

‘Climate standard prototype’

Working Paper

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Cover Note

- 1 The PTF-ESRS is making publicly available this document and its Appendix as a working paper on a 'Climate standard prototype'. This working paper was presented to its plenary meeting on 8 September 2021 by its dedicated subgroup (Cluster 2). This working paper is the starting point for a PTF-ESRS extensive discussion towards a draft standard and is not open to public consultation at this stage. It is disclosed for transparency purposes as a milestone so that stakeholders have an understanding on the operations, initial thinking and direction taken on the *Climate standard prototype*.

General context

- 2 Under Article 19b(1) of the European Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD), EFRAG should be mandated by the European Commission to develop draft EU sustainability reporting standards.
- 3 Following [EFRAG's two reports published on 8 March 2021](#), the European Commission, in a [letter dated 12 May 2021](#), has requested EFRAG to put in place **interim working methods** to start the technical work immediately before it is handed over to EFRAG standard setting bodies under a new governance structure.
- 4 The plenary kick-off meeting of the PTF-ESRS on 9 June 2021 established the organisation of the project in **9 clusters**, reflecting the target architecture proposed in the [PTF-NFRS report](#).
- 5 Cluster 2 is responsible for preparing a draft **climate standard** covering climate change mitigation and climate change adaptation (including energy).
- 6 This working paper titled '*Climate standard prototype*' lays the grounds for this draft climate standard and should not be interpreted in any way whatsoever as representing the views from the European Commission.
- 7 In parallel to the work on climate, the PTF-ESRS continues to work on draft standards covering all other sustainability issues referred to in the European Commission's CSRD proposal, which will form part of the set of draft standards to be delivered to the European Commission in mid-2022.

Status of this working paper and due process to date

- 8 The *Climate standard prototype* is a **working paper prepared by Cluster 2**. It was presented to the PTF-ESRS on 8 September 2021 to initiate further discussions and exchanges of views within the wider PTF-ESRS.
- 9 **This working paper will be supported by a comprehensive *Basis for conclusions* document to be made publicly available shortly.** The *Basis for conclusions* explains the rationale behind the proposed disclosure requirements. It will accompany but will not be part of the climate standard. It summarises the considerations of Cluster 2 in developing the proposed content of the climate standard. It also justifies the options taken for the disclosure requirements included and the adopted references (e.g. GHG



Protocol) by explaining the rationale. More specifically, it describes why disclosures should be required (objective and scope of the standard, background, references to the main EU and international frameworks and a focus on users' needs), what should be disclosed and how it should be disclosed.

- 10 The approach followed by Cluster 2 was split into two phases. **The first phase, now completed, involved analysing the comprehensive state of play** of EU and international legislations (SFDR, Taxonomy, etc.) and policies as well as climate-related reporting frameworks (in particular TCFD) and standards. The starting point was the [work carried out by the multi-stakeholder Project Task Force on preparatory work for the elaboration of possible EU non-financial reporting standards](#) (PTF-NFRS). **In a second phase**, Cluster 2 has started testing the characteristics of information quality, assessing materiality from the impact and/or financial perspectives, designing content, drilling down datapoints and considering connectivity with financial reporting to get **a content prototype**. However, since the work of all clusters, and in particular those dealing with conceptual guidelines and cross-cutting standards, is still in progress, this second step will need to be re-visited in due time.
- 11 **It should also be noted that this first proposal focuses on non-financial undertakings at this stage.**

Due process going forward

- 12 **The document is shared as a working paper reflecting the views and consensus at this point in time within Cluster 2 only.**
- 13 **Significant changes may happen as internal discussions are still ongoing within the responsible cluster. Significant changes could also arise from the subsequent steps of the due process** described below at PTF-ESRS level – this working paper was not endorsed by the PTF-ESRS – and after handing over to the EFRAG governing bodies.
- 14 **As of today, the planned next steps within the PTF-ESRS are the following:**
 - (a) submission to the PTF-ESRS review panel,
 - (b) submission to all PTF-ESRS members for comments,
 - (c) consensus building discussions in plenary meeting(s),
 - (d) onboarding of suggestions and preliminary decisions in a V0 draft standard,
 - (e) submission to a dedicated expert working group (see [call for candidates](#)).
- 15 Further steps, in particular public consultation, will be considered in due course at a more advanced stage in accordance with the outcome of the [consultation on the EFRAG due process](#).
- 16 The PTF-ESRS does not expect to receive any comment on the Appendix at this stage.

Additional disclaimers to be borne in mind when reading the working paper in the Appendix

- 17 *Boundaries.*
 - (a) There may be overlaps between topical standards requirements and cross-cutting disclosure requirements. In particular, the PTF-ESRS still needs to agree on what disclosure requirements should be included in cross-cutting standards and

reporting areas standards or arise from conceptual guidelines and what disclosure requirements should be specific to a topical standard.

- (b) Other overlaps may relate to boundaries between sector-agnostic disclosure requirements and sector-specific disclosure requirements.
- 18 *Prioritisation.* The prioritisation of subtopics and the sequence between (i) a first set of standards at least specifying information corresponding to the needs of financial market participants to be delivered in 2022, and (ii) a second set of standards with complementary information to be delivered in 2023, will be key and require arbitration.
 - 19 *Financial connectivity.* The connectivity between financial reporting and sustainability reporting is still to be further considered and developed at PTF-ESRS level, along with the principles to follow in terms of scope, segment / activity information, etc.
 - 20 *Digitisation.* The elaboration of the application guidance on digitisation (an appendix to the standard) could also have an impact on the detailed formulation of disclosure requirements.
 - 21 *Disclosures related to the EU Taxonomy.* The compatibility of the proposed disclosures in this working document with the disclosures specified in the Delegated Act under article 8 of the Taxonomy has not yet been fully analysed and the PTF will need to consider this issue in more detail.

Appendix.
***‘Climate standard prototype’* presented by Cluster 2 to the EFRAG
Project Task Force on European sustainability reporting standards
(PTF-ESRS)**

EFRAG Project Task Force on European Sustainability Reporting standards (PTF-ESRS)

Presentation by Cluster 2 to the PTF-ESRS of a
'Climate standard prototype' working paper

8 September, 2021

C2 W



European Financial Reporting Advisory Group

Cluster 2 'Climate standard prototype' working paper

Background and Disclaimer

This appendix should be read along with its accompanying cover note describing the context, the process to date and forward and general and additional specific disclaimers related to this *Climate standard prototype* working paper.

C2 working paper

Climate Cluster composition

PTF MEMBERS

- **Eric Duvaud (France, EY)**
- **Christoph Toepfer (Germany, UBA)**
- Isabel Gavin Perez (Spain, Caixa)
- Philippe Meunier (Belgium, ENGIE)
- Mikael Niskala (Nordics, Mitopro)

SECRETARIAT MEMBERS

- Clara de Préville (France, EY)
- Anne Claire Ducrocq (France, BNP Paribas)
- Juliette Henry (France, Banque de France)
- Henrik Munck (Danemark, Insurance & Pension funds)
- Antoine Pugliese (France, ADEME)

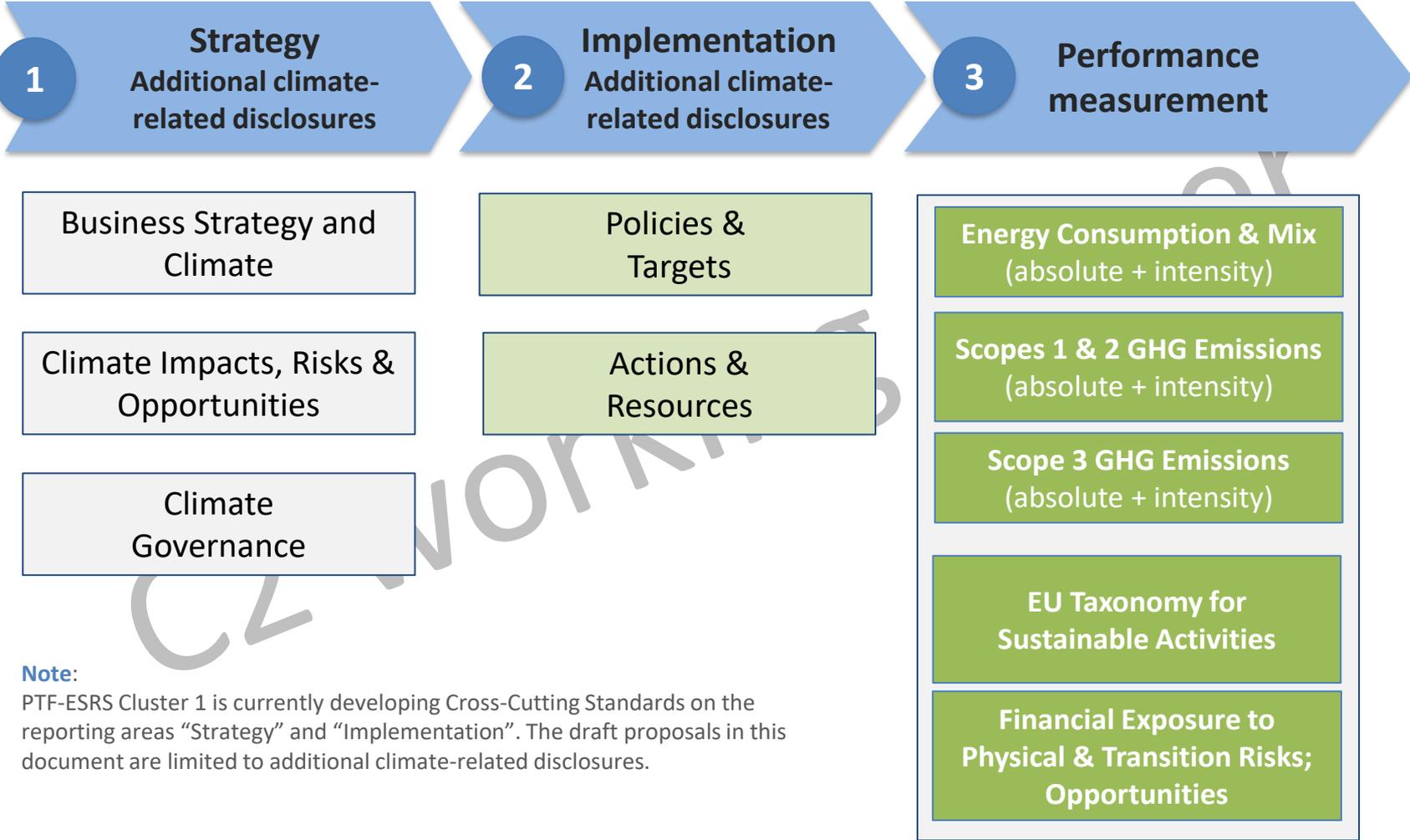
EU OBSERVERS

- Juliette Desloires (ECB)
- Georges Gloukoviezoff (EIB)
- Beate Hollweg (EEA)
- Marie Lyager (ESMA)

Climate Standard Key Goals

1. **Create transparency for investors and other stakeholders of the reporting entity on:**
 - the impacts of the reporting entity on climate change and its past, current and future mitigation efforts;
 - the risks and opportunities which arise from climate change to which the reporting entity is exposed;
 - the effects of climate-related risks and opportunities on the reporting entity's financial position, financial performance and ability to create enterprise value over the short-, medium- and long-term; and
 - the plans and capacity of the reporting entity to adapt its business model and operations in line with the transition to a sustainable economy and limiting global warming to 1.5 °C.
2. **Addressing the ambitious objectives of the EU related to Climate as reflected in the CSRD and existing EU regulations (including Taxonomy Regulation, SFDR, etc.):**
 - Disclosure proposals corresponding to the Delegated Act supplementing Article 8 of the Taxonomy Regulation and the Regulatory Technical Standards (RTS) on ESG disclosures currently under development under the SFDR are indicated as such in this document.
3. **Organizing an appropriate compatibility with other international initiatives in order to promote as much as possible a common platform on this crucial topic:**
 - The draft document is seeking compatibility with the **recommendations of the Task Force for Climate-related Financial Disclosures (TCFD)** (subject to potential evolution linked to the current TCFD consultation)
 - The draft document is seeking for compatibility with the **Global Reporting Initiative (GRI)** (subject to GRI universal standard disclosures still under development).
 - Discussions with the **IFRS Foundation's Technical Readiness Working Group** are currently underway.
 - Contact has been established to the **United States Securities and Exchange Commission (SEC)**.

Overview of the Climate Standard Content: 3 reporting areas materializing through 10 disclosure areas



Note:
PTF-ESRS Cluster 1 is currently developing Cross-Cutting Standards on the reporting areas “Strategy” and “Implementation”. The draft proposals in this document are limited to additional climate-related disclosures.

Business Strategy and Climate (1/4)

Key Disclosures

- 1 ▶ Effects of climate change on the business model and strategy
- 2 ▶ Resilience of the business model and strategy towards climate-related risks
- 3 ▶ Impacts of the business model and strategy on climate change

Business Strategy and Climate (2/4)

Considering that the Cross-Cutting Standard, currently under development by Cluster 1, will contain the overall content for the Business Strategy description, proposals by Cluster 2 are limited to additional climate-related requirements.

Potential Cross Cutting Standard

The future cross-cutting standards on strategy are expected to reflect the following requirements from Art. 19a (2) CSRD-proposal

“a brief description of the undertaking's business model and strategy, including:

- i. the resilience of the undertaking's business model and strategy to risks related to sustainability matters;
- ii. the opportunities for the undertaking related to sustainability matters;
- iii. the plans of the undertaking to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement;
- iv. how the undertaking's business model and strategy take account of the interests of the undertaking's stakeholders and of the impacts of the undertaking on sustainability matters;
- v. how the undertaking's strategy has been implemented with regard to sustainability matters.”

Climate Standard

- **3 disclosure requirements** relating to the effects of climate change on the business model and strategy, the resilience of the business model and strategy towards climate change and the actual and potential impacts of the business model and strategy on the climate.
- Resulting in **10 datapoints**

Business Strategy and Climate (3/4)

1

Effects of climate change on business model and strategy

Describe the actual and potential effects of climate-related risks and opportunities* on the business model and strategy, including reference to products and services, operations and value chains.

(* Refers to all principal short-, mid- and long-term climate-related risks and opportunities identified under section "Impacts, Risks and Opportunities"; includes transition and physical risks)

Narrative

Based on TCFD

Describe where in the value chain climate-related risks are concentrated, including an identification of key resources** and processes of the undertaking these risks relate to.

(** Including dependencies on natural capitals, such as water, land, ecosystems or biodiversity that are or will be impacted by climate change; To be discussed in connection with Cluster 3)

Downstream
Operations
Upstream
+Narrative

Based on TCFD

Describe how climate-related risks and opportunities serve as an input to management's strategy and decision making.

Narrative

Based on TCFD

Business Strategy and Climate (4/4)

2

Resilience of the business model and strategy

Describe the resilience of the current business model(s) and strategy to climate-related risks.	Narrative	Based on TCFD consultation*
Has the resilience of the business model(s) been verified by using a range of climate scenarios, including a 2°C and 1.5°C scenario for transition risks and >2°C scenarios for physical risks?	Yes/No	Based on TCFD consultation /CDP
If yes, describe the scenarios that have been considered, why they were chosen, key assumptions taken and the time horizon over which the analysis has been conducted.	Narrative	Based on TCFD consultation /CDP
Describe the short-, medium- and long-term strategic implications resulting from the analysis above.	Narrative	Based on TCFD
Disclose the share of turnover from Taxonomy-aligned activities in comparison to Taxonomy-eligible activities and provide an estimate of this ratio in 5 years.	Quantitative (%)	Based on Taxonomy

* TCFD, “Proposed Guidance on Climate-related Metrics, Targets, and Transition Plans”, June 2021. Available [here](#).

3

Impacts of the business model and strategy on climate change

Describe how the current business model and strategy cause and drive GHG-emissions and other climate-related impacts* in own operations and along the value chain. (* Refers to the GHG emissions and other climate-related impacts identified under sections “Impacts, Risks and Opportunities”)	Narrative	Based on NFRD 2019 Guidelines
Describe the plans to ensure that the business model and strategy are compatible with the transition to limiting of global warming to 1.5 °C in line with the Paris Agreement (i.e. transition plan). (For this disclosure referencing to sections “Policies, “Targets”, Actions & Resources” is recommended.)	Narrative	Based on CSRD-proposal

Climate Impacts, Risks and Opportunities (1/4)

Key Disclosures

Cluster 2 considers reporting on the impacts on climate change as well as climate-related risks and opportunities, covering own operations and the whole value chain, material for all undertakings.

1

- ▶ Identification and assessment processes for impacts on climate change (as part of the due diligence process) and climate-related risks and opportunities

2

- ▶ Description of impacts on climate change and climate-related risks and opportunities

3

- ▶ Integration of impacts on climate change and climate-related risks and opportunities into the management processes

Climate Impacts, Risks and Opportunities (2/4)

Considering that the Cross-Cutting Standard, currently under development by Cluster 1, will contain the overall content for impacts and principal risks and opportunities related to sustainability matters, the proposals of Cluster 2 are limited to climate-related additional requirements.

Potential Cross Cutting Standard

Climate Standard

1

Sustainability impacts, risks and opportunities identification along the value chain

2

Sustainability impacts, risks and opportunities assessment methodology

3

Integration into internal risk management and strategy definition and validation processes

- **3 qualitative disclosure requirement** relating to the identification and assessment processes for impacts on climate change and climate-related risks and opportunities, the description of impacts on climate change and climate-related risks and opportunities, and the integration of impacts on climate change and climate-related risks and opportunities into the management processes
- Composed of **10 data points** as Climate is considered by EFRAG as a material topic for all companies in a future carbon neutral economy

Climate Impacts, Risks and Opportunities (3/4)

1 Identification and assessment processes for impacts on climate change and climate-related risks and opportunities

Describe the process for identifying and assessing the **adverse and positive impacts** on climate change along the value chain.

Note: GHG emission calculations are presented in the Performance Measurement section.

Narrative

Impact materiality added “positive impact”

Describe the processes for identifying and assessing short-, medium- and long term **transition risks and opportunities** along the value chain, including a definition of the considered time horizons and scenario analysis how size and scale of the risks and opportunities are assessed and how principal transition risks and opportunities are selected.

Narrative

Based on TCFD/CDP

Describe the processes for identifying and assessing short-, medium- and long term **physical risks** along the value chain, including a definition of the considered time horizons, scenario analysis, how size and scale of the hazards are assessed and associated principal risks are selected.

Note: general categories for climate-related hazard are defined in the EU Taxonomy Climate Delegated Act, Annex II, Appendix A. A generic process for the identification and assessment of physical risks is defined in the EU Taxonomy Climate Delegated Act, Annex I, Appendix A.

Narrative

Based on TCFD/CDP

Climate Impacts, Risks and Opportunities (4/4)

2

Description of impacts on climate change and climate-related risks and opportunities

Describe the principal transition risks .	Narrative	Based on TCFD/CDP
Describe the principal physical risks .	Narrative	Based on TCFD/CDP
Describe the opportunities over the short-, medium and long-term with the potential to have a substantive financial or strategic effect for the undertaking.	Narrative	Based on TCFD/CDP
Does the undertaking have significant impacts beyond GHG-emissions* in its value chain (including own operations)?	Yes/No	
Describe significant non-GHG-related impacts on climate change.	Narrative	

* See section „Performance Measurement“ for quantitative reporting on GHG-emissions.

3

Integration of impacts on climate change and climate-related risks and opportunities into the management processes

Describe the processes for validating the assessment output of the impacts on climate change as well as climate-risks and opportunities.	Narrative	
Describe how processes for identifying, assessing and managing impacts on climate change and climate-related risks and opportunities are integrated into the overall risk management, management system and strategy definition.	Narrative	Based on TCFD/GRI

Note: Cluster 2 considers that the identification, assessment and management of the adverse impacts on climate change reflect a significant part of an undertaking's climate-related due diligence process. Disclosures on the management of these impacts are further underpinned by the proposals under sections „Climate Governance“ and „Policy“. Actions to mitigate these adverse impacts are addressed in section „Targets“ and „Actions & Resources“.

Climate Governance (1/5)

Key Disclosures

1

- ▶ Governance of impacts on climate change and climate-related risks and opportunities at board level

2

- ▶ Governance of impacts on climate change and climate-related risks and opportunities at management and operations levels

3

- ▶ Internal climate-related incentive mechanisms:
 - Remuneration incentives on GHG emissions reduction
 - Internal carbon pricing tools

Climate Governance (2/5)

Considering that the Cross-Cutting Standard, currently under development by Cluster 1, will contain the overall content for reporting on sustainability governance within an undertaking, the Cluster 2 proposals are limited to additional climate-related requirements.

Potential Cross Cutting Standard

Climate Standard

1

Governance of sustainability topics at Board level

2

Governance of sustainability topics at Management and Operation levels

3

Incentivising management on sustainability performance

- **3 disclosure requirements** covering climate governance at board level and at management and operations level and climate-related incentive mechanisms
- Composed of **19 data points** as Climate is considered by EFRAG as a material topic for all companies in a future carbon neutral economy

Climate Governance (3/5)

1

Governance of impacts on climate change and climate-related risks and opportunities at board level

Is there formal board level oversight of climate-related issues?	Yes / No	Based on CDP
Describe the governance structure and committees at board level responsible for climate-related issues, including processes for delegating authority from Board level to management and operation levels.	Narrative and/or graphical	Based on CDP
Describe the competencies* of board members relating to climate change	Narrative	Based on Joint Prototype**
Describe the Board oversight process covering climate-related decision, including: <ul style="list-style-type: none"> • Strategic or plans review • When and how a climate related issue is raised to Board attention • Performance/target monitoring • CapEx/M&A decisions... 	Narrative	Based on TCFD /CDP
Number of climate-related decisions taken by the Board in the reporting year as shown in the minutes of the Board meetings?	Quantitative	

* Understood as a combination of skills, knowledge and experience; definition to be confirmed with Cluster 4 (Workforce).

** CDP, CDSB, GRI, IIRC and SASB, "Reporting on enterprise value Illustrated with a prototype climate-related financial disclosure standard", December 2020. Available [here](#).

Climate Governance (4/5)

2 Governance of impacts on climate change and climate-related risks and opportunities at management and operations levels

Does the undertaking assign climate-related responsibilities and authorities to senior executive positions or committees?	Yes / No	Based on Joint Prototype
Describe the associated organizational structure(s) and reporting lines.	Narrative and/or graphical	Based on TCFD/CDP
<p>Describe the role of management and operations levels relating to, <i>e.g.</i>:</p> <ul style="list-style-type: none"> ▪ Business model and strategy ▪ Climate mitigation or adaptation policies ▪ Assessment and/or management of impacts, risks and opportunities ▪ Emissions reduction targets 	Narrative	Based on TCFD/CDP/ Joint Prototype
Describe the competencies* of the senior executives regarding climate change.	Narrative	
Describe the engagement with stakeholders regarding impacts on climate change and climate-related risks and opportunities, including engagement with upstream and downstream partners to promote climate mitigation and/or adaptation solutions.	Narrative	Based on NFRD 2019 Guidelines

* Understood as a combination of skills, knowledge and experience; definition to be confirmed with Cluster 4 (Workforce).

Climate Governance (5/5)

3

Internal climate-related incentives mechanisms

Describe how climate-related remuneration* is organized within the undertaking					Narrative	Describe how internal carbon pricing schemes are implemented in the undertaking				Narrative
Remuneration incentives on GHG emissions reduction	Executives	Managers	Employees	Total	Internal carbon pricing	Yes / No	Volume at stake	Prices applied		
Percentage of people incentivised for GHG emissions reduction targets achievement (%)?					Does the company use internal carbon pricing systems to incentivise climate performance such as:		tCO2e	€/tCO2e		
					<ul style="list-style-type: none"> ▪ CapEx shadow price ▪ R&D investment shadow price ▪ Internal carbon fee/fund** ▪ Others 					
Relative proportion of variable remuneration indexed on GHG emissions reduction targets achievement (%)					** Directly affecting the profit and losses of the business units					
Share of total compensation based on incentives on GHG emissions reduction (%)										
* Disclosure on remuneration policy should be aligned with the descriptions in the remuneration reports and the requirements of the upcoming Sustainable Corporate Governance Initiative.										

Key Disclosures

1

▶ Policy commitment on climate change mitigation

2

▶ Policy commitment on climate change adaptation

Policies (2/2)

Potential Cross Cutting Standard

Policies relating to a sustainability matter should:

- Cover a defined perimeter,
- Be disseminated,
- Have defined ownership,
- Be underpinned by targets, action plans, appropriate resources and due diligence/risk management processes.

Climate Standard

- **2 disclosure requirements** covering policy commitments to climate change mitigation and adaptation.
- Composed of **4 data points**

1 Policy commitment to climate change mitigation

Describe policy commitments related to climate change mitigation, detailing their content, perimeter with regards to the value chain and how they are communicated to stakeholders, including business partners.

Narrative

Based on GRI Universal Standards*

Describe how the policy commitments related to climate change mitigation are implemented within own operations and the value chain.

Narrative

Based on GRI Universal Standards

2 Policy commitment to climate change adaptation

Describe policy commitments related to climate change adaptation, detailing their content, perimeter with regards to the value chain and how they are communicated to stakeholders, including business partners.

Narrative

Based on GRI Universal Standards

Describe how the policy commitments related to climate change adaptation are implemented within own operations and the value chain.

Narrative

Based on GRI Universal Standards

*GRI Universal Standards: GRI 101, GRI 102, and GRI 103 – Exposure draft June 2020; available [here](#) and Item 03 of June 2021 GSSB meeting [available here](#)

Climate Targets (1/5)

Key Disclosures

- 1 ▶ Targets on energy intensity
- 2 ▶ Targets on GHG emission reduction Scopes 1 and 2 (absolute + intensity)
- 3 ▶ Targets on GHG emissions reduction Scope 3 (absolute + intensity)
- 4 ▶ Other carbon intensity targets (optional)
- 5 ▶ Carbon neutrality / net zero target
- 6 ▶ GHG emissions reduction targets presented as a pathway to net zero
- 7 ▶ GHG emission reduction pathway presented by decarbonisation lever

Climate Targets (2/5)

Potential Cross Cutting Standard

Targets should contain the four below elements:

- **Targets** (absolute value and intensity),
- **Perimeter** (Activities and Scopes),
- **Target year**,
- **Baseline year's emissions***.

*For climate-related disclosures Cluster 2 considers that the baseline should be chosen between 2015 and 2022 to increase comparability. The years 2020 and 2021 should not be taken into account because of the coronavirus pandemic. The baseline can also be an average of 3 years if this increases representativeness.

Climate Standard

- **7 disclosure requirements on:**
 - Energy intensity targets
 - GhG emissions reduction (Scopes 1, 2 and 3) targets in absolute and intensity terms
 - Other carbon intensity targets
 - Carbon neutrality / net zero target and presentation of GhG emissions reduction targets as a pathway to net zero
 - GhG emissions reduction targets pathway presented by decarbonisation lever demonstrating the modelling effort

All below targets are based on the indicators proposed in the "Performance Measurement" section.

1 Targets on energy intensity

Disclosure of targets for 2025 and 2030 (and, if relevant, every 5 years from 2030 to 2050).

- **Activity energy intensity** for companies belonging to the high GHG-emission sectors**
- **Offices energy intensity** for all companies

**Agriculture and forestry, Manufacturing, Energy including coal, oil & gas power generation, Water supply, sewerage, waste management and remediation, Transport including aviation, Construction and real estate, Information and Communication (data hosting)) and/or the sectors subject to the EU ETS.

Climate Targets (3/5)

2 Targets on GHG emission reduction Scopes 1 and 2 (absolute + intensity)

Disclosure of targets for 2025 and 2030 (and, if relevant, every 5 years from 2030 to 2050) covering:

- ▶ **Scopes 1 and 2 GHG emissions in absolute value**
- ▶ **Scopes 1 and 2 GHG emissions in intensity terms**

3 Targets on GHG emission reduction Scope 3 (absolute + intensity)

Disclosure of scope 3 targets for 2025 and 2030 (and, if relevant, each 5 years from 2030 to 2050) covering:

- ▶ **Total GHG emissions Scope 3 based on significant categories in absolute value**
- ▶ **Total GHG emissions Scope 3 based on significant categories in intensity terms for all companies or only those that are part of high emission sectors**

4 Optional targets on carbon intensity related to specific EU objectives on buildings and logistics

Disclosure of targets for 2025 and 2030 (and, if relevant, every 5 years from 2030 to 2050) covering:

- ▶ **Carbon intensity of the undertaking's tertiary activities**
- ▶ **Carbon intensity of the undertaking's logistics**

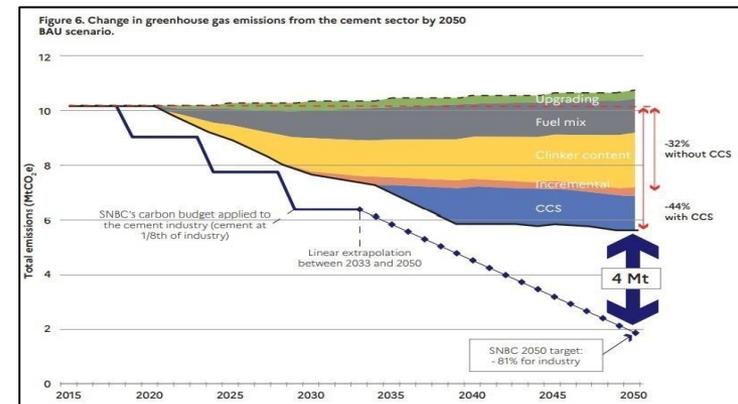
Targets Presentation (4/5)

5 Carbon neutrality / net zero target

Does the undertaking have a carbon neutrality / net zero target?	Yes / No	Based on CDP
What is the target year?	Quantitative	Based on CDP
Describe how the target has been set, including the perimeter and the levers to achieve it.	Narrative	Based on CDP

6 GHG emission reduction targets presented as a pathway to net zero

- ▶ Disclosure of GHG emission reduction targets for 2025 and 2030 (and, if relevant, every 5 years from 2030 to 2050)
- ▶ In comparison with the best available 1.5°C climate scenario related to the company's activity or sector
- ▶ If 1.5°C scenario are not available in comparison with the -55% of GHG reduction in 2030 aligned with EU climate goal
- ▶ Presented as a graph showing the evolution over time towards net zero



Targets Presentation (5/5)

7 GHG emission reduction targets pathway presented by decarbonisation lever

- ▶ Presented as a table and as a waterfall graph; it demonstrates the business modelling effort
- ▶ Presented with well-recognised sources (IPCC, IEA net Zero) and rationale for all elements and decarbonisation levers
- ▶ The sum of the levers result in the contribution of achievement of the next milestone

Emissions reduction targets split by decarbonisation lever in absolute value	Base year	Milestones and target years			Assumptions for each decarbonisation levers
	2015-2022	2025	2030	up to 2050	
GhG emissions reduction targets pathway (Scopes 1, 2 and 3).					
<i>Lever example: Demand Material reduction</i>	N/A				
<i>Lever example: Materials and process efficiency</i>	N/A				
<i>Lever example: Circular economy and industrial waste</i>	N/A				
<i>Lever example: Energy efficiency measure</i>	N/A				
<i>Lever example: Electrification and fuel switching</i>	N/A				
<i>Lever example: CCU and CCS technologies</i>	N/A				
<i>Other levers</i>	N/A				

When presenting the pathway by decarbonisation levers, the company could also report its **locked-in emissions** (emissions that will necessarily be emitted due to the existing and planned assets). The assessment of locked-in emissions allows companies to identify the needs for investments in or phasing out existing assets and investors to analyse the risks for stranded assets. See also “Financial Exposure” section.

Actions and Resources (1/4)

Key Disclosures

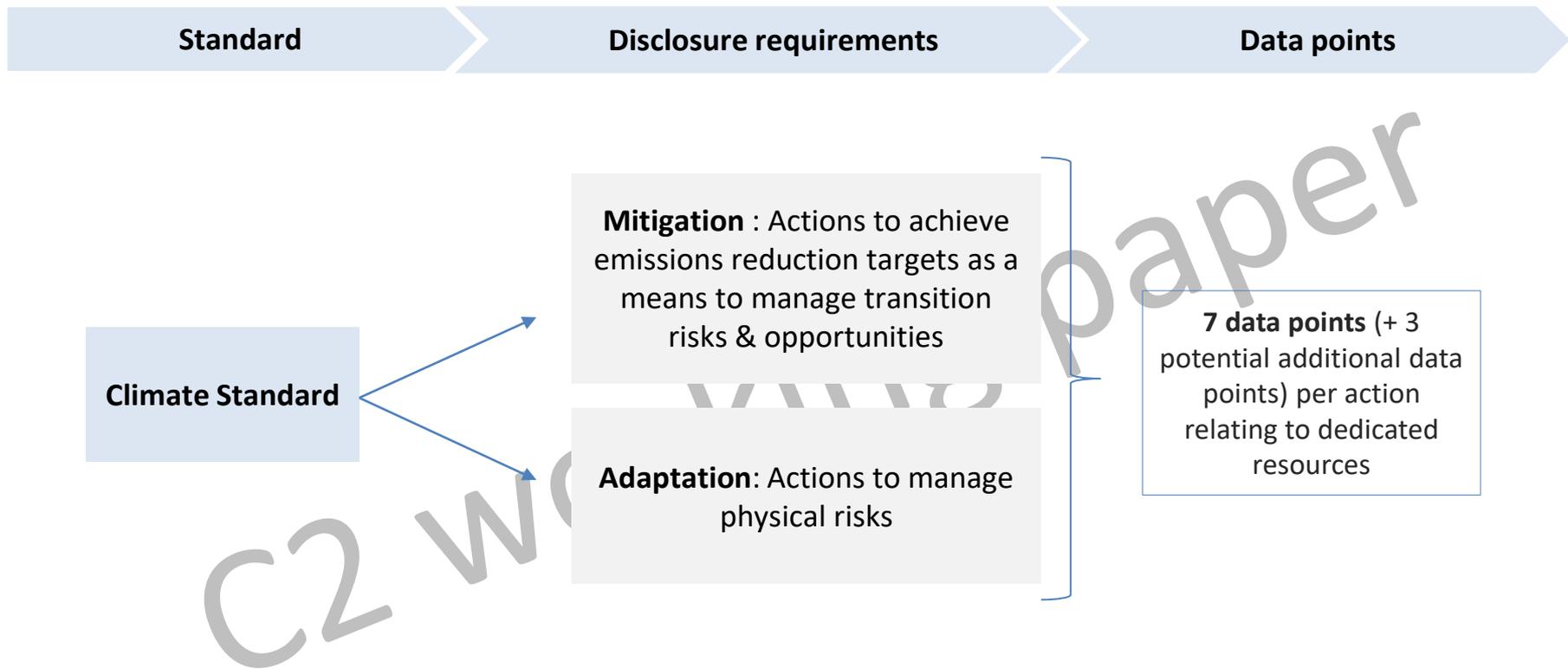
1

▶ Mitigation actions and resources to achieve GHG emission reduction targets

2

▶ Adaptation actions and resources to manage physical climate risks

Actions and Resources (2/4)



Note: The list of actions will be compiled by the-reporting entity.

Actions and Resources (3/4)

1 Mitigation actions and resources to achieve GHG emission reduction targets

Key actions description	Time horizon	Expected GHG emissions reduction	Dedicated resources			
			R&D	Past CapEx*	Current CapEx*	CapEx plan*
<i>Increase the use of renewable energy</i>	2025	<i>Tons of CO2e</i>	<i>Current year</i>	<i>Past 3 years</i>	<i>Current year</i>	<i>Next 5 years</i>
<i>Improve energy efficiency / electrification of industrial processes</i>						
<i>Reduce energy consumption of buildings</i>						
<i>Switch to low carbon transport</i>						
<i>Reduce carbon footprint of supply chain</i>						
<i>Reduce carbon footprint of products</i>						
<i>Reduce short-lived climate forcers</i>						
<i>Enhance policy engagement (etc.)</i>						

* Consistent with Article 8 Taxonomy disclosures.

- ▶ The list presented here contains examples. Key actions should correspond to the list of decarbonisation levers, identified by the reporting entity.
- ▶ Key actions are usually split by upstream, own operations and downstream.
- ▶ The time horizon should be coherent with the milestones or target year.
- ▶ Disclosure of OpEx related resources is still to be discussed as for example:
 - **Past OpEx** (past 3 years as in the Taxonomy),
 - **OpEx plan** (future OpEx),
 - **Annual climate-related full-time equivalent (FTE).**

Actions and Resources (4/4)

2 Adaptation actions and resources to manage physical climate risks

Key actions description	Time horizon	Expected outcomes	Dedicated resources			
			R&D	Past CapEx*	Current CapEx*	CapEx plan*
<i>Assess physical climate risks and vulnerability (hazards)</i>	2025	<i>List of principal physical risks</i>	<i>Current year</i>	<i>Past 3 years</i>	<i>Current year</i>	<i>Next 5 years</i>
<i>Evaluate value at risk</i>						
<i>Adapt damage insurance coverage</i>						
<i>Invest in flood, heat or cold waves, wildfires, etc. protection</i>						
<i>Relocate production facilities</i>						
<i>Enhance policy engagement (etc.)</i>						

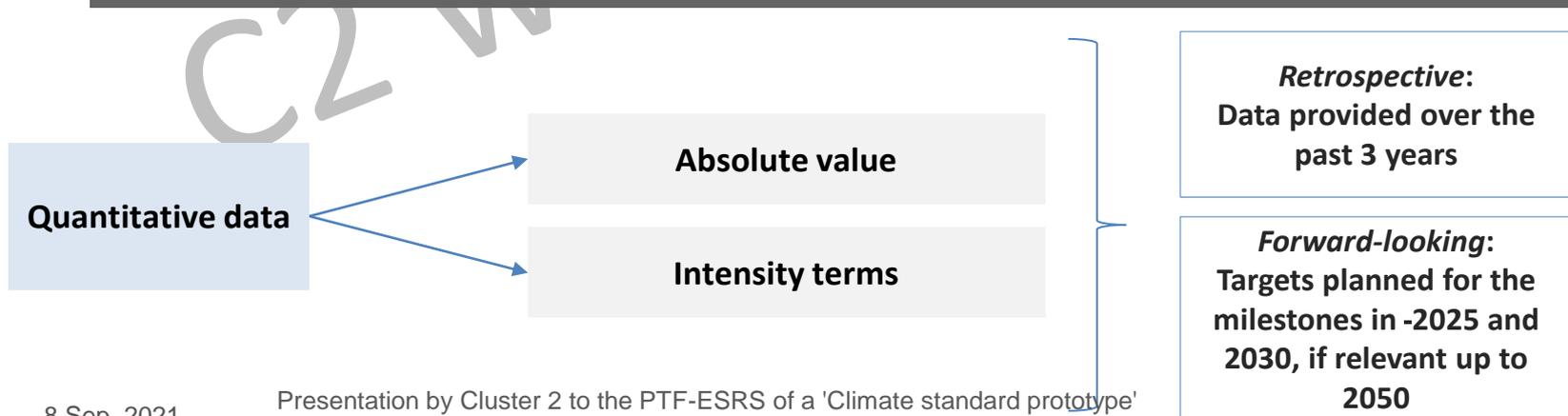
* Consistent with Article 8 Taxonomy disclosures.

- ▶ The list presented here contains examples.
- ▶ Disclosure of OpEx related resources is still to be discussed as for example:
 - **Past OpEx** (past 3 years as in the Taxonomy),
 - **OpEx plan** (future OpEx),
 - **Annual climate-related FTE.**

Performance measurement

Key Disclosures

- 1 ▶ Energy consumption & mix
- 2 ▶ Scopes 1 & 2 GHG emissions
- 3 ▶ Scope 3 GHG emissions
- 4 ▶ Carbon intensity related to specific EU objectives
- 5 ▶ Financial Opportunities relating to Climate Change Mitigation and Adaptation as reflected by the EU Taxonomy for Sustainable Activities
- 6 ▶ Financial Exposure to Physical and Transition Risks; Opportunities



Energy Consumption & Mix (1/5)

Key Disclosures

1

- ▶ Total energy consumption

2

- ▶ Energy consumption mix + Breakdown renewables/non renewables

3

- ▶ Share of green hydrogen

4

- ▶ Targets on energy intensity

Energy Consumption & Mix (2/5)

1

Total Energy Consumption

Final* Energy Consumption in MWh	N-2	N-1	N	Adapted from
Total fuel consumption from non-renewable sources (excluding feedstocks)				CDP & GRI
Total fuel consumption from renewable sources (excluding feedstocks)				CDP & GRI
Total consumption of the purchased electricity**				CDP & GRI
Total consumption of purchased or acquired heat, steam and cooling**				CDP & GRI
Total consumption of self-generated non-fuel renewable energy***				CDP & GRI
Total Energy Consumption (sum of the above components)				

*Final energy consumption refers to what end users actually consume. The reporting entities may also add a table on primary energy consumption which refers to energy which has not undergone any conversion or transformation process. Primary energy factors used for the determination of the primary energy use (associated with electricity or steam, heat or cooling) may be based on national or regional yearly average values and may take into account relevant European standards

**The purchase of electricity or other energies with Guaranties of Origins (GoO) or renewable energy certificates (REC) should be included and could be added by reporting entities separately if deemed relevant e.g. for scope 2 emissions reported under market-based approach

*** When disclosing self-generated energy consumption, companies should avoid the double counting of fuel consumption (which is already accounted in the first two lines)

Energy Consumption & Mix (3/5)

2

Energy Consumption Mix + Breakdown Renewable/Non renewable

- Energy mix by type of energy and especially breakdown of non-renewable sources is required for the GHG emissions calculation.
- A detailed breakdown of renewable energy sources could be considered for all or for some specific sectors, notably renewable energy from biomass, water and waste could be disclosed since they often go hand in hand with other sustainability issues.

Energy Consumption Mix in MWh and/or %	N-2	N-1	N
Total fuel consumption from coal			
Total fuel consumption from oil			
Total fuel consumption from natural gas			
Total fuel consumption from nuclear (electric utilities)			
Total energy consumption from other non-renewable sources			
Total non-renewable (1)			
Total renewable* (2)			
Total energy consumption (1+2)			

ENERGY CONSUMPTION BREAKDOWN



■ TOTAL NON RENEWABLE (1) ■ TOTAL RENEWABLE (2)

This pie answers the requirement 5 on “Share of non renewable energy consumption and production” from RTS on ESG disclosures currently under development under the SFDR

* Total Renewable is the sum of lines 2 and 5 of the final energy consumption + electricity or heat, steam and cooling from renewable sources with green certificates (see ** in previous slide)

Energy Consumption & Mix (4/5)

3 Share of Green Hydrogen in the total energy consumption (%)

- ▶ This disclosure is aiming at monitoring the ramp up of the use of green hydrogen
- ▶ For undertakings active in sectors for which the use of hydrogen is relevant

Share of Green Hydrogen in the total energy consumption (%)

Quantitative

Based on EU
Hydrogen
Strategy

Energy Consumption & Mix (5/5)

4

Energy Intensity

Disclosure of activity energy intensity for companies belonging to high GHG-emission sectors*

(*“Agriculture and forestry”, “Manufacturing”, “Energy” including coal and oil power generation, “Water supply, sewerage, waste management and remediation”, “Transport” including Aviation, “Construction and real estate”, and “Information and Communication (data hosting)”, and/or the sectors subject to the EU ETS)

Quantitative

Disclosure of offices energy intensity for all companies to be aligned with EU green buildings objectives

Quantitative

		Retrospective					Milestones and target years		
Intensity terms	Activity Energy Intensity	Base year 2015-2022	N-2	N-1	N	% N/N-1	2025	2030	Annual % Target/Base Year
	Energy Intensity per activity (kWh/unit of production)								
	Offices Energy Intensity	Base year 2015-2022	N-2	N-1	N	% N/N-1	2025 Target	2030 Target	Annual % Target/Base Year
	Offices Energy Intensity (kWh/m2)								

Note: Disclosure of the energy intensity per revenue, as required by the RTS on ESG disclosures currently under development under the SFDR, has been considered as redundant with carbon intensity per revenue.

Key Disclosures

- 1 ▶ GHG emission disclosures of **Scopes 1 & 2** in absolute and intensity values against targets
- 2 ▶ Disclosure of estimates on significant categories of **Scope 3** GHG-emissions in absolute and intensity values
- 3 ▶ Presentation by Scopes 1, 2 and significant categories of Scope 3 as a pie diagram
- 4 ▶ Optional disclosure of removals, offsets and avoided emissions, separately from the GHG emissions
- 5 ▶ Carbon intensity related to specific EU objectives:
 - Per revenue for sustainable finance regulation
 - Optional disclosure of logistics and tertiary activities carbon intensity

Scopes 1 & 2 GHG emissions (1/2)

1

Scopes 1 & 2 GHG emissions in absolute value

For all companies:

- ▶ Disclosure of Scopes 1 and 2 emissions in absolute value
- ▶ Disclosure of targets for 2025 and 2030 (and, if relevant, each 5 years from 2030 to 2050)
- ▶ Option to add short-lived climate forcers to be discussed

	Retrospective					Milestones and target years			
	Scopes 1 and 2 emissions in absolute value	Base year 2015-2022	N-2	N-1	N	% N/ N-1	2025	2030	Annual % Target/ Base Year
Scope 1									
Total carbon emissions Scope 1 (tCO ₂ e) (1)									
Share capped by regulated emission trading schemes (%)									
Scope 2									
Total carbon emissions Scope 2 (tCO ₂ e, location-based) (2)									
Total carbon emissions Scope 2 (tCO ₂ e, market-based)									
Total GhG emissions Scopes 1&2 (tCO₂e) (1) + (2)									

Scopes 1 & 2 GHG emissions (2/2)

2

Scopes 1 & 2 GHG emissions in intensity terms

For all companies:

- ▶ Disclosure of Scopes 1 and 2 emissions in intensity terms to allow for comparison overtime whatever the perimeter evolutions
- ▶ Disclosure of targets for 2025 and 2030 (and, if relevant, each 5 years from 2030 to 2050)

		Retrospective				Milestones and target years			
Scopes 1 and 2 emissions in intensity terms		Base year 2015-2022	N-2	N-1	N	% N/ N-1	2025	2030	Annual % Target/Base Year
Intensity terms	Scope 1								
	Total carbon emissions Scope 1 (tCO2e/production unit) (1)								
	Scope 2								
	Total carbon emissions Scope 2 (tCO2e/production unit) (2)								
	Total GhG emissions Scopes 1&2 (tCO2e/production unit) (1) + (2)								

Scope 3 GHG emissions (1/2)

1

Scope 3 GHG emissions estimates in absolute value

For all companies:

- ▶ Total GHG emissions scope 3 (tCO₂e) based on significant categories. The Scope 3 significant categories that are reported on should at least cover approximately 80% of the total scope 3 emissions.
- ▶ Annual disclosure of the significant categories estimates (see categories in the below table that are a summary of the 15 categories from the GHG Protocol Corporate Standard) based upon 3 years detailed assessment (updated for major intermediary evolution)
- ▶ A list of scope 3 categories excluded from the inventory with justification for exclusion
- ▶ Disclosure of scope 3 targets 2025, 2030, (and, if relevant, each 5 years from 2030 to 2050)

		Retrospective				Milestones and target years			
Absolute value	Material categories of Scope 3 emissions in absolute value (tCO ₂ e)	Base year 2015-2022	N-2	N-1	N	% N/ N-1	2025	2030	Annual % Target/Base Year
		From upstream purchasing*							
		From downstream sold products*							
		From goods transportation*							
		Business travels							
		From financial investments if any							
		Total GhG emissions Scope 3 (tCO₂e)							

* Upstream purchasing = goods, capital goods, waste disposal, leased assets; downstream sold products = use, end of life, clients transport, leased assets, franchise; goods transportation = tier 1 upstream and downstream, paid or not;
8 Sep, 2021

Scope 3 GHG emissions (2/2)

2

Scope 3 GHG emissions estimates in intensity terms

For all companies or only those companies that are part of high GHG-emissions sectors*:

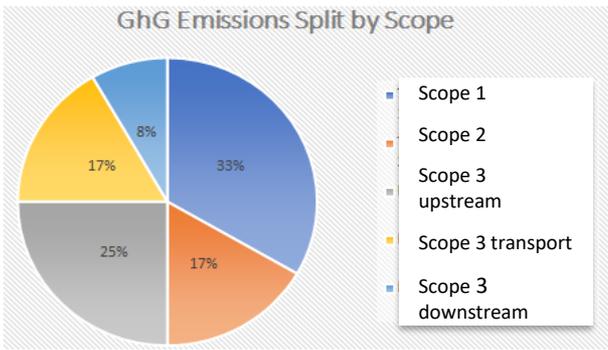
- ▶ Disclosure of Scope 3 emissions in intensity terms based on significant categories (see previous slide).
- ▶ Disclosure of targets for 2025 and 2030 (and, if relevant, every 5 years from 2030 to 2050).

Intensity terms	Material categories of Scope 3 emissions in intensity terms	Retrospective				Milestones and target years		
		Base year 2015-2022	N-2	N-1	N	% N/N-1	2025	2030
	Scope 3 material categories (tCO2e/production unit)							

*Agriculture and forestry, Manufacturing, Energy including coal, oil & gas power generation, Water supply, sewerage, waste management and remediation, Transport including aviation, Construction and real estate, Information and Communication (data hosting)) and/or the sectors subject to the EU ETS.

Other disclosures of GHG Emissions (1/2)

1 GHG emissions in absolute value split by Scope 1, 2 & material categories of Scope 3



The purpose of the diagram is to provide a representation of the total carbon footprint of undertakings and where in the value chain significant GHG emissions are located.

2 GHG emissions breakdowns, if relevant

Disclose GHG Emissions breakdowns per country (Scopes 1 & 2 of the 5 to 10 biggest countries contributions) - also needed for calculation purposes	Quantitative	Based on GRI
Disclose GHG Emissions breakdowns per business unit or market segment or economic activities (seeking for consistency with the nominator of the intensity ratio)	Quantitative	Based on GRI

Other disclosures of GHG Emissions (2/2)

3 Optional disclosure of removals, offsets and avoided emissions (if any) in absolute value

GhG removals, offsets and avoided emissions in absolute value		Base year 2015-2022	N-2	N-1	N	% N/N-1
Absolute value	Removals					
	Total Removals (inside the company) (tCO2e)					
	Describe technological details, calculation assumptions and methodology.	Narrative				
	Offsets					
	Total sold verified carbon offsets (outside the company) (tCO2e)					
	Total purchased verified carbon offsets emissions (tCO2e)					
	Provide details on the quality standards that the voluntary carbon offsets fulfil.	Narrative				
	Scope 3 avoided emissions					
	Total Scope 3 avoided emissions* thanks to products or services allowing GHG emission reduction for customers (tCO2e)					
	Provide details on the calculation methodology, in particular on the life-cycle emissions included and the assumptions made for determining additionality.	Narrative				

*Intensity ratios exceeding EU and Member states' regulatory requirements and above the average market performance

Carbon intensity related to specific EU objectives

1

Carbon intensity related to specific EU objectives on finance, buildings and logistics

- ▶ Disclosure of carbon intensity per revenue needed by financial market participants
- ▶ Optional disclosure of logistics and tertiary activities carbon intensity as well as associated targets for 2025 and 2030 (to address buildings and transport carbon efficiency whatever the sector)

		Retrospective				Milestones and target years			
Intensity terms	Carbon Intensity per Revenue	N-2	N-1	N					
	GHG emissions Scopes 1, 2 & significant categories of Scope 3 /M€ Revenues (tCO2e/M€)								
	Carbon Intensity of Tertiary activities	Base year 2015-2022	N-2	N-1	N	% N/N-1	2025 Target	2030 Target	Annual % Target/Base Year
	Offices and business travels GHG emissions/Full-time equivalent (kgCO2e/FTE)								
	Logistics Carbon Intensity	Base year 2015-2022	N-2	N-1	N	% N/N-1	2025 Target	2030 Target	Annual % Target/Base Year
	GHG emissions from transportation of goods (tCO2e/tons of goods transported)								

EU Taxonomy for Sustainable Activities (1/2)

Key Disclosures

1

- ▶ Placeholder for the disclosure requirements from the Delegated Act supplementing Art. 8 of the Taxonomy Regulation (EU) 2020/852

EU Taxonomy for Sustainable Activities (2/2)

1

EU Taxonomy for Sustainable Activities Ratios on Climate Objectives (Delegated Act supplementing Art. 8 Taxonomy Regulation)

- ▶ This disclosure is a placeholder for disclosure corresponding to the Delegated Act supplementing Article 8 of the Taxonomy Regulation.
- ▶ Below is an illustrative table of the expected information aligned with the Annex II.

Proportion of turnover/CapEx/OpEx from products and services associated with Taxonomy-aligned activities	Climate change mitigation		Climate change adaptation	
	N-1	N	N-1	N
Proportion of turnover				
Absolute turnover (Amount m€)				
% of Taxonomy eligible turnover				
% of Taxonomy aligned turnover				
Proportion of CapEx				
Absolute CapEx (Amount m€)				
% of Taxonomy eligible CapEx				
% of Taxonomy aligned CapEx				
Proportion of Green OpEx				
Absolute OpEx (Amount m€)				
% of Taxonomy eligible OpEx				
% of Taxonomy aligned OpEx				

Financial Exposure to Physical and Transition Risks; Opportunities (1/4)

Key Disclosures

Cluster 2 considers that if undertakings identify principal climate-related risks, they should estimate the potential financial effects.

- 1 ▶ Measurement of financial exposure to physical risks
- 2 ▶ Measurement of financial exposure to transition risks
 - Description and illustrative quantification of financial exposure to climate-related regulations, policies, technology, market evolutions or own reputation
 - Potential financial consequences of the EU ETS allocation plan over the period 2021-2030
- 3 ▶ Financial opportunities relating to climate change mitigation and adaptation

Financial Exposure to Physical and Transition Risks (2/4)

- ▶ This section proposes to quantify the effects of climate-related risks on the entity's financial position and performance over the short, medium and long term (scale in terms of range of margin erosion or increase and time horizon) and beyond what is already recognised under the financial reporting.
- ▶ For the disclosure of quantitative measurements of such risks no common methodology exist yet. Under these circumstances, the disclosure of the quantified climate-related risks is proposed without a requirement on the quantification methodology. Future enhancement of the ESRS may rely on standardised methodologies, e.g. on a classification of significant harmful activities as described in the PSF "Public Consultation Report on Taxonomy extension options linked to environmental objectives" issued in July 2021.
- ▶ Disclaimer: The proposed disclosures need to be reviewed against the financial materiality guidelines currently under development by Cluster 1.

1 Measurement of financial exposure to physical risks

- ▶ As proposed under "Climate Impacts, Risks and Opportunities" section, undertakings shall describe the processes for identifying and assessing short-, medium- and long term physical risks along the value chain, including a definition of the considered time horizons, how size and scale of the hazards are assessed and principal risks are selected.

Based on the principal physical risks, disclose the potential inherent financial effects (m€) (free definitions and quantification methodologies to assess the range of financial inherent effects) before mitigation actions (i.e. with no financial accounting consequences), including for example the proportion (%) of assets exposed to physical risks and any other indicators deemed relevant.

Quantitative /
Financial

Based on TCFD
consultation

In consistency with the action plan section, disclose the potential costs of adaptation solutions that are put in place or planned to mitigate the physical risks (resulting in residual risks).

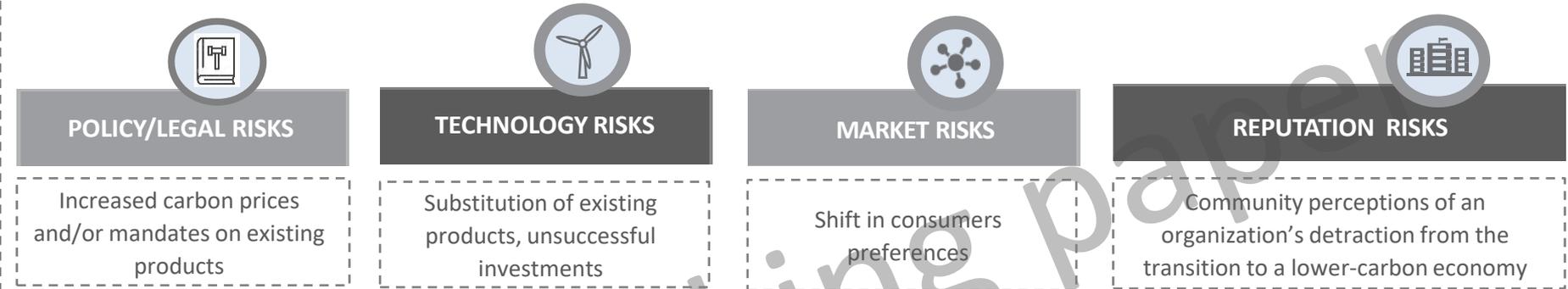
Quantitative /
Financial

Financial Exposure to Physical and Transition Risks (3/4)

2 Measurement of financial exposure to transition risks

As proposed under “Climate Impacts, Risks and Opportunities” section, undertakings shall also describe the processes for identifying and assessing short-, medium- and long term transition risks along the value chain, including a definition of the considered time horizons, how size and scale of the risks are assessed and how principal transition risks are selected.

Transition risks can be classified as follows:



Describe the potential effects of developments in climate policies, markets, technologies evolutions or reputation perception on future operating profits and costs of capital as well as in terms of social costs (e.g. closure of plants), beyond what is already recognised under financial reporting, in the short, medium and long term.

Based on the identified principal transition risks, disclose the potential financial effects (m€) (free definitions and quantification methodologies to assess the range of financial inherent effects).

Examples include: future costs of offsets, the proportion (%) or range of assets related to locked-in emissions (see “Climate Targets” section), the range of potential financial effects of the EU ETS allocation plan over the period 2021-2030 (see below), the proportion (%) of turnover related to significant harmful activities that might be at risk.

For companies participating in the EU ETS: disclose the range of potential financial effects of the EU ETS allocation plan over the period 2021-2030, including the number of quotas to be purchased yearly on the market (gap between estimated emissions and free allocations) and the estimated yearly cost per ton to be purchased.

Narrative	Based on TCFD classification
Quantitative / Financial	Based on PTF financial materiality definition
Financial	Based on PTF financial materiality definition

Financial Opportunities relating to Climate Change Mitigation and Adaptation (4/4)

3 Proportion of product mix aligned towards climate-related opportunities

- ▶ This section proposes to quantify the financial effects of climate-related opportunities (turnover from low-carbon products and adaptation solutions) over the short, medium and long term (scale in terms of range of margin increase).
- ▶ The proposal is based on TCFD consultation.
- ▶ The description of performance criteria used for the definition of low-carbon products and adaptation solutions shall be disclosed.

Working paper

Proportion of product mix aligned towards climate-related opportunities *	Description of performance criteria	Climate change mitigation and adaptation			
		N-2	N-1	N	2030 target
Low-carbon products					
Adaptation solutions					
Etc.					
Total amount (m€)					
% of total turnover					

* Climate-related opportunities encompass turnover from products and services demonstrating clear additionality as for instance those generating avoided emissions for customers (see definition of avoided emissions in "GhG Emissions" section).

working paper



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