management system, organizations can conserve resources, save money and contribute to tackling climate change.

In 2018, we helped around 1 000 companies achieve ISO 50001 certification, avoiding more than 8 million tons of CO₂ emissions, which equates to an estimated value to society of CHF 608 million.^{1,2}

1. Relates to 2018 figures. 2. This estimate does not calculate positive impacts and Human Capital value created resulting from risk avoidance e.g. employee and consumer incidents, avoided injuries, fatalities, infringements on labor rights, and occupational hazards. These impacts will be evaluated in an upcoming enhanced evaluation. 3. To calculate the value to society derived from avoided emissions we use the 'social cost of carbon', i.e. the monetary value of negative outcomes such as decreased agricultural productivity, extreme weather conditions and risks to human health associated with the release of one ton of greenhouse gas emissions.

SUSTAINABILITY REPORT 2019

16

Excerpt 4

OUR VALUE TO SOCIETY

SGS VEHICLE INSPECTION SERVICES

SGS ensures public and private vehicles are compliant with safety and emission standards issued by regulatory authorities. SGS tests more than 25 million vehicles annually, and as a result, reduces road accidents in 15 countries. This provides enormous associated positive economic impacts by saving lives, protecting well-being, reducing medical and insurance costs, and avoiding damage to property, for example. Similarly, air pollution has been minimized by limiting the circulation of over-polluting vehicles. This in turn prevents damage to human health and ecosystems and the associated economic and social costs. The value to society derived from our Vehicle Inspection Services amounts to CHF 125 million¹ for natural capital, CHF 1400 million¹ for Human Capital, CHF 100 million¹ for manufactured capital and CHF 590¹ million for financial capital.

OUR VALUE TO SOCIETY

SOCIAL RESPONSIBILITY AUDITS

SGS Social Responsibility Audits assess the controls that companies have in place to prevent issues such as forced labor, discrimination and sexual harassment, that in turn generate significant economic and social costs. These audits are performed against third-party standards and corporate codes of conduct and include corrective action monitoring.

We assess the value to society derived in terms of improvements to societal well-being in the areas of forced labor, and discrimination and sexual harassment, applying an effectiveness coefficient to take into account that they are only partially responsible for the prevention of poor working conditions or human rights violations. Our estimated 2018 value to society as a result of the decreased prevalence of these three issues was CHF 504¹ million in avoided costs.

OUR VALUE TO SOCIETY

SGS ACADEMY

Through the SGS Academy we deliver professional training that contributes to knowledge development. Our courses cover a wide range of topics, from health and safety to leadership and process management. Graduates gain the skills and knowledge to stay up-to-date with industry regulations and best practice, giving them the opportunity to advance their careers.

When companies enroll their employees in SGS Academy training courses they benefit from talent development and retention, enhanced service quality, competitiveness and productivity, and reduced employee risks. We have calculated this economic benefit to our customers as delivering a value to society of CHF 260¹ million in Financial Capital. At the same time, course attendees are benefiting from better career opportunities and increased employability. This increases their potential to earn higher salaries, which in 2018 brought with it a value to society of CHF 130¹ million in intellectual capital.

1. Relates to 2018 figures.

SUSTAINABILITY REPORT 2019

17

Excerpt 5

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Example 3.1: SGS

Example 3.2: EnBW

Example 3.3: ABN Amro

Example 3.4: DSM

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Example 3.2: EnBW

ELECTRIC AND GAS UTILITIES

WHY THIS IS A GOOD REPORTING PRACTICE

Excerpt 1 from EnBW's 2019 Integrated Annual Report outlines the company's resources (i.e., Finance, Relationships, Employees, Environment, Infrastructure and Expertise) and four main business activities (Sales, Grids, Renewable Energies, and Generation and Trading). It also shows that one of EnBW's strategic objectives is the development of sustainable generation infrastructure and in the later pages of the report, there is a more detailed breakdown of the four business segments. Excerpt 2 has a value-added statement showing the value added in euros for EnBW and its stakeholders. It also has a diagrammatic mapping of resources and the "value added" for EnBW and its stakeholders. There is a qualitative description of the impacts for different stakeholders under the "value added" heading.

Excerpt 3 has a breakdown of KPIs and targets related to stakeholders (i.e. customers and society, employees) and the environment that partially helps to inform on the impacts for these stakeholders. Similarly informing on possible impacts is Excerpt 4, which shows how KPIs related to stakeholders and the environment

would be directionally impacted (positive or negative) by the expansion in generation capacity from renewable energy, with a distinction being made between 'Direct influence' versus 'Potential/long-term influence'.

In terms of reporting on the business model dependencies and impacts, the highlighted EnBW disclosure excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (Excerpt 1 and 2 outlines the business model inputs/dependencies and value added to different stakeholders impacts);
- **understandability** (Excerpts make effective use of visual representation);
- **connectivity** (Excerpt 2 shows the interdependencies of value creation factors); and
- **stakeholder inclusiveness** (Excerpt 2 outlines the value added for different stakeholders).

SUGGESTIONS FOR IMPROVEMENT

Excerpt 2 only has a qualitative description of impacts for different stakeholders (customers, society and employees) and the environment. The quantified information (i.e., "value added" statement) in this excerpt, which reflects the appropriation of wealth created, is not a sufficient representation of the different dimensions of impacts (i.e., long-term effects) related to different

stakeholders. Hence, a reader has to infer possible quantitative impacts from the KPIs and targets for stakeholders that are reported elsewhere (Excerpt 3). A more explicit reporting of positive and negative impacts on stakeholders as a part of the business model description would be helpful.

↓ Integrated Report 2019, page 32

32 Management report > Business model Integrated Annual Report 2019 of EnBW

Fundamentals of the Group

Business model

Business principles

Business model

Our driving incentive: EnBW 2020 strategy: *Energiewende. Safe. Hands on.*

Our vision: EnBW 2025 strategy: *Sustainable and innovative infrastructure partner*

Our activities

Our present: Energy industry value chain with four segments

- Sales
- Grids
- Renewable Energies
- Generation and Trading

Our future: Three strategic business fields with a focus on infrastructure

- Smart infrastructure for customers: Sales of electricity and gas, billing services; Installation and operation of critical infrastructure such as heatpumps, charging and other infrastructure
- System critical infrastructure: Transmission and distribution of electricity, gas and water and the provision of grid-related services
- Sustainable generation infrastructure: Generation of electricity from renewable energies (water, wind and solar); Generation of electricity from conventional power plants, generation of hydrogen, storage of gas, coal, oil and gas trading and options services

Our resources: Finance, Relationships, Employees, Environment, Infrastructure, Expertise

Our value added: Finance, Relationships, Employees, Environment, Infrastructure, Expertise

As an integrated energy company, EnBW is active in the four segments Sales, Grids, Renewable Energies and Generation and Trading and is transforming into a sustainable and innovative infrastructure partner. We draw on a variety of resources – from finance through to expertise – for our corporate activities. As a result of the efficient application of these resources, we create value for ourselves and our stakeholders. In response to the *Energiewende* in Germany, we developed our **EnBW 2020 strategy** in 2013 with the guiding principle "*Energiewende. Safe. Hands on.*" The main focus of this strategy was the transformation of the business portfolio. The aim was to compensate for the fall in earnings in the Generation and Trading segment with growth in the three other segments: Sales, Grids and Renewable Energies. The resolute implementation of the EnBW 2020 strategy is now on the home straight and has significantly strengthened the future viability of the company.

Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Example 3.1: SGS

Example 3.2: EnBW

Example 3.3: ABN Amro

Example 3.4: DSM

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

ELECTRIC AND GAS UTILITIES

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Example 3.1: SGS

Example 3.2: EnBW

Example 3.3: ABN Amro

Example 3.4: DSM

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

↓ Integrated Report 2019, pages 34 and 35

34 Management report • Business model Integrated Annual Report 2019 of EnBW

Value added

Value added for EnBW and its stakeholders

The aim of our corporate activities is to add value in the short, medium and long term. Value added reflects corporate success, as well as competitiveness and future viability, and does not only depend on the company itself but also on the business environment, relationships with stakeholders (p. 51 ff.) and the application of a variety of different resources. As a result of the efficient use of these resources within the scope of our activities, we create value for ourselves and our stakeholders. We associate the concept of sustainable economic development with our aspiration to conduct all of our business activities in a responsible way. This is closely associated with our reputation, that is, the public opinion our stakeholder groups hold about EnBW (p. 53). Information on the interdependencies between the key performance indicators can be found on p. 46f.

Value added statement

The value added statement indicates the degree to which we contribute to the continuing economic development of the company and our stakeholders using our financial resources. Further information on the dialogue with our stakeholders is summarised in the chapter "In dialogue with our stakeholders" (p. 51 ff.).

We define value added as our cash-relevant business performance in the past financial year minus cash-relevant expenses. The value added is derived from the cash flow statement and corrected based on the use of funds. In the reporting year, we generated value added of 22.7% (previous year restated: 19.2%). As well as being used in the form of wages, salaries and pension payments for active and former employees, a further share is dedicated to payments to the state in the form of income taxes and corrected based on the use of funds. After consideration of all stakeholder groups, the retained cash flow is available to the company for future investments without the need to raise additional debt (p. 77f.).

Value added of the EnBW Group in € million

Creation of value
Cash-relevant business performance

Suppliers and service providers: material and other operational expenditures (2018: 18,341.9)	Value added (2018: 4,326)	16,122	4,728	20,851
---	---------------------------	--------	-------	--------

Use of value

Active and former employees: primarily wages and salaries (2018: 6,634)	EnBW Group: retained cash flow (2018: 2,291)	State taxes (2018: 20%)	Shareholders: dividends (2018: 7%)	Outside investors: interest (2018: 6%)
47%	20%	19%	7%	7%

1. Includes interest and dividends received, as well as the dedicated financial assets contribution.
2. The figure for the previous year has been restated.

Excerpt 2

Integrated Annual Report 2019 of EnBW Management report • Business model 35

Value added for EnBW and its stakeholders

Resources

- Finance**
A constantly solid financial structure (equity, debt, positive cash flow level) for financing our business activities.
- Relationships**
Our customers are the central focus of our philosophy and actions. We actively promote dialogue with our stakeholders and thus build trust and social acceptance.
- Employees**
The expertise, experience and diversity of our employees contribute to the success of the company, supported by an effective and efficient HR policy.
- Environment**
Using the natural resources wind, water, sun, biomass and geothermal energy to generate energy.
- Infrastructure**
We are one of the most important energy companies in Germany and Europe thanks to our power plants, electricity and gas grids and gas storage systems.
- Expertise**
We develop models for new future business fields through our research and innovation activities.

Value added

For EnBW	For our stakeholders
<ul style="list-style-type: none"> Securing profitability High level of financial discipline Increasing Group value 	<ul style="list-style-type: none"> Appropriate dividends for our shareholders Customer proximity Wages, salaries and pensions for active and former employees Tax payments to the state
<ul style="list-style-type: none"> Increasing share of result from "Customer proximity" (Sales) Increasing customer satisfaction ("Customer proximity") Improving reputation Customer loyalty: strengthen trust in EnBW as a partner and supplier 	<ul style="list-style-type: none"> Increasing customer satisfaction ("Customer proximity") Maintaining supply reliability (SAGB) Engaging in social issues through activities for our and customers, business partners, local authorities and their citizens
<ul style="list-style-type: none"> Increasing employee commitment (ECI) Increasing occupational safety (SIF) Always having the right employees with the right skills in the right place 	<ul style="list-style-type: none"> Measuring employee identification with the company based on the Employee Commitment Index (ECI) Engagement in the area of diversity Working frames and degree plans Multi-stage career integration programs for refugees and migrants
<ul style="list-style-type: none"> Expanding renewable energies (RE) Using the natural resources wind, water, sun, biomass and geothermal energy to generate energy Reducing CO₂ intensity Improving the carbon footprint Safe dismantling of nuclear power plants 	<ul style="list-style-type: none"> Expanding and integrating RE for customers and society Reducing CO₂ intensity Energy-efficient products for our customers Responsible handling of resources Sustainable and responsible procurement
<ul style="list-style-type: none"> Expanding renewable energies (RE) Increasing Group value Reducing CO₂ intensity Driving the Energytransition Opening up new business fields 	<ul style="list-style-type: none"> SAGB: Supply reliability for our customers: Investment in upgrading grids and expanding transmission grids through our grid subsidiaries Reducing CO₂ intensity Investing in the expansion of RE for customers and society Contracting third-party companies and suppliers
<ul style="list-style-type: none"> Securing profitability and increasing share of result from "Customer proximity" / Sales by identifying new sources of revenue Early identification of risks to long-term market opportunities and trends 	<ul style="list-style-type: none"> New smart products for the benefit of our customers EnBW as a provider of venture capital for the development of the grid

As a result of the efficient use of our resources within the scope of our activities in the 2019 financial year, we create value for ourselves and our stakeholders.

Overview of the segments, page 33f. | In dialogue with our stakeholders, page 51 ff. | Research, development and innovation, page 54 ff. | The EnBW Group, page 88f.

Excerpt 3

ELECTRIC AND GAS UTILITIES

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Example 3.1: SGS

Example 3.2: EnBW

Example 3.3: ABN Amro

Example 3.4: DSM

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

↓ Integrated Report 2019, pages 44 and 47

44 Management report • Strategy, goals and performance management system Integrated Annual Report 2019 of EnBW

Financial and non-financial key performance indicators and targets

Goal dimension	Goal	Key performance indicator	2019	Target for 2020	Target for 2025
Finance	Secure probability	Adjusted EBITDA in € billion	2.4	2.3-2.5	3.2
	High level of financial discipline	Internal financing capability in % Debt repayment potential in %	82.6 -	≥ 100 -	≥ 114 ¹ -
	Increasing Group value	ROCE in %	5.2	8.5-11	6.5-8
Strategy	Share of result accounted for by "Customer proximity" / Sales	Share of overall adjusted EBITDA in € billion in %	0.3/12.1	0.4/15.0	0.4/20.0 (Smart infrastructure for customers) ²
	Share of result accounted for by Grids	Share of overall adjusted EBITDA in € billion in %	1.3/51.9	1.0/40.0	1.3/40.0 (System critical infrastructure) ³
	Share of result accounted for by Renewable Energies	Share of overall adjusted EBITDA in € billion in %	0.5/19.8	0.7/26.0	1.3/40.0 (Sustainably generation infrastructure) ⁴
	Share of result accounted for by Generation and Trading	Share of overall adjusted EBITDA in € billion in %	0.4/15.8	0.3/15.0	-
Customers and society	Reputation	Reputation Index	53	55	58 to 62
	Customer proximity	EnBW/Hello Customer Satisfaction Index	116/157	> 136 / > 159	125 to 134 / 148 to 159
	Supply reliability	SAIDI (in min./year)	15	< 25	< 28
Employees	Employee commitment	Employee Commitment Index (ECI) ⁵	46	45	≥ 46
	Occupational safety	LHF for companies controlled by the Group ⁶ LTIF overall ⁷	2.1 3.8	same/previous year	2.1 3.5
Environment	Expand renewable energies (RE)	Installed output of RE in GW and the share of the generation capacity accounted for by RE in %	4.4/21.8	5.0/4.40	7.5 to 8.0 / 30
	Climate protection	CO ₂ intensity in g/kWh	419	-10% to -20% (reference year 2015: 467 g/kWh)	-10% to -20% (reference year 2015: 467 g/kWh)

The EnBW Group, page 80 ff. | Forecast, page 96 ff. | Report on opportunities and risks, page 100 ff.

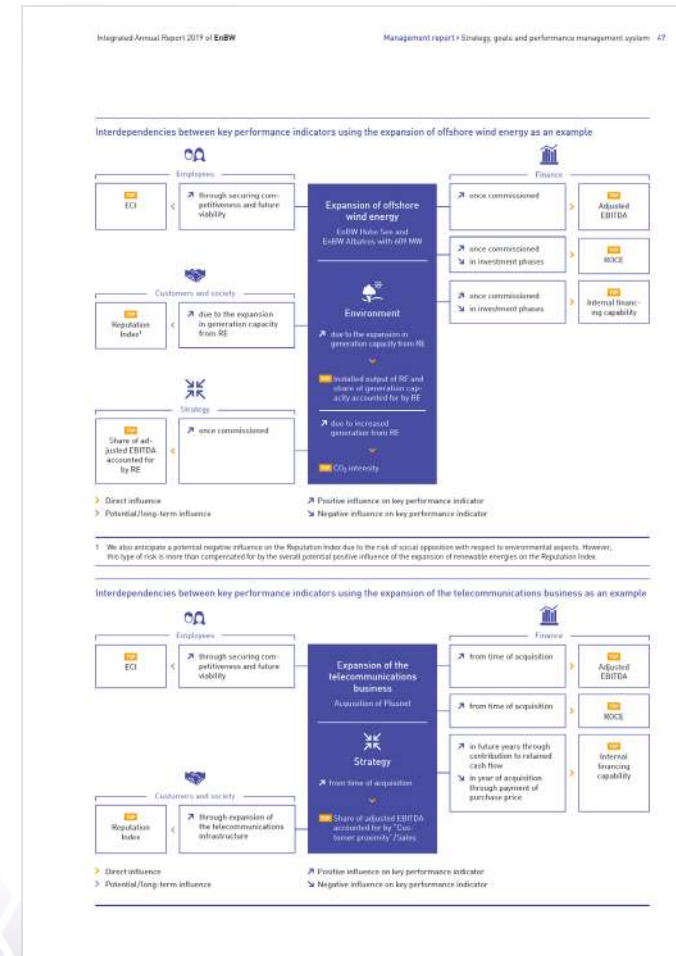
The EnBW Group, page 81 ff. | Forecast, page 97 ff. | Report on opportunities and risks, page 100 ff.

The EnBW Group, page 82 ff. | Forecast, page 99 ff. | Report on opportunities and risks, page 100 ff.

The EnBW Group, page 87 ff. | Forecast, page 95 ff. | Report on opportunities and risks, page 100 ff.

- Following the transition to the growth strategy, the key performance indicator internal financing capability will be replaced by the new key performance indicator debt repayment potential from 2021. Therefore, no target value has been defined for the internal financing capability for 2025. To ensure EnBW achieves its strategic target, the target value will be required annually based on the requirements of the rating agencies.
- The four segments of Sales, Grids, Renewable Energies and Generation and Trading will become the three strategic business units of Smart infrastructure for customers. System critical infrastructure and Sustainable generation infrastructure from 2023.
- Variables in the group of consolidated companies (all companies with more than 100 employees are generally considered except ITSC).
- Variables in the group of consolidated companies (all companies with more than 300 employees are generally considered except for companies in the area of asset management as well as internal agency workers and contractors).
- Variables in the group of consolidated companies (all companies with more than 100 employees are generally considered except for internal agency workers and contractors).

Excerpt 4



Excerpt 5

Example 3.3: ABN Amro

DIVERSIFIED BANKING

WHY THIS IS A GOOD REPORTING PRACTICE

ABN Amro's reporting structure follows the Core and More model proposed by Accountancy Europe with a concise Integrated Report that serves as a summary alongside other supplementary reports (i.e., Impact Report, Human rights Report, and Non-financial data and Engagement Report).

Excerpt 1 from ABN AMRO's 2019 Integrated Report shows the linkage between the inputs, core business model activities, output metrics and outcomes. It further shows both the positive and negative impacts of the business. Excerpt 2 provides a pictorially depicted relative rating of the impact and value created by stakeholder type disaggregated by the six IR framework capitals and the disclosure outlines the method used to determine the relative rating of impacts. Unlike many companies that only make statements of impacting SDGs, Excerpt 3 has detailed information on positive and negative impacts on SDGs 8-decent work and economic growth, 12-responsible consumption and production and 13-climate action.

Furthermore, the Impact Report includes an integrated profit and loss statement, stakeholder value creation statement, investor value creation statement, external costs statement and contribution to SDGs statement.

SUGGESTIONS FOR IMPROVEMENT

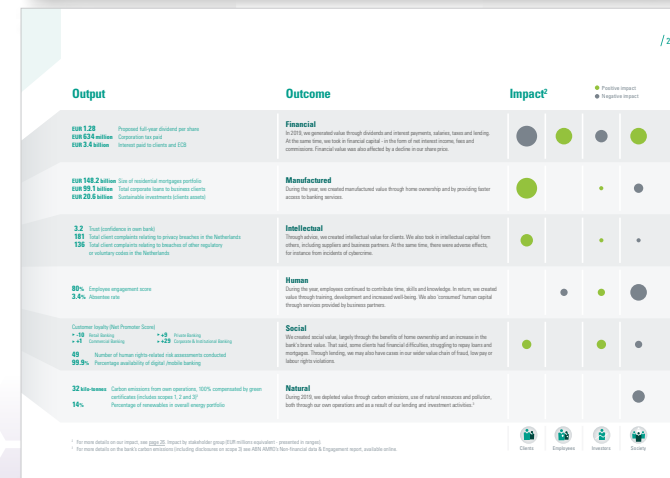
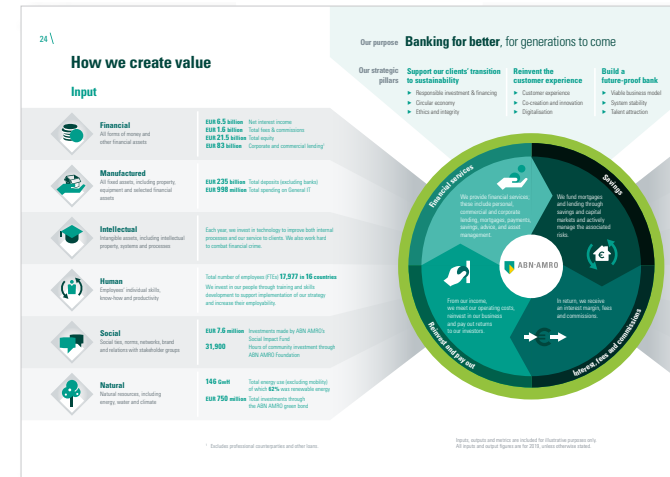
Although the Excerpt 2 disclosure highlights both positive and negative impacts, it would have been more informative if it also provided more company-specific contextualising information to help a reader further discern the nature of both the positive and negative impacts. Furthermore, unless the disaggregated visual

In terms of reporting on the business model dependencies and impacts, the ABN Amro disclosure excerpts fulfil the PTF-RNFO Practices Evaluation Approach attributes of:

- **relevance** (disclosures include relevant information to allow a complete assessment of dependencies/resources and relationships, business activities, outputs and outcomes, and well-disaggregated and monetised impacts, impacts include entity-specific information on impacts on SDGs);
- **understandability** (makes effective use of visual presentation);
- **connectivity** (provide an overview of the interrelatedness of value creation factors);
- **verifiability** (within the Impact Report is an outline of the method used to determine the relative rating of impacts);
- **neutrality/balance** (highlights both the positive and negative impacts);
- **comparability** (Impact Report has 2020 versus 2019 impacts that can allow users to assess trends); and
- **stakeholder inclusiveness** (highlights impacts on clients, employees, investors, and society, and impacts on SDGs).

(varied circle size) depiction of impacts in the disclosure excerpts is readily and consistently translatable to a monetary equivalent, users can struggle to compare these types of representation of impacts across entities.

2019 Integrated Annual Report, pages 24 and 25



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Example 3.1: SGS

Example 3.2: EnBW

Example 3.3: ABN Amro

Example 3.4: DSM

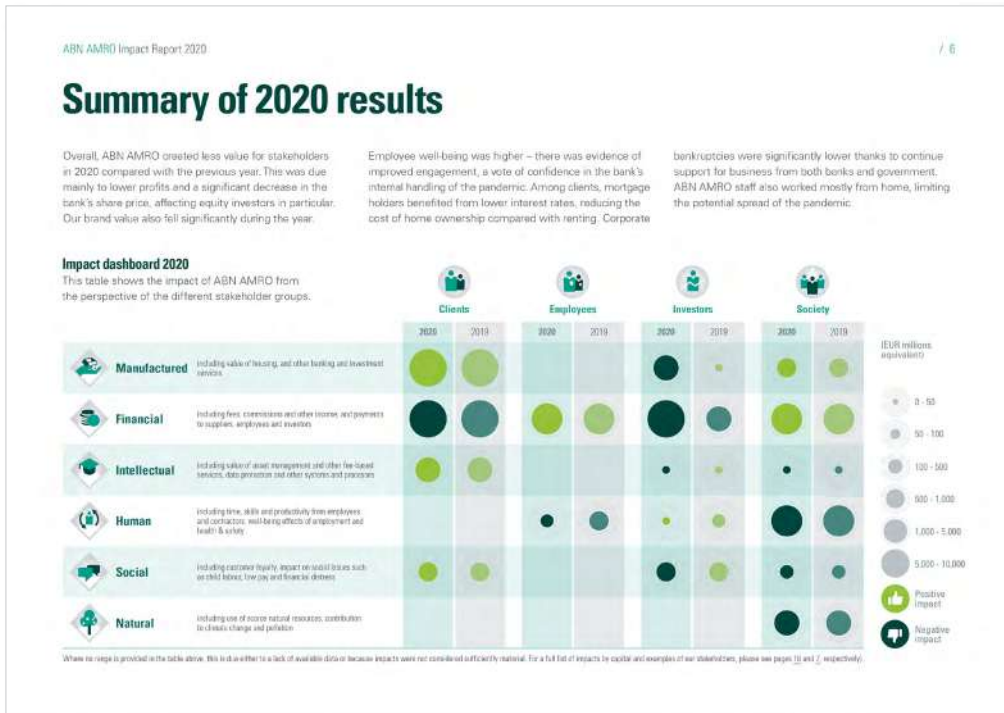
Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

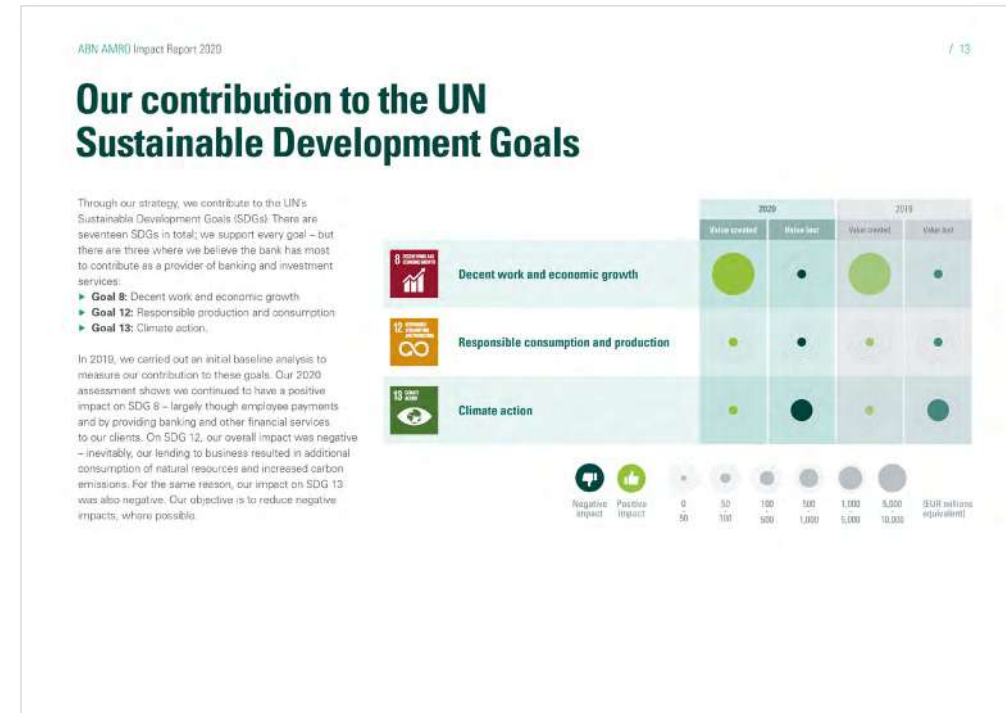
Example 3.3: ABN Amro

DIVERSIFIED BANKING

↓ Impact Report 2020, pages 6 and 13



Excerpt 2



Excerpt 3

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Example 3.1: SGS

Example 3.2: EnBW

Example 3.3: ABN Amro

Example 3.4: DSM

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Example 3.4: DSM

CHEMICALS

WHY THIS IS A GOOD REPORTING PRACTICE

In its 2019 Annual Integrated Report, DSM provides a high-level description of the business model inputs, mission and strategy, and impacts on SDGs 2-zero hunger, 3-good health and well being, 7-affordable clean energy, 12-responsible consumption and production, and 13-climate action (Excerpt 1). Inputs and outcomes are categorised by the themes of people, planet and profits. Inputs are also classified by the six IR framework capitals.

The example is chosen due to its illustration of candour in reporting in the two-page description of things that went wrong or negative impacts in 2019 and these are also categorised by people, planet, profit themes (Excerpt 2).

In terms of reporting on the business model dependencies and impacts, the DSM disclosure excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

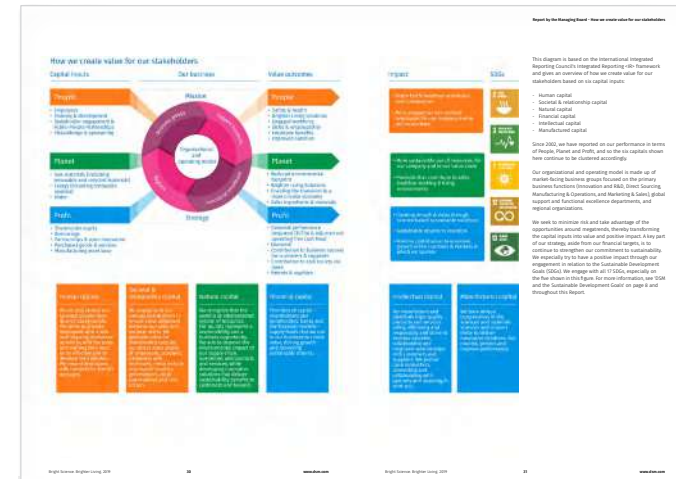
- **relevance** (provides some entity-specific information on inputs and outcomes, identifies the SDGs that it impacts);
- **understandability** (effective use of visuals); and
- **neutrality/balance** (highlights negative impacts in Excerpt 2 in addition to positive impacts in Excerpt 1).

SUGGESTIONS FOR IMPROVEMENT

The value creation for the company and stakeholders are mostly described in broad and general terms. A more specific and detailed description of DSM's inputs, business model activities, outcomes,

and impacts including an outline of metrics associated with these elements in excerpt 1 would convey a complete picture of the company's business model inputs/dependencies and impacts.

↓ Integrated Annual Report 2019, pages 30-31



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Example 3.1: SGS

Example 3.2: EnBW

Example 3.3: ABN Amro

Example 3.4: DSM

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

Example 3.4: DSM

CHEMICALS

↓ Integrated Annual Report 2019, pages 144-145

What still went wrong in 2019

What still went wrong in 2019

We are always trying to improve, but sometimes things still go wrong. Here we share the most significant incidents of 2019 across all three dimensions of People, Planet and Profit. This includes health, safety, environment, and security incidents (including fraud) as well as what we have learned from our businesses that has not developed as planned.

Preventing repeat problems requires us to understand each incident to the best of our ability. When an accident occurs, the first priority is to take care of any injuries and repair any damage. We investigate every recordable incident using a fixed root cause analysis method. We also trigger an improvement cycle, see 'Safety, Health & well-being' on page 41. This includes investigating root causes and trying to eliminate them. We put new requirements or operating procedures in place as needed.

We apply zero tolerance to violations of the 'DSM Code of Business Conduct' on page 113. We do not disclose any personal details in cases involving individuals.

In line with our reporting policy, this overview includes not only incidents but also some serious near-misses. Near-misses are cases that did not result in injury, illness or damage but which could have done so. Even when a crisis is averted, it is our responsibility to learn from it and do better the next time. We have a process in place to collect the information about incidents and some serious near-misses as presented in this overview, using various sources including our internal Letter of Representation, see 'Monitoring activities' on page 118 and our reporting system for SHE and Security incidents.

People

Incidents involving falls

At DSM Nutritional Products in Grenzach (Germany), a contractor fell from a scaffold while the scaffolding was being erected. He suffered multiple fractures to his body. To prevent similar incidents, very strict scaffolding standards as well as contractor requirements have been issued company-wide.

At DSM Nutritional Products in Grenzach (Germany), an employee slipped on an icy zebra crossing when walking from the parking lot to the office buildings and sustained a broken arm.

While on a business trip, an employee of DSM Engineering Plastics in Geleen (Netherlands) slipped on the icy surface of the parking lot of his hotel and tore his knee ligaments.

In response to the latter two incidents, a campaign on preparing for winter was initiated and new safety standards were set.

At DSM Nutritional Products in Dalry (United Kingdom), an employee fractured his knee after tripping over incorrectly stored scaffolding material.

Logistical incidents

At DSM Resins and Functional Materials in Pingtung (Taiwan), an employee hit a beam of the building with the mast of the electrical pallet truck he was operating. The mast got stuck and could not be freed. The employee tried lowering the forks of the truck a couple of times, when suddenly the forks fell onto his left foot. The foot was broken where it was not protected by the steel of his safety boot.

Other health and safety incidents

At DSM Nutritional Products in Shanghai (Zhejiang Province, China), a flash fire occurred during the removal of packing materials from a distillation column. A contractor sustained second-degree burns to large parts of his body.

At DSM Nutritional Products in Buk (Poland), a contractor was hit in the eye by a webbing cable and sustained an eye injury.

At DSM Nutritional Products in Dalry (United Kingdom), an employee accidentally opened a valve of a hot water drain, the open end of which was not properly secured. Hot water poured over his shoe, scalding his foot.

At DSM Nutritional Products in Jiangshan (Jiangsu Province, China), the voluntary fire brigade carried out a fire drill. While handling a fire hose, an employee lost his balance, fell to the ground and broke his thigh.

During an occupational health check, an employee from DSM Nutritional Products in Jiangshan (Jiangsu Province, China) was diagnosed to have sustained limited hearing loss resulting from a longer-term noise exposure and was transferred to another working environment.

At DSM Nutritional Products in Mexico, a truck carrying DSM products was forced to stop on the highway. The two drivers were threatened with firearms and had to hand over the truck and cargo. Later on, the truck was retrieved but all the cargo had disappeared. Fortunately, no personal injuries were sustained.

During a business trip in South Africa, two employees from DSM Food Specialties in Delft (Netherlands) were threatened by three robbers armed with knives and robbed of their mobile phones. Fortunately, they did not sustain any physical injury.

Planet

In the context of Chemelot, DSM Netherlands (Geleen) was mentioned in the media in relation to several years of incorrect reporting of nitrous oxide (N₂O) emissions. Although DSM itself did not have the responsibility for reporting these emissions, looking back, we feel that DSM could have pointed out to the other parties involved the obligation to include the N₂O emissions in their environmental reporting to the authorities. DSM regrets this.

At DSM Nutritional Products in Dalry (United Kingdom), a storage vessel partly imploded shortly after being filled up with new stock material. Fortunately, there were no personal injuries, nor was there any loss of containment.

Profit

DSM Nutritional Products in Fort Worth (Texas, USA) is involved in the recall of canned dog food initiated by a customer, as a consequence of the allegedly incorrect composition of a vitamin premix provided to that customer. The matter is ongoing at the time of publication of this Report.

At DSM Nutritional Products in Mexico, non-conformities in product registration resulted in a loss of sales.

At DSM Nutritional Products in Russia, the renewal of product certification was delayed. The sales of a number of products from Switzerland to Russia had to be put on hold and alternative supply had to be set up, leading to a loss of margin.

At DSM China, a call was received by the customer helpdesk in connection with a product allegedly manufactured by DSM. After checking with all business groups, it turned out that DSM had never produced this type of product. The product in question appeared to be a counterfeit product that was being sold online.

After the resignation of an employee of DSM Nutritional Products (Americas), it appeared that the employee had misused a company credit card to make personal and other expenditures prohibited.

An employee from DSM Food Specialties (Europe) made false business travel expense claims, thus violating the company's business travel policy.

At DSM Engineering Plastics in Emmen (Netherlands), a faulty filter allowed granulate to enter the demineralized water system, causing the machinery to break down and putting a production line out of operation for several days.

Excerpt 2

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Analytical consideration 1: Business model reporting: clarity and comprehensiveness of value creation description

Analytical consideration 2: Business model reporting: potential across time horizons

Analytical consideration 3: Business model reporting: dependencies and impacts

Example 3.1: SGS

Example 3.2: EnBW

Example 3.3: ABN Amro

Example 3.4: DSM

Sustainability matters linkage to business model, strategy

Part 2: Applying technological solutions for sustainability reporting information

SUSTAINABILITY MATTERS LINKAGE TO BUSINESS MODEL, STRATEGY

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Analytical consideration 4: Sustainability matters effect on company performance

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Analytical consideration 4: Sustainability matters effect on company performance

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

EVALUATIVE QUESTIONS

Question 4: To what extent does a company disclose the material sustainability matters and how these are likely to affect its company performance?

- Verify the process to identify the material sustainability issues (i.e., stakeholder engagement, desk research, surveys, and so on) and the governance aspects of their identification (e.g., what is the governance body signing off the outcome of the identification process).
- Within the description of the business model, does the company provide a clear linkage and a comprehensive overview of its risks and opportunities?
- Does the company include a description of the relation of its business model with the financial and sustainability issues?

IDENTIFIED GOOD OR LEADING REPORTING PRACTICES

- EnBW**
- Arcadis**
- ABN Amro**
- SGS**
- Norsk Hydro**

**The order of listing and presentation of the identified good or leading practices is not meant to indicate a ranking on the quality of disclosures.*

Example 4.1: EnBW

ELECTRIC AND GAS UTILITIES

WHY THIS IS A GOOD REPORTING PRACTICE

In Excerpt 1, from the 2019 Integrated Annual Report, EnBW has a 'risk potential versus opportunity potential' matrix that lays out the top 14 opportunities/risks with an identification of how these relate to the four main business segments and which of these could be seized as opportunities or mitigated as risks. For instance, the political and economic environment in Turkey and fluctuations in wind energy yield are the risks/opportunities that impact the renewable energy business.

Excerpt 2 outlines the direct effect and potential long-term effects of these risks and opportunities on different KPIs (financial performance, strategic performance and non-financial performance). For example, fluctuations in wind energy yield will have a direct effect on Adjusted EBITDA, internal financing, and ROCE and only a potential/long term effect on CO₂ intensity. Excerpt 3 provides a narrative explanation on why and the extent to which the identified risks and opportunities would impact the KPIs. For instance, fluctuations in wind energy yield could have a positive or negative effect in the high double-digit million-euro range on EBITDA.

SUGGESTIONS FOR IMPROVEMENT

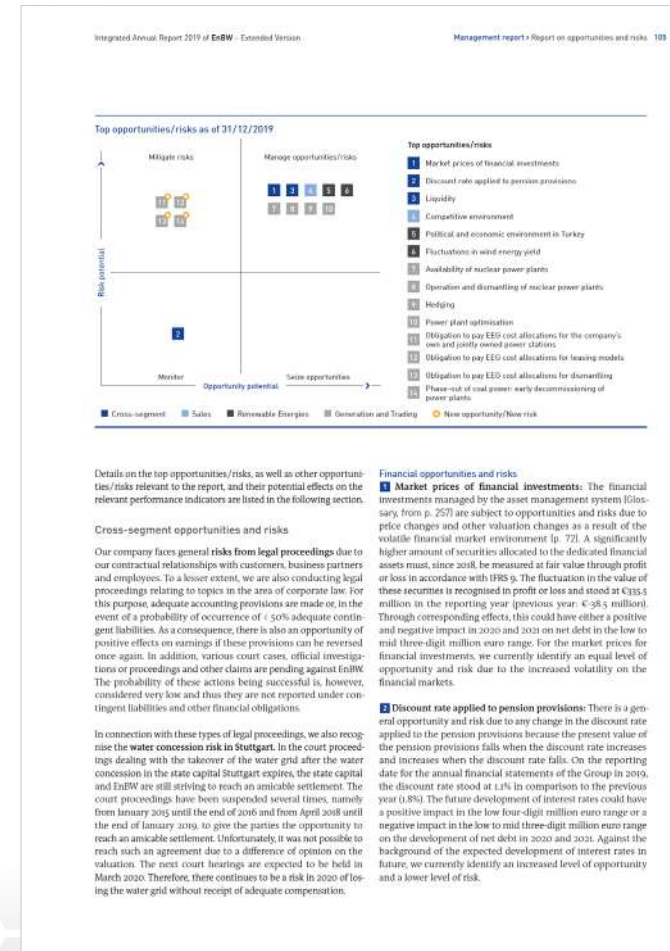
It would have been helpful if the disclosure excerpts explicitly stated which of the identified opportunities/risks are sustainability-related. Excerpt 2 only highlights the effects of risks and opportunities on KPIs qualitatively and it does not distinguish the relative magnitude of the effects. Excerpt 3 has some indicative description of quantitative, monetary effects for some of the risks

In terms of disclosure of sustainability matters and their effect on performance, the highlighted EnBW disclosures fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (Excerpt 1 includes information to allow the assessment of how both the financial and sustainability risks and opportunities affect EnBW's KPIs, makes a useful distinction between direct effects and long-term and potential effect and between different categories of KPIs, ranks risks and opportunities. Excerpt 2 indicates which of the 14 factors have opportunity potential that should be seized or risk potential that should be mitigated);
- **strategic focus and orientation** (Excerpt 1 conveys strategic choices such as which opportunities can be seized and excerpt 2 includes effect on strategic performance KPIs);
- **understandability** (effective use of tabular presentation to present the effect of risk and opportunities on KPIs, use of risks versus opportunities potential matrix to convey strategic choices); and
- **connectivity** (highlights the potential finance effect of sustainability risks and opportunities).

and opportunities. Disclosure of specific quantified effects and the inclusion of these effects in the tabular presentation could make these disclosures more informative. As highlighted during outreach activities, quantitative data tends to be more readily accessible for users when presented in tabular or visual representations.

↓ Integrated Annual Report 2019 Extended Version, page 105



Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Excerpt 1

Example 4.1: EnBW

ELECTRIC AND GAS UTILITIES

↓ Integrated Annual Report 2019 Extended Version, pages 106-108

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

108 Management report » Report on opportunities and risks

Integrated Annual Report 2019 of EnBW - Extended Version

cost allocations in previous years could have a negative impact in the low three-digit million euro range in 2020 and a negative impact in the high double-digit million euro range in 2021 on the key performance indicator adjusted EBITDA and thus an indirect impact on the key performance indicator internal financing capability via the adjusted retained cash flow and on the key performance indicator ROCE via the adjusted EBIT. We currently identify an increased level of risk in this area.

■ Obligation to pay EEG cost allocations for leasing models: Certain virtual slices of power plants were leased to third parties in the past. EnBW as the operator and the third party as the co-operator have assumed up to now that, due to this leasing relationship, the third party was the plant operator at the relevant site according to the EEG and was permitted to consume electricity in the spatial context of their plants free of EEG cost allocations. In general, there is a risk with these leasing models that the transmission system operators will demand back payments for EEG cost allocations. Possible back payments for EEG cost allocations in previous years could have a negative effect in the mid double-digit million euro range in 2020 on the key performance indicator adjusted EBITDA and thus an indirect impact on the key performance indicator internal financing capability via the adjusted retained cash flow and on the key performance indicator ROCE via the adjusted EBIT. We currently identify an increased level of risk in this area.

■ Obligation to pay EEG cost allocations for dismantling: In the existing planning of the dismantling costs for nuclear power plants, it was assumed that the so-called "self-supply entitlement" can be used for the electricity supplied to the blocks

■ Phase-out of coal power: early decommissioning of power plants: The version of the Coal Phase-out Act adopted by the German cabinet and its framework parameters (plans for operators regarding replacement power plants and decommissioning) are open to varying interpretations with respect to the phase-out path. In general, the later decommissioning of brown coal power plants will mean that hard coal power plants are shut down more quickly and thus even new hard coal power plants will be removed from the grid earlier. The German government does not plan to provide compensation for any power plants decommissioned after 2022. We currently identify an increased level of risk in this area.

No opportunities or risks relevant to the report have been eliminated in comparison to the previous year.

Link to the key performance indicators

The top opportunities/risks can have an impact on our key performance indicators, whereby the effects on the non-financial key performance indicators are potential and long-term in nature and more difficult to measure. They have thus been shown less boldly in the following diagram. In the past financial year, these links were not monitored individually.

Linking the top opportunities/risks with the key performance indicators

Top opportunities/risks	Key performance indicators													
	Financial performance indicators			Strategic performance indicators				Non-financial performance indicators						
	A	B	C	D	E	F	G	H	I	J	K	L	M	N
Market prices of financial investments														
Discount rate applied to pension provisions														
Liquidity														
Competitive environment														
Political and economic environment in Turkey														
Fluctuations in wind energy yield														
Availability of nuclear power plants														
Operation and dismantling of nuclear power plants														
Hedging														
Power plant optimisation														
Obligation to pay EEG cost allocations for the company's own and jointly owned power stations														
Obligation to pay EEG cost allocations for leasing models														
Obligation to pay EEG cost allocations for dismantling														
Phase-out of coal power: early decommissioning of power plants														

Excerpt 2

108 Management report » Report on opportunities and risks

Integrated Annual Report 2019 of EnBW - Extended Version

■ Liquidity: Due to unforeseeable developments, especially margin payments, unused project funds or tax issues as well as financial market crashes, the Group's liquidity planning is subject to uncertainty that could lead to deviations between actual payments and planned payments. In general, there is also a risk of additional liquidity requirements if the rating agencies downgrade the credit rating of EnBW (p. 721). The risk of margin payments is increasing primarily as a result of rising trading volumes and greater volatility on the energy market. These effects could have a total positive or negative impact in the mid three-digit million euro range on net debt in 2020 and 2021, as well as an indirect impact on the key performance indicator ROCE via capital employed and on internal financing capability via the adjusted net investment. We currently identify a balanced level of opportunity and risk in this area.

Compliance opportunities and risks
Compliance risk assessments focus, in particular, on assessing risks and defining appropriate preventative measures in the compliance risk areas of corruption, antitrust law and data protection.

Risks for which we derive measures for fighting corruption and bribery primarily exist in sales activities relating to local authority/political business when dealing with public officials. Important preventative measures, especially training and advisory services, are described on p. 491.

In addition, there are antitrust risks in the sales activities of some subsidiaries that could result in fines and damaged reputation and also have significant strategic implications. This risk is countered by the joint preventative measures of the compliance and legal departments.

The incorrect handling or illicit disclosure or use of personal data poses data protection risks. These risks exist in view of the digital transformation of many business activities. Advisory and awareness services and process controls are in place to guarantee adherence to legal data protection requirements in the Group. Company-specific measures are coordinated via the compliance and data protection department.

Sales segment

■ Competitive environment: There is a risk that the continued tense competitive situation for all EnBW brands in the electricity gas and energy solutions business could have a negative effect on the customer base, sales volumes and price levels. In the future, there will still be pressure on prices and a willingness amongst customers to switch suppliers. The EnBW 2030 strategy also covers the development and expansion of system solutions and complete solutions that are specifically tailored to the various customer segments (p. 411). Alongside the traditional supply of electricity and gas, we see good opportunities here also for offering our customers innovative energy solutions in the areas of energy technology in the home, e.g. with products such as photovoltaic storage systems, the area of corporate energy efficiency and also electromobility (p. 111). The EnBW subsidiaries Plusnet and NetCom BW should grow

together and play an even stronger role on the market in the future. We believe that this is also an important step in the expansion of sustainable infrastructure and should achieve corresponding earnings contributions for our company. This could have both a positive or negative impact in the low single-digit million euro range on the key performance indicator adjusted EBITDA in 2020 and 2021 and thus an indirect impact on the key performance indicator internal financing capability via the adjusted retained cash flow and on the key performance indicator ROCE via the adjusted EBIT. We currently identify a low level of opportunity and risk in this area.

Grids segment

Strategic opportunities and risks
Recognition of costs for high-voltage direct current (HVDC) transmission technology: TransnetBW plans to set up new connections using high voltage direct current transmission technology (HVDC) (Glossary, from p. 257) with other transmission system operators. A regulation stipulating the use of underground cabling also applies to the SuedLink project. In both projects, there are currently general risks of potential delays and additional costs, as well as a low level of risk that the necessity for these transmission lines might not be confirmed in a new Network Development Plan.

Financial opportunities and risks
Year-end balance on the EEG bank account: The EEG bank account is a separately managed bank account in accordance with section 3 of the German Compensation Mechanism Ordinance (AusgMechV) and is thus kept separate from other areas of activity. In accordance with AusgMechV, a deficit or surplus on the account balance can have a temporary positive or negative effect on the calculation of the net debt of EnBW, respectively. As of the reporting date on 31 December 2019, there was a surplus in the low three-digit million euro range on the EEG bank account of our subsidiary TransnetBW. Due to the EEG cost allocations (Glossary, from p. 257) defined for 2020, we anticipate that the bank account balance will tend to fall in 2020 and 2021.

Renewable Energies segment

■ Political and economic environment in Turkey: We have been commercially active in Turkey for many years in the expansion of energy generation from wind power and hydro-power. In the past few years, the economic and political framework conditions in Turkey have deteriorated noticeably. We continue to monitor these developments very closely, especially because we have a duty of care for these employees working in Turkey. There has been an increased security risk for a number of years, although no immediate risk to local employees can currently be identified. We are still in regular contact with the German embassy, the German Consulate General, our partner Borusan and other German companies active in Turkey so that we will be able to identify any negative developments as early as possible and respond in good time. This risk could have an effect on the key performance indicator ROCE in 2020 and 2021. We currently identify a low level of opportunity and risk in this area.

Integrated Annual Report 2019 of EnBW - Extended Version

Management report » Report on opportunities and risks 107

Financial opportunities and risks

■ Fluctuations in wind energy yield: There is a general opportunity or risk for wind power plants due to wind energy yield fluctuations because the amounts of electricity generated by them are subject to variations in the mean annual wind speed. These fluctuations naturally grow as we acquire more and more wind turbines. In order to take these wind fluctuations into account in our planning, wind reports were created. In addition, measurement campaigns are being carried out up to the end of 2020 to evaluate wind speeds. Nevertheless, these wind fluctuations could naturally have both a positive or negative impact in the high double-digit million euro range on the key performance indicator adjusted EBITDA in 2020 and 2021 and thus an indirect impact on the key performance indicator internal financing capability via the adjusted retained cash flow and on the key performance indicator ROCE via the adjusted EBIT. We currently identify a balanced level of opportunity and risk in this area.

Generation and Trading segment

There are general risks associated with the operation and dismantling of nuclear power plants. During the dismantling of nuclear power plants, there is an additional risk of a delay in the return of waste to the local intermediate storage facilities, with possible additional costs as a result of the waste being stored for a longer period of time in Great Britain and France, as well as the risk of further costs for approval and authorisation procedures.

At the end of 2019, the remaining provisions held by EnBW were revealed as part of the regular examination of the discount rate and escalation rate. Due to changes in these kinds of assumptions in the future, we currently identify a low level of opportunity and risk for the remaining nuclear provisions.

Depending on market developments and the framework conditions related to the Energiewende, there is a general risk of a negative impact on earnings due to **impairment losses on power plants and impending losses for onerous contracts for electricity procurement agreements.**

Operative opportunities and risks

■ Availability of nuclear power plants: There is a general risk that exogenous and endogenous factors will have an influence on the availability of these power plants. We strive to counter these risks using preventive measures. Depending on their duration, interruptions to the operation of the power plants can positively or negatively impact the operating result. The availability of nuclear power plants could have a negative effect in the low single-digit million euro range and a positive effect in the low double-digit million euro range on the key performance indicator adjusted EBITDA in 2020 and 2021, and thus an indirect impact on the key performance indicator internal financing capability via the adjusted retained cash flow and on the key performance indicator ROCE via the adjusted EBIT. We currently identify a rather higher level of opportunity in this area.

■ Operation and dismantling of nuclear power plants: For long-term major projects such as the remaining operation and dismantling of a nuclear power plant, there is a general risk that delays and additional costs may arise over the course of time

due to changed framework conditions. The following issues can arise, amongst other things: delays to approvals, an increase in the amount of preparation work required for dismantling, developing buffer zones and retrofitting work and bottlenecks in the supply of the necessary resources. In addition, there is an opportunity to make cost savings due to synergies over time and also due to learning effects for subsequent dismantling activities. There could be opportunities in the mid double-digit million euro range and risks in the high double-digit million euro range that have an effect on the development of net debt in 2020 and 2021. We currently identify a balanced level of opportunity and risk in this area.

Financial opportunities and risks

■ Hedging: When selling generated electricity volumes, EnBW is exposed to the risk of falling electricity prices and the risk of the unfavourable development of fuel prices in relation to electricity prices. The concept underlying our hedging strategy not only limits its risk but also seeks to exploit opportunities. The hedging instruments utilised in 2019 were forwards, futures and swaps. The EnBW Group has exposure to foreign exchange risks from procurement and the hedging of prices for its fuel requirements, as well as from gas and oil trading business. This could have both a positive or negative impact in the low double-digit million euro range on the key performance indicator adjusted EBITDA in 2021, and thus an indirect impact on the key performance indicator internal financing capability via the adjusted retained cash flow and on the key performance indicator ROCE via the adjusted EBIT. We currently identify a balanced level of opportunity and risk in the area of hedging (Glossary, from p. 257) due to increasing fuel and CO₂ prices. Further information can be found in the section "Accounting for financial instruments" in the notes to the consolidated financial statements at www.enbw.com/raport2019-downloads.

■ Power plant optimisation: Following the conclusion of the hedging of generation activities, the Trading business unit will manage the further deployment of the power plants. This is being carried out as part of power plant optimisation on the forward market (Glossary, from p. 257), through the sale of system services (Glossary, from p. 257) and through placement on the spot and intraday trading platforms (Glossary, from p. 257). However, regulatory interventions continue to have a strong influence. In particular, fluctuating revenues from system services and volatility on the forward and spot markets (Glossary, from p. 257) could have both a positive or negative impact in the mid double-digit million euro range on the key performance indicator adjusted EBITDA in 2020 and 2021, and thus an indirect impact on the key performance indicator internal financing capability via the adjusted retained cash flow and on the key performance indicator ROCE via the adjusted EBIT. We currently identify a low level of risk and opportunity that is dependent on the development of market prices.

■ Obligation to pay EEG cost allocations for the company's own and jointly owned power stations: Both for its own power plants, including nuclear power plants, and for power plants in joint ownership, EnBW AG utilises the exemption from EEG cost allocations (Glossary, from p. 257) for end usage for the respective share of the power plants. There are a number of different arguments that suggest that the German Federal Network Agency and the transmission system operators could define the role of the operator differently. Possible back payments for EEG

Excerpt 3

Example 4.2: Arcadis

CONSULTING ENGINEERING AND CONSTRUCTION

WHY THIS IS A GOOD REPORTING PRACTICE

In its 2020 Annual Integrated Report, Arcadis has a complete description of its business model where it shows sustainability inputs, business activities and outputs as part of its value-creation process (Excerpt 1). It then provides the strategic context of drivers of growth (Excerpt 2) where it highlights four mega-trends (urbanisation, climate change, digitalisation, and societal expectations) affecting the business that will encompass sustainability solutions and related investments.

The connectivity matrix (Excerpt 3) links the material topics to the KPIs and targets. The metrics (targets and KPIs) are analysed at the group and segment level (Excerpts 4 and 5).

The disclosures of business model/value creation, mega-trends and related opportunities, materiality matrix and the connectivity matrix provide the contextual background for assessing the KPIs. For instance, the metrics show that in 2020, Arcadis had 80% of revenues that relate to relevant SDGs.

In terms of disclosure of sustainability matters and their effect on performance, the highlighted Arcadis disclosure excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

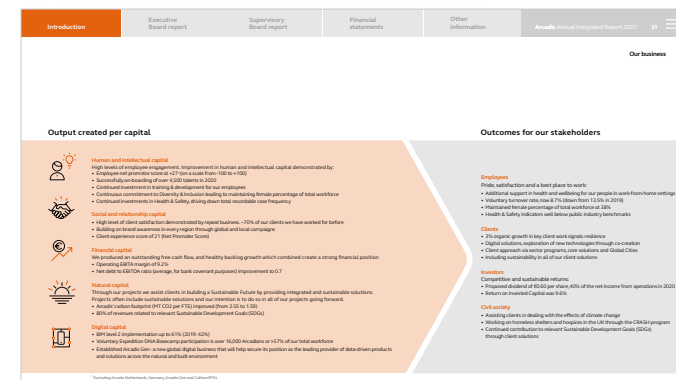
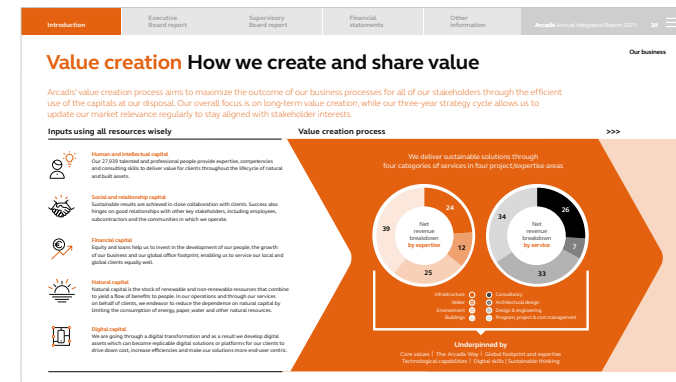
- **relevance** (the disclosure excerpts- value creation, megatrends, materiality matrix and connectivity matrix highlight how sustainability matters are linked to Arcadis' KPIs);
- **strategic focus and orientation** (megatrends in excerpt 2 and the description of business activities in the value creation model in excerpt 1 provides the strategic context);
- **understandability** (effective use of visuals and tabular presentation);
- **coherence/connectivity** (the connectivity matrix links nine material topics to KPIs and targets);
- **comparability** (2020 versus 2019 comparatives to allow users to assess trend analysis); and
- **stakeholder inclusiveness** (Outcomes/impacts include those on employees, clients, investors, and civil societies).

SUGGESTIONS FOR IMPROVEMENT

The description of opportunities associated with the identified four mega-trends that drive growth is done at a macro rather than an entity-specific level. It is not easy to readily link the pursuit of sustainability solutions articulated in the description of four

mega-trends (e.g., on urbanisation and climate change) to the metrics provided and to assess whether these have a positive or negative impact on the KPIs. A clear distinction between trends and company-specific opportunities would be helpful.

Annual Integrated Report 2020, pages 20 and 21



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 4.2: Arcadis

CONSULTING ENGINEERING AND CONSTRUCTION

Introduction Executive Board report Supervisory Board report Financial statements Other information Arcadis Annual Integrated Report 2020 50

Mega trends that drive our growth

To ensure we create maximum impact through our activities, it is important that we have a thorough understanding of the world around us. Our organization is always in development, as market conditions change and require companies to be resilient. We continuously develop our value propositions to benefit from changing conditions in our external landscape and to create greater value for our clients.

To ensure our strategic direction remains aligned to the latest developments in our markets, we consider the following key trends shaping our operating environment: Urbanization, Climate Change, Digitalization, and Societal Expectations.

Urbanization

- Urbanization puts tremendous pressure on city resources, its citizens, and the environment.
- Urbanization is driving the need for sustainable and smart solutions across our markets.

Climate change

- Climate change is severely impacting our way of life.
- Climate change is a global imperative that requires significant investments by governments and industry.

Digitalization

- Digitalization puts services directly in the hands of users and data at the center of business models.
- Digitalization of clients' needs is spurring investments in digital services and products.

Societal Expectations:

- Stakeholders are demanding companies and governments to act with integrity and create a resilient, sustainable, and inclusive future.
- Societal expectations will fuel the ESG agenda of governments and businesses and drive investments in the Environmental and Sustainability markets.

Opportunities

- The Mobility Market will see increasing demand for public transit such as light rail and high-speed rail.
- The Water Market in the US needs investments of US\$62 billion over the next decade.
- The Buildings Market is increasingly relying on smart, inclusive, and sustainable practices.

Opportunities

- Investing in Energy Transition >US\$1 trillion committed in renewable power capacity over the next decade.
- Electrifying fleets - bus, logistical and police are being electrified creating demand for charging infrastructure.
- Protecting Coastal Communities in the US will require US\$400 billion in the next 20 years.

Opportunities

- Data Center demand and supporting green energy solutions is exploding.
- Retail ecommerce sales will increase by >50% towards 2023 requiring distribution centers and efficient transportation.
- Technology Companies represent 5 of the top 7 Global companies in market cap.

Opportunities

- European green deal provides funding for €1 trillion in Sustainable investments in the next decade.
- Global Environmental Remediation Market to grow to US\$100 billion by 2027, a 7.5% CAGR.
- Green Technology & Sustainability market to grow to US\$29 billion by 2024, a 27% CAGR.

Our positioning
Maximizing Impact: Accelerate ability to meet increasing demand

Improving Quality of Life through Sustainable Solutions, Digital Leadership, Focus and Scale

Excerpt 2

Annual Integrated Report 2020, pages 50 and 59

Introduction Executive Board report Supervisory Board report Financial statements Other information Arcadis Annual Integrated Report 2020 59

Material topics 2018-2020	Key Performance Indicators	Strategic targets 2018-2020 ¹	Connectivity matrix		
			Results 2020	Results 2019	Page
Employee engagement	Number in workforce (headcount as at 31 December)	27,939	27,875	60	
	Employee Net Promoter Score (on a scale of -100 to +100) ²	+27	+19	62	
Talent management & learning and development	Voluntary turnover rate (as % of permanent employees)	8.7%	13.5%	64	
	Voluntary staff turnover < market				
Diversity and inclusion	Female employees (as % of total workforce)	38%	38%	64	
	Total Recordable Case Frequency (TRCF) per 200,000 work hours	0.13	0.16	69	
Health and safety	Lost Time Case Frequency (LTCF) per 200,000 work hours	0.05	0.09	69	
	Employees passing Covid-19 training (in %)	91%	97%	71	
Business ethics	Number of AGBP alleged breaches (including near misses)	72	77	71	
	Investigated AGBP alleged breaches	100%	100%	60	
Tax policies and compliance (paying fair taxes)	Group Effective Tax Rate over past five years	28.4%	25.6%	72	
Privacy (and personal data protection)	Number of appointed privacy officers under the Privacy Standards	13	12	72	
Risk management framework	Number of internal audits conducted in the year	36	25	293	
Brand awareness	Brand awareness score (from 2019 onwards)	10%	12%	73	
Client experience (CX)	Client experience score	Top-quartile performance for client experience	21	37	73
	Organic revenue growth (net revenues, in %)	Surpass GDP growth in our markets	-2%	3%	81
Organic revenue growth	Book-to-bill ratio (net revenues)	1.04	1.00	81	
	Organic revenue growth Global Key Clients (net revenues, in %)	Organic revenue growth for Global Key Clients two times overall growth	3%	5%	81
Innovation and digitalization	Organic revenue growth Global Cities (net revenues, in %)	4%	12%	84	
	% of revenues using BIM level 2	Digital adoption by our people and clients	61%	42%	84
Energy and emissions - carbon footprint	Arcadis Way implementation progress (as % of net revenues)	64%	63%	101	
	Arcadis carbon footprint (Mt CO ₂ e per FTE)	1.59	2.55	91	
Environmental non-compliance	Number of identified environmental non-compliances	nL	1	93	
Climate change	% of revenues that relate to relevant SDGs	80%	79%	93	
Direct economic value generated	Gross revenues (in € millions)	3,303	3,474	105	
	Net income from Operations, per share (EPS, in €)	1.49	1.36	106	
Direct economic value distributed	Dividend per share (in €)	0.60	0.60	107	
	Operating EBITA margin (as % of net revenues)	30-40% of Net Income from Operations	5.2%	8.2%	107
Profit & loss performance	Net income from Operations (in € millions)	133	120	108	
	Net working capital (as % of gross revenues)	12.6%	16.0%	109	
Balance sheet performance	Days Sales Outstanding (DSO)	66	88	109	
	Return on invested Capital (ROIC, in %) ³	9.6%	6.1%	110	
Cash flow performance	Net debt to EBITDA ratio (average)	0.7	1.4	110	
	Free Cash Flow (in € millions)	324	97	110	

¹ See page 50
² Excluding Arcadis Netherlands, Germany, Arcadis Gem and CalsonicRTEG.
³ Targets and reported performance based on IAS 17
For definitions and methods of measure for these indicators please refer to page 298. The indicators that fall within the scope of limited assurance of our external auditor are marked with the symbol. See page 287 for the Assurance report of the independent auditor which includes details on the scope and outcomes.

Excerpt 3

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

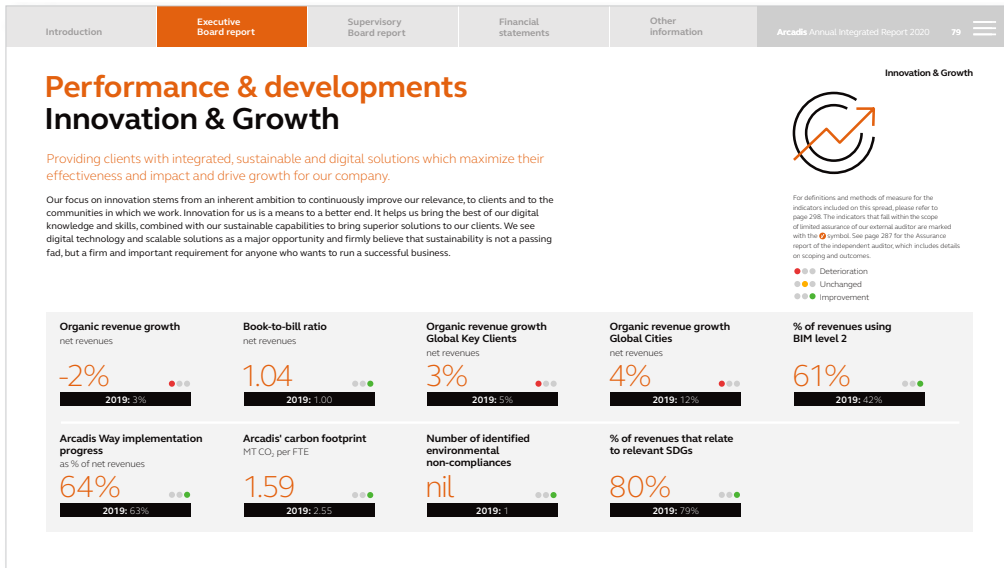
Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

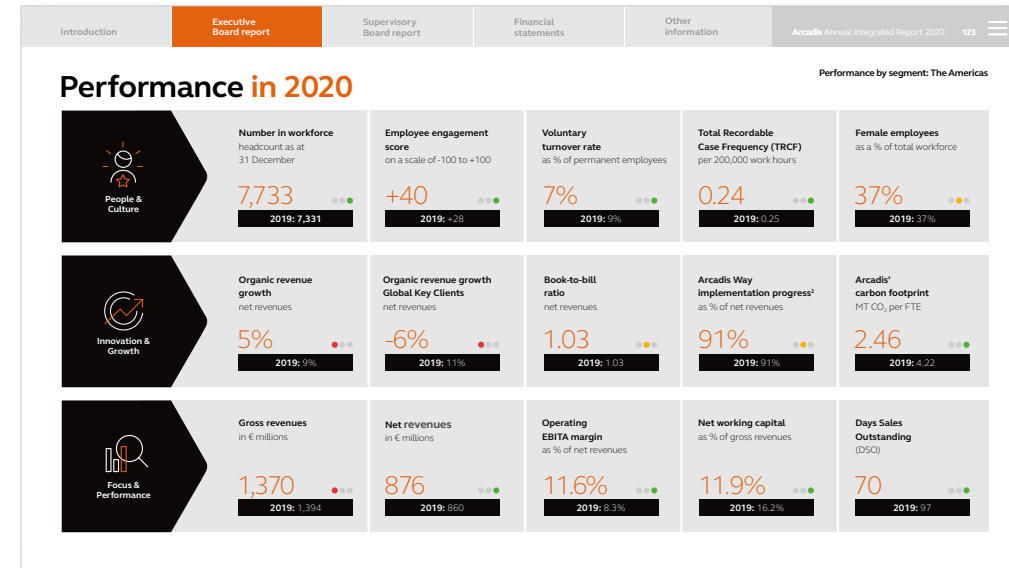
Example 4.2: Arcadis

CONSULTING ENGINEERING AND CONSTRUCTION



Excerpt 4

Annual Integrated Report 2020, pages 79 and 123



Excerpt 5

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 4.3: ABN Amro

DIVERSIFIED BANKING

WHY THIS IS A GOOD REPORTING PRACTICE

In its 2019 Integrated Report, ABN Amro provides an overview of its business model outputs and outcomes across the six IR capitals (Excerpt 1). The outcomes include sustainability metrics. For instance, it outlines the percentage (14%) of renewables in the overall energy portfolio and the emissions of its portfolio.

Excerpt 2 identifies ABN Amro's strategic pillars for value creation described and include supporting strategic pillar 1- supporting clients' transition to sustainability. It has fundamental value creators that include sustainability factors (anticorruption, client data protection, corporate governance and employee empowerment). The associated risks and opportunities for the three strategic pillars are described in Excerpt 3 which also indicates the time horizon of impacts. Excerpts 2 and 3 identify sustainability factors (i.e., responsible investment and financing, circular economy, and ethics and integrity) as strategic differentiators for strategic pillar 1.

Excerpt 4 highlights how supporting clients' transition to sustainability has impacted or will impact the balance sheet (i.e., renewable energy as a percentage of the overall portfolio;

sustainable financing commitments; and sustainable investments commitments).

In terms of disclosure of sustainability matters and their effect on performance, the selected ABN Amro disclosure excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

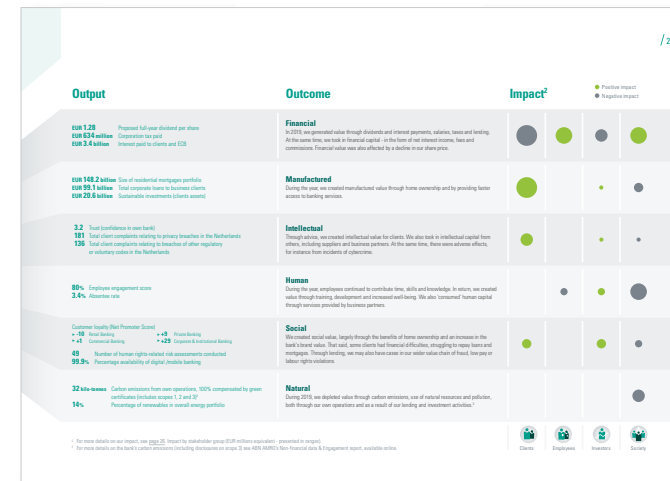
- **relevance** (Taken together, the excerpts identify the sustainability risks and opportunities, the strategic relevance and potential balance sheets effects);
- **strategic focus and orientation** (sustainability factors are mapped to the strategic pillars);
- **understandability** (makes effective use of visual and tabular presentation);
- **connectivity** (within each excerpt are links to related information); and
- **comparability** (Excerpt 4 outlines actual performance in 2019 and targets for 2019, 2020 and 2022- allowing users to analyse trends).

SUGGESTIONS FOR IMPROVEMENT

An indication of the relative importance to the company and stakeholders of the sustainability factors outlined in Excerpt 2 and risks and opportunities in Excerpt 3 would have been helpful to contextualise the reported current and potential effects on

financial performance and financial position. For the excerpts, it is hard to identify if there are any KPIs related to some of the identified sustainability factors that are strategic differentiators (e.g., circular economy) and a connectivity map could be helpful.

↓ Integrated Annual Review 2019, page 25



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 4.3: ABN Amro

DIVERSIFIED BANKING

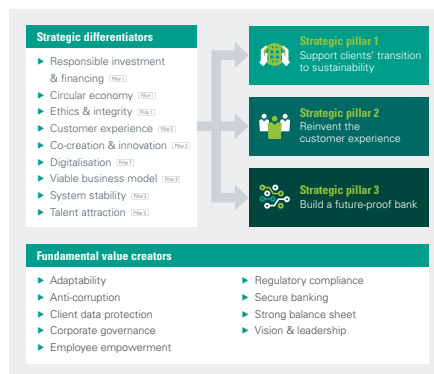
Our value-creating topics

ABN AMRO conducts a regular assessment of its operating environment.¹ This allows the bank to identify its most important value-creating topics – social, economic, financial or environmental. From these we selected our nine 'strategic differentiators'² – those areas where ABN AMRO potentially creates most value for its stakeholders. These differentiators form the basis of the bank's strategy and its approach to value creation; each differentiator is tied directly to our three strategic pillars; in turn, each of these pillars has specific KPIs and metrics (see page 19).³ In addition to the differentiators, we also chose a further nine 'fundamental value creators', which help protect the bank's long-term licence to operate.

We carry out our assessment every two years. The last took place in 2018; we reviewed the results in 2019 against recent market developments.⁴ We concluded that no deviation in the results was significant enough to prompt a change in the strategic differentiators we had already identified. Our differentiators are selected on the basis of:

- ▶ A comprehensive analysis of media, trend reports, peer disclosures, and reporting requirements
- ▶ Input from the bank's senior management and other internal stakeholders.

Results are presented to members of ABN AMRO's Executive Committee for discussion and approval.⁵ Topics are ranked according to magnitude (their potential impact on value creation) and likelihood (how likely a topic is to bring about this impact). The table on page 27 sets out ABN AMRO's strategic differentiators, and the opportunities and risks associated with them.



Excerpt 2

↓ Integrated Annual Review 2019, pages 23 and 27

Opportunities & risks

Strategic differentiators	Opportunities	Risks	Summary of strategic response
Strategic pillar 1 Support our clients' transition to sustainability	Opportunities <ul style="list-style-type: none"> ▶ Develop additional / new business models (e.g. Product as a Service, build a fee-based model for sustainability advice) ▶ Improved insights leading to increased client financing 	Risks <ul style="list-style-type: none"> ▶ Increased pressure from changing regulation and market perception (also risk of non-compliance with new regulations – e.g. EU taxonomy for sustainable activities, MIFID II) ▶ Exposure to climate, social or ethical risks through our lending and investment 	Accelerate the sustainability shift by stepping up green financing, increasing investments in renewables and improving energy efficiency in bank's real estate portfolio.
Strategic pillar 2 Reinvent the customer experience	Opportunities <ul style="list-style-type: none"> ▶ Strengthen client relationships by meeting more of their needs resulting in improved customer loyalty/trust ▶ Broaden product range based on dialogue with clients and partners ▶ Faster and more effective customer service through digitalisation 	Risks <ul style="list-style-type: none"> ▶ Adapting to change too slowly – and losing the client relationship ▶ Failing to maintain a balance between improving offering to clients and need to safeguard system security and stability ▶ Remaining too internally focused (i.e. sticking to what we know already) 	Improve customer experience by investing in digital technologies, introducing new products and business models, and working with external partners.
Strategic pillar 3 Build a future-proof bank	Opportunities <ul style="list-style-type: none"> ▶ Become an employer of choice by offering inclusive working environment and investing in talent development ▶ Build a 'bank for the future', strengthening ABN AMRO's long-term social licence to operate 	Risks <ul style="list-style-type: none"> ▶ Losing stakeholders' trust if we fail to provide stable, reliable banking ▶ Failing in our role as a gatekeeper to the financial system (i.e. failing to comply with rules on fraud, corruption, anti-money laundering or business ethics) ▶ Increased competition from actors with more innovative business models or ability to evolve more quickly (including BigTechs and FinTechs) ▶ Pressure on profitability because of continued low interest rates and higher compliance costs 	Adapt our working environment, streamlining our systems, products and processes, and fulfilling our role as a gatekeeper to the financial system.

The table above shows our strategic differentiators. Against each, we've mapped out opportunities and risks for our business over the short, medium and long term. We take measures to mitigate risks through our strategy and our risk management (for more details, see page 59 and our Annual Report, available online).
Key: ● – short-term (0-2 years), ● – medium-term (2-5 years), ● – long-term (more than 5 years) – these are indicative only. Often there is an effect over the short, medium and long term; in the table, we have shown the principal effects only.
DDoS: Distributed Denial of Service

Excerpt 3

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 4.3: ABN Amro

DIVERSIFIED BANKING

↓ Integrated Annual Review 2019, page 19

/ 19

Key indicators & targets

To support implementation of our strategy, we've put in place a series of performance targets.

Group targets	Metric	Targets	2019 results	2018 results	
Non-financial					
	Gender diversity at the top	30% women at the top	28%	28%	
	Gender diversity at the subtop	35% women at the subtop	27%	27%	
	Dow Jones Sustainability Index (DJSI) ranking	Top 5% of banking sector	Top 10% of banking sector	Top 5% of banking sector	
	Banking Confidence Monitor	Leading among large Dutch banks	3.2	3.3	
Financial					
	Return on average equity	10-13%	10.0%	11.4%	
	Cost/income ratio	56-58%	61.2%	58.8%	
	CET1 (fully-loaded)	17.5-18.5%	18.1%	18.4%	
	Dividend payout ratio	At least 50% of net sustainable profit	62%	62%	
Strategic pillars	Metric	2022 targets	2020 targets	2019 targets	2018 results ¹
Support our clients' transition to sustainability					
We are committed to helping our clients become more sustainable	Renewable energy commitment as a % of energy portfolio	26% ²	20%	14%	14%
	Sustainable financing	EUR 7.5 billion	EUR 3.8 billion	EUR 1.5 billion	³
	Sustainable investments (client assets)	EUR 30 billion ⁴	EUR 22.5 billion ⁴	EUR 14.5 billion	EUR 20.5 billion
We provide our clients with insight into their sustainability performance	Clients rated on our CASY ⁵ sustainability rating tool				
	Commercial Banking	100%	100%	100%	42%
Corporate & Institutional Banking	100%	100%	100%	84%	
We help our clients invest to make their homes and real estate more sustainable	Average energy label (residential properties)	70% rated A-C	63% rated A-C	61% rated A-C	60% rated A-C
	Average energy label (commercial properties)	47% average A	31% average A	25% average A	26% average A
Reinvent the customer experience					
Net Promoter Score (relational)	Retail Banking	>+4	>+10 ⁶	>+6	-10
	Commercial Banking	>+1	>+8 ⁶	>+0	+1
	Private Banking	>+9	>+9 ⁶	>+1	+9
	Corporate & Institutional Banking	>+32	>+29 ⁶	>+32	+29
Build a future-proof bank					
Employee engagement		> 80%	80%	80%	80%

For more details on non-financial indicators please see page 70.

Excerpt 4

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 4.4: SGS

BUSINESS SUPPORT SERVICES

WHY THIS IS A GOOD REPORTING PRACTICE

As highlighted in **Analytical consideration 3-business model reporting**: dependencies and impacts, in its 2019 Corporate Sustainability Report, SGS discloses the business model value creation inputs with metrics, a high-level description of some business activities, and outputs with metrics. This information is disaggregated for the six IR capitals (Excerpt 1) and the outputs on natural capital include metrics on carbon neutrality and waste management.

Excerpts 2 and 3 elaborate on the sustainability risks faced by SGS and the extent to which its direct operation and supply chain face environmental and social risks (i.e., as a percentage of revenue for direct operations, and a percentage of spend for supply chain operations). A colour code indicates whether these risks are high, medium, or low. A materiality matrix elsewhere in the report conveys a sense of the relative importance of different risks/factors to SGS versus stakeholders.

The SGS Sustainability Report further drills down different sustainability risks such as climate change risks in Excerpt 4,

where the effects of climate transitional and physical risks and opportunities on the business and mitigation measures are outlined with a distinction made by timeframe. Excerpt 5 provides information on supply chain risk.

In terms of disclosure of sustainability matters and their effect on performance, the highlighted SGS disclosures fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

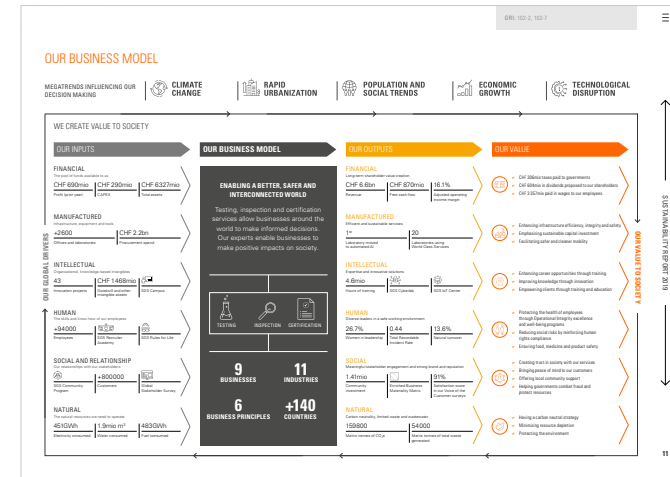
- **relevance** (taken together, the excerpts provide information that highlights the risk exposure faced at the level of direct operations and across the supply chain);
- **strategic focus and orientation** (the risks and opportunities are linked to the megatrends);
- **understandability** (makes effective use of visual representation); and
- **comparability** (the supplier evaluation assessment in Excerpt 6 provides comparatives for 2019 and 2018 allowing users to assess trends).

SUGGESTIONS FOR IMPROVEMENT

The quantified exposure in Excerpt 3 and accompanying colour code distinction of risk categories is informative on the effects of sustainability risks on the business. However, it may be hard for a reader to interpret the meaning of risk exposures, which are expressed as a percentage of revenue for direct operations, and as a percentage of spend for supply chain operations. Furthermore,

the climate transitional and physical risks and opportunities in Excerpt 4 are only qualitatively described and not quantified. Quantification of these climate change risks and opportunities and their financial and/or sustainability impacts could make the disclosure more informative.

↓ Corporate Sustainability Report 2019, page 11



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 4.4: SGS

BUSINESS SUPPORT SERVICES

GR1: 102-15, 102-29, 102-30, 102-31

SUSTAINABILITY RISKS MANAGEMENT AT SGS

Through our Risk Management Framework and our ANTARES Governance, Risk and Compliance (GRC) Platform, we are integrating sustainability risks directly into our management process, providing a comprehensive approach to sustainability risk management at SGS. With this mechanism, the different business lines, functions and affiliates can identify and assess potential sustainability risks from both our direct operations and our supply chain and report the corresponding mitigation actions associated with them.

In parallel, we run a desk annual macro risk assessment of potential sustainability risks in the countries where we operate. This macro risk assessment provides an objective double check of the risk evaluations made by the different business lines, functions and affiliates in ANTARES, and is used to confirm that all potential risks have been properly evaluated by our local partners.

Our sustainability macro risk assessment model analyzes economic, political, social and environmental risks across 220 geographies and includes our own employees, suppliers, indigenous people, migrant labor and local communities. By introducing our revenue generated and spend per country into the risk assessment process, we assess our potential sustainability risks across all the countries where we operate. More than 50 sustainability risks are covered, including natural hazards and business continuity, climate change, water stress and sanitation, carbon pricing regimes, health and safety, unemployment and corruption.

The data that underpins the assessment of these risks comes from different sources, such as the IMF World Economic Outlook, IHS Market, the World Economic Forum, the Global Conflict Risk Index, the Global Slavery Index, the World Resources Institute and the Notre Dame Global Adaptation Initiative.

By analyzing this data, we can attribute a potential grade of risk by topic and by country. This risk grading ranks the countries from 1 (low risk) to 5 (high risk). In order to reach a single sustainability risk score for each country, we combined the different types of risk with the following weighting distribution: eco-political (40%), social (35%) and environmental (20%), and identified high-, medium- and low-risk countries for further in-depth assessment.

SGS SUSTAINABILITY RISK ASSESSMENT PROCESS

SUSTAINABILITY RISKS EVALUATED

SOCIAL RISKS	POLITICAL RISKS	ECONOMIC RISKS	REGULATORY RISKS	ENVIRONMENTAL RISKS
Conflict prevalence	Government instability	Recession	Environmental compliance	Physical exposure to natural hazards
Socio-economic vulnerability	Policy instability	Inflation	Carbon pricing	Water stress
Child labor	State failure	Currency depreciation	Readiness	Climate change vulnerability
Modern slavery		Capital transfer	Contract enforcement	Environmental health
Vulnerable migrant labor		Sovereign default	Regulatory burden	Drought
Labor strikes		Under-development		Ecosystem vitality
Security		Tax issues		
		Corruption		
		Infrastructural disruption		
		Energy security		
		Cybersecurity commitment		

SUSTAINABILITY REPORT 2019

27

Excerpt 2

Corporate Sustainability Report 2019, pages 27 and 28

GR1: 103-1, 103-2, 103-3, 205-1, 407-1, 408-1, 409-1, 412-1, 414-2, 421-2

CLIMATE CHANGE RISKS

As a multinational company, we are exposed to various types and degrees of local, regulatory, physical and socio-economic risks associated with climate change. We have identified those that are most tangible to our operations and have put plans in place to mitigate them (see page 76).

HUMAN RIGHTS RISKS

We cooperate with relevant authorities to identify, mitigate and remedy any adverse human rights impacts our operations may have caused or contributed to (see page 37).

SUPPLY CHAIN RISKS

Our objective is to work together with suppliers to identify hazards and threats and implement a governance process that ensures risk management, partnership building and collaboration across our supply chain. We continuously refine the management of efforts, including a Sustainability Assessment process that applies to tier 1 suppliers in 125 countries (see page 42).

POTENTIAL SUSTAINABILITY RISKS IDENTIFIED: DIRECT OPERATIONS

Figures represent % of revenue

Risk Category	High Risk	Medium Risk	Low Risk
ENVIRONMENTAL RISK	1%	33%	66%
ECONOMIC RISK	1%	22%	77%
SOCIAL RISK	1%	31%	68%
TOTAL SUSTAINABILITY RISK	0%	34%	66%

POTENTIAL SUSTAINABILITY RISKS IDENTIFIED: SUPPLY CHAIN

Figures represent % of spend

Risk Category	High Risk	Medium Risk	Low Risk
ENVIRONMENTAL RISK	2%	33%	65%
ECONOMIC RISK	1%	22%	77%
SOCIAL RISK	1%	32%	67%
TOTAL SUSTAINABILITY RISK	1%	34%	65%

SUSTAINABILITY REPORT 2019

28

Excerpt 3

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

BUSINESS SUPPORT SERVICES

ENVIRONMENT

SGS MAIN CLIMATE CHANGE RISKS AND OPPORTUNITIES

TRANSITIONAL RISKS AND OPPORTUNITIES

TYPE: REGULATORY, POLICY AND LEGAL

RISK
Increasing taxes on fuel, energy and carbon
TIMESCALE: CURRENT
IMPACT
Overhead spend (e.g. fuel and electricity costs, carbon tax) increases as a result of global vehicle and non-transport fuel pricing
MITIGATION
Create policies, programs and campaigns to reduce energy usage and carbon emissions, encourage renewable energy generation and purchase, and change employee behaviors

OPPORTUNITY
Development of lower emissions products and services according to emerging regulation
TIMESCALE: CURRENT
IMPACT
Increase revenue through demand for lower-emissions products and services
MITIGATION
Provide more services related to Greenhouse Gas Emissions accounting and verification (ISO 14064), Product Carbon Footprint (ISO/TS 14067) and Energy Efficiency services (Energy Audits and Energy Management Systems certifications ISO 50001)

PHYSICAL RISKS AND OPPORTUNITIES

TYPE: ACUTE

RISK
Increased severity of extreme weather events affecting our facilities
TIMESCALE: CURRENT
IMPACT
Business discontinuity and revenue loss, while increasing in insurance premiums in high-risk areas
MITIGATION
Development of Business Continuity guidelines across the Group

RISK
Increased severity of extreme weather events affecting our employees
TIMESCALE: CURRENT
IMPACT
Workforce health, safety and absenteeism etc. affected
MITIGATION
Development of Business Continuity guidelines across the Group

TYPE: CHRONIC - None identified as critical

IMPACT LEVEL
■ MEDIUM-HIGH
■ MEDIUM
■ LOW

SUSTAINABILITY REPORT 2019

77

Excerpt 4

↓ Corporate Sustainability Report 2019, pages 77 and 42

PROFESSIONAL EXCELLENCE

GR1: 103-1, 103-2, 103-3, 308-2, 414-2

INITIATIVES AND ACHIEVEMENTS

ASSESSMENT OF EXISTING SUPPLIERS
Having a clear understanding of our supplier risk is an essential part of our sustainable supply chain management. To achieve this, we developed processes through which to assess our existing suppliers. We consider our local suppliers and strategic global suppliers separately, to give us an overall picture of the level of risk and supplier compliance throughout our supply chain.

LOCAL SUPPLIERS ASSESSMENT
To evaluate and categorize our local suppliers according to risk, we created a five-stage process, with the main aim of deploying a sustainability self-assessment to our highest risk suppliers.

The process started with a macro risk analysis, analyzing environmental, economic and social factors, through which we identified countries in which we operate that are high or medium risk. This involved scoring each country against a range of weighted sustainability risks, and combining individual sustainability risk scores into an overall country risk score. Suppliers in high- and medium-risk countries were then categorized, with those below a certain spend threshold and in less critical product groups being eliminated. In the third stage, local teams (multi-functional when needed) analyzed suppliers and shortlisted those that they consider as 'high risk' and should therefore be included in the full assessment process, based on their importance, category, status, spend and other relevant factors.

These first three stages of the process enabled us to pinpoint high-, medium- and low-risk suppliers for further assessment in the fourth stage of the process: online deployment of our self-assessment tool: SGS Self-Assessment Questionnaire (SAQ).

Throughout the entire process our goal is to increase transparency in our supply chain. By asking questions that identify specific sustainability risks, checking our suppliers understand our sustainability values and confirming their compliance with our Supplier Code of Conduct, our SAQ supports us in achieving this goal. (Continued on page 43)

EXISTING SUPPLIERS ANALYSIS

	2018			2019		
	TOTAL	HIGH & MEDIUM RISK	LOW RISK	TOTAL	HIGH & MEDIUM RISK	LOW RISK
Number of countries (Tier 1)	30 ²	14 ²	16	30 ²	14 ²	16
Spend (%)	83%	33%	50%	83%	33%	50%
Tier 1 suppliers ¹	59 988	24 545	35 443	67 214	29 341	37 873
Suppliers analyzed by macro risk assessment (%)	100%	100%	100%	100%	100%	100%
Suppliers after country level review	4 803	2 568	2 235	4 512	2 530	1 982
Suppliers with actions taken ³	925			2 853	2 163	690

1. SGS considers Tier 1 suppliers as those in the top countries. 2. SGS is gradually covering 100% of the spend therefore, this number includes the top 30 countries (Tier 1 suppliers) and two additional countries added due to their importance to SGS. 3. Supplier with actions: Self-Assessment Questionnaire submission.

EXISTING SUPPLIERS ASSESSMENT PROCESS

- 1** SEGMENTATION OF COUNTRIES BY LEVEL OF RISK
14 high- and medium-risk countries (20 341 suppliers) and 16 low risk countries (37 873 suppliers)
- 2** ELIMINATION OF LESS CRITICAL SUPPLIERS
Based on spending thresholds and product groups, defined for each country risk level
- 3** EVALUATION AT COUNTRY LEVEL
4 512 tier 1 suppliers across 30 countries were defined as the final high-risk target group
- 4** SAQ DEPLOYMENT AND RESULTS ANALYSIS
More than 98% (over 2 700 in two years) of suppliers that completed our SAQ adhere to SGS Supplier Code of Conduct
- 5** GOVERNANCE AND MITIGATION PLANS
58 suppliers flagged for potential non-compliance or breaches, and need engagement for governance and mitigation

SUSTAINABILITY REPORT 2019

42

Excerpt 5

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 4.5: Norsk Hydro

ALUMINIUM AND RENEWABLE ENERGY

WHY THIS IS A GOOD REPORTING PRACTICE

Excerpt 1 from the 2019 Norsk Hydro Annual Report presents the business model including inputs, value chain activities and outcomes. At a high level, it also conveys the main risks and strategic goals. The Risk Review section of the Annual Report highlights a summary of the main risks including sustainability risks (e.g., material CSR incidents, investigations, legal proceedings and non-compliance with laws and regulations, occupational health and safety, climate change and environmental risks). Excerpt 2 from the Risk Review section is a narrative disclosure elaborating on occupational health and safety, climate change and environmental risks.

Excerpt 3 in the viability report highlights Norsk Hydro's decarbonisation targets with a reduction of 10% by 2025, 30% by 2030 and 2050 in response to environmental risks after attaining carbon neutrality in 2019 (see Excerpt 4). Crucially, Excerpt 3 shows that the company signed a USD 1.6 billion where the margin on the facility is linked to meeting its GHG targets (e.g., will be adjusted if GHG is reduced by 10%). It was rare for the reviewed companies disclose the financial effects of their realised and target emissions.

SUGGESTIONS FOR IMPROVEMENT

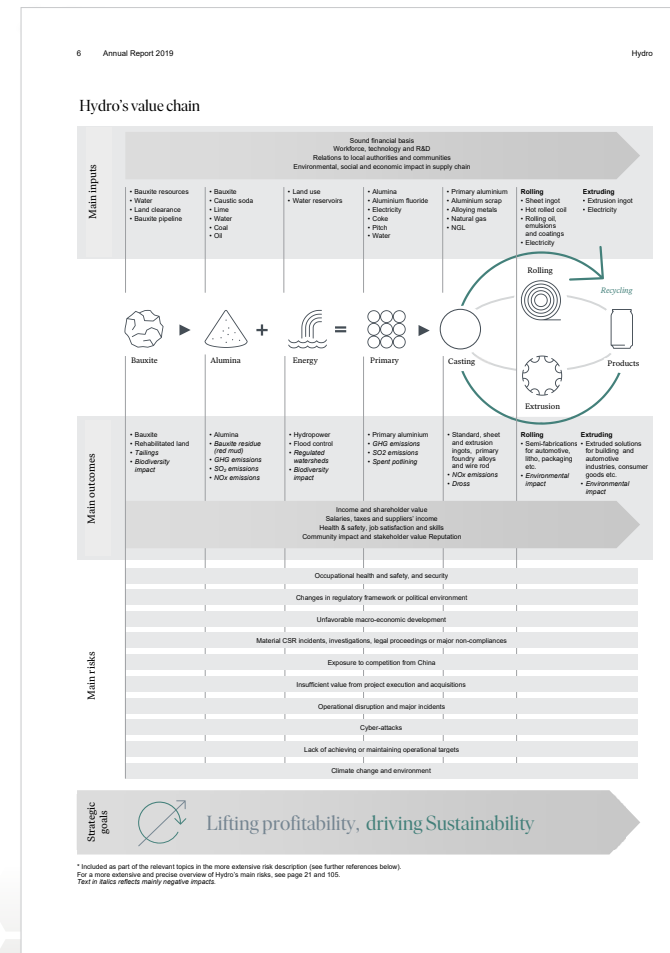
These disclosure excerpts could be more informative if they included quantified and monetised expression of some of the sustainability risk exposures (e.g., monetisation of climate change risks). Furthermore, the information that scope emissions have an impact on the margin facility rate included in Excerpt 3 could be made more prominent- especially as companies rarely disclose the financial implications of their scope emissions.

In terms of disclosure of sustainability matters and effect on performance, the highlighted Norsk Hydro disclosure excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (the excerpts provide information on how risks including sustainability risks affect the company's performance; Excerpt 3 provides information on the potential financial effects of Hydro's target emissions);
- **strategic focus and orientation** (Hydro's Annual Report incorporates the sustainability risks into its main risks and viability report in the Annual Report);
- **understandability** (Excerpt 1 makes effective use of visuals in the description of the overall business model); and
- **connectivity** (sustainability risks are included in the risk reporting and viability reporting sections of the Annual Report and this fosters connectivity between financial and sustainability reporting information).

It is also difficult to assess the relative importance of the risks considered as main risks in Excerpt 1. The materiality matrix included in other parts of the report classifies issues into four quadrants but does not rank them.

↓ Annual Report 2019, page 6



*Included as part of the relevant topics in the more extensive risk description (see further references below). For a more extensive and precise overview of Hydro's main risks, see page 21 and 105. Text in italics reflects mainly negative impacts.

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 4.5: Norsk Hydro

ALUMINIUM AND RENEWABLE ENERGY

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Example 4.1: EnBW

Example 4.2: Arcadis

Example 4.3: ABN Amro

Example 4.4: SGS

Example 4.5: Norsk Hydro

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

↓ Annual Report 2019, pages 81 and 109

↓ Hydro Climate model, page 6

Hydro Annual Report 2019 Viability performance 81

Energy and climate change

Alumina refining and electrolysis of primary aluminium are energy-intensive processes, and constitute the majority of Hydro's greenhouse gas (GHG) emissions. The energy source is a decisive factor on relative as well as total emissions. On the other hand, aluminium can save significant amounts of energy and GHG emissions in the use phase.

Climate change

Hydro launched a new climate strategy towards 2030 in 2019, as our carbon neutral strategy is coming to an end in 2020. Hydro's overarching ambition towards 2030 is to reduce the global climate impact of our value chain through greener sourcing, greener production and greener products. We aim to reduce our own emissions by 30 percent in 2030 and explore different paths towards further significant emissions reductions by 2050. Through greener sourcing and greener production, we also aim to help our customers in reducing their emissions through providing greener products.

Our new strategy puts more emphasis on reducing own emissions. Changes in our production portfolio might influence these targets, but our aim is still to reduce our specific emissions. We have set targets to reduce greenhouse gas emissions by 10 percent by 2025 and 30 percent by 2030, based on a 2018 baseline (2017 for Paragominas, Alunorte and Albras due to the production embargo at Alunorte and curtailment at Albras and Paragominas). The baseline emissions equal 13.3 million tonnes CO₂e and includes direct emissions and indirect emissions from electricity generation (scope 1 and scope 2 emissions).

The timing is dependent on implementation of specific projects and the reduction is thus not anticipated to be linear from year to year. In order to have a greener production, we are looking into projects for significant emissions reductions at Alunorte through a greener energy mix. We are also looking into improvement potentials throughout our organization.

The element greener sourcing in the new climate strategy, refers to Hydro's position as a purchaser of raw materials and energy. Hydro has the opportunity to source less carbon-intensive electricity and cold metal with a lower carbon footprint. We also have the opportunity to increase the use of post-consumer scrap in metal production.

Innovation and technology development are key enablers towards reducing CO₂e emissions. We have initiated a significant R&D program towards 2030 to look into different alternatives to achieve CO₂-free processes. We will explore different paths such as carbon capture and storage, biomass anodes and carbon-free processes. By 2030 we expect to have a clearer view on a path to further significant emission reductions by 2050.

In 2018, Hydro concluded a review of its climate-related risks, including physical, technological, commercial, legal and reputational risk. The review forms the basis for scenario analyses and the updated climate strategy.

Since 2013, Hydro's ambition has been to be carbon neutral in a life cycle perspective. Carbon neutrality can be defined in many ways, and we define it as a balance between the direct and indirect emissions from our own operations, and the savings of applying our metal in the use phase.

Hydro's climate strategy is an integral part of our overall business strategy, aiming at driving improvements and development within the company. Consequences to the climate strategy is also a criterion for all significant investment decisions. The strategy includes reducing the climate impact of our operations as well as taking advantage of business opportunities by enabling our customers to do the same.

The key focus areas of our carbon neutral 2020 strategy have been:

- Increased production of primary aluminium in Norway, based on hydropower
- Increased recycling
- Increased deliveries to the automotive sector

Hydro became carbon neutral in a life cycle perspective in 2019.

For more information about Hydro's climate model, see <https://www.hydro.com/globalassets/04-sustainability/hydroclimatemodel.pdf>

On December 12, 2019, Norsk Hydro ASA signed a USD 1,600 million revolving multi-currency credit facility with the margin linked to Hydro's greenhouse gas emission target. The margin under the facility will be adjusted based on Hydro's progress to meet its target to reduce greenhouse gas emissions by 10 percent by the end of 2025.

Direct greenhouse gas emissions from Hydro's consolidated activities

Direct greenhouse gas emissions from Hydro's consolidated activities (Million mt CO₂e)

Year	CO ₂ (Million mt)	PFC (Million mt)
2015	~7.5	~0.5
2016	~7.5	~0.5
2017	~7.5	~0.5
2018	~6.5	~0.5
2019	~6.5	~0.5

Emissions in 2018 decreased due to the embargo at Alunorte and curtailment at Albras and Paragominas. This is partly reflected in 2019 due to the 88% of the embargo and ramp-up of production.

Excerpt 2

Hydro Annual Report 2019 Risk review 109

market surplus and inadequate implementation of regulations to discourage further smelter construction. Since 2017, supply-side reform has been enforced across several industries, including aluminium. The target was smelter capacity deemed to be illegal, i.e. not possessing all necessary authorizations. An estimated 3 million tons of capacity has subsequently been closed down. An increase in the oversupply of primary metal in China may lead to higher export of rolled and extruded downstream products, affecting demand for Hydro's metal products.

Our dedicated improvement programs are the key strategies aimed at maintaining and improving our relative position on the industry cost curve. This is further supported by our focus on producing value-added products and exposure to different parts of the value chain and product segments. In 2019 Hydro launched a new strategic agenda aiming to lift cash flows and returns with extensive improvement and restructuring efforts across its business areas, while highlighting sustainability as a basis for the company's positioning. Hydro has established clear priorities and guidelines for capital allocation. This is critical in order to deliver on the company's strategic direction. However, the targeted cost reductions and improvements may prove to be insufficient to achieve a sustainable level of profitability for our business operations in the event of an extended period of low aluminium prices, stronger local currencies, relatively high costs for key raw materials or weak market demand, or an extended period of significantly increased aluminium products exports from China.

Hydro could be affected by material CSR incidents, investigations, legal proceedings, or major non-compliance with laws and regulations

Hydro could be negatively affected by criminal or civil proceedings or investigations related to, but not limited to product liability, environment, health and safety, alleged anti-competitive or corrupt practices or commercial disputes. In addition, Hydro is exposed to allegations or perceived failures to behave in a socially responsible manner and to manage social impacts, particularly related to human rights breaches. Infringement of applicable laws and regulations could result in fines or penalties, costs of corrective work, the suspension or shutdown of our operations and damage to the company's reputation.

In addition, Hydro is exposed to actual or perceived failures to behave in a socially responsible manner and to manage social impacts, particularly related to human rights breaches. Such failures could result in significant, negative publicity and potential serious harm to Hydro's reputation. Reactions by key stakeholders and communities in which Hydro operates could also interfere or interrupt the operations of our business.

In order to manage social risks and opportunities, Hydro has several directives, policies and procedures setting out requirements and guiding implementation throughout the company. The CSR strategy defines priorities and overall goals.

Hydro is also exposed to social and human rights risks in the supply chain, joint ventures, and in other parts of the Brazil operations (bauxite mining and transportation).

Hydro Extrusion Portland, Inc. (formerly Sapa Profiles, Inc.) (SPI), a Portland, Oregon-based indirect subsidiary of Hydro Extruded Solutions AS (formerly Sapa AS) (Hydro), and SPI's U.S. parent company, Hydro Extrusion USA, LLC (formerly Sapa Extrusions, Inc.) (SEI) entered into agreements in April 2019 to resolve the investigations by the United States Department of Justice (DOJ) Civil and Criminal Divisions regarding certain aluminum extrusions that SPI manufactured from 1996 to 2015, including extrusions that were delivered to a supplier to NASA. SPI pled guilty to one charge of mail fraud, received three years of probation, and paid approximately NOK 400 million. SEI separately entered into a deferred prosecution agreement in which it admitted to mail fraud, but the prosecution of the charge is deferred for three years, subject to SEI's fulfillment of certain obligations. As part of the share purchase agreement between Hydro and Orkla ASA, Orkla ASA indemnified Hydro for 50 percent of the liability related to these investigations.

Hydro's Board-sanctioned Code of Conduct requires adherence with laws and regulations as well as global directives and procedures and is systematically implemented and maintained through our compliance system. The Hydro compliance system consists of numerous measures to reduce the risk of non-compliance. The content of such measures differs between relevant compliance risk areas, but can be grouped into four categories: preventing, detecting, reporting and responding. Hydro's global operations entails a wide array of compliance risks. Mitigation of such risks, both financial and non-financial, apply the same system. The compliance risks facing Hydro is continuously monitored and evaluated as part of the Enterprise Risk Management process. Prioritized risk areas are HSE, Financial reporting, anti-corruption, data privacy, the EU General Data Protection Regulation and competition law. Hydro's supply chain is included in the scope of risk mitigation, for instance by procedures for integrity risk management of business partners. Hydro is active in, and has a long tradition for, conducting dialogue with the relevant parties affected by our activities. These include unions, works councils, customers, suppliers, business partners, local authorities and non-governmental organizations. The above-mentioned controls and initiatives may, however, be insufficient to mitigate these risks.

Hydro could be affected by operational disruptions or other major incidents and may not be able to maintain sufficient insurance to cover all risks related to its operations

Hydro is exposed to a number of risks and hazards which could result in disruptions to operations. Breakdown of critical equipment, power failures or other events leading to production interruptions in key plants could have a material adverse effect on our financial results and cash flows. Some operations are located in close proximity to sizable communities, and major accidents could result in substantial claims, fines or significant damage to Hydro's profitability, and/or reputation.

Hydro obtains its bauxite from two main sources, the majority is via a 244 km pipeline from Paragominas to Alunorte, the remainder transported by vessel from MEN to Alunorte, any major disruption to this supply of bauxite to Alunorte would have material adverse effects on our operations. In 2018, The extreme rainfall and flooding in

Excerpt 3

Our date: 2020-03-12
Our ref.: Hydro's Climate model 2019

Appendix 2019 results⁴

For 2019, the calculations show that in 2019, Hydro was 219,000 tonnes below the defined carbon-neutrality level.

Hydro's balance to become carbon neutral in a lifecycle

Emissions in CO₂ equivalents 1,000 tonnes

Direct emissions	8,434
Indirect emissions	4,969
Deforestation (reforestation balance)	35
Use phase benefits of Hydro's products	-13,657
Total	-219

⁴ Based on 2019 emissions and production data, and 2019 sales

Norsk Norsk Hydro ASA
P.O. Box 980 Skøyen
NO-2205 Oslo
Norway

Visiting address:
Dammenveien 264
NO-2289 Oslo
Norway

www.hydro.com
T +47 22 53 81 00
NO-2289 Oslo
F +47 22 53 81 10

Registration No.
NO 914 778 271 MVA

68

Excerpt 4

Analytical consideration 5: Sustainability risks

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Analytical consideration 5: Sustainability risks

EVALUATIVE QUESTIONS

Question 5 - How well does the company describe its exposure to sustainability risks?

- Are the top 5 sustainability risks disclosed?
- Does the company disclose how they plan to prevent or reduce undesired impacts and potential failures associated with the top 5 sustainability risks?

IDENTIFIED GOOD OR LEADING REPORTING PRACTICES

Enel
Schneider Electric
AB Volvo
Novozymes
BNP Paribas

**The order of listing and presentation of the identified good or leading practices is not meant to indicate a ranking on the quality of disclosures.*

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 5.1: Enel

ENERGY

WHY THIS IS A GOOD REPORTING PRACTICE

In both its 2019 Annual Report and Sustainability Report, Enel discloses its climate-related opportunities and risks in a clear and comprehensive manner. Enel applied the TCFD framework to explicitly represent the main relationships between scenario variables and different risks and opportunities. The process of defining Enel's strategy incorporates an analysis of the climate-related risks and opportunities.

In Excerpt 1, Enel provides a breakdown of its physical risk and transition scenarios-related risks and the management approach (i.e., management response). Excerpt 2 outlines the impact of physical risk scenario-related risks on financial performance (EBITDA/year, Gross Margin). Excerpt 3 does the same for transition risk scenario-related risk. Risks are classified according to a timeframe of their applicability (short (1-3 years), medium (to 2030) and long term (to 2050)).

The disclosure excerpts present the linkage of macro-categories of risks connected to developments in physical risk variables and transition scenarios. For example, temperature changes may cause a decrease in electricity demand, and on the level of Enel's thermal and hydroelectric generation, and these would negatively affect Enel's financial performance. The details of the business segments

affected are provided. Within these excerpts are disclosures of the risk mitigation measures (i.e., risk prevention, readiness, response, and recovery assessment).

In terms of reporting sustainability risks, the highlighted Enel disclosure excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (the disclosure excerpts provide information on climate-related physical and transition risks including quantified impacts on financial performance, outlines the time horizon of impacts, give details of business segments affected, gives details of risk mitigation and responses);
- **strategic focus and orientation** (disclosed information is linked to the process of defining Enel's strategy);
- **understandability** (makes effective use of tabular presentation);
- **coherence/connectivity** (the information is presented in both the Annual and Sustainability Report highlighting the connectivity of financial and sustainability information); and
- **balanced/neutrality** (presents both risks and opportunities with the same level of detail).

SUGGESTIONS FOR IMPROVEMENT

The disclosure could be more informative if it also highlighted the possible impacts of risks on the company's financial position (i.e., the resilience of the balance sheet).

↓ Enel Sustainability Report 2019, page 57

SCENARIO PHENOM: ENA	TIME HORIZON	RISK & OPPORTUNITY CATEGORY	DESCRIPTION	IMPACT	MANAGEMENT APPROACH
Acute physical	From the short term (1-3 years)	Extreme events	Risk: especially extreme weather/climate events.	Extreme events can damage assets and interrupt operations.	The Group adopts best practices to manage the restoration of service as quickly as possible. It also works to implement investments in resilience (for Italy) . With regard to risk assessment in insurance, the Group has a loss prevention program for property risk that also assesses the main exposures to natural events. Looking forward, the assessments will also include the potential impacts of long-term trends in the most significant climate variables.
Chronic physical	From the long term (2030-2050)	Market	Risk/opportunity: increase or decrease in electricity demand, increase or decrease in electricity production.	Electricity demand is also affected by temperature, whose fluctuation can impact our business.	The Group's geographical and technological diversification means that the impact of changes (positive and negative) in a single variable is mitigated at the global level. In order to ensure that operations always take account of weather and climate phenomena, the Group adopts a range of practices such as, for example, weather forecasting, real-time monitoring of plants and long-term climate scenarios.
Transition	From the medium term (2022-2030)	Policy & Regulation	Risk/opportunity: policies on CO ₂ prices and emissions, energy transition incentives, greater scope for investment in renewables and resilience regulation.	Policies concerning the energy transition and resilience can impact the volume of and returns on investments.	The Group is minimizing its exposure to risks through the progressive decarbonization of its generation fleet. The Group's strategic actions, which are focused on investment in renewables, networks and customers, enable it to mitigate potential threats and exploit the opportunities connected with the energy transition. The Group is also actively contributing to the development of public policies.
Transition	From the medium term (2022-2030)	Market	Risk/opportunity: changes in the prices of commodities and energy, evolution of energy mix, changes in retail consumption, changes in competitive environment.	Considering two alternative transition scenarios, the Group assesses the impact of trends in the proportion of renewable sources in the energy mix, electrification and the penetration of EVs to estimate their potential impacts.	The Group is maximizing opportunities by adopting a strategy founded on the energy transition and the rapid expansion of renewable generation and the electrification of energy consumption .
Transition	From the medium term (2022-2030)	Product & Services	Opportunity: increase in margins and greater scope for investment as a consequence of the transition in terms of greater penetration of new electrical technologies for residential consumers and electric transportation .	Trends in the electrification of transportation and residential consumption will potentially have an impact on Enel's business.	The Group is maximizing opportunities thanks to its strong positioning in new businesses and services .
	From the medium term (2022-2030)	Technology		Considering two alternative transition scenarios, the Group assesses the potential opportunities to scale up current businesses in response to trends in the electrification of transportation.	The Group is maximizing opportunities thanks to its strong positioning in global networks .

Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 5.1: Enel

ENERGY

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

↓ Enel Sustainability Report 2019, page 58-59 and 64-65

Identification, assessment and management of physical risks and opportunities

Taking the IPCC scenarios as our reference point, developments in the following physical variables and the associated operational and financial impacts connected with potential risks and opportunities are assessed.

Chronic physical risks
The climate scenarios developed with the ICP-5 do not provide definitive indications of structural changes before 2030, but changes could begin to emerge between 2030 and 2050.
The main impacts of **chronic physical changes** would be reflected in the following variables:

- **Electricity demand:** variation in the average temperature level with a potential increase or reduction in electricity demand.
- **Thermal generation:** variation in the level and average temperature of the oceans and rivers, with effects on thermal generation.
- **Hydroelectric generation:** variation in the average level of rainfall and associated wet temperatures with a potential increase or reduction in hydro generation;

→ **Solar generation:** variation in the average level of solar radiation, temperature and rainfall with a potential increase or reduction in solar generation.

→ **Wind generation:** variation in the average wind level with a potential increase or reduction in wind generation.

The Group will work to estimate the relationships between changes in physical variables and the change in the potential output of individual plants in the different categories of electricity generation technology.

Scenario analysis has shown that chronic structural changes in the trends of physical variables will begin to occur after 2030. However, in order to obtain an indicative estimate of the potential impacts, it is possible to test variations of the Business Plan to the factors potentially influenced by the physical scenarios, regardless of any direct relationship with climate variables. Of course, such stress testing has an extremely low probability of occurrence based on historical events and geographical diversification. The variables examined are:

- electricity demand (+/-1% per year), whose variations can significantly impact the generation and retail businesses. It was stress tested for all countries in which the Group operates;
- the output potential of renewables plants was also stressed +/-1% over a single year. Variations in this variable can potentially impact the generation business, in all the individual technology levels around the globe.

The data reported show the effect on a single year for a single generation technology and include both the volume and price effects.

STANDARD PRIORITY	RISK & OPPORTUNITY CATEGORY	DESCRIPTION	TIME HORIZON	IMPACT DESCRIPTION	GLOBAL BUSINESS LINE AFFECTED	SCOPE	TRANSITION TYPE OF IMPACT	UPSIDE / DOWNSIDE	QUANTIFICATION - RANGE OF CHANGE IN KEY METRIC
Climate physical	Market	Risk/opportunity: increase or decrease in electricity demand.	Short term	Electricity demand is affected by temperature, whose fluctuations can have an impact on Enel's business. Although structural changes could not emerge in the short/medium term, in order to assess the sensitivity of Group performance to potential temperature variations, Enel has performed an analysis of electricity demand by change of +/-1% in electricity demand for the Group as a whole.	Global Power Generation	Global	ESST/None	Upside	+1%
Climate physical	Market	Risk/opportunity: increase or decrease in renewable generation.	Short term	Renewable generation is also affected by the variability of resources, whose fluctuations can have an impact on our business. Although structural changes should not emerge in the short/medium term, in order to assess the sensitivity of Group performance to potential temperature variations, we have performed an analysis of electricity changes of +/-1% in potential electricity output by technology.	Global Power Generation	Group potential hydroelectric production	ESST/None	Upside	+10%
						Global potential wind production	ESST/None	Upside	+10%
						Global potential solar production	ESST/None	Upside	+10%

Legend: Upside scenario current policies (orange square), Downside scenario current policies (red square)

Excerpt 2

Transition risks potentially influenced by the transition scenario, with particular regard to the price of CO₂ (ETS). Examining the main transition variables, the price of CO₂ appears to be an especially reliable driver of regulatory measures that could accelerate the transition process.

To assess the impact of possible changes in this driver, the effects of a potential change of +/-10% in the CO₂ price for Italy and Spain are determined. This price change would modify the equilibrium price of both wholesale markets, with repercussions on the margins of Global Power Generation for both thermal and renewable plants.

To quantify the risks and opportunities triggered by the energy transition in the medium term, two scenarios have been considered for Italy and Spain:

- **"Current policies" scenario:** based on the current energy transition policies (based on the current energy transition policies of Italy and Spain (FRMEL), which are presumably consistent with an intermediate climate scenario between RCP 8.5 and RCP 2.6). The "current policies" scenario considered for the two countries, while among the less ambitious scenarios of RCP 2.6, represents a plausible outlook in that it derives from policies that have already been approved and which will probably not be disrupted. At a global level, however, if the world's leading countries do not adopt effective decarbonisation policies, instead pursuing policies that produce no change or actually worsen conditions, the "current policies" approach could still lead to a climate scenario in line with RCP 8.5.
- **"Accelerated policies" scenario:** based on potentially more ambitious transition policies aimed at achieving CO₂ reduction targets that are presumably consistent with the RCP 2.6 scenario. This scenario also incorporates an increase in energy efficiency and a drive to electrically end-user energy consumption.

Considering these transition scenarios and models of the energy system, Enel determined their impact on the variables that most greatly affect our business, such as electricity demand, the system energy mix and the increase in electricity consumption due to the electrification of final consumption.

The transition effects over the medium term can produce new opportunities, thanks to the growth of renewables, and potential risks linked to the loss of profitability for thermal plants. Based on assumptions about future regulatory developments and market trends, it is possible to forecast developments in output in the Group's electricity markets for now, Italy and Spain (retail and utility margins). These considerations offer a basis for determining the Group's possible strategic positioning in terms of resource location (for example, maintaining or increasing our market share in renewables or accelerating the phase-out of obsolete technologies).

By 2030, the dynamics of the energy transition may produce significant opportunities in the retail electricity market. The progressive electrification of final consumption, especially in transportation and the residential sector, will lead to a significant increase in electricity consumption. Considering the transition scenarios developed by the Group for Italy and Spain, the increase in electricity consumption in the domestic segment could produce an increase of more than 300 million euros in EBITDA by 2030 compared with 2022. Considering a more optimistic transition scenario, i.e. one with a higher electrification rate for transportation and heating/cooling, the effects could be even greater, saving unchanged the assumptions for margins and market share set out in the Plan.

STANDARD PRIORITY	RISK & OPPORTUNITY CATEGORY	DESCRIPTION	TIME HORIZON	IMPACT DESCRIPTION	GLOBAL BUSINESS LINE AFFECTED	SCOPE	TRANSITION TYPE OF IMPACT	UPSIDE / DOWNSIDE	QUANTIFICATION - RANGE OF CHANGE IN KEY METRIC
Transition	Policy & Regulation	Risk: impact on margin due to increasing electricity price.	Short/medium term	Considering the potential impact of regulatory measures related to increasing energy transition, the Group assesses the sensitivity to changes of +/-10% in the price of CO ₂ in its sensitivity analysis.	Global Power Generation	Italy and Spain	ESST/None	Upside	+10%
Transition	Market	Opportunity: increase in energy efficiency and impact of transition on electrification of energy consumption. Risk: increase in competition and possible increase in market share.	Medium term	Considering the alternative transition scenarios, the Group assesses the impact of energy efficiency, the adoption of electric drives and the penetration of EVs to estimate its potential effect on electricity demand.	Retail	Italy and Spain	ESST/None	Upside	+300 million euros
Transition	Regulation & Services	Opportunity: increase in energy efficiency and impact of transition on electrification of energy consumption. Risk: increase in competition and possible increase in market share.	Medium term	Considering the alternative transition scenarios, the Group has assessed the impact of EVs in the identification of temperature and residential consumption to assess behavioural effects.	Grid & Services	Italy and Spain	ESST/None	Upside	+300 million euros

Legend: Upside scenario current policies (orange square), Downside scenario current policies (red square)

Excerpt 3

Example 5.2: Schneider Electric

ELECTRIC COMPONENTS AND EQUIPMENT

WHY THIS IS A GOOD REPORTING PRACTICE

In its 2020 Financial and Sustainable Development Report, Schneider Electric has a detailed analysis of its sustainability risks and measures taken to mitigate these risks. Excerpt 1 is a risk matrix that shows the level or rating of different sustainability risks (four categories- human rights, environment, business conduct, offer safety and cybersecurity, and nine sub-categories) across the company's sites and for its suppliers and contractors. This disclosure informs on the top risks across the value chain.

Excerpts 2, 3, 4 and 5 have a breakdown of sustainability risks and related opportunities (under seven categories-environment and circular economy, climate change, health and safety at work, human resources, anti-corruption, human rights in the supply chain, and socially responsible investing and 20 subcategories). The breakdown consists of a qualitative description of the impact on the company and key metrics associated with monitoring these risks.

SUGGESTIONS FOR IMPROVEMENT

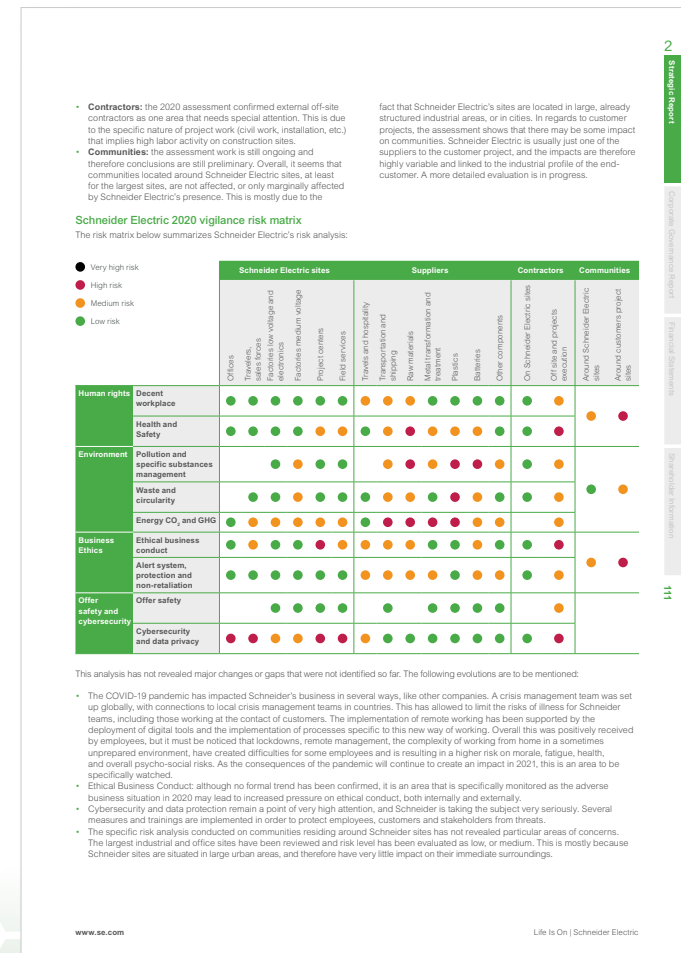
The disclosure could be further informative if it included possible quantified financial impacts.

In terms of reporting sustainability risks, the highlighted Schneider Electric disclosures fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (Excerpt 1-risk matrix informs on risks across the value chain and Excerpts 2-5 focus on material risks and mitigation measures and covers a broad spectrum of sustainability risks);
- **strategic focus and orientation** (Excerpt 1-risk matrix informs on risks across the value chain and Excerpts 2-5 focus on material risks);
- **understandability** (makes effective use of visual and tabular presentation to present risks); and
- **stakeholder inclusiveness** (Disclosure excerpt 1 conveys risks for different stakeholders across the value chain).

It would have also been helpful if disclosure Excerpts 2 to 5 indicated the relative importance of the seven categories and 20 subcategories of risk as reflected in the materiality matrix.

2020 Universal Registration Document- Financial and Sustainable Development Report, page 111



Excerpt 1

54

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 5.2: Schneider Electric

ELECTRIC COMPONENTS AND EQUIPMENT

2020 Universal Registration Document- Financial and Sustainable Development Report, pages 78 and 79

2 Sustainable development

1. Sustainability at the heart of Schneider Electric's strategy

Following its assessment of material risks, Schneider Electric presents its main extra-financial risks and opportunities.

Risk description and impact	Policies	Due diligence and 2020 performance	Opportunity created
Environment and circular economy			
Circular economy			
Strengthening of circular economy regulation (on product life cycle): • Increase of secondary materials in products should not have adverse impacts on product safety, durability, reparability and serviceability • Need for product specific standards, to adapt horizontal regulations to product specificities • Conflicting regulations, between objective to enable a 2nd life for products (refurbishment/recycling) and hazardous substances restriction	Circular economy strategy EcoDesign Way™ Green Premium™	<ul style="list-style-type: none"> Participation in multi-stakeholder panels (FREC, MIT China, AFEP, GAMELEC, FIEEC, IGNES, CIRCUALING) Circularity in EcoDesign Way™ for product lifetime, reparability, and serviceability SSI6: 70% sales under our new Green Premium™ program (76.7% achieved) 	Circular business opportunities
Volatile prices and materials/resource availability: • Cost increase of primary materials • Disruption of supply	Green Materials Raw material cost productivity and hedging strategy	<ul style="list-style-type: none"> SSI47: 100% cardboard and pallet for transport packing from recycled or certified sources by 2020 (99% achieved) 2025 SSI & SSE "Resources" programs 	Lean, agile, efficient manufacturing processes
Safety risk if assets handled by non-certified 3rd parties (repair, end-of-life): • People health and safety impact • Reputational impact	Circular offers: ECOFIT™, and takeback schemes (EOL, etc.) End-of-life information for our products with Green Premium™	<ul style="list-style-type: none"> SSI8: 120,000 tonnes of avoided primary resource consumption through ECOFIT™, recycling and take-back programs by 2020 (157,568 tonnes achieved) 	Market growth for Schneider Electric circular offers (repair, retrofit, takeback, EOL)
Strengthening of waste regulation: • Increased costs and administrative requirements of waste management	Circular supply chain: waste as worth, Towards Zero Waste to Landfill	<ul style="list-style-type: none"> SSI6: 200 sites Towards Zero Waste to Landfill by 2020 (206 achieved) 	Industrial waste monetization
Chemical substances			
Strengthening of chemical substance regulation, market shift, and consumers preferences for eco-friendly products: • Access to market since products may be forbidden (regulations) or blacklisted (prescriptions) • Multiplication of uncoordinated regional legislation, with different requirements	Substances and Material Directive: REACH, RoHS, China RoHS, CA Proposition 65 EcoDesign Way™ Green Premium™	<ul style="list-style-type: none"> SSI45: 75% of sales under our new Green Premium™ program (76.7% achieved) Chemical substitution Deployment of REACH o5a "once an article, always an article" Extended transparency (77.3% of product revenue covered by a Product Environmental Profile in 2020) 	Market opportunity for Green Premium™ offers
Pollution prevention and control			
Soil, water, and air contaminations at Schneider Electric sites: • Non-compliance findings from public authorities and fines • Health impacts on personnel at our sites • Site property pollution and environmental provisions	Group Environment Policy Environmental risk analysis Environment due diligence in M&A	<ul style="list-style-type: none"> IMS (Integrated Management System) with ISO 14001 certification (232 sites certified ISO 14001 in 2020) OLEAR Assessment for industrial Global Supply Chain factories. 	Robust management system to drive environmental performance Increased stakeholder trust

Schneider Electric Universal Registration Document 2020 www.se.com

Excerpt 2

2 Strategic Report

Risk description and impact	Policies	Due diligence and 2020 performance	Opportunity created
Climate			
Climate change mitigation			
Transitional risks such as: volatile energy prices and rising carbon prices; climate and energy regulation strengthening; and evolution of energy mix and phase-out of fossil fuels: • Energy cost increase • Cost increase of purchased goods and services • Emissions in supply chain • Electric power outage and power quality	Energy Policy Schneider Energy Action and Smart Factory programs Climate Pledge	<ul style="list-style-type: none"> 10% energy efficiency target in 2020 versus 2017 baseline (10.3% achieved) Digital energy management in our sites with EcoStruxure™ SSI1: 80% renewable electricity target by 2020 (80% achieved) SSI2: 10% CO₂ savings in transports (8.4% achieved) SSI3: 120MTCO₂ saved on customers' end (134 MTCO₂ achieved) SSI4: 25% increase in turnover for our EcoStruxure™ Energy and Sustainability Services (+17.8% achieved) 	Market growth for Schneider Electric energy efficiency and renewable offers Showcase of EcoStruxure™ in our sites Reduced costs Reduced environmental impact Increased revenues Customers attractiveness
Growth of energy demand from IT and IoT: • IT cost increase • Reputational impact	Green IT/IOT	<ul style="list-style-type: none"> WeGreenIT study Data center optimization Application landscape rationalization Hardware asset management 	Digitization and IoT are enablers of the energy transition Lean IT/IOT architectures Customer attractiveness Reputation improved
SF ₆ regulation strengthening: • Phase-out of SF ₆ in products and production processes • SF ₆ cost increase (tax)	SF ₆ -free strategy	<ul style="list-style-type: none"> 0.25% SF₆ leaks target in 2020 in manufacturing process (0.14% achieved) 100% SF₆-free medium voltage technologies substitution availability by 2025 	Disruptive innovation enabling the green energy transition Increased revenues Customers attractiveness Positive climate impact across buildings & industrial manufacturing
Climate change adaptation			
Increased frequency and severity of extreme weather events: • Damage to property and assets • Supply disruption	Business continuity and risk management Insurance Policy	<ul style="list-style-type: none"> Weather risks affect business continuity and risk management programs, leading to preventive investment to secure assets Business continuity Dedicated environmental provisions 	Business continuity expertise extended to critical suppliers
Water scarcity: • Disruption of supply	Water stewardship	<ul style="list-style-type: none"> Water scarcity risk mapping Water intensity reduction of 5% in 2020 versus 2017 (performance: -28.6% achieved, intensity of 77 m³/million EUR turnover) 	Showcase EcoStruxure offers for water efficiency
Health and Safety at work			
Ideal working place			
Not providing ideal working conditions to colleagues could create a risk of not being able to attract and retain best talent on the market: • Absenteeism • Cost of turnover • Disengagement • Branding – Company image on the market	Employee Value Proposition Global Family Leave Policy Pay equity Global Anti-Harassment Policy Career development and learning Flexibility@Work guidelines Well-being practices	<ul style="list-style-type: none"> SSI11: 90% of employees have access to a comprehensive well-being at work program (including access to medical coverage and well-being training) by 2020 (80% achieved) SSI12: 100% of employees are working in countries that have fully deployed the Family Leave Policy by 2020 (100% achieved) 	Schneider Electric is well recognized as an attractive employer

www.se.com Life Is On | Schneider Electric

Excerpt 3

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 5.2: Schneider Electric

ELECTRIC COMPONENTS AND EQUIPMENT

↓ 2020 Universal Registration Document- Financial and Sustainable Development Report, pages 80 and 81

2 Sustainable development

1. Sustainability at the heart of Schneider Electric's strategy

Risk description and impact	Policies	Due diligence and 2020 performance	Opportunity created
Health and Safety at work (continued)			
Safety			
Legal nonconformance: • Loss productivity • Impact to Company image/ customer confidence • Citation/fines	Safety strategy Global safety directives Global EHS alert EHS assessment	• SS110: Medical Incident Rate below 0.88 per million hours worked (0.58 achieved end 2020)	Absolute requirement Global Action Plan
Serious/fatal employee injury/illness: • Loss of, or impact to, employees • Loss of productivity • Property damage • Impact to Company image/ customer confidence • Citation/fines	Safety strategy Global safety directives Serious Incident Investigation Process (SIIP) GlobalE reporting Global Safety alerts EHS assessment	• 2020 LTR (Lost time Incident Rate based on 1 Million hours worked) is at 0.32 for Schneider employees, 19% better than 0.37 target	Absolute requirement Global Action Plan
Human Resources			
Recruitment and competencies			
Risk of not attracting and retaining the best talent in the market: • Cost of recruiting and onboarding • Impact of talent's brand perception	New applicant tracking and candidate relationship management systems to be implemented in 2020-2021 Investment in sourcing and market intelligence tools for all recruiters in 2020 Open talent market for internal mobility New Employee Value Proposition (EVP) Schneider GoGreen program	• GoGreen in the City 2020 achieved 24,400+ registrations and nearly 3,000 students around the world submitted their ideas for a sustainable city. Four top talents were hired from the program. • Glassdoor rating of Schneider Electric's new EVP increased from 4.0 (end 2019) to 4.1 (end 2020)	Increase in brand awareness, talent market share, and reduction in employee turnover Faster time to hire, better candidate and hiring manager experience, and better quality of hire
Gender equity			
Risk of not providing equal opportunities to everyone and impacting ability to attract and retain the best talent on the market: • Cost of turnover • Loss of women in top potential pipeline • Legal issues • Brand/Company image	Recruitment of women Women representation in leadership roles Gender pay equity Executive-level governance body to drive gender equality across Schneider Electric Diversity & Inclusion Committee, sponsored by two Executive Committee members and consisting of 12 board members from different entities and geographies	• 40% of new hires are women by 2020, 50% by 2025 (41.5% achieved) • 30% of leaders are women by 2025, (24% achieved) • SS115: 90% of employees are working in a country with commitment and processes in place to achieve gender pay equity by 2020 (99.6% achieved) • Financial Times, Forbes, Bloomberg, Great Place to Work in the US and Universum recognized Schneider Electric as a great place to work and a leader in Diversity, Equity and Inclusion in 2020.	People attraction and retention with equal opportunities for everyone
Engagement			
Risk of having disengaged employees feeling that their opinion is not taken into account which could impact the financial results of the Group:	Continuous listening strategy, employee-centricity Gives our employees the opportunity to share their opinion and is key to being agile in the way the Group's organizations are driven	• A global survey covering 100% of Group employees once per year, design and launch of pulse survey, targeting populations for whom attention is needed (return from maternity leave, results dropping down), and verbal deeper analysis • SS119: 70% Employee Engagement Index in 2020 (69% achieved)	Improved employee engagement leading to greater performance

Schneider Electric Universal Registration Document 2020 www.se.com

Excerpt 4

2 Strategic Report

Risk description and impact	Policies	Due diligence and 2020 performance	Opportunity created
Anti-corruption			
Corruption is the abuse of entrusted power for private gain. It can be classified as grand, petty, and political, depending on the amounts of money lost and the sector where it occurs. It may occur through third parties: activities (partners, suppliers, agents, companies to be acquired):	Principles of Responsibility Global Anti-Corruption Policy Anti-Corruption Code of Conduct Gifts & Hospitality Policy Business Agent Policy	• Red and Green Line alert system (Alerts investigated and closed in 2020 led to 108 actions) • Specific risks map for anti-corruption • SS118: 100% of sales, procurement and finance employees trained every year on anti-corruption (94% achieved in 2020)	More opportunities with actual and potential customers People attraction and retention Sustainable business development
Reputation impacts • Legal impact • Financial impact • Impact on the development of the Company • Impact on the employer brand			
Human rights in the supply chain			
Violations of human rights and fundamental freedoms such as: • Health and safety of employees • Forced labor and protection of vulnerable populations • Decent working conditions • Discrimination and unfair treatment	Schneider vigilance plan with suppliers and subcontractors, leveraging RBA Code of Conduct Schneider Human Rights Policy	• EDH risk mapping of suppliers and on-site supplier audits with RBA protocol • EHS in procurement process (code of conduct, supplier qualification, performance review, etc.) • Continuous improvement with ISO 26000 standard • Training • Green Line Alert system • SS116: +5.5 pts increase in average score of ISO 26000 assessment for our strategic suppliers (+6.3 achieved) • SS117: 350 suppliers under human rights and environment vigilance received specific on-site assessment (374 achieved)	Collaboration strengthening with suppliers
Non-respect of these fundamental rights may result in: • Reputation impact • Legal impact • Health & well-being impact for employees of Schneider, its suppliers and sub-contractors			
Sourcing of conflict minerals and other similar sensitive materials may directly or indirectly finance armed groups, fuel forced labour and other human rights abuses, and support corruption and money laundering. Also, can damage the reputation of the company.	Schneider Electric encourages its suppliers to build and maintain a due diligence process to ensure conflict minerals-free sourcing The Group is an active Responsible Minerals Initiative (RMI) member	• Conflict-free mineral monitoring • 87% of the smelters and refiners identified in our supply chain conformant or active in a recognized third-party validation scheme (+1 pt vs 2019) • Schneider Electric has a "conflict-free objective"	Collaboration strengthening with suppliers, and improved reputation Increased trust with customers favouring business relations Contribution to UNSDG #16 "Peace, justice and strong institutions"
Socially responsible investing			
Given current momentum for sustainable finance and emerging regulations (e.g. EU Taxonomy), there could be a risk that the Group is not captured by Socially Responsible Investment (SRI), ESG or green portfolios: • Reputational impact • Market share value	Transparent and public reporting on sustainability objectives and performance Engagement with stakeholders to identify critical sustainability topics Engagement and dialog with investors to ensure expectations are met	• Schneider Sustainability Impact program (SSI score of 9.32/10 in 2020, vs 9/10 target) • New Schneider Sustainability Essentials (SSE) program • Numerous leadership positions in ESG indices and external recognitions in particular • #1 Most Sustainable Corporation by Corporate Knights • CDP A score for 10 years in a row • DJSI industry leader and member of the world index • First ever convertible Sustainability-Linked Bond successfully emitted	Greater attractiveness to investors, customers and talents Strengthened partnerships with clients, suppliers, and other partners in the Group's ecosystem Anticipation of sustainability trends and risk mitigation

Life Is On | Schneider Electric

Excerpt 5

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 5.3: AB Volvo

AUTOMOTIVE

WHY THIS IS A GOOD REPORTING PRACTICE

Excerpt 1 from the 2019 AB Volvo Annual and Sustainability Report shows each of the broad sustainability risks categories (Environment, Employees and Social Factors, Human Rights, Anticorruption) linked to the related subcategories (essential risks and cross-referenced to the related mitigation activities and KPIs).

Illustratively, the environmental impacts of products, operations and value chain are essential risks and Excerpts 2 and 3 disclose the energy efficiency KPIs and show details of Volvo's scope 1 and 2 emissions trends and that 48% of its energy is from renewable sources. Similarly, adverse human rights impact in the supply chain is an essential risk and Excerpts 4 and 5 discloses information related to supply chain risk (percentage of sustainability self-assessed suppliers).

In terms of reporting sustainability risks, the highlighted AB Volvo disclosures fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (Excerpt 1 provides information that highlights a range of sustainability risks and mitigation measures, different parts of the annual detail the sustainability risks);
- **strategic focus and orientation** (the excerpts and other parts of the report have information that is central to Volvo strategic energy efficiency goals);
- **understandability** (Excerpt 1 summarises the main risks in an effective tabular format); and
- **comparability** (Excerpts 2 and 3 provide comparative yearly emissions data that allows the assessment of trends).

SUGGESTIONS FOR IMPROVEMENT

The disclosure excerpts would be more informative if they included the potential financial effects of the specific sustainability risk exposures. Also, while Excerpt 1 cross-references the detailed risk information available in the rest of the report, the information on

different risks and their KPIs and mitigation is quite dispersed. Finally, an indication of the relative importance of the different essential risks would be informative for readers.

↓ Group Annual and Sustainability Report 2019, page 111

	Policies	Essential risks	Mitigation activities	KPI's
Environment	<ul style="list-style-type: none"> Environmental Policy Volvo Group Code of Conduct Supplier Code of Conduct 	<ul style="list-style-type: none"> Environmental impact by our products Environmental impact by our operations Environmental impact by our value chain (suppliers, business partners and customers) Scarce materials and minerals 	<ul style="list-style-type: none"> Product development and new technologies: 20-31, 48-49 Resource efficiency and increased circularity: 62-63 Environmental governance of our own operations: 58-59 Sustainable Purchasing Program: 54-55 Responsible sales: 61 Training: 55, 66 Partnerships: 55 	<ul style="list-style-type: none"> Product emissions: 35, 58 Product recyclability rate: 62 Energy use and sources: 56-58 Energy efficiency: 35, 57-58 CO2 emissions scope 1 and 2: 57-58 Supplier self-assessments and audits: 54-55 ISO Certifications: 54, 56
Employees & Social Factors	<ul style="list-style-type: none"> Volvo Group Code of Conduct Health and Safety Policy 	<ul style="list-style-type: none"> Health and Safety Diversity and inclusion Competence development and employment 	<ul style="list-style-type: none"> Employee management: 65-66 Health and Safety: 66-68 Labor Relations: 68 Inclusion and diversity: 69 Grievance mechanisms: 69 Training: 40, 66 	<ul style="list-style-type: none"> Employee turnover: 65 Gender diversity: 69 Last time accident rate (LTAR): 66 Whistle blower cases: 40
Human Rights	<ul style="list-style-type: none"> Health and Safety Policy Supplier Code of Conduct Compliance Policy 	<ul style="list-style-type: none"> Adverse human rights impacts in our own operations Adverse human rights impacts in our supply chain or linked to our business partners Adverse human rights impacts linked to the use of our products 	<ul style="list-style-type: none"> Human rights management: 42-43 Sustainable purchasing Process: 54-55 Sustainable minerals Program: 55 Responsible sales: 61 Grievance mechanisms: 40 Training: 55, 61, 66 Social engagement and partnerships: 35, 37, 46 	<ul style="list-style-type: none"> Supplier self-assessments and audits: 54-55 Whistle blower cases: 40
Anti-corruption	<ul style="list-style-type: none"> Code of Conduct Compliance Policy Anti-Corruption Due Diligence Policy 	<ul style="list-style-type: none"> Corrupt practices in relation to suppliers, business partners, customers and others 	<ul style="list-style-type: none"> Compliance program: 40 Due diligence of business partners: 40 Whistleblower process: 40 Training: 40 	<ul style="list-style-type: none"> Whistle blower cases: 40

Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 5.3: AB Volvo

AUTOMOTIVE

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

↓ Group Annual and Sustainability Report 2019, pages 57, 58 and 54

A GLOBAL GROUP 2019 VALUE CHAIN >>> PRODUCTION & LOGISTICS

In several plants, there are many initiatives to develop ways of working in the future industrial worker environment. The purpose is to be prepared and build required capabilities to meet the rapid development of emerging technologies and the new manufacturing landscape.

Transforming for renewable energy

From a product life-cycle perspective, the main environmental impact connected to Volvo Group is the emissions during the use of solid products. However, the Group can also make significant improvements in the way the operations are managed and we deploy management systems to drive continuous improvements in all relevant aspects. Energy is one of the environmental topics where the Group has made significant improvements. The work can be summarized in two main areas:

1. Energy efficiency in operations
2. Increase utilization of renewable energy

Energy efficiency

Every kWh reduced saves costs and emissions. The Volvo Group's ambition is to implement energy saving projects that together save 150 GWh per year between 2015-2020. At the end of 2019, more

PHASING OUT FOSSIL ENERGY FROM OPERATIONS WHERE POSSIBLE

In 2019, Volvo Group has contracted new services for delivery of renewable electricity. This has led to significantly reduced Scope 2 CO₂ emissions, mainly for the operations in the US. One of the more energy intensive sites to secure renewable energy contracts during the year was Hagerstown in Maryland, US. This, together with other initiatives, has led to 48% of energy now coming from renewable sources.

Energy use

Year	Absolute energy use (GWh)	Relative energy use (MWh/SEK M)
13	2,387	8.7
14	2,388	7.9
15	2,017	6.8
16	2,017	7.1
17	2,017	6.4
18	2,017	5.8
19	2,017	5.1

Scope 1 and 2 CO₂ emissions, kton CO₂

Year	Scope 1	Scope 2	1+2 by net sales (tens/SEK M)
13	265	231	200
14	220	211	207
15	207	223	211
16	243	218	192
17	195	192	188
18	138	113	140
19	113	111	107

Energy use per regions 2019

Region	Percentage
Sweden	40%
Europe excl Sweden	22%
North America	21%
Asia	14%
South America	3%

Scope 1 and 2 GHG emissions per region 2019

Region	Percentage
Sweden	22%
Europe excl Sweden	19%
North America	23%
Asia	33%
South America	3%

In order to more accurately reflect the actual emissions within Scope 2 and to recognize the emission reduction improvements, a change to Market Based Reporting has been implemented as from 2019. Where applicable, average grid emission factors have been changed to specific factors from the suppliers. As a reference, location based emissions would have given 191,000 tons instead of 113,000 tons.

In line with the Greenhouse Gas Protocol, the Volvo Group reports market-based energy (contractual emission factors). The diagrams show both energy (MWh) and emissions (CO₂).

57

A GLOBAL GROUP 2019 VALUE CHAIN >>> PRODUCTION & LOGISTICS

more than 1,000 energy saving projects have been implemented, resulting in an annual saving of 170 GWh. Our energy use in 2019 amounted to 2,118 GWh, which is a slight reduction from the previous year. At the same time, both production volumes and deliveries were higher compared to 2018. Our energy efficiency index, energy use per net sales, has been improved to 5.1 MWh/SEK M compared to 5.8 MWh/SEK M year over year, which is an improvement of 12%. Since 2015, this energy efficiency index has been improved by 25%.

Greenhouse gas reporting

The Greenhouse Gas (GHG) Protocol is developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). It sets the global standard for how to measure, manage and report greenhouse gas emissions. According to the GHG Protocol Corporate Standard a company's GHG emissions are classified into three scopes.

Scope 1 emissions are direct emissions from owned or controlled sources. **Scope 2** emissions are indirect emissions from the generation of purchased energy. All facilities using more than 2 GWh of energy annually are included in the reporting. In 2019, Scope 1 and 2 emissions together amounted to 324,000 (421,000) tons of CO₂. This is significantly lower than reported 2018 and is the result of higher energy efficiency and an increased share of purchased electricity from renewable sources. In addition, a transition to market-based reporting has been undertaken, which should be taken into consideration when comparing results.

Scope 3 emissions are all indirect emissions that occur in the value chain of the reporting company. There are 15 factors in the scope 3 emissions. These occur outside the organization but are related to the organization's products, transports materials, leased assets etc. Emissions from when products are in use represents more than 95% of the Volvo Group's total carbon footprint.

WFF commitment

As part of the Group's commitment to the WFF Climate Savers program, we have a target to reduce product lifetime emissions by 40 million ton CO₂ 2015-2020. For 2015-2019, the aggregated savings were 34 million ton CO₂.

As part of scope 3 emissions reporting, we also focus on carbon emissions from freight transport involved in the supply of materials and deliveries to customers. The target is to reduce CO₂ emissions from goods transports per produced unit by 20% by 2020, compared to baseline 2013. In 2019 Volvo Group reached a reduction of 18% CO₂ per produced unit. See page 35 for more information about our WFF Climate Savers commitment.

Environmental policy and detailed performance

The Volvo Group's Environmental Policy provides overall direction on environmental management across the value chain. The Volvo Group manages a number of other environmental aspects and reports detailed management approach and data in accordance with GRI Standards.

The following information is disclosed in accordance with the Swedish Annual Accounts Act. In 2019 the Volvo Group had 12 licensed facilities in Sweden and there were no significant environmental incidents. For some facilities the environmental permits are under review due to planned changes.

REDUCING PACKING MATERIAL IN BRAZILIAN DISTRIBUTION CENTER

Every hour, Volvo's Central Distribution Center in Brazil receives thousands of parts from Brazilian and global suppliers. The demand for packaging handling is one of their significant environmental impacts. Using Kaizen methodology, the center has been able to improve its reuse and reduce with extraordinary savings since 2018 - reused 4,000 sheets of plastic bubble wraps, reduced 12 tons of cardboard by reusable spacer replacement and avoiding 1,000 tons of wood by reusing and repairing pallets and other wooden packaging material.

58

A GLOBAL GROUP 2019 VALUE CHAIN >>> PURCHASING

PURCHASING

PERFORM AND TRANSFORM WITH SUPPLY CHAIN PARTNERS

Together with our supply chain partners we are facing a paradigm shift in the transport industry. Change is coming faster with shorter development cycles than ever seen before. To remain competitive in all areas in a sustainable way, we need to collaborate and co-create, and how we do that has changed a great deal. 2019 marked the year when choice of strategic partnerships were of utmost importance.

FACTS

- In 2019, the Volvo Group made purchases of goods and services totaling SEK 298.6 billion.
- We have around 51,000 Tier 1 suppliers, of which about 8,000 supply automotive product components.
- During 2019, 95% of spend from automotive product suppliers were from approved sustainability self-assessed suppliers. In high risk countries the figure was 98%.

Percentage of purchases by region

Supply chain development

The Volvo Group is aiming for purchasing excellence, placing high demands on ourselves and our supply chain partners. Our aspiration is to have industry-leading customer satisfaction for all brands in the Volvo Group. That requires high-performance relationships both within well-known technologies, such as combustion engine technology, as well as new technologies, such as Automation, Connectivity and Electromobility.

The Volvo Group is continuously working towards optimizing its supplier base and geographical footprint. An optimized global footprint will reduce lead-time for our customers and actively reduce our CO₂ footprint. We aim to secure outstanding quality and technology at the best possible commercial offer when we purchase any product, service or solution. We work to actively secure purchasing synergies. This drives efficiency and continuous improvement.

Balancing people, planet and profit

We place high expectations on ourselves when it comes to responsibility and sustainability, and we require the same from our some 51,000 supply chain partners. Keeping this supply chain wheel turning around the globe 24/7, requires strong partnerships. We therefore put sustainability in everything we do with requirements and aspirations based on our Supplier Code of Conduct. During 2019, the commitment of Volvo Group Purchasing can be characterized by a new and strong foundation, an even stronger mindset on sustainability and increased industry collaboration.

By balancing the three aspects people, planet and profit, we have increased the dialogue, transparency and trust with our current and potential supply chain partners as well as other stakeholders. Sustainability is now an established key criteria in our sourcing selections, alongside quality, delivery, cost, features, technology and risk. Still, there is more to be done to increase transparency in global supply chains even further.

Our Sustainable Purchasing Program looks at specific high risks to people and the environment and revolves around the following parts:

54

Excerpt 2

Excerpt 3

Excerpt 4

Example 5.3: AB Volvo

AUTOMOTIVE

↓ Group Annual and Sustainability Report 2019, page 55

A GLOBAL GROUP 2019 ► VALUE CHAIN ► PURCHASING

Supplier Code of Conduct to create the right mindset. All suppliers are expected to commit contractually to our new Volvo Group Supplier Code of Conduct, which was launched during 2019. This outlines our requirements as well as aspirations and encouragements towards all suppliers and is based on acknowledged global standards such as UN Global Compact's principles. It is the base for creating the right mindset and knowledge both internally and externally.

Industry Collaboration drives broader implementation. Two of the main networks where we collaborate for broader and more scalable sustainable development of global supply chains are DRIVE Sustainability focusing on supply chain sustainability of the automotive industry, and RMI, focusing on sustainable minerals sourcing. Read further below on this page.

The Supplier Sustainability Assessment Program requires a basic evaluation of all our supply chain partners through a Sustainability Self-Assessment questionnaire, a tool developed by DRIVE Sustainability, see highlight below, with the target to have all our suppliers evaluated in the areas of human rights, business ethics and environmental performance. New supply chain partners in high-risk countries are furthermore assessed through an on-site audit with focus on working environment and labor practices. Audits of existing suppliers are made of selected suppliers in connection with the Human Rights reviews of our own operations and on an ad hoc basis if a specific need is identified. The most common deviations from the Code of Conduct found were related to occupational safety, working hours and communication of sustainability requirements towards sub-suppliers.

Supply Chain Mapping for identified segments and areas. One example is our Sustainable Minerals Program where we, with the help of the tools of the RMI (Responsible Minerals Initiative), perform supply chain mapping and human rights due-diligence of our supply chains for tin, tantalum, tungsten gold, cobalt and other materials.

Innovation focusing on people and planet includes internal trainings, mindset activities and best practice sharing events. The purpose is that sustainability shall drive innovation focusing on people and planet. We are driving a mindset towards circular economy, recycling and eco-design, and as well a more value driven approach for human rights. Volvo Group Purchasing continues to take an active role and part in the Volvo Group's overall human rights program, which aims to identify actual and potential human rights impacts on employees, consultants, on-site service providers and other parts of the value chain. During 2019, we have followed-up on the findings of previous years reviews. Read more about the human rights on page 42.

Main elements of Sustainable Purchasing

SUPPLIER SCREENINGS

New suppliers are screened for human rights, environment and business ethics. Those located in high risk areas are also required to be audited on-site.

92% of spend 2019 came from sustainability self-assessed suppliers.	55 on-site sustainability audits in high risk countries.
---	--

Collective action for sustainable materials
 Responsible Minerals Initiative (RMI) is a collaborative platform addressing responsible mineral sourcing issues in global supply chains. Volvo Group is working with RMI with the aim to ensure responsible and sustainable sourcing of tin, tantalum, tungsten and gold (the so-called Conflict Minerals), as well as cobalt. Through RMI, participants develop and get access to tools and resources to improve regulatory compliance and support responsible sourcing of minerals from conflict-affected and high-risk areas. Volvo Group has implemented the tools and guidelines developed by the RMI, such as reporting templates, with the aim to create supply chain transparency and RMI compliance of our suppliers in the affected supply chains. The next step is to establish a baseline that will allow us to build our Sustainable Materials roadmap. Compliance to our Sustainable Minerals program means that:

- The suppliers of our suppliers are on the RMI approved list and,
- Suppliers have their own due diligence program according to RMI standard.

DRIVE Sustainability - Broad adoption of sustainable procurement via CSR Europe
 DRIVE Sustainability seeks to build a common compliance platform and sustainable procurement within the automotive sector. Volvo is active in several working groups within the initiative to develop assessment questionnaires for suppliers (SAQ) and broaden awareness of sustainability topics in the industry and supply chain. The SAQ for suppliers has now been translated and made available in 13 different languages. In 2019, 92% of the total spend was sourced from sustainability self-assessed suppliers.

55

Excerpt 5

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 5.4: Novozymes

PHARMACEUTICALS AND BIOTECHNOLOGY

WHY THIS IS A GOOD REPORTING PRACTICE

The Novozymes identifies several sustainability topics (e.g., water, climate change and energy, bioethics and diversity, occupational health and safety) as priority items that require detailed disclosure on the materiality matrix which presents a double-materiality perspective (Excerpt 1). In its description of risks in the 2019 Novozymes Report, a water-constrained future is identified as an emerging risk (Excerpt 2).

The disclosure highlights that in 2019, Novozymes assessed water-stressed sites/regions and forthcoming water regulation and will be applying a context-based approach to water management across all

sites. Excerpt 3 from the Environmental data section of the report highlights that Novozymes conducted a water risk assessment at five of its sites that account for 87% of production.

In terms of reporting sustainability risks, the highlighted Novozymes disclosures fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

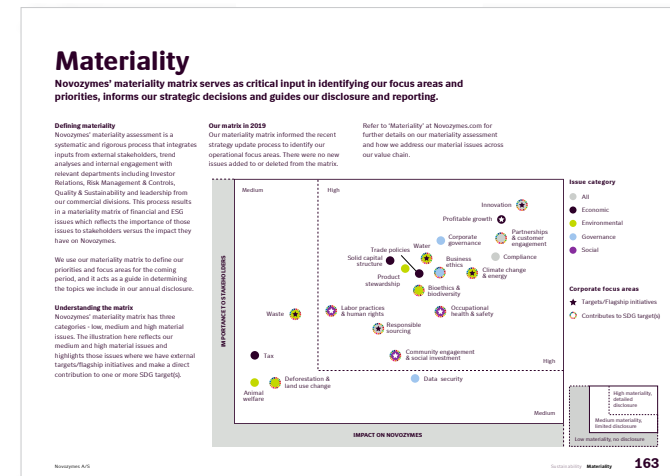
- **relevance** (assesses the full range of risks and identifies sustainability risks, which includes environmental data disclosures in other parts of the report); and
- **understandability** (concise narrative description).

SUGGESTIONS FOR IMPROVEMENT

The risks are only described qualitatively. Although, in its materiality matrix, Novozymes identifies several other sustainability topics as being of high importance (e.g., climate change and energy, bioethics and diversity), its disclosures on

these matters in the Environmental data section of the report, do not show the related and quantified risk exposure faced by the company.

↓ The Novozymes Report 2019, page 163



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 5.4: Novozymes

PHARMACEUTICALS AND BIOTECHNOLOGY

↓ The Novozymes Report 2019, pages 32 and 120

Risk management

Emerging risks

Novozymes identifies emerging risks that have the potential to impact our business in the longer term (three years and beyond). Such risks are determined and evaluated through our enterprise risk management process and integrated trendspotting exercise.

We evaluate and monitor long-term risks and assess their potential to impact our business and growth. We engage with relevant key stakeholders to develop strategies and ensure that we are prepared to address such risks for the long term.

We closely monitor a number of emerging risks, among which the following two have been identified to be of the greatest relevance to Novozymes. They are the same as reported in the Novozymes Report 2018.

Concerns about new technology
There is growing consumer demand for health, wellness and natural products and, conversely, tighter regulatory controls in the biotechnology and chemical sectors. Over the coming years, we expect to see an acceleration of technology and further significant innovation in these areas.

Consumers are more health conscious and are expressing growing concerns about the consequences to society of biotechnology and genetic engineering. Governments are increasingly scrutinizing issues related to environmental and human health risks, bioethics, gene technology and intellectual property rights.

Novozymes recognizes the need to improve the general level of knowledge about biotechnology and genetic engineering. Through these technologies, we find safe and sustainable answers to some of the planet's most pressing challenges – and as we explore the increased use of biotechnology, we will continue to engage in and push for open dialogue about the benefits of and develop best practices together with stakeholders to mitigate the potential risks from biotechnology.

Water-constrained future
Global demand for water is expected to outstrip supply by 2030. Rising demand, combined with the decline in the availability of clean water, is exacerbating the water situation. Many parts of the world are experiencing, or expecting, extreme water crises in the form of severe droughts, floods and declining water quality caused by pollution. Governments are responding with stricter regulations, and companies are driving action through various corporate-led initiatives (e.g. the CEO Water Mandate and AgWater Challenge).

Novozymes is committed to sustainable water management across our value chain, including in our own operations. In 2019, we conducted site-specific water-risk assessments to identify water-stressed sites and regions and included analysis of upcoming regulation related to water.

In our recent strategy update, water is a key pillar under which we have designed our new targets. Our mission is to ensure clean and efficient water use. We are investing to improve our water efficiency and will look to pioneer a context-based approach to water management at all our sites. Besides the risk that this issue poses to our operations, increasing demand for clean water solutions also serves as an opportunity for our business as some of our solutions can contribute to solving several water-related issues.

Novozymes A/S Our business Risk management 32

Excerpt 2

Environmental data

7.3 Water

The production of Novozymes' solutions is a water-intensive process and generates a considerable amount of wastewater. Many of the raw materials required in our operations are agriculture-based and water-intensive to produce. In certain product applications such as laundry detergents and textile processing, Novozymes' solutions can enable customers to achieve water savings compared with conventional methods.

In addition, our wastewater treatment solutions can improve processes and the quality of treated water. Therefore, water is material for Novozymes across the entire value chain.

Our approach
Novozymes' approach to water management is anchored in its Sustainability Policy. We manage water-related risks within our operations by improving water efficiency and ensuring compliance with wastewater discharge regulations at all our sites. Further, wastewater and biomass treatment at our production sites is given high priority. The wastewater is treated internally or externally in biological wastewater treatment systems before being discharged to a final destination point or used in agriculture for irrigation. All water efficiency and wastewater management efforts are managed by Novozymes' Supply Operations, Quality and Sustainability departments.

Demonstrating a continuing focus on water, Novozymes concluded a third-party water risk assessment for five of its major production sites (covering 87% of production) in 2019. The findings of the assessment gave input to Novozymes' 2030 ambition and strategy on water. Under our updated strategy, we will take a context-based approach to water management in our operations and collaborate more with local communities to manage water as per the local basin conditions. We also have an external target on water which is to reach more than 4 billion people by 2022 through our solutions in laundry that replace chemicals in detergents. Learn more about our new strategy and targets in the Strategy section.

2019 highlights
In 2019, Novozymes implemented various water-related projects across our production sites that resulted in 262,000 m³ of water savings. One of those projects was the installation of a reverse osmosis system at one of our plants in China, which purifies our process water and enables reuse in our cooling towers. Novozymes met its annual target of restricting the increase in water consumption to a level lower than the organic sales growth in 2019.

The table provides a breakdown of total water consumed.

ACCOUNTING POLICIES
Water includes drinking water, industrial water and externally supplied steam. Drinking water is water of drinking-water quality. Industrial water is not of drinking-water quality, but is suitable for certain industrial processes, for example for use in cooling towers. Industrial water may come from lakes or wells.

The reported quantities are stated based on the metered intake of water to Novozymes and include quantities consumed both in the production process and in other areas. The reported quantities of steam are converted to volume of running water and are therefore subject to calculation.

Wastewater is measured as the volume discharged by Novozymes or calculated based on water consumption.

Five-year water consumption

Water by primary source	2019	2018
1,000 m³		
Drinking water	5,288	5,578
Industrial water	2,214	2,256
Steam	343	371
Water, total	7,845	8,205

Novozymes A/S Accounts and performance Notes 120

Excerpt 3

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 5.5: BNP Paribas

DIVERSIFIED BANKING

WHY THIS IS A GOOD REPORTING PRACTICE

In the materiality matrix (Excerpt 1) that reflects a double materiality perspective, BNP Paribas divides issues into crucial, major and important based on assessing the importance of stakeholders versus the importance to BNP Paribas. It applies the materiality matrix as a tool for identifying and prioritising key issues to develop strategy and structure actions to address key challenges. Excerpt 2 shows that climate-related risk is a key issue.

Excerpt 3 shows that BNP Paribas has set up an internal control system in line with the Group's strategic plan, the environment in which it operates as well as with its values and risk culture. In this

way, it mitigates key issues including climate change and health, and emerging risks including social issues and demographic risk.

In terms of reporting sustainability risks, the highlighted BNP Paribas disclosures fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

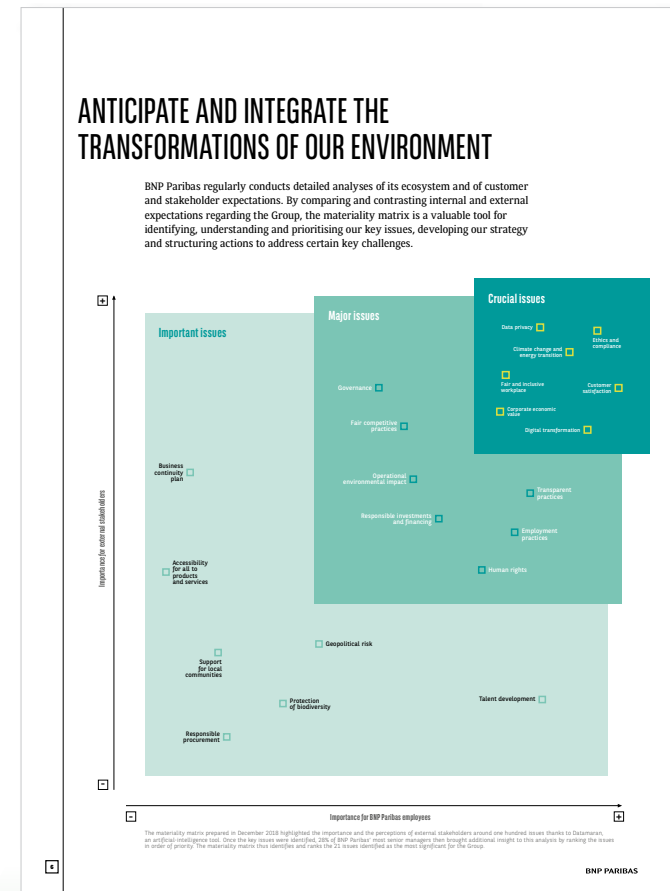
- **relevance** (describes the key risks faced in light of the economic, monetary and regulatory environment; materiality matrix with a double materiality perspective identifies crucial issues); and
- **understandability** (makes effective use of visuals).

SUGGESTIONS FOR IMPROVEMENT

The description of risks is largely qualitative and does not sufficiently highlight sustainability risk exposures in quantified terms albeit that these are outlined as being crucial or major in

the materiality matrix (i.e., climate change and energy transition, responsibility investments and financing).

↓ 2019 Integrated Report, page 6



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 5.5: BNP Paribas

DIVERSIFIED BANKING

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Example 5.1: Enel

Example 5.2: Schneider Electric

Example 5.3: AB Volvo

Example 5.4: Novozymes

Example 5.5: BNP Paribas

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Excerpt 2

↓ 2019 Integrated Report, pages 9 and 23

Excerpt 3

Analytical consideration 6: Sustainability opportunities



Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Example 6.1: Enel

Example 6.2: Schneider Electric

Example 6.3: CH Hansen

Example 6.4: Acciona

Example 6.5: Signify

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Analytical consideration 6: Sustainability opportunities

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Example 6.1: Enel

Example 6.2: Schneider Electric

Example 6.3: CH Hansen

Example 6.4: Acciona

Example 6.5: Signify

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

EVALUATIVE QUESTIONS

Question 6 - How does the company describe its sustainability opportunities?

- Does the company disclose the top 5 sustainability opportunities?
- Does the company disclose how they plan to achieve improvement on these top 5 sustainability opportunities?

IDENTIFIED GOOD OR LEADING REPORTING PRACTICES

- Enel**
- Schneider Electric**
- CH Hansen**
- Acciona**
- Signify**

**The order of listing and presentation of the identified good or leading practices is not meant to indicate a ranking on the quality of disclosures.*

Example 6.1: Enel

ENERGY

WHY THIS IS A GOOD REPORTING PRACTICE

In both its 2019 Annual Report and Sustainability Report, Enel discloses its climate-related opportunities and risks in a clear and comprehensive manner. Enel applied the TCFD framework to explicitly represent the main relationships between scenario variables and different risks and opportunities. The process of defining Enel's strategy incorporates an analysis of the climate-related risks and opportunities.

In Excerpt 1, Enel provides a breakdown of its physical risk and transition scenarios-related opportunities and the management approach (i.e., management response). Excerpt 2 outlines the impact of physical risk scenario-related opportunities on financial performance (EBITDA/year, Gross Margin). Excerpt 3 does the same for transition risk scenario-related opportunities. Each opportunity is classified according to a timeframe of their applicability (short (1-3 years), medium (to 2030) and long term (to 2050)). The energy transition and decarbonisation and the EU New Green Deal are viewed as presenting opportunities.

The disclosure excerpts present the linkage of macro-categories of opportunities related to physical risk and transition risk scenarios. For example, temperature changes may result in increases in electricity demand and on the level of Enel's thermal and

hydroelectric generation, and these would have a positive effect on financial performance. The details of the business segments affected are provided.

In terms of reporting sustainability opportunities, the highlighted Enel disclosures fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (the disclosure excerpts provide information on climate-related physical and transition opportunities including quantified impacts on financial performance, outlines the time horizon of impacts, give details of business segments affected);
- **strategic focus and orientation** (disclosed information is linked to the process of defining Enel's strategy);
- **understandability** (the disclosure excerpts make effective use of tabular presentation);
- **coherence/connectivity** (the information is presented in both the Annual and Sustainability Report highlighting the connectivity of the information); and
- **balanced/neutrality** (presents both risks and opportunities with the same level of detail).

SUGGESTIONS FOR IMPROVEMENT

It would be informative if, in addition to the scenario analysis timeframes-based opportunities, the disclosure also outlined

current and realised opportunities (e.g., the percentage of revenue of renewable energy products) across the key business segments.

↓ Enel Sustainability Report 2019, page 57

SCENARIO PHENOMENON	TIME HORIZON	RISK & OPPORTUNITY CATEGORY	DESCRIPTION	IMPACT	MANAGEMENT APPROACH
Acute physical	From the short term (1-3 years)	Extreme events	Risk: especially extreme weather/climate events.	Extreme events can damage assets and interrupt operations.	The Group adopts best practices to manage the restoration of service as quickly as possible. It also works to implement investments in resilience (for Italy) . With regard to risk assessment in insurance, the Group has a loss prevention program for property risk that also assesses the main exposures to natural events. Looking forward, the assessments will also include the potential impacts of long-term trends in the most significant climate variables.
Chronic physical	From the long term (2030-2050)	Market	Risk/opportunity: increase or decrease in electricity demand, increase or decrease in electricity production.	Electricity demand is also affected by temperature, whose fluctuation can impact our business.	The Group's geographical and technological diversification means that the impact of changes (positive and negative) in a single variable is mitigated at the global level. In order to ensure that operations always take account of weather and climate phenomena, the Group adopts a range of practices such as, for example, weather forecasting, real-time monitoring of plants and long-term climate scenarios.
Transition	From the medium term (2022-2030)	Policy & Regulation	Risk/opportunity: policies on CO ₂ prices and emissions, energy transition incentives, greater scope for investment in renewables and resilience regulation.	Policies concerning the energy transition and resilience can impact the volume of and returns on investments.	The Group is minimizing its exposure to risks through the progressive decarbonization of its generation fleet. The Group's strategic actions, which are focused on investment in renewables, networks and customers, enable it to mitigate potential threats and exploit the opportunities connected with the energy transition. The Group is also actively contributing to the development of public policies.
Transition	From the medium term (2022-2030)	Market	Risk/opportunity: changes in the prices of commodities and energy, evolution of energy mix, changes in retail consumption, changes in competitive environment.	Considering two alternative transition scenarios, the Group assesses the impact of trends in the proportion of renewable sources in the energy mix, electrification and the penetration of EVs to estimate their potential impacts.	The Group is maximizing opportunities by adopting a strategy founded on the energy transition and the rapid expansion of renewable generation and the electrification of energy consumption .
Transition	From the medium term (2022-2030)	Product & Services	Opportunity: increase in margins and greater scope for investment as a consequence of the transition in terms of greater penetration of new electrical technologies for residential consumption and electric transportation .	Trends in the electrification of transportation and residential consumption will potentially have an impact on Enel's business.	The Group is maximizing opportunities thanks to its strong positioning in new businesses and services .
	From the medium term (2022-2030)	Technology		Considering two alternative transition scenarios, the Group assesses the potential opportunities to scale up current businesses in response to trends in the electrification of transportation.	The Group is maximizing opportunities thanks to its strong positioning in global networks .

Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Example 6.1: Enel

Example 6.2: Schneider Electric

Example 6.3: CH Hansen

Example 6.4: Acciona

Example 6.5: Signify

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 6.1: Enel

ENERGY

Identification, assessment and management of physical risks and opportunities

Taking the IPCC scenarios as our reference point, developments in the following physical variables and the associated operational and financial impacts connected with potential risks and opportunities are assessed.

Chronic physical risks
The climate scenarios developed with the ICTP do not provide definitive indications of structural changes before 2030, but changes could begin to emerge between 2030 and 2050.
The main impacts of **chronic physical changes** would be reflected in the following variables:
→ **Electricity demand:** variation in the average temperature level with a potential increase or reduction in electricity demand.
→ **Thermal generation:** variation in the level and average temperature of the oceans and rivers, with effects on thermal generation.
→ **Hydroelectric generation:** variation in the average level of rainfall and associated wet temperatures with a potential increase or reduction in hydro generation.

→ **Solar generation:** variation in the average level of solar radiation, temperature and rainfall with a potential increase or reduction in solar generation.
→ **Wind generation:** variation in the average wind level with a potential increase or reduction in wind generation.
The Group will work to estimate the relationships between changes in physical variables and the change in the potential output of individual plants in the different categories of electricity generation technology.
Scenario analysis has shown that chronic structural changes in the trends of physical variables will begin to occur after 2030. However, in order to obtain an indicative estimate of the potential impacts, it is possible to test variations of the Business Plan to the factors potentially influenced by the physical scenarios, regardless of any direct relationship with climate variables. Of course, such stress testing has an extremely low probability of occurrence based on historical events and geographical diversification. The variables examined are:
→ electricity demand (+/-1% per year), whose variations can potentially impact the generation and retail businesses. It was stress tested for all countries in which the Group operates;
→ the output potential of renewables plants was also stressed +/-1% over a single year. Variations in this variable can potentially impact the generation business, in all the individual technology levels around the globe.
The data reported show the effect on a single year for a single generation technology and include both the volume and price effects.

ISSUANCE FREQUENCY	RISK & OPPORTUNITY CATEGORY	DESCRIPTION	TIME HORIZON	IMPACT DESCRIPTION	GLOBAL BUSINESS LINE AFFECTED	SCOPE	TRANSITION TYPE OF IMPACT	UPSIDE/DOWNSIDE	QUANTIFICATION - RANGE (BASE CASE, BEST CASE, WATTS)	
Chronic physical	Market	Risk/opportunity: increase or decrease in electricity demand.	Short term	Electricity demand is affected by temperature, whose fluctuations can have an impact on Enel's business. Although structural changes should not emerge in the short/medium term, in order to assess the sensitivity of Group performance to potential temperature variations, Enel has performed an analysis of electricity demand of +/-1% in electricity demand for the Group as a whole.	Global Power Generation	Global	EETD/Year	+1%	Stable	█
								-1%	Downside	█
Chronic physical	Market	Risk/opportunity: increase or decrease in renewable generation.	Short term	Renewable generation is also affected by the variability of resources, whose fluctuations can have an impact on our business. Although structural changes should not emerge in the short/medium term, in order to assess the sensitivity of Group performance to potential temperature variations, we have performed an analysis of sensitivity to changes of +/-1% in potential electricity output by technology.	Global Power Generation	Group potential hydroelectric production	EETD/Year	+10%	Stable	█
								-10%	Downside	█
								+10%	Stable	█
								-10%	Downside	█
					Global potential solar production	EETD/Year	+10%	Stable	█	
							-10%	Downside	█	

Legend: █ Upgrade scenario current policies, █ Downside scenario current policies

Excerpt 2

Enel Sustainability Report 2019, page 58-59 and 64-65

Factors potentially influenced by the transition scenario, with particular regard to the price of CO₂ (ETS). Examining the main transition variables, the price of CO₂ appears to be an especially reliable driver of regulatory measures that could accelerate the transition process.
To assess the impact of possible changes in this driver, the effects of a potential change of +/-10% in the CO₂ price for Italy and Spain are determined. This price change would modify the equilibrium price of both wholesale markets, with repercussions on the margins of Global Power Generation for both thermal and renewable plants.
To quantify the risks and opportunities generated by the energy transition in the medium term, two scenarios have been considered for Italy and Spain:
→ **"Current policies" scenario:** based on the current energy transition policies of Italy and Spain (FRMEL), which are presumably consistent with an intermedi-
ate climate scenario between RCP 8.5 and RCP 2.6. The "current policies" scenario considered by the two countries, while among the less ambitious scenarios of RCP 2.6, represents a plausible outlook in that it derives from policies that have already been approved and which will probably not be disrupted. At a global level, however, if the world's leading countries do not adopt effective decarbonation policies, instead pursuing policies that produce no change or actually worsen conditions, the "current policies" approach could still lead to a climate scenario in line with RCP 8.5.
→ **"Accelerated policies" scenario:** based on potentially rapid transition policies aimed at achieving CO₂ reduction targets that are presumably consistent with the RCP 2.6 scenario. This scenario also incorporates an increase in energy efficiency and a drive to electricify end-user energy consumption.
Considering these transition scenarios and models of the energy system, Enel determined their impact on the variables that most greatly affect our business, such as electricity demand, the system energy mix and the increase in electricity consumption due to the electrification of final consumption.
The transition effects over the medium term can produce new opportunities, thanks to the growth of renewables, and potential risks linked to the loss of profitability for thermal plants. Based on assumptions about future regulatory developments and market trends, it is possible to forecast developments in output in the Group's electricity markets for Italy, Italy and Spain (total and unit margins). These considerations offer a basis for determining the Group's possible strategic positioning in terms of resource location (for example, maintaining or increasing our market share in renewables or accelerating the phase-out of obsolete technologies).
By 2030, the dynamics of the energy transition may produce significant opportunities in the retail electricity market. The progressive electrification of final consumption, especially in transportation and the residential sector, will lead to a significant increase in electricity consumption. Considering the transition scenarios developed by the Group for Italy and Spain, the increase in electricity consumption in the domestic segment could produce an increase of more than 300 million euros in EBITDA by 2030 compared with 2022. Considering a more optimistic transition scenario, i.e. one with a higher electrification rate for transportation and heating/cooling, the effects could be even greater, saving unchanged the assumptions for margins and market share set out in the Plan.

ISSUANCE FREQUENCY	RISK & OPPORTUNITY CATEGORY	DESCRIPTION	TIME HORIZON	IMPACT DESCRIPTION	GLOBAL BUSINESS LINE AFFECTED	SCOPE	TRANSITION TYPE OF IMPACT	UPSIDE/DOWNSIDE	QUANTIFICATION - RANGE (BASE CASE, BEST CASE, WATTS)	
Transition	Policy & Regulation	Risk: impact on margin due to increases affecting CO ₂ price.	Short/medium term	Considering the potential impact of regulatory measures on electricity energy transition, the Group assesses the economic impact of a +/-10% in the price of CO ₂ in its sensitivity analysis.	Global Power Generation	Italy and Spain	EETD/Year	+10%	Stable	█
								-10%	Downside	█
Transition	Market	Opportunity: increase in energy due to impact of transition on electrification of energy consumption. Risk: increase in competition and possible increase in market share.	Medium term	Considering the alternative transition scenarios, the Group examines the impact of access efficiency, the adoption of electric drives and the penetration of EVs to estimate its potential effect on electricity demand.	Retail	Italy and Spain	EBITDA 2030 vs 2022	Stable	█	▲
								Stable	█	▲
Transition	Retail & Services	Opportunity: increase in energy and power sales for investment in electric transport. Risk: increase in competition and possible increase in market share.	Medium term	Considering the alternative transition scenarios, the Group has assessed the impact of EVs in the identification of temperature and residential consumption to assess its potential effects.	Retail	Italy and Spain	Group Margin	Stable	█	▲
								Stable	█	▲

Legend: █ Upgrade scenario current policies, █ Downside scenario current policies

Excerpt 3

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Example 6.1: Enel

Example 6.2: Schneider Electric

Example 6.3: CH Hansen

Example 6.4: Acciona

Example 6.5: Signify

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 6.2: Schneider Electric

ELECTRIC COMPONENTS AND EQUIPMENT

WHY THIS IS A GOOD REPORTING PRACTICE

In Excerpt 1 from its 2019 Integrated Report, Schneider Electric discloses its sustainability opportunities that arise from global trends and customer challenges. The company also details how it will respond to these opportunities. For instance, in response to the expected global tripling of IT power consumption between 2020 and 2035, Schneider Electric has solutions that will improve energy efficiency and reduce energy costs by 30%. Its automation solutions can help meet the energy efficiency needs arising from the decarbonisation imperative. Furthermore, Excerpt 1 distinguishes between trends and opportunities and this is a helpful distinction that is not often made in reports.

Excerpt 2 contextualises some of the opportunities described in Excerpt 1 as it further elaborates on how Schneider Electric's smart energy management products and solutions can help customers to meet their energy efficiency and emission goals.

SUGGESTIONS FOR IMPROVEMENT

Disclosure of the potential quantified financial effects (e.g., effect on financial performance metrics) of the opportunities could be informative.

In terms of reporting sustainability opportunities, the highlighted Schneider Electric disclosure fulfils the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (the disclosure excerpts highlight different sustainability trends, opportunities and the company's response. Excerpt 2 informs on value creation for customers);
- **strategic focus and orientation** (the opportunities and responses are linked to global trends and customer challenges); and
- **understandability** (Excerpt 1 effectively uses a tabular format to present the opportunities).

↓ Integrated Report 2019, pages 4-5

Core trends

Market trends opening up opportunities

The climate emergency calls for a radical transformation of our economies, toward a multi-local, all electric and digital, decarbonized and decentralized world.

The various scenarios developed by Schneider show that a carbon-free future is possible: the energy and low-carbon transition is under way, while the Industry 4.0 era offers unprecedented energy efficiency gains. These trends continue to shape our lives, create new challenges, and call for a more just energy and digital transition.

Trend	Impact
A world that is... all-electric	X3 IT power consumption between 2020 and 2035*
A world that is... all-digital	60% By 2022, more than 60% of global GDP will be digitized**
A world that is... multi-local	-30% to 50% In Australia and India, energy from renewable

Challenges for our customers

- Increasing energy costs
- Increasing energy demand
- Increasing energy volatility
- Increasing energy risk
- Increasing energy security
- Increasing energy efficiency
- Increasing energy sustainability

Opportunities and our response

- Energy efficiency solutions
- Energy storage solutions
- Energy distribution solutions
- Energy management solutions
- Energy security solutions
- Energy sustainability solutions

Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Example 6.1: Enel

Example 6.2: Schneider Electric

Example 6.3: CH Hansen

Example 6.4: Acciona

Example 6.5: Signify

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 6.2: Schneider Electric

ELECTRIC COMPONENTS AND EQUIPMENT

↓ Integrated Report 2019, page 9

Contribute to the energy and low-carbon transition of our customers through smart energy management products and solutions

Sustainability 89M tons of CO ₂ saved by customers	Efficiency ~70% of green revenues	Efficiency 85% energy savings	Efficiency 60% investment reduction, engineering and commissioning
Reliability 50% increased equipment availability	Efficiency ~30% average cost reduction	Efficiency 75% reduced maintenance costs	

Of its four business segments, Schneider's proposed solutions are directly related to climate change mitigation, adaptation, and resilience activities and help its customers to be more energy efficient and reduce their CO₂ emissions. IoT innovations reduce the environmental impact of solutions through optimized material use, decarbonization of energy demand, and a prolonged product life cycle.

- Low carbon footprint products
100% of our new offerings are designed with EcoDesign way™, an eco-design method that is central to our Green Premium Program™ enabling the delivery of performance in terms of resource efficiency, wellness and cost reduction. Deployed in 2018, the new Green Premium™ program provides added environmental value for the entire portfolio of offerings (products, services, software), with an even more customer-oriented approach, to take into account the specificities of each market segment. For most of our products, we provide our customers with carbon and environmental footprints, accessible 24/7, on MySchneiderApp with a simple QR code access that allows them to aggregate or compare CO₂ data.
- Decarbonization systems
Our EcoStructure architectures offer CO₂ savings benefits to our customers' facilities and systems. On existing assets, we quantify the savings made – for some offerings, and soon for all – at about 45 Mt CO₂ per year. On new projects, some of the assets we equip save more CO₂ than they emit, that is, they are carbon neutral, if not negative.
- Energy & Sustainability Services (ESS)
ESS works with thousands of customers around the world to help them proactively manage their energy, CO₂, and resource footprints. ESS annually manages more than €30 billion in energy expenditure (70GW), 128 million metric tons of CO₂, and over 250,000 customer sites. ESS is the foremost advisor to corporations on global energy procurement, including renewable energy and emission-reducing technologies. It has received recognition for its microgrid solutions, sustainability consulting, services and its EcoStructure Resource Advisor™ software, as well as being honored as a leading ESCO and Energy-as-a-Service provider.
- Circular innovations and functional economy
Schneider's circular models are adding new trade-in, repair and modernization offerings, each reducing CO₂ emissions and the cost of ownership options for customers. In addition, leasing and performance contracts are very popular in many markets. In 2019, for example, we gave new impetus to AlphaStructure, a 50/50 joint venture with the Carlyle Group, which focuses on the provision of energy as a service, focusing on the optimal use of resources and the reduction of CO₂ emissions.

Excerpt 2

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Example 6.1: Enel

Example 6.2: Schneider Electric

Example 6.3: CH Hansen

Example 6.4: Acciona

Example 6.5: Signify

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 6.3: CH Hansen

BIOSCIENCE

WHY THIS IS A GOOD REPORTING PRACTICE

In Excerpt 1 from a CH Hansen investor presentation, the company communicates that it focuses on three SDGs where it can make the strongest impact (i.e., goal 2: Zero hunger - through its Farm treated with natural solutions; goal 3: Responsible consumption and production - through Yogurt waste saved; and goal 12: Good health and wellbeing - through Probiotics consumed).

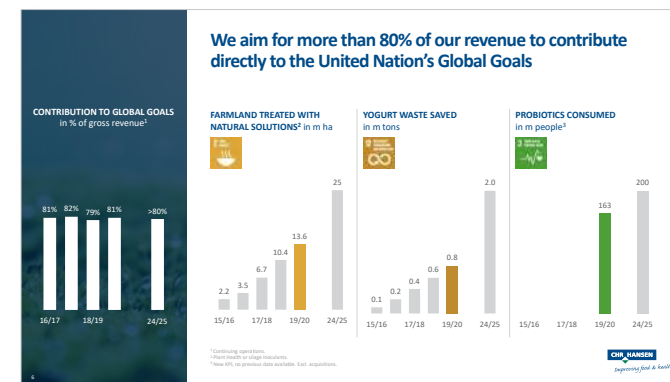
Excerpt 2 has a matrix of SDGs-related 'impact versus opportunity', and it shows that the three SDGs (2, 3 and 12) where CH Hansen has a direct impact also present strong opportunities. Excerpt 1 also shows that in 2019/20, the company's contribution to UN SDGs was 81% of the revenues and ranged from 79% to 81% in the preceding three years.

Excerpt 3 details ambitions/targets until 2025/25 categorised into products, people, and planet. Within the products' subheadings are some details on CH Hansen's revenue from sustainable products and this information is also indicative of sustainability opportunities.

In terms of reporting sustainability opportunities, the highlighted CH Hansen disclosures fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (the disclosure excerpts highlight sustainability opportunities and show the interrelationship between impacts on SDGs and opportunities, provide multi-year trend information);
- **strategic focus and orientation** (opportunities related information is linked to SDGs);
- **understandability** (clear and concise description and effective use of visuals and graphical representation of trends);
- **connectivity** (conveys the link between SDGs and revenue from sustainable products potential); and
- **comparability** (provides comparative data for 2024/25, 2019/20 and the preceding four years and this can allow users to assess trends).

↓ Sustainability roadshow presentation 2020/21, page 6



Excerpt 1

SUGGESTIONS FOR IMPROVEMENT

The disclosure excerpts provide trend analysis data related to three SDGs which present the strongest opportunities. However, although informative on opportunities, the granular information on products in Excerpt 3 is only expressed in non-monetary units

(m ha, m tons and m people). This disclosure excerpt could be more informative if the respective monetary equivalent of the products-related information were disclosed.

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Example 6.1: Enel

Example 6.2: Schneider Electric

Example 6.3: CH Hansen

Example 6.4: Acciona

Example 6.5: Signify

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 6.3: CH Hansen

BIOSCIENCE



We focus on the three SDGs where we can make the strongest impact

Impact category	SDG 2	SDG 3	SDG 12
Improving food and the environment			
Increase productivity and yield	✓	✓	✓
Reduce waste	✓	✓	✓
Substitute artificial ingredients		✓	✓
Increase food safety		✓	✓
Improving animal and human health			
Enhance animal welfare	✓		
Promote health and well-being		✓	
Reduce salt, sugar, fat and lactose		✓	
Ensure access to nutrition	✓		✓



Excerpt 2

↓ Sustainability roadshow presentation 2020/21, pages 7 and 5

We drive industry-leading profitable growth to grow a better world. Naturally.

Financial and non-financial ambitions until 2024/25

FINANCIALS Creating value for shareholders.	PRODUCTS More than 80% of revenue from sustainable products. <ul style="list-style-type: none"> 25m hectares covered with natural solutions 200m people consuming our probiotics 2m tons of yogurt waste reduced
Industry-leading growth <ul style="list-style-type: none"> Mid-to high single-digit organic growth CAGR 	PLANET Limit global temperature rise to 1.5°C. <ul style="list-style-type: none"> 100% Renewable energy 100% Circular management of biowaste 100% Key packaging materials recyclable
Improving profitability <ul style="list-style-type: none"> Underlying expansion in EBIT margin b.s.i. before portfolio changes and FX 	PEOPLE A diverse, engaged and safe workforce. <ul style="list-style-type: none"> 1:1 Female employees and women in management Top 25 Score in engagement matters survey < 1.5 Lost-Time Incident Frequency
Strong cash flow generation <ul style="list-style-type: none"> Free cash flow b.a.s.i. to grow faster than absolute EBIT b.s.i. 	



Excerpt 3

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Example 6.1: Enel

Example 6.2: Schneider Electric

Example 6.3: CH Hansen

Example 6.4: Acciona

Example 6.5: Signify

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 6.4: Acciona

ENERGY AND INFRASTRUCTURE

WHY THIS IS A GOOD REPORTING PRACTICE

Excerpt 1 from the 2020 Acciona Sustainability Report highlights the climate-related opportunities with details of: their nature (increased demand for Acciona products and services such as renewable and energy infrastructure); impact (increased revenue and access to financing); business segments affected; and the opportunities management including the expectation to spend 4 billion euros in renewable generation during the 2020-2024 period. The excerpt indicates that the opportunities are available in the short, medium, and long-term.

In other parts of the report including where Acciona discloses its Sustainability Master Plan for 2025, there is a reference to available circular opportunities without being specific. In Excerpts 2 and 3, Acciona details its business activities and the 2017-2020 recovered waste and use of recycled resources. It also discloses the 2021-2025 targets with the aim to halve the non-recovered waste of 2020 and double the use of recycled resources.

In terms of reporting sustainability opportunities, the highlighted Acciona disclosure excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

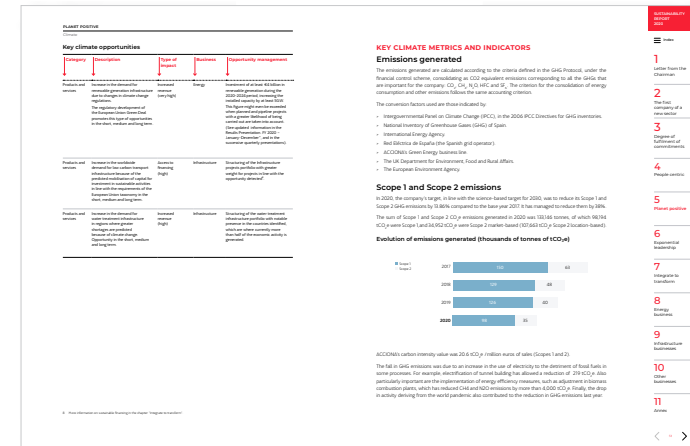
- **relevance** (Excerpt 1 discloses specific climate change opportunities, impact and the company's response. Excerpt 2 suggests there are circular economy opportunities);
- **strategic focus and orientation** (the other parts of the report show that disclosed climate change and circular economy opportunities are part of Acciona's strategic objectives expressed in the Sustainability Master Plan);
- **understandability** (Excerpt 1 effectively presents the climate change-related opportunities); and
- **comparability** (Excerpt 3 provides 2017-2020 circular economy performance data that enables users to assess trends).

SUGGESTIONS FOR IMPROVEMENT

The disclosure excerpts could be more informative if the description of opportunities included their potential quantified financial impacts. For example, in Excerpt 1, the impacts of increased revenue and access to financing are only described qualitatively. Furthermore, a description of what short, medium and long

term means to the company and how opportunities relate to these different timeframes would also be informative. Finally, a tabular presentation of the granular data on hazardous waste that is included in the narrative in Excerpt 2 could enhance the understandability of that information.

↓ Sustainability Report 2020, page 53



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Example 6.1: Enel

Example 6.2: Schneider Electric

Example 6.3: CH Hansen

Example 6.4: Acciona

Example 6.5: Signify

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 6.4: Acciona

ENERGY AND INFRASTRUCTURE

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Example 6.1: Enel

Example 6.2: Schneider Electric

Example 6.3: CH Hansen

Example 6.4: Acciona

Example 6.5: Signify

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

↓ Sustainability Report 2020, pages 58 and 59

PLANET POSITIVE

Climate	49
Water	56
Circular economy	58
Biodiversity	60
Integrated environmental management	63

CIRCULAR ECONOMY

ACCIONA is a pioneer in the transition to a circular economy.

In fact, it was the first company in its sectors of activity to be awarded the AENOR circular business strategy certification.

The company carries out multiple actions testifying to its performance in this area. For example:

- 01** It generates renewable energy from inexhaustible sources such as the sun and the wind, and from agricultural and/or forest waste.
- 02** It produces drinking water from seawater in areas with water stress, using the best available techniques from an energy expenditure standpoint. It also purifies waste water, preserving and improving the natural capital, which also facilitates it reuse.
- 03** It develops infrastructure that results in benefits for transport efficiency, the generation and transport of renewable energy, waste management and the sustainability of cities.
- 04** It provides services in shared electric mobility, infrastructure maintenance, energy management and segregated collection of waste. In addition to transport, classification and recovery of solid waste.

ACCIONA also optimises the circularity of its processes in the following way:

- It uses Life Cycle Analysis tools (16 LCAs carried out in 2020), allowing it to assess and reduce the impact of its developments, and also its consumption of material and energy resources.
- It minimises its fossil fuel energy use.
- It rationalises its water use and makes use of alternative water sources that do not exhaust the existing resources.
- It gives a second life to the waste and subproducts deriving from its processes, such as soil, rubble, ash, slag plant remains and sewage sludge.
- It maximises the use of materials and uses sustainable materials such as recycled aggregates, renewable materials such as FSC certified wood and biomass, or advanced materials such as composites, which reduce to a minimum the amount of components used.
- It carries out intensive R+D+i work in all areas of its activity, improving the efficiency of its processes and the performance of the resources used.
- It uses digitization as a catalyst for circular opportunities in construction, through technologies such as building information modelling, machinery automation and 3D printing.
- It works closely with its stakeholders in training and awareness-raising on the circular economy.

RESOURCES AND WASTE MANAGEMENT IN LINE WITH THE CIRCULAR ECONOMY

The following diagram shows, as in the Circle Economy circularity gap graph¹, the flows of materials at ACCIONA in 2020.

Material flows at ACCIONA

¹ The Circularity Gap Report <https://www.circularity-gap.world/>

SUSTAINABILITY REPORT 2020

Index

- 1 Letter from the Chairman
- 2 The first company of a new sector
- 3 Degree of fulfillment of commitments
- 4 People centric
- 5 Planet positive
- 6 Exponential leadership
- 7 Integrate to transform
- 8 Energy business
- 9 Infrastructure businesses
- 10 Other businesses
- 11 Annex

Excerpt 2

PLANET POSITIVE

Circular economy

Waste Management Plan 2016-2020

This year saw the end of the Waste Management Plan 2016-2020, which came into being at the same time as circular economy legislation was being developed worldwide. It covers the most representative types of waste at ACCIONA and aims to establish a general strategy in waste policy to promote the circular economy model.

The overall objectives pursued by the Plan in 2020 are:

- A 10% reduction in non-hazardous, non-recovered waste generated in 2020.
- A 10% reduction in hazardous non-recovered waste generated in 2020.
- The recovery of 50% of the total waste generated.

The plan also included recovery targets with different degrees of ambition for soil waste, rubble, dehydrated sewage sludge, slag ash and plant remains.

In addition, the company expected to reduce the generation of contaminated soils by 10% in 2020 compared to the base year 2015.

Looking to the new period 2021-2025, ACCIONA has resolved to increase its efforts in the area of the circular economy and plans to halve the amount of non-recovered waste generated in 2020, and double the percentage of renewable/recycled resources used.

In 2020, the company generated a total of 5,071 tons of hazardous waste (49% less than in the base year 2015) and 6,209,769 tonnes of non-hazardous waste (30% less than in 2015), of which 1,457,220 were sent to landfill (25% less than in 2015) and 4,812,549 were recovered (reuse, recycling or other means). The latter figure constitutes 77% of the total non-hazardous waste generation. It is worth highlighting, for example, the 100% reuse of legally recoverable slags and ashes generated in the company's biomass plants. The increase in waste generation on last year is due to the greater generation of soils at work sites such as a building work in Madrid and a road in Logroño (both in Spain).

Waste generation and management

Use of resources

Looking to the new period 2021-2025, ACCIONA has resolved to increase its efforts in the area of the circular economy, and plans to halve the amount of non-recovered waste generated in 2020

SUSTAINABILITY REPORT 2020

Index

- 1 Letter from the Chairman
- 2 The first company of a new sector
- 3 Degree of fulfillment of commitments
- 4 People centric
- 5 Planet positive
- 6 Exponential leadership
- 7 Integrate to transform
- 8 Energy business
- 9 Infrastructure businesses
- 10 Other businesses
- 11 Annex

Excerpt 3

Example 6.5: Signify

INDUSTRIAL PRODUCTS- ELECTRICAL EQUIPMENT

WHY THIS IS A GOOD REPORTING PRACTICE

Excerpts 1, 2 and 3 from the 2020 Annual Report show how Signify's strategy is linked to opportunities, SDGs and medium-term targets. Excerpt 1 identifies five new sustainable growth areas (climate action, circular economy, food availability, safety and security and health and well-being) and highlights that installed lighting points increased by 38% and growth platform revenue increased by 15% in 2020.

Excerpts 2 and 3 further detail Signify's 2020 achievements (84.1% of sustainable revenues that exceed the target of 80%), its focus on contributing to SDGs (i.e., goals 7 and 13 related to climate action and goal 12 related to the circular economy) and its 2025 commitments. The commitments include increasing climate-action revenues (from 58% to 72%), doubling circular revenues and doubling brighter lives revenues related to food availability, safety

and security, health and wellbeing. These targets are also indicative of the opportunities until 2025.

In terms of reporting sustainability opportunities, the highlighted Signify disclosures fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

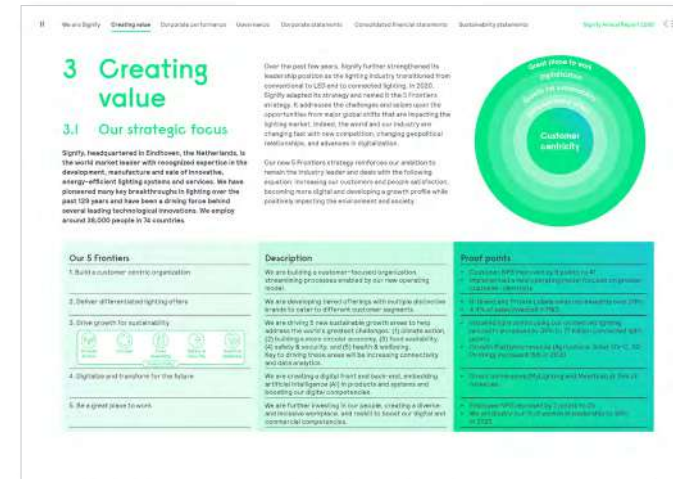
- **relevance** (the disclosure excerpts provide company-specific and quantified information on sustainability opportunities at both product and segment level, highlights the progress in realising these opportunities);
- **strategic focus and orientation** (opportunities are framed in the context of the company's contribution to SDGs); and
- **understandability** (clear and concise description and effective use of visual presentation of information).

SUGGESTIONS FOR IMPROVEMENT

The disclosure excerpts highlight opportunities in the context of Signify's 2020 achievements and 2025 commitments. The disclosure could be more informative if it defined the company's

short, medium, and long-term timeframe, and thereafter disclosed opportunities based on these different timeframes.

Annual Report 2020, page 11



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Example 6.1: Enel

Example 6.2: Schneider Electric

Example 6.3: CH Hansen

Example 6.4: Acciona

Example 6.5: Signify

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Example 6.5: Signify

INDUSTRIAL PRODUCTS- ELECTRICAL EQUIPMENT

↓ Annual Report 2020, pages 14 and 15

3.2 Brighter Lives, Better World

Our world is facing the combined challenges of climate change, resource scarcity, demographic transformation and increasing urbanization. As a purpose-driven organization, we understand the importance of taking urgent action to address these challenges.

In 2016, we launched our Brighter Lives, Better World program to bring our purpose to life and lead the way to a more sustainable future. We have successfully achieved all the ambitious commitments set by our program, including becoming carbon neutral in our operations and shifting to 100% renewable electricity in September 2020. By the end of 2020, Signify had over-performed on most of its other commitments: 84.1% Sustainable revenues (target 80%); 2.923 billion LED lamps and luminaires delivered (target >2 billion); zero waste to landfill for our manufacturing sites (with 91% of our manufacturing waste recycled); a safe and healthy workplace with a TRC of 0.22 (target <0.35), and a sustainable supply chain with a 99% performance rate (target 90%). Furthermore, we lit the lives of 6 million people with lighting technology and supported 9,266 entrepreneurs with technical and business skills development (cumulative from 2017). All of these achievements contribute to the six United Nations' Sustainable Development Goals (SDGs) where we can make the biggest impact.

In September 2020, we launched our new Brighter Lives, Better World 2025 program, with the SDGs as our strategic compass. This program sets even more ambitious commitments. We will double our positive impact on society and the environment. We take a value chain perspective and we increase our focus on the positive impact of light. Already carbon neutral in our operations, we will extend our efforts to enable others to accelerate climate action.

Our 2020 achievements	Our contribution	Our 2025 commitments
100% carbon neutral in our operations (target net 0 kt CO ₂)	We drive climate action through our commitment of carbon neutral operations and also reduce the carbon footprint of our products and suppliers.	Double the pace of the Paris Agreement over our value chain: Carbon neutral operations and 100% renewable electricity.
84.1% Sustainable revenues (target 80%) 2.923 billion LED lamps & luminaires delivered (target >2 billion) 100% renewable electricity	We deliver cleaner solutions through energy-efficient and solar lighting and are committed to 100% renewable electricity in our operations.	Double the pace of the Paris Agreement over our value chain: Increase Climate action revenues from 98% to 72%.
Zero waste sent to landfill (target 100% manufacturing sites sending zero waste to landfill)	We are transitioning to a circular economy through circular products, systems and services, zero waste to landfill at our manufacturing sites and more sustainable packaging.	Double our Circular revenues: Zero waste to landfill.
84.1% Sustainable revenues (target 80%)	We increase food availability and quality through horticulture and animal lighting and increase health and wellbeing through human-centric and UV-C lighting.	Double our Brighter lives revenues.
84.1% Sustainable revenues (target 80%) 6 million lives lit (target 5 million)	We enable smart cities, increase the safety & security of roads and urban areas, enable safe & sustainable workplaces in offices and industry, and light lives in off-grid areas.	Double our Brighter lives revenues: 10 million lives lit through the Signify Foundation.
TRC rate of 0.22 (target <0.35) Supplier sustainability performance rate of 99% (target 90%) 9,266 people trained (target 10,000)	We foster decent work and economic growth by improving the safety & wellbeing of employees and suppliers and training lighting entrepreneurs.	Double the % women in leadership: Supplier sustainability performance rate of 95%. Safe & healthy workplace with a TRC <0.30.

Excerpt 2

To fulfil our purpose, deploy our strategy and answer the challenges our world is facing, we commit to double our positive impact on the environment and society in 2025, while continuing and strengthening our current sustainability programs. The new program is an integral part of our 5 Frontiers strategy which sets our direction in a changing world. With our strategic frontier Growth for Sustainability, we define areas in which we address global challenges and create value for our customers and society, climate action, circular economy, food availability, safety & security and health & wellbeing. And we will deliver on our strategic frontier Great Place to Work by investing in our people and strengthening our diversity and inclusion program.

Sustainability focus and UN SDGs	Doubling objectives	Continue and strengthen	
Climate action	Double the pace we achieve the 1.5°C scenario of the Paris Agreement	Carbon neutral operations & 100% renewable electricity Increase Climate action revenues to 72%	Better World
Circular economy	Double our Circular revenues to 32%	Zero waste to landfill and sustainable packaging	
Food availability Safety & security Health & wellbeing	Double our Brighter lives revenues to 32%	10 million lives lit through Signify Foundation	Brighter Lives
Great place to work	Double our percentage of women in leadership to 34%	Safe & healthy workplace with a TRC less than 0.30 Supplier sustainability performance of 95%	

Excerpt 3

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Example 6.1: Enel

Example 6.2: Schneider Electric

Example 6.3: CH Hansen

Example 6.4: Acciona

Example 6.5: Signify

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Part 2: Applying technological solutions for sustainability reporting information

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

EVALUATIVE QUESTIONS

Question 7 - Does the company disclose its sustainability strategy, targets, KPIs, and progress?

- Does the company report on its sustainability strategy potential for revenue generation and value creation in the long term?

IDENTIFIED GOOD OR LEADING REPORTING PRACTICES

Acciona
Peugeot
Lenzing
GSK

**The order of listing and presentation of the identified good or leading practices is not meant to indicate a ranking on the quality of disclosures.*

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

Example 7.1: Acciona

ENERGY AND INFRASTRUCTURE

WHY THIS IS A GOOD REPORTING PRACTICE

Excerpt 1 from the 2020 Acciona Sustainability Report discloses its purpose/mission (i.e., to invest, develop and operate infrastructure assets that can make the planet sustainable). It conveys the goal of what it describes as the Sustainability Master Plan-2025 (SMP) that was developed in 2020 is to increase investment and double impact by 2025. It also highlights megatrends that will affect Acciona.

Excerpt 2 gives a breakdown of the principal indicators (i.e. KPIs) for four pillars of the SMP (i.e. five indicators for each pillar). This disclosure helps a reader to make the connection between the broad strategic elements within the SMP and the KPIs presented in Excerpt 3 (i.e., the Financial and Non-Financial Bottom Line). The Financial and Non-Financial Bottom Line (also referred to as the Economic, Environment, and Social Triple Bottom Line in the 2019 Sustainability Report) is a reader-friendly, centralised presentation of KPIs and it includes the EU-taxonomy-aligned proportion of sales and CAPEX and metrics on innovation and innovation intensity. Excerpt 3 also highlights the application of a novel methodology (Harvard Impact Weighted Average Initiative-IWAI) to determine and graphically illustrate the monetary impacts (positive and negative externalities) derived from business activities. Excerpt 4 highlights the progress made against commitments.

In terms of disclosures on strategy, performance, targets and progress, the highlighted Acciona disclosure excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (the disclosure excerpts provide information on Acciona's sustainability strategy- SMP and megatrends that will affect the business, KPIs including EU taxonomy aligned metrics, and the progress made on commitments);
- **strategic focus and orientation** (Excerpt 1's description of the SMP elements, the outline of megatrends, and the expressed overarching sustainability goal of its products making the planet sustainable collectively convey a strategic focus);
- **connectivity** (Excerpt 2 helps to establish the link between the strategic element (SMP pillars) and the related KPIs);
- **understandability** (clear and concise description and effective tabular presentation of KPIs); and
- **comparability** (Excerpt 3 has three-year comparative data for the presented KPIs).

SUGGESTIONS FOR IMPROVEMENT

Excerpt 2 shows the link between the pillars of the SMP and performance indicators. Nonetheless, even though elsewhere in the report, there is a materiality matrix and a breakdown of the most material issues by business segment, a reader may struggle to readily identify why particular KPIs were chosen to be included in the 'Financial and Non-Financial Bottom Line'. An illustration

of the link between the strategy, the material issues, and KPIs and related targets could further strengthen the connectivity of information in the highlighted excerpts. In addition, the useful depiction of monetised IAWI impacts in Excerpt 3 would have been even more helpful if cross-referenced to the 'Financial and Non-Financial Bottom Line'.

↓ Sustainability Report 2020, page 19



Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

ENERGY AND INFRASTRUCTURE

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

DEGREE OF FULFILMENT OF COMMITMENTS
The new Sustainability Master Plan 2025

INDICATORS AND OBJECTIVES

The strategic lines take the form of indicators and objectives proposed by the corporate and business areas with direct responsibility for them. The objectives at 2025 will be reviewed to raise the level of ambition if necessary.

Principal indicators for improvement in the framework of the SMP 2025

Pillar of the SMP

Five principal indicators

PEOPLE CENTRIC
quality of life, inclusive future
Our advantage comes from people

- Activity covered with leadership promotion programmes that integrate evaluation tools, improved competences, mobility, team management and career development.
- People covered by a long wage.
- Reduction in the salary gap between men and women.
- Indicators of ESG performance in visible remuneration.
- Stare with internal ACCIONA VME[®] certification.

POSITIVE PLANET
From "the zero" to positive contribution
lowest to regenerate the planet

- CAREX aligned with the European taxonomy.
- Reduction of emissions in Scope 1-2 aligned with SBTi.
- Number of trees planted and reforested.
- Renewable and recycled resources, recovered waste.
- Over consumption of water.

EXPONENTIAL LEADERSHIP
authenticity, transparency
We pursue a purpose

- Recognition as one of the companies that contributes most to sustainable development.
- Innovation projects that incorporate a regenerative sector.
- Women members of the Board of Directors.
- Project information accessible to relevant groups.
- Suppliers response to information on ESG performance.

INTEGRATE TO TRANSFORM
connect to impact
Difference in every project

- No. of solutions integrated with at least three business areas.
- Develop a model for measurement of productivity and regeneration.
- Hours of volunteer work received by ACCIONA employees.
- Regenerative initiatives in conjunction with partners, customers and suppliers.
- Amount of regenerative investments mobilised.

SUSTAINABILITY REPORT 2020

Index

- 1 Letter from the Chairman
- 2 The first company of a new sector
- 3 Degree of fulfillment of commitments
- 4 People centric
- 5 Planet positive
- 6 Exponential leadership
- 7 Integrate to transform
- 8 Energy business
- 9 Infrastructure businesses
- 10 Other businesses
- 11 Annex

Excerpt 2

Sustainability Report 2020, pages 23 and 26

DEGREE OF FULFILMENT OF COMMITMENTS

Compliance with the Sustainability Master Plan 2020 objectives: 15
The new Sustainability Master Plan 2025: 19
Management of non-financial risks: 23
Policy book: 25
Financial and non-financial bottom line: 26

FINANCIAL AND NON-FINANCIAL BOTTOM LINE

Evolution of key indicators

	2018	2019	2020
FINANCIAL PERFORMANCE			
Sales (million €)	2,510	2,391	4,472
EBITDA (million €)	1,245	1,356	1,134
CAREX (million €)	643	1,270	1,024
NON-FINANCIAL PERFORMANCE			
Workforce at year end	38,564	39,699	38,355
Female executive managers (% of total)	19.99	19.26	16.36
Average training hours per year per employee	38.47	34.52	32.64
Number of fatal accidents (staff and subcontractors)	3	0	0
Accidents (fatal frequency rate (staff employees and subcontractors))	2.4	2.5	1.9
Emissions generated (millions of tonnes of CO ₂ *)	0.38	0.17	0.13
Emissions avoided (millions of tonnes of CO ₂)	14.7	13.1	13.2
Sales aligned with the European taxonomy of low carbon activities (%)	N/A	58	47
CAREX aligned with the European taxonomy of low carbon activities (%)	N/A	93	85
Water used by ACCIONA (thousand m ³)	4.25	3.66	4.68
Treated water (thousand m ³)	790	1,000	923
Non-recovered water (million tonnes)	4.1	0.9	1.5
Total innovation (million €)	225.4	230.4	237.0
Innovation intensity (% of total R+D+i / sales)	3.0	3.2	3.7
% local suppliers	87	91	94
Business certified with ISO 50001 (%)	91	87	84
Global customer satisfaction index (%)	97	97	99
Projects with Social Impact Management (m ²)	98	134	127
Social contribution (million €)	13.7	12.5	11.7

Pilot scheme for monetary valuation of impact

Investors are increasingly demanding information on the quantification and monetary valuation of the impacts deriving from business activities. Harvard Business School has launched its Impact-Weighted Accounts Initiative (IWI), which develops a methodology allowing the financial, social and environmental performance to be reflected in a transparent manner useful both to investors, and for the management of the company itself.

ACCIONA has decided to form part of this initiative by drawing up a pilot scheme. This involved calculating the social externalities using the Harvard methodology, and the environmental externalities using a variety of monetisation factors disseminated in the Environmental Prices Handbook (EU 28 version) and True Pricing, amongst other references.

The monetary value of the impact generated in society deriving from ACCIONA's activity in the last year has been obtained. These calculations provide a single, comparable measurement that can assist in decision-making when there are trade-offs between various impacts.

The graph shows the monetised value of the positive and negative externalities, which are added to or subtracted from the net profit.

Estimated annual monetary value of ACCIONA's impact in 2020 according to the IWAI methodology (billion euros)

SUSTAINABILITY REPORT 2020

Index

- 1 Letter from the Chairman
- 2 The first company of a new sector
- 3 Degree of fulfillment of commitments
- 4 People centric
- 5 Planet positive
- 6 Exponential leadership
- 7 Integrate to transform
- 8 Energy business
- 9 Infrastructure businesses
- 10 Other businesses
- 11 Annex

Excerpt 3

Example 7.1: Acciona

ENERGY AND INFRASTRUCTURE

↓ Sustainability Report 2020, page 16

DEGREE OF FULFILLMENT OF COMMITMENTS
Compliance with the Sustainability Master Plan 2020 objectives

Detail of the progress made in the SMP 2020 by area of work

Objectives and commitments	Degree of compliance	Detail of the progress
Strengthen the management of the social impact of the company's activity	100 %	<ul style="list-style-type: none"> Implementation of the Social Impact Management (SIP) methodology in 127 projects in 30 countries. Social Impact Management audits in 32 projects since 2017. In 2020, its scope was extended with new relevant measurement criteria. Creation of new organizational structure for the development of high impact solutions associated with projects. Measurement of the socioeconomic impact of 53 projects. Tool for automated calculation of the socioeconomic impact developed. Calculation methodology validated by the University of Zaragoza.
Strengthen the company's Social Action Plan	100 %	Social contribution: 55 million euros and 104 million beneficiaries.
Maintain the leadership position in benchmark international initiatives and continue working on the company's relations with stakeholders	100 %	<ul style="list-style-type: none"> Participation in international forums and initiatives to disseminate our commitment to energy transition, the recovery from COVID-19 based on green projects and the European Inventory of Sustainable Events (EISE) 2020 meeting of the World Economic Forum, Summit of Leaders on the 20th Anniversary of the Global Compact, High Level Panel in the New York Climate Week during the 75th UN General Assembly, Vision 2050 of the new OECD climate, OECD Forum on Green Finance and Investment, World Bank Sustainable Mobility for All initiative, amongst others.
Volunteering based on the commitment of employees to sustainable development	100 %	Participation of 8,532 ACCIONA volunteers in different initiatives in 34 countries (Volunteer Day, Intiga Foundation, Princes of Girona Foundation, Inspiring Girls and Inspiring Foundations, etc.), accumulating a total of 85,511 hours of volunteer work.
Carbon neutrality: reduce and offset emissions	100 %	<ul style="list-style-type: none"> Carbon neutrality since 2016 by offsetting emissions that cannot be reduced. SDG objective met in a scenario of 1.5°C: GHG emissions reduced by 38% for Scope 1 and 2 and 33% for Scope 3. Contribution of a Decarbonation Fund designed to finance emission reduction measures.
Design and draw up climate change risk maps	100 %	Climate change risk maps designed and drawn up in coordination with the business units.
Draw up and implement plans for adaptation and management of climate change risks in the business strategy	100 %	Plans for adaptation to climate risk drawn up and incorporated into the business strategy.
Train the company in climate change risks and the management thereof	100 %	Advanced climate change course designed for company employees and suppliers.

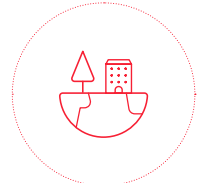
Environment

Objectives and commitments	Degree of compliance	Detail of the progress
Eco-efficiency in operations: greater progress in a circular economy programme	100 %	<ul style="list-style-type: none"> In 2020, 77% of non-hazardous waste recovered and generation of ash waste reduced by 29% compared to 2019, the base year for the waste management plan, to stimulate the circular economy. Certification in circular economy strategy obtained for all the group's activities. Circular economy plan 2021-2025 designed in the framework of the new Sustainability Master Plan.
Improve the efficiency of water consumption	100 %	<ul style="list-style-type: none"> 1,488 km³ treated in areas with accumulated water stress in the period of the SMP 2020. 87% reduction in water consumption (compared to base year 2015). 98% of the water used was from recycled, tertiary or rain sources in 2020.
Neutral biodiversity footprint	100 %	<ul style="list-style-type: none"> Biodiversity footprint measurement tool developed. Measurement carried out. Digital biodiversity scoreboard developed with important measurement indicators. Public commitment in relation to protected areas established.

SUSTAINABILITY REPORT 2020

Index

- 1 Letter from the Chairman
- 2 The first company of a new sector
- 3 Degree of fulfillment of commitments
- 4 People centric
- 5 Planet positive
- 6 Exponential leadership
- 7 Integrate to transform
- 8 Energy business
- 9 Infrastructure business
- 10 Other businesses
- 11 Annex



Excerpt 4

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

AUTOMOTIVE

WHY THIS IS A GOOD REPORTING PRACTICE

Excerpt 1 from the 2019 PSA Group CSR Report discloses seven CSR macro-risks and 23 linked CSR issues of which six are identified as strategic CSR issues (i.e., of both highest importance to stakeholders and the company) in the materiality matrix that is located elsewhere in the report. The ambitions/targets until 2035 are provided in Excerpt 2 with a positive feature of including several specific and quantified targets.

Excerpt 3 discloses the KPIs related to different stakeholders and earmarks the nature of each KPI (i.e. whether it relates to economic and financial value, social value, and/or environmental value). Metrics of note include the circular economy-related metrics (quantity of parts resold and parts collected and processed) and the percentage of R&D that relates to clean technologies (37%).

An illustration of the granular reporting of targets within the sustainability topics is in Excerpts 4 and 5. These excerpts are related to climate (i.e. creating a tangible impact on climate). These excerpts have details of PSA's long-term ambitions, 2019 targets and results and 2020 targets for three of the 23 CSR issues (Vehicle CO₂ emissions, energy/industrial carbon footprint, environmental performance in the supply chain).

SUGGESTIONS FOR IMPROVEMENT

Excerpt 3 lays out the KPIs for different stakeholder categories and earmarks the nature of these KPIs (i.e., whether these are economic, social or environmental). However, no reference is made to the

In terms of disclosures on strategy, performance, targets and progress, the highlighted PSA disclosure excerpts fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (the disclosure excerpts provide comprehensive information on the strategic environment or macro-risks, the strategic CSR topics, targets and KPIs for different stakeholders);
- **strategic focus and orientation** (the targets focus on the strategic CSR issues);
- **understandability** (clear and concise description of issues, effective use of tabular and visual presentation of KPIs and ambitions/targets);
- **connectivity** (clear link between strategy, CSR topics, KPIs and targets); and
- **comparability** (Excerpt 4 allows a comparison of 2019 actual versus 2019 targets versus 2020 targets).

strategic CSR issues. Identifying the KPIs related to the strategic CSR issue that is related to each KPI could be helpful to further show the interrelationship between strategy and KPIs and targets.

↓ CSR Report 2019, page 17

CREATING SHARED AND LASTING VALUE
CSR in the value-creation model

1.2. CSR IN THE VALUE-CREATION MODEL

1.2.1. Risks and opportunities in all areas of CSR as they relate to future financial performance and long-term prospects (GRI:102-11) (DPEF:8)

1.2.1.1. Risks in view of the key trends for the automotive industry over the next few years (GRI:102-15) (GRI:102-46) (GRI:102-47) (GRI:102-49) (GRI:201-2)

The Group has identified macro-risks that it must address in accordance with the UN Sustainable Development Goals. In light of the Group's activities, each macro-risk can be broken down into a number of CSR issues. In this report, the Group outlines its response to each of these issues and the strategies that it plans to apply.

7 CSR macro-risks AND CSR ISSUES OF GROUPE PSA		23 linked CSR issues
Bringing a tangible impact on climate change	Climate change requires a global response, which includes designing vehicles with lower CO ₂ emissions, reducing the carbon impact of manufacturing facilities, logistics and purchasing, and putting in place measures to offset carbon.	<ul style="list-style-type: none"> • Vehicle CO₂ emissions (see 2.3) • Energy/industrial carbon footprint (see 2.4) • Environmental performance in the supply chain: purchasing and logistics (see 2.5)
Driving the Group's transformation through the development of human capital	In an evolving context for the automotive industry's working framework (automation, digital transformation etc.) the Company's competitiveness should be based on a wide pool of talent, social dialogue, the well-being of employees and occupational safety.	<ul style="list-style-type: none"> • Management of company transformations and social dialogue (see 3.1) • Attracting and developing all talent (see 3.2) • Health, safety and well-being in the workplace (see 3.3) • Diversity and equal opportunity (see 3.4)
Meeting customers' expectations on quality, mobility solutions and data privacy	In response to travel policies and urban constraints, car manufacturers must provide fresh ideas by developing new mobility solutions suited to every mobility need, based on high-quality products and services and flawless customer relationship management.	<ul style="list-style-type: none"> • Vehicle and service quality - customer satisfaction (see 4.1) • Development of new mobility solutions (see 4.2) • Responsible management of customer data and the customer relationship (see 4.3)
Preparing for growing societal expectations on health and safety	In response to increasing concern in society about the effects of products and industrial processes on our health, car manufacturers must demonstrate their ability to reduce the impact of their activities and make their products stand out from the crowd in terms of vehicle safety.	<ul style="list-style-type: none"> • Vehicle safety (see 5.1) • Vehicle impact on air quality (see 5.2) • Control of industrial discharges and nuisances (see 5.3) • Protection of natural environments and biodiversity (see 5.4)
Ensuring protection of human rights and preventing ethics violation	The automotive industry must anticipate national and international regulations being tightened, such as regulations related to conflict minerals, the balance and integrity of business relations, the due diligence of major companies as well as consumer protection.	<ul style="list-style-type: none"> • Ethics in business practices (see 6.1) • Human rights in the supply chain (see 6.2) • Responsible information and marketing (see 6.3)
Implementing responsible use of natural resources	In an era characterised by a shortage of natural resources, reducing the dependency on water and raw materials is both a question of responsibility towards the environment, as well as being crucial for the Company's sustainability.	<ul style="list-style-type: none"> • Wise use of material in the vehicle life cycle (including product recycling) (see 7.1) • Optimisation of material cycles in industrial processes (including waste) (see 7.2) • Sustainable water management (see 7.3)
Supporting a balanced economic development of territories	Faced with growing inequality in the economic development of the regions, it is vital to focus on redistributing the value created by the companies in the local communities in which they operate.	<ul style="list-style-type: none"> • Local sourcing development in host territories (see 8.1) • Balanced governance and distribution of added value (see 8.2) • Philanthropy and socially responsible mobility (see 8.3)

CORPORATE SOCIAL RESPONSIBILITY REPORT 2019 - GROUPE PSA 17

Excerpt 1

81

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

Example 7.2: PSA Groupe (Peugeot)

AUTOMOTIVE

↓ CSR Report 2019, pages 24, and 25

1. CREATING SHARED AND LASTING VALUE

Transparency and CSR commitment: tangible results for the Group and its stakeholders

1.3.2. CSR commitments and roadmaps: Groupe PSA, an "impact player"

The CSR programme reflects the active commitment of Groupe PSA to understand and address each of the issues identified. This mission is fully in keeping with the Group's ambition to guarantee responsible development.

For each issue, the Group undertakes a commitment and sets a target so as to lay out a specific path towards its goal while monitoring its progress, and the level of achievement against each target is published in the Group's annual CSR report. The Group's commitments are defined jointly by the Sustainable Development Delegation and the departments concerned. The level of progress for each commitment in its roadmap is presented transparently in a scoreboard at the start of each section in this CSR report.

In 2019, based on its already-published medium-term 2025 CSR commitments, Groupe PSA has decided to publish its long-term CSR roadmap detailing ambitions for 2035 and beyond in order to give all stakeholders a clear vision of its strategy.

The 23 CSR commitments cover all aspects of the Group's social responsibility, including management of human resources, social dialogue, equal opportunities and diversity, ethics, manufacturing environment, environmental impact of products, procurement policy, sponsorship, etc.

These commitments are the concrete results of the Group's CSR approach and constitute its roadmap in these areas.

Actions to maintain or revise the CSR roadmap are initiated by members of the Executive Committee, depending on their area of responsibility.

Commitments in respect of strategic CSR issues are shown in the table below. These commitments are monitored by the Group's Executive Committee and are presented to the Supervisory Board.

MACRO-RISKS	STRATEGIC CSR ISSUES	AMBITIONS 2035
Bringing a tangible impact on climate change	Vehicle CO₂ emissions Organiser: EVP Programs and Strategy	Reduce average CO ₂ emissions of vehicles sold worldwide by 55% compared with 2012 levels (Tank-to-Wheel). And by 2034, reduce by 37% per vehicle kilometer the emissions of GHG of sold products from a 2018 base year, assessed on a Well-to-Wheel perimeter. The corresponding trajectory has been validated by SBTi.
Preparing for growing societal expectations on health and safety	Vehicle impact on air quality Organiser: EVP Research and Development Vehicle safety Organiser: EVP Quality	Based on its technological offer and especially its line of vehicles to be 100% electrified by 2025: • achieve more than 50% of Group sales with electric, fuel cells and hybrid vehicles with an emission-free mode; • deploy state-of-the-art after-treatment systems for internal combustion vehicles in all countries where the Group operates. Offer vehicles fitted with state-of-the-art protection: • for customers and all road users, especially in autonomous driving mode with 80% of vehicles offering automatic control functions from 2030 (reduction in number of reported physical injuries involving a Groupe PSA vehicle); • for customers' property by controlling the inaccessibility of the vehicles (90% of vehicles with the highest Thatcham ratings); • for vehicle/customer data and the vehicle itself against cyberattacks (all hardware protected against cyberattacks/all alerts processed).
Meeting customers' expectations on quality, mobility solutions and data privacy	Vehicle/service quality - customer satisfaction Organiser: EVP Quality	Be and remain customers' preferred car manufacturer and mobility supplier: • satisfy each and every customer by offering mobility solutions that meet their expectations around the world and for all usages (overall product satisfaction rate, in comparison with the TOP3); • contribute, with the best level of reliability of the mobility objects, to maximise their resale value, and minimise the repair costs in the long run (three-month warranty claim rates at 0 and warranty cost cut by 75% in comparison to the Push to Pass benchmark); • provide the same level of excellent service to all customers anywhere, anytime (recommendation rate).
Driving the Group's transformation through the development of human capital	Management of company's transformations and social dialogue Organiser: EVP Human Resources	Engage in agile co-construction for the Company's future with employee representatives and unions, which: • helps the Company make technological and economic adaptations quickly; • promotes employees' professional development and employability; • allows all employees to be covered by a collective agreement or a company agreement. Conduct this dialogue within the Global Framework Agreement, which notably ensures respect for Human Rights.
Development of new mobility solutions	Development of new mobility solutions Organiser: EVP Mobility and Connectivity Services	Free2Move, the new mobility brand by Groupe PSA, will be customers' preferred mobility services provider with intermediate targets for 2021: • continue profitable growth to achieve a turnover of €400 million; • reach 2,000,000 active B2C customers.

Excerpt 2

CREATING SHARED AND LASTING VALUE

Transparency and CSR commitment: tangible results for the Group and its stakeholders

1.3.3. Tangible results for Groupe PSA stakeholders

Non-financial performance boosts financial performance and allows the Group to create value for the stakeholders who support it in the deployment of its strategy over the medium and long-term.

DISTRIBUTION OF VALUE CREATED IN 2019

Revenue: €74.7 billion

INVESTORS AND SHAREHOLDERS

- Dividend: €1.23 per share (submitted for approval at the next Shareholders' Meeting)
- Adjusted operating margin of the Automotive Division Group: **8.5%**
- Wages to revenue ratio: **10.5%**
- Automotive Division free cash flow: **€3.3 billion**
- Record Net result, group share: **€3.2 billion**

CUSTOMERS

- Investment fund to develop mobility activities: **€100 million** until 2021
- Mobility and connected services of Free2Move: **1.2 million** B2C Customers (Europe and USA)
- Safety: **6.6 million** connected vehicles (emergency call)
- Recommendation rate of customers in quality-of-service surveys compared to 2018, 2017 and 2016: **+4** points for new vehicle purchases, **+6** points for after-sale service

ENVIRONMENT

- Investments: **37%** of R&D costs⁽¹⁾ for clean technologies (positive impact on host communities and civil society too)
- Electrification plan: **50%** of vehicles to be electrified by 2021 and **100%** by 2025
- 10 Electrified vehicles models on sale
- Use of "green" materials in the Group's vehicles: **30%**
- Vehicles are **95%** recoverable, of which **85%** reusable or recyclable
- Circular economy: **936,000** parts collected and processed of which **586,000** sold as remanufactured parts

EMPLOYEES

- Wage costs: **€6.7 billion**. Redistribution to employees multiplied by **5.4** over 6 years
- Training course: **76%** of employees completed at least one course during the year, including **1,233** employees in an internal professional mobility scheme
- Employees covered by sector or company-based collective agreements: **94%**
- Total lost-time occupational accident frequency rate: **0.9**

HOST COMMUNITIES AND CIVIL SOCIETY

- Corporate Foundation donations: **€1.8 million** donated to community organisations
- French trade balance: a trade surplus of **€4.4 billion** in Latin America
- Local sourcing rate⁽²⁾: **89%** in Europe and **58.9%** in Latin America
- Safety rating: **17** models with 5 stars in the EURO NCAP rating system and **16** models with 5 stars in the CHINA NCAP rating system (positive impact on customers also)

SUPPLIERS AND PARTNERS

- Purchase: **€42 billion**
- CSR performance: assessment by the third-party company EcoVadis on **95%** of the amount of purchases of direct materials - increase in average score from **48.9** in 2018 to **49.14/100** for Groupe PSA.
- Patents: **1,182** filed in 2019, more than **300** suppliers involved in co-innovation
- Scientific development: **3** academic chairs run in association with PSA University and **17** Open Labs

◆ Economic and financial value
 ◆ Social value
 ◆ Environmental value

(1) Total R&D costs: €4.3B (Automotive Division and Faurecia).
 (2) Purchase of parts manufactured in the region for local production.
 (3) Automotive Division excluding own dealer network.
 (4) Dividend per share calculated on the basis of the total number of outstanding shares of the company minus the treasury shares of the company as of 25 February 2020. The actual dividend per share will depend on the number of treasury shares held at the ex-dividend date and any shares issued or cancelled prior to this date.

Excerpt 3

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

Example 7.2: PSA Groupe (Peugeot)

AUTOMOTIVE

↓ CSR Report 2019, pages 41 and 42

CREATING A TANGIBLE IMPACT ON CLIMATE CHANGE

COMMITMENTS SCOREBOARD				
CSR ISSUES	AMBITIONS	TARGETS 2019	RESULTS 2019	TARGETS 2020
Vehicle CO₂ emissions* Organiser: EVP Programs and Strategy	By 2035 Reduce average CO ₂ emissions of vehicles sold worldwide by 55% compared with 2012 levels (Tank-to-Wheel). By 2034 Reduce by 37% per vehicle kilometer the emissions of GHG of solid products (scope 3) from a 2018 base year, assessed on a Well-to-Wheel perimeter. The corresponding trajectory has been validated by SBTi.	• Prepare to reduce CO ₂ emissions average of solid vehicles in Europe in 2020 with a Q4-2019 CO ₂ emission average lower than 2018 (114 g/km) for produced passenger cars. • Launch four plug-in hybrids (on EMP2 platform) and two BEVs (on e-CMP platform) before end of 2019.	Target met • CO ₂ emission level of 2020 passenger cars sales secured by an average CO ₂ emissions of registered cars in Europe in Q4 2019 at 107.7 g/km (nearly 10% reduction vs end of 2018). • 10 new Low Emission Vehicles have been launched by end of 2019: • 6 plug-in hybrids, • 4 BEVs.	• Reduce average CO ₂ emissions of passenger cars registered in Europe to 106 g/km. • Continue enlarging the offer of Low Emission Vehicles, to reach 8 new BEVs and 5 plug-in hybrids launched by the end of 2021.
Energy/ industrial carbon footprint Organiser: EVP Industrial	By 2050 Guarantee the carbon neutrality of the Group's plants (zero CO ₂ emissions) through: • the use of renewable energies, mostly through self-energy supply; • offsetting residual emissions (reselling the excess energy produced, developing forests, etc.). By 2034 Reduce absolute greenhouse gas emissions from energy consumption of industrial activities ("scope 1 and 2") by 20% from the 2018 base year. The corresponding trajectory has been validated by SBTi.	• Reach energy consumption at 2.07 MWh per car produced (345 kg CO ₂ per car) i.e. 1,100 kt CO ₂ in absolute emissions ⁽¹⁾ . • Increase the share of renewable energies to 22%.	Target met • Consumption: 1.97 MWh per car (341 kg CO ₂ per car) i.e. 1,027 kt CO ₂ absolute emission ⁽¹⁾ . • Share of renewable in electricity use has increased to 21%, in accordance with the renewable energy supply transition plan.	• Reach energy consumption at 1.98 MWh per car (340 kg CO ₂ /car) i.e. 1,078 kt CO ₂ in absolute emissions, in line with SBTi validated Group's CO ₂ trajectory ⁽¹⁾ . • Increase the share of renewable energy in electricity use to 29%.

CORPORATE SOCIAL RESPONSIBILITY REPORT 2019 — GROUPE PSA 41

Excerpt 4

2. CREATING A TANGIBLE IMPACT ON CLIMATE CHANGE

CSR ISSUES	AMBITIONS	TARGETS 2019	RESULTS 2019	TARGETS 2020
Environmental performance in the supply chain: purchasing and logistics Organiser: EVP Industrial and EVP Global Purchasing and Supplier Quality	By 2035 Purchasing Systematically involve suppliers to meet the Group's environmental objectives by selecting them: • based on their compliance with the Group's environmental requirements (including a compliance and transparency guarantee for their own supply chain) to achieve an average supplier score of 50/100 on environmental assessment by EcoVadis; • for key partners and key suppliers (including logistic suppliers) • based on their CO ₂ trends in compliance with the Paris Agreement (COP21); • based on their suggestions to enable the Group to meet its circular economy targets (green or replacement materials and recyclability). Logistics Reduce CO ₂ emissions for each vehicle transported by 33% between 2016 and 2035 (i.e. -2.1% per year, in line with the Paris Agreement), primarily by limiting intercontinental flows through the regionalisation of the Group's activities and by optimising transport patterns (routes, transportation mode, filling rate and packaging).	Purchasing • Improve the average environmental score for all suppliers to 54/100. Logistics Reduce the Group's CO ₂ emissions in the upstream and downstream supply chain worldwide, per vehicle and per kilometer by 2.1% in line with Group's climate trajectory (33% reduction target between 2016 and 2035).	Target partially met Purchasing • Average Environmental Score for 2019 is 54 (improved by 1 point vs last year). Note: EcoVadis average score is 43, the sectoral average is 46. Target not met • 67.7% of key partners and key suppliers (based on turnover) commit to a CO ₂ trend which complies with the Paris Agreement (improvement of 7% vs. previous year). Logistics Target met • Upstream: 192 kg CO ₂ /car; • Downstream: 47 kg CO ₂ /car including transported vehicle produced by our JVs Vs global target of 259 kg CO ₂ /car.	Purchasing • Maintain the average environmental score for all suppliers at 54/100. Logistics Reduce the Group's CO ₂ emissions in the upstream and downstream supply chain worldwide, per vehicle and per kilometer by 2.1%, in line with Group's climate trajectory (33% reduction target between 2016 and 2035): 254 kg CO ₂ /car.

42 GROUPE PSA — CORPORATE SOCIAL RESPONSIBILITY REPORT 2019 —

Excerpt 5

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

Example 7.3: Lenzing

CHEMICALS

WHY THIS IS A GOOD REPORTING PRACTICE

Excerpt 1 from Lenzing's 2020 Sustainability Report presents three impact areas and SDGs related to seven strategic goals. Excerpts 2 and 3 provide details for targets for the strategic goals including timelines for their attainment and a colour code distinguishing the status of progress for each target.

Excerpt 4 is a summary table presenting KPIs across the seven categories including economic value creation metrics and sustainability metrics related to the strategic goals (raw material security, sustainable innovations, decarbonisation, water stewardship, employees, and occupational safety). The KPIs are presented across a three-year period. Excerpt 4 discloses sustainable innovations and this metric was not common in the reports of other reviewed companies. The disclosure of research and development expenditures also highlights the monetary impact of Lenzing's sustainable innovative investments.

In terms of disclosures on strategy, performance, targets and progress, the highlighted Lenzing disclosures fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

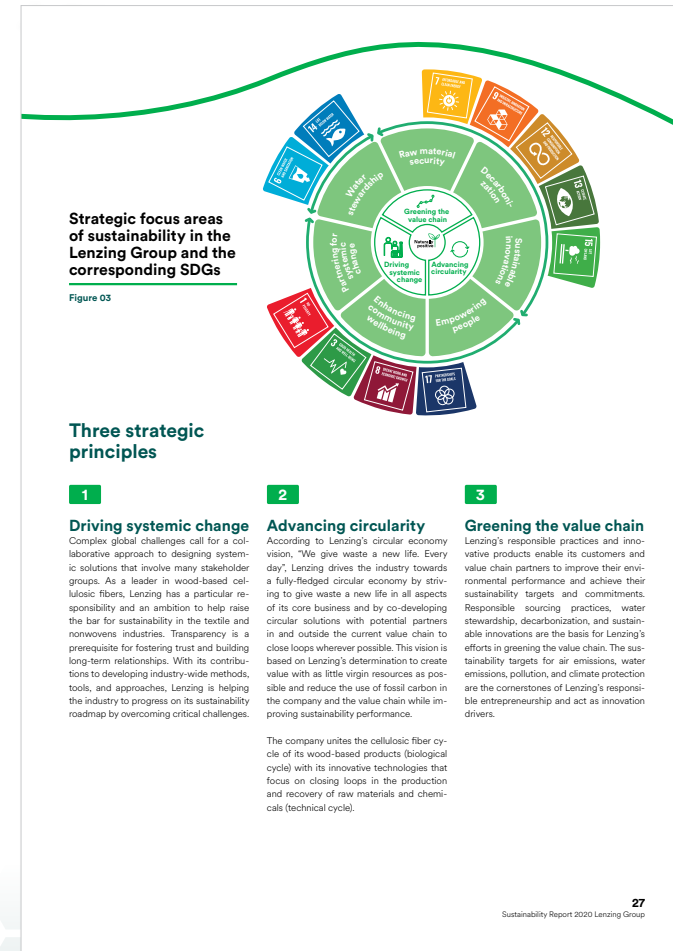
- **relevance** (the disclosure excerpts provide comprehensive information on the interrelationship between strategic goals, targets and KPIs including on sustainable innovations);
- **strategic focus and orientation** (the sustainability strategic focus areas are outlined in Excerpt 1);
- **understandability** (the disclosure excerpts make effective use of visual presentation of strategic goals and a tabular presentation of targets and KPIs. The use of colour codes to indicate progress on targets is reader-friendly);
- **connectivity** (the use of the strategic goals to categorise information in disclosure excerpts related to KPIs and targets convey the interrelationship between strategy, targets, KPIs); and
- **comparability** (Excerpt 4 provides three-year comparatives - 2020, 2019 and 2018 that allows users to assess trends).

SUGGESTIONS FOR IMPROVEMENT

The categorisation of KPIs in Excerpt 4 does not exactly match the categorisation of targets in Excerpts 2 and 3- which is based on the seven strategic goals (occupational safety and employees are not stated as strategic goals and are not included in the materiality matrix's most important material issues reported

elsewhere). A connectivity table/matrix that links strategic goals and targets, identified material issues, financial and sustainability KPIs could be helpful for readers to more readily understand the interrelationships between these factors.

↓ 2020 Sustainability Report, page 27



Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

Excerpt 1

Example 7.3: Lenzing

CHEMICALS

Strategy

Targets: Lenzing raising the bar

Lenzing set Group sustainability targets for the most important challenges in each of its strategic focus areas. Additional ambitious targets were defined in the reporting year to strengthen Lenzing's path to a sustainable future. To increase transparency, the corresponding implementation measures are described.

Sustainability targets

Table 04

Sustainable innovations	Target year
Target 1 To improve the Lenzing Group's specific sulfur emissions by 50 percent by 2022 (baseline 2014)	2022
Measure(s) Lenzing implements a sulfur recovery plant (C-AP) upgrade at the Purwakarta plant (Indonesia)	2022
Target 2 To offer viscose, modal and lyocell staple fibers with up to 50 percent post-consumer recycled content on a commercial scale by 2025	2025
Measure(s) All fibers with recycled content offered by Lenzing contain a share of post-consumer waste	2022
Lenzing increases the recycled content from 30 to 40 percent for fibers produced with REFIBRA™ technology for textiles and with Eco Cycle technology for nonwovens	2023
Lenzing introduces its viscose and modal fibers with REFIBRA™ and with Eco Cycle technology with a minimum of 30 percent recycled content	2023
Target 3 To innovate a new circular business model by closing the loops for post-consumer materials and partner with 25 key supply chain companies by 2025	2025
Target 4 To achieve aspirational MMCF level for ZDHC wastewater and air emission guidelines at Lenzing viscose facilities by 2024	2024
Measure(s) Lenzing commits to implementing ZDHC MMCF wastewater guidelines at all viscose sites	2020
Lenzing implements ZDHC MMCF wastewater guidelines and reports viscose site data on ZDHC gateway	2021
Lenzing achieves ZDHC MMCF aspirational level for wastewater at Lenzing site	2021
Water stewardship	Target year
Target 5 To improve the Lenzing Group's specific wastewater emissions (COD) by 20 percent by 2022 (baseline 2014)	2022
Measure(s) Lenzing implements a wastewater treatment plant upgrade at Purwakarta plant (Indonesia)	2022
Lenzing implements a new wastewater treatment plant at Grimsby (UK) plant	2022
Raw material security	Target year
Target 6 To implement a conservation solution of 20 ha in Albania in combination with a social impact project by 2024	2024
Measure(s) Lenzing reforests 20 ha of degraded land in Albania	2024
Lenzing establishes a training center for local communities in Albania	2024
Lenzing supports interdisciplinary vocational training and school partnerships in Albania	Yearly
Target 7 To implement conservation solutions on 15,000 ha at the new pulp site in Brazil by 2030	2030
Measure(s) Lenzing takes responsibility for 15,000 ha protected land in Brazil	2020
Lenzing increases the protected area in Brazil from 13,000 ha to 15,000 ha	2020
Target 8 To engage in further conservation, biodiversity protection, and restoration activities in regions where forests are at risk or should be improved by 2025	2025

↓ 2020 Sustainability Report, pages 32, 33 and 3

Partnering for systemic change	Target year
Target 9 To assess the sustainability performance of 80 percent of the Lenzing Group's "most relevant suppliers" by 2022	2022
Target 10 To improve transparency by implementing the Higg Facility Environmental Module (FEM 3.0) at all sites by 2019	2019
Measure(s) Lenzing conducts self-assessments	2019
Target 11 To implement and annually update FEM in all pulp and fiber production facilities and share verified modules with customers from 2023	2023
Measure(s) Lenzing implements SAC membership requirements	2021
Target 12 To achieve digital fiber traceability by having 500 value chain partners with blockchain technology by 2021	2021
Target 13 To increase physical traceability of TENCEL™ + REFIBRA™ and LENZING™ ECOVERO™ to 100 percent of Lenzing's specialty fibers for textiles by 2021	2021

Decarbonization	Target year
Target 14 To reduce scope 1, 2, and 3 (purchased goods and services, upstream and downstream transport, and fuel) and energy-related activities greenhouse gas emissions 50 percent per ton of fiber and pulp sold by 2030 (scope 1 and 2)	2030
Target 15 To achieve net-zero CO ₂ emissions by 2050 (scope 1 and 2)	2050
Measure(s) Lenzing achieves 100 percent green electricity for four sites	2014
Lenzing phases out coal at the Nanjing plant (China)	2022
Lenzing installs on-site photovoltaic power generation at the Lenzing plant	2022
Lenzing increases the share of renewable energy consumed by the Lenzing Group and supplies access bioenergy from the pulp production facility in Brazil	2023
Lenzing achieves scope 1 and 2 carbon neutrality at its new lyocell fiber production site in Thailand by using 100 percent bioenergy	2023
Lenzing engages 20 key suppliers, by spending and CO ₂ impact, in order to reduce its scope 3 emissions and incentivize the suppliers that help Lenzing offer more low-carbon footprint fibers	2022
Lenzing engages and enables 50 percent of customers to fulfil their SBT ambition by providing information on low-GHG footprint specialty products such as TENCEL™ and LENZING™ ECOVERO™ branded fibers	2021
Lenzing runs a campaign to reach 50 percent of TENCEL™ customers to promote use of innovative new carbon-zero TENCEL™ products	2021

Empowering people	Target year
Target 16 To have a continuously valid third-party audited accredited social certificate for every Lenzing Group production (fiber or dissolving wood pulp) site by 2023	2023
Measure(s) Lenzing implements and annually updates Facility Social Labor Module (FSLM) at all pulp and fiber production facilities and shares verified modules with customers from 2022 onwards	2023
Target 17 To enable a good life for people amplified by means of products offered by Lenzing and by respecting human rights, employee wellbeing, and diversity	Continuous
Measure(s) Lenzing implements training courses for 70 percent of workforce on diversity, discrimination, nondiscrimination policy, and human rights	2025
Lenzing establishes a working condition policy	2021
Target 18 To continuously support the development of local communities near Lenzing production sites and support social welfare programs to 2025 and beyond	Continuous

* target has been formulated and published in 2020, refers to 2020 as baseline

Color code status (2020)

- On track
- Achieved
- New*
- Delayed
- Stopped
- Not achieved

Lenzing Group: Sustainability key performance indicators

Lenzing Group: sustainability key performance indicators

Table 01

Key performance indicator	2018	2019	2020
Economic value creation*			
Value creation	EUR 987.6 mm	EUR 978.7 mm	EUR 406.4 mm
Distribution of value creation			
Employees ^a	EUR 368.2 mm	EUR 389.2 mm	EUR 349.6 mm
Retained earnings	EUR 16.5 mm	EUR 114.9 mm	EUR -10.6 mm
Public sector ^a	EUR 62.3 mm	EUR 60.4 mm	EUR 44.8 mm
Shareholders (dividends) ^a	EUR 132.8 mm	EUR 61.0 mm	EUR 0.0 mm
Lenders ^a	EUR 4.8 mm	EUR 11.2 mm	EUR 22.5 mm
ROCE return on capital employed ^b	10.3 %	6.3 %	-0.6 %
Adjusted equity ratio ^c	69 %	50 %	45.8 %
Revenue	EUR 2,176.0 mm	EUR 2,105.2 mm	EUR 1,632.6 mm
EBITDA (earnings before interest, tax, depreciation and amortization)	EUR 382.0 mm	EUR 326.9 mm	EUR 196.6 mm
Sales volume fibers [t]	916,000 t	899,000 t	787,000 t
Proportion of wood source certified or controlled by forest certification	>99 %	>99 %	>99 %
Proportion of suppliers with EcoVadis rating [%]	63 %	89 %	84 %
Share of own pulp	60 %	62 %	62.4 %
R&D expenditure, calculated according to the Frascati method [EUR]	EUR 42.9 mm	EUR 53.2 mm	EUR 34.8 mm
Specialty fiber share based on revenue ^d	45.5 %	51.6 %	62 %
Decarbonization			
Specific ^e primary energy consumption [GJ/t, 2014 = 100 %]	99 %	98 %	97 %
Specific greenhouse gas emissions ^f [tons of CO ₂ eq./t, 2014 = 100 %]	98 %	92 %	85 %
Specific sulfur emissions [kg/t, 2014 = 100 %]	71 %	67 %	61 %
Water stewardship			
Specific water intake [m ³ /t, 2014 = 100 %]	96 %	93 %	96 %
Specific water emissions after wastewater treatment [kg CO ₂ /t, 2014 = 100 %]	93 %	86 %	100 %
Employees			
Number of employees ^g	6,839	7,036	7,368
Occupational safety			
Lost workday cases [LWC, per 1,000 employees]	5.7	4.4	4.2
Lost Time Injury Frequency Rate (LTIFR based on 200,000 worked man-hours) for employees incl. supervised workers and contractors	0.61	0.51	0.4 ^h

- a) Value creation within the Lenzing Group is calculated as the company's business performance minus the cost of materials, other expenses, depreciation and amortization. The distribution of value creation shows the extent to which it is distributed among stakeholders such as employees, the public sector, and lenders.
- b) Personnel expenses less municipal taxes.
- c) Based on the proposed distribution of profits.
- d) Income tax expenses plus asset taxes and similar taxes plus municipal taxes.
- e) Financing costs less net foreign currency gain/losses from financial liabilities.
- f) The financial indicators are derived primarily from the FRB consolidated financial statements of the Lenzing Group. Additional details are provided in this section "Notes on financial performance indicators of the Lenzing Group" in the glossary of the Annual Report and in the consolidated financial statements of the Lenzing Group.
- g) Lenzing specialty fibers are net-benefit products that offer positive impacts and benefits to society, the environment, and value chain partners.
- h) Specific indicators are reported per unit of production by the Lenzing Group (i.e. pulp and fiber production volumes).
- i) Includes both scope 1 and 2 emissions of all greenhouse gases, expressed as CO₂ equivalents. It was observed that the system boundaries of different wood-based fiber producers differ from the Lenzing Group's boundaries. In particular, upstream production of chemicals that are consumed in Lenzing's facilities belongs to scope 1, according to the GHG protocol, so they should not be included here. However, some Lenzing Group sites produce chemicals themselves, namely H₂SO₄ and CS₂, leading to a higher energy demand and scope 1 and 2 CO₂ emissions for the Lenzing Group. This is relevant for all indicators. Scope 1 emissions are calculated from emission factors from EU ETS. Scope 2 emissions are calculated using a market-based method.
- j) Employees (incl. apprentices, excluding supervised workers) in Austria, the Czech Republic, United Kingdom, USA, China, Indonesia, India, Taiwan, Thailand, Turkey, Korea, Singapore, and Brazil.
- k) Contractors for the major projects in Thailand and Brazil are not included.

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

Excerpt 2

Excerpt 3

Excerpt 4

Example 7.4: GlaxoSmithKline

PHARMACEUTICAL

WHY THIS IS A GOOD REPORTING PRACTICE

Through the combination of three supplementary reports (2019 ESG Performance Report, 2019 Trust Progress Report, and 2018 Materiality Assessment document), GSK discloses its sustainability strategy, targets, progress and KPIs. The Performance Report outlines four goals (using science and technology to address health needs, making products affordable and available, being a modern employer and being a responsible business) connected to GSK strategy and 13 commitments within these goals (Excerpt 1). Specified targets with timelines are provided for some of the commitments.

Progress on the four goals/13 commitments is disclosed in the Progress Report (Excerpt 2). It is also conveyed in the ESG Performance Report through a disaggregated breakdown of factors related to the 13 commitments and in the reporting of relevant quantitative KPIs for these factors over a 3–4 year period (2017/8 to 2020) allowing users a comparison of performance across periods and an assessment of trends (Excerpts 3, 4, 5 and 6). Furthermore, there is an indication of which metrics have been assured. The KPIs enable users to assess the effectiveness of GSK's sustainability strategy, the potential for revenue generation and sustainability

risks (e.g., number of people reached with products through access strategies in Excerpt 5 and being a responsible employer in Excerpt 6 through diversity statistics and talent and leadership development metrics).

In terms of disclosures on strategy, performance, targets and progress, the GSK disclosures fulfil the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (the disclosure excerpts include information on the 13 commitments including targets, KPIs and progress);
- **strategic focus and orientation** (Excerpt 1 maps the 13 commitments to four strategic goals);
- **understandability** (makes effective use of visuals and tabular presentation of KPIs);
- **comparability** (Excerpts 4 to 7 provides four-year comparatives of KPIs);
- **connectivity** (a clear link between four goals, commitments, targets and KPIs); and
- **verifiability** (highlights which KPIs are assured).

SUGGESTIONS FOR IMPROVEMENT

The disclosure in the supplementary GSK reports could have been more informative by linking the KPIs to targets for the 13 commitments as it would facilitate monitoring of progress against commitments. Apart from the monetised environmental

remediation costs reported in the Environmental data (Excerpt 4), there is limited monetised information in the ESG Performance Report. It is also difficult for a reader to find details of the programmes related to the 13 commitments.

↓ ESG Performance summary Report, page 3

Excerpt 1

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

PHARMACEUTICAL

Trust progress Report, page 2

<p>By using our science and technology to address health needs</p>	<p>Commitment</p> <p>New medical innovations Develop differentiated, high-quality and needed medicines, vaccines and consumer healthcare products to improve health.</p> <p>Global health Improve global health impact through R&D for infectious diseases that affect children and young people in developing countries focusing on HIV, malaria and TB.</p> <p>Health security Help the world to better prepare for future disease outbreaks with pandemic potential, and tackle antimicrobial resistance.</p>	<p>Progress in 2020</p> <p>We had nine major approvals for medicines in respiratory, oncology, HIV and immuno-inflammation and nine pivotal trials were started, including for our vaccine candidate for respiratory syncytial virus (RSV). Overall, we now have more than 20 assets in late stage development.</p> <p>The FDA and EMA approved an age-appropriate formulation of <i>Tivicay</i>, for children living with HIV weighing at least 3kg and from four weeks of age. We announced a product transfer agreement for our RTS,S malaria vaccine with PATH and Bharat Biotech, and we licensed our TB candidate vaccine to the Bill & Melinda Gates Medical Research Institute for further development. In early 2020, we also joined the Partnership to Accelerate New TB Treatments.</p> <p>We became a founding member of the Trinity Challenge collaboration, which aims to use data and analytics to better predict and prevent outbreaks, epidemics and pandemics. We partnered with industry and multilateral organisations to launch the \$1 billion AMR Action Fund, aiming to bring two to four novel antibiotics to patients by 2030.</p>
<p>By making our products affordable and available</p>	<p>Pricing Improve the health of millions of people each year by making our products available at responsible prices that are sustainable for our business.</p> <p>Product reach Use access strategies to reach 800 million underserved people in developing countries with our products by 2025.</p> <p>Healthcare access Partner to improve disease prevention, awareness and access to healthcare services for 12 million people by 2025.</p>	<p>When setting the price of our medicines in developed markets, we apply a value-based approach to balance reward for innovation with access and affordability. In developing countries we use innovative pricing structures to extend product reach. In least developed and low-income countries we do not file patents for our medicines and do not enforce historic patents.</p> <p>We have reached over 267 million people since 2018 through access strategies, including voluntary licensing and product donations.¹ By the end of 2020, 80% of people living with HIV on antiretrovirals in low- and middle-income countries had access to a generic dolutegravir-containing product because of VIV Healthcare's voluntary licensing agreements.</p> <p>In 2020, we exceeded this target and our access partnerships have reached 13.9 million people since 2018. This includes, in 2020, reaching over three million people through our partnership with Save the Children, Amref Health Africa and CARE International through our health worker training programme.</p>
<p>By being a modern employer</p>	<p>Engaged people Achieve and maintain a competitive employee engagement score by 2022.</p> <p>Inclusion and diversity Accelerate our progress on inclusion and diversity, including aspirational targets for female and ethnically diverse representation in senior roles by end 2025, and recognition as a disability confident employer and in LGBT+ indices.</p> <p>Health, wellbeing and development Be a leading company in how we support employee health, wellbeing and personal development.</p>	<p>In 2020, a record 85% of people took time feedback through our employee survey, and our engagement score increased 6% from 2019, to 84%.</p> <p>In 2020, we set new aspirational targets for gender and for race and ethnicity, to improve representation at VP level and above, and introduced mandatory inclusion and diversity training for all employees. We signed up the Valuable 500 pledge, which involves developing a measurable and strategic three-year Disability confidence plan, and received recognition across a number of LGBT+ indices.</p> <p>Our executive team has overseen our COVID-19 response, including the health, wellbeing and engagement of our employees as a primary focus. More than 22,000 employees completed online energy and resilience programmes, and we updated our One80 manager feedback tool to help managers understand where to focus their development.</p>
<p>Being a responsible business</p>		
<p>Reliable supply Commit to quality, safety and reliable supply of our products for patients and consumers.</p> <p>Progress in 2020 We conducted 1,839 audits of our suppliers' quality processes. Our pharmaceutical, vaccine and consumer manufacturing sites and local operating companies had 142 external regulatory inspections in 2020, with many carried out virtually due to the pandemic. Wherever necessary, we have robust processes in place to ensure corrective and preventive action plans are implemented in a timely manner.</p>	<p>Ethics and values Operate an ethical, values-driven culture, in which any issues are responded to swiftly and transparently.</p> <p>Progress in 2020 We continue to report transparently on how we respond to employee policy violations, taking appropriate disciplinary action. We further improved visibility of labour rights risks in the supply chain in 2020. Working with external experts, we identified the raw materials and commodities that are sometimes linked to modern slavery and are now prioritising them for due diligence activities.</p>	<p>Data and engagement Use data responsibly and transparently. Improve patient and scientific engagement.</p> <p>Progress in 2020 We evolved our privacy approach to better align with external expectations and the 'privacy by design' framework. We established a process to seek patient feedback on the design of our clinical trials, and continue to increase focus on improving diverse representation in clinical trials so that they represent the real world population in terms of age, race, ethnicity and gender.</p>
<p>Environment Have a net zero impact on climate and a net positive impact on nature by 2030².</p> <p>Progress in 2020 We set ambitious new climate and nature goals and have been accredited for 1.5°C-aligned emissions reduction targets by the Science Based Targets initiative. We have joined RE100 and 52% of the electricity we used was sourced renewably. By the end of 2020, all of our sites had stopped sending waste to landfill.²</p>		

¹ Total excludes reach through abundant donations which will be assessed in 2025.

² This commitment is supported by targets for carbon (including accreditation by the Science Based Targets Initiative) and nature.

³ This achievement excludes waste, such as asbestos, that must be sent to landfill.

Excerpt 2

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

Example 7.4: GlaxoSmithKline

PHARMACEUTICAL

Data summary continued

	SVP/VP	Director	Manager	All employees	
People (continued)					
Ethnic diversity: US	Ethnically diverse total	23.2%	25.3%	29.3%	30.0%
	American Indian or Alaska Native	*	0.4%	0.3%	0.4%
	Asian	10.8%	13.8%	15.9%	12.9%
	Black or African American	5.8%	5.5%	6.3%	9.9%
	Hispanic or Latinx	5.0%	4.5%	5.1%	5.1%
	Native Hawaiian or Other Pacific Islander	*	0.3%	0.1%	0.2%
	Two or more races	1.2%	0.9%	1.6%	1.5%
	White total	76.8%	74.7%	70.8%	70.0%
Ethnic diversity: UK	Ethnically diverse total	11.1%	16.7%	21.8%	18.7%
	Asian	5.7%	11.8%	16.0%	13.1%
	Black	1.6%	1.8%	2.3%	2.5%
	Mixed	1.2%	1.5%	1.8%	1.8%
	Other	2.5%	1.6%	1.6%	1.3%
	White total	88.9%	83.4%	78.2%	81.3%

The data above represents those that responded to identify a race or ethnicity category. In the US, 6.3% of employees did not actively respond to identify a race or ethnicity category, and a further 1.2% indicated 'I prefer not to say'. In the UK, 11.5% did not actively respond and a further 3.9% indicated 'I prefer not to say'. As this is our first year reporting ethnicity data, we do not have comparable historic data. We will start to report this from our next report.

* Insufficient data to report (Fewer than 3 employees)

Excerpt 3

↓ ESG Performance summary Report, page 8 and 9

Data summary continued

	2017	2018	2019	2020	Notes	
Environment (continued)						
Water discharge						
	Wastewater to municipal sewer (million m ³)	6.35	5.73	5.81	6.01	
	Wastewater to surface water (million m ³)	3.85	3.00	2.99	3.03	
	Wastewater to other (million m ³)	0.35	0.31	0.28	0.11	
	Wastewater discharged to land (million m ³)	0.74	0.75	0.74	0.29	
	Wastewater recharged to Aquifer from rainwater (million m ³)	0.12	0.16	0.22	0.01	
	Wastewater recharged to Aquifer from treated effluent (million m ³)	0.19	0.18	0.18	0.05	
	Total wastewater discharged (million m³)	11.6	10.1	10.2	9.5	Assured by DNV
Waste						
	Beneficial use hazardous waste (thousand tonnes)	19.1	17.0	16.3	19.4	
	Beneficial use non-hazardous waste (thousand tonnes)	79.0	79.9	80.4	68.1	
	Total beneficial use waste (thousand tonnes)	98.0	96.9	96.7	87.5	Assured by DNV
	Non-beneficial use hazardous waste (thousand tonnes)	26.9	17.4	18.5	14.9	
	Non-beneficial use non-hazardous waste (thousand tonnes)	10.6	9.9	6.9	5.7	
	Total non-beneficial use waste (thousand tonnes)	37.6	27.3	25.4	20.6	Assured by DNV
	Total overall waste (thousand tonnes)	135.7	124.2	122.1	108.1	Assured by DNV
	Hazardous waste to landfill (thousand tonnes)	0.2	0.2	0.4	0.4	
	Non-hazardous waste to landfill (thousand tonnes)	4.6	3.5	3.4	1.8	
	Total waste to landfill (thousand tonnes)	4.8	3.7	3.7	2.2	Assured by DNV
	Percentage of waste sent for beneficial use	72%	78%	79%	81%	
Compliance						
	EHS internal audits of GSK sites and facilities	37	54	49	19	
	EHS, ethics and labour rights audits of 3rd party suppliers	60	83	43	36	
	Environmental fines (£)	4,000	7,000	600	0	
Environmental remediation¹						
	Spend (million \$)	2.3	2.1	2.6	2.8	

¹ We take responsibility for removing pollution and contaminants from soil, surface and ground water at facilities we have used previously, and at the disposal sites of waste management companies we have used.

Excerpt 4

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

Example 7.4: GlaxoSmithKline

PHARMACEUTICAL

Data summary continued

	2018	2019	2020	Total	Notes
Access and affordability (continued)					
Product reach target (800 million by 2025, against a 2018 baseline)					
People with access to a generic dolutegravir product through voluntary licensing agreements ('000)	–	–	16,300	16,300	As a chronic and ongoing treatment we only include the cumulative total number with access rather than annual data.
Estimated children reached with Synflorix through Gavi ('000) ¹	20,800	20,700	17,100	58,600	Based on 3 doses per course, and WHO estimates of 8% wastage (10% for 2019).
Estimated children reached with Rotarix through Gavi ('000) ¹	26,300	21,200	25,400	72,900	Based on 2 doses per course and WHO estimates of 4% wastage (5% for 2018).
Estimated girls reached with Cervarix through Gavi ('000) ²	810 ²	45	180	1,035	Based on 2 doses per course and WHO estimates of 10% wastage.
Estimated people reached with the Oral Polio Vaccine (OPV) ('000)	54,900	40,700	21,800	117,400	Based on the WHO recommended 4 doses for polio-endemic countries, and WHO estimates of 20% wastage.
People reached through our US Patient Assistance programme ('000)	126	123	95	344	
People reached with our products through access strategies ('000)				266,579	
Health access target (12 million by 2025, against a 2018 baseline)					
People accessing a healthcare service, worker, or educational session through our work with Save the Children ('000)	222	355	400	977	
People accessing Malaria services through our Comic relief partnership ('000)	397	1,100	1,703	3,200	
Healthcare workers trained through our partners ('000) ³	20	18	16	54	
People accessing a healthcare worker, service or facility as a result of the health worker training programmes ('000) ⁴	2,200	2,000	3,538 ⁴	7,738	
People reached through Viiv Healthcare's Positive Action for Children Fund (PACF) grants ('000)	536	638	484	1,658	
Children accessing treatment/care for cleft conditions through the Smile Train partnership ('000)	4.1	3.5	2.3	9.9	
HCPs/pharmacists trained through our partners in SE Asia and India dengue fever programmes ('000)	1.1	3.7	–	4.8	Programme paused in 2020 due to agreement with our NGO partner to shift focus to COVID-19 relief efforts.
People accessing dengue fever services through our partners in India ('000)	103.7	147.5	–	251	Programme paused in 2020 due to agreement with our NGO partner to shift focus to COVID-19 relief efforts.
People reached through our programmes to improve disease prevention, awareness and access to healthcare services ('000)				13,893	

1 Gavi may distribute these at different times, but within the year we provided this many doses with the potential to reach the stated number of people.
2 2018 data was driven by a combination of the routine programme and multi-age cohorts as part of HPV demonstration projects.
3 Data is estimated based on previous reach through the same partner programmes and level of funding. Final 2019 data is available in April 2020.
4 In 2020, this captures figures from our frontline health worker training programme as well as our new CEO Roundtable collaboration.

March 2021

Excerpt 5

↓ ESG Performance summary Report, page 3 and 4

Data summary continued

	2017	2018	2019	2020	Notes
People					
Engagement					
Employee survey engagement score (%)	79	78	78	84	
Employee survey response rate (%)	83	79	78	85	
Gender diversity					
Percentage of women (all employees)	44%	44%	45%	47%	
SVP/VP level	31%	33%	36%	38%	
Director level	43%	43%	44%	46%	
Manager level	47%	48%	49%	50%	
Total women in management	44%	45%	47%	48%	
Percentage of women on the Board	42%	45%	45%	42%	
Percentage of females in STEM-related positions	–	–	–	43%	
Health and safety					
Number of fatalities (employees and complementary workers under GSK direct supervision)	1	0	1	2	Assured by DNV
Fatalities (contractors not under GSK direct supervision)	0	0	0	1	
Reportable incidents with lost time	272	307	298	203	Assured by DNV
Lost time reportable injury and illness rate (per 100,000 hours worked)	0.14	0.15	0.15	0.10	Assured by DNV
Reportable incidents with and without lost time	501	466	463	331	Assured by DNV
Reportable injury and illness rate (per 100,000 hours worked)	0.23	0.23	0.23	0.17	Assured by DNV
Hours worked (million)	200.32	200.71	204.54	199.34	
Talent and leadership development					
Number of graduates recruited through our Future Leaders programme	410	309	231	209	
Number of postgraduates recruited through our Esprit programme	24	27	13	15	
Number of apprentices recruited	97	165	113	133	

4 GSK ESG Performance Summary 2020

March 2021

Excerpt 6

Introduction

Part 1: Business model, sustainability risks and opportunities

Business model reporting

Sustainability matters linkage to business model, strategy

Analytical consideration 4: Sustainability matters effect on company performance

Analytical consideration 5: Sustainability risks

Analytical consideration 6: Sustainability opportunities

Analytical consideration 7: Sustainability strategy, targets, KPIs and progress

Example 7.1: Acciona

Example 7.2: Peugeot

Example 7.3: Lenzing

Example 7.4: GSK

Part 2: Applying technological solutions for sustainability reporting information

PART 2

APPLYING TECHNOLOGICAL SOLUTIONS FOR SUSTAINABILITY REPORTING INFORMATION



SUPPLEMENTARY DOCUMENT:
GOOD REPORTING PRACTICES

Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Multimedia/interactive features

Satellite Imagery

Blockchain technologies

Structured data (XBRL)

Applying technological solutions for sustainability reporting information

The examples of companies applying technological solutions for sustainability reporting information were identified from:

- the review of the sample of companies used to identify good reporting practices in Part 1 of this document;
- PTF-RNFRO members knowledge of good or leading practices in applying technological solutions for sustainability reporting; and
- stakeholder outreach.

Identifying good or leading practices focused on the application of five broad categories of technological solutions and seven examples were selected (see Table 2 below). A further description of the technology applied, and why it is or contributes to good reporting practices is provided. As the seven examples are pioneering practices, we do not comment on suggestions for improvement. The details of the technological solutions applied by the selected companies were obtained from either company reports, websites, or multimedia sources.

Good or leading practices on the application of technology solutions for sustainability reporting information

Technological solutions	Good or leading practices and reporting use cases
Artificial intelligence (AI)	Unilever’s webpage on materiality assessment highlights that AI is applied in scanning for and determining material sustainability information.
Multimedia and interactive formats for reporting	Novartis’ management use YouTube video to describe their materiality assessment process. Ferguson Plc has an interactive webpage describing its business model.
Satellite imagery	Stellantis’ Sustainability Report discloses that the use of satellite imagery as part of flood risk evaluation. It is not explicitly stated in the disclosure, but we infer that the evaluation can be an input to the sustainability reporting information. Unilever’s website highlights the use of satellite imagery to monitor the sourcing of its palm oil.
Blockchain technologies	Lenzing Sustainability Report discloses the use of a blockchain-enabled supply chain platform to facilitate supply chain traceability amongst customers, partners and consumers. It is not explicitly stated in the disclosure, but we infer that the supply chain traceability information can be an input for either producing or analysing sustainability reporting information (e.g. proportion of certified suppliers).
Structured data (XBRL)	An example of a company applying ESEF for its management report that includes GRI information is Hochtief.

Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Multimedia/interactive features

Satellite Imagery

Blockchain technologies

Structured data (XBRL)

AI application

Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Example 8.1: Unilever

Multimedia/interactive features

Satellite Imagery

Blockchain technologies

Structured data (XBRL)



Example 8.1: Unilever

CONSUMER GOODS

WHY THIS IS A GOOD REPORTING PRACTICE

The excerpt from the Unilever website highlights the use of AI during the materiality assessment process. This application of AI contributes to information that fulfils the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance and completeness** (AI technology enables comprehensive scanning and objective data underpinning what is material);
- **faithful representation** (neutral) (AI application lessens the biases, filters and subjectivity that is inherent in human judgments); and
- **stakeholder inclusiveness** (AI-based scanning for material issues enables the assessment of the considerations and needs of a wider range of stakeholders than would be possible through human interaction).

↓ Unilever website highlights the application of AI for the annual materiality assessment

Our most recent materiality assessment was conducted in 2019 and early 2020 to cover the reporting period of 2019 as well as early 2020. It has highlighted new and emerging issues, and provided a fresh check on whether we are disclosing information and being transparent in the right areas.

To reflect the dynamic and ever-changing sustainability landscape, we have redesigned our materiality process and methodology. We have designed a process which can be repeated more frequently to provide us and our stakeholders with more granular insights into the changing sustainability landscape and how this affects our business.

Our new methodology has more rigorous scoring thresholds so we can gain a nuanced understanding of which issues most impact our business and are most important to our stakeholders. And instead of relying on interviews with a small number of representative stakeholders, we are harnessing big data through an AI-powered materiality tool and using the extensive stakeholder insights available to us from within our business – for example data from our global Consumer Marketing Insights Team.

To ensure a balanced and independent assessment, we specialise in business importance of issues, detailed below:

- Stakeholder importance (Y-axis on the matrix) was determined using research and analytics on the concerns of investors, society (citizens, NGOs, governments), consumers, customers (retailers), suppliers and our employees. Each topic was high, medium or low according to its importance to stakeholders.
- The prioritisation exercise resulted in two scores for each issue – one for impact on the business and one for stakeholder importance.
- Using the AI-powered materiality tool, we also benchmarked our material issues globally against hundreds of other FMCG companies, thousands of mandatory and voluntary ESG reporting regulations as well as millions of sustainability news articles and social media posts.
- The data from the materiality tool was combined with the manual scores for each axis to create the matrix.

Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Example 8.1: Unilever

- Multimedia/interactive features
- Satellite Imagery
- Blockchain technologies
- Structured data (XBRL)

Multimedia/interactive features

Daily News

Politics

Sed ut perspiciatis unde omnis iste natus error sit voluptatem accusantium doloremque laudantium

Nam libero tempore, cum soluta nobis est eligendi optio cumque nihil impedit quo minus id quod maxime placeat facere possimus

Fashion

Quis autem vel eum iure reprehenderit qui in ea voluptate velit esse quam nihil molestiae consequatur

Nemo enim quisquam ipsam voluptatem quia voluptas sit aspernatur aut odit aut fugit

World

Sed ut perspiciatis unde omnis iste natus error sit voluptatem accusantium doloremque laudantium

Nam libero tempore, nobis est eligendi opti impedit quo minus id placeat facere possi

Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Multimedia/interactive features

Example 8.2: Novartis

Example 8.3: Ferguson Plc

Satellite Imagery

Blockchain technologies

Structured data (XBRL)

Example 8.2: Novartis

PHARMACEUTICAL

WHY THIS IS A GOOD REPORTING PRACTICE

The above video excerpt from YouTube highlights Novartis' application of multimedia to communicate its materiality assessment. Novartis' application of multimedia contributes to information that fulfils the PTF-RNFRO Practices Evaluation Approach attributes of:

- **providing relevant information** (video communicates to stakeholders the value creation story);
- **understandability** (video enables user-friendly access to reporting-related content); and
- **stakeholder inclusiveness** (accessible to a wide range of stakeholders and focused on stakeholder engagement).

↓ Novartis use of YouTube to communicate materiality assessment



Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Multimedia/interactive features

Example 8.2: Novartis

Example 8.3: Ferguson Plc

Satellite Imagery

Blockchain technologies

Structured data (XBRL)

Example 8.3: Ferguson Plc

PLUMBING AND HEATING PRODUCTS DISTRIBUTION

WHY THIS IS A GOOD REPORTING PRACTICE

Ferguson's website has an interactive page with a description of its business model

The webpage content is organised under three different headings namely,

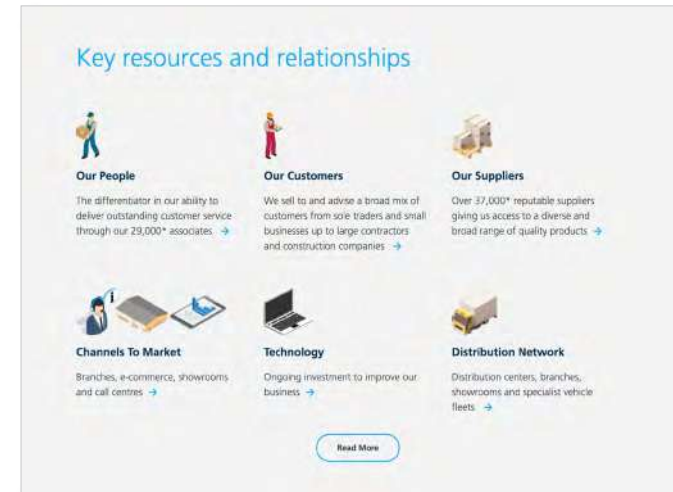
- 'Key resources and relationships' (see excerpt),
- 'What makes us different?' that outlines the value chain and information about customer value and employees, and
- 'The value we create' is broken down by investors, customers, associates (employees) and local communities.

The layout enables users and other stakeholders to drill down to specific components and access comprehensive information about Ferguson's business model inputs, activities, and outputs.

Ferguson's application of interactive webpage features to describe its business model contributes to information that fulfils the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (interactive features enable access to comprehensive business model information);
- **understandability** (interactive features enable reader-friendly access of content);
- **connectivity** (the interactive links help to discern the interrelatedness of different information components); and
- **stakeholder inclusiveness** (enables easy access of information by a wide range of stakeholders).

↓ Ferguson Plc website page on business model



Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Multimedia/interactive features

Example 8.2: Novartis

Example 8.3: Ferguson Plc

Satellite Imagery

Blockchain technologies

Structured data (XBRL)

Satellite imagery

Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Multimedia/interactive features

Satellite Imagery

Example 8.4: Stellantis (FCA)

Example 8.5: Unilever

Blockchain technologies

Structured data (XBRL)

Example 8.4: Stellantis (FCA)

AUTOMOTIVE

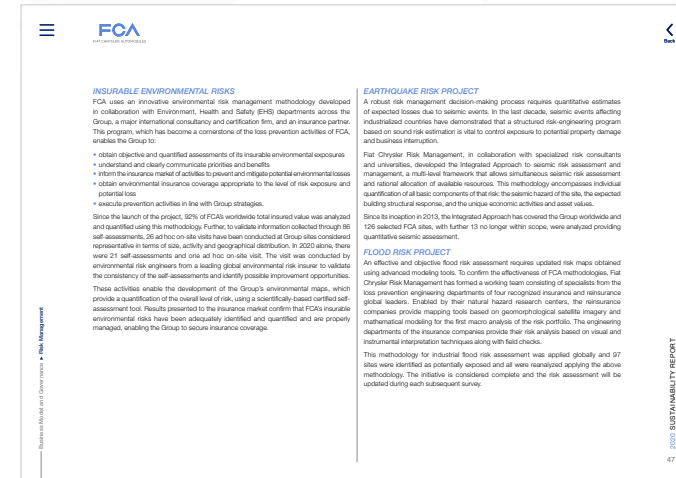
WHY THIS IS A GOOD REPORTING PRACTICE

The disclosure excerpt from Stellantis' 2020 Sustainability Report highlights the application of satellite imagery for mapping tools when evaluating flood risk. It is not explicitly stated that the flood risk project evaluation is a reporting input, but we infer that it is.

The use of satellite imagery as an input to assessing flood risk contributes to information that fulfils the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (incorporates incremental information based on the satellite imagery);
- **faithful representation** (use of satellite imagery contributes to accurate information); and
- **verifiability** (the evaluation by third parties of flood risk using satellite imagery contributes to the reliability of the information).

↓ Annual Sustainability Report 2020, page 22-23



Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Multimedia/interactive features

Satellite Imagery

Example 8.4: Stellantis (FCA)

Example 8.5: Unilever

Blockchain technologies

Structured data (XBRL)

Example 8.5: Unilever

CONSUMER GOODS

WHY THIS IS A GOOD REPORTING PRACTICE

The disclosure excerpt from the Unilever website highlights the application of satellite imagery for monitoring the sourcing of palm oil. Unilever publishes a list of suppliers and public grievance report. Although it is not explicitly stated on the webpage, we infer that the satellite-imagery- derived information on palm sourcing, can be disclosed or be an input to the information in the sustainability reports.

Unilever's use of satellite imagery as an input to assess the sources of its palm oil can contribute to information that fulfils the PTF-RNFRO Practices Evaluation Approach attributes of:

- **relevance** (incorporates currently unavailable information on the sources of the company's palm oil);
- **faithful representation** (use of satellite imagery contributes to accurate information of its supply chain information); and
- **verifiability** (the satellite imagery contributes to the reliability of the information).

↓ Unilever website.

We are committed to ending deforestation across our supply chain – particularly in the cultivation of crops like palm oil and soy. We were the first consumer goods company to publish a full list of the palm oil suppliers and third-party mills in our supply chain. And we are the only one to publish a public grievance report so that issues associated with our direct and indirect palm oil suppliers can be identified and acted on.

We did this because we believe that transparency leads to transformation.

At the same time, using satellite technology (such as through our partnership with World Resources Institute's Global Forest Watch) and by working with Aidenvironment (Transitioning to Earth Equalizers) to evolve its oil palm concession mapping platform, we've been advancing the ways in which we monitor the raw materials used to make our products.

We continue our partnership and support with the World Resources Institute's Global Forest Watch by being part of a consortium of companies to develop radar monitoring technology to detect deforestation in near real-time and with greater accuracy.

Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Multimedia/interactive features

Satellite Imagery

Example 8.4: Stellantis (FCA)

Example 8.5: Unilever

Blockchain technologies

Structured data (XBRL)

Blockchain technologies

Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Multimedia/interactive features

Satellite Imagery

Blockchain technologies

Example 8.6: Lenzing

Structured data (XBRL)

Example 8.6: Lenzing

CHEMICALS

WHY THIS IS A GOOD REPORTING PRACTICE

Lenzing's 2020 Sustainability Report identifies raw material security, which includes monitoring supply chain sourcing, as the top material issue. The above disclosure excerpt from the Sustainability Report highlights Lenzing's use of a blockchain-enabled supply chain platform to facilitate supply chain traceability amongst customers, partners, and consumers.

It is not explicitly stated in the disclosure excerpt but we infer that the supply chain traceability information can either be input for preparing sustainability reported information (e.g., wood sourced from certified suppliers) or it can be used by stakeholders when they are assessing Lenzing's reported KPIs.

Lenzing's application of blockchain can potentially contribute to sustainability information that fulfils the following PTF-RNFRO Practices Evaluation Approach attributes:

- **relevance** (the blockchain technology can contribute to sourcing information related to supply chain risks);
- **faithful representation** (the blockchain technology can contribute to information that is complete, free from error and neutral);
- **comparability** (blockchain technology can contribute to comparable and consistent information across stakeholders);
- **verifiability** (the blockchain technology ensures third parties can rely on the data); and
- **stakeholder inclusiveness** (the blockchain technology can contribute to the transparency of supply-chain information for various stakeholders-customers, supply partners).

↓ Sustainability Report 2020, page 49



Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

- AI application
- Multimedia/interactive features
- Satellite Imagery

Blockchain technologies

Example 8.6: Lenzing

Structured data (XBRL)

Structured data (XBRL)

Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Multimedia/interactive features

Satellite Imagery

Blockchain technologies

Structured data (XBRL)

Example 8.7: Hochtief

Example 8.7: Hochtief

CONSTRUCTION

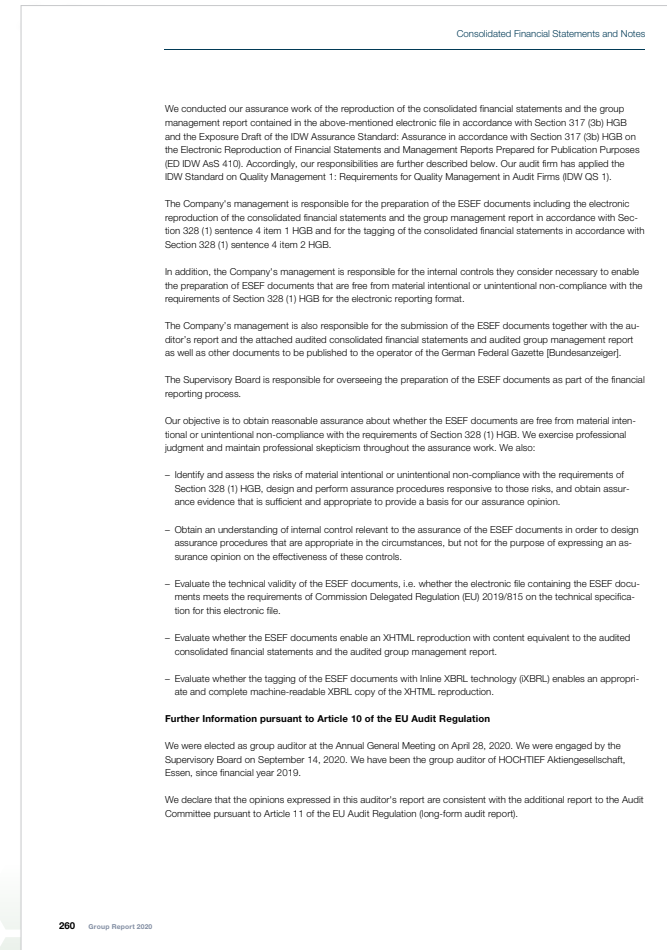
WHY THIS IS A GOOD REPORTING PRACTICE

The above excerpt from the auditor report in Hochtief's 2020 Group Report indicates that the ESEF documents include the consolidated financial report and the group management report, which has GRI-based sustainability information.

Hochtief's application of structured data technologies (ESEF/iXBRL) contributes to sustainability information that fulfils the PTF-RNFRO Practices Evaluation Approach attributes of:

- **comparability** (can allow comparability with entities that have similarly tagged the same information);
- **connectivity** (enables an integrated analysis of tagged financial and sustainability information); and
- **faithful representation** (the assured ESEF information contributes to accuracy of information applied by users of the information).

↓ Hochtief Group Report 2020, page 260



Introduction

Part 1: Business model, sustainability risks and opportunities

Part 2: Applying technological solutions for sustainability reporting information

AI application

Multimedia/interactive features

Satellite Imagery

Blockchain technologies

Structured data (XBRL)

Example 8.7: Hochtief